PROSPECTUS **21 November 2019**

Listing on the Official List of Nasdaq Helsinki Ltd

Share Issue of 20 million

Subscription Price EUR 4.50 per Offer Share

This prospectus (the "**Prospectus**") has been prepared in connection with the contemplated initial public offering (the "**Offering**") of Optomed Plc, a public limited liability company incorporated in Finland ("**Optomed**" or the "**Company**"). Through the Share Issue, the Company aims to raise gross proceeds of EUR 20 million by offering a maximum of 4,444,444 new shares in the Company (the "**New Shares**") for subscription (the "**Share Issue**"). In addition, Aura Capital Oy ("**Aura Capital**"), Halma Ventures Limited ("**Halma**") and certain other existing shareholders in the Company listed in Annex A to this Prospectus (the "**Selling Shareholders**", and each individually, a "**Selling Shareholder**") may, in their sole discretion, decide to increase the Offering and to sell a maximum of 1,702,575 existing shares in the Company (the "**Sale Shares**") (the "**Share Sale**"). The subscription price for the Offer Shares (as defined below) is EUR 4.50 per Offer Share (the "**Subscription Price**").

The Offering consists of (i) a public offering to private individuals and entities in Finland and in Sweden (the "**Public Offering**") and (ii) private placements to institutional investors in Finland and internationally (the "**Institutional Offering**"). The Company has appointed Carnegie Investment Bank AB (publ) ("**Carnegie**") to act as the Sole Global Coordinator and Bookrunner (the "**Global Coordinator**") and Swedbank AB (publ) ("**Swedbank**") to act as the joint bookrunner for the Offering (Carnegie and Swedbank together the "**Managers**" and each individually a "**Manager**"). In addition, the Company has appointed Nordnet Bank AB, ("**Nordnet**") to act as a subscription place in the Public Offering. Halma may grant Carnegie an over-allotment option exercisable within 30 days from the commencement of trading of the Company's shares (the "**Shares**") on the Offical List of Nasdaq Helsinki Ltd ("**Nasdaq Helsinki**"), to purchase or to procure purchasers for up to 666,666 additional Shares (assuming that the Selling Shareholders would not decide to increase increase the Offering) or a maximum of 922,052 additional Shares (assuming that the Selling Shareholders would decide to increase the Offering and sell a maximum of 1,702,575 Sale Shares) (the "**Additional Shares**") solely to cover over-allotments in the Offering, if any (the "**Over-allotment Option**"). Unless the context indicates otherwise, the New Shares, the Sale Shares and the Additional Shares are referred to together herein as the "**Offer Shares**".

The subscription period for the Offering will commence on 22 November 2019 at 10 a.m. (Finnish time) and end on 2 December 2019 at 4 p.m. (Finnish time) for the Public Offering and on 4 December 2019 at 11 a.m. (Finnish time) for the Institutional Offering. The subscription period may, by a joint decision of the Board of Directors of the Company and the Selling Shareholders, be discontinued or extended, provided that the subscription period will in no event expire prior to 29 November 2019 or extend beyond 2 December 2019 for the Public Offering and 4 December 2019 for the Institutional Offering. Instructions for making the subscriptions and purchases as well as detailed terms and conditions of the Offering are presented in this Prospectus under "*Terms and Conditions of the Offering*".

The Shares have not been subject to trading on a regulated market prior to the execution of the Offering. The Company will submit a listing application to Nasdaq Helsinki to list the Shares on the Official List of Nasdaq Helsinki (the "**Offical List**") under the share trading code "OPTOMED". Trading of the Shares is expected to commence on the prelist of Nasdaq Helsinki on or about 5 December 2019 and on the Official List of Nasdaq Helsinki on or about 9 December 2019 (the "**Listing**"). The Offer Shares offered in the Public Offering will be registered with investors' book-entry accounts with Euroclear Finland Oy ("**Euroclear Finland**"), the Finnish central securities depository, on or about 5 December 2019. In the Institutional Offering, the Offer Shares will be ready to be delivered against payment on or about 9 December 2019 through Euroclear Finland. The Shares will be eligible for clearing through the facilities of Euroclear Finland.

An investment in the Offer Shares involves risks. Prospective investors should read this entire Prospectus and, in particular, "*Risk Factors*" when considering an investment in the Company.

The Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or under the securities laws of any state of the United States and accordingly, may not be offered or sold, directly or indirectly, in or into the United States except in transactions exempt from registration under the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in compliance with Regulation S under the U.S. Securities Act ("**Regulation S**"). The distribution of this Prospectus and the offer and sale of the Offer Shares may be restricted by law in certain jurisdictions. Accordingly, neither this Prospectus nor any advertisement or any other Offering material may be distributed or published in or into Australia, Canada, the Hong Kong Special Administrative Region of the People's Republic of China, Japan, New Zealand, Singapore, South Africa or the United States or any other jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. The Offer Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into any such jurisdiction. Persons in possession of this Prospectus are required by the Company, the Selling Shareholders and the Manager to inform themselves about and to observe any such restrictions. Any failure to comply with these regulations may constitute a violation of the securities laws of any such jurisdiction. See "*Important Information*".

Sole Global Coordinator and Bookrunner

Joint Bookrunner

IMPORTANT INFORMATION

In connection with the Offering, the Company has prepared a Finnish language Prospectus (the "**Finnish Prospectus**") in accordance with the Finnish Securities Markets Act (746/2012, as amended, the "**Finnish Securities Markets Act**"), Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**"), Commission Delegated Regulation (EU) 2019/979 of 14 March 2019, supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301, Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (Annexes 1, 11 and 20) supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (together, the "**Delegated Prospectus Regulation**") and the regulations and guidelines issued by the Finnish Financial Supervisory Authority (the "**FIN-FSA**"). The FIN-FSA has approved this Prospectus as competent authority under the Prospectus Regulation. The FIN-FSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer that is the subject of this Prospectus. The record number of the Finnish Financial Supervisory Authority's approval decision concerning the Finnish Prospectus is FIVA 47/02.05.04/2019. The Prospectus is available in the Finnish and English languages. This Prospectus is a translation of the approved Finnish Prospectus made under the sole responsibility of the persons responsible for the approved Finnish Prospectus. This Prospectus is valid until the Listing, but will, however, expire on 21 November 2020, at the latest.

In this Prospectus, any reference to "**Optomed**", the "**Company**", or the "**Group**" means Optomed Plc and its subsidiaries collectively, except where it is clear from the context that the term means Optomed Plc as the parent company or a specific subsidiary or particular business unit only. References and matters relating to the Shares and share capital of the Company or matters of administration of the Company shall refer to the Shares, share capital and matters of administration of Optomed Plc.

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus in connection with the Offering. If such information or representations are given or made, it must be noted that they have not been authorised by the Company or the Managers. No representation or warranty, express or implied, is made by the Managers as to the accuracy or completeness of the information contained in this Prospectus, and no information contained in this Prospectus should be relied upon as a promise or representation by the Managers in this respect, regardless of whether it concerns the past or the future. Neither of the Managers assume any responsibility for the accuracy, completeness or verification of the information and, accordingly, disclaims to the fullest extent permitted by applicable law any and all liability, whether arising in tort, contract or otherwise, which it might otherwise be found to have in respect of this Prospectus or any such representation. Any information given or representations made in connection with this Offering that are inconsistent with those contained in this Prospectus are invalid.

The information contained herein is current as at the date of this Prospectus. Neither the delivery of this Prospectus nor the Listing means that no adverse changes have occurred or that no events have happened that may or could have an adverse effect on the Company's business, financial condition and results of operations. However, if a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the securities arises or is noted prior to the Listing, this Prospectus will be supplemented in accordance with the Prospectus Regulation. The obligation to supplement the Prospectus under the Prospectus Regulation will end when the Prospectus expires. Nothing contained in this Prospectus constitutes, or shall be relied upon as, a promise or representation by the Company or the Managers as to the future. See "*Certain Matters – Forward-looking Statements*."

The Managers are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offering. The Managers will not regard any other person (whether or not a recipient of this Prospectus) as their client in relation to the Offering. The Managers will not be responsible to anyone other than the Company and the Selling Shareholders for providing protections nor for giving advice in relation to the Offering or any transaction or arrangement referred to in this Prospectus. In connection with the Offering, the Managers and any of their affiliates, acting as an investor for its own account, may take up a portion of Offer Shares in the Offering as principal and in that capacity may retain, purchase or sell for its own account any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to Shares being offered should be read as including any offering or placement of the Offer Shares to the Managers or any of their affiliates acting in such capacity. The Managers do not intend to disclose the extent of such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, the Managers or their affiliates may conclude financing arrangements with investors in connection with which the Managers, or their affiliates, may from time to time acquire, hold or dispose of Shares.

Prospective investors should rely only on the information contained in this Prospectus. Prospective investors should not rely on the Managers or their affiliates in connection with any investigation in respect of the accuracy of any information contained in this Prospectus or in making an investment decision. No person has been authorised to give any other information or to make any representation concerning the Offer Shares or Shares and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Managers. Prospective investors should, prior to making an investment decision, carefully acquaint themselves with the entire Prospectus. In making an investment decision, prospective investors must rely on their own examinations of the Company and the terms and conditions of the Offering, including the benefits and risks involved in them. None of the Company, the Selling Shareholders, the Managers or their affiliates or respective representatives, are making any representation to any recipient of the offer, subscriber or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares under the laws applicable to them. Investors should consult their own advisers, as they consider it necessary, before subscribing for or purchasing the Offer Shares. Investors are required to make their own independent assessments of the legal, tax, business, financial and other consequences and risks of a subscription or purchase concerning the Offer Shares.

In a number of countries, in particular in Australia, Canada, the Hong Kong Special Administrative Region of the People's Republic of China, Japan, New Zealand, Singapore, South Africa, and the United States, the distribution of this Prospectus as well as the sale of the Offer Shares, is subject to restrictions imposed by law (such as registration, admission, qualification and other regulations). The offer to subscribe for or purchase the Offer Shares does not include people resident in Australia, Canada, the Hong Kong Special Administrative Region of the People's Republic of China, Japan, New Zealand, Singapore, South Africa and the United States, or any other jurisdiction where such an offer would be illegal. No action has been or will be taken by the Company or the Managers to permit a public offering or the possession or distribution of this Prospectus (or any other offering or publicity materials or application forms relating to the Offering) in any jurisdiction where such distribution may otherwise lead to a breach of any law or regulatory requirement. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Shares within the United States by a dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements under the Securities Act and in accordance with any applicable U.S. state securities law.

Neither this Prospectus nor any advertisement or any other material related to the Offering may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. It is not the responsibility of the Company or the Managers to acquire appropriate information regarding the above restrictions or to comply with the above restrictions. None of the Company or the Managers accepts any legal responsibility for persons who have obtained this Prospectus in violation of these restrictions, irrespective of whether these persons are prospective subscribers or purchasers of the Offer Shares. This Prospectus does not constitute an offer to sell the Offer Shares to any person in any jurisdiction in which it is unlawful to make such offer to such person, or a solicitation of an offer to buy the Offer Shares from a person in a jurisdiction in which it is unlawful to make such solicitation. As a condition to subscribing for or purchasing the Offer Shares, each subscriber and purchaser is considered to have made, or in some cases, has been required to make, certain representations and warranties regarding their domicile that will be relied upon by the Company, the Managers, the Selling Shareholders and their respective affiliates. The Company reserves the right, in its sole and absolute discretion, to reject any subscription or purchase of the Offer Shares that the Company or its representatives believe may give rise to a breach or violation of any law, rule or regulation. The Offering will be governed by the laws of Finland and any disputes arising in connection with the Offering, the Finnish Prospectus or this Prospectus will be settled by a court of competent jurisdiction in Finland.

TABLE OF CONTENTS

SUMMARY

Introduction

*This summary should be read as an introduction to this Prospectus (the "**Prospectus**"). Any decision to invest in the shares of Optomed Plc (the "**Shares**") ("**Optomed**" or the "**Company**") should be based on consideration of this Prospectus as a whole by the investor. An investor could lose all or part of the invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Shares.*

The identity and contact details of the issuer are:

Company	Optomed Plc
Business identity code	1936446-1
Legal entity identifier ("**LEI**")	7437009IVYWGEE4S7B77
Domicile	Oulu, Finland
Registered office	Yrttipellontie 1, FI-90230 Oulu, Finland

As at the date of this Prospectus, the Company has three share classes: A, B and C Shares and the ISIN codes of the shares are FI4000410881 (A Shares), FI4000410899 (B Shares) and FI4000410907 (C Shares).

The Finnish Financial Supervisory Authority (the "**FIN-FSA**") has, in its capacity as competent authority under the Prospectus Regulation, approved the Finnish Prospectus on 21 November 2019. The record number of the FIN-FSA's approval of the Finnish Prospectus is FIVA 47/02.05.04/2019. The FIN-FSA's address is P.O. Box 103, FI-00101 Helsinki, Finland, its telephone number is +358 9 183 51 and its email address is kirjaamo@finanssivalvonta.fi.

Key Information on the Issuer

Who is the Issuer of the Securities?

The issuer's legal and commercial name is Optomed Oyj in Finnish and Optomed Plc in English. Optomed is a Finnish public limited liability company subject to the laws of Finland and domiciled in Oulu, Finland, and its LEI is 7437009IVYWGEE4S7B77.

Principal Activities

Optomed is a Finnish medical technology company that specialises in fundus imaging devices and solutions and is one of the leading providers of handheld fundus cameras[1]. Optomed develops, commercialises and manufactures modern, mobile and easy-to-use fundus imaging devices that are suitable for any clinic for diagnosing and tracking the progression of ocular diseases affecting the fundus, such as diabetic retinopathy, glaucoma and age-related macular degeneration. Optomed combines handheld screening devices with screening software and automated grading capabilities through Artificial Intelligence with the aim to transform the diagnostic process of blinding eye diseases. Optomed's products are sold in more than 60[2] countries and its customers include international healthcare organisations, hospitals and global medical technology companies (OEM's) and distributors. Optomed's mission is to provide its customers with innovative and affordable devices and software solutions that enable eye disease screening for everyone. Optomed has three offices, headquarter in Oulu, one office in Espoo and another one in Shanghai, China.

The business operations of the Group are organised into two synergistic and complementing business segments: Devices and Software. Optomed's Devices segment is one of the leading providers of non-mydriatic handheld fundus cameras. 'Non-mydriatic' means that pupil-dilating drugs are not required when carrying out the examination. The Software segment comprises development and sales of the Company's software solutions, including sales of software from third-party providers and consulting services.

[1] Zion Market Research (2018). In the management's view, the Company's leading position is based on the share of revenue in the handheld fundus camera market that is generated from sales of cameras manufactured by the Company and sold to end-users by the Company's OEM customers, distributors and directly by the Company.
[2] Including the Company's distributor network, OEM customers and direct sales.

Major Shareholders

Optomed had 13 shareholders as at 19 November 2019. The following table sets forth the shareholders of the Company based on the shareholders' register maintained by Euroclear Finland Oy ("**Euroclear Finland**") as at 19 November 2019 and information provided to the Company:

Shareholder	Number of Shares	% of outstanding Shares and votes	% of total Shares
Cenova Capital (China)[1]	2,438,280	27.87	25.51
Alnair Investments	1,142,800	13.06	11.96
Cenova China Healthcare Fund IV	895,480	10.24	9.37
Shanghai Cenova Innovation Venture Fund (Limited Partnership)	400,000	4.57	4.18
Halma Ventures Limited[2]	1,900,680	21.73	19.88
Robert Bosch Venture Capital GmbH[3]	1,106,920	12.65	11.58
Aura Capital Oy[4]	1,064,240	12.17	11.13
Finnish Industry Investment Ltd[5]	801,440	9.16	8.38
Seppo Kopsala[6]	637,080	7.28	6.66
Mankato Capital Ltd[7]	322,280	3.68	3.37
Cliff Swallow Investment Ltd[8]	265,160	3.03	2.77
Uppland Kapital AB[9]	120,820	1.38	1.26
Markku Virta[10]	72,560	0.83	0.76
David Oak[11]	18,240	0.21	0.19
Total	**8,747,700**	**100.00**	**91.52**
Treasury shares	811,000	-	8.48
Total Shares in the Company	**9,558,700**	**-**	**100.00**

[1)] Alnair Investments, Cenova China Healthcare Fund IV and Shanghai Cenova Innovation Venture Fund (Limited Partnership) are controlled by Cenova Capital (China), an entity controlled by Jun Wu. The ownership of Alnair Investments consists of 1,142,800 class A Shares, the ownership of Cenova China Healthcare Fund IV consists of 895,480 class A Shares and the ownership of Shanghai Cenova Innovation Venture Fund (Limited Partnership) consists of 400,000 class A Shares.
[2)] The ownership of Halma Ventures Limited consists of 1,900,680 class A Shares.
[3)] The ownership of Robert Bosch Venture Capital GmbH consists of 661,420 class A Shares and 445,500 class C Shares.
[4)] The ownership of Aura Capital Oy consists of 923,960 class A Shares and 140,280 class B Shares.
[5)] The ownership of Finnish Industry Investment Ltd consists of 661,160 class A Shares and 140,280 class B Shares.
[6)] The ownership of Seppo Kopsala consists of 637,080 class A Shares.
[7)] The ownership of Mankato Capital Ltd consists of 322,280 class A Shares. Mankato Capital Ltd is controlled by Anders Torstensson.
[8)] The ownership of Cliff Swallow Investment Ltd consists of 265,160 class A Shares.
[9)] The ownership of Uppland Kapital AB consists of 120,820 class A Shares.
[10)] The ownership of Markku Virta consists of 72,560 class A Shares.
[11)] The ownership of David Oak consists of 18,240 class A Shares.

To the extent known to the Company, Optomed is not, directly or indirectly, owned or controlled by any one person.

Chief Executive Officer and Leadership Team

The following table presents the members of the Leadership Team as at the date of this Prospectus:

Name	Year of Birth	Citizenship	Position	Appointed	Employed since
Seppo Kopsala	1978	Finnish	Chief Executive Officer	2005	2004
Niina Huikuri	1977	Finnish	Vice President, Marketing	2018	2018
Sakari Knuutti	1984	Finnish	Chief Legal Officer	2019	2019
Lars Lindqvist	1957	Swedish	Chief Financial Officer	2019	2019
Markku Myllylä	1961	Finnish	Vice President, Software	2018	2018
Laura Piila	1983	Finnish	Vice President, Devices	2015	2010

Statutory Auditor

Optomed's statutory auditor is KPMG Oy Ab, Authorised Public Accountants, with Authorised Public Accountant Tapio Raappana as the auditor with principal responsibility. Tapio Raappana is a member of the Finnish Association of Auditors.

What is the Key Financial Information Regarding the Issuer?

The selected consolidated financial information presented below has been derived from the Company's unaudited consolidated financial information as at and for the nine months ended 30 September 2019 prepared in accordance with "*IAS 34 – Interim Financial Reporting*", including the unaudited comparative consolidated financial information as at and for the nine months ended 30 September 2018, and the Company's audited consolidated financial statements as at and for the years ended 31 December 2018, 2017 and 2016, prepared in accordance with IFRS as adopted by the EU.

The following tables present a summary of Optomed's key financial information as at the dates and for the periods indicated:

	As at and for the nine months ended 30 September		As at and for the year ended 31 December		
	2019	2018	2018	2017	2016
	(unaudited)		(audited, unless otherwise indicated)		
In EUR thousand, unless otherwise indicated					
Consolidated income and comprehensive income statement data					
Revenue	10,649	8,045	12,733	6,899	6,609
Change in revenue, %	32.4	-	84.6	4.4	-
Operating result	(2,563)	(1,201)	(748)	(2,827)	(2,611)
Operating margin, %	(24.1)	(14.9)	(5.9)[1]	(41.0)[1]	(39.5)[1]
Adjusted EBITDA[2]	19	286	1,388[1]	(1,784)[1]	(1,865)[1]
Adjusted EBITDA[2] margin, %	0.2	3.6	10.9[1]	(25.9)[1]	(28.2)[1]
Loss for the period attributable to owners of the parent company	(2 817)	(1,776)	(1,327)	(2,887)	(2,758)
Earnings per share (A and C shares), EUR	(0.35)	(0.23)	(0.17)	(0.43)	(0.41)
Consolidated balance sheet data					
Total assets	21,791	20,593	21,146	9,920	10,028
Total equity	6,102	5,055	5,552	1,162	3,523
Consolidated cash flow data					
Net cash used in operating activities	(1,839)	(1,451)	(76)	(766)	(810)
Net cash used in investing activities	(1,026)	(8,587)	(8,765)	(1,906)	(1,889)
Net cash from financing activities	2,584	10,072	9,814	2,142	1,505

[1)] Unaudited.

[2)] EBITDA excluding material items outside ordinary course of business including restructuring costs, net gains or losses from sale of business operations or other non-current assets, strategic development projects, external advisory costs related to capital reorganisation, impairment charges on non-current assets incurred in connection with restructurings, compensation for damages and transaction costs related to business acquisitions.

[3)] Interest-bearing liabilities (borrowings from financial institutions, government loans and subordinated loans) – cash and cash equivalents (excl. lease liabilities according to IFRS 16).

There are no qualifications in the audit reports relating to Optomed's audited consolidated financial statements as at and for the years ended 31 December 2018, 2017 and 2016.

Unaudited Pro Forma Financial Information

The unaudited pro forma financial information for the period 1 January 2018 – 31 December 2018 on the acquisition of Commit; Oy, gives effect to the said acquisition as if it had been effected on 1 January 2018, instead of the actual acquisition date of 26 March 2018. The table presents the unaudited pro forma income statement and pro forma comprehensive income statement for the financial year ended 31 December 2018 (12 months period). As Commit; Oy was incorporated in the audited consolidated balance sheet of Optomed as at 31 December 2018, no pro forma balance sheet is presented. The unaudited pro forma financial information presented below is compiled in accordance with IFRS as adopted by the EU. It is prepared in a manner consistent with the accounting policies adopted by Optomed in its audited consolidated IFRS financial statements for the financial year ended 31 December 2018. The acquisition was accounted for under the acquisition method in accordance with IFRS 3 *Business Combinations*. Under the acquisition method, assets acquired and liabilities assumed are recognised at their fair values on the date of acquisition. The acquisition was effected as a share acquisition. There was no contingent consideration involved in the acquisition. The unaudited pro forma adjustments also give effect to events that are directly attributable to the acquisition effected, and the financing thereof.

The unaudited pro forma financial information presented below has been prepared for illustrative purposes only. Because of its nature, it addresses a hypothetical situation and therefore, does not represent Optomed's actual results of operations. The unaudited pro forma financial information does not purport to represent Optomed's results of operations for any

future period. The unaudited pro forma financial information does not reflect the effect of estimated synergies and efficiencies associated with the acquisition of Commit; Oy.

The following table presents the key figures relating to the unaudited pro forma income statement and unaudited pro forma comprehensive income statement for the year ended 31 December 2018:

	For the year ended 31 December 2018					
	Optomed, consolidated income statement / comprehensive income statement for the year ended 31 December 2018	**Commit, unconsolidated three-month period ended 31 March 2018**	Differences in accounting policies (FAS-IFRS)	Adjustments from business combination accounting	Adjustments from financing arrangement	**Pro forma consolidated income statement / comprehensive income statement for the year ended 31 December 2018**
In EUR thousand	**IFRS (audited)**	**FAS (unaudited)**				**IFRS (unaudited)**
Revenue	12,733	1,729	-	-	-	14,463
Operating result	(748)	194	(34)	(77)	-	(665)
Adjusted EBITDA[1]	1,388	222	49	-	-	1,661
Adjusted EBITDA[1] margin, %	10.9	12.8	-	-	-	11.5
Loss for the financial year	(1,327)	170	(40)	(61)	(10)	(1,268)

[1)] EBITDA excluding material items outside ordinary course of business including restructuring costs, net gains or losses from sale of business operations or other non-current assets, strategic development projects, external advisory costs related to capital reorganisation, impairment charges on non-current assets incurred in connection with restructurings, compensation for damages and transaction costs related to business acquisitions.

What Are the Key Risks that are Specific to the Issuer?

- The Company may be adversely affected if it fails to continuously develop and update its handheld fundus cameras and software solutions or to identify or integrate new products and product platforms into its offering;
- the Company may be unsuccessful in fulfilling its growth strategy or the growth strategy itself may be unsuccessful, which may lead to lower sales and slower growth than intended and to the Company not being able to achieve its financial targets;
- the Company is dependent on its ability to develop and manage varying routes-to-market for its products, the efficiency of its sales channels and its customer and distributor relationships;
- a significant part of the Company's revenue comes from sales to a few large customers and losing such customers could have a material adverse effect on the Company's business and financial result;
- the Company's success is dependent on the market acceptance of the Company's products and solutions, including the availability and level of healthcare reimbursement;
- The Company is dependent on a contract manufacturer for arranging a functioning and efficient production and product assembly;
- the Company is dependent on suppliers which may affect the Company's ability to supply the agreed quantity of products and provide services to its customers in a timely manner, and any interruptions in the Company's business operations could lead to increased costs, contractual breaches and obligation to pay damages to customers as well as impediments on deliveries, and therefore a decrease in results of operations;
- the Company is not profitable which could restrict the Company's ability to achieve its financial targets and conduct its business operations;
- failure to comply with the mandatory regulatory requirements for medical devices may affect the Company's right to sell products in relevant markets;
- failures or deficiencies in operational risk management and internal control processes may lead to lapses in quality control or otherwise have an adverse effect on the Company's results and reputation; and
- the Company is dependent on conduction and outcome of clinical trials for the approval of its new products.

Key Information on the Securities

What Are the Main Features of the Securities?

As at the date of this Prospectus, the Company has three share classes and in total 9,558,700 Shares of which 8,832,640 are A Shares (of which 811,000 are held by the Company itself), 280,560 B Shares and 445,500 C Shares. The total amount of outstanding Shares and votes in the Company is thus 8,747,700. The Extraordinary General Meeting held on 14 November 2019 (the "**EGM**") resolved, subject to the Board of Directors having made the decision to complete the Listing (as defined below), that the Company's currently existing three share classes will be converted and combined into one single share class with the conversion ratio of 1:1. Following the combination of share classes, the Company would have 9,558,700 single class shares, which will carry one vote at the General Meeting of Shareholders and provide equal rights to dividend and other distributions of the Company. The ISIN code of the single class shares of the Company will be FI4000410881. The Shares have no nominal value and they are denominated in euro.

Assuming that the Company issues 4,444,444 New Shares, the Company will have 14,003,144 Shares following the completion of the Offering (of which 811,000 would be held by the Company and 13,192,144 be outstanding).

As at the date of this Prospectus, the Articles of Association of the Company include redemption and consent clauses, which the EGM resolved to remove from the Articles of Association subject to the Board of Directors having made the decision to complete the Listing. At the completion of the Listing, the Shares will therefore be freely transferrable. However, the Company, the existing shareholders of the Company, the Board of Directors, executive officers and certain other key employees of the Company have undertaken not to sell or otherwise dispose of their Shares in the Company during a period ending 180 days from the Listing (i.e. until on or about 2 June 2020) as regards the Selling Shareholders (as defined below) and other existing shareholders and 360 days from the Listing (i.e. until on or about 29 November 2020) as regards the Company, the Board of Directors, executive officers and certain other key employees.

The Board of Directors has confirmed a dividend policy for the Company. According to its dividend policy, Optomed is in expansion phase and will therefore prioritise growth over dividends in coming years.

Where Will the Securities Be Traded?

Optomed will submit a listing application to Nasdaq Helsinki Ltd ("**Nasdaq Helsinki**") to list the Shares on the official list (the "**Official List**") (the "**Listing**"). Trading of the Shares is expected to commence on the prelist of Nasdaq Helsinki on or about 5 December 2019 and on the Official List of Nasdaq Helsinki on or about 9 December 2019. The share trading code of the Shares will be "OPTOMED" and the ISIN code of the Shares is "FI4000410881".

What Are the Key Risks that Are Specific to the Securities?

- The Company does not expect to pay any dividend in the coming years and the amount of any dividends paid by the Company in any given financial year is uncertain;
- share ownership is concentrated, and the large shareholders will continue to have significant decision-making power;
- the share price of the Shares may be volatile; and
- the Shares have not been previously subject to public trading, and thus an active, liquid and orderly trading market may not develop.

Key Information on the Offer of the Securities to the Public and/or the Admission to Trading on a Regulated Market

Under which Conditions and Timetable Can I Invest in this Security?

Offering

Optomed aims to raise gross proceeds of EUR 20 million by offering a maximum of 4,444,444 new shares in the Company (the "**New Shares**") for subscription (the "**Share Issue**"). In addition, Aura Capital Oy ("**Aura Capital**"), Halma Ventures Limited ("**Halma**") and certain other existing shareholders in the Company listed in Annex A of this Prospectus (the "**Selling Shareholders**") may, in their sole discretion, decide to increase the Offering and to sell a maximum of 1,702,575 existing shares in the Company (the "**Sale Shares**", and together with the New Shares and the Additional Shares (as defined below), the "**Offer Shares**") (the "**Share Sale**", and together with the Share Issue, the "**Offering**").

The Offering consists of (i) a public offering to private individuals and entities in Finland and in Sweden (the "**Public Offering**"), and (ii) private placements to institutional investors in Finland and internationally (the "**Institutional Offering**"). All offers and sales will be made outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S under the U.S Securities Act ("**Regulation S**").

Preliminarily a maximum of 4,000,000 Offer Shares (without the Over-Allotment Option, as defined below, and excluding the 1,702,575 Sale Shares which may be sold in addition to the New Shares by a decision of the Selling Shareholders) are offered in the Institutional Offering as private placements to institutional investors in Finland and internationally. Preliminarily a maximum of 444,444 Offer Shares are offered in the Public Offering for subscription by private individuals and corporations in Finland and Sweden. The Company and the Selling Shareholders may, based on demand, reallocate Offer Shares between the Institutional Offering and the Public Offering in deviation from the preliminary number of Offer Shares without limitation.

The Offer Shares (excluding the 1,702,575 Sale Shares which may be sold in addition to the New Shares by a decision of the Selling Shareholders) represent approximately 33.7 percent of the Company's outstanding Shares and votes after the Share Issue (excluding any Additional Shares based on the Over-Allotment Option) assuming that the maximum number of New Shares are subscribed for in the Offering, and approximately 38.7 percent of the outstanding Shares and votes after the Share Issue if also the Over-Allotment Option is fully exercised. The Offer Shares (including 1,702,575 Sale Shares which may be sold in addition to the New Shares by a decision of the Selling Shareholders) represent approximately 46.6 percent of the outstanding Shares and votes after the Share Issue (excluding any Additional Shares based on the Over-Allotment Option) assuming that the maximum number of New Shares are subscribed for in the Offering, and approximately 53.6 percent of the outstanding Shares and votes after the Share Issue if also the Over-Allotment Option is fully exercised.

Share Issue

The EGM resolved to authorise the Board of Directors of the Company (the "**Board of Directors**") to decide on an issue of a maximum of 7,500,000 New Shares of the Company. The Board of Directors of the Company is expected to resolve on or about 4 December 2019 to offer a maximum of 4,444,444 New Shares for subscription in the Share Issue on the basis of the authorisation granted by the EGM.

As a result of the Share Issue, the number of the Company's Shares may increase to a maximum of 14,003,144 Shares (of which 811,000 would be held by the Company and 13,192,144 be outstanding). The New Shares issued in the Share Issue would represent approximately up to 33.7 percent of the outstanding Shares and votes after the Share Issue, assuming that a maximum number of New Shares are subscribed for in the Offering. The maximum number of New Shares offered represent approximately 50.8 percent of the outstanding Shares before the Share Issue.

The New Shares are offered in deviation from the shareholders' pre-emptive subscription right in order to enable the Listing. The payment made to the Company for approved New Share subscriptions will be booked in its entirety in the invested unrestricted equity fund. Thus, the Company's share capital will not increase in connection with the Share Issue.

Share Sale

The Selling Shareholders may, in their sole discretion, decide to increase the Offering and to sell a maximum of 1,702,575 Sale Shares in the Share Sale. If the Selling Shareholders decide to increase the Offering, the Sale Shares offered in the Share Sale would represent without the Over-Allotment Option approximately 12.9 percent (with the Over-Allotment Option of 922,052 Additional Shares, approximately 19.9 percent) of the outstanding Shares and votes after the Share Issue, assuming that the maximum number of New Shares are subscribed for in the Offering.

If the maximum number of the Sale Shares would not be subscribed for in the Share Sale, the subscriptions would be allocated to the Selling Shareholders on a pro rata basis.

Over-Allotment Option

Halma and Carnegie (the "**Stabilising Manager**") may agree that Halma shall give the Stabilising Manager an over-allotment option exercisable within 30 days from the commencement of trading of the Shares on Nasdaq Helsinki (which period is estimated to occur between 5 December 2019 and 3 January 2020) (the "**Stabilisation Period**"), to purchase or to procure purchasers for a maximum of 666,666 additional Shares (assuming that the Selling Shareholders would not decide to increase the Offering and sell the Sale Shares), or a maximum of 922,052 additional Shares (assuming that the Selling Shareholders would decide to increase the Offering and sell a maximum of 1,702,575 Sale Shares) (the "**Additional Shares**") solely to cover over-allotment (the "**Over-Allotment Option**"). The Additional Shares (assuming that the Selling Shareholders would not decide to increase the Offering and sell the Sale Shares) represent approximately 7.6 percent of the outstanding Shares and votes before the Offering and approximately 5.1 percent after the Offering, assuming that a maximum number of New Shares are subscribed for in the Offering. However, the Additional Shares will in no case represent more than 15 percent of the total number of New Shares and Sale Shares.

Offer Period

The subscription period for the Public Offering will commence on 22 November 2019 at 10 a.m. (Finnish time) and end on 2 December 2019 at 4 p.m. (Finnish time). The subscription period for the Institutional Offering will commence on 22 November 2019 at 10 a.m. (Finnish time) and end on 4 December 2019 at 11 a.m. (Finnish time).

The Board of Directors of the Company and the Selling Shareholders have, in the event of an oversubscription, the right to discontinue the Institutional Offering and the Public Offering by a joint decision no earlier than 29 November 2019 at 4 p.m. (Finnish time). The Institutional Offering and the Public Offering may or may not be discontinued independently of each other. A stock exchange release regarding the possible discontinuation will be published without delay.

The Board of Directors of the Company and the Selling Shareholders have the right to extend the subscription period of the Institutional Offering and the Public Offering by a joint decision. Any possible extension of the subscription period will be communicated through a stock exchange release, which will indicate the new end date of the subscription period. The subscription period for the Public Offering will in any case end no later than 2 December 2019 at 4. p.m. (Finnish time) and for the Institutional Offering no later than 4 December 2019 at 11 a.m. (Finnish time). The Company and the Selling Shareholders may or may not extend the subscription period of the Institutional Offering and the Public Offering independently of each other. The stock exchange release concerning the extension of the subscription period must be released no later than the above-mentioned estimated end dates of the Institutional Offering and the Public Offering.

Subscription Price

The subscription price for the Offer Shares is EUR 4.50 per Offer Share (the "**Subscription Price**"). In determining the Subscription Price, prevailing market conditions, the valuation multiples of companies operating in the same field of operation, as well as the expectations on the Company's results have been, among other factors, taken into account.

The Conditionality, Execution and Publishing of the Offering

The Board of Directors of the Company will decide on the execution of the Share Issue, and the Selling Shareholders will decide on the execution of the Share Sale, and the Board of Directors of the Company will decide, jointly with the Selling Shareholders, if the Selling Shareholders have decided to increase the Offering, on the final number of the Offer Shares and the allocation of Offer Shares (the "**Completion Decision**") on or about 4 December 2019.

The number of New Shares and Sale Shares, if any, will be announced through a stock exchange release immediately following the Completion Decision and it will be available at the latest on the next banking day following the Completion Decision, on or about 5 December 2019, at the subscription places of the Offering and on the Internet on the websites www.optomed.com/ipo, www.nordnet.fi/fi/optomed and www.nordnet.se/se/optomed.

Trading in the Shares

The Company will submit a listing application to Nasdaq Helsinki for the listing of the Shares on the Official List of Nasdaq Helsinki. Trading in the Offer Shares is expected to begin on the prelist of Nasdaq Helsinki on or about 5 December 2019 and on the Official List of Nasdaq Helsinki on or about 9 December 2019. The share trading code of the Shares is "OPTOMED" and ISIN code FI4000410881.

Costs related to the Offering

The Company will pay approximately EUR 4 million in fees and expenses in connection with the Offering (assuming that the maximum number of New Shares are subscribed for in the Offering). If the Selling Shareholders decide to increase the Offering, the Selling Shareholders will pay approximately EUR 0.6 million in fees in connection with the Offering (assuming that the Selling Shareholders will sell the maximum number of Sale Shares, that the Over-Allotment Option will not be exercised and that the discretionary fee will be paid in full).

Dilution

As a result of the Share Issue, the number of outstanding Shares could increase to 13,192,144 Shares assuming that the maximum number of New Shares are subscribed for in the Offering, which corresponds to a dilution for the existing shareholders of approximately 33.7 percent, in the event that the existing shareholders do not subscribe for New Shares in connection with the Offering.

Why Is this Prospectus being Produced?

This Prospectus has been prepared and published by Optomed for the purposes of carrying out the Offering and applying for the Listing.

The funds from the Share Issue are expected to enable increasing financial flexibility for the Company to pursue its growth strategy with focus on expanding into the United States market and continue to leverage its unique know-how and proprietary technology to develop new products. The proceeds will also be used to pay the preferred dividend of EUR 327 thousand. In addition, the Company may use the proceeds to reduce indebtedness by prematurely repaying a loan from OP at a maximum amount of EUR 4.5 million. The possible repayment of the loan will be dependent on the progression of the Company's growth strategy and the need for capital expenditure to pursue the growth strategy.

If the Selling Shareholders decide to increase the Offering, the Selling Shareholders will receive net proceeds of approximately EUR 7.7 million from the Share Sale (assuming that the Selling Shareholders will sell the maximum

number of Sale Shares and that the Over-Allotment Option will not be exercised) and the Company estimates to raise net proceeds of approximately EUR 16.5 million through the Share Issue by offering New Shares for subscription. The Company does not charge costs related to the Offering to the investors.

Carnegie Investment Bank AB and Swedbank AB (publ) (together the "**Managers**") and their affiliates have engaged in transactions with and performed various banking, investment, commercial and other services for the Company, the Selling Shareholders and their respective subsidiaries and affiliates in the past and may do so from time to time in the future and may be paid fees in connection with such services from time to time.

The fees to be paid to the Managers are, in part, linked to the proceeds from the Offering.

Aura Capital, Halma and certain other shareholders listed in Annex A are the Selling Shareholders in the Share Sale. The Company expects that it will, on or about 4 December 2019, together with Halma, as well as with Aura Capital and Finnish Industry Investment Ltd, if such Selling Shareholders have decided to increase the Offering and sell the Sale Shares, enter into an underwriting agreement with the Managers, and the other Selling Shareholders have each given a sales undertaking with respect to the Offering.

RISK FACTORS

An investment in the Shares involves risks, the materialisation of which could have an adverse effect on the value of the investment. Prospective investors should carefully consider the following risk factors, in addition to the other information contained in this Prospectus, before deciding whether or not to invest in the Shares. Should one or more of these risks materialise and result in a decline in the market price of the Shares, investors could lose all or part of their investment. The risks and uncertainties described here are not the only risks potentially affecting the Company's business operations. Additional risks and uncertainties presently unknown to the Company or currently deemed immaterial may also have an adverse effect on the Company's business, financial condition, results of operations or future prospects.

The risk factors presented herein have been divided into five categories based on their nature. These categories are:

- *risks related to the Company's business activities and industry;*
- *risks related to the Company's financial situation;*
- *legal, regulatory and compliance risks;*
- *risks related to the Shares; and*
- *risks related to the Offering and trading on Nasdaq Helsinki.*

Within each category, the risk factor estimated to be the most material on the basis of an overall evaluation of the criteria set out in the Prospectus Regulation is presented first. However, the order in which the risk factors are presented after the first risk factor in each category is not intended to reflect either the relative probability or the potential impact of their materialization. The order of the categories does not represent any evaluation of the materiality of the risk factors within that category, when compared to risk factors in another category.

Risks Related to the Company's Business Activities and Industry

The Company may be adversely affected if it fails to continuously develop and update its handheld fundus cameras and software solutions or to identify or integrate new products and product platforms into its offering.

The Company operates in a competitive market that could be subject to change and technological advancements. The Company is facing competition from various other companies, including established multinational companies. The principal factors affecting the Company's competitive position in the market include product offering, pricing, product quality, innovation and development of new products, brand recognition, distribution capabilities and the ability to foresee and respond to changing preferences and demand. It is important for the Company to develop new products and solutions and to update its existing product offering to be competitive and to meet evolving demand. This is particularly accentuated by the fact that the Company currently has a limited product portfolio in its Devices segment that is based on the same technology platform. Therefore, the Company is with regards to its Devices segment predominantly dependent on the success of its existing technology platform. Furthermore, the success of the Company's handheld fundus cameras is a highly contributing factor for the sales of its accompanying software solutions.

A number of companies are active in the research and development of products and solutions that could compete with the Company's offering. Competitors may have more resources with regard to research and development, superior access to financing, higher manufacturing and distribution capacity as well as superior sales and marketing strategies than the Company. Competitors may for instance develop handheld non-mydriatic fundus cameras that are easier to use, that enable superior screening, or are safer or more affordable than the Company's cameras.

Medical advances and technological development, alongside changes in complementary technology, could lead to the Company's products or solutions becoming non-competitive, outdated or less desirable. Moreover, the development of the Company's products and solutions must satisfy regulatory requirements and meet the expectations of the Company's customers and end-users. Thus, there is a risk that the Company will be unable to sustain its position in the face of competition, if it is not able to continuously develop and update its product offering. There can be no assurance that the Company will be able to continuously successfully develop and update its product offering. If the Company is unable to continuously develop and update its handheld fundus cameras and software solutions, or to identify or integrate new products and product platforms into its offering, the Company may not be able to maintain and increase interest in the Company's products and solutions and to retain market shares. Failure by the Company to continuously develop and update its product offering, for whichever reason, could adversely affect the Company's ability to generate revenue and entail that the Company is unable to meet its financial targets, maintain operations in its current form, or ultimately, needs to discontinue its operations. If any of these risks should materialise, this could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be unsuccessful in fulfilling its growth strategy or the growth strategy itself may be unsuccessful, which may lead to lower sales and slower growth than intended and to the Company not being able to achieve its financial targets.

As part of its strategy, the Company aims to leverage its key strengths to accelerate growth and provide innovative and affordable products and solutions that enable eye screening for everyone. Further, the Company has a long-term growth strategy comprising three key paths: (i) aim to grow in existing markets and enter new geographical markets; (ii) target expansion into new customer segments; and (iii) focus on bringing new products and solutions to the market. The Company's strategy is described in more detail under "*Business of the Company – Growth Strategy*".

The successful implementation of the Company's strategy depends upon a number of factors, some of which are completely or partially outside the Company's control. The Company may not be able to successfully execute its strategy due to, for example, market conditions, political climate, regulatory changes, operational challenges, lack of financial resources, failure to develop its product offering, loss of key personnel or inability to retain and expand its sales and distribution network. The Company may not be successful to continue to grow through its existing distributor and OEM customer base or it may fail in adding new distributors and OEM customers in order to continue growing in existing and new geographical markets. The Company may, for instance, in relation to its current strategy not be able to partner with distributors in the United States and/or pass applicable regulatory audits, which could cause delays with regards to the contemplated United States market launch. Moreover, an essential aspect of the Company's growth strategy is the primary care adoption of the Company's handheld fundus cameras and software solutions as well as the incorporation of Artificial Intelligence into its screening solutions, which in turn would provide opportunities for recurring revenues through pay per use and subscription-based payment models and thereby support growth. The Company may fail, for instance, in increasing the awareness concerning handheld cameras within primary care or in the commercialisation of its Artificial Intelligence solutions. Factors such as these could, alone or together, lead to lower sales and slower growth than intended. The execution of the strategy may also cause increased costs as a result of the reorganisation of operations. The Company may also decide to amend its strategy or adapt its strategy in response to changes in its operating environment. Furthermore, key assumptions made when setting the financial targets of the Company described in "*Business of the Company – Financial Targets*" rely on the successful execution of the Company's growth strategy and a failure in executing the strategy may lead to the Company not being able to achieve these financial targets. Even if the Company succeeds in execution of its strategy, there can be no assurance that the chosen strategy is or will be successful. Costs related to pursuing a strategy or an amended strategy or any failure in executing or amending the Company's strategy, or a failure of the strategy or the amended strategy itself, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is dependent on its ability to develop and manage varying routes-to-market for its products, the efficiency of its sales channels and its customer and distributor relationships.

Optomed conducts business with a range of customers, such as Original Equipment Manufacturer (OEM) customers, distributors, and various end-customers such as hospitals, eye clinics, ophthalmologists, chronic disease management companies, and paediatric clinics. The Company's route-to-market depends on the respective product and geographic market and the optimal route in each geographic market may vary. The primary routes-to-market for the Company in its Devices segment are through selling its handheld fundus cameras via OEM customers, local distributors and through direct sales to end-customers, either through local subsidiaries, as in China, or local sales representatives. The Company has granted various distributors exclusive rights to distribute the Company's products in certain markets. The Company may under its agreements be restricted to procure additional customers, distributors, OEM customers or suppliers and therefore expand its operations with respect to certain products and in certain markets where the Company's agreement counterparties currently hold exclusivity rights.

The Company relies to a large extent on established OEM customers and local distributors to market and sell its handheld fundus cameras to end-customers. Outsourcing the sales and marketing of the Company's products to OEM customers and distributors enables the Company to reach new geographical markets and end-customers via the already established global and local sales networks these companies possess. However, there can be no assurance that OEM customers and distributors will prioritise the Company's products and solutions in their portfolios. In addition, monitoring that the promotional efforts by OEM customers and distributors match shared objectives may require significant resources. The primary route-to-market for the Company in its Software segment is through direct sales to customers such as healthcare service companies, municipalities and governmental agencies. Some of the Company's customers in its Software segment are acquired through participation in public tenders. The specific conditions for public tenders differ between geographic markets and also between different tender processes in the same geographic market. Furthermore, depending on product, market and end-customer, Optomed's routes-to-market may include building and maintaining personal relationships with decision makers and other representatives of its OEM customers, distributors and/or end-customers of its handheld fundus cameras and software solutions. The combination of these factors creates complex conditions for Optomed's sales and marketing activities.

The Company needs to develop, manage and adapt to changes in its routes-to-market. Failure by the Company to develop, manage and adapt to changes in the routes-to-markets, may, for instance, impede the Company from selling its products and solutions to potential end-customers and thus impair the Company's possibility to grow in existing markets, enter new geographical markets and expand into new customer segments in accordance with its strategy. This could in turn negatively affect the Company's ability to generate revenue or become profitable, and also the Company's ability to maintain its operations in its current form, which could lead to the Company ultimately being forced to discontinue its operations.

Any failures by the Company to develop, manage and adapt to changes in its routes-to-market could have a material adverse effect on the Company's business, financial condition and results of operations.

A significant part of the Company's revenue comes from sales to a few large customers and losing such customers could have a material adverse effect on the Company's business and financial result.

The Company is reliant on sales to certain key customers who account for a large portion of the Company's total sales. The five largest customers of the Company include three customers within the Devices segment, two of which are OEM customers and one a large chronic disease management corporation based in China, and two customers within the Software segment. These five customers had a combined share of 52.0 percent of the Company's total sales during the financial year ended 31 December 2018. The Company's largest customer represented a share of 13.1 percent of the Company's total sales during the financial year ended 31 December 2018. In addition, the Company has a limited customer base in certain key geographies, such as China, and therefore, a loss of or reduced sales to a key customer in a key market may adversely affect the Company's ability to generate revenue or become profitable. In addition, some of the Company's customers order from Optomed in large bulk orders and any delays in orders from or deliveries to such large customers may have a significant impact on revenue recognition between financial periods.

Past purchases are no assurance that these customers will continue to purchase the Company's handheld fundus cameras and software solutions, for instance, if the Company's competitors were to develop superior products or offer similar products on more competitive terms than what the Company is able to offer. Furthermore, the agreements with the largest customers from the Devices segment do not contain any minimum purchase volume obligations for the customers. The absence of purchasing obligations may entail that customers stop buying the Company's products without prior written notice. Furthermore, some of the agreements have terms favourable to customers pursuant to which the customer is entitled to terminate purchase orders or the entire agreement on short notice. In addition, financial and operational challenges experienced by the largest customers could impact the Company's ability to collect outstanding receivables fully, or at all. There is also a risk that the Company's OEM customers may in the future decide to manufacture their own competing handheld fundus cameras or to purchase the Company's competitors' products, instead of distributing the Company's products under their respective brands. Moreover, a sudden change in the business model for the handheld fundus camera markets could lead to the Company's offering becoming non-competitive, outdated or less desirable.

The termination of any of these customer agreements or loss of sales pursuant to any of them due to any of the foregoing or other factors, such as deterioration of the parties' business relationship or breach of agreement, could negatively impact the Company's reputation and could materially decrease the Company's profitability and lead to loss of sales. Therefore, the loss of any of the Company's key customers could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's success is dependent on the market acceptance of the Company's products and solutions, including the availability and level of healthcare reimbursement.

There is a risk that the Company's handheld fundus cameras and/or software solutions do not successfully reach the desired level of acceptance from the Company's end-customers or the medical community in general. The market acceptance of the Company's handheld fundus cameras and software solutions is dependent on a number of factors, many of which are beyond the Company's control. The acceptance of the Company's products by the Company's end-customers, such as eye clinics, ophthalmologists, chronic disease management companies and hospitals, is dependent on how these end-customers perceive the Company's products and, for instance, on whether they perceive the Company's products as safer and enabling superior screening or other perceived advantages, such as the cost of the Company's products relative to their effectiveness, over competing products. Furthermore, the Company's efforts to raise awareness and educate its potential end-customers of its products' benefits over competing products may not be successful. In addition, there is in general an increased need to demonstrate clinical and economic evidence to healthcare providers, decision-makers and third-party payers in order to satisfy increased requirements with regards to the efficiency, safety and quality of medical devices and accompanying software solutions.

As described in section "*Regulatory Overview and Reimbursement Systems – Reimbursement of diabetic retinopathy screening*" below, reimbursement practices of diabetic retinopathy screening vary quite significantly across different relevant jurisdictions (such as in the EU, in the USA and in Asia) or even municipalities, and the reimbursement practices

of different jurisdictions can change at any time. For instance, in the USA, diabetic retinopathy screening is reimbursed via Medicaid, Medicare and through private insurance companies. The scope of reimbursed screenings differs covering color fundus images as well as remote imaging for detection of retinal disease or remote imaging for monitoring and management of active retinal disease. Reimbursement covers fundus photography with interpretation and report for both eyes.

The market acceptance of the Company's products is dependent on the availability of local healthcare reimbursement and subsidy schemes that the Company's end-customers may utilise for the purchase and continued use of the Company's handheld fundus cameras and/or software solutions. The Company cannot predict with certainty how relevant healthcare programmes, legislation and regulations will evolve and how they will be implemented in the EU and its Member States, in the United States (at federal and/or state level) and in any other relevant markets, such as China, or the effect of any future legislation or regulation. However, these types of provisions, as adopted, could materially change the way healthcare is delivered and financed, and may materially impact market acceptance of the Company's products. For instance, governmental austerity measures to curb rising examination costs could negatively affect the market acceptance of the Company's products, if the Company's end-customers were to perceive the Company's products as too costly in relation to their effectiveness, ease of use and reliability in the event that they are unable to obtain favourable reimbursement rates for the purchase and continued use of the Company's products. Failures in reaching the desired level of acceptance from the Company's end-customers or the medical community could prevent the Company from generating revenues or becoming profitable, which could affect the Company's ability to maintain its operations in its current form or lead to the Company ultimately being forced to discontinue its operations.

Any failure in reaching the desired market acceptance for the Company's products and solutions could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is dependent on a contract manufacturer for arranging a functioning and efficient production and product assembly.

The Company outsources the manufacturing and assembly of its handheld fundus cameras and fundus cameras sold under its OEM customers' brands. The Company has currently outsourced the manufacturing and assembly of these products to production facilities located in Thailand, owned by the Company's electronic manufacturing service (EMS) partner Fabrinet[3]. Among other things, security of supply constitutes an important factor in the Company's relationship with its customers and, therefore, the Company is dependent on reliable, efficient and effective production. Any disruptions in the outsourced manufacturing in Thailand could have an adverse effect on the Company's business. A technical failure, fire, explosion, flooding, severe weather conditions, political unrest or failure to comply with environmental requirements causing environmental pollution or any other event resulting in a significant or prolonged disruption at any of the EMS partner's production plants located in Thailand, could result in a loss of production capacity and cause, among other things, damage, significant costs, loss of agreements, liabilities, legal claims or damage to the Company's reputation. Historically, there has been cases of significant disruption at the production facilities located in Thailand due to flooding.

The Company is also dependent on its EMS partner's ability to maintain applicable quality and regulatory approvals and permits for the manufacturing of medical devices. For instance, the Company might be hindered for a prolonged time to use the same manufacturer for the production of its handheld fundus cameras intended to be sold in the United States market, if the EMS partner's FDA approval would be revoked. The manufacturing operations of the Company's third-party manufacturer(s) are subject to regulatory inspections. Any failure to follow and document the adherence to regulatory requirements and good manufacturing practice (GMP) may lead to significant delays in the availability of products, related disposables and/or any future products for commercial sale or clinical trials, termination or interruption of clinical trials and delay in filing, approval or maintenance of marketing approvals for the current or future products. Failure to comply with applicable regulations could also result in regulatory authorities taking various actions, including imposing fines, other civil penalties or operation restrictions, and give rise to damage claims, cause reputational damage to the Company, and also divert time and resources from the Company's day-to-day management of the business.

The agreement with the EMS partner is automatically renewed for successive one-year periods, unless a party terminates the agreement at least 12 months prior to the expiry of the relevant one-year period. If the EMS partner decides to terminate the agreement with the Company or any other disruptions in the EMS partner's operations occur, it could make it difficult, or impossible, for the Company to perform its obligations to customers or meet their expectations and to deliver the agreed quantity and quality of products in time, or at all. This could lead to the Company being required to contract other external parties for the manufacturing of its products, which the Company believes could be difficult on short notice as well as cause disruptions during the transition period. If such events were to materialise, this could entail additional costs, product delivery delays, loss of sales, loss of agreements, disputes and, in turn, negatively impact the demand for the Company's products, as well as the Company being forced to enter into manufacturing agreements on

[3] The Product Manufacturing and Engineering Services Agreement is entered into with Fabrinet, a Cayman Islands exempted limited liability company, however, the manufacturing of the Company's products is carried out by Fabrinet Co. Ltd.

less commercially viable terms. For instance, the customers might be entitled to compensation if the Company is unable to supply products in accordance with undertakings it has provided. The Company has towards some of its customers undertaken to pay damages, including liquidated damages, for delays in delivery of ordered products. In addition, some customer agreements contain possibilities for the customers to terminate purchase orders on short notice due to delays in delivery of products. The liability of the EMS partner for such events or consequences is very limited.

In addition, the agreement with the EMS partner contains provisions restricting the possibility to assign the agreement to another party. Pursuant to the agreement, a change of control of Optomed is equated with assigning the agreement to another party. Should any entity or person, subsequent to the listing of the Company's Shares, acquire a controlling stake in the Company, there is a risk that this would be considered as a material change in the ownership or control structure of Optomed, thus potentially entailing that Optomed would be in breach of the agreement if prior consent is not obtained. See "*Business of the Company – Material Agreements – Manufacturing Agreement with EMS Partner*".

If the Company fails to retain a functioning and efficient production structure, this could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is dependent on suppliers which may affect the Company's ability to supply the agreed quantity of products and provide services to its customers in a timely manner, and any interruptions in the Company's business operations could lead to increased costs, contractual breaches and obligation to pay damages to customers as well as impediments on deliveries, and therefore a decrease in results of operations.

The Company's handheld fundus cameras consist of components from a number of suppliers. The Company is dependent on suppliers meeting agreed requirements as regards, for example, quantity, quality and time of delivery. To ensure sufficient supply from its most important suppliers, the Company places frame orders for time periods of 12–24 months with minimum purchase volumes. In case the Company does not meet the agreed volumes, the frame order is either extended or the components are purchased to the Company's storage and typically consumed within one to two quarters. The Company's suppliers of components may experience problems or disruptions at their production sites or in their supply channels, which could be due to several factors, such as capacity, labour or material shortages, strikes, natural disasters, fire, explosion, flooding, actions by authorities, or failure to comply with environmental requirements and damage resulting from non-compliance. Business or production interruptions which occur on such production sites could lead to the suppliers not being able to deliver necessary products to the Company on time or at all, which in turn could disrupt the Company's production or customer deliveries. Furthermore, there can be no assurance that the Company's suppliers are able to meet significantly increased demand of components used in the Company's products in a timely manner. Any prolonged disruptions in the supply of components could lead to the Company being required to contract other suppliers, some of which are suppliers of critical components that are not easily replaced on short notice. In addition, the Company is dependent on certain suppliers of software solutions that are integrated into the Company's own fundus cameras and software offering. Malfunctions or downtime in these software solutions could adversely affect the Company's business. A significant part of the Company's revenue consists of resale of software licences. If the Company were to lose the right to resale such products without being able to replace the sales with other products, it would have an adverse effect on the Company's revenue and results of operations.

Furthermore, the Company's agreements with some of its largest customers contain provisions pursuant to which the Company is, among other things, obliged to pay damages, including liquidated damages, in event of delay in delivery of products or interruptions in the provision of software services. There is a risk that the Company may be unable to protect itself against such damages by recovering incurred costs from its suppliers in the event of delays or non-delivery of products as a consequence of delays by its suppliers. In addition, some of the Company's relationships with its suppliers are only governed by email correspondence, price lists, short-term or brief contracts, which do not contain clear terms and conditions on delivery, delays, quality and allocation of risk and liability, which typically is a driver for claims and disputes.

If the Company's suppliers fail to supply the Company with products and components meeting the agreed qualitative requirements in a timely manner, this may cause disruptions in the Company's customer deliveries, which in turn may give rise to claims and disputes, significant costs and divert the management's resources, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Increase in prices of components and raw materials and problems in the availability of components and raw materials may have a negative impact on the Company's profitability.

The Company's profitability is affected by the prices and availability of the components and raw materials used in the manufacture of its products. The Company uses a range of components, such as electronical components, the price of which depend, to a certain degree, on market prices and the availability of sources. In addition, some of the components purchased by the Company for use in its products include a varying degree of raw material, such as electronical

components consisting of a varying degree of precious metals, and are thus subject to price changes based on fluctuations in the cost of the underlying raw materials.

The prices of components and underlying raw materials might fluctuate based on a number of factors beyond the Company's control, including changes in the supply and demand, general economic conditions, labour costs, competition, import duties, tariffs, currency exchange rates, and government regulation. Significant changes in the markets in which the Company purchases the components from suppliers for the manufacture of its products, may adversely impact the Company's profitability. For instance, the price of the electronical components that the Company purchases from its suppliers has increased during the last few years, due to an increased global demand.

If the Company cannot offset increases in component and underlying raw material costs, whether through price increases or otherwise, there could be a negative impact on the Company's profitability and margins. Furthermore, any long term increase in the cost of components or underlying raw materials, and the resultant increase in the price of the Company's products, could have a negative impact on the demand for its products and on the Company's market share and customer relationships. The Company currently does not use any derivative instruments to hedge its exposure to fluctuations in raw material costs.

Any inability to manage availability, price increases and costs related to components and underlying raw materials, in part or in full, or to find suitable substitutes at a more viable cost, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is exposed to general and country specific economic, political and regulatory risks, which could entail volatile sales in key markets.

Optomed markets and sells its products in different parts of the world and is subject to the effects of general global economic conditions as well as conditions unique to a specific country or region. The Company is also affected by the general demand and pricing of fundus cameras and solutions for eye screening and healthcare in relevant markets. The Company has identified target markets, of which several are emerging markets where the Company also has grown in recent years. The Company currently believes that sales in such emerging markets will also in the future represent an increasing portion of total sales, as developing countries to a larger extent have challenges to effectively examine and diagnose the estimated increasing number of people suffering from diseases, such as diabetes and diabetic retinopathy. Operating in developing countries involves certain risks, including volatility in gross domestic product and currency exchange rates, civil disturbances, social, economic, political and geopolitical instability, nationalisation of private assets, and restrictions on repatriation of profits and transfers of cash. Furthermore, Optomed is exposed to various political decisions, in particular decisions that affect international trade, such as economic sanctions as well as tariffs, duties, export controls and other trade sanctions and trade barriers. Optomed cannot anticipate the development of financial markets, the economic and political climate, including any changes in trade policies, or foresee macro or country specific economic events, and an economic down-turn or an otherwise weak or declining economy could stain the market for eye screening products and solutions and lead to increased pressure on e.g. hospitals, clinics, practitioners, healthcare organisations, third-party payers, and authorities to reduce examination costs, potentially lowering the demand and willingness to pay for products and solutions for eye screening in general, including Optomed's products and solutions. In several countries, including Europe, China and the United States, there are various measures to curb rising examination costs, which could result in reduced reimbursement levels, and could therefore affect the Company's future sales. If any of these risks should materialise, this could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's customer agreements generally have terms favourable to the customers, and the Company is exposed to claims relating to product liability and back-to-back liability.

Due to the Company's relatively small size compared to some of its contractual parties, the Company's bargaining power when entering into agreements with such counterparties is often limited. As such, certain of the Company's agreements with its OEM customers, distributors and other parties contain terms that can be considered unfavourable to the Company and that may require additional resources from the Company and expose the Company to additional costs as well as claims related to product liability and back-to-back liability.

The Company is exposed to the risk of product liability actions, including class actions, if the use of the Company's products causes personal injury or damage to property. Failure in the Company's quality control may lead to the delivery of defective products to its customers. The Company has in the past detected and may in the future detect defects in its products. If a product of the Company proves to be defective, the Company may be liable for losses relating to the defective products. The Company supplies its products to several countries and the risk and costs related to product liability may be substantially high in some of these countries, for example the United States.

The Company is required to repair or replace defective products and is, in addition, not only liable for direct damages but also indirect and consequential damages pursuant to some of its customer agreements. Some of the Company's agreements with its largest customers do not limit or cap the Company's liability. Furthermore, a few of the agreements with the Company's largest customers and distributors contain obligations for the Company to indemnify its counterparties for claims in relation to defective products, even if the product is not sold under the Company's own brand. Furthermore, the Company may be found liable for damages or other losses caused by deficiencies in the third-party AI algorithms that have been sold in some jurisdictions as an additional functionality or service for the Company's handheld fundus cameras. There are currently legal uncertainties in relation to whom is to be ultimately held liable for such damages or other losses caused by the use of a third-party AI algorithm that has been added as an additional feature or service into a product. The Company has only limited control over the regulatory compliance of a third-party's AI algorithm and the third party remains responsible for validation of the algorithm.

The Company also provides to some of its customers warranties that extend further than its suppliers' warranties for components included in the Company's handheld fundus cameras. Thus, the Company is exposed to costs for potential product recalls and warranty claims that cannot be recovered from its suppliers. Further, due to long warranty periods pursuant to some of the Company's customer agreements, claims under the warranties may be brought several years after the products were delivered. There is no certainty that the provisions, if any, made for warranties in the day-to-day management are sufficient. Furthermore, there can be no certainty that the Company's agreements are adequately addressing matters such as competition, compliance or limitation of liability. Moreover, certain agreements with the Company's distributors require the parties to continue the agreement by a written notice following the initial fixed term of the agreement in order for the agreement to be in force. However, operations under a part of such agreements have been continued without such notice and, therefore, uncertainty can emerge as to whether such agreements are in force and binding on the parties. In addition, some of the Company's relationships with its suppliers are only governed by email correspondence, price lists and brief contracts which do not contain clear terms on the allocation of risk, and further, some of the Company's relationships with its significant customers are only governed by oral agreements. If these agreements are breached or their interpretation causes disputes in relation to the allocation of risk for product liability, this could divert the management's resources and cause claims and disputes as well as significant costs, which could disrupt the Company's operations. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's and its OEM customers' reputation may be harmed, which could have an adverse effect on the Company's business.

The Company's products are marketed under the Optomed brand. In addition, the Company's fundus cameras are also marketed under each respective OEM customer's brands.

The Company's reputation and the reputation of its brands is important to the Company's business and strategy. The Company's result of operations is subject to the Company's ability to maintain and enhance its reputation and brand recognition through its offering. The Company's sells devices and software solutions for the medical field. It is important for the overall demand of the Company's current and future product offering that the Company maintains its reputation and the acceptance of its handheld fundus cameras and software solutions by physicians, hospitals, patients and the medical community in general. It is further important to the Company that its OEM customers are able to maintain their reputation and brand recognition. Any loss of reputation regarding the Company's OEM customers could affect the sales and demand of the products developed by the Company for these parties. Similarly, an impairment of the Company's reputation and brand recognition could negatively affect the willingness of the Company's OEM customers and distributors to market and sell the Company's products.

The Company's and its OEM customers' reputation may be harmed as a consequence of negative publicity relating to the companies' businesses, the entire industry or the companies' competitors. The Company's and its OEM customers' reputation may be harmed, for instance, by factors such as product recalls, disputes with customers or suppliers in relation to product liability, disputes in relation to the Company's handheld fundus cameras not being compliant with regulatory requirements, incorrect diagnoses or instances of personal injury to patients or product operators during development, testing or usage of the fundus cameras developed by the Company. If the market perceives the Company's handheld fundus cameras as unsafe or of low quality due to product defects causing personal injury or incorrect diagnoses, this could materially harm the Company's and its OEM customers' reputation. Any perceived deficiencies in this regard could harm the acceptance of the Company's handheld fundus cameras and software solutions from its end-customers and the medical community in general, and as a consequence could affect the demand for the Company's products. In addition, the Company may be liable to indemnify its OEM customers for indirect damages as a consequence of any loss of reputation.

If the Company's or its OEM customers' reputation and brand recognition would be impaired due to any of the foregoing circumstances, this could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's insurance coverage may prove insufficient, which could give rise to substantial additional costs.

In accordance with the terms and conditions of the insurance policies, the Company has insurance policies covering aspects of its operations and risks to be insured therein, such as property, damage and business interruption, liability insurances and cargo and employer's statutory insurances. The Company has also in some of its customer agreements undertaken to maintain a certain level of insurance coverage. The Company's insurance policies may not cover all risks and occurrences of damage that may materialise in the future, and there can be no certainty that any particular claim would be paid due to, for example, such claim not being covered under the existing policies, or the Company's right to compensation may be limited or reduced in accordance with the terms and conditions of the policy. For example, the Company's insurance policies do not cover damages that may materialise as a result of changes in regulation or other actions by authorities, such as the suspension or revocation of licences and permits. Moreover, the Company does not have separate insurance policies in place in China. Further, sufficient insurance coverage may not be available for certain damages at all. In addition, there can be no certainty that the Company will be able to maintain its current insurance coverage on terms acceptable to it. Any losses and damage not covered by the Company's current or future insurance policies could give rise to claims and disputes and have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's business may be adversely affected by a breakdown of its IT-systems or a failure to develop those systems.

The Company uses information technology systems for the processing, transmission and storage of electronic data relating to its operations and financial reporting, as well as for its production, order bookings, logistics facilities and other operations. A significant portion of communications between the Company's personnel, customers and suppliers rely on the efficient performance of information technology systems and the Company's operations are also dependent on data networks and data transfer, as well as data systems used by external parties. In addition, the Company processes may possess pseudonymised sensitive personal data, such as patient data concerning the health of persons screened with its handheld fundus cameras, as well as other personal data (see "*– Legal, Regulatory and Compliance Risks – The Company processes personal data in the ordinary course of its business, and any failure comply with the EU General Data Protection Regulation ((EU) 2016/679) (the "GDPR") and applicable local data privacy laws and regulations in countries where the Company operates could result in legal liability for the Company and reputational harm to its business").*

Despite the Company's security measures and back-up systems, its information technology and infrastructure may be vulnerable to attacks by hackers, computer viruses or malicious code. Various cyber threats have increased in recent years along with the digitalisation of companies' operations. The Company may be targeted, for example, by phishing or malware attacks, denial-of-service attacks, breaches in information or data systems, ransomware or attacks targeting production processes. It may also be difficult for the Company to detect cyber-attacks upon their occurrence, which could have an impact on the size of damage. In addition, the Company's information technology and infrastructure may be breached due to employee error, malfeasance or affected by other disruptions, including as a result of natural disasters or telecommunications breakdowns or other reasons beyond the Company's control. In addition, problems may emerge in the integration of the Company's data systems, including systems acquired in connection with potential corporate acquisitions or integration of customers', vendors' or suppliers' data systems into the Company's data systems.

If one or more such events occur, it could cause, among other things, disruptions or delays to the Company's operations, direct or indirect loss of profit, violations of applicable personal data laws, loss or negative publicity of intangible assets, especially trade secrets, which could expose the Company to losses, damage and liability and which could cause its business and reputation to suffer. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may not be able to protect its trade secrets and know-how.

The Company is a highly knowledge-intensive organisation, with a large amount of the Company's competitive advantage being in the board, management and personnel's knowledge of the Company's operations and industry. The Company is also dependent on being able to protect trade secrets and know-how relating to its products that are not covered by patents, patent applications or other intellectual property rights, including information on inventions for which no patent applications have yet been made.

There is a risk that someone who has access to trade secrets and other confidential information, such as employees, consultants, advisors, partners or customers, will disseminate or otherwise use this information in a manner that damages the Company. There is also a risk that the Company may fail to maintain trade secrets and other confidential information or protect such information using legal means, or that such information could become known in another way as a result of circumstances beyond the Company's control. In addition, competitors or other external parties could independently

develop similar know-how, which could damage the Company's operations. For instance, the Company's employment agreements include non-disclosure clauses and the Company has in addition entered into separate non-disclosure agreements with some of its research and development personnel to protect the Company's trade secrets. However, the non-disclosure clauses included in the employment agreements last for a relatively short time and proving that damage has been caused by a breach of contract may prove difficult. Thus, there is a risk that the Company's employment and research and development agreements prove to be insufficient in terms of the Company's ability to protect its trade secrets.

If the Company fails to secure confidentiality of its trade secrets and know-how, or such information is spread without the Company's approval, this could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be adversely affected if it would lose its key personnel.

Optomed and its business success is dependent on, among other things, the competence and professional skills of its employees and its management, as well as on the Company's ability to hire, develop, train, motivate and retain skilled and professional personnel. In addition, the organisation of the Company is of limited size, where, among other things, the Chief Executive Officer is one of the founders of the Company and a shareholder of the Company. Thus, the Company is dependent on certain key personnel, including members of management and employees with experience and competencies in areas such as research and development and production. These key persons are of great importance to the Company's future, especially when it comes to implementing strategic objectives, continuously developing the Company's products, and effectively directing, managing and controlling the Company's operations in a competitive market.

The loss of key personnel with specialised knowledge or the Company's failure to recruit qualified personnel in the future could delay or impair the Company's business and continued product development.

Risks related to corporate acquisitions could have a material adverse effect on the Company.

The Company aims to grow organically and in accordance with its growth strategy described in more detail under "*Business of the Company – Growth Strategy*". However, the Company may also in the future consider adding capabilities and seeking growth through corporate acquisitions or other corporate transactions, should an opportunity to do so arise. Such corporate transactions may involve obligations and risks related to their nature or value. Risks related to the operations, financing, integration problems, market, equity and financial market perception, macro-economic reasons, retention of key personnel and other factors could have a material adverse effect on the Company's business and financial position.

In a situation where the Company could be pursuing acquisitions, there can be no assurance that the Company will be able to finalise any such acquisition within the required timeframe, at the desired price and commercial conditions, or at all. Furthermore, acquisitions involve numerous risks and uncertainties, including, for example, the failure of the acquired businesses to achieve the projected financial targets in the near or long term, risks relating to the valuation, the assumption of unknown liabilities, integrating the acquired business into the Company and the risk of losing focus in research and development, marketing and other support functions during the integration process, cultural differences, and the failure to achieve the strategic objectives of these acquisitions, such as growth, cost savings and synergies. Risks and uncertainties arising in connection with possible corporate acquisitions could divert the management's resources, which could disrupt the Company's operations.

In addition, companies involved in transactions are generally subject to risk of employees, including senior management and other key employees, leaving the acquired or acquiring company. Especially in a situation where the Company is looking to add capabilities through acquisitions, the failure to retain the acquired company's key personnel could jeopardise the rationale of the acquisition.

Risks Related to the Company's Financial Situation

The Company is not profitable which could restrict the Company's ability to achieve its financial targets and conduct its business operations.

The Company has generated losses since its formation and recognised a net loss of EUR 1,327 thousand in 2018. These losses have mainly arisen as a result of research expenses for launching and marketing products in different markets as well as general and administrative costs related to the Company's operations. In the future, the Company will be required to conduct further research and development, business development, clinical testing and activities related to regulatory compliance. Such activities, together with anticipated general and administrative expenses associated with the growth strategy of the Company, could increase costs, reduce the Company's liquidity and prevent the Company becoming profitable. There is a risk that the Company will not be able to generate sufficient income or achieve profitability to

conduct its business operations in accordance with at each time applicable goals or strategies, which could restrict the Company's ability to achieve its financial targets, maintain the scope of its operations and ability to obtain required additional funding. If the Company does not achieve profitability or does not generate income as expected, the Company may be forced to record write-downs on, e.g. goodwill and capitalised development costs. Even if the Company does achieve profitability in the future, it may not be able to sustain profitability in subsequent periods. In addition, the Company's results can fluctuate and, as a result, period-to-period comparisons of financial results are not necessarily meaningful and results of operations in prior financial periods should not be relied upon as an indication of the Company's future performance.

If the Company fails to generate sufficient income or achieve profitability, this could have a material adverse effect on the Company's business operations, financial conditions and result of operations.

The Company is exposed to credit and counterparty risks through its trade receivables.

Credit and counterparty risks materialise when counterparties are unable or unwilling to fulfil their payment obligations towards the Company. The Company operates on a global scale, which exposes the Company to markets where credit and counterparty risks are high and where the legal enforcement of counterparties' payment obligations may prove difficult. The Company's credit risk arises from outstanding trade receivables from companies to whom Optomed provides credit. The general credit risk that the Company is exposed is particularly accentuated by the fact that the Company is dependent on certain larger customers. The Company's receivables past due amounted to EUR 328 thousand as at 30 September 2019. The Company has not recorded any significant credit losses during the financial years ended 31 December 2018, 2017 and 2016 or during the nine months period ended 30 September 2019.

Financial and operational challenges experienced by customers may impact the Company's ability to collect outstanding receivables fully or in a timely manner, or at all, which, in turn, could lead to credit losses and require the Company to raise additional capital or obtain alternative financing to meet its obligations under any financing arrangements. The Company's exposure to credit risks will in addition increase if its export operations increase significantly.

An increase in credit losses or failure by counterparties to meet their payment obligations towards the Company could result in a reduction of the Company's liquidity and consequently have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be dependent on external financing and the Company may have difficulties accessing additional financing on competitive terms or at all.

The Company is currently dependent on external financing acquired, for instance, via borrowings from financial institutions and governmental institutions and grants from the European Commission. Although the Company expects that the funds to be received from the Offering will be sufficient to finance its current growth strategy, the Company may still in the future require external financing if it, for example, changes its strategy or pursues significant transactions. The Company may not be able to obtain financing or it may only be able to obtain financing at significantly higher cost than what is currently the case. Factors such as financial market conditions, the general availability of credit and the Company's credit rating may affect the availability of financing. Global financial markets have experienced several periods of high volatility since the financial crisis at the end of the previous decade. Financial market conditions may be affected by various factors, including adverse macroeconomic development, sovereign debt crises and unstable political environment. Future periods of uncertainty, increased volatility, disruptions or sustained adverse developments in the financial markets could constrain the Company's access to capital and result, for example, in a reduction of liquidity that could make it more difficult to obtain funding for the Company at reasonable costs, which in turn may negatively impact the Company's ability to finance the operating and capital expenditure necessary to pursue further growth initiatives.

There can be no assurances that the Company will be able to obtain additional financing. Difficulties accessing additional financing could have a material adverse effect on the Company's business, financial condition and result of operations.

The Company may be unable to comply with financial covenants and conditions included in financing agreements and public grants.

The Company's current borrowings from financial institutions contain financial covenants, which the Company must comply with. For example, all loan agreements with OP are subject to a financial covenant requiring the Group to maintain an equity ratio of 35 percent (the level of the equity ratio covenant has been decreased to 25 percent for the financial years ending 31 December 2019 and 2020), as described in more detail in "*Business of the Company – Material Agreements - Debt and Other Financing Agreements*". The Company breached the financial covenant as at 31 December 2018, when the actual equity ratio of the Company was 34.65 percent (35.66 percent as at 30 September 2019). The related liabilities subject to the equity ratio covenant amounted to EUR 7,006 thousand as at 31 December 2018 (EUR 6,696 thousand as

at 30 September 2019). The lender had a right to demand immediate repayment of the borrowings as a result of the breach, however, the lender has given the Company a waiver for the covenant breach.

There can be no assurance that the Company will be able to act in accordance with financial covenants and other conditions of its borrowings from financial institutions and governmental institutions or financial covenants and other conditions included in public grants provided by governmental institutions and the European Commission due to, for example, worse than expected financial performance or sudden increase of interest rates. If the Company is in the future unable to comply with the covenants or other clauses, or if it would be unable to make the required interest payments on time, it could be required to renegotiate the terms of its financing agreements, request waivers or replace borrowings under current financing agreements with other financing in order to prevent default. Breach of covenants and failure to fulfil other contractual obligations may thus increase the costs of financing significantly as well as jeopardise the continued business operations of the Company, if new financing cannot be secured or current financing be maintained.

If the Company is unable to comply with financial covenants or other conditions, this could have a material adverse effect on the Company's business, financial condition and result of operations.

The Company is exposed to liquidity risk that may affect the Company's possibility to meet payment obligations.

The Company believes that its available working capital is sufficient for at least the 12 months following the date of this Prospectus. However, the Company is nevertheless in the future exposed to liquidity risk, meaning that the Company may be unable to meet its payment obligations on the due date without considerable increase in the cost of obtaining funds for payment. The Company is exposed to liquidity risk as a result of a potential mismatch between the Company's liquid assets and its payment obligations. As at 30 September 2019, the Company's cash and cash equivalents amounted to EUR 1.7 million.

If the Company's sources of liquidity prove to be insufficient to meet its payment obligations in the future, this could result in the Company being required to obtain additional financing, which might not be available at reasonable cost, or at all, which could have a material adverse effect on the Company's business, financial condition and result of operations.

The Company is exposed to foreign exchange rate risks arising from fluctuations in currency exchange rates.

The Company is exposed to foreign exchange rate risks, both translation risks and transaction risks arising from fluctuations in currency exchange rates. The key currencies in which the Company has the most exchange rate risk exposures are the Chinese Renminbi and the U.S. dollar. The total currency risk exposure for the Company amounted to EUR 768 thousand in relation to the Chinese Renminbi and EUR 667 thousand in relation to the U.S. dollar, as at 30 September 2019. Translation risks are mainly caused by the Company's foreign currency denominated assets in its Chinese subsidiaries, which cause a translation difference in equity in Optomed's balance sheet upon consolidation. Transaction risks are caused by trade receivables and trade payables denominated in foreign currencies, which exposes the Company to foreign exchange risks in relation to these items. The Company's foreign exchange risks will increase further if its export operations, such as to China, increase significantly. The Company monitors its currency positions but does not currently use any currency derivative instruments to hedge its exposure to foreign exchange risks.

Unfavourable fluctuations in exchange rates, such as against the Chinese Renminbi and the U.S. dollar, could have a material adverse effect on the Company's financial condition and results of operations.

The Company is exposed to changes in interest rates in floating-rate borrowings.

The Company's interest rate risk arises from outstanding floating-rate borrowings from financial institutions. The Company's loans and borrowings carry variable interest and such interest-bearing liabilities expose the Company to cash flow interest rate risks. The Group's interest-bearing financial liabilities amounted to EUR 10.1 million as at 30 September 2019. The weighted average interest rate was 0.50 percent in 2018. The Company does not currently use derivative instruments to hedge its financial liabilities against changes in the applicable interest rates.

Interest rates can increase in response to numerous factors outside the Company's control, including government and central bank policies. An increase in interest rates would cause the Company's financial expenses to increase and could have a material adverse effect on the Company's financial condition and results of operations.

The Company may be forced to record write-downs on its goodwill and other intangible assets.

The Company has previously acquired Commit; Oy (presently Optomed Software Oy) (the "**Commit Acquisition**"), as a result of which it has recorded goodwill on its balance sheet. As at 30 September 2019, Optomed's consolidated balance sheet included EUR 4.3 million of goodwill as a result of the acquisition. Potential acquisitions in the future may increase the goodwill further. As at 30 September 2019, the Company's consolidated balance sheet included also EUR 8.4 million

of other intangible assets, such development costs, customer relationships, technology and certain intellectual property rights. The Company's equity amounted to EUR 6.1 million as at 30 September 2019.

The Company tests its goodwill for impairment on an annual basis or more frequently whenever there are indications of possible impairment due to events or changes in circumstances. Impairment loss is recorded when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Estimates used in impairment testing include, among other things, the future sales, production costs, the sales growth rate and the discount rate. Even though the Company believes that the used estimates and assumptions are appropriate, the estimated recoverable amounts may differ significantly from the actual results. The sensitivity analysis is prepared in respect of the discount rate and the terminal growth rate applied beyond the five-year projection period. If pre-tax discount rate increased by 0.6 percentage points or the terminal growth rate decreased by 0.7 percentage point, while other assumptions remain constant, it would result in the recoverable amount of the tested assets to equal their carrying amount as at 31 December 2018. Should any of the variables included in impairment testing develop unfavourably, the Company's estimates and forecasts mentioned above may have to be revised negatively, which may lead to recognition of impairment on goodwill.

The Company assesses, at each reporting date, whether there is an indication that an intangible asset other than goodwill may be impaired. If any indication exists, Optomed estimates the asset's recoverable amount. An impairment loss is recognised in the income statement when the carrying amount of an asset exceeds its recoverable amount.

If the Company were to be required to record any significant impairment losses related to goodwill or other intangible assets in the future, such losses would be recognised as a cost in the Company's income statement and this could, depending on the size of the impairment losses in question, have a material adverse effect on the Company's financial condition and results of operations.

Legal, Regulatory and Compliance Risks

Failure to comply with the mandatory regulatory requirements for medical devices may affect the Company's right to sell products in relevant markets.

From a regulatory perspective, Optomed's handheld fundus cameras are considered to be medical devices. Medical devices are subject to extensive regulatory rules and regulations, supervised by regulatory authorities around the world. The regulatory framework covers all parts of the Company's business, such as research, development, manufacturing, testing, labelling, marketing, sales and distribution. For instance, within the European Economic Area ("**EEA**"), the Company's handheld fundus cameras must be CE marked in conformity with the Council Directive 93/42/EEC of 14 June 1993 concerning medical devices (the "**MDD**"). The Council regulation 2017/745 of 5 April 2017 concerning medical devices (the "**MDR**") will replace the MDD and it must be applied by 26 May 2020. Hence, the Company must take all necessary actions to ensure that its products are compliant with the MDR, including possibly conducting new clinical trials with regards to its handheld fundus cameras that are CE marked pursuant to the MDD. In particular, the Company must be prepared to meet the new requirements among other things regarding product classifications and more stringent clinical evidence, which has caused the Company to incur additional costs. When it comes to market access in the United States, Optomed's products are also subject to a premarket notification to the FDA and general control provisions, which include requirements for annual registration, listing of the devices, good manufacturing practice, labelling and prohibitions against misbranding and adulteration as described in section "*Regulatory Overview and Reimbursement Systems – Market access in the US*". As for the Chinese market, the medical device manufacturers must overcome some existing barriers to market access and thereafter navigate in an uncertain and changing regulatory environment.

The Company must be able to demonstrate a continued compliance of its management systems and products with the requirements set on its operations and its products by various regulatory authorities, also after having received initial approval and market access. As such, the Company's products, manufacturing processes and documentation is continuously subject to audits by regulatory authorities and other notified bodies in various markets. Although the Company believes it currently complies with applicable regulations and has passed all previous audits, there can be no assurance that the Company will be able to maintain compliance with all applicable regulations. Failure to comply with applicable regulations could result in sanctions including fines, injunctions, civil penalties, denial of applications for marketing approval of the Company's product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could significantly increase the Company's costs, restrict the Company's possibility to sell its handheld fundus cameras, and delay the development and commercialisation of current products or new product candidates, all of which could negatively affect the Company's ability to generate revenues and achieve profitability.

Failures or deficiencies in operational risk management and internal control processes may lead to lapses in quality control or otherwise have an adverse effect on the Company's results and reputation.

The Company has adopted and regularly assesses and develops its risk management and internal control processes and systems. Risk management and internal control strives to ensure that the Company is able to identify, assess and manage its key risks. The Company has established a risk policy setting out the Company's targets, principles and responsibilities for the risk management as well as the reporting principles. The risk management is aimed to be implemented on all organisational levels in accordance with the Company's internal risk management system. However, the Company's risk management policies and internal control procedures may not achieve its intended effects. The Company's risk management function may not be able to identify or monitor all relevant risks and determine efficient risk management procedures and responsible persons. Despite adequate risk management procedures, some of the risks identified could be beyond the Company's control.

The Company may also experience the realisation of operational risks. There is a risk that the Company's employees, suppliers, distributors, sales representatives and other intermediaries make decisions that are not consistent with Optomed's strategy and that internal guidelines and policy documents relating to internal and external regulatory compliance are not fully complied with. The personnel or the management may also make mistakes, or commit negligence, vandalism, wrongdoing, fraud or other criminal behaviour or the Company and its property and operations may become a victim of embezzlement or crime. If the Company is unable to identify and address problems on time or to prevent violations by employees, suppliers, distributors, sales representatives and other intermediaries, this could damage the Company's reputation and give rise to the Company incurring liability in damages and customers choosing to turn to the Company's competitors.

Furthermore, the Company is still in an expansion phase and has not previously operated in a listed company environment. As such, there can be no assurance that current operational risk management and internal control processes remain adequate as the Company grows and the Company may fail to update such processes. The materialisation of any of these risks may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is dependent on conduction and outcome of clinical trials for the approval of its new products.

The Company's products currently on the market have been subject to clinical trials before their market entry. To maintain competitiveness, the Company is constantly developing new products and implementing new technical solutions to improve its existing products. To access the market, medical device manufacturers must conduct a clinical evaluation of its medical device to demonstrate conformity with the essential requirements. This assessment must be based on clinical data, which can be obtained from clinical studies conducted on the device being assessed, scientific literature from similar devices whose equivalence with the assessed device can be demonstrated or both clinical studies and scientific literature. Before the Company's new handheld fundus cameras, including accompanying software solutions, can be launched to new geographical markets, clinical trials must be conducted unless they are deemed functionally equivalent with another device that has passed the conformity assessment. Requirements on such trials vary between geographic markets. Further information on market access and conducting clinical trials is presented in sections "*Regulatory Overview and Reimbursement Systems – Market access in the EEA"*, "*Regulatory Overview and Reimbursement Systems – Market access in the US*" and "*Regulatory Overview and Reimbursement Systems – Market access in the PRC*".

Clinical trials are in general costly and time-consuming. They are also often associated with risks such as difficulties in finding clinical sites, difficulties in recruiting suitable patients, the actual cost per patient exceeding budget and inadequacies in the execution of the trials. There is also a risk that the clinical trials may be delayed. Such delays can occur for a variety of reasons, including delays in obtaining regulatory approval to commence a trial, difficulties in reaching agreement on acceptable terms with prospective research organisations and clinical sites, difficulties obtaining sufficient supplies of clinical trial materials, delays in obtaining institutional review board approval, patients failing to complete a study or return for follow-up, difficulties in adding new sites or clinical sites dropping out of a trial. If delays occur due to circumstances that are difficult or impossible to control, or if the measures required in order to continue the trials further are too costly or complicated in relation to the scope and goals of the trials, there is a risk that the Company may need to postpone or terminate the trial in question.

If the desired results of clinical trials cannot be achieved, this could lead to market approvals not being obtained, which could delay or jeopardise the Company's ability to develop, market and sell the product being studied, or lead to only limited approval, meaning that further trials are required for those parts of the trial that were not approved. At any stage of development, based on review of available clinical data, the estimated costs of continued development, market considerations and other factors, the Company may discontinue the development of its products. Furthermore, with respect to the clinical trials conducted by third parties, the Company may have less control over their timing or outcome.

Furthermore, in some jurisdictions third-party AI algorithms have been provided as an additional functionality or service for the Company's handheld fundus cameras. While such additional AI services may provide attractive future business opportunities, they do not constitute a significant part of the Company's current revenue. In practice, the Company

chooses only such AI service providers whose solutions have passed any required clinical trials and they must have all necessary approvals to operate in the medical devices market in the relevant jurisdictions. As the AI field is evolving rapidly, it may also result in more stringent regulation of the field and additional regulatory burden for those actors who incorporate additional AI-based functionalities or services into their products. This may cause challenges for instance in terms of market access to certain jurisdictions as it is not certain how all regulatory authorities treat approval of combination of AI and a camera. For instance, currently the EU also lacks a proper legislation to guide AI-enabled medical devices entering the market and in China, automated Artificial Intelligence based image analysis algorithms are classified as Class III medical device, making the testing, validation and approval process of retinal screening algorithms economically heavy. Furthermore, in the United States, the fundus camera and the AI need to be approved as a comprehensive solution. This creates uncertainty for manufacturers of AI-enabled medical devices in the relevant markets. As AI-related services are provided by external service providers, the Company has only limited control over the regulatory compliance of a third party's AI algorithm, and hence the third party remains responsible for the validation of the algorithm and any measures required for market access of such algorithm. However, the Company can terminate the use of such service if the AI service provider for instance fails to meet any regulatory requirements imposed by the relevant national competent authorities.

Should the Company's clinical trials for any reason not be successful in certain markets, this could lead to the Company not being able to obtain market access for its products and solutions in such markets, which in turn could lead to product development costs having been incurred in vain and the Company not being able to generate income as expected. This in turn could affect the Company's ability to pursue its growth strategy. Any of the foregoing could have a material adverse effect on the Company's future business, financial condition and results of operations.

The Company and some of its suppliers are subject to risks in relation to the assessment, clearance and approval process of its handheld fundus cameras and/or their add-in functionalities before they are placed on the market.

Optomed's handheld fundus cameras and any new product candidates are subject to regulatory assessment, clearance or/and approval before they can be placed on the market in various jurisdictions. The regulatory approval process is expensive and time consuming and the timing and outcome of the approval process is difficult to predict. Each regulatory authority may impose its own requirements and may refuse to grant or may require additional data before granting clearance or marketing approval even if granted by authorities in other jurisdictions.

The approval process for medical devices in the EEA, China and the United States as well as in the other major markets in the world can change. For instance, the approval process in the EEA will change pursuant to the CTR, which aims to harmonise assessment and approval processes. Also the Chinese regulatory framework for market access of medical devices is currently undergoing a reform. The regulatory pathway for future clearances or approvals may also change due to reinterpretation of applicable regulations. Such changes or reassessments could lead to increased costs and require more clinical studies, increased documentation or changes to manufacturing methods at the Company's EMS partner. Any increased costs or extensive requirements at any stage of the process may delay market access of future products and thus negatively impact the Company's operations, and subsequently, its earnings.

Even after obtaining a clearance or approval, the Company could be forced to conduct post market or vigilance studies, which can be expensive and time-consuming to conduct. The Company's handheld fundus cameras may be subject to withdrawals if they are shown to be unsafe. Further, in order to introduce certain medical devices in the EEA, such as the Company's handheld fundus cameras that are classified as Class IIa medical devices pursuant to the MDD, it is necessary that an assessment is carried out by a notified body to demonstrate that the device complies with applicable requirements. Decisions taken by notified bodies are valid for a maximum of five years at a time. The renewal process can be time consuming, especially if the original product file is extended with new indications or otherwise is essentially modified. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

Promotional practices of the Company and its distributors are regulated and non-compliance may be sanctioned.

National competent authorities (sometimes together with relevant industry organisations) regulate the promotional claims that may be made about medical devices and they also supervise marketing of medical devices. In addition to truthful promotional claims, medical devices are required to have all necessary markings and instructions as well as contact details of the manufacturer and/or representative(s) to ensure their safe use. Some of these markings are country-specific and some particular language requirements may apply. If the Company or its distributor is found to have made false or misleading claims about its products, or otherwise have violated promotion or advertising restrictions, the Company may become subject to significant fines and/or other liabilities. The Company's operations and particularly the sale of its products in target markets will be subject to various national laws and local ethical codes issued by relevant industry organisations. These laws and ethical codes may require, among other things, the Company to implement additional compliance policies or reporting practices, such as systems for tracking certain marketing expenditures to report them to governmental authorities or industry organisations. The Company's current measures to ensure compliance with any such

requirements may prove insufficient. If the Company's operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to it, it may be subject to penalties, including but not limited to administrative, civil and criminal penalties, damages, fines and the exclusion from participation in local healthcare programs.

The Company has entrusted sales partners and it may have only limited influence over their marketing and promotion activities. The Company's sales partners may fail to act in compliance with the applicable laws and relevant ethical codes. Likewise they may fail to follow the Company's possible specific instructions or to comply with their contractual obligations towards the Company. Despite the Company may reserve a right to terminate a distributor agreement in case of any such breach, in some jurisdictions it cannot be certain that no competent authority could hold the Company liable for violations committed by its partners. If a competent authority held the Company responsible for such violations, it could require the Company to take corrective actions. It could also subject the Company to sanctions and enforcement actions, including civil fines, criminal penalties, and seizures. The Company's reputation could be damaged and the market acceptance of its products adversely affected in any case irrespective of whether a competent authority holds the Company responsible or not. If any of these risks should materialise, this could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may not be able to establish, protect, maintain or enforce its intellectual property rights.

The Company owns patents, designs, trademarks such as its product names and packaging as well as other intellectual property rights that are important to its business and competitive position. The Company may fail to establish, protect, maintain or enforce its intellectual property rights. The Company also incurs costs for the establishment, protection and enforcement of its intellectual property rights. The potential expansion of the business of the Company into new countries will increase the costs associated with measures to establish, protect and enforce its intellectual property rights, as well as the risks associated with the increasing presence of products imitating or otherwise infringing the Company's intangible assets. Furthermore, it may not be possible to register, protect and enforce the intellectual property rights in all new markets due to similar earlier or reminiscent rights. Some of the Company's intellectual property may not be capable of being registered due to, for example, descriptive elements, and the Company may, therefore, have difficulties protecting such intellectual property. The Company's ability to protect and maintain trademarks may be further hindered through degeneration of some of the Company's trademarks. Hence, there is a risk that the Company's products and solutions may be copied by competitors. Some technical solutions of the Company's handheld fundus cameras make use of open source code and the risk of copy-left contamination cannot be fully excluded despite the Company's endeavours to avoid and mitigate such risks.

The Company also licenses some intellectual property rights from third parties. Refusal of third parties to license or continue to license software or other components to the Company may have a negative effect on the Company's capability to provide services to its customers. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may need to take action against, or respond to claims brought by third parties for, infringement of patents or other intellectual property rights.

Third parties may infringe on or otherwise misuse the Company's intellectual property by, for example, breaching the Company's patents, imitating the Company's designs, brands, packaging or other intangible property, which could have an adverse effect on the Company's trademarks, brands and business operations. Third parties may also require, for example, to assert rights in, or ownership of, the Company's trademarks or other intellectual property rights. Third parties may also seek to prohibit the use of, or seek restitution or compensation based on the intellectual property rights that are similar to, the intellectual property rights the Company owns or uses, or they may also seek to invalidate or rescind the Company's intellectual property rights. The Company may fail to discover infringement or abuse of its intellectual property, or any steps taken by it may not be sufficient to protect or defend its intellectual property rights.

The Company may in its business operations infringe third parties' intellectual properties, for example, in connection with the launch of new products or brands or expanding into new distribution channels or new export markets. Such third parties may take legal action for alleged infringement of these intellectual property rights, seek sales injunctions or bring claims to invalidate or rescind the intellectual property rights, and any such legal proceedings could have an adverse effect on the Company's trademarks, brands or business operations and result in product recalls, trials and damage payments. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

Employee inventors may claim for employee invention compensation.

The Company's R&D activities have evolved rapidly from a small, entrepreneur-driven company to a larger, research-intensive business in which protection of intellectual property rights plays a significant role. The Company is now

streamlining its intellectual property management related processes and practices to meet the needs of its growing business. As one element in this process, the Company is implementing a new employee invention policy. The Company's employment contracts alone may not be sufficient to properly safeguard the transfer of such intangible rights to the Company from all of the Company's employees participating in product development. As for now, the Company does not have written agreements regarding transfer of intellectual property rights from all of its relevant employees or other third party developers. Further, the Company has not paid any separate employee invention compensations to its employees. Hence, there is a risk that employee inventors (former or current employees of the Company) may claim for compensation to which they may be entitled based on applicable rules and regulations. They or third-party developers may also refuse to sign such transfer documentation. Therefore, certain patents, copyrights or other intellectual property rights related to the Company's products may not have been transferred or may not transfer to the Company from those employees or third party developers who participated in planning or development work. Thus, the Company may not be able to freely use, protect or enforce such intellectual property rights in its business. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be negatively affected by legal or administrative proceedings directed at the Company or other disputes and claims.

The Company develops and sells medical devices and accompanying solutions, which are subject to extensive regulations and requirements. If the Company or its third-party manufacturers or suppliers fail to comply with such regulations and requirements, its business may be negatively affected by legal or administrative proceedings directed at the Company or other disputes and claims. Legal or administrative proceedings in relation to regulations and requirements with regards to medical devices may result in the Company being imposed sanctions and/or other fines or penalties, including potential suspension or revocation of licences and permits, depending on the severity and scale of the regulatory issue.

The Company may in the future be subject to other legal or administrative proceedings, product liability claims, and product labelling and marketing disputes. The Company may also become secondarily liable under certain contractual arrangements for third party manufacturer's liabilities. The Company may also end up in disputes or litigation with its customers, suppliers, and current or former employees or other contractual parties due to alleged contractual beaches. If such legal or administrative proceedings result in customer losses, fines, damages, other payments or reputational damage to the Company or its brands, or if the Company is required to alter its labels or packaging or withdraw products from the market, the Company's business could be adversely affected. Any claims may result in significant costs and divert the management's resources, which could disrupt the Company's operations. In addition, investigations, legal proceedings, complaints, demands and class actions by consumers or governmental authorities relating to, for example, illness and injury may affect the medical devices industry as a whole. Any legal proceedings, judgements or adverse publicity in any of the countries in which the Company operates or exports its products and any future restrictions regarding the production, marketing and sale of medical devices due to any such legal proceedings may result in a significant reduction in the Company's operations and net sales.

The Company processes personal data in the ordinary course of its business, and any failure comply with the EU General Data Protection Regulation ((EU) 2016/679) (the "GDPR") and applicable local data privacy laws and regulations in countries where the Company operates could result in legal liability for the Company and reputational harm to its business.

The Company has adopted revisions in its data protection practises with the aim to be compliant with the General Data Protection Regulation ((EU) 2016/679, the "**GDPR**") which became applicable in May 2018. As the Company operates globally, it may also face conflicts between complying with local regulations and the duties resulting from GDPR and agreements concerning personal data. In addition, the Company processes may possess pseudonymised sensitive personal data, such as patient data concerning the health of persons screened with its handheld fundus cameras (gathered through various ways such as by use of the fundus cameras in the clinics or clinical studies in relation to obtaining regulatory certificates and permits for its handheld fundus cameras), as well as other personal data. Compliance with the GDPR and other applicable local data privacy laws and regulations in the Company's business operations or potential inadequacy of the revision of the data protection practises may cause problems, difficulties or additional costs and reputational damage to the Company. For instance, the Company's current measures to ensure that data processing agreements are in place when needed may prove inadequate. In relation to GDPR, any infringement could adversely affect the Company's reputation among its customers and other stakeholders. Furthermore, under the GDPR, the national data protection authority is able to impose administrative fines for breaches of the GDPR up to EUR 20 million or four percent of the total worldwide annual turnover of a company, whichever is higher. The measures taken by the Company may be inadequate and it may be difficult for the Company to foresee regulatory or legal changes affecting its business, and any actions required in order to respond to, or prepare for, such changes could be costly and have a material adverse effect on the Company's business, financial condition and results of operations.

Any infringement of applicable data protection laws and regulations could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's tax burden could increase as a result of changes to tax laws or their application or as a result of future tax audits or if the Company will not be able to utilise its tax loss carry-forwards.

The Company has sought advice from external tax advisors on regular basis to fulfil its tax obligations. The Company's tax burden depends on certain provisions of tax laws and regulations, including the application and interpretation thereof. Changes in tax laws and regulations or their interpretation and application or changes in the prevailing taxation practice may result in an increase in tax burdens or cause adverse retroactive tax consequences for the Company. Changes to tax laws are expected due to the Anti-Tax Avoidance Directive ((EU) 2016/1164, the "**ATAD**"), and Directive (EU) 2017/952 amending Directive (EU) 2016/1164 (the "**ATAD II**") which require EU member states to implement, among others, exit tax rules, limitations on the right to deduct interest expense and controlled foreign company rules as well as rules as regards hybrid mismatches. Due to the ATAD, as of 2019, Finland has already amended the limitations on the right to deduct interest expenses (e.g. to cover also external debt) and controlled foreign company rules (e.g., the minimum ownership threshold was lowered to 25 percent). These and any additional future amendments due to the ATAD or ATAD II could increase the Company's tax burden. Furthermore, the introduction of the OECD multilateral instrument and the inclusion of the so-called principal purpose test in the same could increase uncertainty with respect to application of tax treaties.

Based on the review for the year ended 31 December 2018, the Company's outstanding tax losses carried forward were EUR 9.5 million. In accordance with the applicable IFRS standards and assessment by management, the Company has not recorded any deferred tax asset on these losses, as these entities may not be able to generate taxable income against which the losses could be utilised before their expiration dates. The Company's current tax loss carry forwards expire mainly between 2019 and 2028. For further information see "*Operating and Financial Review*". The Company's tax losses may also be lost for reasons such as changes in ownership of non-listed shares in the Company.

The Company is at times subject to tax audits conducted by national tax authorities. Tax audits or other auditing measures carried out by tax or other relevant authorities could result in an imposition of additional taxes (such as income taxes, capital, transfer and value-added taxes) and penalties, which could lead to an increase in the Company's tax liability either in such a way that the tax in question is imposed directly on the Company or in such a way that the Company is deemed liable for the tax as a secondary debtor. The Company has not been subject to tax audits in the past. The Company's subsidiary Optomed Software Oy (former Commit; Oy) has been subject to a tax audit in 2017, which did not result in any additional taxes, interests or penalties.

Transfer pricing and intra-group transactions are subject to tax risks. In general, pricing between related parties needs to result in arm's length pricing. In order to be at arm's length, the transfer pricing should reflect the allocation of assets, risks and functions between the Group companies involved with respective operations. The Company both sells products and provides services to Optomed Software Oy and its Chinese subsidiaries. The Company follows the principles set out in the OECD Transfer Pricing Guidelines which are used in interpreting the arm's length principle in both Finland and in China, as well as the requirements set out in the Finnish Transfer Pricing legislation.

The Company has given intra-group loans to Chinese subsidiaries on which no interest have been applied. In general, an interest rate should be applied to the loans so that the pricing of the arrangement would be at arm's length. If the tax authorities would challenge the nature of the long-term accounts receivables, added income could be offset by tax losses, leaving only possible tax increases, interests and penalties to be paid.

The Company operates in a global environment and it needs together with its suppliers and distributors to comply with existing laws and regulations in many countries, and changes in international relations can negatively affect the company.

The Company operates in a global environment with market access through the Company's distributor network, OEM customers and direct sales to more than 60 countries and is consequently exposed to various regulatory risks. The Company also operates in certain countries where corruption risks are considered to be high, including China (where the Company has a subsidiary) and India. Optomed is in its operations and under several of its customer agreements subject to numerous international, European Union, national and local laws, regulations, rules, decisions and other actions implemented by the authorities in the countries where Optomed operates, and must comply with a large number of regulatory systems which are continuously evolving across a number of jurisdictions. As the Company has employees, suppliers, distributors, sales representatives and other intermediaries in a number of countries, this typically entails difficulties in ensuring adherence to both internal and external corporate governance and regulatory compliance with respect to, for example, employment rights and employment terms, corruption and bribery, anti-fraud and abuse laws (such as the United States Foreign Corrupt Practices Act, UK anti-bribery law), export control regulations, sanctions, tariffs, embargoes or other economic and trade restrictions, and rules and regulations regarding anti money-laundering.

The Company also has customer and distributor agreements in place with various customers and distributors in different parts of the world. The terms and conditions as well as the competition assessment of such agreements may in different

countries depend on the market share of the parties, which in turn is dependent on the market definition made by authorities in different countries. Depending on such market definitions, the Company's market share can be smaller or larger, which can affect the legal assessment of the agreements.

Compliance with existing or future laws, regulations, accounting standards, ordinances or requirements, as well as more vigorous enforcement policies of regulatory agencies or stricter or different interpretations, may require Optomed to make additional investments. Further, there are challenges to having operations in countries where laws tend to change rapidly and in countries where the political, legal and judicial system and tradition differs significantly from the Finnish, such as in China. There is a risk that Optomed will not be able to develop and implement systems, policies, guidelines and practices to manage these risks or comply with applicable regulations without incurring significant additional costs. It might also be difficult for the Company to assess whether existing guidelines and policies are sufficient. Failure by Optomed or its suppliers or distributors and other intermediaries to manage these risks or comply with applicable laws and regulations could result in fines or enforcement actions against Optomed, as well as harm its reputation and business. Consequently, deficiencies in internal control and regulatory compliance could lead to the Company incurring additional costs.

Furthermore, a substantial portion of the Company's sales encompass export of its products and solutions to other countries, both within the European Union as well as other selected markets, such as China. The ability to conduct a profitable export business is affected, among other things, by import and export restrictions as well as charges and other costs associated with such business. Historically, changed international trade relations between different countries have led to increased charges or other import or export costs. Such changes may be due to a variety of factors, such as deteriorating trade relations between two or more countries, pressure from trade unions or other interest organisations on import levels in a given sector, or general macroeconomic reasons. If changing international trade relations result in the Company's export costs increase, there is a risk that the Company will not be able to maintain the same margins in sales or be forced to raise prices for its products and solutions. Price increases can also lead to a decrease in demand for the Company's products.

Risks Related to the Shares

The Company does not expect to pay any dividend in the coming years and the amount of any dividends paid by the Company in any given financial year is uncertain.

The Board of Directors has confirmed a dividend policy for the Company, according to which Optomed is in expansion phase and will therefore prioritise growth over dividends in coming years. The Company has not paid dividends for the financial years ended 31 December 2018, 2017 or 2016.

Under the provisions of the Finnish Companies Act (624/2006, as amended, the "**Finnish Companies Act**"), the amount distributed by the Company as dividends may not exceed the amount of distributable funds shown on its latest unconsolidated parent company audited financial statements adopted by the General Meeting of Shareholders. The possible distribution of dividends over a financial period depends on the Company's and its subsidiaries' results of operations, financial condition, cash flow, investments, future outlook, terms of its financing agreements and other factors. As at the date of this Prospectus, the Company has no funds available for dividend distribution. Under the Finnish Companies Act the distribution of dividends is not permitted if it would jeopardise the Company's solvency. The amount of any dividends to be potentially paid by the Company in any given financial year is thus uncertain, and if the Company does not pay any dividend, there is a risk that an investor's potential return will depend solely on the future development of the share price. Further, the dividends paid by the Company for a certain financial period are not an indication of the dividends to be paid for financial periods in the future, if any. See also "*Dividend and Dividend Policy*".

Share ownership is concentrated, and the large shareholders will continue to have significant decision-making power.

If the Offering is carried out as planned, the current large shareholders of the Company, such as the entities controlled by Cenova Capital (China) (which is controlled by Jun Wu), i.e. Alnair Investments, Cenova China Healthcare Fund IV and Shanghai Cenova Innovation Venture Fund (Limited Partnership) (together "**Cenova**"), will continue to hold significant proportions of all Shares and votes of the Company immediately following the completion of the Offering. Currently Cenova Capital (China) owns in total 25.51 percent of the Shares, and following the completion of the Offering the ownership share would be 17.4 percent (provided that Cenova does not subscribe for any New Shares in the Offering). See "*Major Shareholders and Related Party Transactions*". After the Offering, such large shareholders will continue to have significant decision-making power in the Company concerning, among other things, the composition of the Board of Directors, the approval of financial statements and the distribution of dividends. They may also have the ability to block decisions requiring a qualified majority at the General Meeting of Shareholders of the Company including, among other things, decisions regarding changes to the Articles of Association and certain corporate transactions, such as mergers or demergers. There can be no assurance that the actions, objectives and interests of such large shareholders will correspond with those of other shareholders, which may have an adverse effect on the value and liquidity of the Shares.

Certain foreign shareholders may not necessarily be able to exercise their subscription rights.

Under Finnish legislation, shareholders have pre-emptive subscription rights in proportion to their shareholdings when the Company issues shares unless the issuance of shares is made as a directed issue of shares. Certain shareholders of the Company who reside or will reside, or whose registered address is located in, certain countries other than Finland, including shareholders in the United States, may not necessarily be able to exercise their pre-emptive subscription rights in possible future share issues, unless the shares have been registered according to the securities legislation of the country in question or in an otherwise similar manner, or unless an exemption from the registration or other equivalent regulations provided in the applicable legislation is available. This may lead to the dilution of such shareholders' ownership in the Company. Further, if the number of shareholders who are not able to exercise their pre-emptive subscription rights is high and if the subscription rights of such shareholders are sold on the market, it could have an adverse effect on the price of the subscription rights. A foreign shareholder's right to have access to information concerning share issues and important transactions may also be restricted due to the legislation of the country in question. See "*Description of the Shares and Share Capital – Shareholders' Rights*" for further information.

Future share issues and sales of significant number of Shares may reduce the price of the Shares and may dilute the share of ownership of the shareholders.

Any possible future directed share issue, or a rights issue where any shareholders decide not to exercise their pre-emptive subscription rights, could dilute shareholders' relative share of shares and votes. If the Offering is carried out as planned, the large shareholders of the Company, Cenova, would hold significant portions of all Shares and votes of the Company immediately following the completion of the Offering. See "*Major Shareholders and Related Party Transactions*". Further, certain major shareholders and members of the Leadership Team have undertaken not to sell or otherwise dispose of their Shares in the Company during certain periods following the Offering. See "*Plan of Distribution in the Offering – Lock-up*". After the expiration of the relevant restriction periods, the Company may issue Shares and the Selling Shareholders and members of the Leadership Team may sell Shares. The issuance or sale of a significant amount of Shares, or an understanding that such an issuance or sale may occur in the future, could have an adverse effect on the market price of the Shares and on the Company's ability to raise funds through share issues in the future.

Due to the large percentage of Shares being held by large shareholders, there can be no certainty that large shareholders will not affect trading and transaction volumes, which could have an adverse effect on the prevailing market price of the Shares. Further, the perception that any such large sell-down by the largest shareholder may occur in the future may have an adverse impact on the development of the price of the Shares. Furthermore, any possible future directed share issue, or a rights issue where any existing shareholder decides not to exercise their subscription rights, could dilute shareholders' Shares and votes.

Investors with a reference currency other than the euro will become subject to certain foreign exchange risks when investing in the Shares.

The Shares will be priced and traded in euro on Nasdaq Helsinki and any future payments of dividends on the Shares will be denominated in euro. Exchange rate movements of the euro will therefore affect the value of any dividends paid and other distributions of unrestricted equity for investors whose principal or reference currency is not the euro. Further, the market price of the Shares as expressed in foreign currencies will fluctuate in part as a result of foreign exchange fluctuations. This could affect the value of the Shares and of any dividends paid on the Shares for an investor whose principal currency is not the euro.

Risks Related to the Offering and the Trading on Nasdaq Helsinki

The share price of the Shares may be volatile.

The Final Subscription Price may not be indicative of the prices that will prevail in the public market after the Listing. The market price of the Shares may fluctuate significantly due to a number of factors, such as realised or anticipated changes in the Company's results of operations, the Company's ability to reach its business objectives, developments in the markets the Company serves, the introduction of new products to the market or announcements concerning innovations introduced by competitors, changes in the regulatory environment, general market conditions and other factors. In addition, international financial markets have occasionally experienced significant fluctuations in share prices and trading volumes regardless of the business development or future outlook of individual companies. These factors are mainly beyond the Company's control.

Moreover, the prices of shares offered publicly for the first time have been subject to considerable price fluctuations for periods of time, which may not have corresponded to the business or financial success of the particular company issuing such shares. There can be no assurance that the market price of the Shares will not experience significant fluctuations or decline below the Final Subscription Price.

The Shares have not been previously subject to public trading, and thus an active, liquid and orderly trading market may not develop.

The Shares have not previously had a public trading market, and there can be no assurance that, after the Listing, the Shares will be actively traded or that active trading can be maintained. Assuming that the maximum number of New Shares are subscribed for in the Offering and if the Selling Shareholders do not sell Shares in the Share Sale, only 34 percent of the Company's share capital will be freely tradable (approximately 39 percent if the Over-Allotment Option is exercised). This may have a negative impact on the liquidity of the Shares and result in low trading volumes. The degree of liquidity of the Shares may negatively impact the price at which an investor can dispose of the Shares.

The Company will incur additional costs and new regulatory obligations as a consequence of the Listing.

The Company will submit a listing application to Nasdaq Helsinki to list the Shares on the Official List of Nasdaq Helsinki. In addition to non-recurring costs, the Listing will generate additional administrative costs for the Company. As a consequence of the Listing, the Company will be required to meet regulatory requirements pertaining to entities with shares admitted to trading on Nasdaq Helsinki, in particular with respect to financial reporting, governance and information disclosure, and will need to allocate staff and resources to such purposes. Furthermore, the regulations and requirements applicable to listed companies are frequently changing, and the amendments can be difficult to survey, causing risk of infringements by the Company which can result in extensive fines and administrative fees. Such increased costs as well as fines and fees could have an adverse effect on the Company's business, financial condition and results of operations.

The Company's Shares may not be listed in a timely manner or at all.

The Offering is being carried out for the purpose of listing the Company on Nasdaq Helsinki. In the view of the Leadership Team, the Company fulfils the criteria set for a company applying for Listing, but there can be no certainty that the Listing may not be delayed. It is also possible that all of the Offer Shares are not subscribed for in the Offering or that the Offering is not carried out due to reasons relating to the execution of the Offering, or due to requirements set by Nasdaq Helsinki, or other reasons. Delay in or failure of the Listing may have a material adverse effect on the Company's business, financial condition and results of operations as well as the development of its shareholder value.

COMPANY, BOARD OF DIRECTORS, AUDITORS AND ADVISERS

Company

Optomed Plc
Yrttipellontie 1
FI-90230 Oulu, Finland

Board of Directors of the Company

Name	Position
Petri Salonen	Chairman of the Board of Directors
Jun Wu	Member of the Board of Directors
Ingo Ramesohl	Member of the Board of Directors
Anders Torstensson	Member of the Board of Directors
Matthew Hallam	Member of the Board of Directors
Jens Umehag	Member of the Board of Directors
Reijo Tauriainen	Member of the Board of Directors
Seppo Mäkinen	Member of the Board of Directors

The business address of all members of the Board of Directors is Yrttipellontie 1, FI-90230, Oulu, Finland.

Auditor of the Company

KPMG Oy Ab
Authorised Public Accountants
Töölönlahdenkatu 3 A
FI-00100 Helsinki, Finland
Auditor in charge: Tapio Raappana
Authorised Public Accountant

Managers

Sole Global Coordinator and Bookrunner

Carnegie Investment Bank AB
Regeringsgatan 56
SE-103 38 Stockholm, Sweden

Joint Bookrunner

Swedbank AB (publ)
Landsvägen 40
SE-172 63 Sundbyberg, Sweden

Legal Adviser to the Company

Hannes Snellman Attorneys Ltd
Eteläesplanadi 20
FI-00130 Helsinki, Finland

Hannes Snellman Attorneys Ltd
Kungsträdgårdsgatan 20
SE-111 47 Stockholm, Sweden

Legal Adviser to the Manager

White & Case LLP
Aleksanterinkatu 44
FI-00100 Helsinki, Finland

White & Case LLP
Biblioteksgatan 12
SE-114 85 Stockholm, Sweden

CERTAIN MATTERS

Statement Regarding Information in this Prospectus

The Company is responsible for the information included in this Prospectus. To the best knowledge of the Company, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. To the best knowledge of the Selling Shareholders, the information contained in this Prospectus concerning the Selling Shareholders and their shareholdings in the Company is in accordance with the facts and contains no omission likely to affect its import.

21 November 2019

Optomed Plc Selling Shareholders

Forward-Looking Statements

Some of the statements in this Prospectus, particularly all statements regarding the future or profit projections under "*Summary*", "*Risk Factors*", and "*Business of the Company*" and elsewhere in this Prospectus include forward-looking statements that reflect management's current views and understanding with respect to the Company's financial condition, business strategy, and plans and objectives of the management of future operations and goals (including development plans relating to the Company's services and products). These statements may include forward-looking statements both with respect to the Company and the sector and industry in which it operates. Statements that include words "aim", "anticipate", "assume", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "project", "target", "will", "would" and similar statements identify forward-looking statements.

All forward-looking statements address matters that involve risks, uncertainties and assumptions relating to the Company's business, results of operations, growth strategy and liquidity, as a result of which the Company's actual results or operating results may differ materially from those indicated in the forward-looking statements. These risks and uncertainties include, but are not limited to, those described in "*Risk Factors*", which should be read together with the other cautionary statements included in this Prospectus. Any forward-looking statements in this Prospectus are unaudited and reflect the current views of management with respect to future events. Accordingly, no assurance can be given that any particular expectation will be met and prospective investors are cautioned not to place undue reliance on any forward-looking statements.

These forward-looking statements reflect only current views as at the date of this Prospectus. Subject to any obligations under the applicable laws and regulations (including the Finnish Securities Markets Act), the Company undertakes no obligation to update or review any forward-looking statements, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this section.

Availability of the Prospectus

The Finnish Prospectus will be available no later than 22 November 2019 on the Company's website at www.optomed.com/ipo and registered office at Yrttipellontie 1, FI-90230 Oulu, Finland. In addition, the Finnish Prospectus will be available on or about 22 November 2019 at Carnegie's Helsinki office located at Eteläesplanadi 22 A, FI-00130 Helsinki, Finland and on the website of Carnegie at www.carnegie.fi and the website of Nordnet at www.nordnet.fi/fi/optomed, as well as at Nasdaq Helsinki at Fabianinkatu 14, FI-00100 Helsinki, Finland. This Prospectus will be available on or about 22 November 2019 on the Company's website at www.optomed.com/ipo and on the website of Carnegie at www.carnegie.fi.

Presentation of Financial and Certain Other Information

Historical Financial Information

The historical financial information of Optomed Plc included in this Prospectus has been derived from Optomed's unaudited consolidated financial statements for the nine months ended 30 September 2019 prepared in accordance with "*IAS 34 – Interim Financial Reporting*", including the unaudited comparative consolidated financial information as at and for the nine months ended 30 September 2018, and Optomed's audited consolidated financial statements as at and for the years ended 31 December 2018, 31 December 2017 and 31 December 2016, which have been prepared in accordance with IFRS as adopted by the EU, all of which are included in the F-pages to this Prospectus. The financial information included in the tables of this Prospectus has been indicated to be audited when the information has been derived from the audited consolidated financial statements. The audited consolidated financial statements prepared in accordance with IFRS have been prepared for inclusion in this Prospectus and they have not been considered or adopted at the Company's

annual general meeting. The Company's auditor, KPMG Oy Ab, has issued auditor's reports regarding the Company's statutory consolidated financial statements for the financial years 2018, 2017 and 2016.

Alternative Performance Measures

This Prospectus includes certain alternative performance measures of the Company's historical financial performance, financial position and cash flows, which, in accordance with the "Alternative Performance Measures" guidance issued by the European Securities and Markets Authority ("**ESMA**") are not accounting measures defined or specified in IFRS and are therefore considered alternative performance measures. The Company presents the following alternative performance measures:

- Organic growth, %
- Gross profit
- Gross margin, %
- EBITDA
- EBITDA margin, %
- Adjusted EBITDA
- Adjusted EBITDA margin, %
- Operating result
- Operating margin, %
- Adjusted operating result
- Adjusted operating margin, %
- Items affecting comparability
- Net debt / Adjusted EBITDA (LTM), times
- Earnings per share
- R&D expenses
- Equity ratio, %

For the detailed definitions and reasons for the use of these alternative performance measures, see "*Selected Consolidated Financial and Other Information – The Definitions and Reasons for the use of Key Figures*". The reconciliation of alternative performance measures is presented in section "*Selected Consolidated Financial and Other Information – Reconciliation of Alternative Performance Measures*".

Optomed presents the alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated balance sheet, consolidated statement of cash flows and in the notes disclosures prepared in accordance with IFRS. In Optomed's view, alternative performance measures provide management, investors, securities analysts and other parties with relevant and useful additional information on Optomed's results of operations, financial position and cash flows.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures and they are not accounting measures defined or specified in IFRS. All companies do not calculate alternative performance measures in a uniform way, and therefore, the alternative performance measures presented in this Prospectus may not be comparable with similarly named measures presented by other companies.

Unless otherwise stated, the alternative performance measures are unaudited.

Unaudited Pro Forma Financial Information

The unaudited pro forma financial information included in this Prospectus has been prepared to give effect to the Commit Acquisition as if it had been effected on 1 January 2018, instead of the actual acquisition date of 26 March 2018. This Prospectus includes the unaudited pro forma income statement and pro forma comprehensive income statement for the financial year ended 31 December 2018 (12 months period). As Commit; Oy was incorporated in the audited consolidated balance sheet of Optomed as at 31 December 2018, no pro forma balance sheet is presented.

The unaudited pro forma financial information included in this Prospectus is compiled in accordance with IFRS as adopted by the EU. It is prepared in a manner consistent with the accounting policies adopted by Optomed in its audited consolidated IFRS financial statements for the financial year ended 31 December 2018. The acquisition was accounted for under the acquisition method in accordance with IFRS 3 *Business Combinations*. Under the acquisition method, assets acquired and liabilities assumed are recognised at their fair values on the date of acquisition. The acquisition was effected as a share acquisition. There was no contingent consideration involved in the acquisition.

The unaudited pro forma financial information presented in this Prospectus has been prepared for illustrative purposes only. Because of its nature it addresses a hypothetical situation and therefore, does not represent Optomed's actual results of operations. The unaudited pro forma financial information does not purport to represent Optomed's results of operations for any future period. Also, the unaudited pro forma financial information does not reflect the effect of the estimated synergies and efficiencies associated with the Commit Acquisition.

The unaudited pro forma financial information should be read in conjunction with Optomed's financial statements for the year ended 31 December 2018 and the interim report for the nine months ended 30 September 2019. The audited consolidated IFRS financial statements for the financial years ended 31 December 2018, 2017 and 2016 and the unaudited

interim report for the nine months ended 30 September 2019 are presented in Annex D to this Prospectus. The auditor's report concerning the unaudited pro forma financial information is included in Annex C to this Prospectus.

Rounding Adjustments

The figures presented in this Prospectus, including the financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or row in tables may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Currencies

As used herein, references to (i) "**euro**", "**EUR**" or "**€**" are to the euro, the lawful currency of the participating member states in the Third Stage of the European and Monetary Union of the Treaty Establishing the European Community, (ii) "**U.S. dollar**", "**USD**" or "**$**" are to the United States dollar, the lawful currency of the United States of America and (iii) "**Chinese Renminbi**", "**CNY**" or "**RMB**" are to the China yuan renminbi, the lawful currency of the People's Republic of China. For information regarding recent rates of exchange between the euro and the U.S. dollar and Chinese Renminbi, see "*Exchange Rates*".

Market, Economic and Industry Data and Management Reports and Findings

Information provided in this Prospectus on the market environment, market developments, growth rates, market trends and on the competitive situation in the markets and regions in which the Company operates, is obtained from one or several designated sources or derived from various industry and other independent sources. These sources include, for example International Diabetes Federation, United Nations' reports, and scientific journals and medical journals as well as information obtained in other ways, unless otherwise stated. Also certain statistics, data and other information relating to markets, market sizes, market shares and market positions, as well as market estimates and forecasts contained in this Prospectus have been derived from a report prepared in 2018 by Zion Market Research ("**Zion**") (the "**Zion Report**") and a report prepared in 2016 by iData Research Inc. ("**iData**") (the "**iData Report**"). The historical market data contained both in the Company's own analysis and in the Zion Report and iData Report is compiled from statistics and information from industry associations, country organisations and other market data providers, internal financial and operational information supplied by, or on behalf of, the Company, and publicly available information from other sources, applying certain supplementary assumptions, where necessary. Certain of the market estimates and forecasts contained in this Prospectus are based on the analysis by the Company based on its own information and information derived from third-party sources concerning the factors affecting the growth of the markets and their forecasted development.

The Company has ensured that the information has been reproduced appropriately in this Prospectus. As the Company does not have access to all of the facts, assumptions and postulates underlying the market analyses or statistical information and economic indicators contained in sources of third party information, including the Zion Report and the iData report, Optomed is unable to verify such information. As far as the Company is aware and is able to ascertain from information provided by Zion, iData or other third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Moreover, market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward looking and speculative. Therefore, changes in the postulates and their premises on which market studies, including the Zion Report and the iData Report, are based, could have a significant influence on the analyses and conclusions made.

The statements in this Prospectus on the product areas of the Company, its market position and on other companies operating in its market areas are based solely on the experiences, internal investigations and assessments of the Company, as well as other sources, including the reports and surveys it has commissioned, which the Company deems reliable. The Company cannot, however, guarantee that any of these statements are accurate or give an accurate description of the Company's position in its market, and none of the Company's internal investigations or information has been verified using external sources independent of those commissioned by the Company.

Website Information

The Company and the Manager will publish this Prospectus and any supplements thereto on their websites. The contents of the Company's or the Manager's website or any other website do not form part of this Prospectus and prospective investors should not rely on such information in making their decision to invest in securities.

IMPORTANT DATES

22 November 2019 at 10:00 a.m. (Finnish time)	The subscription period of the Offering commences
29 November 2019 at 4:00 p.m. (Finnish time)	The option to discontinue the Offering commences
2 December 2019 at 4:00 p.m. (Finnish time)	The subscription period for the Public Offering ends
4 December 2019 at 11:00 a.m. (Finnish time)	The subscription period for the Institutional Offering ends
4 December 2019 (estimate)	Announcement of the final results of the Offering
5 December 2019 (estimate)	The Offer Shares offered in the Public Offering are registered in the book-entry accounts of the investors
5 December 2019 (estimate)	Trading in the Shares commences on the Prelist of Nasdaq Helsinki
9 December 2019 (estimate)	The Offer Shares offered in the Institutional Offering are ready to be delivered upon payment through Euroclear Finland
9 December 2019 (estimate)	Trading in the Shares commences on the Official List of Nasdaq Helsinki

EXCHANGE RATES

The following table presents the average, high, low, and period-end reference rates as published by the European Central Bank for the U.S. dollar ("**USD**") per EUR as at the dates and for the periods indicated:

	Reference rates of USD per EUR			
	Average	**High**	**Low**	**Period-End**
Annually				
2016	1.1069	1.1569	1.0364	1.0541
2017	1.1297	1.2060	1.0385	1.1993
2018	1.1810	1.2493	1.1261	1.1450
2019 (through 18 November)	1.1208	1.1535	1.0889	1.1061
Monthly				
March 2019	1.1302	1.1387	1.1218	1.1235
April 2019	1.1238	1.1321	1.1123	1.1218
May 2019	1.1185	1.1245	1.1134	1.1151
June 2019	1.1293	1.1394	1.1185	1.1380
July 2019	1.1218	1.1349	1.1115	1.1151
August 2019	1.1126	1.1222	1.1036	1.1036
September 2019	1.1004	1.1096	1.0889	1.0889
October 2019	1.1053	1.1173	1.0898	1.1154
November 2019 (through 18 November)	1.1063	1.1158	1.0997	1.1061

The following table presents the average, high, low, and period-end reference rates as published by the European Central Bank for the Chinese Renminbi ("**CNY**") per EUR as at the dates and for the periods indicated:

	Reference rates of CNY per EUR			
	Average	**High**	**Low**	**Period-End**
Annually				
2016	7.3522	7.5341	7.0074	7.3202
2017	7.6290	7.9757	7.2285	7.8044
2018	7.8081	8.0958	7.4174	7.8751
2019 (through 18 November)	7.7291	7.9519	7.4991	7.7629
Monthly				
March 2019	7.5868	7.6332	7.5397	7.5397
April 2019	7.5489	7.5939	7.4991	7.5541
May 2019	7.6736	7.7345	7.5124	7.7045
June 2019	7.7937	7.8365	7.7253	7.8185
July 2019	7.7151	7.7706	7.6393	7.6743
August 2019	7.8580	7.9519	7.6177	7.8908
September 2019	7.8323	7.8996	7.7702	7.7784
October 2019	7.8447	7.9025	7.7903	7.8540
November 2019 (through 18 November)	7.7554	7.8440	7.7115	7.7629

The above rates are provided solely for the convenience of the reader and are not necessarily the rates used in the preparation of the Company's financial statements and financial statement information. No representation is made that the euros could have been converted into U.S dollar or Chinese Renminbi at the rates shown or any other rate at such dates or during such periods.

DIVIDEND AND DIVIDEND POLICY

The Board of Directors has confirmed a dividend policy for the Company. According to its dividend policy, Optomed is in expansion phase and will therefore prioritise growth over dividends in coming years.

The Company has not paid dividends for the financial years ended 31 December 2018, 2017 or 2016. However, the Company will pay a preferred dividend in connection with the combination of share classes as described below in "*Descriptions of the Shares and Share Capital – Changes to the Shares and Share Capital Prior to the Listing*".

Distributable unrestricted equity of the parent company Optomed Plc amounted to EUR 4.5 million as at 31 December 2018. As at the date of this Prospectus, the Company has no funds available for dividend distribution.

Under the Finnish Companies Act, the General Meeting of Shareholders decides on the distribution of dividends based on a proposal by the Board of Directors. Dividends may be paid only after the General Meetings of Shareholders has approved the Company's financial statements. Following the completion of the combination of the Company's share classes as described in "*Descriptions of the Shares and Share Capital – Changes to the Shares and Share Capital Prior to the Listing*", all of the Shares are entitled to the same dividend, if dividends are distributed. There can be no assurance regarding any financial period as to the amount of dividends to be distributed or as to whether the Company will distribute dividends at all. For a description of the restrictions applicable to dividend distributions, see "*Descriptions of the Shares and Share Capital – Dividend and Other Distribution of Funds*".

BACKGROUND AND REASONS FOR THE OFFERING AND CONTEMPLATED LISTING AND USE OF PROCEEDS

Reasons for the Offering and Listing

The objective of the contemplated Offering and Listing is to improve the Company's ability to successfully pursue its growth strategy and invest in its business in order to remain at the forefront of developing complete screening solutions against blinding eye diseases and expand into new markets. The contemplated Offering and Listing on Nasdaq Helsinki will also allow Optomed to obtain access to capital markets and broaden its ownership base with both domestic and foreign investor, which would increase the liquidity of the Shares. Furthermore, the Offering is expected to strengthen Optomed's recognition and brand awareness among customers, business partners and investors, and thus enhance Optomed's competitiveness and the market awareness of handheld fundus cameras. The increased liquidity would also enable Optomed to use the Shares more effectively as a means of consideration in potential acquisitions and remuneration of personnel.

In accordance with the above, the Board of Directors resolved on 20 November 2019 to apply for the Listing of the Shares on the Official List of Nasdaq Helsinki.

Use of Proceeds

The Company aims to raise gross proceeds of EUR 20 million through the Share Issue by offering New Shares for subscription. The Company will pay approximately EUR 4 million in fees and expenses in connection with the Offering (assuming that the maximum number of New Shares are subscribed for in the Offering), of which EUR 3 million is estimated to be incurred and recognised as expenses in the last quarter of 2019 and in 2020 and the cash flow impact of which is approximately EUR 3.5 million for the same period. The net proceeds that the Company will receive from the Offering thus amount to approximately EUR 16.5 million.

The funds from the Share Issue are expected to enable increasing financial flexibility for the Company to pursue its growth strategy with focus on expanding into the United States market and continue to leverage its unique know-how and proprietary technology to develop new products. The proceeds will also be used to pay the preferred dividend of EUR 327 thousand as described in section "*Description of the Shares and Share Capital – Changes to the Shares and Share Capital Prior to the Listing".* In addition, the Company may use the proceeds to reduce indebtedness by prematurely repaying a loan from OP at a maximum amount of EUR 4.5 million. The possible repayment of the loan will be dependent on the progression of the Company's growth strategy and the need for capital expenditure to pursue the growth strategy.

If the Selling Shareholders decide to increase the Offering, the Selling Shareholders will receive gross proceeds of approximately EUR 7.7 million from the Share Sale (assuming that the Selling Shareholders will sell the maximum number of Sale Shares and that the Over-Allotment Option will not be exercised). The Selling Shareholders will pay approximately EUR 0.6 million in fees in connection with the Offering (calculated by using the above mentioned assumptions and assuming that the discretionary fee will be paid in full).

For information on the effect of the Offering on the Company's capitalisation and indebtedness, see "*Capitalisation and Indebtedness*".

TERMS AND CONDITIONS OF THE OFFERING

The term "subscription" herein refers to the investor's offer or commitment in the offering to subscribe for Offer Shares, and an investor may be allocated either New Shares or Sale Shares. Similarly the terms "subscriber", "offer period", "subscription place", "offer price", "purchase offer" and "commitment" (or other similar terms) refer to both the Share Issue and the Share Sale. In these terms and conditions of the Offering, the number of Shares after the Share Issue is based on the assumption that the combination of shares as decided by the Extraordinary General Meeting of Optomed Plc on 14 November 2019, has been completed in connection with the Listing.

General Terms and Conditions of the Offering

Offering

Optomed Plc, a public limited liability company incorporated in Finland (the "**Company**"), aims to raise gross proceeds of EUR 20 million by offering a maximum of 4,444,444 new shares in the Company (the "**New Shares**") for subscription through a share issue (the "**Share Issue**"). In addition, Aura Capital Oy ("**Aura Capital**"), Halma Ventures Limited ("**Halma**") and certain other existing shareholders in the Company listed in Annex A of this Prospectus (the "**Selling Shareholders**") may, in their sole discretion, decide to increase the Offering and to sell a maximum of 1,702,575 existing shares in the Company (the "**Sale Shares**", and together with the New Shares and the Additional Shares (as defined below), the "**Offer Shares**") (the "**Share Sale**", and together with the Share Issue, the "**Offering**").

The Offering consists of (i) a public offering to private individuals and entities in Finland and in Sweden (the "**Public Offering**"), and (ii) private placements to institutional investors in Finland and internationally (the "**Institutional Offering**"). All offers and sales will be made outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S under the U.S Securities Act ("**Regulation S**").

The Company currently has in total 9,558,700 shares (the "**Shares**"), of which 811,000 are held by the Company itself. The number of outstanding Shares and votes in the Company is thus 8,747,700. The Offer Shares (excluding the 1,702,575 Sale Shares which may be sold in addition to the New Shares by a decision of the Selling Shareholders) represent approximately 33.7 percent of the Company's outstanding Shares and votes after the Share Issue (excluding any Additional Shares based on the Over-Allotment Option, as defined below) assuming that the maximum number of New Shares are subscribed for in the Offering, and approximately 38.7 percent of the outstanding Shares and votes after the Share Issue if also the Over-Allotment Option is fully exercised. The Offer Shares (including 1,702,575 Sale Shares which may be sold in addition to the New Shares by a decision of the Selling Shareholders) represent approximately 46.6 percent of the outstanding Shares and votes after the Share Issue (excluding any Additional Shares based on the Over-Allotment Option) assuming that the maximum number of New Shares are subscribed for in the Offering, and approximately 53.6 percent of the outstanding Shares and votes after the Share Issue if also the Over-Allotment Option is fully exercised.

The terms and conditions of the Offering comprise the general terms and conditions of the Offering presented herein as well as the special terms and conditions of the Institutional Offering and the Public Offering.

Share Issue

The Company's Extraordinary General Meeting of Shareholders held on 14 November 2019 (the "**EGM**") resolved to authorise the Board of Directors of the Company to decide on an issue of a maximum of 7,500,000 New Shares of the Company. The Board of Directors of the Company is expected to resolve on or about 4 December 2019 to offer a maximum of 4,444,444 New Shares for subscription in the Share Issue on the basis of the authorisation granted by the EGM.

As a result of the Share Issue, the number of the Company's Shares may increase to a maximum of 14,003,144 Shares (of which 811,000 would be held by the Company and 13,192,144 be outstanding). The New Shares issued in the Share Issue would represent approximately up to 33.7 percent of the outstanding Shares and votes after the Share Issue, assuming that a maximum number of New Shares are subscribed for in the Offering. The maximum number of New Shares offered represent approximately 50.8 percent of the outstanding Shares before the Share Issue.

The New Shares are offered in deviation from the shareholders' pre-emptive subscription right in order to enable the listing of the Company's Shares on the official list (the "**Official List**") of Nasdaq Helsinki Ltd ("**Nasdaq Helsinki**") ("**Listing**"). The payment made to the Company for approved New Share subscriptions will be booked in its entirety in the invested unrestricted equity fund. Thus, the Company's share capital will not increase in connection with the Share Issue.

Share Sale

The Selling Shareholders may, in their sole discretion, decide to increase the Offering and to sell a maximum of 1,702,575 Sale Shares in the Share Sale. If the Selling Shareholders decide to increase the Offering, the Sale Shares offered in the Share Sale would represent without the Over-Allotment Option approximately 12.9 percent (with the Over-Allotment Option of 922,052 Additional Shares, approximately 19.9 percent) of the outstanding Shares and votes after the Share Issue, assuming that the maximum number of New Shares are subscribed for in the Offering.

If the maximum number of the Sale Shares would not be subscribed for in the Share Sale, the subscriptions would be allocated to the Selling Shareholders on a pro rata basis.

Sole Global Coordinator and Joint Bookrunner

The Company has appointed Carnegie Investment Bank AB ("**Carnegie**") to act as the sole global coordinator and bookrunner (the "**Sole Global Coordinator**") and Swedbank AB (publ) ("**Swedbank**") to act as the joint bookrunner for the Offering (Carnegie and Swedbank together, the "**Managers**", and each individually a "**Manager**"). In addition, the Company has appointed Nordnet Bank AB ("**Nordnet**") to act as a subscription place in the Public Offering.

Over-Allotment Option

Halma and Carnegie (the "**Stabilising Manager**") may agree that Halma shall give the Stabilising Manager an over-allotment option exercisable within 30 days from the commencement of trading of the Shares on Nasdaq Helsinki (which period is estimated to occur between 5 December 2019 and 3 January 2020) (the "**Stabilisation Period**"), to purchase or to procure purchasers for a maximum of 666,666 additional Shares (assuming that the Selling Shareholders would not decide to increase the Offering and sell the Sale Shares), or a maximum of 922,052 additional Shares (assuming that the Selling Shareholders would decide to increase the Offering and sell a maximum of 1,702,575 Sale Shares) (the "**Additional Shares**") solely to cover over-allotment (the "**Over-Allotment Option**"). The Additional Shares (assuming that the Selling Shareholders would not decide to increase the Offering and sell the Sale Shares) represent approximately 7.6 percent of the outstanding Shares and votes before the Offering and approximately 5.1 percent after the Offering, assuming that a maximum number of New Shares are subscribed for in the Offering. However, the Additional Shares will in no case represent more than 15 percent of the total number of New Shares and Sale Shares.

Stabilisation

After the Offering, the Stabilising Manager may, but is not obligated to, within the Stabilisation Period, engage in measures which stabilise, maintain or otherwise affect the price of the Shares. The Stabilising Manager may allocate a larger number of Shares than the total number of Offer Shares, which creates a short position. The short position is covered if the short selling does not exceed the number of Shares which the Stabilising Manager can acquire through the Over-Allotment Option. The Stabilising Manager may close covered short selling with the Over-Allotment Option or by purchasing Shares in the market. In determining the acquisition method of the Shares to cover the short selling, the Stabilising Manager considers, among other things, the market price of the Shares compared to the Over-Allotment Option price. After the Offering, the Stabilising Manager may also bid for and purchase Shares in the market to stabilise the share price. The measures may raise or maintain the market price of the Shares in comparison with the price levels determined independently on the market or may prevent or delay any decrease in the market price of the Shares. However, the stabilisation measures may not be conducted on a higher price than the Final Subscription Price. The Stabilising Manager has no obligation to carry out these measures, and they may stop any of these measures at any time. The Stabilising Manager or the Company on behalf of the Stabilising Manager will publish information regarding the stabilisation required by legislation or other applicable regulations during the Stabilisation Period and at the end of the Stabilisation Period.

Any stabilisation measures will be conducted in accordance with Regulation (EU) No. 596/2014 of the European Parliament and the Council on market abuse (the "**Market Abuse Regulation**" or "**MAR**") and the Commission Delegated Regulation (EU) 2016/1052 supplementing the Market Abuse Regulation with regards to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures.

The Stabilising Manager and Halma may enter into a share lending agreement in connection with the Listing related to the settlement and stabilisation. According to the share lending agreement, the Stabilising Manager may borrow a number of Shares equal to the Over-Allotment Option to cover any possible over-allotments in connection with the Offering. To the extent that the Stabilising Manager borrows Shares, it must return an equal number of Shares to Halma. For further information, see "*Plan of Distribution in the Offering*".

Underwriting Agreement

The Company expects that it will, on or about 4 December 2019, together with Halma, as well as with Aura Capital and Finnish Industry Investment Ltd, if such Selling Shareholders have decided to increase the Offering and sell the Sale Shares, enter into an underwriting agreement (the "**Underwriting Agreement**") with the Managers, and the other Selling Shareholders have each given a sales undertaking (the "**Sales Undertaking**") with respect to the Offering. According to the Underwriting Agreement and the Sales Undertakings, the Company agrees to issue and the Selling Shareholders agree to sell Offer Shares to purchasers procured by the Managers or, failing which, to the Managers themselves, and each of the Managers severally and not jointly, agrees to procure such purchasers, or failing such procurement, to subscribe for or purchase, the Offer Shares, provided that certain conditions are fulfilled. For additional information, see "*Plan of Distribution in the Offering*".

Offer Period

The subscription period for the Public Offering will commence on 22 November 2019 at 10 a.m. (Finnish time) and end on 2 December 2019 at 4 p.m. (Finnish time). The subscription period for the Institutional Offering will commence on 22 November 2019 at 10 a.m. (Finnish time) and end on 4 December 2019 at 11 a.m. (Finnish time).

The Board of Directors of the Company and the Selling Shareholders have, in the event of an oversubscription, the right to discontinue the Institutional Offering and the Public Offering by a joint decision no earlier than 29 November 2019 at 4 p.m. (Finnish time). The Institutional Offering and the Public Offering may or may not be discontinued independently of each other. A stock exchange release regarding the possible discontinuation will be published without delay.

The Board of Directors of the Company and the Selling Shareholders have the right to extend the subscription period of the Institutional Offering and the Public Offering by a joint decision. Any possible extension of the subscription period will be communicated through a stock exchange release, which will indicate the new end date of the subscription period. The subscription period for the Public Offering will in any case end no later than 2 December at 4. p.m. (Finnish time) and for the Institutional Offering no later than 4 December 2019 at 11 a.m. (Finnish time). The Company and the Selling Shareholders may or may not extend the subscription period of the Institutional Offering and the Public Offering independently of each other. The stock exchange release concerning the extension of the subscription period must be released no later than the above-mentioned estimated end dates of the Institutional Offering and the Public Offering.

Subscription Price

The subscription price for the Offer Shares is EUR 4.50 per Offer Share (the "**Subscription Price**"). In determining the Subscription Price, prevailing market conditions, the valuation multiples of companies operating in the same field of operation, as well as the expectations on the Company's results have been, among other factors, taken into account.

The Conditionality, Execution and Publishing of the Offering

The Board of Directors of the Company will decide on the execution of the Share Issue, and the Selling Shareholders will decide on the execution of the Share Sale, and the Board of Directors of the Company will decide, jointly with the Selling Shareholders, if the Selling Shareholders have decided to increase the Offering, on the final number of the Offer Shares and the allocation of Offer Shares (the ''**Completion Decision**'') on or about 4 December 2019.

The number of New Shares and Sale Shares, if any, will be announced through a stock exchange release immediately following the Completion Decision and it will be available at the latest on the next banking day following the Completion Decision, on or about 5 December 2019, at the subscription places of the Offering and on the Internet on the websites www.optomed.com/ipo, www.nordnet.fi/fi/optomed and www.nordnet.se/se/optomed.

Cancellation of the Commitments

A commitment to subscribe for or purchase Offer Shares in the Public Offering (the "**Commitment**") cannot be amended. A Commitment may only be cancelled in the situations provided for in the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**").

Cancellation in accordance with the Prospectus Regulation due to the supplement of the Finnish Prospectus

If the Finnish language prospectus published by the Company in connection with the Offering (the "**Finnish Prospectus**") is supplemented due to a material mistake or material inaccuracy or a significant new factor that arose or was noted after the Finnish Financial Supervisory Authority has approved the Finnish Prospectus and before trading in the Offer Shares begins on the prelist of Nasdaq Helsinki, investors who have given their Commitments before the supplement of the Finnish Prospectus have, in accordance with the Prospectus Regulation, the right to cancel their Commitments within two

(2) working days after the supplement has been published. The cancellation period may be extended by the Company. The final date of the right of cancellation is stated in the supplement. The use of the cancellation right requires that the material mistake or material inaccuracy or the significant new factor that led to the supplement arose or was noted prior to the delivery of the Offer Shares to the investors. If the Finnish Prospectus is supplemented, the supplement will be published through a stock exchange release. The stock exchange release will also include information on the right of the investors to cancel their Commitments.

Procedure to cancel a Commitment

The cancellation of a Commitment must be notified in writing to the subscription place where the initial Commitment was made and within the time limit set for such cancellation. However, a Commitment made by telephone to the Managers may be cancelled by telephone.

The possible cancellation of a Commitment concerns the entire Commitment. After the time limit set for cancellation has expired, the cancellation right is no longer valid. If a Commitment made in the Public Offering is cancelled, the place of subscription will return the amount paid for the Offer Shares to the bank account stated in the Commitment. The money is refunded as soon as possible after the cancellation of the Commitment, approximately within five (5) banking days of the cancellation notice being given to the subscription place. If an investor's bank account is in a different bank than the subscription place, the refund will be paid to a Finnish bank account in accordance with the payment schedule of the financial institutions, approximately no later than two (2) banking days thereafter. If an investor is a client of Nordnet and the Commitment is made via Nordnet, the refund will be paid only to cash account at Nordnet. No interest will be paid on the refunded amount.

The cancellation of a Commitment made via Nordnet online service can be made through an authorised representative or via Nordnet online service by accepting a separate Commitment cancellation using Nordnet Bank's identifiers.

Registration of Offer Shares to Book-Entry Accounts

A Finnish investor making a Commitment must have a book-entry account with a Finnish account operator or with an account operator operating in Finland, and the investor must submit the number of his or her book-entry account in the Commitment. Swedish investors in the Public Offering are required to have a valid investment service agreement with Nordnet. Offer Shares issued in the Public Offering are recorded in the book-entry accounts of investors who have made an approved Commitment, on or about the first banking day after the completion decision regarding the Offering takes place, on or about 5 December 2019. In the Institutional Offering, the Offer Shares will be ready to be delivered against payment on or about 9 December through Euroclear Finland.

Title and Shareholder Rights

The title to the Offer Shares is transferred when the Offer Shares are paid for, the New Shares are registered in the Trade Register maintained by the Finnish Patent and Registration Office (the "**Trade Register**") and the Offer Shares are recorded in the investor's book-entry account. The Offer Shares carry rights equal to all other Shares in the Company and will entitle their holders to dividend and other distributions of funds as well as other rights related to the Shares as at the date the title has been transferred.

Transfer Tax and Other Expenses

No transfer tax is payable in connection with the issue or subscription of the New Shares. Account operators charge fees in accordance with their price lists for maintenance of the book-entry account and for safekeeping of the Shares. The Sale Shares are sold in connection with the commencement of trading in the Shares of the Company on the prelist of Nasdaq Helsinki, and no transfer tax is expected to be payable for these transfers. If transfer tax is due, the Selling Shareholders will pay any transfer tax payable on transfers of Sale Shares.

Trading in the Shares

The Company will submit a listing application to Nasdaq Helsinki for the listing of the Shares on the Official List of Nasdaq Helsinki. Trading in the Offer Shares is expected to begin on the prelist of Nasdaq Helsinki on or about 5 December 2019 and on the Official List of Nasdaq Helsinki on or about 9 December 2019. The share trading code of the Shares is "OPTOMED" and ISIN code FI4000410881.

Right to Cancel the Offering

The Board of Directors of the Company may cancel the Share Issue at any time before the decision to complete it is made on the grounds of, for example, market conditions, the Company's financial position or a material change in the

Company's business. If the Board of Directors of the Company decides to cancel the Share Issue, the sales and subscription prices paid by the investors will be refunded in approximately five (5) banking days from the cancellation decision. If an investor's bank account is in a different bank than the subscription place, the refund will be paid to a Finnish bank account in accordance with the payment schedule of the financial institutions, approximately no later than two (2) banking days thereafter. If an investor is a client of Nordnet and the Commitment is made via Nordnet, the refund will be paid only to cash account at Nordnet. No interest will be paid on the refunded amount.

Lock-up

The parties mentioned below shall agree with the Managers that, during a period ending 180 days from the Listing (i.e. until on or about 2 June 2020) as regards the Selling Shareholders and the other existing shareholders of the Company and 360 days from the Listing (i.e. until on or about 29 November 2020) as regards the Company and the management team of the Company, neither any of these persons nor any party acting on their behalf, save for the Offering and certain other exceptions, will, without the prior written consent of the Sole Global Coordinator, offer, hypothecate, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option or warrant to purchase, lend or otherwise transfer or dispose of (or publicly announce such transaction), directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transactions are to be settled by delivery of the Shares or other securities, in cash or otherwise, or to submit to the Company's shareholders a proposal to effect any of the foregoing.

The lock-up does not apply to certain situations, including, as regards the Selling Shareholders and other parties named above, exercising options or other instruments entitling to subscribe for Shares, a takeover bid concerning the Company, or a Share buyback directed to all shareholders, amongst others, and does not concern Shares other than those owned by the Selling Shareholders and other existing shareholders and the members of the Board of Directors or the executive officers and certain key employees of the Company at the date of admission of the Shares to trading on Nasdaq Helsinki.

The lock-ups apply in total to approximately 53 percent of the outstanding Shares and votes after the Share Issue without the Over-Allotment Option (approximately 46 percent including the Over-Allotment Option) assuming that the maximum number of New Shares are subscribed for in the Offering and that the Selling Shareholders sell the maximum number of Sale Shares.

Other Issues

Other issues and practical matters relating to the Share Issue will be resolved by the Board of Directors of the Company. Other issues and practical matters relating to the Share Sale will be resolved by the Selling Shareholders.

Documents on Display

The Company's latest financial statements, report of the Board of Directors and the auditor's report as well as other documents pursuant to Chapter 5, Section 21 of the Finnish Companies Act (624/2006, as amended) (the "**Finnish Companies Act**"), are available during the subscription period at the registered office of the Company at Yrttipellontie 1, FI-90230, Oulu, Finland.

Governing Law

The Offering shall be governed by the laws of Finland. Any disputes arising in connection with the Offering shall be settled by a court of competent jurisdiction in Finland.

Special Terms and Conditions of the Institutional Offering

General

Preliminarily a maximum of 4,000,000 Offer Shares (without the Over-Allotment Option and excluding the 1,702,575 Sale Shares which may be sold in addition to the New Shares by a decision of the Selling Shareholders) are offered in the Institutional Offering as private placements to institutional investors in Finland and internationally. In addition, the Selling Shareholders may decide to increase the Offering and to sell a maximum of 1,702,575 Sale Shares in the Share Sale. The Company and the Selling Shareholders may, based on demand, reallocate Offer Shares between the Institutional Offering and the Public Offering in deviation from the preliminary number of Offer Shares without limitation. However, the minimum number of Offer Shares to be offered in the Public Offering shall be 444,444 Offer Shares or, if the aggregate number of Offer Shares covered by the Commitments submitted in the Public Offering is smaller than this, such aggregate number of Offer Shares as covered by the Commitments.

The Offer Shares are being offered in the Institutional Offering to institutional investors in Finland and internationally in certain other countries outside the United States in accordance with Regulation S.

Right to Participate

An investor whose purchase offer in the Institutional Offering (the "**Purchase Offer**") includes at least 20,001 Offer Shares, may participate in the Institutional Offering. Natural persons or estates of deceased persons may not participate in the Institutional Offering other than via an asset manager.

Approval of the Purchase Offers and Allocation

Purchase Offers by institutional investors may be submitted to the Managers. In the Institutional Offering, the Company will decide on the approvals of the Purchase Offers upon taking the Completion Decision regarding the Offering. The Company will decide on the procedures in the event of a potential oversubscription. The Company will make the decisions together with the Selling Shareholders, if the Selling Shareholders have decided to increase the Offering and to sell Sale Shares in the Share Sale. The Purchase Offers can be accepted or rejected partially or wholly. A confirmation of the accepted Purchase Offers in the Institutional Offering will be provided as soon as practically possible after the allocation of the Offer Shares.

Payment of the Offer Shares

Institutional investors must pay for the Offer Shares corresponding to their accepted Purchase Offer in accordance with the instructions issued by the Manager, on or about 9 December 2019. If necessary in connection with a Purchase Offer being made or before the approval of a Purchase Offer, the Managers have the right provided by the duty of care set for securities intermediaries to require that the investor provides information concerning its ability to pay for the Offer Shares corresponding to its Purchase Offer or require that the amount corresponding to the Purchase Offer be paid in advance. The amount to be paid in this connection is the Subscription Price, EUR 4.50, multiplied by the number of Offer Shares corresponding to the Purchase Offer. Possible refunds will be made on or about on the fifth (5^{th}) banking day following the completion decision regarding the Offering (i.e. on or about 12 December 2019). No interest will be paid on the refunded amount.

Special Terms and Conditions of the Public Offering

General

Preliminarily a maximum of 444,444 Offer Shares are offered in the Public Offering for subscription by private individuals and corporations in Finland and Sweden. The Company and the Selling Shareholders may, based on demand, reallocate Offer Shares between the Institutional Offering and the Public Offering in deviation from the preliminary number of Offer Shares without limitation. However, the minimum number of Offer Shares to be offered in the Public Offering shall be 444,444 Offer Shares or, if the aggregate number of Offer Shares covered by the Commitments submitted in the Public Offering is smaller than this, such aggregate number of Offer Shares as covered by the Commitments.

The subscription place has the right to reject a Commitment, either partially or wholly, if the Commitment does not comply with the terms and conditions set forth herein or if it is otherwise incomplete.

Right to Participate and the Minimum and Maximum Amounts for Commitments

Investors whose permanent address or domicile is in Finland or Sweden and who submit their Commitments in Finland or Sweden, may participate in the Public Offering. In the Public Offering, the Commitment must concern a minimum of 200 Offer Shares and a maximum of 20,000 Offer Shares. The Commitments submitted by one and the same investor in one or more subscription places will be combined into one Commitment to which the above-mentioned minimum and maximum amounts are applied.

Places of Subscription and Submission of Commitments

Finland

The place of subscription in the Public Offering is:

- Nordnet's online service with Nordnet's bank identifiers at www.nordnet.fi/fi/optomed. The subscription can be made through online service with the bank identifiers of Nordnet, Aktia, Danske Bank, Handelsbanken, Nordea, Oma Säästöpankki, Osuuspankki, POP Bank, S-Bank, Säästöpankki as well as Ålandsbanken.

- In addition when separately agreed, the subscription commitment in the Public Offering can be made at Nordnet Bank AB, Finnish branch´s office at Yliopistonkatu 5, 00100 Helsinki, on weekdays from 1.00 pm to 5.00 pm.
- The subscription commitment can also be made on behalf of corporation through the online service of Nordnet. Estates of a deceased person or persons under guardianship, which are not Nordnet's own customers, cannot submit the subscription commitment through online service of Nordnet, but instead they have to submit subscription commitment at the office of Nordnet.

The Commitment will be considered to have been made when the investor has submitted a Commitment according to the instructions of the subscription place or has confirmed the Commitment with his or her bank identifiers and has paid for the share subscription price in accordance with the Commitment. Any detailed instructions possibly issued by the place of subscription must be taken into consideration when submitting a Commitment. The Commitment in the Public Offering is binding and cannot be changed and can only be cancelled in the specific manner and situations referred to above under "*General Terms and Conditions of the Offering – Cancellation of the Commitments*".

On the part of persons under 18 years of age or investors otherwise under guardianship, permission from the magistrate is required in order for them to give a Commitment because the Shares will not yet be admitted to trading on a regulated market when the Commitment is made.

Sweden

The place of subscription in the Public Offering for customers **with a securities account in Nordnet Sweden** is:

- Nordnet's online service with bank identifiers of Nordnet Bank at www.nordnet.se/se/optomed

In order to not lose the right to allotment, account clients at Nordnet must have sufficient funds available for their subscription at the account during the period from 28 November 2019 at 4:00 pm (Finnish time) until the settlement day, which is estimated to be on or about 9 December 2019. More information regarding the subscription process is available at www.nordnet.se/se/optomed. Submitting a Commitment via Nordnet's online service requires a valid investment service agreement with Nordnet.

The Commitment will be considered to have been made when the investor has submitted a Commitment according to the instructions of the subscription place or has confirmed the Commitment with his or her bank identifiers. Any detailed instructions possibly issued by the place of subscription must be taken into consideration when submitting a Commitment. The Commitment in the Public Offering is binding and cannot be changed and can only be cancelled in the specific manner and situations referred to above under "– *General Terms and Conditions of the Offering – Cancellation of the Commitments*".

Commitments made through Nordnet in Sweden by or on behalf of persons under the age of 18 must be made by their legal guardians or an individual holding a power of attorney.

Payment of the Offer Shares

Finland

When submitting the Commitment, the price to be paid for the Offer Shares in the Public Offering is the Subscription Price, i.e. EUR 4.50 per Offer Share multiplied by the number of Offer Share covered by the Commitment.

The payment of a Commitment submitted via Nordnet online service will be charged when the investor confirms the Commitment with his or her bank identifiers.

Sweden

If the Commitment has been submitted via online service of Nordnet Bank Sweden, the payment will be charged from the investor's cash bank account on the day of the Pricing (*i.e.* on or about 4 December 2019)

Approval of Commitments and Allocation

In the Public Offering, the Company will decide on the allocation of Offer Shares to investors after the Completion Decision regarding the Offering. The Company will decide on the procedures in the event of a potential oversubscription. The Company will make the decisions together with the Selling Shareholders, if the Selling Shareholders have decided to increase the Offering and to sell Sale Shares in the Share Sale. The Commitments can be accepted partially or wholly or they may be rejected. The Company and the Selling Shareholders aim to approve Commitments in full for up to 200 Offer Shares and, for Commitments exceeding this amount, allocate the Offer Shares in proportion to the amount of Commitments unmet. When allocating the Offer Shares in the Public Offering, the Company may prioritise the personnel

of the Company, consisting of all permanent employees of the Company during the subscription period in Finland, the members of the Board of Directors within the EEA and the CEO of Optomed (the "**Personnel**"), as well as companies controlled by them. The number of the Offer Shares allocated based on this priority can be a maximum of 10.0 percent of the number of the Offer Shares to be offered preliminarily in the Public Offering, however no more than a maximum of 490 Offer Shares per each person. The portion of the Commitments submitted by Personnel exceeding the number of Offer Shares allocated based on the priority is allocated in proportion to the amount of Commitments unmet submitted by all investors participating in the Public Offering. A confirmation letter regarding the approval of the Commitments and allocation of the Offer Shares will be sent as soon as possible and on or about 20 December 2019 at the latest to all investors who have submitted their Commitments in the Public Offering. Investors at Nordnet, who have also made their Commitments via Nordnet will see their Commitments as well as allocation of Offer Shares on the transaction page of Nordnet's online service.

Refunding of Paid Amount

Finland

If a Commitment is rejected or approved only in part, the paid amount or the part thereof will be refunded to the investor who submitted the Commitment approximately five (5) business days after the completion decision regarding the Offering (i.e. on or about 13 December 2019), to the Finnish bank account stated in the Commitment. If an investor's bank account is in a different bank than the subscription place, the refund will be paid to a Finnish bank account in accordance with the payment schedule of the financial institutions, approximately no later than two (2) banking days thereafter. If the Commitments submitted by the one and the same investor are being combined, the potential refund of paid amount is only refunded to one bank account of the investor. If the subscription place is Nordnet, the refunded amount will only be paid to a Nordnet cash account. No interest will be paid on the refunded amount. See also "*General Terms and Conditions of the Offering – Cancellation of the Commitments*."

Registration of Offer Shares to Book-Entry Accounts

Finland

Investors who have submitted a Commitment in the Public Offering must have a book-entry account with a Finnish account operator or an account operator operating in Finland, and investors must specify the number of their book-entry account in their Commitment. It is expected that the Offer Shares allocated in the Public Offering will be entered into the book-entry accounts of investors whose Commitments have been approved on the first banking day after the Pricing (*i.e.* on or about 5 December 2019).

Sweden

Commitments via Nordnet's online service requires a valid investment service agreement with Nordnet. It is expected that the Offer Shares allocated in the Public Offering will be entered into the securities accounts of investors whose Commitments submitted through Nordnet's online service have been approved on the first banking day after the Pricing (*i.e.* on or about 5 December 2019).

CAPITALISATION AND INDEBTEDNESS

The following table presents (i) the realised capitalisation and indebtedness of the Company as at 30 September 2019 as derived from the Company's unaudited consolidated interim report as at for the nine month period ended 30 September 2019, prepared in accordance with "IAS 34 – Interim Reporting" and (ii) the capitalisation and indebtedness as at 30 September 2019, as adjusted to reflect (1) receipt of net proceeds of approximately EUR 16.5 million from the Share Issue, and (2) the payment of the preferred dividend of EUR 327 thousand as described below in "*Shares and Share Capital – Changes to the Shares and Share Capital prior to the Listing*", as if each of such transactions had occurred on 30 September 2019. With regard to the Share Issue, it should be noted that the realisation of the proceeds from the Share Issue is not certain. The following table should be read together with "*Selected Consolidated Financial and Other Information*" and "*Operating and Financial Review*" as well as the audited consolidated financial statements and unaudited consolidated financial information included in this Prospectus.

Capitalisation **In EUR thousand**	**As at 30 September 2019**	
	Actual	**As adjusted**
	(unaudited)	
Current liabilities		
Guaranteed / Secured	5,397	5,397
Unguaranteed / Unsecured	-	-
Total	**5,397**	**5,397**
Non-current liabilities		
Guaranteed / Secured	10,292	10,292
Unguaranteed / Unsecured	-	-
Total	**10,292**	**10,292**
Total liabilities	**15,689**	**15,689**
Equity attributable to equity holders of the Company		
Share capital	19	80[1]
Share premium	565	504[1]
Reserve for invested non-restricted equity	21,549	39,272[2]
Translation differences	93	93
Retained earnings	(13,306)	(12,906)[3]
Profit (loss) for the financial year	(2,817)	(3,703)[2]
Total equity	**6,102**	**23,340**
Total equity and liabilities	**21,791**	**39,029**

Net indebtedness **In EUR thousand**		
Liquidity (A)		
Cash and cash equivalents	1,721	18,126[2, 3]
Total	**1,721**	18,126
Current financial liabilities (B)		
Borrowings from financial institutions	1,458	1,458
Government loans	168	168
Lease liability	346	346
Total	**1,972**	**1,972**
Current net indebtedness (C = B – A)	**251**	**(16,154)**
Non-current financial liabilities (D)		
Borrowings from financial institutions	5,332	5,332
Government loans	3,117	3,117
Lease liability	487	487
Total	**8,936**	**8,936**
Net indebtedness (C + D)	**9,187**	**(7,218)**

[1)] Share capital as adjusted reflects the increase in the Company's share capital to EUR 80 thousand in connection with the change of the corporate form of the Company from a private limited liability company to a public limited liability company as decided in the EGM held on 14 November 2019. The share capital increase was made from the share premium reserve.

[2)] The Company aims to raise gross proceeds of EUR 20 million through the Share Issue. Management estimates that the Company will incur total fees, commissions and expenses related to the Offering of approximately a maximum of EUR 4 million, of which EUR 3 million is estimated to be incurred and recognised as expenses in the last quarter of 2019 and in 2020 and the cash flow impact of which is approximately EUR 3.5 million for the same period. As a result, the net proceeds for the Company from the Share Issue are estimated to amount to approximately EUR 16.5 million. The net proceeds from the Share Issue will be recorded in the reserve for invested non-restricted equity. In 2018 and in the nine month period ended 30 September 2019, a total of EUR 1 million in fees, commissions and expenses related to the Offering were recognised.

[3] The Company will pay the preferred dividend of EUR 327 thousand as described below in "*Shares and Share Capital – Changes to the Shares and Share Capital prior to the Listing*", after which an amount of EUR 399,938.28 related to the share arrangements (preference share liability), previously recorded as financial liability, will be recorded back to retained earnings.

For further information on the Company's contingent liabilities, see "*Operating and Financial Review – Contingent Liabilities and Off-Balance Sheet Arrangements*".

There has not been any material changes in the Company's capitalisation and indebtedness since 30 September 2019 up until the date of this Prospectus.

Working Capital Statement

The Company believes that the working capital available to the Company is sufficient for at least the 12 months following the date of this Prospectus.

MARKET OVERVIEW

Market Description

Optomed is a Finnish medical technology company that specialises in fundus imaging devices and solutions and is one of the leading providers of handheld fundus cameras[4]. Optomed develops, commercialises and manufactures modern, mobile and easy-to-use fundus imaging devices that are suitable for any clinic for diagnosing and tracking the progression of ocular diseases affecting the fundus, such as diabetic retinopathy, glaucoma and age-related macular degeneration. Optomed combines handheld screening devices with screening software and automated grading capabilities through Artificial Intelligence with the aim to transform the diagnostic process of blinding eye diseases. Optomed's products are sold in more than 60 countries[5] and its customers include international healthcare organisations, hospitals and global medical technology companies (OEM's) and distributors. Optomed's mission is to provide its customers with innovative and affordable devices and software solutions that enable eye disease screening for everyone.

The Company offers easy-to-use, lightweight, mobile and affordable non-mydriatic handheld fundus cameras for screening of blinding eye diseases. Non-mydriatic fundus cameras provided by the Company are operated without dilation of the pupil, which reduces the examination time. Optomed also offers integrated software solutions for reviewing, analysis, storage, diagnosing and management of fundus images and screening results, as well as automated AI-based grading solution.

The Company's proprietary non-mydriatic handheld fundus cameras are developed to examine the fundus for detecting eye diseases such as diabetic retinopathy, age-related macular degeneration, retinal detachment and glaucoma. Fundus imaging is a basic and effective method to screen the fundus for common eye diseases. If the changes caused by blinding eye diseases are detected early, they can be treated and loss of vision can be prevented. Several studies have shown that early treatment of retinopathy is effective and can prevent up to 80 percent of blinding eye diseases[6]. The treatment of diagnosed retinopathy is commonly available in all geographies. However, to be able to detect and manage diabetic retinopathy, age-related macular degeneration and other retinopathies, an effective screening programme is needed[7]. The Company operates in a subsegment of the global fundus camera market, the handheld fundus camera market. In 2019, the total global fundus camera market is estimated to amount to USD 535 million, of which the share of handheld fundus cameras is USD 56 million, translating to a penetration of approximately 10 percent.[8]

Diabetes and diabetic retinopathy

Diabetes

Diabetes mellitus, more commonly called diabetes, is a chronic disease which occurs when there are raised levels of glucose in the blood because the body cannot produce any or enough insulin or make use of insulin effectively. The lack of insulin, or the inability of the cells to respond to insulin, leads to high levels of blood glucose, i.e. hyperglycaemia. Hyperglycaemia, if left untreated, can, in the long term, cause damage to various body organs, leading to the development of disabling and life-threatening health complications. Those include cardiovascular disease, nephropathy and eye diseases such as retinopathy, which can cause blindness.[9]

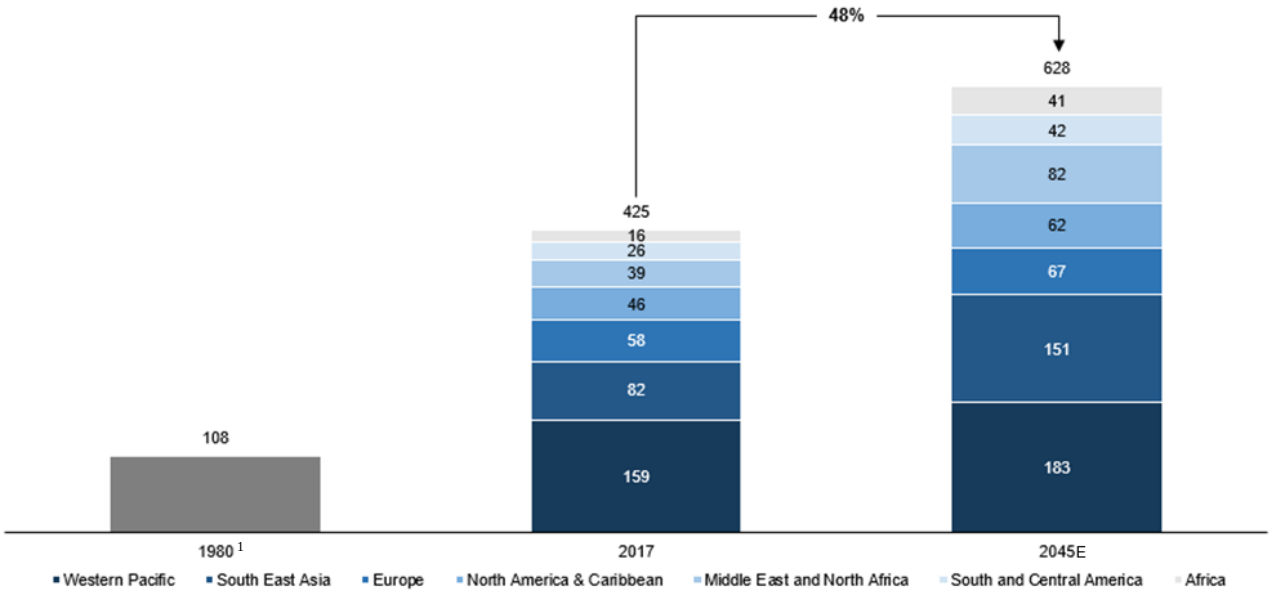
There are three main types of diabetes: Type 1 diabetes, Type 2 diabetes and gestational diabetes (GDM). Type 1 diabetes is caused by an autoimmune reaction where the body's immune system attacks the insulin-producing beta cells in the islets of the pancreas gland. The disease can develop at any age but Type 1 diabetes occurs most frequently among children and adolescents. The causes are not fully understood, but an interplay between genetic and environmental factors is suspected. Type 2 diabetes is the most common type of diabetes and it accounts for around 90 percent of all cases of diabetes. Type 2 diabetes is most commonly prevalent among elderly people, but is becoming more common among children, adolescents and younger adults due to rising levels of obesity, physical inactivity and poor diet. Diabetes is a global issue, and the burden of diabetes reduces productivity, slows economic growth and causes significant expenditure for healthcare systems. Gestational diabetes mellitus (GDM) or hyperglycaemia in pregnancy, is a type of diabetes that affects pregnant women usually during the second and third trimester of pregnancy. GDM usually exists as a transient disorder during pregnancy and resolves once the pregnancy ends. However, pregnant women with hyperglycaemia are at

[4] Zion Market Research (2018). In the management's view, the Company's leading position is based on the share of revenue in the handheld fundus camera market that is generated from sales of cameras manufactured by the Company and sold to end-users by the Company's OEM customers, distributors and directly by the Company.
[5] Including through the Company's distributor network, the OEM customers and direct sales.
[6] The World Health Organization Visual impairment and blindness Fact Sheet N 282 August 2014.
[7] Jin, K., Lu, H., Su, Z., Cheng, C., Ye, J. & Qian, D. Telemedicine screening of retinal diseases with a handheld portable non-mydriatic fundus camera. *BMC Ophthalmology*. (2017).
[8] Zion Market Research (2018).
[9] International Diabetes Federation. *IDF Diabetes Atlas.* Eighth Edition (2017).

a higher risk of developing GDM in subsequent pregnancies, and about half of women with a history of GDM will develop Type 2 diabetes within five to ten years after delivery.[10]

The number of people with diabetes has risen globally from 108 million in 1980 to 425 million in 2017, measured as a total number of adults between 20 and 79 years of age. 425 million people are suffering from diabetes, which is equivalent of a prevalence of approximately 8.8 percent of the global population, and the number has been rising rapidly in middle- and low-income countries. This number is estimated to increase to 9.9 percent, or around 628 million people by 2045, which equals to an increase of 48 percent in the number of diabetics globally. Today, the largest absolute number of diabetics, 159 million, live in the Western Pacific region followed by the second largest group living in the South East Asian region with 82 million diabetics. In these regions the number of diabetics is estimated to increase to 183 million and 151 million diabetics, respectively, by 2045. The largest relative increase in the number of diabetics is, however, estimated to take place in Africa and the Middle East regions. The largest increases are expected to occur in regions where the national economies are moving from low income to middle income levels. More than one-third of diabetes cases are estimated to result from population growth and ageing, approximately 28 percent from an increase in age-specific prevalence and approximately 32 percent from the interaction of these two. The development in the number of diabetics between 1980 and 2045 is illustrated in the figure below.[11]

Figure 1 – Total number of adults with diabetes (20–79 years), millions[12]

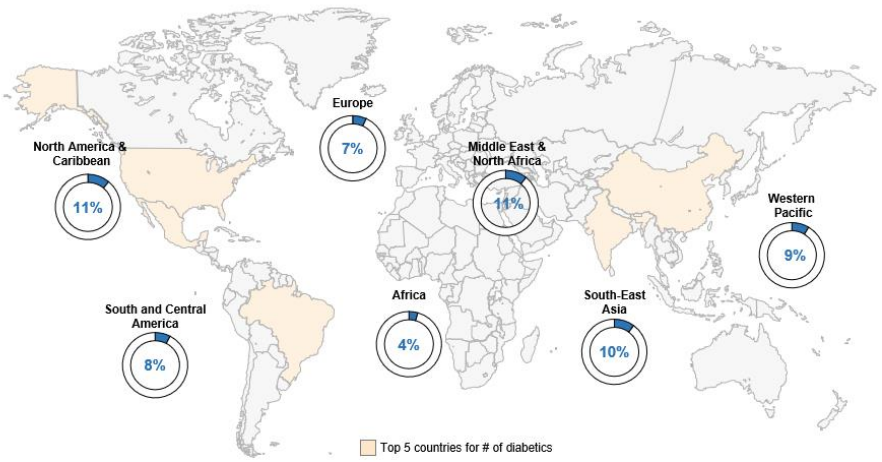


[1] World Health Organization. Available from: https://www.who.int/news-room/fact-sheets/detail/diabetes

In 2017, the global prevalence of diabetes is estimated at 8.8 percent, and it is expected to increase to 9.9 percent by 2045. The North America and Caribbean region record the highest prevalence of 11.0 percent, closely followed by the Middle East and North Africa region with 10.8 percent. In 2017, the prevalence of diabetes was lowest in other parts of Africa, likely due to malnutrition, low levels of urbanisation and obesity and high prevalence rates of communicable diseases. Considering individual countries and the absolute amount of people suffering from diabetes, China, India, the United States, Brazil and Mexico comprise the top five countries with respect to the number of people suffering from diabetes.[13] Optomed has identified China and the United States as its markets of interest. For example, China has approximately 114 million diabetics, making it the largest population in the world living with diabetes.[14] Optomed has been present in China since 2014 through its subsidiary. The Company does not currently run its own operations in the United States, but it has indirect access to the United States market via its OEM customers, and one of the Company's strategic priorities is to introduce its own FDA-approved handheld camera in the US. The regional prevalences of diabetes and the five countries with the largest number of diabetics are illustrated in the figure below.

[10] International Diabetes Federation. *IDF Diabetes Atlas.* Eighth Edition (2017).
[11] International Diabetes Federation. *IDF Diabetes Atlas.* Eighth Edition (2017).
[12] International Diabetes Federation. *IDF Diabetes Atlas.* Eighth Edition (2017).
[13] International Diabetes Federation. *IDF Diabetes Atlas.* Eighth Edition (2017).
[14] International Diabetes Federation. *IDF Diabetes Atlas.* Eighth Edition (2017).

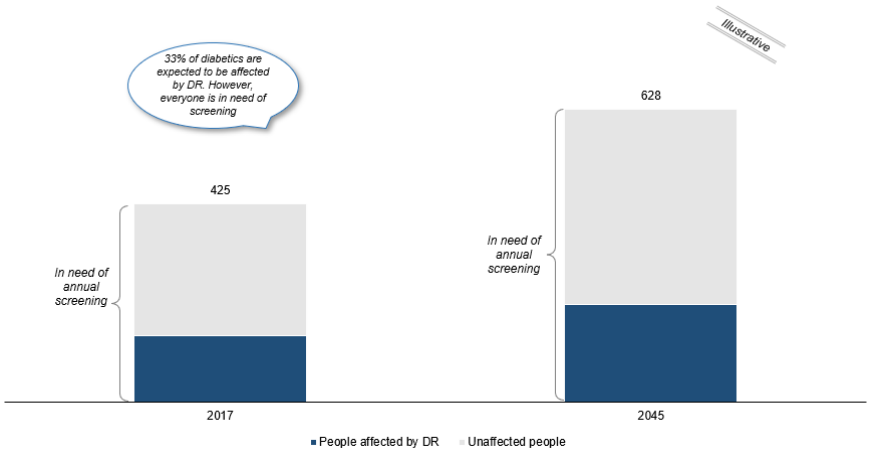
Figure 2 – Age-adjusted comparative prevalence of diabetes, percent[15]



Diabetic retinopathy

Diabetic eye diseases occur as a direct result of chronic high blood glucose levels causing damage to the retinal capillaries, leading to capillary leakage and capillary blockage. Diabetic eye diseases comprise diabetic retinopathy, diabetic macular edema, cataract, glaucoma, loss of focusing ability and double vision. Diabetic retinopathy is the leading cause of vision loss in working-age adults (20-65-year-olds). One-third of diabetics have some degree of diabetic retinopathy, and approximately 10 percent will develop a vision threatening form of the disease. Since diabetic eye diseases are largely asymptomatic in the early stages, it is essential that people with diabetes have retinal screenings on a regular basis (preferably annually) to detect diabetic retinopathy.[16] As diabetic retinopathy is often asymptomatic, it is challenging to identify which individuals are developing the disease, nor is there an immediate sense of urgency amongst those individuals. Hence, the whole diabetic population should be annually screened, to be able to detect diabetic retinopathy at an early stage, making it possible for the diabetic patient to receive the required treatment in order to prevent the disease from progressing. The figure below illustrates the number of people in need of annual fundus screening.

Figure 3 – Number of people in need of annual fundus screening and the number of people estimated to be affected by diabetic retinopathy, millions[17]



The methods for diabetic retinopathy diagnosis include ophthalmoscopy, optical coherence tomography, fundus photography and fluorescein angiography. The non-mydriatic fundus photography is recommended as the preferred screening method, since its results are stored in a permanent record and diagnosis can be carried out using telemedicine and does not require dilation of the pupil.[18] To be able to prevent the progression of the disease, it is important that any

[15] International Diabetes Federation. *IDF Diabetes Atlas.* Eighth Edition (2017).
[16] International Diabetes Federation. *IDF Diabetes Atlas.* Eighth Edition (2017).
[17] International Diabetes Federation. *IDF Diabetes Atlas.* Eighth Edition (2017).
[18] International Diabetes Federation. *IDF Diabetes Atlas.* Eighth Edition (2017).

changes in the fundus are detected at an early stage making it possible for the diabetic to receive treatment for diabetic retinopathy.

The retina is the light-sensitive layer of cells at the back of the eye that convert light into electrical signals. The signals are sent to the brain, which turns them into the images a human can see. The retina needs a constant supply of blood, which it receives through a network of tiny blood vessels. Diabetic retinopathy may progress through four stages[19].

I. **Mild nonproliferative retinopathy**: small areas of balloon-like swelling in the retina's tiny blood vessels, called microaneurysms, occur at the earliest stage of the disease. These microaneurysms may leak fluid into the retina.

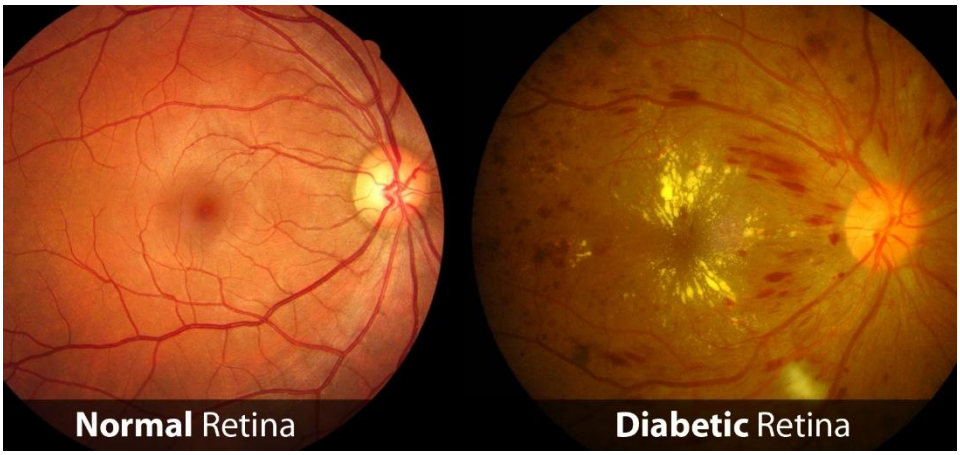
II. **Moderate nonproliferative retinopathy**: as the disease progresses, blood vessels that nourish the retina may swell and distort. They may also lose their ability to transport blood. Both conditions cause characteristic changes to the appearance of the retina and may contribute to diabetic macular edema.

III. **Severe nonproliferative retinopathy**: many more blood vessels are blocked, depriving blood supply to areas of the retina. These areas secrete growth factors that signal the retina to grow new blood vessels.

IV. **Proliferative diabetic retinopathy**: at this advanced stage, growth factors secreted by the retina trigger the proliferation of new blood vessels, which grow along the inside surface of the retina and into the vitreous gel, the fluid that fills the eye. The new blood vessels are fragile, which makes them more likely to leak and bleed. Accompanying scar tissue can contract and cause retinal detachment: the pulling away of the retina from underlying tissue, which can lead to permanent vision loss.

At the early stage of the disease, there might not be any symptoms, although as the condition progresses diabetic retinopathy symptoms include spots or dark strings floating in the vision, blurred vision, fluctuating vision, impaired colour vision, dark or empty areas in the vision and vision loss.[20] These symptoms, if untreated, may result in additional health complications such as bleeding inside the eye, retinal detachment due to the formation of scar tissue that pulls on the retina, and a form of severe glaucoma where new blood vessels grow on the surface of the iris.[21] The figure below illustrates the difference between a normal retina and a diabetic retina.

Figure 4 – Difference between normal retina and diabetic retina



Introduction to the fundus imaging market

The first photographs of the fundus were published in 1886 by Jackman and Webster, and the following breakthrough in the field came through the commercialisation of the first fundus camera, produced by Carl Zeiss in 1926. In the following year, Metzger published stereoscopic fundus photographs taken with the method of side-to-side shifting. The invention of the electronic flash tube enabled light to be directed through the pupil, and it was attached to a camera in 1953. As far as is known, the first reported traditional camera using nerve fiber layer photography was conducted by Carl Zeiss.[22]

[19] National Eye Institute (2015).
[20] MayoClinic (2018).
[21] Company information.
[22] Panwar, N., Huang, P., Lee, J., Keane, P, Chuan, T., Richhariya, A., Teoh, S., Lim, T. & Agrawal, P. Fundus Photography in the 21st Century – A Review of Recent Technological Advances and Their Implications for Worldwide Healthcare. *Telemedicine and e-Health.* March, 2016.

The first digital camera was invented at Eastman Kodak in 1975, and the subsequent shift from analog to digital photography revolutionised medical record keeping. Through the years, camera systems have evolved to offer sharper images, non-mydriatic wide-field options, pupil tracking, and, during the last 10 years, portability.[23]

Traditional desktop fundus cameras

The design of the traditional fundus camera system is based on monocular indirect ophthalmoscopy. The common design consists of a sequence of optic components including objective and condensing lenses, beam splitters, mirrors, masks, diffusers and polarisers, which together direct the illuminating light through the pupil of the eye, collecting light reflected from retinal surface and relaying it to imaging optics forming an image of the retina on the detector screen. Additionally, filters, such as autofluorescence, can be applied to these camera systems for fundus fluorescein angiography and indocyanine green angiography.[24]

As a result of technological advancements in the field of optical sources and detectors, it has become possible to design and manufacture smaller optical assemblies at a lower cost. Following these developments, miniature desktop fundus camera systems have emerged, which are able to provide retinal images with comparable quality to traditional fundus cameras.[25]

The traditional fundus cameras and the more modern desktop cameras have a number of practical challenges and limitations that can be overcome with handheld fundus cameras. Firstly, the traditional fundus cameras form a bulky system, comprising a host of optical and mechanical components, and, in order to be able to produce good-quality images, it is critical to align the components with respect to each other. Also, the more modern desktop fundus cameras have incorporated add-on features, which result in larger size and weight of the camera. The size, weight and complexity of the cameras make them immobile at a fixed location, and they are often located in high-end clinical locations, wherefore conducting screening in rural areas is challenging. Secondly, the quantity of optical components and add-on features, leads to a high cost per device. The high cost per device, and the financial constraints in primary healthcare, result in the cameras being mainly installed and operated in speciality healthcare units and large hospitals, often located in urban areas. Because of this, the possibilities conducting screening in rural areas are often small. Since the device is located at a fixed location, it requires the patient to visit the healthcare clinic, which, especially in developing countries, may result in long distances and travel time. Lastly, to be able to operate the device and its systems, trained specialists and personnel are often required, which further increases the cost per screening and limits the utilisation per device.[26]

Handheld fundus cameras

The design of handheld fundus cameras is based on the same principals as for the traditional desktop fundus cameras. However, the smaller size of the optic components is the main differentiating factor between handheld fundus cameras and traditional desktop fundus cameras. By being able to compress the components into smaller sizes, it is possible to design and manufacture a smaller camera that can conduct the same fundus screening as a larger desktop camera.

A handheld fundus camera is most commonly designed as a two-part modular system: an optical attachment that integrates all the optical components necessary to produce the fundus image, and a camera base comprising a display, an image sensor, a processor, and other electronics that composes and stores the fundus images. Since handheld fundus cameras are constructed as two-part modular systems, it is possible to change the optical module to meet different needs. The Optomed handheld cameras can be equipped with a retinal module for non-mydriatic eye fundus screening, a fluorescein angiography module for providing a detailed view of the entire fluorescein dye circulation dynamics, and an eye anterior module for imaging of the anterior segment of the eye.[27]

The main feature differentiating handheld cameras from traditional desktop fundus cameras is their smaller size, making them easily movable from one place to another. The handheld fundus camera does not require an examination room located in a hospital but can be brought to the patient. For example, bed-bound patients, i.e. patients that are bound for surgery or have been in surgery, are not possible to screen with a traditional desktop camera, since the patient should be moved to an examination room and sit in an up-right position in front of the camera for the duration of the examination. Elderly care is another example of a segment where patients would benefit from a mobile solution, since elderly people are often not in shape of being able to be screened with a traditional desktop camera. The handheld fundus camera is also a well-suited healthcare device in paediatric ophthalmology, since imaging of children is often challenging using traditional methods. Children may, for example, find the use of the chin rest of traditional desktop cameras uncomfortable,

[23] Panwar, N., Huang, P., Lee, J., Keane, P, Chuan, T., Richhariya, A., Teoh, S., Lim, T. & Agrawal, P. Fundus Photography in the 21st Century – A Review of Recent Technological Advances and Their Implications for Worldwide Healthcare. *Telemedicine and e-Health.* March, 2016.
[24] Panwar, N., Huang, P., Lee, J., Keane, P, Chuan, T., Richhariya, A., Teoh, S., Lim, T. & Agrawal, P. Fundus Photography in the 21st Century – A Review of Recent Technological Advances and Their Implications for Worldwide Healthcare. *Telemedicine and e-Health.* March, 2016.
[25] Panwar, N., Huang, P., Lee, J., Keane, P, Chuan, T., Richhariya, A., Teoh, S., Lim, T. & Agrawal, P. Fundus Photography in the 21st Century – A Review of Recent Technological Advances and Their Implications for Worldwide Healthcare. *Telemedicine and e-Health.* March, 2016.
[26] Panwar, N., Huang, P., Lee, J., Keane, P, Chuan, T., Richhariya, A., Teoh, S., Lim, T. & Agrawal, P. Fundus Photography in the 21st Century – A Review of Recent Technological Advances and Their Implications for Worldwide Healthcare. *Telemedicine and e-Health.* March, 2016.
[27] Company information.

resulting in inadequate images and need for anaesthesia. The mobility of the handheld fundus camera is essential in developing markets, because a large portion of diabetics live in rural areas with limited or no access to traditional imaging. By equipping mobile screening units with handheld cameras, it is possible to flexibly transfer screening units between different screening venues. This makes it possible to conduct diabetic retinopathy screenings without the patients needing to travel to the nearest hospital equipped with a traditional fundus camera.[28]

Since the handheld fundus cameras are smaller than traditional desktop cameras, they may be acquired by users whose treatment space is limited. This combined with the affordability of the cameras allows more non-traditional operators, such as optometrists, opticians and pharmacists, to acquire cameras and conduct screenings. Handheld fundus cameras are easy to use and do not require specially trained personnel to operate them (except for a couple of hours of training), making them ideal for users who are not specialists in ophthalmic medicine. Although conducting the screening does not require specialist personnel, the reading and grading of the fundus images do require ophthalmologists or a healthcare professional specialising in fundus image grading. Handheld fundus cameras make it possible to send fundus images to a specialist for analysis and grading via remote consultation or through automated analysis with the help of algorithms powered by Artificial Intelligence (AI).[29]

Overview of the competitive landscape in the fundus camera market

The management believes that the fundus camera markets relevant for the Company can be divided into traditional desktop fundus cameras and handheld fundus cameras. The desktop segment of the fundus camera market is characterised by large international companies such as Canon, Zeiss, Topcon and Nidek. Several smaller companies are also represented in this segment, e.g. the Finnish medical technology company Revenio, which through the acquisition of Centervue added fundus cameras to its product offering.

In the handheld fundus camera market segment, the management believes that Optomed is one of the leading companies providing handheld fundus cameras.[30] Several traditional ophthalmology device manufacturers, such as Zeiss, Volk, Haag-Streit and Topcon, are also active in this segment. However, these companies are Optomed's OEM customers, meaning that the cameras marketed and sold by these companies are designed and provided by Optomed, and based on the same technology as the Optomed branded cameras.[31] There are also other providers of handheld solutions, such as the Taiwanese company Medimaging Integrated Solution Inc., the Chinese company MicroClear and the Indian company Remidio.

In addition to handheld fundus cameras described above, the use of smartphones as a clinical-imaging device in ophthalmology has emerged due to the increased availability of smartphones, in combination with advances in technology for capturing and sharing images with them.[32] Several companies offer smartphone-based fundus imaging devices, i.e. ophthalmoscope adapters that can be adapted to a smartphone. However, the Company is of the view that such smartphone-based devices have performance-limiting constraints, such as generally a narrower field of view and lower image quality, and are thus not comparable to the Company's handheld fundus cameras as they do not, to the Company's knowledge, fulfil the ISO 10940 fundus camera standard resolution requirements.[33] As such, the Company does not currently consider smartphone-based devices as a direct competitor to the Company's products in the handheld fundus camera market.

The global fundus camera market

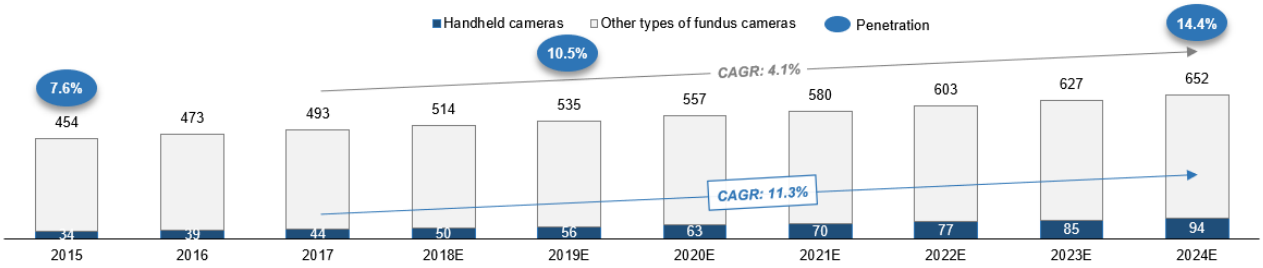
The global fundus camera market is segmented into mydriatic fundus cameras, non-mydriatic fundus cameras, hybrid fundus cameras and ROP fundus cameras. Furthermore, the mydriatic and non-mydriatic cameras can be segmented into desktop and handheld fundus cameras. Non-mydriatic cameras are operated without dilation of the pupil, leading to shorter screening time. The global fundus camera market, measured by revenue, is expected to amount to USD 535 million in 2019, and non-mydriatic fundus cameras are expected to amount to 58 percent of the total market value. The share of mydriatic fundus cameras is expected to amount to 21 percent, hybrid fundus cameras to 16 percent and ROP fundus cameras to 5 percent of the total market value. The annual growth rate of the global fundus camera market is expected to amount to 4.1 percent between 2017 and 2024, reaching a total market value of USD 652 million. The North America region is the largest market, accounting for approximately 46 percent of the total global market. In 2017, the United States is estimated to have accounted for approximately 90 percent of the North American fundus camera market, which is primarily due to the presence of large players and high awareness of technically advanced products. The Asia-Pacific region is estimated to register the highest growth in the global fundus camera market between 2017 and 2024. The rising

[28] Company information.
[29] Company information.
[30] Company estimate.
[31] Company information.
[32] Haddock, L., Kim, D. & Mukai, S (2013). Simple, Inexpensive Technique for High-Quality Smartphone Fundus Photography in Human and Animal Eyes. Journal of Ophthalmology.
[33] Joshi, Vinayak S., Nemeth, Sheila C., Barriga, E. Simon, Soliz, Peter, Harding, Simon P., Lewallen, Susan, Taylor, Terrie E., MacCormick, Ian J. Comparison of the Effectiveness of Retinal Cameras for Malarial Retinopathy Detection in Malawi. 2015.

availability and accessibility of healthcare services and increasing prevalence of eye diseases are expected to positively affect the growth of the market. Also, increasing research and development activities of high-technology products is expected to drive the growth of the market in the Asia-Pacific region. The annual growth rate of the Chinese fundus camera market is expected to amount to 11.8 percent between 2018 and 2024, mainly driven by increasing adoption of high-technology products and rising healthcare expenditure.[34]

The annual growth rate of the global fundus camera market is expected to amount to approximately 4.1 percent between 2017 and 2024, but the global handheld fundus camera market is expected to grow even more, by approximately 11.3 percent per year.[35] The development of the global fundus camera market is illustrated in the figure below.

Figure 5 – The global fundus camera market measured by revenue (USD million)[36]

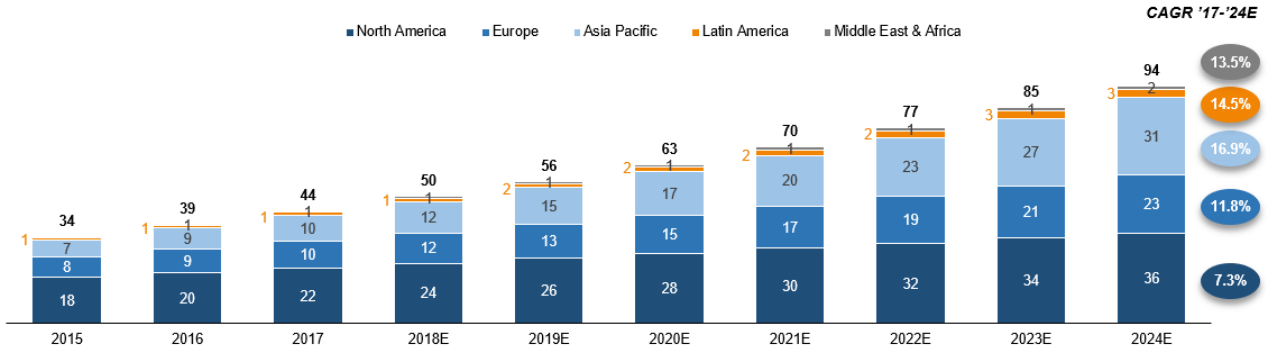


The global handheld fundus camera market was estimated to amount to USD 34 million in 2015, corresponding to a penetration of approximately 7.6 percent. This penetration is expected to increase to approximately 10.5 percent in 2019 and to further increase to 14.4 percent in 2024. The handheld fundus camera market can be split between non-mydriatic and mydriatic handheld cameras, with non-mydriatic cameras accounting for approximately 91 percent of the total market. In 2019, the largest geographical region in the handheld fundus camera segment is estimated to be the North America region with a share of approximately 46 percent, followed by the Asia-Pacific region with a share of 26 percent, Europe with a share of 24 percent, Latin America with a share of three percent and Middle East & Africa with a share of 1 percent.[37]

In the handheld fundus camera segment, the highest growth is estimated to stem from the Asia-Pacific region, where the annual market growth is expected to be approximately 17 percent between 2017 and 2024.[38] The Company's management believes that the increasing number of people suffering from diabetes and the increasing awareness of the complications and costs resulting from blindness are among the most important drivers of growth in the handheld camera market. Additionally, the management also believes that the current small legacy installed base of desktop fundus cameras in emerging markets results in increased use of new technology and in particular handheld cameras.[39] High growth rates are also expected in the Latin America and Middle East & Africa regions, mainly due to increasing economic growth and growing healthcare expenditure.[40] The European market is estimated to grow at a rate of approximately 11.8 percent per year, and the growth is driven by the adoption of the device amongst general practitioners and healthcare professionals other than those specialising in eye diseases. Handheld fundus cameras have traditionally been used by ophthalmologists offering remote consultation, however, as handheld fundus cameras have become more common, other medical professionals have also begun to consider them as space-saving and cost-effective alternatives to desktop fundus cameras.[41] The figure below illustrates the regional market sizes and growth rates.

[34] Zion Market Research (2018).
[35] Zion Market Research (2018).
[36] Zion Market Research (2018).
[37] Zion Market Research (2018).
[38] Zion Market Research (2018).
[39] Company estimate.
[40] Zion Market Research (2018).
[41] iData Research: European Market Report for Fundus Cameras (2016).

Figure 6 - Regional breakdown of global handheld fundus camera market, measured by revenue (USD million)[42]



Handheld fundus camera market drivers and trends

The Company believes that there are several factors affecting the demand and subsequently the growth in the global fundus camera market. These factors can be organised under three categories: healthcare macro drivers, drivers related to handheld devices and barriers to entry.

Healthcare macro drivers

Growth in ageing population

According to a research conducted by the United Nations, in 2017, the global total number of people aged 60 or above was 962 million, and the number is expected to more than double to a total of 2.1 billion by 2050. During this time period, the number of people aged 80 and above is expected to triple from 137 million to 425 million.[43] The growth of the ageing population is estimated to have a significant effect on societies, especially on healthcare systems and delivery models. The Company's management believes that this change in the global age structure will increase the demand for the Company's products and solutions.[44]

Increasing life expectancy

In recent years, significant improvements in life expectancy have occurred. For those born in recent years, the global life expectancy has increased from 65 years for men and 69 years for women in 2000-2005 to 69 years and 73 years respectively in 2010-2015.[45]

Increasing prevalence of chronic diseases

A number of chronic diseases related to lifestyle, such as diabetes and obesity, are becoming more prevalent in the global population. The number of patients diagnosed with diabetes is estimated to increase from 425 million in 2017 to 628 million in 2045.[46] This increase in the number of diabetics has a direct impact on the demand for Optomed's products and screening solutions, as a result of the eye diseases associated with diabetes.

Increasing life expectancy of patients with chronic diseases

As a result of earlier detection and more efficient treatment of chronic diseases, patients with chronic conditions are nowadays living longer than average. This growth in the life expectancy also extends the period of time when they are potentially reliant on screening services and thereby also on Optomed's products. For example, life expectancy of people with Type 1 diabetes has risen from 53 years for people born in 1950-1964 to 69 years for people born in 1965-1980.[47]

Handheld-specific drivers

In addition to global healthcare macro trends, the Company believes that there are several other factors driving the demand for handheld fundus cameras globally.

[42] Zion Market Research (2018).
[43] United Nations. *World Population Prospects: The 2017 Revision.* (2017).
[44] Company view.
[45] United Nations. *World Population Prospects: The 2017 Revision.* (2017).
[46] International Diabetes Federation. IDF Diabetes Atlas. Eighth Edition (2017).
[47] The Pittsburgh Epidemiology of Diabetes Complications Study Cohort (2012).

Need for increased fundus screening coverage

As the number of people diagnosed with diabetes is increasing, and estimated to reach 628 million by 2045, there is an urgent need for increased screening coverage, meaning the number of diabetics attending their scheduled fundus screening examinations. The most efficient systematic screening program is established in the UK and was introduced by the National Health Service (NHS). Since 2008, all patients with diabetes older than 12 years are invited to nationwide fundus screening programs. These free-of-charge screenings are not only delivered by ophthalmologists, but fundus photography is also carried out in general practitioner surgeries, hospitals, diabetic centres and mobile eye screening units. The UK national screening coverage of the diabetic population is 83 percent. In comparison, Italy's screening coverage is 11 percent, while Germany reports 68 percent. France and Spain show a wide spread of coverage, 37 percent to 50 percent and 33 percent to 82 percent, respectively.[48] It is estimated that in the United States, more than half of diabetics do not receive necessary screening. Poor access to care and living in rural areas have been considered potential reasons for people not receiving the required screening.[49] The Company believes that to be able to increase the screening coverage levels, these hurdles limiting the access to screening should be overcome. The benefit of the handheld cameras is their better availability, since they can be brought closer to the patient, hence positively affecting the demand for handheld fundus cameras.[50]

Need for handheld solutions in screening programmes

It is estimated that in 2017 there were 146 million people with diabetes living in rural areas, and this number is estimated to increase to 156 million people by 2045.[51] Due to the high initial investment of traditional desktop fundus cameras, rural healthcare centers or general practitioners are usually not able to provide screening services, and due to the immobility of the cameras, they cannot be brought closer to patients. This results in people suffering from diabetes having to travel to the closest hospital or eye clinic equipped with a fundus camera. The fact that the diabetic needs to travel to another city, or even province, requires that the person is able to take time off from work and to afford traveling. The ability to travel long distances may also be restricted due to other illnesses or disabilities. The time consuming procedure, in combination with the fact that the disease is largely asymptomatic in the early stages, results in diabetics not complying with annual screening requirements, which can be observed through low coverage levels. In a survey conducted in China, 31 percent of interviewed diabetics responded that traveling to the doctor and specialist was difficult and that the long wait times for an appointment was a further barrier to comply with annual screenings.[52] The Company believes that, to be able to screen more of the diabetics living in rural areas, light-weight and easy-to-use handheld fundus cameras are needed, which will support the demand for the Company's products and solutions.[53]

Need for advanced healthcare technology

The number of ophthalmologists is very limited in many countries, including the EU. For instance, in Romania there were only 48 and in Bulgaria 115 ophthalmologists per one million citizens, and globally the number of ophthalmologists was 29 per one million citizens in 2010.[54] Shortage of doctors significantly lowers the access to reliable screening. In addition to this, ophthalmologists are mainly located in urban areas causing inequality between rural and urban areas. To be able to provide diabetic retinopathy screenings in rural areas handheld fundus cameras are a suitable choice because they are small in size and easy to use. They also make it possible to transfer images electronically for remote consultation. Handheld cameras, when connected to Artificial Intelligence, exclude the ophthalmologist from the first steps of the screening process, freeing up capacity and providing more affordable and faster results.

Need for affordable solutions for mass screening

In Europe, the number of people suffering from diabetes is estimated to increase from 58 million in 2017 to 67 million in 2045. Annual healthcare costs from treatment of diabetic retinopathy at different stages of the disease are shown in the table below.[55] According to the Company's management, the only sufficient way of preventing and managing blindness caused by diabetic retinopathy is regular screening. Low-cost handheld fundus cameras would be an affordable solution to increase the screening capacity in Europe and eventually lower the direct healthcare costs of diabetic retinopathy in Europe.[56]

[48] University Eye Hospital Bonn. *Retinal Diseases in Europe: Prevalence, incidence and healthcare needs.* (2017).
[49] Fathy, C., Patel, S., Sternberg, P. & Kohanim, S. Disparities in Adherence to Screening Guidelines for Diabetic Retinopathy in the United States: A Comprehensive Review and Guide for Future Directions. *Seminars in Ophthalmology*. 4, 31, 2016.
[50] Company estimate.
[51] International Diabetes Federation. *IDF Diabetes Atlas*. Eighth Edition (2017).
[52] DR Barometer Program: China country report (2016).
[53] Company estimate.
[54] Number of Ophthalmologists in Practice and Training Worldwide 2012. Source: International Council of Ophthalmology.
[55] Calculations based on: Heintz et al. "Prevalence and healthcare costs of diabetic retinopathy: a population-based register study in Sweden". Diabetologia. 2010 Oct;53(10):2147-54. Epub 2010 Jul 2. & Yau JW. et al." Global prevalence and major risk factors of diabetic retinopathy". Diabetes Care. 2012 Mar;35(3):556-64. Epub 2012 Feb 1.
[56] Company estimate.

Direct healthcare costs of diabetic retinopathy in Europe (EURm)

	2015	2040E
Non-proliferative diabetic retinopathy	606	761
Maculopathy	904	1,279
Proliferative diabetic retinopathy	1,045	1,479
Proliferative diabetic retinopathy with maculopathy	2,641	3,737

Barriers to entry

The global market for handheld fundus cameras is characterised by barriers to entry which favour the established companies and suppliers of handheld fundus cameras. The Company's management believes that the following factors create barriers to entry for new market entrants.

Patented proprietary camera technology meeting the ISO 10940 fundus camera standard resolution requirements

Optomed has through extensive research and development developed its proprietary and patented optical solutions for fundus imaging, meeting the international ISO 10940 fundus camera standard resolution requirements. Unlike optical solutions that are commonly used in traditional fundus cameras, Optomed's solution is based on a unique retinal illumination method and optics concept that enables the Company to design and provide smaller size cameras to a lower cost. The unique retinal illumination method and optics design are protected by the Company's core patents. Additionally, the Company has protected additional technological solutions used in its camera. The Company has granted patents in several key markets such as USA, EU (PCT and several key countries in EU) and China. Optomed has currently 52 granted patents in 15 countries (including Hong Kong and Taiwan), and 5 pending patent applications.

The Company believes it will be difficult for any large or small company to develop an equally well performing handheld fundus camera product without utilising Optomed's protected Intellectual Property.

Regulatory compliance

Optomed's handheld fundus cameras and screening solutions, as other medical devices, are subject to regulation by governmental authorities, i.e. FDA, the European Union, the EEA, China CFDA and other national and local governmental authorities, making it crucial to establish and maintain regulatory compliance. Through the governmental regulations, several aspects of the companies' operations are governed such as, the manufacturing, testing, safety, effectiveness and performance, product standards, storage, recordkeeping, packaging requirements, promotion, distribution, duties and tax requirements. In the European Union, fundus cameras are required to comply with the Medical Device Regulation (MDR) before they can be commercialised. Additionally, all commercially distributed medical devices in the United States require either FDA clearance of a 510(k) pre-market notification, or approval of a pre-market application. In the United States, manufacturers of medical devices are also subject to Quality System Regulation (QSR), requiring compliance with Good Manufacturing Practices (GMP), which include stringent design, testing, control, documentation and other requirements imposed by the FDA. In certain jurisdictions, providers of medical devices are required to maintain relevant ISO certifications to be able to sell their products in that market. Please see "*Regulatory Overview and Reimbursement Systems".*

Global operations, and distributor network with global reach

The development of sales potential, efficient marketing of the products and solutions and building of a base of products in different geographical markets requires a distributor network with a global reach. The Company believes that in order to be able to efficiently compete with incumbent players in the market, new entrants must have the financial resources to build this type of network.[57]

Track record

In the medical device market, it is essential to the customers' selection process to be able to manufacture and commercialise reliable and high-quality products and solutions. According to the Company, larger hospitals tend to favour brands that are well recognised in the market, creating an entry barrier for new players entering the market. As hospitals and larger healthcare organisations prefer to purchase medical equipment from larger and recognised suppliers, providing handheld fundus cameras through well reputed OEM customers is a strategy for smaller companies to reach the end-

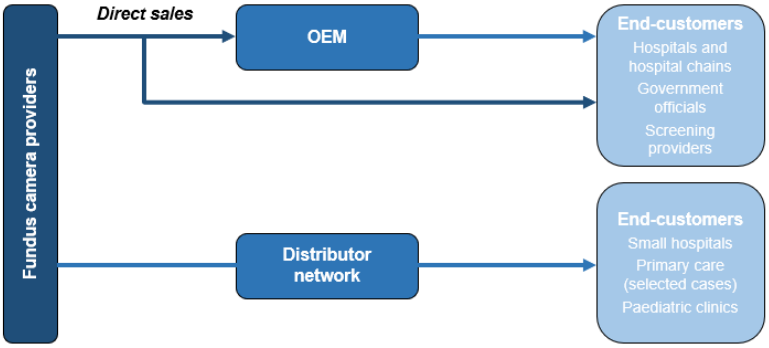
[57] Company estimate.

customers. The Company believes that building this type of OEM customer base demands significant time and resources from new entrants to be able to provide them with high quality and affordable handheld fundus cameras.[58]

Routes-to-market

The Company is of the view that there are relatively few providers of handheld fundus cameras in the handheld fundus camera market. There are three main sales channels to reach the end-customer or end-user: through distribution companies, OEM customers and direct sales. The distribution companies are typically independent local private companies with medical device product portfolios that sell and showcase fundus cameras of several providers. The providers provide the distribution companies with training, support and marketing materials on their own products. In certain cases, large medical device companies and traditional desktop camera companies have long-lasting relationships with the end-customers, who are used to using the companies' products and solutions. To be able to target and reach these end-customers, it is beneficial for handheld fundus camera providers to sign OEM agreements with these companies and to provide cameras under their brands. Handheld fundus camera providers also sell and market their products directly to end-customer as usually certain end-customers cannot be reached through the companies' distribution network, since these customers need comprehensive screening solutions, in other words not only handheld cameras but also screening and analysis software that may not be provided by the distributor. The end-customers that are engaged through direct sales efforts are mainly larger national screening programmes, chronic disease companies and government officials. The figure below illustrates the Company's view on the different routes to the handheld fundus camera market.[59]

Figure 7 – Multiple routes-to-market[60]



Artificial intelligence and its application in ophthalmology and primary care

Artificial Intelligence (AI) is a branch of computer science that aims to create intelligent machines which can mimic human cognition. Artificial Intelligence can in a brief way be defined as a system's ability to correctly interpret external data, to learn from such data, and to use those learnings to achieve specific goals and perform specific tasks.[61]

Not only is Optomed a forerunner in the market for handheld fundus cameras, it also provides comprehensive screening solutions together with software, as well as automated AI-empowered software for analysing changes in the fundus. The Company believes that access to these solutions should be easier, faster and more affordable in order to be able to screen and diagnose the increasing number of people suffering from diabetes globally. By improving the efficiency of the screening process the number of screenings may also be increased. By improving the number of screenings, the likelihood of early detection increases, resulting in lower healthcare costs.[62]

Artificial intelligence

Artificial Intelligence is an old phenomenon in medicine. The first successful automated systems for healthcare were described as early as in the 1970s. An early example was a system called MYCIN developed at Stanford University, which was an expert system-based AI that was able to recommend appropriate antibiotics using a knowledge base composed of a large number of rules in the form of if-then statements. Artificial Intelligence has already demonstrated proof-of-concept in medical field such as radiology, pathology and dermatology, which have similarities to ophthalmology as they are deeply rooted in diagnostic imaging, the most prominent application of Artificial Intelligence in healthcare. Artificial Intelligence is particularly efficient in managing the complex processes of ophthalmology. In

[58] Company estimate.
[59] Company estimate.
[60] Company estimate.
[61] Kaplan, A. & Haenlein, M. Siri, Siri, in my hand: Who's the fairest in the land? On the interpretations, illustrations, and implications of artificial intelligence. *Business Horizons.* 1, 62, 2019.
[62] Di, X., Li, W. & Hu, B. Application of artificial intelligence in ophthalmology. *International Journal of Ophthalmology.* 9, 11, 2018.

clinical practice, the efficient Artificial Intelligence algorithms assist in detecting and "learning" different features from large volumes of imaging data, which helps to reduce diagnostic and therapeutic errors and foster personalised medical treatment. Artificial Intelligence is also able to recognise disease-specific patterns and correlate novel features to gain innovative scientific research.[63]

Artificial intelligence in ophthalmology and primary care

Ophthalmology is especially well-positioned to benefit from technological advances in Artificial Intelligence. The clear media of cornea and lens offer easy and non-invasive diagnostic access to important functional and morphological units such as the retina and optic nerve. For example, a convolutional neural network (CNN) has been trained on fundus images to predict cardiovascular health risk factors such as high blood pressure and to recognise these risk factors as accurately as examinations that require invasive blood tests to measure cholesterol levels.[64] The application of Artificial Intelligence, and particularly machine learning in retina images, may mainly be used for three scenarios[65]:

I. **Classification:** to assign an image to different categories, e.g. by disease type or disease stage. Most commonly used for automated diagnosis, screening or staging.

II. **Segmentation:** to detect and delineate anatomical structures or lesions in an image for the purpose of measuring, e.g. shape or volume. Typically used for automated quantification of imaging biomarkers.

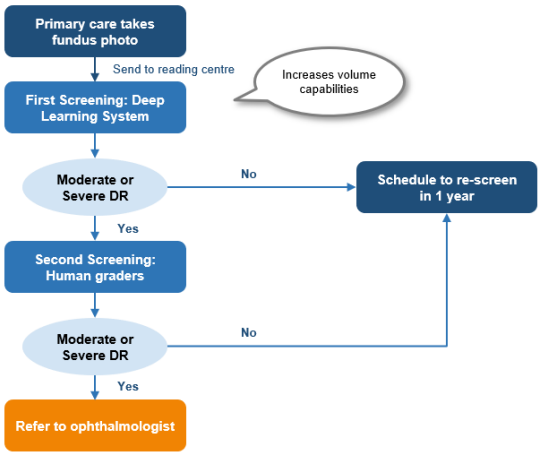
III. **Prognosis:** to make prognoses about future outcomes or other measurements, such as visual acuity, age or blood pressure. Most commonly used for disease prognosis or structure-function correlation analysis.

The most common and needed use case for fundus screening with Artificial Intelligence methods is screening for diabetic retinopathy, resulting in several research teams and companies, such as Optomed, focusing on diabetic retinopathy screening from colour fundus photography. In April 2018, the United States FDA permitted marketing of the first medical device to use Artificial Intelligence to detect greater than a mild level of diabetic retinopathy (IDx-DR). The IDx-DR solution combines an Artificial Intelligence and cloud-based algorithm with a fully automated fundus camera. Said Artificial Intelligence system has two core algorithms, an Image Quality Artificial Intelligence-based algorithm and the Diagnostic algorithm proper. The FDA approval was granted based on a study of 900 patients with diabetes at ten primary care sites, which resulted in correct identification of a positive finding of diabetic retinopathy in 87.4 percent and a correct negative result in 89.5 percent. For the sake of comparison, the FDA set a mandatory level of accuracy as the primary endpoint for this trial with a sensitivity of more than 85 percent, and a specificity of more than 82.5 percent. These levels can be compared to the sensitivity of ophthalmoscopy performed by clinicians which is substantially lower at 73 percent, with a 91 percent specificity.[66] At a high level, the results demonstrate the ability of autonomous Artificial Intelligence systems to bring accurate diagnostics to a primary care setting, with the potential to increase access for people suffering from diabetes thereby lowering healthcare costs.[67] For people with diabetes, the benefits of the autonomous Artificial Intelligence systems may include earlier detection of diabetic retinopathy and thereby minimising the harm caused by blindness and visual loss.[68] Early detection is important in order to stop the disease from progressing and thereby prevent blindness.

One of the most extensive studies conducted in the field of Artificial Intelligence screening in diabetic retinopathy, reported the development and validation of a deep learning system for detection of the changes caused by diabetic retinopathy using colour fundus photography from the Singapore National Diabetic Retinopathy Screening Program. 494,661 fundus images were evaluated by the system, primarily for diabetic retinopathy, but also for concomitant diseases including claucoma and age-related macular degeneration. The sensitivity and specificity for referable diabetic retinopathy, vision-threatening diabetic retinopathy, glaucoma and age-related macular degeneration were all above the FDA criteria (91 percent / 92 percent, 100 percent / 91 percent, 96 percent / 97 percent, 93 percent / 89 percent). In the same study, ten multiethnic datasets were tested for referable diabetic retinopathy, resulting in a sensitivity ranging from 92 percent to 100 percent, and a specificity range of 73 percent to 92 percent.[69] The organisation of the integration of the deep learning system into the Singapore National Diabetic Retinopathy Screening Program is shown below.

[63] Schmidt-Erfurth, U., Sadeghipour, A., Gerendas, B. & Waldstein, S. Artificial intelligence in retina. *Progress in Retinal and Eye Research.* 67, 2018.
[64] Schmidt-Erfurth, U., Sadeghipour, A., Gerendas, B. & Waldstein, S. Artificial intelligence in retina. *Progress in Retinal and Eye Research.* 67, 2018.
[65] Schmidt-Erfurth, U., Sadeghipour, A., Gerendas, B. & Waldstein, S. Artificial intelligence in retina. *Progress in Retinal and Eye Research.* 67, 2018.
[66] Schmidt-Erfurth, U., Sadeghipour, A., Gerendas, B. & Waldstein, S. Artificial intelligence in retina. Progress in Retinal and Eye Research. 67, 2018.
[67] Abramoff, M., Lavin, P., Birch, M., Shah, N. & Folk, J. Pivotal trial of an autonomous AI-based diagnostic system for detection of diabetic retinopathy in primary care offices. *Nature partner journals. Digital Medicine.* 39, 2018.
[68] Abramoff, M., Lavin, P., Birch, M., Shah, N. & Folk, J. Pivotal trial of an autonomous AI-based diagnostic system for detection of diabetic retinopathy in primary care offices. Nature partner journals. Digital Medicine. 39, 2018.
[69] Schmidt-Erfurth, U., Sadeghipour, A., Gerendas, B. & Waldstein, S. Artificial intelligence in retina. Progress in Retinal and Eye Research. 67, 2018.

Figure 8 – Overview of deep learning in the Singapore National Diabetic Retinopathy Screening Program[70]



The examples of the IDx-DR and Singapore Screening Program show that Artificial Intelligence-based diabetic retinopathy screening algorithms have reached, or in some cases even outperform, the level of accuracy of clinical experts. Diabetic retinopathy screening carries significant potential as support for ophthalmologists, may help to reduce prevalence of late and cost-intensive disease stages and could at a large scale pioneer digital medicine applications in the near future.[71]

The Company believes that deploying easy-to-use and affordable handheld cameras connected to Artificial Intelligence and cloud services into the primary care market opens up a new potential for the screening of blinding eye diseases.[72] Automated screening powered by Artificial Intelligence may help maximising the doctors' role at a primary care clinic.[73] Adding handheld fundus cameras connected to Artificial Intelligence as a standard medical device at primary care clinics would not only speed up the screening process itself, but also reduce the workload for ophthalmologist and decrease the associated healthcare costs with the screening. The possibility for diabetic patients to be able to conduct their annual screening at their local general practitioner (GP) or clinic would lower the threshold of attending the screenings, eventually increasing the screening coverage rate without having to make major investments into the equipment, training and personnel of the healthcare system, and also making the care more patient-centric.[74]

To be able to perform Artificial Intelligence based screening and grading of the changes in fundus images, the camera and Artificial Intelligence need to be approved by the relevant supervisory authority in the target country. The market practice of approvals of Artificial Intelligence based fundus screening differs between countries. For example in the United States, the fundus camera and the AI need to be approved as a comprehensive solution, whereas in Europe both components need CE approval, however, no approval for the comprehensive solution is required. Additionally, the Artificial Intelligence solution needs to be validated and approved separately in all countries of operation, meaning that an Artificial Intelligence solution approved in Singapore needs separate local trial and validation before starting operation in Thailand.[75] Automated Artificial Intelligence based image analysis algorithms are classified as Class III medical device in China, making the testing, validation and approval process of retinal screening algorithms economically heavy. As a result, the Company does not see the potential of commercialisation of automated analysis algorithms in the Chinese market in the near future, making the current grading model with remote consultation and grading by specialists the most flexible solution in the Chinese market.[76] However, instead of trying to introduce Artifical Intelligence solutions provided by the Company's non-Chinese Articial Intelligence providers, the Company may, in the future, seek to partner with leading Chinese Artifical Intelligence providers in order to commercialise automated analysis based on Artifical Intelligence in the Chinese market.

Potential for new business models arising from the adoption of AI in ophthalmology

The management believes that the adoption of Artificial Intelligence based fundus screening and image grading in ophthalmology may open the possibility for new pricing and revenue models in the screening market.[77] Traditionally the fundus screening market business models have been characterised by revenue from hardware sales, as well as, revenue from image processing software. The traditional revenue model has mainly comprised one-time revenue occuring at the sale of the hardware or software, and also comprising licensing fees from the software. Furthermore, there has been only

[70] Ophthalmology Times (2018).
[71] Schmidt-Erfurth, U., Sadeghipour, A., Gerendas, B. & Waldstein, S. Artificial intelligence in retina. Progress in Retinal and Eye Research. 67, 2018.
[72] Company estimate.
[73] Di, X., Li, W. & Hu, B. Application of artificial intelligence in ophthalmology. *International Journal of Ophthalmology*. 9, 11, 2018.
[74] Company estimate.
[75] Company information.
[76] Company information.
[77] Company estimate.

limited potential for additional revenue generated from aftermarket sales, mainly comprising sales of device services, sales from software upgrades and sales of new components and batteries. By introducing automated grading with Artificial Intelligence, it becomes possible to generate revenue per Artificial Intelligence grading, moving the business model towards more recurring revenue. As the potential of Artificial Intelligence in fundus imaging and ophthalmology is emerging, new revenue models may arise, not only transaction-based revenue models, but also subscription-based pricing, enabling the subscriber to conduct unlimited screenings within the subscription period of the service. Depending on market segment, customer type and recurring revenue model, the camera provider may either sell the device or provide the device to the customer free of charge with revenue arising from screening packages. However, since the use of Artificial Intelligence in ophthalmology is dependent on several factors, such as regulation, uncertainties may relate to the roll-out and adoption of the new types of revenue models. The Company's management believes that the likelihood for a standardised revenue model is low since the requirements and requests made by customers vary depending on the customer type and market, and local reimbursement levels, wherefore it is probable that individual pricing will be applied in order to cater for the customers' needs.[78]

As the adoption and use of Artificial Intelligence increases, the amount of generated data from fundus imaging will consequently increase. The collected data may be utilised by health authorities in monitoring and evaluating disease trends in different areas, age groups or disease types. The large volume of data may also be an important tool for e.g. research teams focussed on medical research, pharmaceutical companies when developing pharmaceuticals and for the patients, enabling the patients to access and monitor their disease state and progression. As accessing high-quality data is becoming increasingly important for certain companies, the management views the provision and utilisation of health data as a potential secondary revenue stream from the adoption and commercialisation of Artificial Intelligence in ophthalmology.[79]

[78] Company estimate.
[79] Company estimate.

BUSINESS OF THE COMPANY

Optomed in brief

Optomed is a Finnish medical technology company that specialises in fundus imaging devices and solutions and is one of the leading providers of handheld fundus cameras[80]. Optomed develops, commercialises and manufactures modern, mobile and easy-to-use fundus imaging devices that are suitable for any clinic for diagnosing and tracking the progression of ocular diseases affecting the fundus, such as diabetic retinopathy, glaucoma and age-related macular degeneration. Optomed combines handheld screening devices with screening software and automated grading capabilities through Artificial Intelligence with the aim to transform the diagnostic process of blinding eye diseases. Optomed's products are sold in more than 60[81] countries and its customers include international healthcare organisations, hospitals and global medical technology companies (OEM's) and distributors. Optomed's mission is to provide its customers with innovative and affordable devices and software solutions that enable eye disease screening for everyone. Optomed has three offices, headquarter in Oulu, one office in Espoo and another one in Shanghai, China.

The business operations of the Group are organised into two synergistic and complementing business segments: Devices and Software. Optomed's Devices segment is one of the leading providers of non-mydriatic handheld fundus cameras. 'Non-mydriatic' means that pupil-dilating drugs are not required when carrying out the examination. The Company's cameras have medical device approvals in Optomed's key markets, e.g. CE approval, FDA approval and Chinese CFDA approval (the latest Optomed Aurora camera is currently in the process of receiving CFDA approval).[82] The Software segment comprises development and sales of the Company's software solutions, including sales of software from third-party providers and consulting services.

The use of data and emerging technologies, such as Artificial Intelligence and machine learning, is transforming the healthcare industry towards more data driven decision making. Healthcare services are moving away from reactive doctor centric and inpatient care towards preventive customer centric and outpatient care. In the management's view, the traditional equipment and solutions that are used for screening of diabetic retinopathy have several challenges that limit the effective examination of the increasing number of people suffering from diabetes and slow down the responding to the changes in the healthcare market. Firstly, desktop cameras are substantially more expensive than handheld fundus cameras, which makes it difficult for clinics and hospitals in especially emerging markets and rural areas and primary care clinics to purchase the equipment. The management estimates that the average price point of a traditional desktop camera typically ranges from EUR 15,000 to 50,000, compared to EUR 5,000 to 12,000 for a handheld fundus camera. Secondly, due to the large size and heavy weight of the desktop cameras, it is not possible to flexibly change screening location, resulting in the patient being required to travel to the nearest hospital or clinic, which in many rural areas in emerging markets creates a high barrier for the patient to undergo yearly screenings. Thirdly, specialist personnel is often necessary to operate the current desktop equipment, leading to higher cost per screening than with a handheld fundus camera. The use of Optomed's handheld camera is easy to learn, and the Company provides a complete solution for automatic screening and diagnosis by remote consultation and/or Artificial Intelligence.

The Company's mission is to provide its customers with innovative and affordable devices and software solutions that enable eye disease screening for everyone. Optomed offers high-quality handheld fundus cameras and software for screening and diagnosis of diabetic retinopathy that are easier to use, lower price level and more flexible as compared to traditional desktop cameras. Optomed's system allows the screening and diagnosis to be brought to the patient instead of the patient having to travel to clinics located in cities for diabetic retinopathy screening. The locally available screening offers many more diabetics a quick and easy access to regular screenings and diagnostics without having to travel to a hospital in a way that would disrupt daily life. Local presence will also potentially increase awareness of the importance and sense of urgency of screenings in remote areas as well. The diabetic is only required to travel when diagnosed with diabetic retinopathy and referred to treatment. Once the patient is diagnosed with diabetic retinopathy, there is efficient treatment available that can stop the disease progression and prevent blindness.

The following table presents a selection of the Company's key performance indicators as at and for the years ended 31 December 2018, 2017 and 2016 and as at and for the nine months ended 30 September 2019 and 2018. See "*Certain Matters – Presentation of Financial and Certain Other Information"* and "*Selected Consolidated Financial and Other Information – Financial Key Figures"* for further information on the calculation of the Company's key performance indicators.

[80] Zion Market Research (2018). In the management's view, the Company's leading position is based on the share of revenue in the handheld fundus camera market that is generated from sales of cameras manufactured by the Company and sold to end-users by the Company's OEM customers, distributors and directly by the Company.

[81] Including the Company's distributor network, OEM customers and direct sales.

[82] In certain jurisdictions approvals are obtained directly by the Company, while in other jurisdictions approvals are obtained by the Company's distributors. With respect to such jurisdictions, the Company has relied on confirmations by the distributor that necessary approvals have been obtained. The Company has obtained approvals directly in, among other, the EU, the USA and the People's Republic of China.

In EUR thousand, except for percentages	1 January to 30 September		1 January to 31 December		
	2019	2018	2018	2017	2016
	(unaudited, unless otherwise indicated)		(unaudited, unless otherwise indicated)		
Revenue	10,649	8,045	12,733[1]	6,899[1]	6,609[1]
Gross profit	7,199	5,525	9,054	4,069	3,772
Gross margin, %	67.6	68.7	71.1	59.0	57.1
Operating result	(2,563)	(1,201)	(748)[1]	(2,827)[1]	(2,611)[1]
Operating margin, %	(24.1)	(14.9)	(5.9)	(41.0)	(39.5)
Adjusted EBITDA	19	286	1,388	(1,784)	(1,865)
Adjusted EBITDA margin, %	0.2	3.6	10.9	(25.9)	(28.2)

[1] Audited.

History

Optomed was founded in Finland in 2004 by Seppo Kopsala, Optomed's CEO, with the vision to design and produce a fundus camera which was smaller and more affordable than traditionally used desktop cameras, to be used in primary care clinics. In the beginning, the Company's operations were focussed on research and development, and during the period 2005–2013 three early product generations were produced with only limited sales. During this time period, the Company received capital through investments made by Halma Plc, a global group of medical technology companies, and Finnish Industry Investment Ltd, an investment company owned by the Finnish state.

In 2010, the Company signed its first OEM customer, Volk Optical, which is one of the leading global manufacturers of ophthalmic examination instruments. The contract concerned the marketing and distribution of the third-generation Optomed handheld fundus camera under the Volk Optical label. When Optomed launched its fourth-generation product, the OEM contract with Volk Optical was renewed in 2014 and Volk began to market the new product. The agreement with Volk Optical is currently being renegotiated.

In 2013, Optomed reached its first major milestone, when the fourth-generation camera Smartscope PRO was launched, which to the Company's best knowledge was the world's first handheld fundus camera achieving the resolution requirements of the ISO 10940 standard.

In 2014, the Company signed its second OEM customer, which is an international enterprise operating in multiple fields including healthcare technologies. Furthermore, in 2014, Cenova Capital, a Chinese life-science focussed Venture Capital company, conducted its first capital investment in Optomed.

As a result of thorough analysis of future growth markets, the Company's management identified China as a target market, due to its large amount of people suffering from diabetes as well as increased effort by the Chinese state to prevent blindness. In 2014, Optomed expanded geographically by establishing a wholly owned subsidiary in China, which is focussed on introducing new products into the market, business branding, marketing, sales and distribution channel management. Since the establishment of the subsidiary, Optomed has sold its handheld fundus cameras to clinics and disease management companies in China, and has between 2014 and 2018 sold approximately 1,350 cameras in China.

In 2014, the Company signed its third OEM customer, Carl Zeiss Meditec, which is an internationally leading technology enterprise operating in the fields of optics and optoelectronics. During 2015, Robert Bosch Venture Capital, a Bosch subsidiary, became a shareholder in Optomed. In the following year, 2016, Haag-Streit became the Company's fourth OEM customer. Haag-Streit is a developer and manufacturer of high-quality products in ophthalmology, pneumology, microsurgery, optics and electronics, and is an integrated part of Metall Zug AG Medical Device Business Unit.

In 2017, Optomed launched its fifth handheld fundus camera generation, Optomed Aurora. The Optomed Aurora camera has technical improvements in both usability and image quality compared to the Smartscope PRO camera.

Optomed has been developing innovative handheld fundus cameras since 2005 and over time become an expert in the field of handheld fundus cameras. Optomed has been recognised as one of the 50 fastest growing technology companies in Finland through the Deloitte Technology Fast 50 program in 2016 and in 2017. Optomed has also been recognised on the Financial Times 1000 fastest-growing companies in Europe list in 2018.

In 2018, Optomed acquired the software company Commit; Oy, which became Optomed Software Oy after the acquisition. Commit; Oy, founded in 1989, develops and sells software solutions for healthcare organisations for workflow, resource and quality management as well as products for screening and follow-up programmes for breast, cervical and colorectal cancer as well as diabetic retinopathy. Through the acquisition, Optomed has expanded from being a company offering merely handheld fundus cameras to becoming a provider of complete screening solutions for fundus diseases, such as diabetic retinopathy, glaucoma and age-related macular degeneration.

In April 2019, the Company signed an OEM agreement with Topcon, a leading global manufacturer and provider of fundus cameras and screening solutions, becoming the Company's fifth OEM customer. Through this agreement Optomed improves its ability to provide handheld fundus cameras to even more end-customers and increase the global awareness of handheld fundus cameras and of their use in the screening and diagnosis of eye diseases. Commercial deliveries to Topcon started in September 2019.

Optomed's Mission and Values

The Company's mission is to provide its customers with innovative and affordable devices and software solutions that enable eye disease screening for everyone. Optomed strives to become the world leading provider of portable fundus cameras and screening solutions for blinding eye disease. The Company's mission is supported by Optomed's core values:

- **Innovation:** We are constantly searching for innovative new approaches to solve large scale problems. Traditional solutions rarely enable great progress. In order to create unique break-through technologies, that enable giant leaps towards a better future, one must experiment in new things. We value true innovations.

- **Expertise:** We are obsessed with being leaders in everything we do. We want to find, and nurture top talents, and we support our people to constantly develop their expertise to become world-class in their own fields, from R&D to manufacturing and sales. As an organisation, we are not settling for mediocrity in any aspect of our business. We want to be the world-leading experts in our focus area.

- **Ambition:** Solving global problems requires extraordinary ambition. We will not settle for making marginal improvements to traditional solutions. We are on a mission to revolutionise how screenings of blinding eye diseases are performed today, and that requires unique approaches and new technologies. We are not satisfied until everyone in the world has access to high quality screenings and unnecessary blindness can be eradicated.

- **Meaningfulness:** We want to make our technologies available for everyone. We are passionate about developing cost-effective and scalable solutions to reach all clinics and all patients in the world. Our solutions prevent avoidable blindness and reduce overall healthcare costs.

Key Strengths and Competitive Advantages

The Company believes that it benefits from the following key strengths and competitive advantages:

- Optomed is one of the leading players in the growing and transforming handheld fundus camera market.

- Future growth potential from expansion into new markets and end-customer segments.

- Provider of proprietary technology with targeted value propositions for different markets and healthcare systems.

- Asset-light organisation through outsourced production and distribution, with a well-defined sales strategy and extensive distribution network.

- Experienced management to promote the transformation of the fundus screening market.

Optomed is one of the leading players in the growing and transforming handheld fundus camera market[83]

Currently, the majority of diabetic retinopathy screenings are performed with traditional desktop cameras. However, in the management's view, these cameras are expensive, bulky and difficult to move, and they often require specialist personnel to operate. Since a large number of people suffering from diabetes live in developing countries and rural areas, the accessibility to desktop cameras is often limited. To be able to bring affordable diabetic retinopathy screening to everyone, Optomed has developed its high-quality handheld fundus cameras based on proprietary technology that are easy-to-use by non-specialist personnel and can be used more efficiently due to their smaller size and weight. Optomed's handheld fundus cameras are developed to be combined with screening software for efficient handling of the screening process and the examination of fundus images. In addition, the handheld cameras can be used in combination with remote consultation solutions and Artificial Intelligence.

[83] Zion Market Research (2018). In the management's view, the Company's leading position is based on the share of revenue in the handheld fundus camera market that is generated from sales of cameras manufactured by the Company and sold to end-users by the Company's OEM customers, distributors and directly by the Company.

The global handheld fundus camera market is estimated to grow at an annual growth rate of approximately 11.3 percent between 2017 and 2024, reaching USD 94 million in 2024[84]. The management estimates that Optomed is one of the leading players in the handheld fundus camera segment and is therefore a key player in growing the market.

Future growth potential from expansion into new markets and end-customer segments

The Company's management has also identified growth opportunities outside the traditional fundus camera market by integrating Artificial Intelligence to Optomed's products and software solutions. The Company sees a large market potential for handheld fundus cameras and automated image grading in primary care, which is not considered a traditional end-user segment for desktop cameras. By deploying handheld fundus cameras and Artificial Intelligence diagnosing capabilities at local primary care clinics, the screening process for diabetic retinopathy may be transformed. By transforming the screening process to a customer centric locally produced service the likelihood of diabetic patients attending regular screenings is expected to increase.

Provider of proprietary technology with targeted value propositions for different markets and healthcare systems

Optomed is a research and development driven healthcare technology company, employing 57 full-time equivalent ("**FTE**") employees within its research and development function, divided between the Devices and Software segments. The Company's strong focus on research and development, which always has been the core of the Company's operations, has been developed since the foundation of the Company in 2004 and has resulted in a strong international patent portfolio comprising 52 international patents and 5 pending patents. Additionally, Optomed has nine registered and one pending design patents as well as 33 registered and three pending trademarks.

Optomed's management believes that the strong patent portfolio and continuous development of new camera and software solutions are the most important competitive advantage of the Company. Optomed's proprietary and patented technology have resulted in Optomed being able to develop and construct handheld fundus cameras that are able to provide high-quality fundus images on the same level as several traditional desktop fundus cameras or above. The Company's handheld fundus cameras provide a cost efficient, flexible and mobile solution for healthcare operators in developing countries to improve the screening coverage and quality of care for diabetics. In developed countries with a growing elderly population and increasing healthcare expenditure, the handheld cameras offer a cost-efficient solution to screen and manage diabetic retinopathy.

Asset-light organisation through outsourced production and distribution, with a well-defined sales strategy and extensive distribution network

The Company's strategy is to outsource product sales and distribution to well-established distribution companies in most geographies. The production is outsourced to an international EMS partner, who produces cameras under the Company's own label as well as cameras for the Company's OEM customers. Accordingly, minor capital expenditure is required to expand production and sales. Moreover, the management believes the EMS partner has the capacity to adapt the production to meet future needs as well. The Company sells its handheld cameras and software solutions through three sales channels: Distributors, OEM and Direct Sales. Optomed's distribution network currently comprises approximately 55 active distributors in over 50 countries. The OEM sales channel offers handheld cameras developed by Optomed sold under the brands of OEM customers to end-customers groups such as hospitals, healthcare institutions and clinics as part of the OEM customers' more extensive product offering. The Company focusses its direct sales efforts on selling complete screening solutions (handheld cameras including automated Artificial Intelligence grading of images) to healthcare service providers focussed on diabetic retinopathy screening, targeting selected leading hospitals, clinics and strategic customers to build up a solid reference base.

Experienced management to promote the transformation of the fundus screening market

Optomed's Leadership Team consists of highly skilled and industry-experienced professionals. The Leadership Team possesses the capabilities required to execute Optomed's growth strategy and lead the transformation of the fundus camera market, and it is led by Seppo Kopsala (founder and CEO since 2005) with more than 15 years of experience in the fundus camera market. Other members of the Leadership Team include two business segment leaders, the CFO, the Vice President Marketing and the Chief Legal Officer (CLO).

Since the foundation of the Company by Seppo Kopsala in 2004, Optomed has focussed on research and development. By intensive research and development projects, the Company has a strong patent portfolio and has created a new and innovative product category into the medical device market. Between 2013 and 2018, the Company has sold approximately 8,700 handheld fundus cameras and reached revenues of EUR 12.7 million in 2018 (EUR 14.5 million on a pro forma basis), comprising both camera and software sales to the medical device market and other markets as well. Optomed has grown its operations, both organically and through the Commit Acquisition. The Company's management

[84] Zion Market Research (2018).

team has built up a large distribution network, signed agreements with prominent OEM customers and established a subsidiary in China, which has expanded Optomed's operations internationally. Confidence in Optomed's management and strategy has been demonstrated through the support from reputable investors, through funding from Tekes and through the grant of EUR 2.0 million in funding from the European Union's Horizon 2020 research and innovation programme. For more information, see "– *Material Agreements*".

Growth Strategy

The Company aims to leverage its key strengths to accelerate growth and focus on its mission, i.e. to provide innovative and affordable devices and software solutions that enable eye disease screening for everyone.

Optomed's long-term growth strategy comprises three key paths: (i) aim to grow in existing markets and enter new geographical markets; (ii) target expansion into new customer segments; and (iii) focus on bringing new products and solutions to the market.

Aim to grow in existing markets and enter new geographical markets

Over the years Optomed has developed and refined its strategy of utilising locally based distribution companies in different parts of the world. By utilising local distribution companies, Optomed is able to maintain a light cost structure for its operating model since the sales network does not require any significant investments and does not create any significant operating costs. The network of distributors also markets Optomed's products, aiming to lead to increased visibility for the Company's solutions and to create a steady demand for Optomed. In line with its strategy, Optomed aims to continue to grow through its existing distribution network by supporting distributors with marketing materials, clinical study reports, and sales activities. In addition to supporting existing distributors through defined plans, Optomed aims to add new distributors in both existing and new geographical markets, e.g. Asia (especially China), Middle East, Africa and South America, by hiring more sales and product managers. Distributors are attracted by Optomed due to the comprehensive product and solutions offering and the increasing demand for handheld cameras from end-users.

In addition to its distributor network, Optomed sells handheld fundus cameras through its OEM customers. By working together with OEM customers Optomed has the possibility to reach a larger customer base, which in turn increases the awareness of handheld cameras. The Company has a defined strategy of working with the most reputable global ophthalmic instrument companies. To grow further together with its OEM customer base, Optomed supports the OEMs in their sales activities through its key account managers and customer support. By working together with Optomed the OEM customers can expand their product portfolios to include handheld fundus cameras, a fast growing product category, and they are able to offer complementing products to the end-customers. Optomed works actively towards identifying and signing new ophthalmic instrument companies. The Company's sales to OEM customers is expected to continue on a stable growth path. However, the Company expects to see the biggest growth in the sales of its Optomed branded cameras through distribution companies and direct sales.

In addition to continuing to grow in existing and new geographical markets through new distributors and OEM customers, Optomed is also targeting to expand to the United States. Optomed has identified the United States market as one of the Company's key markets mainly due to the size and anticipated growth of market; in the United States there were estimated to be 30 million people diagnosed with diabetes and in need of annual screening in 2017, and the number is expected to increase to 36 million people by 2045.[85] In 2019, the North American region accounted for approximately 46 percent of the global fundus camera market and is also estimated to be the largest geographical region in the handheld fundus camera market with a share of approximately 46 percent. The North American handheld fundus camera market is expected to grow with an annual average growth rate of 7.3 percent until 2024.[86] In addition to market size and growth, the United States has a favourable reimbursement system in place for screening of diabetic retinopathy, see "*Regulatory Overview and Reimbursement Systems – Reimbursement of diabetic retinopathy screening – USA*". To ensure efficient setup and market entry, Optomed plans to establish a wholly owned subsidiary in the United States during 2020 focussing on marketing of handheld fundus cameras, setup of distribution network and logistics management as well as after sales services to customers. In the future, Optomed's plan in the United States is to roll out also its AI solutions with focus on the primary care market. The Optomed Aurora camera is already both FDA approved and approved in European markets and in many Asian countries (excluding China), i.e. the United States expansion is not dependent on the Company performing more clinical trials than it is already performing or on applying for a new FDA approval. In the United States, Optomed is planning to utilise two complementing distribution channels: large national distribution companies and independent sales representatives. The distribution companies operate in the same way as the Company's current distributors, purchasing the cameras to their inventory and selling the cameras to the end-users. The independent sales representatives receive orders from the end-customers and forward them to Optomed, receiving a percentage commission, which is a standard market practice for independent sales representatives in the US. Optomed delivers the camera to the

[85] International Diabetes Federation. *IDF Diabetes Atlas*. Eighth Edition (2017).
[86] Zion Market Research (2018).

end-customer and provides after sales and support services.

Target expansion into new customer segments

Currently the Company is mainly providing handheld fundus cameras to eye clinics, however, the management view is that the easy-to-use and affordable handheld cameras developed and provided by Optomed have the potential to be utilised in other end-user segments than the traditional desktop segments, e.g. general practitioners, primary care clinics and emergency rooms. Current solutions require trained personnel to operate the equipment and ophthalmologists to grade the fundus images and provide a diagnosis. By using Optomed's handheld cameras together with the Company's screening software including Artificial Intelligence grading of fundus images, primary care clinics have the potential to perform fundus screenings which have not been possible before. It has the potential to create a totally new market with local screenings and almost instant grading of fundus images, enhancing the value for the patients and significantly reducing screening costs. The Company works actively with expanding its distributor network to include primary care specialised distributors to be able to create demand from the primary care segment. In combination with working together with specialised distributors, the Company has established a Scientific Advisory Board comprising internationally recognised professors and assistant professors, which serves in the field of ophthalmology, diabetic retinopathy screening and artificial intelligence in ophthalmology in order to increase the visibility and possibilities of handheld cameras within primary care. Furthermore, Optomed has several pilot projects running, which include primary care providers, testing the Company's cameras, software solutions and Artificial Intelligence.

Focus on bringing new products and solutions to the market

To be able to drive the transformation in the fundus camera market, Optomed continuous the development of its handheld cameras, carries out new research initiatives, and seeks to continuously expand the product family. In addition to the handheld cameras, the Company estimates that the traditional fundus camera market also continues to grow, and Optomed plans to utilise its proprietary technology and know-how to develop products that can benefit from the growth in the traditional desktop market as well.

To achieve the full potential of its proprietary handheld fundus camera technology, Optomed has added Artificial Intelligence into its diabetic retinopathy screening. Since Artificial Intelligence screening algorithms need to be validated in each geographical market separately, the Company's strategy is to work together with several third-party algorithm providers in the selected target markets. In the short-term, Optomed aims to provide integrated overall solutions comprising the Optomed Aurora handheld camera and the softwares of Optomed Link and Optomed Screen connected to Artificial Intelligence. Simultaneously, Optomed aims to offer standard screening solutions to single clinics, comprising the Optomed Aurora camera and screening software connected to Artificial Intelligence. Optomed's Artificial Intelligence service is already both CE approved in the EEA and commercialised, and regulatory approvals in other jurisdictions are in process. With respect to China, the Company does not see the potential of commercialisation of automated analysis algorithms in the Chinese market in the near future due to the economically heavy approval process. However, instead of trying to introduce Artifical Intelligence solutions provided by the Company's non-Chinese Articial Intelligence providers, the Company may, in the future, seek to partner with leading Chinese Artifical Intelligence providers in order to commercialise automated analysis based on Artifical Intelligence in the Chinese market. In the medium-term, the Company's strategy is to expand its offering to include a software offering comprising Artificial Intelligence as well as Aurora cameras with integrated Artificial Intelligence. By integrating Artificial Intelligence grading capabilities into the Aurora camera, the whole care chain in primary care could change. When the camera has integrated Artificial Intelligence grading capabilities, additional software might not be necessary, making it well suited for local clinics in developing countries which struggle with IT-infrastructure. In developed countries where the IT-infrastructure is often more sophisticated, the hospitals and clinics are not required to purchase any additional software or change existing software to make it compatible with the automated grading. Optomed is actively working on improving the automated grading offering by adding features and capabilities not only focussed on screening of diabetic retinopathy, but also age-related macular degeneration (AMD) and glaucoma. In the long-term, Optomed aims to add additional algorithms for detecting other diseases that could be possible to detect from fundus images, e.g. retinal detachment, tumours, cardiovascular diseases, stroke and Alzheimer's disease. These Artificial Intelligence algorithms are currently in the research stage.

As a result of the changes in the diabetic retinopathy screening market that are expected to arise from the commercialisation of Artificial Intelligence, the Company estimates that there will be changes to the way of receiving payment for provided products and services. Historically, Optomed's revenue has comprised one-time camera income and income from software license fees, third party fees and fees per use. As Artificial Intelligence is expected to handle the grading of the fundus images increasingly in the future, it provides possibilities for Optomed to develop new business and earnings models. In addition to the income received per sold camera, the management believes the Artificial Intelligence powered grading provides possibilities for recurring revenues through pay per use and subscription-based income. The price points for the price per screening and price per subscription products are dependent on several factors, e.g. local reimbursement levels and overall economic situation in the respective market. Due to the potential wide differences in price points, the Company actively analyses and develops pricing models for individual geographical markets and customers. As a result of the different pilot projects globally, the Company has started to recognise recurring

screening revenue on a small scale from its provided camera and software solutions. The Company still expects that the Devices segment will grow faster than the Software segment in the near future. However, in the longer term, as the installed base increases and also depending on the speed of the commercialisation of Artificial Intelligence, the Company also expects accelerated growth in its Software segment.

To deliver on its mission to provide innovative and affordable devices and software solutions that enable eye disease screening for everyone, Optomed will continue to focus on bringing camera and software solutions to national and regional screening programmes. Efficient and well-structured screening programmes help to detect early sight-threatening DR, resulting in early stage treatment to avoid expensive and advanced treatment and even prevent to develop blindness[87]. Optomed focusses its direct sales efforts on providing complete screening solutions (handheld cameras including automated Artificial Intelligence grading of images) to healthcare providers offering diabetic retinopathy screening solutions. To further expand the offering and to be able to provide its solutions to the relevant screening programmes, Optomed has identified selected leading diabetic retinopathy screening decision makers, national health authorities and insurance companies. Optomed aims to reach these customers through increased resources in sales and marketing and by working closely with Key Opinion Leaders in the US, Europe, and Asia. Optomed currently has several ongoing pilot projects involving regional screening programmes in different countries, and the Company is planning to leverage its best practices and know-how from the tender processes and pilot projects to position itself as the natural choice of solution provider for national and regional screening programmes globally.

Financial Targets

The Company's Board of Directors has adopted the following financial targets in connection with the Listing. These financial targets constitute forward-looking statements that are not guarantees of future financial performance. The Company's actual results of operations could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under "*Certain Matters – Forward-Looking Statements", "Risk Factors"* and "*Operating and Financial Review – Key Factors Affecting the Company's Results of Operations".* The Company's ability to achieve the financial targets is subject to uncertainties and contingencies, some of which are beyond the Company's control, and no assurance can be given that the Company will achieve these targets. Any financial targets discussed herein are targets only and are not, and should not be viewed as forecasts, projections, estimates or views of the Company's future performance.

The financial targets of the Company are:

- Growth: Optomed's medium-term, from 2020 onwards, target is to deliver a double digit annual organic revenue growth. In the long-term Optomed's target is to deliver an average annual organic revenue growth above 20 percent.

- Adjusted EBITDA-margin: Optomed's target in the medium-term is to prioritise investments in the organisation to support growth and achieve an adjusted EBITDA margin above 30 percent in the long-term.

- Dividend policy: Optomed is in expansion phase and will therefore prioritise growth over dividends in coming years.

The Company's financial targets are based on a number of assumptions, such as assumptions that there will be no changes in existing political, legal, fiscal, market or economic conditions or in applicable legislation, regulations or rules, which, individually or in the aggregate, would have a material adverse effect to the Company's results of operations, and that the Company will not become party to any litigation or administrative proceeding that might have material impact on the Company of which the management is currently unaware. The assumption on which the Company has based the long-term financial targets include the following:

- Optomed will succeed with its establishment of operations in the United States and partner with a sufficient number of distributors and independent sales representatives to be able to roll out Optomed branded cameras

- Optomed is able to retain its current distributor network and key customers and enter into agreements with new distributors

- The awareness of handheld cameras and the Optomed brand will increase and the Company will be able to provide products and solutions to primary care

[87] Grzybowski, A. & Pieczynski, J. Review of Diabetic Retinopathy Screening Methods and Programmes Adopted in Different Parts of the World. *European Ophthalmic Review.* 9, 1 (2015).

- The awareness of the benefits and possibilities of Artificial Intelligence will increase, and Artificial Intelligence will move towards becoming a standard tool in the diagnostic process of eye diseases

- Optomed will succeed with new product and software launches in accordance with the Company's strategy

These assumptions underlying the Company's financial targets may not prove to be correct and the results of the Company's operations may deviate significantly from the financial targets due to these and other factors described under, among other factors, *"Certain Matters – Forward-Looking Statements", "Risk Factors"* and *"Operating and Financial Review – Key Factors Affecting the Company's Results of Operations".* Unexpected events may have an adverse effect on the Company's actual results and financial position, regardless of whether the assumptions on which the financial targets are based otherwise prove correct.

For information regarding the Company's financial performance in 2016 – 2019, see "*Selected Consolidated Financial and Other Information"* and "*Operating and Financial Review".*

Future Outlook

The following future outlook constitutes forward-looking statements that are not guarantees of future financial performance. Optomed's actual financial performance could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under "*Certain Matters – Forward-Looking Statements, "Risk Factors",* and *"Operating and Financial Review – Key Factors Affecting the Company's Results of Operations".*

The Company expects the global market for handheld fundus cameras to develop favourably and believes that the increase in awareness of diabetic retinopathy supports the Devices and Software businesses.

The Company's customers, of which the five largest represented 52.0 percent of the Company's total sales during the year ended 31 December 2018, often order from Optomed in bulk orders (especially OEM customers). Therefore, orders and deliveries may vary significantly between quarters. Delayed orders from one of Optomed's customers in China are expected to limit the growth in the second half of 2019 and are consequently expected to impact the full year figures. Optomed estimated the growth for the full year 2019 to be low single digit growth, as compared to 2018.

Business Operations

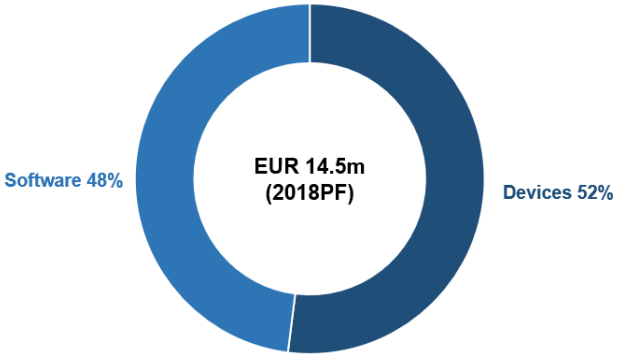
Optomed Group

Optomed comprises two synergistic business segments: Devices segment and Software segment, offering a complete solution for managing, screening and diagnosing diabetic retinopathy. By offering handheld devices, software solutions and automated Artificial Intelligence grading, Optomed has built up a complete system suitable for all types of healthcare professionals and units in different markets to be able to perform diabetic retinopathy screenings. The Company employs 105 skilled professionals[88], mainly within camera and software research and development and sales. Optomed's focus on research and development has resulted in a strong international patent portfolio of 52 international patents and 5 pending patents.

Optomed has a stable underlying business model with an almost equal split between the Devices and Software business segments. Optomed's revenue amounted EUR 12.7 million for the year ended 31 December 2018. The pro forma revenue for the year ended 31 December 2018 amounted to EUR 14.5 million, of which the Devices segment represented 52 percent and the Software segment represented 48 percent. The figure below illustrates the revenue split between the two business segments.

[88] As at 30 September 2019.

Figure 9 – Pro forma revenue per business segment



The following table presents a breakdown of the Company's revenue by geographical market for the periods indicated:

	1 January to 30 September		1 January to 31 December		
	2019	2018	2018	2017	2016
In EUR thousand	(unaudited)			(audited)	
Revenue by geographical market					
Finland	5,363	3,228	5,021	41	198
China	1,500	1,568	2,753	2,387	1,704
Other	3,787	3,248	4,960	4,471	4,706
Total	**10,649**	**8,045**	**12,733**	**6,899**	**6,609**

Devices segment

Optomed's Devices segment is one of the leading providers of non-mydriatic handheld fundus cameras[89]. The business segment's customer offering comprises both Optomed-branded handheld fundus cameras and fundus cameras sold under the OEM customers' brands. Between 2013 and 2018 the Company sold approximately 8,700 handheld fundus cameras. In 2016 Optomed sold 1,870 handheld cameras, in 2017 1,740 cameras and in 2018 the Company sold 1,787 cameras. The handheld cameras are sold through three sales channels of which the OEM channel was the largest channel in 2018 with 970 cameras, followed by Optomed China (distributors) with 499 cameras and distributors accounting for 318 cameras. In China, the Company's main customers are private companies (screening operators and disease management companies). Previously, the majority of the Company's customers in China were public hospitals, however, public hospitals currently comprise approximately one third of the sales. Of the 318 cameras sold through the distributors, Europe and the Asia Pacific region accounted for 71 percent of number of sold units, followed by Middle East and Africa representing 25 percent and other countries accounted for three percent. Currently, the Company does not sell Optomed-branded cameras in the United States, however, cameras sold in the United States are included in the 970 cameras sold through the OEM channel. The United States is the largest OEM customer market with more than 1,000 cameras in total sold to the United States through the Company's OEM customers. Since 2017, the Company has focussed primarily on its 4th and 5th generation cameras. Optomed decided to ramp-down the 3rd generation product that did not support the usage of Artificial Intelligence based autonomous grading and focus its engineering and marketing resources to support high margin products that are compatible with the Company's strategy to generate recurring revenue from Artificial Intelligence powered screening. Adjusting the Company's number of sold cameras for the discontinued camera generations, Optomed's number of sold cameras increased by 19 percent in 2017 compared to 2016 and 12 percent in 2018 compared to 2017. In 2016 the number of discontinued cameras sold comprised 30 percent of the total number of cameras sold, 11 percent of total number of cameras sold in 2017 and 3 percent of total number of cameras sold in 2018. When adjusting the Company's revenue from the Devices segment for the discontinued camera generations, Optomed's revenue from the Devices segment was EUR 5,496 thousand in 2016, EUR 6,279 thousand in 2017 and EUR 7,332 thousand in 2018. The share of revenue from discontinued camera generations of the total revenue from the Devices segment amounted to 16.8 percent in 2016, 9.0 percent in 2017 and 1.7 percent in 2018.

The Devices segment is managed by the segment Vice President and comprises six teams. The Quality & Regulatory team is responsible for regulatory compliance of the handheld cameras, registrations of new products and product registrations in new markets and overall technical documentation. The Devices segment's Sales team is responsible for regional sales through distributors, managing and supporting OEM customers and direct sales of combined Optomed camera and software solutions packages. The Research and Development and Design teams work closely in developing new handheld fundus cameras to meet customer demand. Additionally, the Research and Development team supports the

[89] Zion Market Research: Global Fundus Cameras Market (2018). The Company's leading position is based on the share of revenue in the handheld fundus camera market that is generated from sales of cameras manufactured by the Company and sold to end-users by the Company's OEM customers, distributors and directly by the Company.

Manufacturing team that is responsible for supplier control, logistics, order handling, new product production transfer, production testing systems and management of the EMS partners. The subsidiary Optomed China is organised as a team reporting directly to the Vice President, and is a local sales organisation managing and developing the Optomed brand in China, as well as managing localisations, product registrations and administrative tasks related to the Chinese market.

Overview and key products

The Company currently offers two Optomed-branded handheld fundus cameras: Optomed Smartscope PRO and Optomed Aurora. The Optomed Smartscope PRO is the Company's fourth generation handheld fundus camera with a 40 degrees field of view and optical resolution of >60 lp/mm and was launched in 2014 and is, to the Company's best knowledge, the first handheld fundus camera to fulfil international fundus camera standard ISO 10940 resolution requirements. The Smartscope PRO is equipped with Wi-Fi for easy image transfer to any PC or mobile device, making it suitable for use at all locations. The camera consists of interchangeable modular optics, enabling it to perform examinations with Optomed's retinal module, fundus fluorescein angiography module (FFA) and anterior (eye surface) imaging module, and by connecting the camera with Optomed's Patient Data Management software with full DICOM and PACS compliance, it is possible to implement seamless interoperability with hospital systems.

The Optomed Aurora camera is the Company's fifth generation handheld fundus camera that provides technical improvements compared to the Smartscope PRO camera. Optomed's Aurora camera is CE and FDA approved, and fulfils international fundus camera standard ISO 10940 resolution requirements. The Optomed Aurora camera is also in the process of receiving Chinese CFDA approval. The Aurora camera provides a field of view of 50 degrees and comes with a larger display and an updated user interface improving the experience for the user. The Optomed Aurora is also based on a modular camera model to which it is possible to attach a retinal module for fundus imaging or an anterior module for eye surface imaging. In addition, the new Aurora camera, combined with an AI-based automated analysis service, is currently being validated for use in diabetic retinopathy screening in three new, ongoing studies in China, India and Finland and in two further studies about to begin in the United Kingdom and the Philippines. Such studies usually take between three months to a year to complete. In China, the Company has provided its handheld cameras to local Artificial Intelligence companies in order for these local companies to develop and validate their Artificial Intelligence algorithms with the Company's cameras. Once local Artificial Intelligence companies have managed to obtain CFDA approval for their algorithms, the Company will seek to partner with such companies in order to commercialise the combination of the Aurora camera and Artificial Intelligence in China. The preliminary results in China have indicated that the camera is as well suited for diabetic retinopathy screening as traditional desktop cameras. During 2017 and 2018, the Optomed Aurora cameras comprised less than 10 percent of the Company's overall device sales volume, and during 2019, the number of Aurora cameras sold has increased.

The Company has developed additional handheld fundus camera models in cooperation with its OEM customers based on each customer's special requirements.

As a result of the Company's intense research and development work, Optomed has succeeded in constructing a proprietary optical solution that is able to illuminate the fundus in a new way compared to the traditional desktop cameras that are using significantly larger lens technology and traditional illumination solutions. The patented optical technology using this new illumination method and smaller lenses is the key to how Optomed has succeeded in constructing and commercialising easy-to-use light-weight handheld cameras that are able to capture high resolution images with enhanced reflection control. Since the Company's handheld cameras are easy to use, limited training is needed for the camera operator, who only needs to follow simple instructions to capture high-quality fundus images. During the imaging, the patient should be either seated or lying, preferably in a room with dimmed lights. The camera operator adjusts the focus, flash brightness level and focus target setting before imaging. After the camera is placed in front of the patient's eye and an image is captured, the operator is then able to preview the image on the camera display to decide whether the quality is sufficient before transferring the images onto a computer through WLAN or USB. The images are uploaded to Optomed provided software i.e. Optomed Orbit or Optomed Avenue for further analysis and result report creation.

Figure 10 – Overview of Optomed's Devices segment product portfolio offering

Software segment

Optomed's Software segment was created through the Commit Acquisition in 2018. The Software segment has historically been focussed on software solution sales to healthcare organisations in Finland. As a result of the acquisition and the integration of the Software segment into Optomed, the Company expects no significant change in the domestic operations, but according to its strategy, the Company will expand the software offering internationally. The Optomed Software segment develops and sells special healthcare software solutions to healthcare organisations. These software solutions include systems for workflow, chronic disease screening, and resource and quality management within radiological or surgical departments. In addition, the segment also distributes off-the-shelf products from selected partners to supplement its own solutions. Since its foundation in 1989, Commit; Oy (nowadays Optomed Software Oy) has implemented more than a thousand projects where the solution has been built according to the customer's requirements. Optomed Software has been providing software for diabetic retinopathy screening in Finland for several years. The Software segment's management system fulfils the ISO 9001 and ISO 13485 standards. Optomed Software has delivered a retinopathy imaging optimised system to Digifundus, the leading provider of ophthalmic screening and monitoring services in Finland. Optomed Software's solution provided Digifundus with an automated and cost-efficient system supporting complete workflow of the screening and follow-up process. In addition to providing tailored software solutions to healthcare organisations in Finland and Europe, the Company has ongoing pilot projects in the United Arab Emirates and in Saudi Arabia, delivering complete screening solutions including IT-systems and cameras.

The Optomed Software segment is organised into four teams: Sales, Healthcare Delivery, Product Development and Non-healthcare Professional Services. The Sales team is a part of Optomed's sales organisation working closely with the Devices segment's camera and screening solution sales team in direct sales, focusing on software solutions tailored according to the customers' requirements. The Healthcare Delivery team comprises specialists managing and providing solutions that also include products from selected partners. Maintenance of own IPR, new software development, implementation, and system testing is performed by the Product Development team, and the team is also responsible for the integration, testing and implementation of third-party algorithms into Optomed's AI powered screening software. In addition to healthcare software business, Optomed's Software segment also provides development services to two carefully selected non-healthcare customers in Finland, comprising approximately one third of the Software segment's revenue based on pro forma revenue for the year ended 31 December 2018. The Company provides development and maintenance services of data systems to Tietokarhu Oy in its engagement with the Finnish Tax Administration and to another large Finnish governmental agency. The services offered to these governmental agencies require similar type of special software, IT and big data expertise as the healthcare systems offered by Optomed Software Oy do. Having long-term contracts also with non-healthcare customers improves Optomed's position to hire and retain a large and specialised software development team. Where necessary, the Company can utilise this software development team in the provision of extensive screening solutions globally.

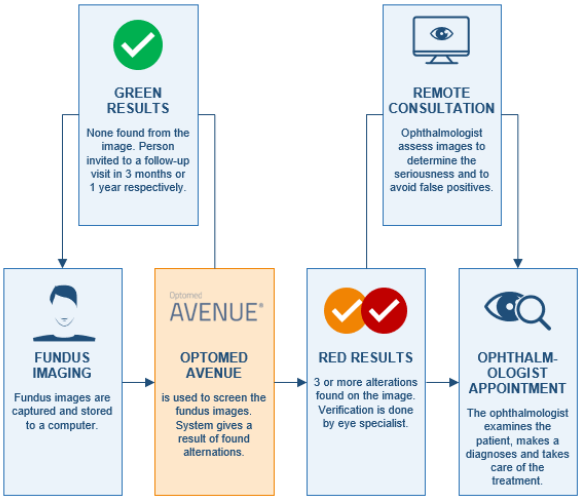
Overview and key products

Optomed's Software segment's primary product offering for screening of various eye diseases, primarily diabetic retinopathy comprises Optomed Link, Optomed Orbit, Optomed Avenue and Optomed Screen. All of Optomed's software solutions also enable the use of Artificial Intelligence in image analysis. Optomed Link is the Company's remote

consultation solution enabling remote image analysis. The fundus images are uploaded to the Link software through which ophthalmologists grade them and then provide full screening reports to the patient. Optomed Link supports comprehensive eye care and provides easier and faster access to medical professional consultation and results. Optomed Orbit is a complete Patient Data Management solution for viewing, sharing and archiving fundus images. Optomed Orbit is the only software in the offering that is sold as a one-time license sale and installed locally on the customer's computer. The other softwares are server solutions, priced according to a pay-per-use or subscription model. Historically, approximately 60 percent of the Software segment's revenue has been generated on a recurring revenue basis.

The fundus images can either be transferred directly into Optomed's systems from any standard-compliant fundus camera or other healthcare system. Optomed provides AI solutions for automated image grading. The system analyses the images and immediately shows easily understandable results. If the fundus images are labelled green, the images did not show the disease that was screened for and the patient will be invited to a new follow-up screening next year. If the AI grades the fundus image with alterations indicating a disease, the results can be verified, if necessary, by an ophthalmologist through remote consultation using Optomed's software. The automated grading performed with Optomed Avenue enhances productivity, increases screening capacity and lowers cost per screening. The management estimates that the cost per patient can be as much as 80 percent lower when the screening is performed with Optomed's handheld camera and Optomed Avenue, compared to traditional outsourced screening.[90] The Optomed Avenue work flow is illustrated in the figure below.

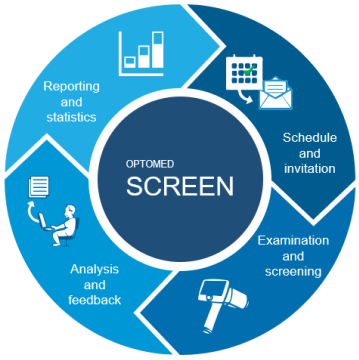
Figure 11 – Optomed Avenue work flow



The Optomed Screen software is a holistic diabetic retinopathy screening solution which improves access to screening, saves costs by automating screening functions and increases the quality of the screening operations. With Optomed Screen, the screening provider is able to manage the entire screening chain improving the overall quality of the screening process. Optomed Screen is built to easily manage the scheduling and appointment bookings of yearly screenings by providing invitations through mail, e-mail and SMS, and it also sends out reminders in case of no-show, which improves screening coverage. By using Optomed's handheld cameras, the screening can be performed anywhere, and images uploaded into the system with possibility to add patient information. The grading can be performed either locally with Optomed Avenue AI-based automated grading or remotely by ophthalmologists through remote consultation. Optomed Screen generates screening reports that are uploaded to the patient record system, which, based on grading feedback, automatically schedules the next screening appointment. The system also produces detailed reportings on quality and cost-efficiency that can be used by e.g. insurance companies and hospital districts to evaluate the efficiency of their national or regional screening program. The figure below illustrates the Optomed Screen screening management process.

[90] Key assumptions: Screenings per year: 1,000, Avenue cost per automated analysis EUR 6.5 (including personnel costs), Camera EUR 1.2 (5 years straight-line depreciation) and EUR 41 per analysis for outsourced screening provider. The assumptions are based on the diabetic screening system available in Finland. Source: Management estimate.

Figure 12 – Overview of Optomed Screen



Optomed's Artificial Intelligence strategy

As part of its Artificial Intelligence strategy, Optomed has decided to limit its own investments into the development of Artificial Intelligence algorithms, and instead partner with selected Artificial Intelligence algorithm companies and research teams and pay royalties or licensing fees for the use of algorithms in its products and solutions. Since machine learning and deep learning technologies are continuously developing, the management estimates that there is already more than 1,000 companies and research teams solely focusing on automated fundus image analysis, and that it is advantageous for the Company to partner with the best providers instead of merely having its own in-house algorithm development. In addition, in certain markets algorithms need to be validated separately with each fundus camera and researched with different populations due to the different characteristics of the eye fundus between different ethnic groups, and a unique detection algorithm is needed for each individual eye disease. Accounting for these aspects, it is presently from a time and cost-saving perspective sufficient for Optomed to partner with selected algorithm providers rather than to develop own algorithms for several eye diseases and to validate them in all individual markets.

Since individual algorithms need to be validated locally in each geography, Optomed partners with operators with validated algorithms which are integrated to the Company's software offering. Hence, in that respect Optomed's potential partners remain responsible for the development and validation of the Artificial Intelligence algorithms and other relevant measures required for market access in all individual markets. The Company continuously monitors study reports and publications and participates in conferences to screen for potential algorithm partners. The Company has identified approximately 30 particularly interesting algorithm providers, and it follows their progress closely.

Optomed's selection process is based on strict criteria that the algorithm providers must meet before Optomed signs an agreement and implements the algorithm to its solutions. The screening algorithm needs to be clinically proven and backed-up by strong evidence and publications, e.g. IDx screening algorithm that has received FDA approval in the United States and is technically compatible with Optomed's handheld fundus cameras. In addition to clinical approval, the Company prefers that the algorithm has been developed in cooperation with leading healthcare institutions and Key Opinion Leaders in ophthalmology. The algorithm should have significant market potential, i.e. for instance diabetic retinopathy, age-related macular degeneration and cardiovascular disease detection, for Optomed to include in its solutions, in combination with a business model that is well-suited for Optomed and its distributors. The algorithm provider should have well-established internal processes as well as support and documentation capabilities in order to provide high-quality documentation and maintain medical quality system for registration purposes.

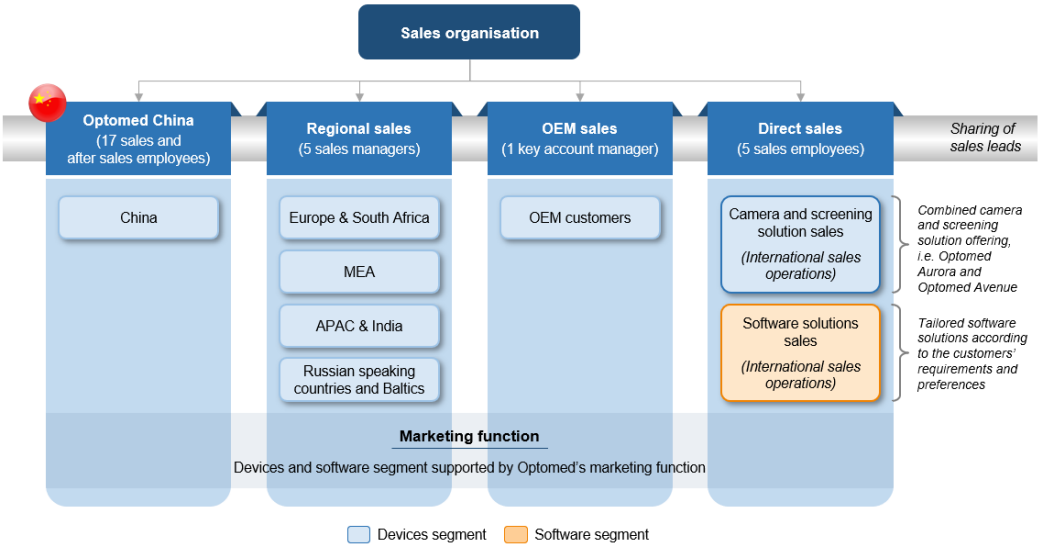
When a provider fulfils the selection criteria and the commercial terms are agreed upon, the algorithm provider assists Optomed with the implementation of the algorithm to its screening solutions. Following the implementation, Optomed performs additional validation and testing with its own products to verify that the algorithm is ready for approval. Before the new algorithm can be commercialised, a CE approval is filed for the solution in Europe as an independent medical device (software). In the United States, the algorithm has to be FDA approved together with the related camera as a complete solution.

Sales Strategy and Customers

Optomed's sales organisation consists of four sales teams: (i) Optomed China, (ii) Regional sales, (iii) OEM sales and (iv) Direct sales. Optomed China comprises 17 employees focussing on Optomed's China operations, including direct sales and customer service (after sales). The Regional sales team manages the Company's distributors and distributor network. The Regional sales team consists of five sales managers covering Europe, Middle East and Africa, the Asia-Pacific region and India. The OEM sales team is managed by the Company's OEM key account manager, who is responsible for supporting the OEM customers in their sales activities. Optomed's Direct sales team comprises sales

personnel from the Devices segment as well as from the Software segment. The Camera and screening solutions sales team focusses on sales of combined camera and screening solution offering, selling cameras together with Optomed's screening software. The Software solutions sales team focusses on sales of extensive software solutions that are tailored based on customers' requirements. While the sales organisation comprises four teams and covers two segments, the sales teams share sales leads within the organisation. To efficiently leverage the Company's reputation, innovative products and expertise in the handheld fundus camera market, Optomed's marketing function supports all the sales teams and both business segments. An overview of Optomed's sales organisation is illustrated in the figure below.

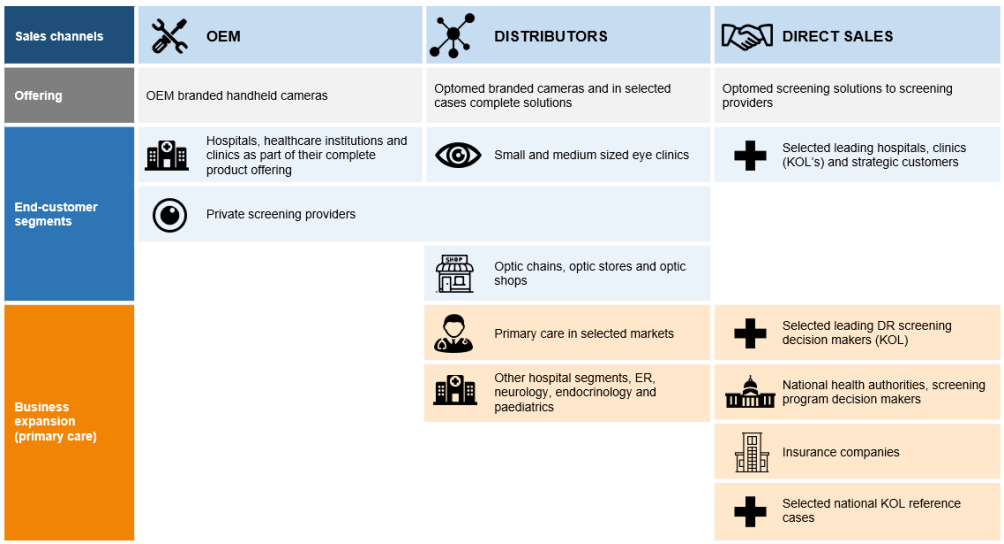
Figure 13 – Overview of Optomed's sales organisation



Sales channels and customer segments

The Company sells its handheld cameras and software solutions through three sales channels: OEM, Distributors and Direct sales. The gross margin per camera varies depending on the sales channel but it is, however, above 50 percent for all channels. The cameras sold through the OEM sales channel have a lower gross margin than the Optomed branded products. These sales channels target various end-customer segments with different product offerings. The end-customer segments can be divided into primary (current) end-customer segments and new segments towards which the business is targeting to expand. An overview of Optomed's complementary sales channels and main end-customer segments is illustrated in the figure below.

Figure 14 – Overview of Optomed's complementary sales channels and main end-customer segments



OEM sales channel

The OEM sales channel is particularly important for Optomed as it enables the Company to sell OEM-branded handheld cameras developed by Optomed to end-customer groups such as hospitals, healthcare institutions and clinics as part of

the OEM customers' complete product offering. The OEM customers also sell handheld cameras to private screening providers specialised in diabetic retinopathy screening. Optomed's OEM customers comprise Volk Optical, Carl Zeiss Meditec, Haag-Streit and Topcon, all of which are recognised and prominent players in the field of ophthalmology, and a large multi-industry company operating also in the field of medical technology. The OEM customers sell the cameras under their own brand in their relevant markets and can also reach many markets where Optomed is not present through its existing distributor network, e.g. the United States and South America. The Company aims at working with valued medical and ophthalmology equipment brands to access customer segments that are currently not accessible with Optomed's own brand and through its own distributors.

Distributors

The Company's distribution network currently comprises approximately 55 active distributors in over 50 countries. Optomed sells Optomed-branded handheld cameras through its distribution network, and in some selected cases, also its complete screening solutions containing both handheld cameras and software (including AI service). The distributors primarily target small and medium sized eye clinics, optician chains and optic stores, and private screening providers. The Company sells its solutions to private screening providers through the OEM channels and distribution network depending on the target country. As the Company has identified the primary care segment as an expansion opportunity, the distribution network also targets primary care centres and clinics in selected markets, as well as other healthcare units that benefit from small, easy-to-use and affordable handheld fundus cameras, such as paediatricians, emergency rooms and neurologists.

The regional sales managers that are responsible for the distributor network support the distributors with marketing and sales activities in order for the distributors to represent the Optomed brand globally and actively market the Company's products with the ambition to sell Optomed handheld fundus cameras and increase the awareness of handheld cameras as a product segment. Optomed has a well-developed distributor management process in place to identify and select the most suitable distributors in target markets. Distributors are evaluated based on several criteria, such as market expertise, ability to reach target customers, existing product portfolio and financial analysis. The distributor management process also includes well-defined routines for yearly evaluation of distributor performance.

Direct sales

Direct sales enables the Company to sell its accompanying software solutions, as some end-customers demand complete screening solutions that may not be provided through the Company's OEM customers or distribution network (as currently many distributors only provide the camera without the accompanying software solutions). Thus, Optomed focusses its direct sales efforts on selling complete screening solutions (handheld cameras including screening and analysis software such as automated Artificial Intelligence grading of images) to diabetic retinopathy screening providers, targeting selected leading hospitals, clinics and strategic customers to build up a solid reference base. To expand the Company's offering and reach into new customer segments, Optomed has identified selected leading diabetic retinopathy screening decision makers, national health authorities and insurance companies as target customers for its direct sales efforts. By targeting these customer groups, Optomed's aim is to become a provider of both devices and screening software to large-scale national diabetic retinopathy screening programmes mainly in Asia and the United States. These types of programmes usually begin with pilot projects where the customer purchases a certain number of cameras and software to test the system, and if the pilot project is successful, it may result in larger orders. The Company currently has several pilot projects ongoing around the world.

Marketing

Between 2014 and 2018, the Company's marketing efforts were mainly focussed on business-to-business marketing, in order to increase the awareness of the Optomed brand and the Company's proprietary handheld cameras to companies operating in the field of ophthalmology. The marketing has primarily been executed via international and local exhibitions and industry conferences, advertising in exhibition publications, direct distributor marketing, as well as through digital marketing on different platforms. This strategy has proven successful in building up the Company's sales network and channels, regarding both OEM customers and regional distribution partners. Optomed has signed OEM agreements with leading ophthalmology and medical device technology brands, such as Carl Zeiss Meditec, Volk Optical, Haag-Streit and Topcon.

As a result of the Commit Acquisition, (Optomed Software Oy) in 2018, and the Company's expanded product and service offering of both handheld fundus cameras and screening software, Optomed's marketing strategy has taken its next step focussing on Optomed brand marketing towards healthcare professionals. The Company's primary target group comprises ophthalmologists, diabetic retinopathy specialists, endocrinologists, diabetologists, neurologists and general practitioners in primary care. These professionals will create the base of Optomed's international Key Opinion Leaders, through which the Company aims to promote the more extensive use of its handheld fundus cameras in a primary care setting as well. The first step in the renewed marketing strategy was to establish Optomed Scientific Advisory Board in 2019, through which the Company can gain reference statements and reference marketing. By collaborating with identified KOLs in

clinical studies involving handheld cameras in diabetic retinopathy screening, the Company believes that the awareness of both the Optomed brand and the diabetic retinopathy screening possibilities will increase. The Company aims to publish content editorials in selected ophthalmology journals and promotional press releases to engage in brand marketing towards healthcare professionals. The current marketing activities performed at large diabetes care and ophthalmology congresses and exhibitions, such as ESCRS (European Society of Cataract and Refractive Surgeons), will remain an essential part of the Company's marketing strategy going forward.

Research and Development

Optomed is a research and development driven company whose product development is focussed on innovative devices and software solutions for the screening and diagnosis of blinding eye disease. The Company's research and development units are located in Finland. The unit located in Oulu is responsible for the development of the Company's camera products, whilst software solutions are developed by the unit in Espoo. The research and development units have three main areas of responsibility: (i) research, (ii) product development and (iii) production support. In order to maintain its competitive edge in the handheld fundus camera market, Optomed focusses on and invests in the operation of its research and development function and seeks to continuously introduce new and innovative products to the market in order to meet customer demand, as well as conduct continuous improvements on existing products. The Company performs constant research in order to develop its optics, product platforms and Artificial Intelligence capabilities and to ingrate these into the Company's products. The Company develops its own camera technology, designs and tests new optics and illumination solutions for the imaging of the fundus, and it also develops other new types of intelligent solutions to enhance the performance of the cameras. The Company also works closely with several research teams around the world on Artificial Intelligence development and integration to Optomed products. Moreover, the research and development function develops manufacturing methods for cameras, special equipment used in the production, as well as assembly, testing, calibration and quality control instructions for the EMS partner to be utilised in the production process, and it also performs continuous production and supply chain support in order to reduce manufacturing costs. In addition, the research and development function supports the management of key component suppliers and seeks to constantly improve the efficiency of the production processes.

As an example of the Company's intense and long-term research and development work, the Company has launched the Smartscope-X project in order to develop a new solution for screening of diabetic retinopathy and other blinding eye diseases. The objectives of the Smartscope-X project is to develop a customised camera connected to a cloud solution with AI algorithms for automatic diagnosis based on captured images, to validate the solution through clinical trials and commercial pilots and to introduce the commercial solution to the market. The Company has been granted the EU 2020 Horizon grant by the European Commission's Executive Agency for SMEs for the Smartscope-X project as described below in "*– Material Agreements – Debt and Other Financing Agreements – EU 2020 Horizon Grant*".

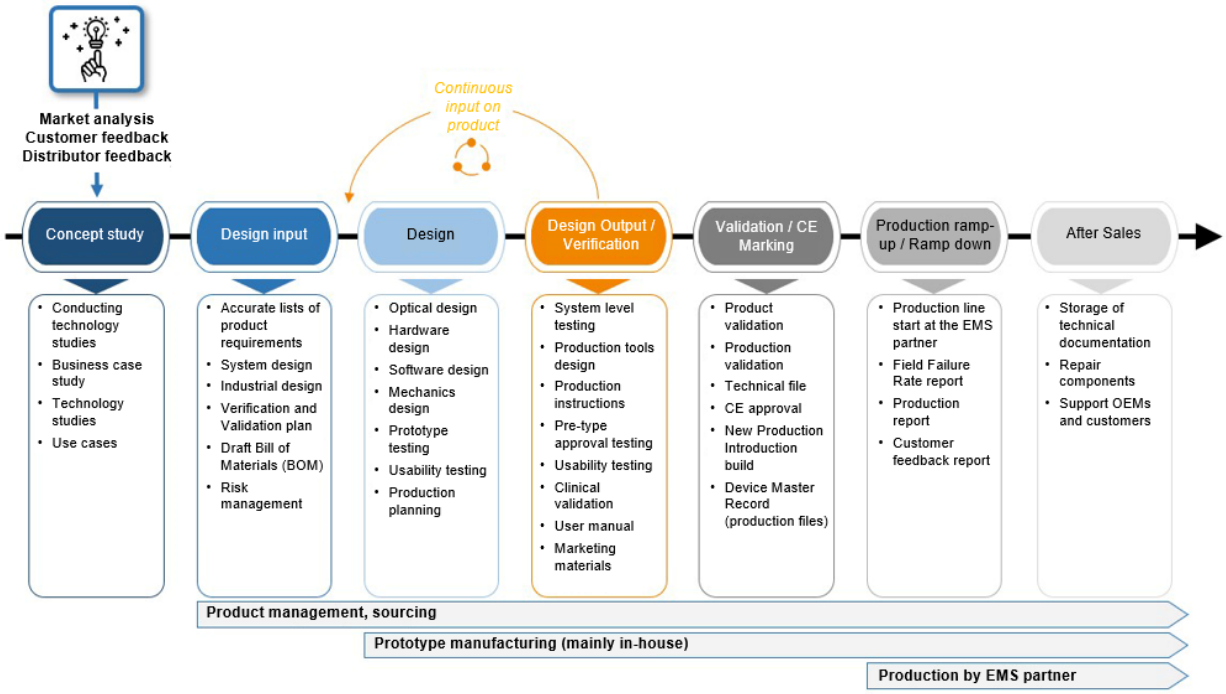
The Devices segment's research and development unit consists of three teams: Embedded Software, Hardware & Optics and Testing. The Company's product programmes are run by team leaders and selected engineers. The Embedded Software team develops and maintains the camera platform, imaging algorithms and camera and system (software) drivers as well as implements all device functionalities. The Hardware & Optics team focusses on the design work of optics and electronics, and the function also utilises outsourced suppliers to assist with certain development tasks. The Testing team tests and validates all device functionalities and the software used therein and designs and manufactures the special equipment used in the calibration and testing of cameras, which are used in the production and testing processes performed by the Company's EMS partner.

The Software segment's research and development unit comprises the Software solutions development, delivery and maintenance team, focusing on developing and maintaining the Company's server solutions, i.e. Optomed Screen, Optomed Link and Optomed Avenue. Additionally, the team is responsible for the evaluation of third-party Artificial Intelligence algorithm providers, as well as the implementation of the selected Artificial Intelligence algorithms into the Company's software solutions.

The Company has a well-defined research and development process aiming to ensure that Optomed positions itself in the forefront of the development of innovative retinal screening solutions. The Company's sales and marketing teams continuously follow and analyse the market and collect feedback from distributors and customers on existing products and customer needs. The data is reviewed by the research and development team in order to generate new ideas on further development of existing products, or new products that could be introduced to the market to meet customer needs. Based on the market feedback received, the selected research and development team conducts the required technical preliminary studies and develops functional prototypes to assess the functionality and performance of the potential product. Following the preparation of the preliminary studies, all the research and development teams work together on the product development project. In the end, the developed products are tested with extensive system level testing and any required changes are made to the design of the product. After final system level tests are conducted, the product moves to the CE marking and validation phase, which are required before production can start at the outsourced EMS partner's manufacturing site. In parallel with the product development process, the Production Engineering team designs and develops the required production tools and equipment that is used by the EMS partner in the production stage. As the

production of the new product starts, the research and development team shifts the focus to production support, maintenance of the product and continuous product improvements. The figure below illustrates the Company's research and development process.

Figure 15 – Illustration of Optomed's product development process



Manufacturing and Logistics

Optomed focusses on the highest value adding parts of the value chain, maintaining the research and development function in-house, while outsourcing the manufacturing and assembly process to an external EMS partner.

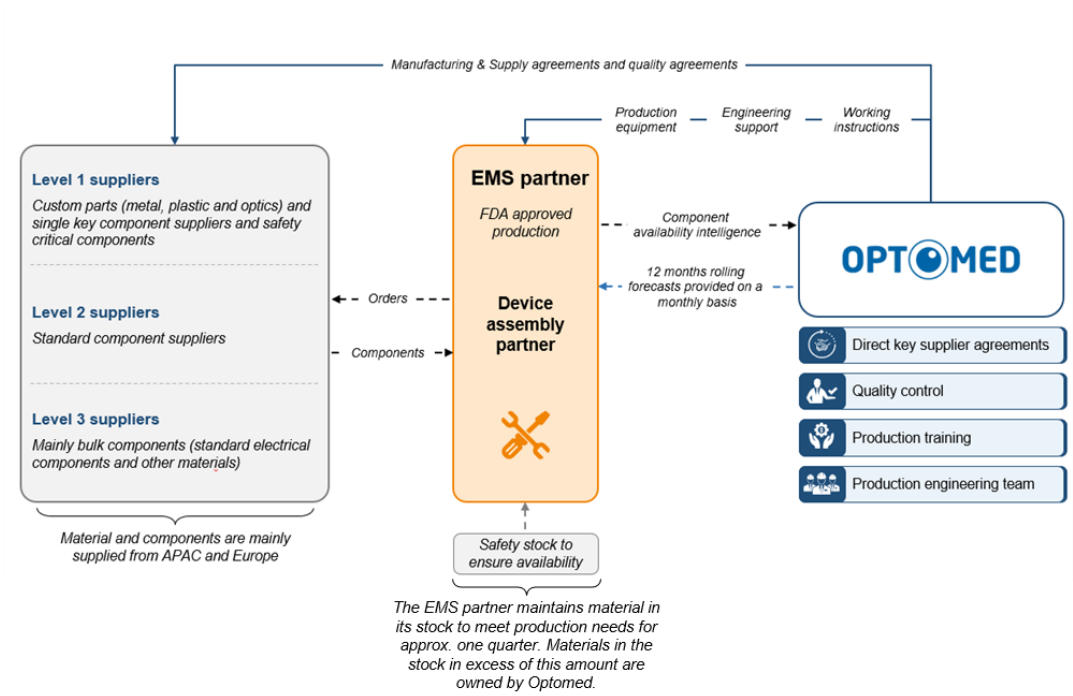
The Company's manufacturing and logistics team is responsible for strategic supplier selection (sourcing), the transfer of new products into production (design transfer) and product change management, logistics, production support and the arrangement of after sales services. The manufacturing and logistics team focusses particularly on the reliability, quality control, scalability and the cost effectiveness of the manufacturing process. The Company controls the EMS partner and the whole supply chain by strategic supplier agreements. Even though production has been outsourced, the Company has maintained its capability to manufacture, test and repair its products in-house. The Company does not have its own manufacturing sites, and hence scaling up the manufacturing does not require significant changes in number of personnel or significant additional capital expenditure. The outsourcing of the manufacturing and assembly process provides the Company with operational flexibility and short lead times.

As at the date of this Prospectus, the Company has one FDA-approved EMS partner, Fabrinet, with production facilities in Thailand. The Company's EMS partner is a manufacturer specialising in precision optical, electro-optical, high-tech electronic PCBA and electro-mechanical process technologies for high-mix, any-volume production. The EMS partner was founded in 2000, listed on the New York Stock Exchange in 2010 and employs over 10,000 employees. Optomed also utilises a few smaller EMS partners for small series and prototype manufacturing and has a production line and equipment in Oulu as back-up.

The Company educates the EMS partner's personnel in the production process before the production starts. Optomed develops and provides the EMS partner with the special equipment required in the production for the calibration and testing of the product, and it also provides continuous engineering support and working instructions covering the entire production process. The Company owns the special equipment, such as the optics and electronics calibrators and testers used in the production. To ensure sufficient production capacity, the Company provides on a monthly basis 12 months rolling order forecasts to the EMS partner, and places frame orders with its most important suppliers for time periods of 12–24 months and with minimum purchase volumes. Based on the forecast reports from the Company, the EMS partner orders components from the suppliers, which the Company controls through manufacturing & supply and quality

agreements. However, some of the Company's relationships with its suppliers are only governed by email correspondence, price lists, short-term or brief contracts. Materials and components in the camera production are mainly sourced from suppliers in the Asia-Pacific region and Europe. The Company divides the suppliers into three levels; Level 1 suppliers, which provide mainly custom parts designed by Optomed (metal, plastic and optics) and include single key component suppliers and safety critical components; Level 2 suppliers comprise mainly standard component suppliers; and Level 3 suppliers provide mainly bulk components, such as standard electrical components required in the manufacturing. To mitigate potential disturbance in component availability, the EMS partner maintains a safety stock of components to ensure availability, as well as provides the Company with information regarding component availability.

Figure 16 – Overview of the outsourced manufacturing process



The EMS partner performs quality controls on the manufactured products and ships the products either directly to the customer or to Optomed's storage facility. Based on shipping information provided by the customer, Optomed's logistics personnel arrange the shipment from the EMS partner to the customer through global logistics companies.

Optomed has developed high quality and efficient production processes through automated testing and calibration methods for all camera and optic modules. With automated testing and calibration equipment, the production personnel do not have to perform any challenging manual tuning or calibration procedures, resulting in all camera and optic modules being tuned and calibrated to meet the requirements concerning imaging, and the image quality and functionality of each individual device has been verified before shipment. As a result of the highly automated production and testing methods, production costs are kept low, the products are of high quality and production capacity can be scaled up. By improving the manufacturing and testing processes the Company can improve the production yield and reduce hours per unit.

The Company has defined targets to improvements in its supply chain. During 2019, Optomed aims to perform continuous improvements of the supply chain, improvements to the Aurora yield and production performance, and to continue reducing manufacturing and materials costs and expanding the manufacturing area at the manufacturing site. Optomed's supply chain improvements include reduction of transportation cost by ordering larger quantities in combination with optimising transportation type. To be able to reduce material costs, the Company aims to utilise more local suppliers for bulk and standard components.

Quality control and regulatory approval

Optomed is subject to regulation by governmental authorities, such as the FDA's regulations, the CE-marking process applied by the authorities in the EU and the EEA as well as regulation by the Chinese CFDA and other national and/or local governmental authorities in its target markets. These governmental regulations govern, among other things, the testing, manufacturing, safety, effectiveness and performance, products standards, packaging requirements, storage, recordkeeping, promotion, distribution and tax requirements. Optomed's products and operations are also subject to various industrial standards. Please see "*Regulatory Overview and Reimbursement Systems*".

The Company's product registration process starts with Optomed submitting the product for CE approval, a process that lasts approximately three months and is managed by Optomed. Following the CE approval, the Company files for FDA approval, usually taking four months. At the same time the Company applies for product approval to the Chinese CFDA, and the approval process lasts approximately 18 to 24 months. Parallelly with the United States FDA and Chinese CFDA approval processes Optomed files for local approvals in other priority markets, a process that is managed in co-operation between Optomed and its distributors. During the same time as the Company files for CE and FDA approvals, radio frequency approval is applied for.

Aftermarket services and repair function

The aftermarket customer service is managed by Optomed in Finland and its subsidiary in China. The Company's aftermarket service offering includes device service and repair, sale of software package updates, spare components and renewal of batteries.

Optomed's cameras are typically sold with a warranty of 24 months, and cameras in need of repair are sent to one of Optomed's six maintenance centres. The Company has two in-house maintenance centres, one in Oulu and one in China. Additionally, Optomed's EMS partner runs a maintenance centre located in Thailand, and the Company's OEM customers have their own maintenance centres located in the United States, India and Brazil. In addition, the Company's distributors provide basic aftermarket and repair services. Optomed also has the ability to export its maintenance centre capabilities to external locations, making expansion into new markets more efficient. The maintenance centres are classified into three classes: Level 1 repair services are performed by distributors and include light device cleaning, simple repair measures and change of battery. Level 2 repair services are performed at the OEM customers' maintenance centres and Optomed's in-house maintenance centre in China, in addition to services performed at Level 1 locations, the Level 2 services include change of electrical components. Level 3 services are performed at the Company's maintenance centre in Oulu and by the EMS partner in Thailand, and these locations offer all levels of service, including the change of optical and electronical and other special components.

Organisation and Personnel

Group legal structure and subsidiaries

As at the date of this Prospectus, the Group consists of the parent company Optomed Plc and four subsidiaries in Finland, China and Hong Kong. In addition, Optomed Plc has a branch in Sweden, Optomed Sweden Filial. The parent company of the Group, Optomed Plc, is responsible for, among other things, the management of the Group as well as finance and accounting functions, human resources, legal affairs and corporate communication. The parent company is responsible for the Devices segment operations, while the Software segment operations are carried out through Optomed Software Oy. In addition to Finland, the Company operates in China through its subsidiaries, the main responsibilities of which are sales and distribution channel management in the Chinese market and product registration in China, as well as the launching of new products, brand building, marketing, aftersales services, and repair services in China.

The following table presents the subsidiaries of the Company along with respective ownership shares of the Company as at the date of this Prospectus.

Subsidiaries of the Company	**Consolidated shareholding and voting right (percent)**	**Country of incorporation**
Optomed Software Oy	100	Finland
Optomed Hong Kong Ltd	100	Hong Kong
Optomed China Limited Co., Ltd	100	China
Shanghai Optomed Medical Technology Co., Ltd	100	China

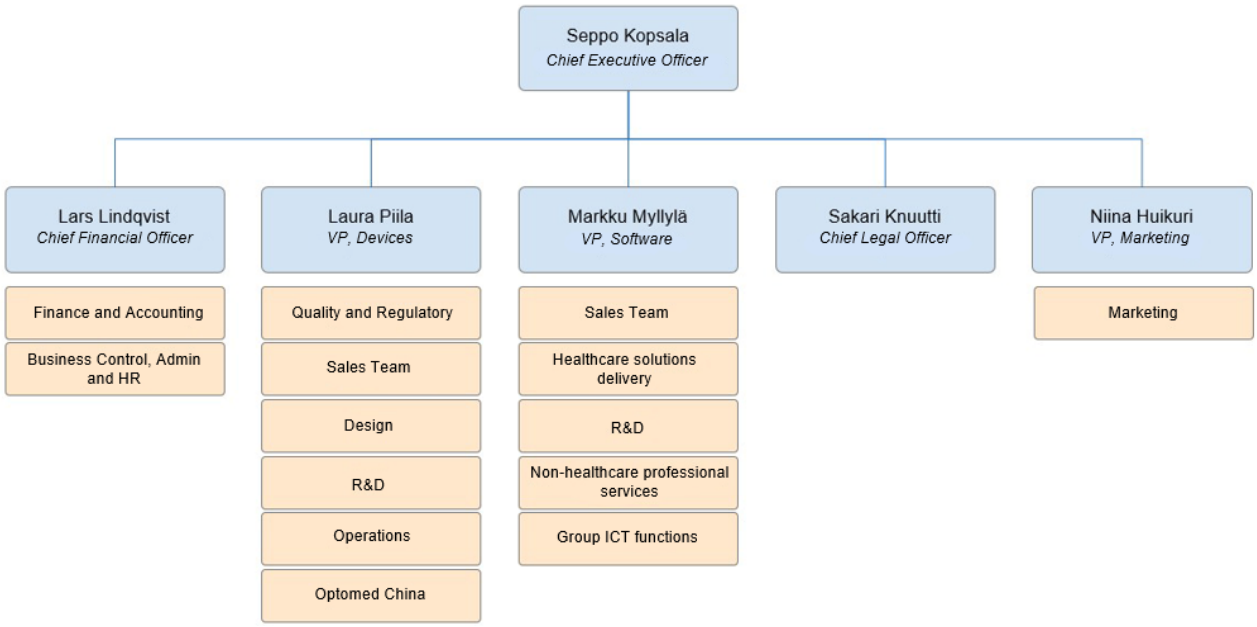
Organisational structure and employees

The Company had a total of 105 employees as at 30 September 2019, of which a significant number works in expert roles. The employee contracts are mostly permanent contracts. During the financial year 2018, the Company employed an average of 113 employees, and during the financial year 2017 an average of 71 employees.

The following table presents the Company's average number of employees per country during the years ended 31 December 2018, 2017 and 2016.

Number of employees per country	**2018**	**2017**	**2016**
Finland	90	45	45
China	23	26	32
Total	**113**	**71**	**77**

The following illustration illustrates the Company's organisational structure.



The Group CEO is responsible for the management of the Company's operations and governance in accordance with the instructions of the Board of Directors. The CFO is responsible for the Company's finance function, which includes accounting and reporting, business controlling, treasury, tax, human resources, investor relations and internal controls. The Vice President, Devices is responsible for the Company's Devices segment, which also includes a sales team, and the Vice President also acts as the Operating Director of Optomed China. The Vice President, Software is responsible for the Company's Software segment, in addition the Vice President acts as the Managing Director of Optomed Software Oy and is responsible for the Group's IT function. The Vice President, Marketing is responsible for brand and marketing strategy for new and existing product, product management and training, as well as management of marketing campaigns and events. The Chief Legal Officer's responsibilities include legal matters, compliance, corporate governance, corporate responsibility and risk management. The Chief Legal Officer also acts as the secretary to the Board of Directors of the Company.

The following table presents the Company's employees per segment as at 30 September 2019.

Number of employees per segment	**As at 30 September 2019**
Devices	61
Software	36
Group common	8
Total	**105**

Agreements in the Ordinary Course of Business

Customer Agreements

The Company enters into various customer agreements in the course of its day-to-day business. The Company's agreements with its ten largest customers of the Devices segment comprise OEM agreements, distributor agreements and agreements for the direct sale of the Company's handheld fundus cameras, and the Company's agreements with its ten largest customers of the Software segment comprise various agreements for the supply of the Company's different software solutions. The agreements with the Company's OEM customers and distributors are generally in force either until further notice or for a fixed term after which they will continue to be in force until further notice if both parties agree to continue the agreement. The agreements can be terminated by either party. However, some of the agreements have terms pursuant to which the customer is entitled to terminate purchase orders or the entire agreement on short notice. Furthermore, the agreements with the largest customers from the Devices segment do not contain any minimum purchase volume obligations for the customers. Certain of these agreements contain exclusivity provisions that give the distributor or OEM customer an exclusive right to distribute the Company's products or products developed for them in a certain area. However, the exclusivity is often fixed-term and must be renegotiated after a certain period of time.

The Company has in respect of its Devices segment, inter alia, entered into OEM agreements with Volk Optical, Carl Zeiss Meditec, Haag-Streit and Topcon, as well as an agreement with a chronic disease management corporation based in China, for the sale of the Company's fundus cameras to be used by it on the Chinese market. The agreement with Volk

Optical is currently being renegotiated. The Company has in respect of its Software segment, inter alia, entered into agreements with large Finnish governmental agencies and a large publicly owned IT and healthcare technology company.

The five largest customers of the Company include three customers within the Devices segment, two of which are OEM customers and one a large chronic disease management corporation based in China, and two customers within the Software segment. Of these five customers, two are considered related parties to the Company's largest shareholders. These five customers had a combined share of approximately 52.0 percent of the Company's total sales during the financial year ended 31 December 2018.

Material Agreements

Except as set forth below, the Company has not entered into (i) material agreements outside of its ordinary course of business during the two financial years immediately preceding the date of this Prospectus or (ii) other agreements outside its ordinary course of business based on which a company belonging to the Group would have material obligations or rights as at the date of this Prospectus that are material from the Group's perspective. For further information on transactions carried out by the Company with its related parties, see "*Major Shareholders and Related Party Transactions*".

Manufacturing Agreement with EMS Partner

The Company has on 11 April 2016, entered into a Product Manufacturing and Engineering Services Agreement with the Company's electronic manufacturing services (EMS) partner, Fabrinet[91], regarding the manufacturing of the Company's devices. The parties have also entered into an ancillary Quality Agreement and ancillary Equipment Loan Agreement. Furthermore, the Product Manufacturing and Engineering Services Agreement is subject to a performance bond of USD 800,000, granted by Oulun Osuuspankki ("**OP**") as a stand-by reimbursement for the benefit of Fabrinet. The performance bond is valid until 30 April 2020.

The Product Manufacturing and Engineering Services Agreement was entered into for an initial one-year period, after which the agreement is automatically renewed for successive one-year periods, unless a party terminates the agreement at least 12 months prior to the expiry of the relevant one-year period. Fabrinet is according to the agreement obliged to manufacture devices during the termination period based on existing and new purchase orders by the Company. Under the agreement, the Company provides on a monthly basis 12 months rolling order forecasts to the EMS partner.

In addition, the agreement contains provisions restricting the possibility to assign the agreement to another party. Pursuant to the agreement, a change of control of Optomed is equated with assigning the agreement to another party. Any assignment of the agreement by a party to another requires prior written consent from the non-assigning party.

For more information regarding the manufacturing process, see *"– Manufacturing and Logistics"*.

Share Purchase Agreements regarding Commit; Oy

On 26 March 2018, the Company and the shareholders of Commit; Oy (presently Optomed Software Oy) entered into share purchase agreements for the sale of all shares of Commit; Oy to the Company. The transaction was completed simultaneously with the execution of the share purchase agreements.

The majority shareholders as sellers have in their share purchase agreement provided customary representations and warranties concerning Commit; Oy to the Company and the parties have agreed on indemnification to the Company and Commit; Oy for breaches of the representations and warranties. Their share purchase agreement also contains a provision regarding an earn-out in respect of the 12-month period following the completion of the transaction, i.e. until 26 March 2019, according to which the Company has undertaken to pay potential earn-out consideration to the majority shareholders. However, the earn-out period has lapsed without any earn-out consideration being payable.

Underwriting Agreement

In connection with the Listing, the Company will enter into the Underwriting Agreement with the Managers on customary terms and conditions. The Underwriting Agreement is expected to be entered into on or about 4 December 2019. See "*Plan of Distribution in the Offering – Underwriting Agreement*" for further information on the Underwriting Agreement.

[91] The Product Manufacturing and Engineering Services Agreement is entered into with Fabrinet, a Cayman Islands exempted limited liability company, however, the manufacturing of the Company's products is carried out by Fabrinet Co. Ltd.

Debt and Other Financing Agreements

Loan Agreements with OP

The Company has entered into three loan agreements with OP with the total debt amount of EUR 7,300,000. The loans are repaid in several instalments and the final loan repayments are falling due during the years 2022–2024. The loans have been granted to finance the Company's working capital, investments, the Commit Acquisition and the listing preparations. The loans are subject to bank guarantees granted by Finnvera (30 percent) and the European Fund for Strategic Investments (50 percent). Business mortgage notes with the total amount of EUR 8,700,000 have been pledged for the security of the loan with the allocation of 70 percent for OP and 30 percent for Finnvera.

Terms of the loan agreements grant OP the right to accelerate the loan in certain conditions. With respect to the OP loans, the grounds for the early termination relate to, inter alia, Optomed's and its group companies' financial conditions, breach of contract or contribution obligation (in Finnish: *myötävaikutusvelvollisuus*) and credit defaults towards OP. Optomed's contribution obligation includes, for example, compliance with the loan terms, prior notification of mergers and compliance with international sanctions. The respective obligations concern, in general, besides Optomed also its group companies or other controlled companies.

The Company must also comply with certain special terms under certain OP loan agreements. All OP loan agreements include financial covenants, in particular an equity ratio covenant of 35 percent on the Group's consolidation level. The level of the equity ratio covenant has been decreased to 25 percent for the financial years ending 31 December 2019 and 2020. The equity ratio covenant is calculated based on the Finnish Company Analysis Association's (in Finnish: Yritystutkimus ry) calculation method for equity ratio, and thus not comparable to the equity ratio reported by the Company in its financial statements prepared in accordance with IFRS and in this Prospectus. The OP loan granted for the purposes of the Commit Acquisition and listing preparations contains a special ownership clause. Under the respective loan agreement, Optomed has an obligation to own at least 90 percent of Commit; Oy's share capital.

Product Development Grant Agreements with Tekes (Business Finland)

The Company has entered into seven repayable product development grant agreements with Tekes (Business Finland) with the total debt amount of EUR 4,101,400. The loans are repaid in several instalments and the final loan repayments are falling due during the years 2023-2028.

Contractual terms of the product development grant agreements allow Tekes (Business Finland) to accelerate the grant partially or wholly. Generally, these acceleration clauses relate to, amongst others, (i) the non-agreed use of the grant, (ii) cancellation or transfer of the project subject to the grant, (iii) the provision of misleading or false information significantly affecting the grant decision or (iv) the financial conditions of the Company.

The Company must also notify Tekes (Business Finland) in advance, when any significant ownership structure arrangement takes place during the project, after five years from the final payment of the financing or before the loan has been repaid in total. If the Company omits the notification obligation, Tekes (Business Finland) may accelerate the grants.

EU 2020 Horizon Grant

The Company has been granted the EU 2020 Horizon grant with a maximum grant amount of EUR 1,971,935 (of which EUR 1,676,145 has been received so far during 2017 and 2018) by the European Commission's Executive Agency for SMEs (the "**EU Grant Agency**") for the Smartscope-X project (described above in section "– *Research and Development*"). The term for the project to be implemented for the grant will end on 1 May 2020. Part of this grant has been paid in the first phase of the project after the Company's mid-term project report and the remaining part will be paid after the Company has submitted its final project report in connection with the end of the project term. The intermediate targets for the project have been met and the Company believes that the final project goals will be met as well.

The contractual terms of the EU 2020 Horizon grant allow the EU Grant Agency to demand payback of the grant partially or wholly and to terminate the agreement. Generally, these payback clauses relate to, amongst others, (i) the non-agreed use of the grant, (ii) cancellation or transfer of the project subject to the grant, (iii) the provision of misleading or false information significantly affecting the grant decision or (iv) the financial conditions of the Company.

The Company also has an obligation to immediately inform the EU Grant Agency of events which are likely to significantly affect or delay the implementation of the action or the EU's financial interests, in particular changes in its legal, financial, technical, organisational or ownership situation.

Intellectual Property

Optomed's intellectual property rights comprise its patents, trademarks, design rights, domain names and unregistered intellectual property rights, such as copyrights, know-how, trade secrets (covering among other things Optomed's

technology and processes). The Company's intellectual property rights enable it to re-use its software resources in its business and strive to exclude competitors from using its inventions in their business. The Company aims at protecting its intellectual property rights in several ways, including through patents, technical solutions, confidentiality undertakings and, more generally, internal training emphasising the importance of intellectual property protection as well as increasing awareness. The Company is currently implementing a new employee invention policy.

The Company holds patents that protect certain technology used in the production of digital optical instruments covering Optomed's proprietary optical technology and camera model, including modules. Optomed holds nine technology patent families with 52 granted patents in various jurisdictions. Of the Company's patents, 23 will expire between 2022 and 2028 and 29 of the patents will expire between 2030 and 2038. The most important patents relating to the Company's latest product categories will expire during this later time period. The patent families relate to a method and system for data transfer, a technology for producing an image, illuminating an organ, illumination of an object, examination instruments, and an apparatus and method for non-contact examination of the eye. Patents have been registered or applied for in those jurisdictions that have been considered most important, such as the European Union, the United States, Finland, and China, although all patents have not been registered in all such jurisdictions. Furthermore, the Company has pending patent applications in Brazil, India, Hong Kong, China and the United States. The Company considers that it has a strong patent portfolio due to the large number of patents and the vast geographical reach of these patents. In addition, the most important parts of the Company's products have been protected by patents and the Company's patented retinal illumination method and optics design differ materially from those used by other camera manufacturers.

The Company has a portfolio of trademarks registered or pending including, among other, OPTOMED, ORBIT, RETHANCE, SMARTSCOPE and OPTOROLLER and certain derivative trademarks thereof such as OPTOMED AURORA, OPTOMED AAVA, OPTOMED POLARIS, OPTOMED NANO, OPTOMED SCREEN, OPTOMED AVENUE, OPTOMED SKYLINE and SMARTSCOPE VET. The trademarks are registered in classes 9, 10, 38, 42 and 44 in accordance with the Nice classification, depending on the relevant jurisdiction. In order to provide the Company with protection against passing off and trademark infringement, trademarks are to a varying extent registered in different jurisdictions, including the European Union, the United States and Japan, and trademark registrations are pending in the European Union, China, Hong Kong and Taiwan.

The Company's fundus camera design is protected by design rights in jurisdictions currently relevant for the Company's business.

In terms of software, generally the Company retains the intellectual property rights to its own products and services, including solutions, created in customer assignments and grants customers licenses to use them. The Company may also enter into licensing agreements for the right to use components created by third parties in its own offering. The Company also uses open source code for some technical solutions incorporated in its fundus cameras (among some other functionalities, the operating system of fundus cameras is based on open source code). Furthermore, the Company also resells third party software under its own Optomed brand and a material part of the Company's revenue consists of resale of software licences.

The Company also has registered domain names that reflect the Company's important brands. In the Company's view, the most important domain names are optomed.eu, optomed.fi and optomed.org, optomed.com, and optomedavenue.com.

In the ordinary course of business, the Company may give indemnities to its customers against liabilities and damages arising from third party claims in relation to patent, copyright, trademark or trade secret infringements concerning the Company's intellectual property rights. Furthermore, the Company may also demand indemnities from its clients or other parties concerning possible claims stemming from their intellectual property rights that the Company utilises. As of the date of the Prospectus, the Company is not aware of any ongoing disputes or invalidation proceedings regarding its intellectual property rights.

Information Technology

The internal IT systems of the Company cover among other things HR, invoicing, accounting, banking, and sales related systems. The internal IT systems used by the Company are procured and licensed from third parties. The Company also has in-house developed software solutions, such as cloud-based software for screening solutions, specialised image viewers, and camera connection and remote medicine solutions. In addition, the Company implements third-party algorithms into the Company's own software solutions, which are relevant for Optomed's products.

In respect of processing of personal data, the Company processes mainly the personal data of its employees, customers, suppliers, as well as personal data of patients screened with the Company's fundus cameras.

Protection of data is governed by legislation that sets out the provisions on the requirements for processing personal data and on data security, and specifies the responsibilities of the controller and the processor of personal data. Optomed's data security processes aim at appropriately protecting and processing the employee, customer, supplier and research

information it possesses, to comply with the relevant laws, regulations and contractual provisions, to identify possible threats and data security risks as well as to safeguard the accuracy and correctness of data and reliability and efficiency of data processing. The Company has restricted and limited the access to personal data to only certain specific employees. In addition, the Company has appointed a data protection officer to monitor the Company's compliance with data protection rules and to train employees and management in data protection issues.

The Company protects its IT systems from unauthorised access through the internet or other means by use of anti-virus programs and firewalls. Access to IT systems and data is restricted and limited to only certain specific employees and is protected by personal user accounts and passwords. The Company does not require its most critical IT suppliers to obtain any specific certifications.

Most of the Company's IT systems is outsourced, and data, including personal data, is stored in a cloud provided by external service providers. The Company relies on the external IT system providers and cloud service providers for the provision of adequate backup programs and IT security measures for the Company's data. The Company has used external IT security consultants for some implementation of security measures regarding the Company's internal network.

Insurance

The Company maintains insurance against various risks related to its business. The insurance coverage for the Finnish companies within Optomed include, among other things, employer's statutory insurances, property damage, business and product liability, director's liability and damage caused by criminal acts as well as transportation cover. The Company does not maintain separate insurances policies with regards to its subsidiaries in China and Hong Kong. However, the Company holds a product liability insurance applicable globally, thus also covering products sold through its Chinese subsidiaries, provided that Optomed is deemed in each case as the liable party pursuant to applicable local law, for instance, according to product liability legislation. The Company believes that its existing insurance policies are adequate, in terms of both the amounts covered and the conditions of coverage, so as to be able to cover the major risks of its business, taking into account the cost of the insurance coverage and the potential risks to business operations. However, there can be no assurance that no losses will be incurred or that the insurance coverage will be sufficient to cover the cost of defence or damages in the event of a significant claim.

Legal Proceedings

The Company becomes involved from time to time in various claims and legal proceedings arising in the ordinary course of business, such as potential employee claims, disputes with suppliers and clients, and proceedings initiated by public authorities. However, as at the date of this Prospectus, the Company is not, and has not been within the past twelve months, party to any material administrative, legal or arbitration proceeding that may have or have had a significant effect on the financial position or profitability of the Company, and the Company is not aware of any such proceedings pending or threatened.

Mergers and Acquisitions

On 26 March 2018, the Company acquired all shares of Commit; Oy. The purchase price of EUR 8,877,000 was paid in cash and financed by debt financing. There was no contingent consideration paid. Through the acquisition the Company developed into a provider of complete solutions for screening of different diseases. The Commit Acquisition enabled the Company to better serve the customers of both companies and enabled the Company to invest more in research and development and international growth by offering Commit Oy's software solutions via the Company's existing sales network. See also *"– Material Agreements – Share Purchase Agreements regarding Commit; Oy"*.

REGULATORY OVERVIEW AND REIMBURSEMENT SYSTEMS

Optomed Regulatory Environment

Introduction

Medical devices, including software medical devices such as AI solutions, must comply with comprehensive regulatory requirements in order to gain market approval. Each jurisdiction has its own regulations, however, the Company considers United States and EEA regulations the most important since consequent market approvals in other geographies are easier to obtain after the United States and EEA approvals have been received. Yet, market access in Europe or the United States does not automatically guarantee that the product will be granted market approvals in other relevant jurisdictions or regions, such as Asia.

Optomed's products are required to undergo clinical studies to demonstrate that the products are safe and effective for the intended use. There are specific regulations and explicit guidelines in both Europe and the United States for conducting clinical studies. These regulations and guidelines (such as various GCP and GMP requirements) set forth what is required of a clinical study. Clinical trials involve some significant uncertainty and they are in general costly, time-consuming and associated with a number of risks.

Market access in the EEA

In the EEA, the regulatory framework is facing a change and the now-relevant directive, the "MDD", will be replaced by a new regulation, the "MDR". The key changes of the new regulation are product scope expansion, more stringent clinical evidence and increased post-market surveillance authority for notified bodies. The MDR regulation came into force on 25 May 2017 with a three year transition period, and the Company works to fulfil the regulation during the transition period, that ends 26 May 2020.

Within the EEA, products that are defined in the MDD or MDR, as applicable, as medical devices must be CE marked to indicate their conformity with the applicable regulation and follow a conformity assessment procedure to certify that the requirements are met before the products are placed on the market.

The EEA has different product classes set out in the MDD and MDR, product classification rules are based on the safety of using the products taking into account potential risks associated with the technical design and manufacture of the device. The classification is divided into classes I, IIa, IIb and III, taking into account the intended purpose of the devices and their inherent risks. Under the MDR, the classification is carried out in accordance with Annex VIII.

The conformity assessment procedures for Class I devices can be carried out under the sole responsibility of the manufacturers due to the low level of safety concerns associated with these products. In the procedure for Class IIa devices, the intervention of a notified body is compulsory at the production phase. The notified body is an independent organisation whose competence and objectivity is monitored by the authorities in each country. As part of the conformity assessment process the notified body will review the manufacturer's clinical evaluation process, assess the clinical evaluation data of a representative sample of the device, or assess all the clinical evaluation data. It is sufficient for the manufacturer to carry out a conformity assessment by a notified body on its devices in one EEA country in order to gain access to the entire EEA market. Devices falling within Class IIb and Class III constitute a high risk potential and inspection by a notified body is required with regard to the design and manufacture of the devices. Class III contains the most critical devices for which explicit prior authorisation with regard to conformity is required for them to be marketed in the EEA. Currently, Optomed's devices have been classified as Class I products (software devices, camera, anterior optics modules) and Class IIa products (retinal and fluorescein angiography optics modules).

In the CE marking process, a medical device manufacturer is required to carry out a clinical evaluation of its medical device to demonstrate compliance with the essential requirements stemming from the MDD and MDR, respectively. This clinical evaluation is part of the product's technical file. A clinical evaluation includes an assessment of whether a medical device's performance is in accordance with its intended use, that the known foreseeable risks linked to the use of the device under normal conditions are minimised and acceptable when weighed against the benefits of its intended purpose. The clinical evaluation conducted by the manufacturer must also address any clinical claims, the adequacy of the device labelling and information (particularly claims, contraindications, precautions and warnings) and the suitability of related instructions for use. This assessment must be based on clinical data, which can be obtained from clinical studies conducted on the device being assessed, or scientific literature from similar devices whose equivalence with the assessed device can be demonstrated or both clinical studies and scientific literature.

The way clinical trials are conducted in the EEA will soon undergo a major change when the Clinical Trial Regulation (the "**CTR**") comes into application (subject to fully functional Clinical Trials Information System). The Regulation is expected to harmonise the assessment and supervision processes for clinical trials throughout the EEA, which aims to

increase the efficiency of all trials in Europe with the greatest benefit for those conducted in multiple Member States. The CTR aims at fostering innovation and research, while helping avoid unnecessary duplication of clinical trials or repetition of unsuccessful trials. Furthermore, new clinical trials are required to be conducted with regards to products that are CE marked pursuant to the MDD, to meet the new requirements regarding product classifications pursuant to the MDR before it enters into force on 26 May 2020.

Despite the Company does not develop any AI software on its own, but cooperates with third-party algorithm providers, it should be noted that software, including AI software, when specifically intended by the manufacturer to be used for one or more of the medical purposes set out in the definition of a medical device, qualifies as a medical device in accordance with the MDD and MDR. Consequently, the same market access mechanism applies as it comes to physical devices, such as the physical devices of Optomed. AI solutions intended to provide information which is used to take decisions with diagnosis or therapeutic purposes is generally classified as Class IIa medical devices. As such, in order to commercialise the combination of the camera and AI software, both components need CE approval.

Market access in the US

Before a medical device may be sold and marketed in the US, the medical device manufacturer must either obtain clearance under section 510(k) of the Federal Food, Drug and Cosmetic Act ("**FDCA**") through a premarket notification ("**PMN**"), so called 510(k) clearance, or premarket approval ("**PMA**") according to section 515 of the FDCA, unless the device is specifically exempt from premarket review. The clearance or approval will depend upon how the product is classified by the FDA. The FDA divides medical devices into Class I, Class II or Class III, depending on the level of control that is required to assure that the medical device is safe and effective.

Devices deemed to pose low to moderate risk are either categorised as Class I or Class II, which requires the manufacturer to submit a PMN to the FDA requesting permission for commercial distribution, which is known as a 510(k) clearance. The manufacturer can market the medical device immediately, if the FDA approves that the device is "substantially equivalent" to a previously approved device for which the PMA was not required. Class III medical devices are subject to the most stringent regulatory process for market access. This category of medical devices includes products that support or sustain human life, are of substantial importance in preventing impairment of human health or which present a potential, unresolvable risk of illness or injury. Class III devices have to be approved by the FDA through the PMA process. To gain approval, the process requires that scientific evidence shows that possible benefits of using the product outweigh the potential risks. Furthermore, the approval requires that the product will prove to be of considerable help to a large segment of the target population.

In order to obtain PMA and, in some cases, a 510(k) clearance, the applicant must conduct well controlled clinical studies designed to test the safety and effectiveness of the product.

Conducting clinical studies generally entails a long and expensive process. In order to conduct clinical studies in the US, the sponsor of the trial has to obtain a specific authorisation (Investigational Device Exemption, "**IDE**"). An IDE allows the device to be used in a clinical study in order to collect safety and effectiveness data. The IDE application shall contain the investigational plan and results of pre-clinical studies and potential prior studies, device description, manufacturing information and labeling. The investigational plan shall be submitted to the investigational review board at each institution where the investigation is to be conducted for review and approval.

The FDA's 510(k) clearance process for each device usually takes from three to six months, but may last longer.

Optomed products are classified as Class II devices and have 510(k) clearance. Since they are classified as Class II devices, marketing of Optomed products are subject to general control provisions of the FDCA which include requirements for annual registration, listing of the devices, good manufacturing practice, labelling and prohibitions against misbranding and adulteration.

The regulatory pathway for Optomed devices is a PMN and the Center for Devices and Radiological Health (CDRH) acts as the lead advisory panel reviewer.

The applicable market access mechanism for third-party AI software corresponds to the one that applies to physical devices, such as the physical devices of Optomed. The FDA reviews medical devices, including AI solutions, through an appropriate premarket pathway, such as premarket clearance (510(k)), De Novo classification, or premarket approval. In the United States, the fundus camera and the AI software need to be approved as a comprehensive solution, and not separately.

Market access in the PRC

Medical devices in the People's Republic of China are governed by the regulations on supervisory management of medical devices (No. 276 Decree of the State Council of the People's Republic of China on January 4, 2000). These regulations

are formulated in order to protect the safety and effectiveness of medical devices and safeguard the physical health and life safety of the public.

The medical devices with lower risks are categorised as Class I medical devices; their safety and effectiveness can be guaranteed by implementing general management measures. The medical devices with moderate risks are categorised as Class II medical devices; their safety and effectiveness can be guaranteed by implementing stricter management measures. The medical devices with higher risks are categorised as Class III medical devices; their safety and effectiveness can be guaranteed by taking special measures and by stricter approach to management. When evaluating the risks of any medical devices, their intended use, structural feature, use method and other factors must be taken into account.

Class I medical devices are subject to a notification procedure and Class II and Class III medical devices require submission of application for registration. The following information should be submitted: (I) analysis on risks of the product; (II) technical requirements for the product; (III) test report of the product; (IV) clinical evaluation data; (V) the Instructions for use and the sample of product labels for the product; (VI) quality assurance system documents related to product research and development and manufacture; (VII) other documents necessary to prove the safety and effectiveness of the medical device.

When submitting Class II medical devices for registration application, the applicant should submit all the documents required for registration to the food and drug administration department of the local government of the province, autonomous region or municipality directly under the central government where the applicant is located. The applicant to submit Class III medical devices for registration should submit the application documents to the Food & Drug Administration department of the State Council.

An overseas manufacturing enterprise that exports Class II and Class III medical devices to the territory of People's Republic of China should have their documents required for registration application and the marketability certificates issued by state or local authority submitted by their representative office or legal representative in China to the Food and Drug Administration Department of the State Council. The product test report contained in the registration application documents for Class II and Class III medical devices should be the test report issued by a medical device test institution; the clinical evaluation document therein should include the clinical trial report, unless the medical devices are exempted from undergoing the clinical trial according to Article 17 of these Regulations.

The clinical trial should be conducted when a Class II/III medical device is submitted for registration application. In any of the following cases, however, the clinical trial may be exempted: (I) the medical device is a product having definite working mechanism, finalised design and mature production processes, while there have been similar medical devices of similar specifications already applied clinically for many years without severe effect and its regular usage would not be changed; (II) the safety and effectiveness can be proven through non-clinical assessment; (III) the safety and effectiveness of the medical device can be proven through the analysis and evaluation by using the data obtained from the clinical trial of similar product or during clinical application.

The validity period of a Medical Device Registration Certificate should be 5 years. In case of a need to extend the registration due to expiration of the validity period, an application for extension should be submitted to the original registration department within 6 months prior to expiration.

Optomed products are registered in Class II in China. The registration process is managed by Optomed China in co-operation with a local third-party agency. With respect to the approval process of AI solutions in China, automated AI based image analysis algorithms are classified as a Class III medical device, making the testing, validation and approval process of retinal screening algorithms economically heavy.

Reimbursement of diabetic retinopathy screening

General

In global terms, reimbursement practices of diabetic retinopathy screening vary quite significantly across different jurisdictions. In practice, usually the party responsible for conducting the screening (whether by itself or by a subcontractor) receives a pre-agreed fee from the applicable health care authorities for each individual screening. The reimbursement may be paid per eye or per person. The amounts vary and are subject to revisions. This section provides some examples of reimbursement in the markets that are most relevant to Optomed's business; Europe, USA and Asia. The information below is mainly based on publicly available sources, such as information derived from local governmental agencies and medical journals, and may change from time to time.

Europe

In the European Union more than 25 percent of diabetic patients are affected by any Diabetic Eye Disease, amounting to nearly 4 million individuals in the EU. As a majority of European countries offer their citizens public health care, which

is funded by the government in various ways, there are also different ways to organise and screen for diabetic retinopathy. Some regions have organised national screening programmes and in other countries screening have only been initiated in projects at a regional level. For instance, a systematic national screening programmes exists in the UK, including national programmes for England, Wales, Scotland and Northern Ireland. These services are based on digital colour eye fundus photography and vary in details. They are free of charge for all diabetics over the age of 12 and are performed annually.[92] In the UK, DR screening is reimbursed by the NHS and the reimbursement is approximately GBP 30 per person.[93] While in France regional screening programmes are in place, for example in the Paris region organised by The Ophthalmology Diabetes Telemedicine Network (Ophdiat) and the screening is reimbursed by the French healthcare system. Similar programmes like the French regional programme are in place in majority of European countries.[94] In Finland and Sweden for example, diabetic screening is provided by the local community and reimbursement is based on the local diagnosis related group coding.[95] In Finland, the reimbursement is approximately EUR 39 per person.[96]

USA

Diabetic retinopathy has been estimated to affect 4.2 million Americans and is the most common cause of blindness in working-age adults in the USA. It has been reported that early diagnosis and treatment decrease the risk of severe vision loss by 90 percent. Yet, fewer than half of the 29.1 million Americans with diabetes participate in yearly eye screening in accordance with recommendations.[97] In the USA diabetic retinopathy screening is reimbursed via Medicaid, Medicare and through private insurance companies. The scope of reimbursed screenings differs covering color fundus images as well as remote imaging for detection of retinal disease or remote imaging for monitoring and management of active retinal disease.[98] Fundus photography with interpretation and report covers reimbursement for both eyes.

The 2018 national Medicare Physician Fee Schedule allowable is USD 64.00. Of this amount, USD 39.00 is assigned to the technical component and USD 25.00 is the value of the professional component.[99] The Medicare Physician Fee Schedule reimbursement for remote imaging for detection of retinal disease (e.g., retinopathy in a patient with diabetes) with analysis and report under physician supervision, (unilateral or bilateral) is USD 14.66. The allowed amount for Remote imaging for monitoring and management of active retinal disease (e.g., diabetic retinopathy) with physician review, interpretation and report (unilateral or bilateral) is USD 35.75; of this total, USD 13.94 is assigned to the technical component and USD 21.81 to the professional component.[100] Private insurance companies may provide higher reimbursement, up to USD 100.[101]

In the US, IDx-DR have been the first Artificial Intelligence algorithm that has been granted with an FDA approval since April 2018 to detect diabetic retinopathy in reaching a diagnosis without physician input.[102]

Asia

In China the reimbursement varies by province/city, for example the reimbursement in Shanghai is RMB 40 for fundus imaging and an additional RMB 150 if fluorescein angiography is used. The reimbursement is lowest in Zhejiang at RMB 10 for one image and highest in Shanghai and Beijing at RMB 40 per person.[103]

Of other Asian countries, Singapore offers their diabetics a Nationwide Screening Programme for diabetic retinopathy. In the program, macula-centered images are taken with a colour fundus camera with a 45° field of view. The fundus

[92]Li JQ, et al. "*Retinal Diseases in Europe*", Euretina (2017). Pieczynski J., Grzybowski A., "*Review of Diabetic Retinopathy Screening Methods and Programmes Adopted in Different Parts of the World*" European Ophthalmic Review (2015).
[93] Scanlon PH, Aldington SJ, Leal J, et al. "*Development of a cost-effectiveness model for optimisation of the screening interval in diabetic retinopathy screening. Southampton (UK)*": NIHR Journals Library; (2015)(Health Technology Assessment, No. 19.74.) Chapter 8, Phase 4: "*Cost-effectiveness of differing screening intervals in diabetic retinopathy screening*". Available from: https://www.ncbi.nlm.nih.gov/books/NBK316354/
[94] Li et al. (2017), Pieczynski and Grzybowski (2015).
[95]Duodecim: "*Diabeettinen retinopatia*", available from https://www.kaypahoito.fi/hoi50043. Falkenberg M, Finnström K. "*Associations with Retinopathy in Type 2 Diabetes: a Population-based Study in a Swedish Rural Area*", Diabetic Medicine 11(9)1994.
[96]Pohjois-Pohjanmaan sairaanhoitopiiri. "*Palveluhinnasto 2019*" (in English: Fees for Services 2019). Available from: https://www.ppshp.fi/dokumentit/Laskutus%20ja%20hinnastoohje%20sislttyyppi/Palveluhinnasto%202019.pdf
[97] Liu Y, Zupan NJ, Shiyanbola OO, et al. "*Factors influencing patient adherence with diabetic eye screening in rural communities: A qualitative study*. "PLoS One. 2018;13(11):e0206742. Published 2018 Nov 2. doi:10.1371/journal.pone.0206742.
[98] Corcoral SL. CODING Q&A. "*Challenges in Remote Screening of Diabetic PatientsPart 2 of 2: coding and payer contracting*", Retinal Physician, (16))4)2019:14-16.
[99] Corcoran Consulting Group. "*Medicare reimbursement for fundus photography with Pictor Plus and iNview*". Available from: https://volk.com/media/wysiwyg/pdf/FAQ_Fundus_Photos_Volk_010117.pdf
[100]Corcoran Consulting Group. "*Opthalmatic telemedicine (Ellex)".* Available from: https://www.corcoranccg.com/products/faqs/ophthalmic-telemedicine/
[101] eHealthinsurance Services, Inc. Available from: https://www.ehealthinsurance.com.
[102]FDA. "*FDA permits marketing of artificial intelligence-based device to detect certain diabetes-related eye problems".* Available from: https://www.fda.gov/news-events/press-announcements/fda-permits-marketing-artificial-intelligence-based-device-detect-certain-diabetes-related-eye
[103]Shanghai Municipal Health Commission. Available from: http://www.gjyxks.com/yxwz/sh/557.html.

imaging is performed on diabetics annually. In the Singaporean programme, patients are referred to evaluation from their primary care clinics.[104]

Promotional practices

Generally speaking, national competent authorities (sometimes together with relevant national or supra-national industry organisations) regulate the promotional claims that may be made about medical devices and they also supervise marketing of medical devices. In addition to truthful promotional claims, medical devices are required to have all necessary markings and instructions as well as contact details of the manufacturer and/or representative(s) to ensure their safe use. Some of these markings are country-specific and some particular language requirements may apply. The Company's operations and particularly the sale of its products in target markets are subject to various local anti-fraud and abuse laws and ethical codes (such as the United States Foreign Corrupt Practices Act, UK anti-bribery law, as well as any other local anti-bribery legislation and local ethical codes issued by relevant industry organisations). These laws and ethical codes may require, among other things, the Company to implement additional compliance policies, processes or reporting practices, such as systems for tracking certain marketing expenditures to report them to governmental authorities or industry organisations.

[104] Pieczynski, Grzybowski (2015).

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present selected consolidated financial information for the Company as at and for the nine months ended 30 September 2019 and 2018 and as at and for the years ended 31 December 2018, 2017 and 2016. The selected consolidated financial information presented below has been derived from the Company's unaudited consolidated financial information as at and for the nine months ended 30 September 2019 prepared in accordance with "IAS 34 – Interim Financial Reporting", including the unaudited comparative consolidated financial information as at and for the nine months ended 30 September 2018, and the Company's audited consolidated financial statements as at and for the years ended 31 December 2018, 2017 and 2016, prepared in accordance with IFRS as adopted by the EU, all of which are included in the F-pages to this Prospectus.

The selected financial information provided herein should be read together with "*Certain matters – Presentation of Financial and Certain Other Information*", "*Operating and Financial Review*" and the Company's audited consolidated financial statements included in the F-pages to this Prospectus.

Consolidated Income Statement Data

	1 January to 30 September		1 January to 31 December		
	2019	2018	2018	2017	2016
In EUR thousand	(unaudited)			(audited)	
Revenue	**10,649**	**8,045**	**12,733**	**6,899**	**6,609**
Other operating income	242	469	889	288	153
Materials and services	(3,691)	(2,989)	(4,568)	(3,118)	(2,990)
Employee benefit expenses	(5,156)	(3,312)	(5,137)	(3,662)	(3,104)
Depreciation, amortisation and impairment losses	(1,678)	(1,296)	(1,810)	(1,043)	(746)
Other operating expenses	(2,928)	(2,118)	(2,855)	(2,192)	(2,532)
Operating result	**(2,563)**	**(1,201)**	**(748)**	**(2,827)**	**(2,611)**
Finance income	4	7	22	135	6
Finance expenses	(293)	(460)	(578)	(197)	(156)
Net finance expenses	**(289)**	**(453)**	**(555)**	**(63)**	**(151)**
Loss before taxes	**(2,852)**	**(1,654)**	**(1,303)**	**(2,890)**	**(2,762)**
Income taxes	34	(122)	(24)	3	3
Loss for the period	**(2,817)**	**(1,776)**	**(1,327)**	**(2,887)**	**(2,758)**
Loss for the period attributable to:					
Owners of the parent company	(2,817)	(1,776)	(1,327)	(2,887)	(2,758)
Loss per share attributable to owners of the parent company (A and C share classes)					
Basic loss per share, EUR	(0.35)	(0.23)	(0.17)	(0.43)	(0.41)

Consolidated Comprehensive Income Statement Data

	1 January to 30 September		1 January to 31 December		
In EUR thousand	2019	2018	2018	2017	2016
	(unaudited)			(audited)	
Loss for the period	**(2,817)**	**(1,776)**	**(1,327)**	**(2,887)**	**(2,758)**
Other comprehensive income					
Items that may be subsequently reclassified to profit and loss					
Foreign currency translation difference	18	10	13	(168)	230
Other comprehensive income for the period, net of tax	**18**	**10**	**13**	**(168)**	**230**
Total comprehensive income for the period	**(2,799)**	**(1,766)**	**(1,314)**	**(3,056)**	**(2,528)**
Total comprehensive loss for the period attributable to					
Owners of the parent company	(2,799)	(1,766)	(1,314)	(3,056)	(2,528)

Consolidated Balance Sheet Data

	As at 30 September		As at 31 December		
In EUR thousand	**2019**	**2018**	**2018**	**2017**	**2016**
ASSETS	**(unaudited)**			**(audited)**	
Non-current assets					
Goodwill	4,256	4,256	4,256	-	-
Development costs	5,257	5,089	5,172	4,816	3,954
Customer relationships	1,885	2,108	2,051	-	-
Technology	865	969	942	-	-
Other intangible assets	418	243	376	166	123
Tangible assets	507	726	739	631	470
Right-of-use assets	795	1,184	1,084	593	528
Financial instruments at fair value	-	404	-	-	-
Deferred tax assets	8	7	8	6	3
Total non-current assets	**13,991**	**14,984**	**14,627**	**6,211**	**5,079**
Current assets					
Inventories	2,335	1,280	1,121	1,057	1,583
Trade receivables	2,724	2,021	2,871	962	1,019
Other receivables	1,020	1,253	528	658	726
Cash and cash equivalents	1,721	1,055	2,000	1,032	1,621
Total current assets	**7,801**	**5,609**	**6,519**	**3,709**	**4,949**
Total assets	**21,791**	**20,593**	**21,146**	**9,920**	**10,028**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	19	19	19	19	19
Share premium	565	565	565	565	565
Reserve for invested non-restricted equity	21,549	18,549	18,549	13,049	13,049
Translation difference	93	72	75	62	230
Retained earnings	(16,123)	(14,149)	(13,656)	(12,532)	(10,340)
Total equity	**6,102**	**5,055**	**5,552**	**1,162**	**3,523**
Non-current liabilities					
Borrowings from financial institutions	5,332	6,210	-	1,950	61
Government loans	3,117	3,256	2,993	3,013	2,478
Lease liabilities	487	829	727	435	442
Preference share liability	721	685	694	658	622
Deferred tax liabilities	635	812	693	-	-
Total non-current liabilities	**10,292**	**11,792**	**5,107**	**6,055**	**3,603**
Current liabilities					
Borrowings from financial institutions	1,458	766	7,010	389	116
Government loans	168	139	204	180	562
Subordinated loans	-	-	-	-	28
Lease liabilities	346	390	393	187	103
Trade payable	1,160	759	732	522	668
Other payables	2,265	1,693	2,148	1,423	1,426
Total current liabilities	**5,397**	**3,746**	**10,487**	**2,703**	**2,903**
Total liabilities	**15,689**	**15,538**	**15,594**	**8,758**	**6,506**
Total equity and liabilities	**21,791**	**20,593**	**21,146**	**9,920**	**10,028**

Consolidated Cash Flow Statement Data

In EUR thousand	1 January to 30 September		1 January to 31 December		
	2019	2018	2018	2017	2016
	(unaudited)			(audited)	
Cash flow from operating activities					
Loss for the financial year	(2,817)	(1,776)	(1,327)	(2,887)	(2,758)
Adjustments:					
Depreciation, amortisation and impairment losses	1,678	1,296	1,810	1,043	746
Finance income and finance expenses	269	453	555	63	151
Other adjustments	326	260	228	690	321
Cash flow before changes in net working capital	(545)	**233**	**1,267**	**(1,092)**	**(1,541)**
Change in net working capital					
Change in trade and other receivables (increase (-) / decrease (+))	312	(742)	(958)	126	490
Change in inventories (increase (-) / decrease (+))	(1,212)	(182)	(50)	550	(269)
Change in trade and other payables (increase (+) / decrease (-))	489	(554)	(126)	(153)	630
Cash flows before finance items	(1,580)	(1,244)	133	(569)	(691)
Interest paid	(147)	(152)	(218)	(200)	(59)
Other finance expenses paid	(119)	(81)	(86)	-	(68)
Interest received	7	1	2	3	8
Income taxes received	0	26	93	-	-
Net cash used in operating activities	**(1,839)**	**(1,451)**	**(76)**	**(766)**	**(810)**
Cash flow from investing activities					
Acquisition of intangible assets	(836)	(885)	(1,295)	(1,443)	(1,503)
Acquisition of tangible assets	(192)	(256)	(404)	(486)	(410)
Proceeds from sale of intangible assets	-	8	8	-	23
Proceeds from sale of tangible assets	-	133	133	23	-
Acquisition of subsidiary, net of cash acquired	2	(7,604)	(7,604)	-	-
Dividends received	-	16	16	-	-
Proceeds from sale of financial assets	-	-	380	-	-
Net cash used in investing activities	**(1,026)**	**(8,587)**	**(8,765)**	**(1,906)**	**(1,889)**
Cash flow from financing activities					
Proceeds from share subscriptions	3,000	5,500	5,500	-	2,000
Cta elimination	10	-	-	-	-
Proceeds from loans and borrowings	136	5,178	5,192	2,721	390
Repayment of loans and borrowings	(274)	(362)	(537)	(405)	(850)
Repayment of lease liabilities	(287)	(244)	(342)	(174)	(36)
Net cash from financing activities	**2,584**	**10,072**	**9,814**	**2,142**	**1,505**
Net cash from (used in) operating, investing and financing activities	**(281)**	34	**972**	**(530)**	**(1,195)**
Net increase (decrease) in cash and cash equivalents	**(281)**	34	**972**	**(530)**	**(1,195)**
Cash and cash equivalents at 1 January	2,000	1,032	1,032	1,621	2,821
Effects of movements in exchange rate on cash held	2	(11)	(5)	(59)	(5)
Cash and cash equivalents at 31 December	**1,721**	**1,055**	**2,000**	**1,032**	**1,621**

Segment Key Figures

In EUR thousand	1 January to 30 September		1 January to 31 December		
	2019	2018	2018	2017	2016
	(unaudited)		(audited, unless otherwise indicated)		
Revenue					
Devices	5,152	4,605	7,460	6,899	6,609
Software	5,497	3,440	5,273	-	-
Group revenue	**10,649**	**8,045**	**12,733**	**6,899**	**6,609**
EBITDA					
Devices	(248)	11	835[1]	(1,238)[1]	(1,266)[1]
Software	1,190	910	1,280[1]	-	-
Group admin	(1,827)	(826)	(1,053)[1]	(546)[1]	(599)[1]
Group EBITDA	**(885)**	**95**	**1,062[1]**	**(1,784)[1]**	**(1,865)[1]**
Items affecting comparability	904	191	326[1]	-	-
Group adjusted EBITDA	**19**	**286**	**1,388[1]**	**(1,784)[1]**	**(1,865)[1]**

1) Unaudited.

Key Figures

In EUR thousand, unless otherwise indicated	1 January to 30 September		1 January to 31 December		
	2019	2018	2018	2017	2016
	(unaudited)		(unaudited, unless otherwise indicated)		
Revenue	10,649	8,045	12,733[1]	6,899[1]	6,609[1]
Organic growth, %	6.8	N/A	8.0	4.6	N/A
Gross profit	7,199	5,525	9,054	4,069	3,772
Gross margin, %	67.6	68.7	71.1	59.0	57.1
EBITDA	(885)	95	1,062	(1,784)	(1,865)
EBITDA margin, %	(8.3)	1.2	8.3	(25.9)	(28.2)
Adjusted EBITDA	19	286	1,388	(1,784)	(1,865)
Adjusted EBITDA margin, %	0.2	3.6	10.9	(25.9)	(28.2)
Items affecting comparability	(904)	(191)	(326)	-	-
Operating result	(2,563)	(1,201)	(748)[1]	(2,827)[1]	(2,611)[1]
Operating margin, %	(24.1)	(14.9)	(5.9)	(41.0)	(39.5)
Adjusted operating result	(1,659)	(1,010)	(422)	(2,827)	(2,611)
Adjusted operating margin, %	(15.6)	(12.6)	(3.3)	(41.0)	(39.5)
Loss for the period	(2,817)	(1,776)	(1,327)[1]	(2,887)[1]	(2,758)[1]
Earnings per share (A and C shares), EUR	(0.35)	(0.23)	(0.17)	(0.43)	(0.41)
Weighted average number of shares (A and C shares) outstanding during the period	8,133,807	7,744,918	7,775,473	6,767,140	6,767,140
Cash flow used in operating activities	(1,839)	(1,451)	(76)[1]	(766)[1]	(810)[1]
Net Debt / Adjusted EBITDA (LTM), times	7.4	N/A	5.9	(2.5)	(0.9)
Equity ratio, %	28.0	24.5	26.3	11.7	35.1
R&D expenses	1,186	1,020	1,273	800	387

1) Audited.

The Definitions and Reasons for the use of Key Figures

Key figure	Definition	Reason for the use
Gross profit	Revenue + Other operating income – Materials and services expenses	Gross profit assesses the Company's efficiency at using its labour and supplies in producing goods and services.
Gross margin, %	Gross profit / Revenue	Gross margin is an important internal measure to assess the performance of the Group.
EBITDA	Operating result before depreciation, amortisation and impairment losses	EBITDA is an important indicator to measure the performance of the Group.
EBITDA margin, %	EBITDA / Revenue	
Operating result	Profit/loss after depreciation, amortisation and impairment losses	Operating result is a relevant indicator in understanding the Company's financial performance.
Operating margin, %	Operating result / Revenue	
Adjusted operating result	Operating result excluding items affecting comparability	
Adjusted operating margin, %	Adjusted operating result / Revenue	
Adjusted EBITDA	EBITDA excluding items affecting comparability	Adjusted EBITDA, adjusted EBITDA margin, adjusted operating result and adjusted operating margin are presented in addition to EBITDA and operating result to reflect the underlying business performance and to enhance comparability from period to period. Optomed believes that these adjusted performance measures provide meaningful supplemental information by excluding items outside normal business, which reduce comparability between the periods.
Adjusted EBITDA margin %	Adjusted EBITDA / Revenue	
Items affecting comparability	Material items outside ordinary course of business including restructuring costs, net gains or losses from sale of business operations or other non-current assets, strategic development projects, external advisory costs related to capital reorganisation, impairment charges on non-current assets incurred in connection with restructurings, compensation for damages and transaction costs related to business acquisitions.	
Net Debt / Adjusted EBITDA (LTM), times	Net Debt = Interest-bearing liabilities (borrowings from financial institutions, government loans and subordinated loans) – cash and cash equivalents (excl. lease liabilities according to IFRS 16) Net Debt / Adjusted EBITDA (for the last twelve months)	The level of Net Debt / Adjusted EBITDA shows the financial risk level of the Company.
Earnings per share	Net result / Number of outstanding shares (reflecting changes in the number of shares following the resolution of the EGM to split the shares of the Company with a ratio of 1:20)	
Equity ratio, %	Total equity / Total assets	Equity ratio indicates the relative proportion of equity used to finance Optomed's assets and helps to show financial risk level.
R&D expenses	Employee benefit expenses for R&D personnel and other operational expenses related to R&D activities	The development of the Company's product portfolio is important to ensure competitiveness. Therefore, Optomed believes that the level of R&D expenses is a relevant indicator of the Company's efforts in the field of R&D.
Organic growth, %	Organic growth refers to revenue growth excluding (i) growth attributable to acquisitions and divestments; and (ii) growth attributable to fluctuations in	Organic growth is used by Optomed to monitor the underlying revenue trend between different periods at constant

	exchange rates. The various components in organic growth is calculated as follows: Acquisitions and divestments: Shows how acquisitions and divestments completed during the relevant period have affected the reported revenues. To estimate the impact of acquisitions on reported revenue, the revenue from the contributions of the acquired units for the current period is subtracted from the total revenue for the same period. To estimate the impact of divestments on reported revenue, the revenue from the contributions from the divested units for the current period is subtracted from the total revenue from the previous respective comparison period. Currency Fluctuations: Shows how the reported revenue has been affected by the translation of revenue generated in other currencies than the euro (which is the Group's accounting currency) when there are exchange rate differences between the current period and the corresponding comparative period. Income in currencies other than euro for the comparative period is recalculated using the applicable exchange rate for the current period to eliminate the effects of exchange rate fluctuations for the relevant period.	currencies and excluding impact from any acquisitions and / or divestments.

Reconciliation of Alternative Performance Measures

In EUR thousand, unless otherwise indicated	1 January to 30 September		1 January to 31 December		
	2019	2018	2018	2017	2016
	(unaudited)		(unaudited, unless otherwise indicated)		
Gross profit					
Revenue	10,649	8,045	12,733[1]	6,899[1]	6,609[1]
Other operating income	242	469	889[1]	288[1]	153[1]
Material and services expenses	(3,691)	(2,989)	(4,568)[1]	(3,118)[1]	(2,990)[1]
Gross profit	**7,199**	**5,525**	**9,054**	**4,069**	**3,772**
% of revenue	67.6	68.7	71.1	59.0	57.1
Items affecting comparability					
Acquisition related costs	-	(191)	(191)	-	-
IPO related expenses	(904)	-	(135)	-	-
Total items affecting comparability	**(904)**	**(191)**	**(326)**	**-**	**-**
Adjusted EBITDA					
Operating result	(2,563)	(1,201)	(748)[1]	(2,827)[1]	(2,611)[1]
Depreciation, amortisation and impairment losses	1,678	1,296	1,810[1]	1,043[1]	746[1]
EBITDA	**(885)**	**95**	**1,062**	**(1,784)**	**(1,865)**
Less: Total items affecting comparability	904	191	326	-	-
Adjusted EBITDA	**19**	**286**	**1,388**	**(1,784)**	**(1,865)**
% of revenue	0.2	3.6	10.9	(25.9)	(28.2)
Adjusted operating result					
Operating result	(2,563)	(1,201)	(748)[1]	(2,827)[1]	(2,611)[1]
Less: Total items affecting comparability	904	191	326	-	-
Adjusted operating result	**(1,659)**	**(1,010)**	**(422)**	**(2,827)**	**(2,611)**
% of revenue	(15.6)	(12.6)	(3.3)	(41.0)	(39.5)
Net Debt					
Interest-bearing liabilities					
Borrowings from financial institutions	6,790	6,975	7,010[1]	2,339[1]	177[1]
Government loans	3,285	3,396	3,197[1]	3,193[1]	3,040[1]
Subordinated loans	-	-	-	-	28[1]
Cash and cash equivalents	1,721	1,055	2,000[1]	1,032[1]	1,621[1]
Net Debt	**8,354**	**9,316**	**8,207**	**4,500**	**1,624**
Net Debt / Adjusted EBITDA (LTM)					
Net Debt	8,354		8,207	4,500	1,624
Adjusted EBITDA (LTM)	1,123		1,388	(1,784)	(1,865)
Net Debt / Adjusted EBITDA (LTM), times	**7.4**	**N/A**	**5.9**	**(2.5)**	**(0.9)**
R&D expenses					
Personnel expenses	1,035	916	1,114	468	285
Other operational expenses	151	104	159	332	102
R&D expenses	**1,186**	**1,020**	**1,273**	**800**	**387**
Equity ratio, %					
Equity	6,102	5,055	5,552[1]	1,162[1]	3,523[1]
Total assets	21,791	20,593	21,146[1]	9,920[1]	10,028[1]
Equity ratio, %	**28.0**	**24.5**	**26.3**	**11.7**	**35.1**

[1)] Audited.

Quarterly financial information data

The following table shows selected unaudited quarterly revenue for each quarter in the years ended 31 December 2016, 2017 and 2018, as well as for the three first quarters in the year ending 31 December 2019, for the Devices segment. Prior to the completion of the Commit Acquisition in March 2018, the Company did not have a separate software segment. Therefore, the Software segment quarterly revenue has been included only for the year ending 31 December 2018 (first quarter on a pro forma basis) and the three first quarters in the year ending 31 December 2019. For the years ended 31 December 2017 and 2016, the Company did not have sales channel specific revenue reporting and therefore, only the Devices segment total revenue has been presented for these periods.

EUR thousand	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
	(unaudited)			(unaudited)				(unaudited)				(unaudited)			
Devices segment															
Distributors	410	398	294	561	282	285	243	-	-	-	-	-	-	-	-
OEM	817	933	434	1,042	685	598	639	-	-	-	-	-	-	-	-
China	484	600	415	1,136	546	638	366	-	-	-	-	-	-	-	-
Other	152	147	67	117	64	141	118	-	-	-	-	-	-	-	-
Devices segment total	**1,863**	**2,078**	**1,210**	**2,856**	**1,577**	**1,662**	**1,366**	**1,568**	**1,522**	**1,699**	**2,110**	**1,098**	**1,448**	**2,447**	**1,616**
Software segment															
Consulting	486	560	610	614	513	512	534	-	-	-	-	-	-	-	-
Healthcare	1,201	1,220	1,419	1,217	1,272	1,144	1,195	-	-	-	-	-	-	-	-
Software segment total	**1,688**	**1,780**	**2,029**	**1,831**	**1,785**	**1,656**	**1,729**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Group total	**3,551**	**3,858**	**3,239**	**4,687**	**3,362**	**3,318**	**3,095**	**1,568**	**1,522**	**1,699**	**2,110**	**1,098**	**1,448**	**2,447**	**1,616**

Organic growth for the Group

The following tables show the selected unaudited organic growth for the Group for the nine month period ended 30 September 2019 compared to the nine month period ended 30 September 2018, as well as for the years ended 31 December 2018, 2017 and 2016.

In EUR thousand, except for percentages	1 January to 30 September		1 January to 31 December		1 January to 31 December	
	2019	2018	2018	2017	2017	2016
	(unaudited, unless otherwise indicated)		(unaudited, unless otherwise indicated)		(unaudited, unless otherwise indicated)	
Revenue	10,649	8,045	12,733[1]	6,899[1]	6,899[1]	6,609[1]
Acquisitions (elimination of revenues for comparability)	(2,029)[2]	0	(5,273)[3]	0	0	0
Revenue excluding acquisitions	8,620	8,045	7,460	6,899	6,899	6,609
Currency effects	0	27	0	10	0	(11)
Revenue excluding acquisitions and currency effects	8,620	8,072	7,460	6,909	6,899	6,598
Organic growth, percent	**6.8**	**-**	**8.0**	**-**	**4.6**	**-**

[1)] Audited.

[2)] The Commit Acquisition was completed on 26 March 2018. Thus, in order to make the respective periods comparable, the impact on revenue from the Commit Acquisition for the three month period ended 31 March 2019 has been subtracted from the revenue for the nine month period ended 30 September 2019.

[3)] The Commit Acquisition was completed on 26 March 2018. Thus, in order to make the respective periods comparable, the impact on revenue from the Commit Acquisition for the period 31 March 2018 to 31 December 2018 has been subtracted from the revenue for the year ended 31 December 2018.

Organic growth by segment

Devices	**1 January to 30 September**		**1 January to 31 December**		**1 January to 31 December**	
In EUR thousand, except for percentages	**2019**	**2018**	**2018**	**2017**	**2017**	**2016**
	(unaudited, unless otherwise indicated)		**(unaudited, unless otherwise indicated)**		**(unaudited, unless otherwise indicated)**	
Revenue	5,152	4,605	7,460[1]	6,899[1]	6,899[1]	6,609[1]
Acquisitions	0	0	0	0	0	0
Revenue excluding acquisitions	5,152	4,605	7,460	6,899	6,899	6,609
Currency effects	0	27	0	10	0	(11)
Revenue excluding acquisitions and currency effects	5,152	4,632	7,460	6,909	6,899	6,598
Organic growth, percent	**11.2**	**-**	**8.0**	**-**	**4.6**	**-**

[1)] Audited.

Software	**1 January to 30 September**	
In EUR thousand, except for percentages	**2019**	**2018**
	(unaudited, unless otherwise indicated)	
Revenue	5,497	3,440
Acquisitions (elimination of Q1 2019 revenue for comparability)[1]	(2,029)	0
Revenue excluding acquisitions	3,468	3,440
Currency effects	0	0
Revenue excluding acquisitions and currency effects	3,468	3,440
Organic growth, percent	**0.8**	**-**

[1)] The Commit Acquisition was completed on 26 March 2018. Thus, in order to make the respective periods comparable, the impact on revenue from the Commit Acquisition for the three month period ended 31 March 2019 has been subtracted from the revenue for the nine month period ended 30 September 2019.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Below is presented unaudited pro forma financial information for the period 1 January 2018 – 31 December 2018 on the Commit Acquisition, giving effect to the said acquisition as if it had been effected on 1 January 2018, instead of the actual acquisition date of 26 March 2018. The table presents the unaudited pro forma income statement and pro forma comprehensive income statement for the financial year ended 31 December 2018 (12 months period). As Commit; Oy was incorporated in the audited consolidated balance sheet of Optomed as at 31 December 2018, no pro forma balance sheet is presented.

The unaudited pro forma financial information presented below is compiled in accordance with IFRS as adopted by the EU. It is prepared in a manner consistent with the accounting policies adopted by Optomed in its audited consolidated IFRS financial statements for the financial year ended 31 December 2018.

The acquisition was accounted for under the acquisition method in accordance with IFRS 3 *Business Combinations*. Under the acquisition method, assets acquired and liabilities assumed are recognised at their fair values on the date of acquisition. The acquisition was effected as a share acquisition. There was no contingent consideration involved in the acquisition.

Sources of pro forma financial information

The unaudited pro forma financial information is based on financial data derived from the following sources:

- Audited consolidated income statement and comprehensive income statement of Optomed for the year ended 31 December 2018, presented in Annex D to the Prospectus.

- For Commit; Oy, the unaudited income statement for the three-month period ended 31 March 2018.

The historical financial information of Commit; Oy was prepared in accordance with Finnish Accounting Standards (FAS). In compiling the pro forma financial information it has been adjusted to comply with the IFRS accounting policies adopted by Optomed. The effects of the IFRS adjustments on the FAS-based financial data of Commit; Oy are presented in note 3 to the unaudited pro forma income statement.

The unaudited pro forma adjustments also give effect to events that are directly attributable to the acquisition effected, and the financing thereof.

Purpose of presentation of pro forma financial information

The unaudited pro forma financial information presented below has been prepared for illustrative purposes only. Because of its nature it addresses a hypothetical situation and therefore, does not represent Optomed's actual results of operations. The unaudited pro forma financial information does not purport to represent Optomed's results of operations for any future period. Also, the unaudited pro forma financial information does not reflect the effect of the estimated synergies and efficiencies associated with the Commit Acquisition.

The following unaudited pro forma financial information should be read in conjunction with Optomed's financial statements for the year ended 31 December 2018 and the interim report for the nine months ended 30 September 2019. The audited consolidated IFRS financial statements for the financial year ended 31 December 2018 and the unaudited interim report for the nine months ended 30 September 2019 are presented in Annex D to the Prospectus. The auditor's statement on the unaudited pro forma financial information is presented in Annex C to the Prospectus.

Unaudited pro forma consolidated income statement / comprehensive income statement for the year ended 31 December 2018

In EUR thousand	Note	Optomed, consolidated income statement / comprehensive income statement for the year ended 31 December 2018 IFRS (audited) (1)	Commit; Oy, unconsolidated three-month period ended 31 March 2018 FAS (unaudited) (2)	Differences in accounting policies (FAS-IFRS) (3)	Adjustments from business combination accounting (4)	Adjustments from financing arrangement (5)	Pro forma consolidated income statement / comprehensive income statement for the year ended 31 December 2018 IFRS (unaudited)
Revenue		12,733	1,729	-	-	-	14,463
Other operating income		889	-	-	-	-	889
Materials and services		(4,568)	(386)	-	-	-	(4,954)
Employee benefits		(5,137)	(848)	-	-	-	(5,984)
Depreciation, amortisation and impairment losses		(1,810)	(29)	(83)	(77)	-	(1,999)
Other operating expenses		(2,855)	(273)	49	-	-	(3,080)
Operating result		**(748)**	**194**	(34)	(77)	-	**(665)**
Finance income		22	16	-	-	-	38
Finance expenses		(578)	0	(6)	-	(10)	(594)
Net finance expenses		(555)	16	(6)	-	(10)	(556)
Loss before income taxes		(1,303)	209	(40)	(77)	(10)	(1,221)
Income tax expense		(24)	(40)	1	15	-	(48)
Loss for the financial year		**(1,327)**	**170**	(40)	(61)	(10)	**(1,268)**
Loss for the financial year attributable to							
Owners of the parent company		(1,327)					
Comprehensive income statement							
Loss for the financial year		**(1,327)**	**170**	(40)	(61)	(10)	**(1,268)**
Other comprehensive income							
Items that may be subsequently reclassified to profit or loss							
Foreign currency translation difference		13	-	-	-	-	13
Other comprehensive income, net of tax		13	-	-	-	-	13
Total comprehensive income for the financial year		**(1,314)**	**170**	(40)	(61)	(10)	**(1,255)**
Total comprehensive loss attributable to							
Owners of the parent company		(1,314)					

Pro forma explanatory notes for the financial year ended 31 December 2018

(1) Consolidated income statement and comprehensive income statement of Optomed

This column reflects Optomed's audited consolidated IFRS income statement and comprehensive income statement for the financial year ended 31 December 2018 (twelve-month period). Optomed's financial year is the calendar year.

(2) Information on Commit; Oy for the unconsolidated period

This column reflects Commit; Oy's unaudited income statement for the three-month period ended 31 March 2018, which was not incorporated in Optomed's consolidated comprehensive income statement for the financial year ended 31 December 2018.

(3) Differences in accounting policies (FAS–IFRS)

This column reflects the impact of accounting policy alignment of historical financial information between Optomed and Commit; Oy. In this column adjustments are made to arrive at comparable figures. The adjustments in question relate to the following:

- Leases: In its FAS financial statements Commit; Oy recorded lease expenses in the financial year to which they related. In respect of income statement, lease payments related to the business premises used by Commit, previously presented under other operating expenses, are reversed and instead apportioned between the reduction of the lease liability and the interest charge on the lease liability. Furthermore, depreciation of the right-of-use assets is recorded in profit or loss. The resulting pro forma adjustments are as follows, and they have a continuing impact on Optomed:
    - Reversal of other operating expenses: EUR 49 thousand
    - Depreciation of the right-to-use assets: EUR 45 thousand
    - Interest charge on the lease liability: EUR 6 thousand
    - Change in deferred tax asset: EUR 1 thousand

- Change in depreciation policy: Prior to the acquisition Commit; Oy recorded depreciation on tangible assets using the diminishing balance method based on the maximum depreciation allowed under the Finnish Business Income Tax Act (360/1968, as amended). The adoption of the straight-line method attributed to the pro forma adjustment of EUR 37 thousand for the three-month period, increasing the depreciation expense. The adjustment has a continuing impact on Optomed.

(4) Adjustments arisen from business combination accounting

This column reflects the effect arising from the purchase price allocation.

The effect arises from amortisation of the intangible assets identified in the acquisition and recognised separately from goodwill in the consolidated balance sheet. These intangible assets include customer relationships and technology and their estimated remaining useful lives are 10 years. The amortisation of these intangible assets for the three-month period ended 31 March 2018 is in aggregate EUR 77 thousand. The resulting change in deferred tax liability (reversal) amounts to EUR 15 thousand. The adjustment has a continuing impact on Optomed. In respect of Commit; Oy's other balance sheet items, their fair values were considered substantially equal to their carrying amounts.

(5) Adjustment arisen from financing arrangement related to acquisition

Optomed financed the acquisition by drawing a bank loan. The pro forma adjustment to the interest expenses was an addition of EUR 10 thousand. The adjustment has a continuing impact on Optomed.

Pro Forma Key Figures

Reconciliation of alternative performance measures calculated from unaudited pro forma financial information

In EUR thousand	**Optomed, consolidated income statement / comprehensive income statement for the year ended 31 December2018 IFRS (audited)**	**Commit; Oy, unconsolidated three-month period ended 31 March 2018 FAS (unaudited)**	Differences in accounting policies (FAS-IFRS)	Adjustments from business combination accounting	Adjustments from financing arrangement	**Pro forma consolidated income statement / comprehensive income statement for the year ended 31 December 2018 IFRS (unaudited)**
Revenue	12,733	1,729	-	-	-	14,463
Other operating income	889	-	-	-	-	889
Materials and services	(4,568)	(386)	-	-	-	(4,954)
Gross profit	**9,055**	**1,343**	-	-	-	**10,398**
% of revenue	71.1	77.7				71.9
IPO related expenses	(135)					(135)
Acquisition related expenses	(191)					(191)
Total items affecting comparability	**(326)**	-	-	-	-	**(326)**
Employee benefits	(5,137)	(848)	-	-	-	(5,984)
Depreciation, amortisation and impairment losses	(1,810)	(29)	(83)	(77)	-	(1,999)
Other operating expenses	(2,720)	(273)	49	-	-	(2,944)
Operating result	**(748)**	**194**	(34)	(77)	-	**(665)**
Depreciation, amortisation and impairment losses	(1,810)	(29)	(83)	(77)	-	(1,999)
EBITDA	**1,062**	**222**	49	-	-	**1,334**
Less: Total items affecting comparability	(326)	-				(326)
Adjusted EBITDA	**1,388**	**222**	**49**	-		**1,661**
% of revenue	10.9	12.8				11.5
Operating result	(748)	194	(34)	(77)		(665)
Less: Total items affecting comparability	**(326)**	-				(326)
Adjusted operating result	**(422)**	**194**	**(34)**	**(77)**		**(338)**
% of revenue	(3.3)	(11.2)				(2.3)

OPERATING AND FINANCIAL REVIEW

The following review of the Company's results of operations and financial position should be read together with "Certain Matters – Presentation of Financial and Certain Other Information" and the Company's audited consolidated financial statements as at and for the years ended 31 December 2018, 2017 and 2016, prepared in accordance with IFRS as adopted by the EU, as well as the Company's unaudited consolidated financial information as at and for the nine months ended 30 September 2019, including the unaudited comparative consolidated financial information as at and for the nine months ended 30 September 2018, prepared in accordance with "IAS 34 – Interim Financial Reporting", all of which are included in the F-pages to this Prospectus.

This review contains forward-looking statements, which are subject to risks and uncertainties. The Company's actual results may deviate considerably from those contained in such forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus, particularly those under "Risk Factors".

Overview

Optomed is a medical technology company headquartered in Finland with market access to more than 60[105] countries. The Company is one of the leading providers of handheld fundus cameras, and in addition Optomed provides screening software and automated grading capabilities through Artificial Intelligence, with the mission to transform the screening and diagnostic process of blinding eye diseases, with focus on diabetic retinopathy. The business operations of the Group are organised into two synergistic and complementing business segments: Devices and Software. Optomed's Devices segment is one of the leading providers of non-mydriatic handheld fundus cameras. The Software segment comprises development and sales of the Company's software solutions, including sales of software from third-party providers and consulting services. See "*Business of the Company"* for more information on the Company's business segments.

The Company's revenue amounted to EUR 10,649 thousand for the nine months ended 30 September 2019 and EUR 12,733 thousand for the year ended 31 December 2018 (EUR 14,462 thousand on a pro forma basis). For unaudited pro forma information presenting the effects of the Commit Acquisition in 2018, see "*Unaudited Pro Forma Financial Information".*

Operating Environment and Trend Information

During the nine months period ended 30 September 2019, the Company has seen growth mainly driven by the Devices segment and a continued steady development in the Software segment, and the Company's product margins have remained at a stable level. The global market for handheld fundus cameras continues to grow at a fast pace. In addition, in the Company's view the awareness of the Optomed brand and the Company's products is increasing amongst medical professionals and medical companies. During 2019, new programs for diabetic retinopathy screening continue to emerge around the world, anticipating a growing number of tenders for handheld cameras and software solutions in the coming years. In addition, a new type of large private screening operator companies and chronic disease management companies have recently emerged in Western markets, China and in South East Asia.

In accordance with its growth strategy, the Company aims to grow in its existing markets and enter new geographical markets, including targeting an expansion to the United States market. During 2019, the Company has focussed resources into its growth strategy and has made several new hires to support sales and marketing efforts as well as general administration, resulting in increased fixed costs. Furthermore, in order to respond to an increased sales forecast and to launch a new product for an OEM customer signed during the second quarter of 2019, the Company has increased its inventory levels and working capital amounts. Therefore, the Company's inventory levels are currently at a higher level than normal.

The Company's customers, of which the five largest represented 52.0 percent of the Company's total sales during the year ended 31 December 2018, often order from Optomed in bulk orders (especially OEM customers). Such orders are usually placed two to six times a year and the value ranges from approximately EUR 100 thousand to EUR 1 million. Therefore, orders and deliveries may vary significantly between quarters. Delayed orders from one of Optomed's customers in China are expected to increase inventory levels and limit the growth in the second half of 2019.

Key Factors Affecting the Company's Results of Operations

The following factors have had an impact on the Company's results of operations during the period under review and they are expected to continue to have an impact on its results of operations in the future.

[105] Through the Company's distributor network, OEM customers and direct sales.

Demand for cost-effective screening solutions for diabetic retinopathy and other blinding eye diseases due to increasing prevalence of diabetes and unmet diagnostic needs

Key fundamentals driving demand for screening solutions offered by Optomed are the expected increase in the number of people with diabetes and the unmet diagnostic needs for the screening of diabetic retinopathy and other blinding eye diseases. The number of people with diabetes is expected to grow by 48 percent between 2017 and 2045, with diabetic retinopathy affecting approximately one third of all people with diabetes. However, since diabetic retinopathy is largely asymptomatic in the early stages, every diabetic is in need of screening. Subsequently, the number of people in need of annual retinopathy screening is expected to grow at the same pace as the overall prevalence of diabetes, increasing from approximately 425 million people in 2017 to approximately 628 million in 2045. Due to global healthcare macro trends such as global growth in ageing population, life expectancy and prevalence of chronic diseases, healthcare costs are expected to increase, driving the need for innovative and cost-effective solutions, in particular for early detection and treatment of diseases such as diabetic retinopathy. For further information on global health care macro drivers and specific drivers for handheld fundus cameras, see "*Market Overview – The global fundus camera market".*

As the number of people diagnosed with diabetes is growing, there is a need for increased screening coverage. Factors such as lack of access to care and living in rural areas have been presented as potential reasons for not receiving the required screening.[106] The Company believes that technological advances in screening solutions, such as the portability of hardware and improved software connectivity and diagnostic capabilities, are key drivers for overcoming these hurdles and increasing screening coverage in particular in rural areas and developing countries. The automatisation of the first step of screening process through software and Artificial Intelligence can exclude the need for ophthalmologist for that stage, freeing up capacity and providing more affordable and faster results.

Organic growth drivers

Optomed's organic growth rate (revenue growth excluding impact from acquisitions) was 8.0 percent in the year ended 31 December 2018 and 4.6 percent in the year ended 31 December 2017. Factors affecting the organic growth dimension of the Company's growth strategy (see "*Business of the Company – Growth Strategy*") include:

- Growth of the handheld fundus camera market: The Company expects the growth in the handheld fundus camera market to be driven by healthcare macro drivers and drivers related to handheld devices as described above in "*Market Overview – Handheld fundus camera market drivers and trends".* In addition, Optomed sees the expansion in handheld fundus camera use to new end-user segments, such as primary care, as a key avenue for market growth, driven by demand for cost-effective preventive screening due to factors described in "*– Demand for cost-effective screening solutions for diabetic retinopathy and other blinding eye diseases due to increasing prevalence of diabetes and unmet diagnostic needs*" above. The growth of the market is also affected by the awareness of and market acceptance by potential end-customers and the medical community in general of handheld fundus cameras and accompanying software-based diagnostic capabilities.

- Revenue from software and services: The Company aims to increasingly utilise pricing models driven by recurring revenue from software licenses and services, reflecting their value-add potential as part of comprehensive screenings solutions. Increased awareness and acceptance over time of AI based diagnostic tools within the medical community is a key external factor in this respect. Internally, the growth driver is dependent on Optomed's ability to develop and effectively market competitive software solutions and pay per use or subscription-based pricing models.

- Product development and technological lead: Optomed is one of the leading providers of handheld fundus cameras in a growing market segment and a driver in the transformation of the global fundus camera market away from traditional immobile and expensive desktop fundus cameras towards more flexible and lightweight handheld cameras. The continuous successful development of the Company's service offering affects the Company's ability to stay competitive and to meet evolving demand. In 2017, the Company launched Optomed Aurora, its fifth handheld fundus camera generation, which features technical improvements in both usability and image quality as compared to the Smartscope PRO camera. In 2018, Optomed acquired the software company Commit; Oy (currently Optomed Software Oy). Through the acquisition, Optomed has evolved from being primarily a hardware provider to becoming a provider of complete retinal screening solutions. Optomed has also added third-party Artificial Intelligence into its diabetic retinopathy screening solution, and the Company aims to add additional algorithms to identify other diseases and to cover additional geographical markets.

[106] Fathy, C., Patel, S., Sternberg, P. & Kohanim, S. Disparities in Adherence to Screening Guidelines for Diabetic Retinopathy in the United States: A Comprehensive Review and Guide for Future Directions. Seminars in Ophthalmology. 4, 31, 2016.

- Geographic expansion: Optomed is focussing in particular on strengthening its presence in the United States, where the Company sees potential for the development of the handheld fundus camera market, on increasing sales in China, and on growth in select developing countries in Asia, Middle East, Africa and South America.

Segment, product, geographic and sales channel mix

Average sales prices for Optomed's products and, as a consequence, gross margins, vary between segments and products. Gross margins also vary between geographies and sales channels. Gross margin is defined as revenue less cost of goods sold (manufacturing cost, software license cost, after sales costs, material logistics costs, ramp-up costs, non-recurring engineering and production extra costs).

- Segment mix: Optomed's operations are divided into the Devices segment and the Software segment. Historically, the gross margins for the Software segment have been somewhat higher than for the Devices segment due to lower cost of sales for software solutions as compared to hardware.

- Product mix: The mix of products between, as well as within, the Company's two segments affects gross margins. Optomed currently sells its 4th and 5th generation products and variants based on these two products; Smartscope PRO and Aurora. Software products where Optomed pays a license fee to a third party have a lower margin on a typical reseller level. Software products owned and developed by the Company have higher gross margin.

- Geographic mix: Optomed has market access to more than 60 countries, with certain identified key markets such as the EEA for the Software segment and China and the United States for the Devices segment. Optomed sells handheld fundus cameras through its distribution network in the EEA, Asia and in the Middle East and Africa. Pricing is affected by the economic development status and reimbursement levels of the country and region as well as varying distributor volume commitment levels.

- Sales channel mix: The Company sells its handheld cameras and software solutions through three sales channels: OEM, distributors and direct sales. Gross margins for OEM products and sales to distributors are generally lower than for direct sales, as sales to OEM customers and distributors include multiple sales channel layers. As such, the highest margins are yielded from direct sales.

Operating efficiency

The Company's results of operations and profitability depend on the Company's management of its operations and control of its operating expenses. For the financial year ended 31 December 2018 materials and services expenses represented 31.8 percent and personnel expenses represented 35.7 percent of the Company's total operating expenses, respectively.

- Research and development: Optomed is a medical technology company operating in a competitive and developing market. The Company's losses from its operations are mainly based on substantial research and development expenses. Research costs are expensed as incurred, whereas development costs are capitalised to the extent that they meet the criteria set out in the Company's accounting policies. The Company's research and development expenses, including depreciation, amortisation and impairment losses, for the financial year ended 31 December 2018 amounted to EUR 1.97 million (EUR 1.3 million in 2017 and EUR 0.9 million in 2016) and the Company's capitalised development costs for the financial year ended 31 December 2018 amounted to EUR 1.1 million (EUR 1.4 million in 2017 and EUR 1.4 million in 2016). The Company estimates that in the near future its research and development expenses will not grow significantly as compared to their general level during the recent years. However, yearly variation in these expenses is expected primarily due to investments for new product development, which vary in line with product development cycles.

The Company's main variable expenses are ramp-up costs incurred for introducing new products in production, material logistics costs and non-recurring engineering costs. The Company's variable expenses are impacted in particular by device sales volumes, whereas software sales volumes have less effect in this respect. The Company manages these expenses through continual supply chain and manufacturing improvements, including:

- Investments in production and testing automation to increase production yield, reduce hours per unit, optimise final product testing, and the validation of fast prototyping processes.

- Change of production site from Finland to Thailand during 2016 to 2017 in order to decrease production costs and increase available capacity for the production of all handheld fundus camera models.

- Focus on operational excellence enhancing initiatives to improve supply chain and manufacturing processes. Defined key targets for 2019 included continuous improvement of supply chain, the increasing of Optomed Aurora yield and other production performance improvements, the continued reduction of manufacturing and material costs in order to lower unit prices as well as the expansion of manufacturing area.

- Managing the effects of changes in component prices and availability through direct supplier agreements and order quantity planning with the aim of optimising component unit prices and transportation costs. Although the cost of components that Optomed uses has generally decreased over time, costs for specialised components, such as certain optical components, may rise or be subject to supply bottlenecks.

Exchange rates

Changes in foreign exchange rates between EUR (the Company's reporting currency) and local currencies of the various countries in which the Company and its subsidiaries operate affect the Company's results of operations. Optomed records revenue mainly through sales in the following currencies: EUR, RMB and USD. For the year ended 31 December 2018, the Company generated 78.7 percent of its revenue in EUR, 18.6 percent in RMB and 2.8 percent in USD. For the year ended 31 December 2018, 60.7 percent of operating expenses were incurred in EUR, 22.1 percent in RMB and 17.2 percent in USD. The larger exposure toward USD in operating expenses compared to revenue stems from the Company's procurement operations in which the Company mainly purchases components and materials in USD. The Company monitors its currency positions but does not currently use any currency derivative instruments to hedge its exposure to foreign exchange risks.

Factors Affecting Comparability of Financial Information

The Commit Acquisition

The Commit Acquisition was completed as of 26 March 2018. Commit; Oy contributed revenue EUR 5,273 thousand in the nine months ended 31 December 2018. Commit; Oy was renamed to Optomed Software Oy and operates as a segment, and has sales mainly in Finland.

Other specific items

Transaction costs related to the Commit Acquisition in 2018 were EUR 191 thousand.

IPO costs (principally advisory fees) in relation to the Offering amounted to EUR 904 thousand in aggregate in the nine months ended 30 September 2019 and EUR 135 thousand in the year ended 31 December 2018. Optomed did not have any costs related to the Offering in the years ended 31 December 2017 and 2016. Optomed expects to incur further costs related to the Offering in the three months ending 31 December 2019. For information on costs related to the Offering, see "*Background and Reasons for the Offering and Contemplated Listing and Use of Proceeds – Use of Proceeds"*.

Recent Events

Other than described below, there has been no significant change in the Company's financial performance or position between 30 September 2019 and the date of the Prospectus.

The EGM made certain decisions in relation to the Listing on 14 November 2019. Certain of these decisions, such as changing the company form of the Company from a private limited liability company to a public limited liability company by amending the Company's registered name set out in its Articles of Association to Optomed Plc, certain other amendments to the Articles of Association, share split and increasing the Company's share capital to EUR 80,000 came into effect either immediately or upon registration of such amendments with the Trade Register on 15 November 2019, please see "*Description of the Shares and Share Capital – Shares and Share Capital*" for more information. The rest of the resolutions made at the EGM are conditional upon and until the Board of Directors having made the decision to complete the Listing, please see "*Description of the Shares and Share Capital – Changes to the Shares and Share Capital Prior to the Listing*", "*Description of the Shares and Share Capital – Current Authorisations*" and "*Board of Directors, Management and Auditors – Shareholders' Nomination Board*" below for information regarding these resolutions.

Explanation of the Key Items in the Income Statement

Revenue

Revenue is generated by the sales of the Company's handheld fundus cameras, software solutions and third-party software solutions. Optomed recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which Optomed expects to be entitled in exchange for those goods or services.

Other operating income

Other operating income consists mainly of received government grants from various organisations to support Optomed in the development of handheld fundus cameras.

Materials and services

Materials and services consist of cost of goods sold, i.e. the cost of optical components, electrical components, third party software components as well as other materials needed for the production of the handheld cameras, as well as production costs which are caused by converting raw materials into finished goods, changes in inventories and logistic costs.

Employee benefit expenses

Employee benefit expenses consist of wages and salaries, defined contribution post-employment plans, other social security expenses and share-based payment plans.

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment includes the depreciation of property, plant and equipment and right-of-use assets and the amortisation of intangible assets, such as trademarks and IT licences as well as any impairment charges related to property, plant and equipment or intangible assets.

Other operating expenses

Other operating expenses mainly consist of travel expenses, marketing expenses, IT expenses, office expenses, other administrative expenses, research and development expenses and other fixed expenses.

Finance income

Finance income includes interest income from financial assets recognised at fair value through profit and loss, as well as foreign exchange gains.

Finance expenses

Finance expenses mainly consist of interest expenses related to financial liabilities at amortisation cost.

Income taxes

Income taxes consist of income taxes recognised for the year, taxes related to previous years and the change of deferred taxes during the year.

Results of Operations

The following table presents a summary of the Company's consolidated income statement for the nine months ended 30 September 2019 and 2018, and for the years ended 31 December 2018, 2017 and 2016. The information in this table should be read in conjunction with the Company's audited consolidated financial statements for the years ended 31 December 2018, 2017 and 2016, and with its unaudited consolidated interim report for the nine months ended 30 September 2019.

	Nine months ended 30 September		Year ended 31 December		
In EUR thousand	**2019**	**2018**	**2018**	**2017**	**2016**
Revenue	**10,649**	**8,045**	**12,733**	**6,899**	**6,609**
Other operating income	242	469	889	288	153
Materials and services	(3,691)	(2,989)	(4,568)	(3,118)	(2,990)
Employee benefit expenses	(5,156)	(3,312)	(5,137)	(3,662)	(3,104)
Depreciation, amortisation and impairment losses	(1,678)	(1,296)	(1,810)	(1,043)	(746)
Other operating expenses	(2,928)	(2,118)	(2,855)	(2,192)	(2,532)
Operating result	**(2,563)**	**(1,201)**	**(748)**	**(2,827)**	**(2,611)**
Finance income	4	7	22	135	6
Finance expenses	(293)	(460)	(578)	(197)	(156)
Net finance expenses	**(289)**	**(453)**	**(555)**	**(63)**	**(151)**
Loss before taxes	**(2,852)**	**(1,654)**	**(1,303)**	**(2,890)**	**(2,762)**
Income taxes	34	(122)	(24)	3	3
Loss for the period	**(2,817)**	**(1,776)**	**(1,327)**	**(2,887)**	**(2,758)**

The nine months ended 30 September 2019 compared to the nine months ended 30 September 2018

Revenue

The Company's revenue increased by EUR 2,604 thousand, or 32.4 percent in the nine months ended 30 September 2019 from EUR 8,045 thousand in the nine months ended 30 September 2018 to EUR 10,649 thousand in the nine months ended 30 September 2019. The increase was primarily due to organic growth in the Devices segment and the Software segment included for the whole period, compared to the nine months period ended 30 September 2018 when the Software segment was included as of April 2018.

The following table presents the Company's revenue by operating segment for the nine months ended 30 September 2019 and 2018.

Revenue by operating segment	**Nine months ended 30 September**		**Change**
In EUR million	**2019**	**2018**	**%**
	(unaudited)		
Devices	5,152	4,605	11.9
Software	5,497	3,440	59.8
Total	**10,649**	**8,045**	32.4

An analysis of the Company's revenue by operating segment is set forth below:

The Company's revenue from the Devices segment increased by EUR 547 thousand, or 11.9 percent in the nine months ended 30 September 2019 from EUR 4,605 thousand in the nine months ended 30 September 2018 to EUR 5,152 thousand in the nine months ended 30 September 2019. The increase was primarily due to increased sales from the distributor sales channel, driven by the Company's expansion of new distributors in Russia, the Asia-Pacific region and in the Middle East. The Company's OEM channel contributed to the growth of the Devices segment, and the Company made the first shipments to the new OEM customer during the third quarter. The growth from the distributor and OEM sales channels was to some extent offset by the decrease in sales in China, which was affected by postponed orders from one of the Company's large customers.

The Company's revenue from the Software segment increased by EUR 2,057 thousand, or 59.8 percent in the nine months ended 30 September 2019 from EUR 3,440 thousand in the nine months ended 30 September 2018 to EUR 5,497 thousand in the nine months ended 30 September 2019. The increase was primarily due to the Software segment only being included as of April for the nine month period ended 30 September 2018. The organic growth for the Software segment amounted to 0.8 percent during the nine month period ended 30 September 2019.

Other operating income

The Company's other operating income was EUR 242 thousand in the nine months ended 30 September 2019 and EUR 469 thousand in the nine months ended 30 September 2018.

Materials and services

The Company's materials and services costs increased by EUR 702 thousand, or 23.5 percent in the nine months ended 30 September 2019 from EUR 2,989 thousand in the nine months ended 30 September 2018 to EUR 3,691 thousand in the nine months ended 30 September 2019. The increase was primarily due to the Commit Acquisition and increased sales in the Devices segment.

Gross profit

The Company's gross profit increased by EUR 1,675 thousand, or 30.3 percent in the nine months ended 30 September 2019 from EUR 5,525 thousand in the nine months ended 30 September 2018 to EUR 7,199 thousand in the nine months ended 30 September 2019. The increase was primarily due to the Commit Acquisition. The gross profit was negatively affected by a project adjustment of EUR 317 thousand related to an EU financed development project.

Employee benefit expenses

The Company's employee benefit expenses increased by EUR 1,844 thousand, or 55.7 percent in the nine months ended 30 September 2019 from EUR 3,312 thousand in the nine months ended 30 September 2018 to EUR 5,156 thousand in the nine months ended 30 September 2019. The increase was primarily due to the Commit Acquisition, strengthening of management functions as part of the IPO preparations, and increased personnel in sales and marketing within the Devices segment.

Depreciation, amortisation and impairment losses

The Company's depreciation, amortisation and impairment losses increased by EUR 382 thousand, or 29.5 percent in the nine months ended 30 September 2019 from EUR 1,296 thousand in the nine months ended 30 September 2018 to EUR 1,678 thousand in the nine months ended 30 September 2019. The increase was primarily due to the Commit Acquisition.

Other operating expenses

The Company's other operating expenses increased by EUR 810 thousand, or 38.2 percent in the nine months ended 30 September 2019 from EUR 2,118 thousand in the nine months ended 30 September 2018 to EUR 2,928 thousand in the nine months ended 30 September 2019. The increase was primarily due to the Commit Acquisition, and non-recurring legal and audit advisory fees related to the IPO preparations.

Finance income

The Company's finance income decreased by EUR 3 thousand, or 57.1 percent in the nine months ended 30 September 2019 from EUR 7 thousand in the nine months ended 30 September 2018 to EUR 4 thousand in the nine months ended 30 September 2019. The decrease was primarily due to lower foreign exchange gains.

Finance expenses

The Company's finance expenses decreased by EUR 167 thousand, or 36.3 percent in the nine months ended 30 September 2019 from EUR 460 thousand in the nine months ended 30 September 2018 to EUR 293 thousand in the nine months ended 30 September 2019. The change was primarily due to a loss on sale of shares of EUR 208 thousand.

Income taxes

The Company's income taxes decreased by EUR 156 thousand, or 127.9 percent in the nine months ended 30 September 2019 from EUR 122 thousand in the nine months ended 30 September 2018 to EUR positive 34 thousand in the nine months ended 30 September 2019. The decrease was primarily due to deferred tax liabilities.

The year ended 31 December 2018 compared to the year ended 31 December 2017

Revenue

The Company's revenue increased by EUR 5,834 thousand, or 84.6 percent in the year ended 31 December 2018 from EUR 6,899 thousand in the year ended 31 December 2017 to EUR 12,733 thousand in the year ended 31 December 2018. The increase was primarily due to the Commit Acquisition and increase in number of sold handheld fundus cameras.

The following table presents the Company's revenue by operating segment for the years ended 31 December 2018 and 2017.

Revenue by operating segment	**Year ended 31 December**		**Change**
In EUR million	**2018**	**2017**	**%**
	(audited)		
Devices	7,460	6,899	8.1
Software	5,273	-	-
Total	**12,733**	**6,899**	**84.6**

An analysis of the Company's revenue by operating segment is set forth below:

The Company's revenue from the Devices segment increased by EUR 561 thousand, or 8.1 percent in the year ended 31 December 2018 from EUR 6,899 thousand in the year ended 31 December 2017 to EUR 7,460 thousand in the year ended 31 December 2018. The increase was primarily due to growth in the Chinese market, launch of the Company's fifth generation handheld fundus camera Aurora and a substantial OEM backlog. In addition, the Company added additional distributors to its distribution network.

The Company's revenue from the Software segment increased by EUR 5,273 thousand the year ended 31 December 2018 from EUR 0 thousand in the year ended 31 December 2017 to EUR 5,273 thousand in the year ended 31 December 2018. The Company's Software segment comprises the acquired company Commit; Oy, which Optomed acquired in March 2018.

Other operating income

The Company's other operating income increased by EUR 601 thousand, or 208.7 percent in the year ended 31 December 2018 from EUR 288 thousand in the year ended 31 December 2017 to EUR 889 thousand in the year ended 31 December 2018. The increase was primarily due to grants received from the EU Horizon 2020 funding programme for research and innovation.

Materials and services

The Company's material and services costs increased by EUR 1,450 thousand, or 46.5 percent in the year ended 31 December 2018 from EUR 3,118 thousand in the year ended 31 December 2017 to EUR 4,568 thousand in the year ended 31 December 2018. The increase was primarily due to the Commit Acquisition and increase in number of sold handheld fundus cameras.

Gross profit

The Company's gross profit increased by EUR 4,985 thousand, or 122.5percent in the year ended 31 December 2018 from EUR 4,069 thousand in the year ended 31 December 2017 to EUR 9,054 thousand in the year ended 31 December 2018. The increase was primarily due to the change in segment mix due to the Commit Acquisition and the EU Horizon 2020 grant (see "*Business of the Company – Material Agreements – Debt and Other Financing Agreements*").

Employee benefit expenses

The Company's employee benefit expenses increased by EUR 1,475 thousand, or 40.3 percent in the year ended 31 December 2018 from EUR 3,662 thousand in the year ended 31 December 2017 to EUR 5,137 thousand in the year ended 31 December 2018. The increase was primarily due to the Commit Acquisition.

Depreciation, amortisation and impairment losses

The Company's depreciation, amortisation and impairment losses increased by EUR 767 thousand, or 73.5 percent in the year ended 31 December 2018 from EUR 1,043 thousand in the year ended 31 December 2017 to EUR 1,810 thousand in the year ended 31 December 2018. The increase was primarily due to amortisation of capitalised development expenses, amortisation of the purchase price allocation and fair value adjustments related to the Commit Acquisition and depreciation of machinery and equipment.

Other operating expenses

The Company's other operating expenses increased by EUR 663 thousand, or 30.2 percent in the year ended 31 December 2018 from EUR 2,192 thousand in the year ended 31 December 2017 to EUR 2,855 thousand in the year ended 31 December 2018. The increase was primarily due to the Commit Acquisition and a one-time acquisition related expense of EUR 191 thousand.

Finance income

The Company's financial income decreased by EUR 113 thousand, or 83.7 percent in the year ended 31 December 2018 from EUR 135 thousand in the year ended 31 December 2017 to EUR 22 thousand in the year ended 31 December 2018. The decrease was primarily due to lower foreign exchange gains in 2018 compared to 2017.

Finance expenses

The Company's financial expenses increased by EUR 381 thousand, or 193.4 percent in the year ended 31 December 2018 from EUR 197 thousand in the year ended 31 December 2017 to EUR 578 thousand in the year ended 31 December 2018. The increase was primarily due to higher interest expenses for loans related to the Commit Acquisition and a loss on sale of shares.

Income taxes

The Company's income taxes increased by EUR 27 thousand, or 900.0 percent for the year ended 31 December 2018 from an income tax profit of EUR 3 thousand in the year ended 31 December 2018 to an income tax expense of EUR 24 thousand in the year ended 31 December 2018. The increase in income taxes was primarily due to the Commit Acquisition.

The year ended 31 December 2017 compared to the year ended 31 December 2016

Revenue

The Company's revenue increased by EUR 290 thousand, or 4.4 percent in the year ended 31 December 2017 from EUR 6,609 thousand in the year ended 31 December 2016 to EUR 6,899 thousand in the year ended 31 December 2017. The increase was primarily due to increased sale of handheld fundus cameras in China in combination with the addition of new distributors to the Company's distribution network.

Other operating income

The Company's other operating income increased by EUR 135 thousand, or 88.2 percent in the year ended 31 December 2017 from EUR 153 thousand in the year ended 31 December 2016 to EUR 288 thousand in the year ended 31 December 2017. The increase was primarily due to grants received from research and development from the EU Horizon 2020 funding programme and Business Finland (previously Tekes).

Materials and services

The Company's material and services costs increased by EUR 128 thousand, or 4.3 percent in the year ended 31 December 2017 from EUR 2,990 thousand in the year ended 31 December 2016 to EUR 3,118 thousand in the year ended 31 December 2017. The increase was primarily due to the increase in sales of fundus cameras, mainly driven by the Chinese market.

Gross profit

The Company's gross profit increased by EUR 297 thousand, or 7.9 percent in the year ended 31 December 2017 from EUR 3,772 thousand in the year ended 31 December 2016 to EUR 4,069 thousand in the year ended 31 December 2017. The increase was primarily due to increased sales of cameras in China, new distributors and the EU Horizon 2020 grant and grants from Business Finland (see "*Business of the Company – Material Agreements – Debt and Other Financing Agreements*").

Employee benefit expenses

The Company's employee benefit expenses increased by EUR 558 thousand, or 18.0 percent in the year ended 31 December 2017 from EUR 3,104 thousand in the year ended 31 December 2016 to EUR 3,662 thousand in the year ended 31 December 2017. The increase was primarily due to strengthening of the organisation through personnel recruitment and share-based payment plans.

Depreciation, amortisation and impairment losses

The Company's depreciation, amortisation and impairment losses increased by EUR 297 thousand, or 39.8 percent in the year ended 31 December 2017 from EUR 746 thousand in the year ended 31 December 2016 to EUR 1,043 thousand in the year ended 31 December 2017. The increase was primarily due to depreciation of investment in machinery and equipment for research and development and tool and test equipment for manufacturing.

Other operating expenses

The Company's other operating expenses decreased by EUR 340 thousand, or 13.4 percent in the year ended 31 December 2017 from EUR 2,532 thousand in the year ended 31 December 2016 to EUR 2,192 thousand in the year ended 31 December 2017. The decrease was primarily due to lower office and research and development expenses.

Finance income

The Company's financial income increased by EUR 129 thousand, or 2150.0 percent in the year ended 31 December 2017 from EUR 6 thousand in the year ended 31 December 2016 to EUR 135 thousand in the year ended 31 December 2017. The increase was primarily due to favourable foreign exchange gains.

Finance expenses

The Company's financial expenses increased by EUR 41 thousand, or 26.3 percent in the year ended 31 December 2017 from EUR 156 thousand in the year ended 31 December 2016 to EUR 197 thousand in the year ended 31 December 2017. The increase was primarily due to interest expenses related to loans from OP Bank.

Income taxes

The Company's income tax profit was EUR 3 thousand both for the years ended 31 December 2017 and 2016. The income tax profit relates primarily to deferred tax liabilities which have been recorded.

Liquidity and Capital Resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the requirements of its business operations, including working capital need, debt service obligations, capital expenditures, contractual obligations and other commitments.

The Company's financial condition and liquidity is and will continue to be influenced by a variety of factors, including:

- Its ability to generate cash flows from its operations;
- the level of its outstanding indebtedness and the indebtedness of its subsidiaries, and the interest it is obligated to pay on such indebtedness, which affects its net financial expense;
- its ability to continue to borrow funds from financial institutions; and
- its external growth funding requirements.

The Company's primary funding requirements consist of its working capital needs, capital expenditure, servicing its indebtedness, in addition to its operating activities and taxes.

Cash flow

The following table presents a summary of the Company's consolidated statement of cash flow data for the nine months ended 30 September 2019 and 2018, and for the years ended 31 December 2018, 2017 and 2016:

	Nine months ended 30 September		Year ended 31 December		
In EUR thousand	**2019**	**2018**	**2018**	**2017**	**2016**
Net cash flow used in operating activities	(1,839)	(1,451)	(76)	(766)	(810)
Net cash flow used in investing activities	(1,026)	(8,587)	(8,765)	(1,906)	(1,889)
Net cash flow from financing activities	2,584	10,072	9,814	2,142	1,505
Net change in cash and cash equivalents	**(281)**	**(435)**	**972**	**(530)**	**(1,195)**
Effect of movement in exchange rate on cash held	2	(11)	(5)	(59)	(5)
Cash and cash equivalents at the end of the period	**1,721**	**1,055**	**2,000**	**1,032**	**1,621**

The nine months ended 30 September 2019 compared to the nine months ended 30 September 2018

Net cash used in operating activities

The cash flow used in operating activities was EUR 1,839 thousand for the nine months ended 30 September 2019 compared to a negative EUR 1,451 thousand for the nine months ended 30 September 2018. The increase in cash used was primarily due to increased losses for the period, as a result of the factors described under "– *Results of Operations – The nine months ended 30 September 2019 compared to the nine months ended 30 September 2018*". The increase in losses for the period was to some extent offset by positive impact from the change in cash flow.

Net cash used in investing activities

The cash flow used in the investing activities was EUR 1,026 thousand for the nine months ended 30 September 2019 compared to a negative EUR 8,587 thousand for the nine months ended 30 September 2018. The decrease in cash used was primarily due to no cash flow used for acquisition compared to 2018 when Commit; Oy was acquired in March 2018.

Net cash from financing activities

The cash flow from financing activities was EUR 2,584 thousand for the nine months ended 30 September 2019 compared to a cash flow of EUR 10,072 thousand for the nine months ended 30 September 2018. The decrease in cash from financing activities was primarily due to the Commit Acquisition in 2018 where EUR 5,500 thousand was proceeds from share subscription and EUR 5,178 thousand from loans and borrowings. The cash flow from financing activities increased due to a share issue of EUR 3,000 thousand to current shareholders during the nine month period ended 30 September 2019. The directed share issue was conducted to strengthen the Company's financial position.

The year ended 31 December 2018 compared to the year ended 31 December 2017

Net cash used in operating activities

The cash flow used in operating activities was EUR 76 thousand for the year ended 31 December 2018 compared to EUR 766 thousand for the year ended 31 December 2017. The increase was primarily due to an increase in revenue as a result of the factors described under "– *Results of Operations – The year ended 31 December 2018 compared to the year ended 31 December 2017 – Revenue*", also in connection to which components of working capital, in particular trade and other receivables, had grown, which reduced the relative growth of cash flow from operating activities.

Net cash used in investing activities

The cash flow used in the investing activities was EUR 8,765 thousand for the year ended 31 December 2018 compared to EUR 1,906 thousand for the year ended 31 December 2017.The increase in cash used was primarily due to the acquisition of subsidiary. Net cash acquired in the year ended 31 December 2018 amounted to EUR 7,604 thousand. The decrease in acquisition of intangible and tangible assets for the year ended 31 December 2018 compared to the year ended 31 December 2017 had a decreasing effect on the cash used in investing activities.

Net cash from financing activities

The cash flow from financing activities was EUR 9,814 thousand for the year ended 31 December 2018 compared to a cash flow of EUR 2,142 thousand for the year ended 31 December 2017. The increase in cash from financing activities was primarily due to the fact that the Company issued shares against payment amounting to EUR 5,500 thousand.

The year ended 31 December 2017 compared to the year ended 31 December 2016

Net cash used in operating activities

The cash flow used in operating activities was EUR 766 thousand for the year ended 31 December 2017 compared to EUR 810 thousand for the year ended 31 December 2016. The increase was primarily due to an increase in revenue as a result of the factors described under "– *Results of Operations – The year ended 31 December 2017 compared to the year ended 31 December 2016 – Revenue*"'

Net cash used in investing activities

The cash flow used in investing activities was EUR 1,906 thousand for the year ended 31 December 2017 compared to EUR 1,889 thousand for the year ended 31 December 2016. The increase was primarily due to an increase in acquisition of tangible assets. The decrease in acquisition of intangible assets relating to capitalised development expenses for the year ended 31 December 2017 compared to the year ended 31 December 2016 had a decreasing effect on the cash used in investing activities.

Net cash from financing activities

The cash flow from financing activities was EUR 2,142 thousand for the year ended 31 December 2017 compared to a cash flow of EUR 1,505 thousand for the year ended 31 December 2016. The increase in cash from financing activities was primarily due to the increase in proceeds from loans and borrowings, amounting to EUR 2,721 thousand for the year ended 31 December 2017 compared to EUR 390 thousand for the year ended 31 December 2016.

Capital expenditure

The Company's total capital expenditures amounted to EUR 1,087 thousand, or 10.2 percent of revenue for the nine months ended 30 September 2019. The capital expenditures consisted primarily of capitalised development expenses and investments in machinery and equipment.

The Company's total capital expenditures amounted to EUR 11,054 thousand, or 86.8 percent of its revenue for the year ended 31 December 2018. The Company's capital expenditures in the year ended 31 December 2018 primarily related to the Commit Acquisition, as well as investments in R&D and testing equipment and capitalised development expenses and investments into the Company's new ERP system.

The Company's total capital expenditures amounted to EUR 2,124 thousand, or 30.8 percent of its revenue for the year ended 31 December 2017. The Company's capital expenditures in the year ended 31 December 2017 primarily related to investments in R&D and testing equipment and capitalised development expenses.

The Company's total capital expenditures amounted to EUR 1,920 thousand, or 29.0 percent of its revenue for the year ended 31 December 2016. The Company's capital expenditures in the year ended 31 December 2016 primarily related to investments in R&D and testing equipment and capitalised development expenses.

The Company currently has no significant ongoing investment projects. Furthermore, the Company has not made any final decisions on any significant investment projects that have not started as at the date of this Prospectus.

Working capital statement

The Company estimates its current working capital is sufficient to meet the requirements of the Company for at least the twelve months following the date of this Prospectus.

Contractual obligations

The table below analyses financial liabilities based on their contractual maturities. The amounts disclosed are undiscounted, comprising both interest payments and repayments of capital.

As at 31 December 2018

In EUR thousand	Total	0-3 months	3-12 months	2-3 years	4-5 years	Over 5 years
Borrowings from financial institutions[1]	7,052	7,052	-	-	-	-
Government loans	3,306	46	187	1,007	1,121	946
Lease liability	1,186	106	319	671	90	-
Trade payables	732	732	-	-	-	-
Total	**12,277**	**7,937**	**507**	**1,677**	**1,211**	**946**

[1)] Borrowings from financial institutions relate mainly to the financing of the Commit Acquisition and financing for working capital purposes.

As at 31 December 2017

In EUR thousand	Total	0-3 months	3-12 months	2-3 years	4-5 years	Over 5 years
Borrowings from financial institutions	3,328	96	279	1,102	1,258	594
Government loans	3,442	28	233	672	1,131	1,379
Lease liability	1,560	55	318	772	414	-
Trade payables	522	522	-	-	-	-
Total	**8,853**	**701**	**830**	**2,546**	**2,803**	**1,973**

Balance sheet

The following table presents a summary of the Company's consolidated balance sheet data as at 30 September 2019 and 2018, and as at 31 December 2018, 2017 and 2016:

	As at 30 September		As at 31 December		
In EUR thousand	**2019**	**2018**	**2018**	**2017**	**2016**
ASSETS	**(unaudited)**			**(audited)**	
Non-current assets					
Goodwill	4,256	4,256	4,256	-	-
Development costs	5,257	5,089	5,172	4,816	3,954
Customer relationships	1,885	2,108	2,051	-	-
Technology	865	969	942	-	-
Other intangible assets	418	243	376	166	123
Tangible assets	507	726	739	631	470
Right-of-use assets	795	1,184	1,084	593	528
Financial instruments at fair value	-	404	-	-	-
Deferred tax assets	8	7	8	6	3
Total non-current assets	**13,991**	**14,984**	**14,627**	**6,211**	**5,079**
Current assets					
Inventories	2,335	1,280	1,121	1,057	1,583
Trade receivables	2,724	2,021	2,871	962	1,019
Other receivables	1,020	1,253	528	658	726
Cash and cash equivalents	1,721	1,055	2,000	1,032	1,621
Total current assets	**7,801**	5,609	**6,519**	**3,709**	**4,949**
Total assets	**21,791**	**20,593**	**21,146**	**9,920**	**10,028**

EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	19	19	19	19	19
Share premium	565	565	565	565	565
Reserve for invested non-restricted equity	21,549	18,549	18,549	13,049	13,049
Translation difference	93	72	75	62	230
Retained earnings	(16,123)	(14,149)	(13,656)	(12,532)	(10,340)
Total equity	**6,102**	**5,055**	**5,552**	**1,162**	**3,523**
Non-current liabilities					
Borrowings from financial institutions	5,332	6,210	-	1,950	61
Government loans	3,117	3,256	2,993	3,013	2,478
Lease liabilities	487	829	727	435	442
Preference share liability	721	685	694	658	622
Deferred tax liabilities	635	812	693	-	-
Total non-current liabilities	**10,292**	**11,792**	**5,107**	**6,055**	**3,603**
Current liabilities					
Borrowings from financial institutions	1,458	766	7,010	389	116
Government loans	168	139	204	180	562
Subordinated loans	-	-	-	-	28
Lease liabilities	346	390	393	187	103
Trade payable	1,160	759	732	522	668
Other payables	2,265	1,693	2,148	1,423	1,426
Total current liabilities	**5,397**	**3,746**	**10,487**	**2,703**	**2,903**
Total liabilities	**15,689**	**15,538**	**15,594**	**8,758**	**6,506**
Total equity and liabilities	**21,791**	**20,593**	**21,146**	**9,920**	**10,028**

Assets

Non-current assets

The total non-current assets in the balance sheet as at 30 September 2019 amounted to EUR 13,991 thousand, a decrease of EUR 993 thousand, or 6.6 percent, as compared to EUR 14,984 thousand as at 30 September 2018. The decrease was primarily due to amortisation of intangible assets and depreciation of tangible assets, and to some extent offset by an increase in capitalised development costs.

The total non-current assets in the balance sheet as at 31 December 2018 amounted to EUR 14,627 thousand, an increase of EUR 8,416 thousand, or 135.5 percent as compared to EUR 6,211 thousand as at 31 December 2017. The increase was primarily due to the Commit Acquisition from which the Company recorded an increase of EUR 4,256 thousand in goodwill, an increase of EUR 2,051 thousand in customer relationship and an increase of EUR 942 thousand in technology.

The total non-current assets in the balance sheet at 31 December 2017 amounted to EUR 6,211 thousand, an increase of EUR 1,132 thousand, or 22.3 percent, as compared to EUR 5,079 thousand as at 31 December 2016. The increase was primarily due to increase in intangible assets as a result of the Company's research and development work.

Current assets

The total current assets in the balance sheet as at 30 September 2019 amounted to EUR 7,801 thousand, an increase of EUR 2,192 thousand, or 39.1 percent, as compared to EUR 5,609 thousand at 30 September 2018. The increase was primarily due to an increase in inventories and trade receivables and an increase in cash and cash equivalents as a result of the share issue during the nine month period ended 30 September 2019.

The total current assets in the balance sheet as at 31 December 2018 amounted to EUR 6,519 thousand, an increase of EUR 2,810 thousand, or 75.8 percent, as compared to EUR 3,709 thousand as at 31 December 2017. The increase was primarily due to an increase in trade receivables, and an increase in cash and cash equivalents as a result of proceeds received from issuing shares and withdrawal of short-term loans from financial institutions.

The total current assets in the balance sheet as at 31 December 2017 amounted to EUR 3,709 thousand, a decrease of EUR 1,240 thousand, or 25.1 percent, as compared to EUR 4,949 thousand as at 31 December 2016. The decrease was primarily due to a decrease in inventory, trade receivables, other receivables and cash and cash equivalents.

Equity and liabilities

Equity

The total equity in the balance sheet as at 30 September 2019 amounted to EUR 6,102 thousand, an increase of EUR 1,047 thousand, or 20.7 percent, as compared to EUR 5,055 thousand as at 30 September 2018. The increase was primarily due to an increase for invested non-restricted equity as a result of the share issue during the nine month period ended 30 September 2019. The increase from the share issue was to some extent offset by the loss for the period.

The total equity in the balance sheet as at 31 December 2018 amounted to EUR 5,552 thousand, an increase of EUR 4,390 thousand, or 377.8 percent, as compared to EUR 1,162 thousand as at 31 December 2017. The increase was primarily due to the share issue amounting to EUR 5,500 thousand in 2018.

The total equity in the balance sheet as at 31 December 2017 amounted to EUR 1,162 thousand, a decrease of EUR 2,361 thousand, or 67.0 percent, as compared to EUR 3,523 thousand as at 31 December 2016. The decrease was primarily due to the decrease in retained earnings as a result of the loss for the year ended 31 December 2017.

Non-current liabilities

The total non-current liabilities in the balance sheet as at 30 September 2019 amounted to EUR 10,292 thousand, a decrease of EUR 1,500 thousand, or 12.7 percent as compared to EUR 11,792 thousand as at 30 September 2018. The decrease was primarily due to reclassification from non-current liabilities to current liabilities of borrowings from financial institutions and reduced lease liabilities.

The total non-current liabilities in the balance sheet as at 31 December 2018 amounted to EUR 5,107 thousand, a decrease of EUR 948 thousand, or 15.7 percent, as compared to EUR 6,055 thousand as at 31 December 2017. The decrease was primarily due to the reclassification to current liabilities of borrowings from financial institutions, partially offset by an increase in deferred tax liability related to the Commit Acquisition.

The total non-current liabilities in the balance sheet as at 31 December 2017 amounted to EUR 6,055 thousand, an increase of EUR 2,452 thousand, or 68.1 percent, as compared to EUR 3,603 thousand as at 31 December 2016. The increase was primarily due to the withdrawal of borrowings from financial institutions and increase in government loans.

Current liabilities

The total current liabilities in the balance sheet as at 30 September 2019 amounted to EUR 5,397 thousand, an increase of EUR 1,651 thousand, or 44.1 percent, as compared to EUR 3,746 thousand as at 30 September 2018. The increase was primarily due to reclassification from non-current liabilities to current liabilities of borrowings from financial institutions and increased accounts payables.

The total current liabilities in the balance sheet as at 31 December 2018 amounted to EUR 10,487 thousand, an increase of EUR 7,784 thousand, or 288.0 percent, as compared to EUR 2,703 thousand as at 31 December 2017. The increase was primarily due to an increase in borrowings from financial institutions and other reclassification from non-current liabilities of borrowings from financial institutions and other payables.

The total current liabilities in the balance sheet as at 31 December 2017 amounted to EUR 2,703 thousand, a decrease of EUR 200 thousand, or 6.9 percent, as compared to EUR 2,903 thousand as at 31 December 2016. The decrease was primarily due to repayment of subordinated loans.

Contingent Liabilities and Off-Balance Sheet Arrangements

The following table presents a summary of the Company's collateral and other contingent liabilities as at 30 September 2019 and 2018 and as at 31 December 2018, 2017 and 2016.

	As at 30 September		As at 31 December		
In EUR thousand	**2019**	**2018**	**2018**	**2017**	**2016**
	(unaudited)			**(audited)**	
Liabilities secured under company mortgages given by Optomed					
Borrowings from financial institutions, current	1,458	766	525	570	677
Borrowings from financial institutions, non-current	5,332	6,210	9,691	4,991	2,567
Total	**6,790**	**6,976**	**10,216**	**5,560**	**3,245**
Guarantees					
Delivery guarantee, Fabrinet (USD)	800	500	500	500	500
Delivery guarantee, Sanmina Corporation (EUR)	-	5	-	400	400

Financial Risk Management

General

The Company is exposed to various financial risks in the course of normal business activities. The objective of the Company's risk management is to minimise the negative effects of changes in the financial markets on its profit and financial position. The Company's main financial risks are interest rate risk, currency risk, credit risk, liquidity risk and commodity risk. The Company does not apply hedge accounting according to IFRS 9.

Interest rate risk

The Company's interest rate risk is primarily derived from outstanding floating-rate borrowings from financial institutions. In the Company's view the interest rate risk is not significant, the Company's revenue and operating cash flows are to a large extent independent of fluctuations in interest rates.

During the financial year of 2018, the Company's weighted average market interest rate for financial loans has been 0.50 percent compared to 0.51 percent for the financial year ended 31 December 2017.

The Company manages interest rate risk by projecting its outstanding net debt for the next 12 months on a rolling basis. In addition, the Group uses likely interest rate scenarios to identify the effect interest rate risk could have on Optomed's result and key figures. As the interest rate risk is not significant for the Group, Optomed has not used derivative instruments to hedge financial liabilities against changes in market interest rates.

Currency risk

Due to its international operations, Optomed is exposed to transaction risks arising from foreign currency positions and risks from investments denominated in foreign currencies translated into the functional currency of the parent Company.

The Company has subsidiaries in China. So far, the translation difference has not been a significant item, and thus the Company has not hedged this risk by using currency derivative instruments.

The Company's trade receivables and trade payables may be denominated in foreign currencies and thus prone to foreign exchange transaction risk. Foreign exchange transaction risk may also arise from tangible assets subject to price changes due to volatility in exchange rates.

The Company has foreign positions denominated in Chinese Renminbi and United States Dollar. Transaction is managed by actively monitoring currency positions, i.e. absolute amounts. Should the absolute amounts for currency positions increase significantly, the Company may consider using currency hedging derivative instruments for hedging purposes where necessary.

Credit risk

Credit and counterparty risk arise from a counterparty not being able to fulfil its contractual requirements, and thus resulting in a loss to the creditor. Trade receivables are the main driver of credit and counterparty credit risk. Counterparty risk results from receivables from companies with which the Group provides credit.

The Company considers it has no significant credit risk concentrations. Credit risk is actively managed, in order to avoid such concentrations.

The Company manages counterparty credit risk by using credit limits approved by the Board of Directors and only dealing with authorised counterparties when it comes to financing activities such as letter of credit. Optomed has policies in place to ensure that products are sold and services provided only to those clients with appropriate credit history. Client credit data is reviewed prior to signing of the agreement. Receivable collection and follow-up are performed actively and streamlined by the recourse factoring agreement with a Finnish financial institution. In the recourse factoring arrangement the financial institution manages collection activities and partly guarantees receivables but the final risk remains with Optomed. The arrangement reduces the Group's credit risk and improves liquidity. The Company also manages counterparty credit risk with advance payments and letter of credit. The maximum exposure to credit risk at the end of the financial year is the carrying amount of financial assets.

Liquidity risk

Liquidity risk is incurred from a potential mismatch between the Company's liquid assets and financing requirements. The Company adheres to careful liquidity risk management and aims to ensure sufficient liquidity even in difficult circumstances. The Company manages liquidity risk by ensuring that non-current liabilities have different maturities and by limiting individual receivables. The Company also aims at ensuring liquidity through credit instruments. The liquidity

of the Company is monitored and forecast over a 12-month period and, if necessary, short-term liquidity is monitored. Liquidity is followed up on a rolling basis and any changes are addressed promptly.

The liquidity reserve comprises highly liquid assets that can be used without delay to cover financial obligations at all times. The Company aims at ensuring that it always has the amount of liquid funds available to fund operations. The liquidity reserve includes the following components: cash and cash equivalents, liquid investments and credit limits.

Commodity risk

The Company's profitability is affected by the prices and availability of the components and raw materials used in the manufacture of its products. The Company uses a range of components, such as electronical components, the price of which depend, to a certain degree, on market prices and the availability of sources and suppliers to provide the required quantity and quality of material to meet the Company's production needs. In addition, some of the components purchased by the Company for use in its products include a varying degree of raw material content, such as electronical components consisting of a varying degree of precious metals and are thus subject to price changes based on fluctuations in the cost of the underlying raw materials.

The Company manages supplier and pricing risk by different level of control methods which stabilise the pricing of components. Through manufacturing and supply agreements the Company stabilises pricing for six to twelve months ahead. The Company also engages in frame orders of critical components which are based on constant prices for 12 to 24 months ahead. To ensure component availability for production and manufacturing, the Company's EMS partner holds a safety stock of critical components at the assembly location.

Capital management

The Company's objective in capital management is to maintain optimal capital structure in order to secure normal operating conditions and to optimise cost of capital to create value to shareholders. For capital management purposes, Optomed manages equity as indicated in the consolidated balance sheet. The equity is mainly influenced through share issues and restructuring of loans and borrowings. The Group is not subject to externally imposed capital requirements. The Company's management and the Board of Directors monitor the Company's capital structure and liquidity development. The objective of this monitoring is to ensure the Company's liquidity and flexibility of capital structure in order to fulfil the growth strategy.

The Company's capital structure development is monitored through a number of ratios including change in Net Debt, ratio of Net Debt to adjusted EBITDA and Equity ratio. The Company's Equity ratio based on IFRS was 26.3 percent as at 31 December 2018, compared to 11.7 percent as at 31 December 2017. The ratio is calculated by dividing equity with total assets. In addition, the Company's loan agreements include an equity ratio covenant, which is calculated based on Finnish Accounting Standards, see "*Business of the Company – Material Agreements – Debt and Other Financing Agreements*". Due to the terms of the loan agreements, the Company monitors its capital structure development also with equity ratio calculated based on Finnish Accounting Standards.

Critical Accounting Estimates and Judgements

Preparation of the financial statements requires certain estimates and assumptions that may result in differences between the realised outcomes and these estimates. In addition, the application of accounting policies requires judgement. Estimates and judgements are based on prior experiences and other factors, such as assumptions regarding future events. The critical items requiring management's judgement are presented below.

Goodwill impairment testing

The preparation of calculations for the impairment testing of goodwill requires estimates regarding the future. The management's estimates and related critical uncertainties are related to the components of the recoverable amount calculation, including development of sales, production costs and sales growth rate. The discount rate reflects current assessments of the time value of money and the total cost of equity and debt while considering the asset-specific risks. The discount rate used and estimated steady growth rate, including sensitivity analyses, are presented in note 13.3.2 to the Company's audited financial statements for the periods ended 31 December 2018, 2017 and 2016 presented in this Prospectus as Annex D.

Fair value adjustments of the intangible assets identified in the Commit acquisition

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The Company has relied on an external advisor on the estimates of the fair values of the assets and liabilities. In respect of intangible assets, fair value measurement is based on estimated future cash flows expected to be derived from the assets. The key assumptions and estimations involved with the Commit Acquisition were the identification and valuation of intangible assets which require the estimation of future cash flow.

Capitalisation of development costs

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Capitalised development costs comprise all directly attributable costs (mainly labour) necessary to prepare the asset to be capable of operating in the manner intended. Optomed capitalises such costs when it considers that certain criteria have been met, such as the intangible asset being available for use or sale, Optomed being able to demonstrate how the intangible asset will generate probable future economic benefits, adequate technical, financial and other resources to complete the development and to use or sell the intangible asset being available, and Optomed being able to reliably measure the expenditure attributable to the intangible asset during its development. Detailed information on capitalisation of development costs is presented in note 13.1 to the Company's audited financial statements for the periods ended 31 December 2018, 2017 and 2016 presented in this Prospectus as Annex D.

New and Amended Standards and Interpretations

The Company has not yet adopted the following amended standards and interpretions already issued by the IASB. The Company will adopt these pronouncements as of the effective date of each of the pronouncements, or if the effective date is not the first day of the financial year, as of the beginning of the next financial year following the effective date. Detailed information on these new and amended standards and interpretations has been presented in note 1.2.7 to the Company's audited consolidated financial statements for the years ended 31 December 2018, 2017 and 2016 presented in this Prospectus as Annex D.

- IFRIC 23 Uncertainty over income tax treatments (effective for financial years beginning on or after 1 January 2019).
- Amendments to IFRS 9 Financial instruments – Prepayment features with negative compensation (effective for financial years beginning on or after 1 January 2019).
- Annual improvements to IFRSs (2015-2017 cycle) (effective for financial years beginning on or after 1 January 2019).
- Amendments to references to conceptual framework in IFRS standards (effective for financial years beginning on or after 1 January 2020).
- Amendments to IFRS 3 Business combinations – Definition of a Business (effective for financial years beginning on or after 1 January 2020).
- Amendments to IAS 1 Financial statements: Presentation and IAS 8 Accounting policies, changes in accounting estimates and errors – Definition of material (effective for financial years beginning on or after 1 January 2020).

Currently Optomed believes that the adoption of these pronouncements will not have a significant effect on the future consolidated financial statements.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

General

Pursuant to the provisions of the Finnish Companies Act and the Articles of Association of the Company, the management and governance of the Company are divided between the shareholders, the Board of Directors and the Chief Executive Officer of the Company (the "**CEO**"). In addition, the Leadership Team assists the CEO in the operations of the Company.

The shareholders of Optomed exercise their decision-making power at the Company's General Meeting of Shareholders. According to the Articles of Association, the Annual General Meeting of Shareholders shall be held annually within six months of the expiration of the financial period. The matters to be dealt with in the Annual General Meeting of Shareholders are defined in the Finnish Companies Act and in the Articles of Association of the Company.

The shareholder participates in the administration and management of the Company through resolutions passed at the General Meetings of Shareholders. The General Meeting of Shareholders of the Company is convened upon notice given by the Board of Directors. In addition, a General Meeting of Shareholders of the Company is held when requested in writing by the auditor of the Company or by shareholders representing at least one-tenth of all the Shares in order to discuss a certain matter.

Corporate Governance

In addition to applicable laws, the rules and recommendations of Nasdaq Helsinki, and the Articles of Association, the Company will apply the Finnish Corporate Governance Code 2015. However, as at the date of this Prospectus, the Company deviates from recommendation 8 of the Finnish Corporate Governance Code regarding the composition of the Board of Directors as both genders are not currently represented in the Board of Directors. The election of the most recent members of the Board of Directors was based on their experience and industry competence and the election took place prior to the Company having decided to comply with the Finnish Corporate Governance Code. The Company considers the diverse composition of the Board of Directors important and will strive to have, where possible, representatives of both genders on the Board of Directors.

The Finnish Corporate Governance Code 2015 is issued by the Finnish Securities Market Association, and it is publicly available on the website of the Finnish Securities Market Association at www.cgfinland.fi.

Board of Directors

Pursuant to the Company's Articles of Association, the Board of Directors shall comprise of a minimum of 5 and a maximum of 8 members. The Annual General Meeting elects the members of the Board of Directors. The term of office of the members of the Board of Directors will expire at the end of the next Annual General Meeting following the election.

The Board of Directors has general competence to decide and act in all matters not reserved for other corporate governing bodies by law or under the provisions of the Company's Articles of Association. The Board of Directors is responsible for the Company's administration and the appropriate organisation of its operations. The Board of Directors decides on Company and Group wide significant matters of principal importance. The Board of Directors appoints and dismisses the CEO, supervises his or her actions and decides on his or her remuneration and other terms and conditions of employment. The Board of Directors also makes decisions on the strategy, key investments, organisation and financial affairs of the Company. In addition, the Board of Directors monitors and assesses the Company's financial performance and position and reviews and approves the Company's interim reports and financial statements. In all situations, the Board of Directors must act in accordance with the best interest of the Company.

The Board of Directors has established and approved a written charter for its work to complement the Articles of Association and applicable laws and regulations. The charter of the Board of Directors describes the composition of the Board of Directors and the selection of directors, the responsibilities of the Board of Directors, meeting practices and division of tasks within the Board of Directors.

The Board of Directors convenes regularly, with the exception of July, and at least six times per financial year and as required. The Board of Directors receives current information on the operations, financial situation, market and competitive situation and risks of the Group in its meetings. Meetings of the Board of Directors are attended by the CEO, the Chief Financial Officer and the Chief Legal Officer (who acts as secretary to the Board of Directors). Members of the Leadership Team and other representatives of the Company may attend meetings of the Board of Directors at the invitation of the Chairman of the Board of Directors. Minutes are kept of all meetings. The Board of Directors conducts an annual evaluation of its and its committees' performance and working methods. The Board of Directors constitutes a quorum when more than half of the elected members are present. When this proportion is calculated, disqualified members are excluded.

As at the date of this Prospectus, all current members of the Board of Directors are independent of the Company, with the exception of Petri Salonen, who currently acts as a consultant to the Company and receives a monthly consultancy fee for his services. As at the date of this Prospectus, Anders Torstensson, Reijo Tauriainen and Seppo Mäkinen are independent of the major shareholders of Optomed and other current members of the Board of Directors are not independent of Optomed's major shareholders.

The following table presents the members of the Board of Directors as at the date of this Prospectus:

Name	Year of birth	Citizenship	Position	Appointed to the Board of Directors
Petri Salonen	1958	Finnish	Chairman of the Board of Directors	2006
Matthew Hallam	1972	British	Member of the Board of Directors	2018
Seppo Mäkinen	1952	Finnish	Member of the Board of Directors	2019
Ingo Ramesohl	1969	German	Member of the Board of Directors	2018
Reijo Tauriainen	1956	Finnish	Member of the Board of Directors	2019
Anders Torstensson	1956	Swedish	Member of the Board of Directors	2008
Jens Umehag	1974	Swedish	Member of the Board of Directors	2019
Jun Wu	1966	United States	Member of the Board of Directors	2014

Petri Salonen (born 1958) has been the Chairman of the Board of Directors of Optomed since 2006. Mr. Salonen serves as the Chairman of the Board of Directors of Delfoi Ltd and as a member of the Boards of Directors of Aura Capital Oy and AW-Energy Oy. In addition, he serves as Sales Director at JAS Partners Oy. Previously, Mr. Salonen was the Chairman and a member of the Board of Directors of Commit; Oy (presently Optomed Software Oy)[107], a member of the Boards of Directors of Chip-Man Technologies Ltd, IonPhasE Ltd and Silicon Laboratories Finland Inc, the Chief Executive Officer of Atbusiness Communications Oyj and Bluegiga Technologies Inc. and the Investment Director of Aura Capital Oy. He holds a Master of Science degree in Shipbuilding Technology, Naval Architecture and Marine Engineering from Aalto University. He is a Finnish citizen.

Matthew Hallam (born 1972) has been a member of the Board of Directors of Optomed since 2018. Mr. Hallam serves as the Finance Director of Keeler Ltd. Previously, Mr. Hallam served as EMEA Divisional Finance Director, Group Financial Planning and Analysis Manager and UK & Nordics Controller at Abbott Laboratories Inc, as well as Finance Manager at Guidant Ltd. He holds a Bachelor of Arts degree in Mathematics and Economics from the University of Liverpool. He is a British citizen.

Seppo Mäkinen (born 1952) has been a member of the Board of Directors of Optomed since 2019. Mr. Mäkinen serves as a member of the Boards of Directors of Bittium Corporation, Neurotar Ltd and Videovisit Ltd, as a deputy member of the Board of Directors of Noribe Group Oy and Taikon Advisor Oy and as Partner at Pathena SGPS. Previously, Mr. Mäkinen was the Chairman of the Boards of Directors of Taikon Advisor Oy and ValiFinn Ltd, and a member of the Board of Directors of ArcDia International Oy Ltd, Coimbra Genomics SA, Evondos ltd, Ginolis Oy, Magnasense Technologies Oy, Med Group Oy, Med Group Holding Oy and Valirx Oy. In addition, he has been Partner at Ventac Partners and Regional Partner at Mérieux Développement SAS, Founding and Managing Partner at BioFund Ventures and Director of Life Sciences at Sitra. He holds a Master of Science degree in Physical Chemistry from the University of Jyväskylä. He is a Finnish citizen.

Ingo Ramesohl (born 1969) has been a member of the Board of Directors of Optomed since 2018. Dr. Ramesohl serves as the Managing Director of Robert Bosch Venture Capital GmbH. Previously, Dr. Ramesohl served as Vice President of Robert Bosch GmbH, as General Manager at United Automotive Electronic Systems Co. Ltd, as Director at Korea Automotive Motor Cooperation (KAMCO), as well as other managerial positions at Robert Bosch GmbH. He holds a doctoral degree in Electrical Engineering from RWTH Aachen University. He is a German citizen.

Reijo Tauriainen (born 1956) has been a member of the Board of Directors of Optomed since 2019. Mr. Tauriainen serves as the Chairman of the Boards of Directors of Arvo Invest Nordic Oy, Meka Pro Oy, Pohjanmaan Arvo Sijoitusosuuskunta and Unipro Oy Ltd, as a member of the Boards of Directors of Champion Door Oy, Hoivatilat Plc, Lapwall Oy, Nordic Option Oy, Propria Oy, Temotek Oy and Temotek Palvelut Oy. Previously, Mr. Tauriainen was the Chairman of the Boards of Directors of Nordic Option Oy, Oulun Ydinkeskustan Parkki Oy, Sanerall Group Oy, Technopolis Kiinteistöt Pääkaupunkiseutu Oy, Technopolis Kiinteistöt Oulu Oy and Technopolis Kiinteistöt Tampere Oy, the Chief Executive Officer of Pohjanmaan Arvo Sijoitusosuuskunta, and a member of the Board of Directors and the Chief Financial Officer of Uros Ltd and as the Deputy Chief Executive Officer and Chief Financial Officer of Technopolis Plc. In addition, he has served as a member of the Board of Directors of Technopolis Kuopio Oy, as a deputy member of the Board of

[107] Commit; Oy was acquired by Optomed in 2018. See section "*Business of the Company – Mergers and Acquisitions"* for further information on the acquisition. Mr. Salonen's positions at Commit; Oy refer to the period prior to Commit; Oy being acquired by Optomed.

Directors and the Chief Executive Officer of Technopolis Hitech Oy. He holds a Master of Science degree in Economics from the University of Oulu. He is a Finnish citizen.

Anders Torstensson (born 1956) has been a member of the Board of Directors of Optomed since 2008. Mr. Torstensson serves as the Chairman of the Board of Directors and the Chief Executive Officer of Mankato Management Services GmbH, and as the Chairman of the Boards of Directors of Aava Mobile Oy, Avanzia Communication Centre AG, Canoxa Capital AB, Catalunia Capital AB, Fuerte Holding AB, Kapitalio Financial Group AB, Kapitalio Financial Technologies AB, Nanjing Scandinavian Industrial Campus Limited, and Uppland Kapital AB. Furthermore, Mr. Torstensson also serves as a member of the Boards of Directors and the Chief Executive Officer of Mankato Capital Ltd and Upplandsspar AB and as a member of the Boards of Directors of Lendlink AB, Uppland Kredit AB (publ) and Virteco AB. In addition, he serves as the Chief Executive Officer of International Card Establishment Europe AB, Manager of Apptor Holding GmbH and is self-employed via his sole proprietorship Torstensson Consulting. Previously, Mr. Torstensson was the Chairman of the Board of Directors and a member of the Board of Directors of Xeric AB, the Chairman of the Boards of Directors of ONE Media Holding AB (publ), Mankato Investments AG and Virteco AB, and a member of the Board of Directors of ONE CC AB. Furthermore, Mr. Torstensson has been the Chief Executive Officer of Brightpoint EMA Ltd, Ericsson Mobile Communication AB, Uppland Kredit AB (publ) and Lendlink AB, as well as the Executive VP and General Manager at Ericsson Inc. (North America). He holds a Master of Science degree in Industrial Engineering from Linköping University and has also completed the General Management Program at CEDEP/INSEAD, France. He is a Swedish citizen.

Jens Umehag (born 1974) has been a member of the Board of Directors of Optomed since 2019. Mr. Umehag serves as the Chief Financial Officer of Innovation at Halma Plc and as a Director of Halma Ventures Limited. Previously, Mr. Umehag was a member of the Boards of Directors of Fotech Solutions Ltd, Heliex Power Ltd and Rocket Route Ltd. In addition, he has served as the Chief Financial Officer and Head of Finance Group Technology at BP Ventures Ltd, as Finance Director of Germany & International Key accounts at BP Plc's Castrol subsidiaries in Germany and he has also held several positions ranging from analyst to finance director at BP Ventures Ltd. He holds a Bachelor of Arts degree in European Business Administration from the European Business School, London. He is a Swedish citizen.

Jun Wu (born 1966) has been a member of the Board of Directors of Optomed since 2014. Mr. Wu is the founder, Chairman and Managing Partner of Cenova Capital and serves as a member of the Boards of Directors of Aslan Pharmaceuticals Ltd, Cheng Heng Health Science and Technology Holdings Ltd, Choice Technology Inc, Etongonline Shanghai Medical Consulting Co. Ltd, HK Doctorlink Internet Tech Co. Ltd, Jing Medicine Technology (Shanghai) Ltd, Luqa Ventures Co. Ltd, Shanghai Aohua Photoelectricity Endoscope Co., Shanghai EnsurLink Ltd, Shanghai Lianji Biotechnology Co. Ltd, Shanghai Yao Shi Quan Cloud Health Technology Development Ltd, Start (Shanghai) Pharmaceutical Technology Ltd, Suzhou SceneRay Corporation Ltd, Virtuoso Therapeutics Inc and Vivace Therapeutics Inc. In addition, he serves as a Director at Alnair Investment, Cenova China Healthcare GP IV Ltd, Cenova Management Advisors Ltd, Novoasis Investment Ltd and Ruikang Investment Ltd. Furthermore, Mr. Wu is the co-founder of Shanghai Genomics, Inc. and he has previously served as the Chief Executive Officer, as a member of the Board of Directors and held various managerial positions at Shanghai Genomics, Inc., as well as various managerial positions at GNI Ltd. He holds a Doctor of Philosophy degree in Microbiology and Immunology from the University of California at San Francisco and a Bachelor of Science degree in Biology from San Jose State University. He is a United States citizen.

Committees of the Board of Directors

Overview

The Board of Directors may establish specific committees to assist the Board of Directors in the preparation and performance of the Board of Directors' duties and responsibilities and determine their sizes, compositions and tasks. The Board of Directors has established the following two committees: the Audit Committee and the Remuneration Committee. The Board of Directors has adopted written charters for each committee setting forth the purposes, composition, operations and duties of each committee as well as the qualifications for committee membership. The Board elects the members and the chairman of the committees from among its members.

In addition to the Audit Committee and Remuneration Committee, the Board of Directors may appoint ad hoc committees for the preparation of specific matters. The Board of Directors normally does not approve charters for such committees or release information on their term, composition, number of meetings or the members' attendance rates.

The committees of the Board of Directors do not have independent decision-making authority in matters within the purview of the Board of Directors, but they assist the Board of Directors by preparing such matters. The committees of the Board of Directors shall regularly report on their work to the Board of Directors.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities of the Company's financial reporting process and in monitoring the statutory audit of the Company and to assist the Board of Directors in its oversight of matters pertaining to financial reporting, internal control, internal audit, risk management and related party transactions, and by making proposals on such matters to the Board of Directors. In addition, the duties of the Audit Committee include, among other things, preparing the election of the auditor, the evaluation of the independence of the auditor and, in particular, the provision of non-audit services they offer to the Company and carrying out other tasks assigned to it by the Board of Directors. Among its other duties, the Audit Committee monitors the efficiency of internal control, internal audit and risk management, and monitors the audit process.

The Audit committee consists of at least three members. The members of the Audit Committee may not take part in the daily management of the Company or the Group and a majority of the Committee members must be independent of the Company, and at least one Committee member must be independent of the Company's significant shareholders.

The Audit Committee as a whole must have the expertise and experience required for the performance of the duties and responsibilities of the Audit Committee. Without limiting the applicable requirements, desirable qualifications for Audit Committee members include appropriate understanding of accounting practices and financial reporting, gained through education or experience in performing or overseeing related functions. At least one Audit Committee member must have competence in accounting or auditing, and the Audit Committee members as a whole must have competence relevant to one or several of the sectors in which the Company operates.

The Chairman of the Audit Committee convenes the meetings of the Audit Committee. The Chairman, in consultation with the Audit Committee members determines the meeting schedule and frequency annually and, at the same time, prepares an annual meeting schedule on the primary matters to be considered at each meeting. As a general rule, the Audit Committee convenes at least four times per year.

Reijo Tauriainen serves as the Chairman of the Audit Committee and Petri Salonen, Jens Umehag and Matthew Hallam serve as members of the Audit Committee.

Remuneration Committee

The Remuneration Committee assists the Board of Directors with its responsibilities relating to the evaluation and monitoring of the remuneration of the CEO and other members of the Leadership Team and the preparation of the remuneration policy and remuneration report of the Company's corporate bodies as well as monitors the Company's remuneration policies, schemes and plans. It also assists the Board of Directors in connection with possible major management reorganisations based on preparation and proposals by the CEO. The Remuneration Committee also identifies individuals qualified to serve as the CEO and other members of the Leadership Team of the Company and prepares the appointments and plans the successions related thereto.

The Remuneration Committee consists of at least three members appointed by the Board of Directors for a term ending at the end of the Annual General Meeting following their appointment. The majority of the members of the Remuneration Committee shall be independent of the Company and the CEO or any executive director of the Company shall not be appointed to the Remuneration Committee. The Remuneration Committee members must have the expertise and experience required for the performance of the duties and responsibilities of the Remuneration Committee. Desirable qualifications for members of the Remuneration Committee include experience in business management, corporate governance, human resources management, and executive remuneration and employee benefits.

The Remuneration Committee establishes its own schedule and annual agenda, and it shall meet as frequently as necessary to carry out its responsibilities under its charter and, in any case, at least two times per year.

Petri Salonen serves as the Chairman of the Remuneration Committee and Ingo Ramesohl and Anders Torstensson serve as members of the Remuneration Committee.

Shareholders' Nomination Board

The EGM resolved to establish a Shareholders' Nomination Board (the "**Nomination Board**") consisting of major shareholders of the Company or persons appointed by such shareholders, for preparing, annually and otherwise when appropriate, proposals concerning the composition, election and the remuneration of the members of the Board of Directors of the Company. The Nomination Board will be established and the charter of the Nomination Board will enter into force upon the Board of Directors having made the decision to complete the Listing. The Nomination Board will operate and the charter of the Nomination Board will apply until otherwise resolved by the General Meeting.

The Nomination Board consists of three natural persons nominated by the shareholders. The members of the Nomination Board shall represent the Company's three largest shareholders who (i) represent the largest number of votes out of all

Shares in the Company on the first banking day of September each year (the "**Assessment Day**") as determined on the basis of the shareholder register of the Company maintained by Euroclear Finland, and (ii) wish to nominate a member to the Nomination Board. If two or more shareholders have the same number of Shares and cannot all have the right to nominate one of the members of the Nomination Board, the right to nominate is determined by the drawing of lots among such shareholders by the Chairman of the Board of Directors.

The Chairman of the Board of Directors acts as an expert member in the Nomination Board. The Chairman of the Board of Directors is not an official member of the Nomination Board and does not have any voting right, but he/she has the right to attend the meetings of the Nomination Board and receive the relevant material for such meetings. It is the duty of the Chairman of the Board of Directors to ask each of the three largest shareholders to nominate one member to the Nomination Board. If a shareholder does not wish to exercise his or her right to nominate a member to the Nomination Board, the nomination right will be transferred, in accordance with the shareholder register, to the next largest shareholder who would not otherwise be entitled to nominate a member to the Nomination Board.

If a shareholder who would have the obligation to notify the Company of certain changes in shareholding under the Finnish Securities Markets Act (flagging obligation), presents a written request directed to the Board of Directors at the latest on the Assessment Day, the holdings of a corporation or a foundation controlled by such shareholder or such shareholder's holdings in several funds or registers will be combined when calculating the nomination right. A holder of nominee-registered shares will be taken into account when determining the composition of the Nomination Board if the holder of nominee-registered shares presents a written request concerning the issue directed to the Board of Directors at the latest on the Assessment Day.

Each shareholder entitled to nominate a member to the Nomination Board shall endeavor to elect a person who has the qualifications and experience necessary to meet the responsibilities and duties of the Nomination Board. The term of the members of the Nomination Board shall end upon the appointment of the following Nomination Board in accordance with the charter of the Nomination Board.

In deviation from the Assessment Day set out above, for the purposes of the Annual General Meeting to be held in 2020, the assessment day shall be the first banking day of January 2020.

Chief Executive Officer

The CEO is responsible for the day-to-day management and for carrying out the strategy of the Company based on the instructions and orders issued by the Board of Directors. The CEO prepares issues for decision by the Board of Directors, develops the Company in line with the targets agreed with the Board of Directors and ensures proper implementation of the decisions of the Board of Directors. The CEO ensures that the accounts of the Company comply with Finnish law and that its financial affairs have been organised in a reliable manner. The CEO is also responsible for ensuring that the Company is managed in compliance with applicable laws and regulations.

Seppo Kopsala (born 1978) has served as the CEO for Optomed since 2005.

Leadership Team

The Leadership Team consists of the CEO and other members appointed by the Board of Directors. The Optomed Leadership Team assists the CEO in the management of the Group. All the Leadership Team members report to the CEO and the CEO may delegate group level responsibilities or areas to the Leadership Team members. The Leadership Team meets officially on regular intervals and minutes are kept of these meetings.

The current group level Leadership Team has been established in 2019 when, following the Commit Acquisition and in preparation of the Listing, the Company established group functions and the group level Leadership Team that consists of, inter alia, the two segment leaders.

The following table presents the members of the Leadership Team as at the date of this Prospectus:

Name	Year of Birth	Citizenship	Position	Appointed	Employed since
Seppo Kopsala	1978	Finnish	CEO	2005	2004
Niina Huikuri	1977	Finnish	Vice President, Marketing	2018	2018
Sakari Knuutti	1984	Finnish	Chief Legal Officer	2019	2019
Lars Lindqvist	1957	Swedish	Chief Financial Officer	2019	2019
Markku Myllylä	1961	Finnish	Vice President, Software	2018	2018[1)]
Laura Piila	1983	Finnish	Vice President, Devices	2015	2010

[1)] Co-founder in 1989 and Chief Executive Officer since 2009 of Commit; Oy (presently Optomed Software Oy).

Seppo Kopsala (born 1978) has been the CEO of Optomed and a member of the Leadership Team since 2005. He founded Optomed in 2004. Mr. Kopsala serves as a deputy member of the Board of Directors of Salaojaurakointi Polso Oy. Previously, Mr. Kopsala was a member of the Board of Directors of Medigo Oy. He holds a Master of Science degree in Industrial Engineering from the University of Oulu. He is a Finnish citizen.

Niina Huikuri (born 1977) has been the Vice President, Marketing of Optomed and a member of the Leadership Team since 2018. She joined Optomed in 2018. Previously, Ms. Huikuri has held the positions as Sales Manager (Nordic) and Account Manager and Business Development Manager Finland at Johnson & Johnson and Territory Manager at Boehringer Ingelheim Finland Ky. She holds a Master of Science degree in Business Administration with a Major in Marketing from Oulu University Business School. She is a Finnish citizen.

Sakari Knuutti (born 1984) has been the Chief Legal Officer of Optomed and a member of the Leadership Team since 2019. He joined Optomed in 2019. Previously, Mr. Knuutti was a member of the Boards of Directors of Affecto Denmark A/S, Affecto Estonia Ou, Affecto Estonia Ou (presently Industry62 Ou)[108], Affecto Finland Ltd, Affecto Latvia SIA, Affecto Lietuva UAB, Affecto Norway AS, Affecto Poland Sp. z o.o, Affecto Securities Oy, Bigdatapump Oy, Information Technology Solutions Affecto (Pty) Ltd (South Africa) and Karttakeskus Oy. In addition, he has held the positions of Head of Legal and IR at Affecto Plc, Senior Legal Counsel at CGI Inc. and Head of Corporate Affairs at Ruukki Group Plc. He holds a Master of Laws degree from the University of Helsinki. He is a Finnish citizen.

Lars Lindqvist (born 1957) has been the Chief Financial Officer and a member of the Leadership Team since 2019. He joined Optomed in 2019. Mr. Lindqvist serves as a member of the Board of Directors of Neonode Inc. He is also a deputy member of the Board of Directors of Neonode Technologies AB. Previously, Mr. Lindqvist was a member of the Boards of Directors of Uppland Kapital AB, Uppland Kredit AB (publ), Upplandsspar AB, Neoeye AB, Lendlink AB, ONE CC AB, Pronode Technologies AB and Terranet Holding AB. In addition, he has served as the Chief Financial Officer of Neonode Inc., Microcell Ltd and Ericsson Mobile Phones AB. He holds a Master of Science degree in Finance from Uppsala University. He is a Swedish citizen.

Markku Myllylä (born 1961) has been the Vice President, Software of Optomed and a member of the Leadership Team since 2018. He joined Optomed in 2018 through the acquisition of Commit; Oy.[109] Mr. Myllylä is the co-founder of Commit; Oy (presently Optomed Software Oy) and has been the Chief Executive Officer of Optomed Software Oy since 2009. In addition, Mr. Myllylä is the founder, a member of the Board of Directors and Chief Executive Officer of Softmax Technologies Oy. He holds a Master of Science degree in Computer Sciences and Economics from the Technical University of Helsinki. He is a Finnish citizen.

Laura Piila (born 1983) has been the Vice President, Devices of Optomed since 2019 and a member of the Leadership Team since 2015. She joined Optomed in 2010. Prior to becoming the Vice President of Devices of Optomed, Ms. Piila has held several managerial positions at Optomed, including Quality Manager and Business Development Director, as well as the position of Build Manager at Nokia Corporation. She holds a Master of Science degree in Industrial Engineering and Management from the University of Oulu. She is a Finnish citizen.

Litigation Statement Concerning the Company's Directors and Officers

As at the date of this Prospectus, none of the members of the Board of Directors or the Leadership Team nor the CEO of the Company have, save for the exceptions described below, in the previous five years:

- been convicted in relation to fraudulent offences,
- held an executive function, been included in the executive management, or been a member of the administrative management or supervisory bodies of any company or acted as a general partner with individual liability in a limited partnership at the time of or preceding any bankruptcy, administration of an estate or liquidation (excluding voluntary liquidation proceedings with a purpose of dissolving the company), or
- been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

[108] Mr. Knuutti has been a member of the Board of Directors of two separate entities which, during different time periods, have had the same legal name, Affecto Estonia Ou.
[109] Commit; Oy was acquired by Optomed in 2018. See section "*Business of the Company – Mergers and Acquisitions"* for further information on the acquisition.

Notwithstanding the above, Anders Torstensson acted between 13 July 2009 and 16 February 2015 as the Chairman of the Board of Directors of ONE Media Holding AB (publ), which entered into bankruptcy on 24 July 2012. The bankruptcy of ONE Media Holding AB (publ) was concluded on 16 February 2015.

In addition, Petri Salonen acted between 8 June 2015 and 28 December 2016 as a member of the Board of Directors of Chip-Man Technologies Oy, which entered into bankruptcy on 15 November 2015. The bankruptcy of Chip-Man Technologies Oy was concluded on 28 December 2016.

Business Address

The business address of the Board of Directors, the CEO and the Leadership Team is Yrttipellontie 1, FI-90230 Oulu, Finland, and the telephone number is +358 20 741 3380.

Conflicts of Interests

Provisions regarding conflicts of interest of the members of the board of directors are set forth in the Finnish Companies Act. Pursuant to Chapter 6, Section 4 of the Finnish Companies Act, a member of the board of directors may not participate in the handling of a contract between himself or herself and the company. In addition, pursuant to the second sentence of Chapter 6, Section 4 of the Finnish Companies Act, a member of the board of directors may not participate in handling a contract between the company and a third party, if he or she may thereby receive a material benefit, which may be in conflict with the interests of the company. Furthermore, Chapter 6, Section 4 a of the Finnish Companies Act stipulates, in deviation from the second sentence of Chapter 6, Section 4 of the Finnish Companies Act, that a member of the board of directors of a publicly listed company may not in the company's or its subsidiary's board of directors participate in the handling of a contract if a party to the contract is in a related party relation to such member of the board of directors and the action in question does not fall within the ordinary course of business of the company or is not concluded on normal market terms. A decision in such a matter is valid if it is supported by a majority required for the decision out of those members of the company's or its subsidiary's board of directors who are not considered related parties of the matter at hand.

The aforementioned provisions on contracts shall correspondingly apply to other transactions and court proceedings. Chapter 6, Section 4 of the Finnish Companies Act also applies to the Chief Executive Officer. Furthermore, the provision of Chapter 6, Section 4 a of the Finnish Companies Act on the decision-making in a subsidiary by a member of the board of directors of a publicly listed company applies to the Chief Executive Officer of a publicly listed company.

To the knowledge of the Company, the members of the Board of Directors, the CEO or the members of the Leadership Team do not have any conflicts of interests between their duties towards the Company and their private interests and/or their other duties, but several members of the Board of Directors and members of the Leadership Team have financial interests in the Company due to their shareholdings in the Company. Notwithstanding the aforementioned, Petri Salonen has been appointed by the Company as a consultant to support the Company with the listing process. There are no family relationships between the members of the Board of Directors, the CEO and the members of the Leadership Team.

As at the date of this Prospectus, the Company is party to a shareholders' agreement concerning the Company, based on which certain shareholders of the Company have had the right to appoint members to the Board of Directors of the Company. For further information, see "*Description of the Shares and Share Capital – Shareholders' Agreement*".

Management Remuneration

Remuneration of Members of the Board of Directors

Pursuant to the Finnish Companies Act, the General Meeting of Shareholders determines the remuneration payable to the members of the Board of Directors. Save for what is mentioned below for Petri Salonen, no remuneration was paid to the members of the Board of Directors for the financial years 2018, 2017 and 2016. The Annual General Meeting held on 10 May 2019 resolved that Reijo Tauriainen and Seppo Mäkinen be paid a monthly remuneration of EUR 1,500 and that no remuneration is paid to the other members of the Board of Directors. In addition, the Annual General Meeting resolved that the Chairman of the Audit Committee shall receive a meeting fee of EUR 500 per Audit Committee meeting. The total amount of fees paid to the members of the Board of Directors for the nine months period ended 30 September 2019 amounted to EUR 8,500 (excluding fees paid to Petri Salonen as described below).

Petri Salonen has been appointed by the Company as a consultant to support the Company with certain M&A related matters and the listing process. In this capacity, Petri Salonen has been paid a monthly consultancy fee of EUR 7,000 starting from November 2018. Previously, Petri Salonen has acted as a consultant supporting the Company with, inter alia, M&A, financing, company processes and sales development, for which he has received a monthly consultancy fee of EUR 1,500 between 1 January 2017 and 17 August 2017, after which the remuneration was increased to EUR 5,000 until November of 2018. In 2018, the fees paid to Petri Salonen for consultancy services amounted to EUR 64 thousand.

In addition, he has been paid EUR 10 thousand as reimbursement for travel and other expenses. For the nine months period ended 30 September 2019, the total amount of fees and reimbursements amounted to EUR 90 thousand.

The members of the Board of Directors are not included in the incentive schemes of the Company and no Shares or option rights, or other special rights have been given or granted as remuneration to the members of the Board of the Directors.

No pension benefits have been granted in favor of the members of the Board of Directors. However, Petri Salonen is entitled to the statutory Finnish TyEL pension with respect to his capacity as a consultant to the Company.

Remuneration of Members of the Leadership Team

The remuneration of the members of the Leadership Team of the Company (excluding the CEO) consists of a monthly fixed salary, customary fringe benefits and incentives as in force from time to time. The members of the Leadership Team have previously received options entitling to shares in the Company as an incentive. Furthermore, the Vice President of Software, Markku Myllylä, is entitled to a separate bonus arrangement, based on which he can receive a maximum of EUR 60,000 and an additional 60,000 option rights (in addition to the option rights he holds as of the date of this Prospectus) provided that Optomed Software Oy reaches certain financial targets.

The current group level Leadership Team has been established in 2019 as described above in *"– Leadership Team*", and the majority of the members of Optomed's previous management team prior to 2019 are now part of the Devices segment management team. The remuneration presented below is the remuneration paid to Optomed's management team during the years 2016 to 2018. The remuneration and benefits paid to Optomed's management team (excluding the CEO) for the financial years 2018, 2017 and 2016 are presented in the following table:

	1 January – 30 September 2019	1 January – 31 December 2018	1 January – 31 December 2017	1 January – 31 December 2016
In EUR thousand				
Salaries and benefits	352	703	510	459
Share-based payments	-	71	475	231
Pension costs	-	113	77	68
Total	**352**	**887**	**1,062**	**758**

The remuneration of the CEO of the Company consists of a monthly fixed salary, customary fringe benefits and options granted as incentive.

The remuneration and benefits paid to the CEO for the financial years 2018, 2017 and 2016 are presented in the following table:

	1 January – 30 September 2019	1 January – 31 December 2018	1 January – 31 December 2017	1 January – 31 December 2016
In EUR thousand				
Salaries and benefits	96	108	109	127
Share-based payments	-	-	86	48
Pension costs	-	20	20	22
Total	**96**	**128**	**215**	**197**

Option Programs

The Company has established several option programs for the personnel of the Group, covering employees, managing directors and consultants of the Group **(**collectively the "**Option Programs**"**)**. Options have also been granted to members of the Leadership Team, as described below in "**–** *Management Holdings*".

For further information regarding the terms and conditions of the Option Programs, please see "*Description of the Shares and Share Capital – Option Programs*".

Pensions

Optomed offers the CEO and the Leadership Team the statutory Finnish TyEL pension.

In addition, the Leadership Team members may be offered individual contribution-based pension plans amounting to a maximum of 20 percent of the fixed salary. Subject to approval by the Board of Directors of the Company, the Leadership Team members residing abroad may be offered pension plans paid in cash corresponding to the premium that would otherwise be payable to insurance companies.

In addition, one member of the Leadership Team is subject to a separate pension arrangement.

Termination Benefits

The CEO's contract may be terminated by either the CEO or Optomed with six months' notice. If the Company terminates the CEO's contract, the CEO is entitled to receive a severance pay corresponding to six month's salary. The severance pay is not payable in case of a material breach by the CEO or when the contract is terminated on grounds equal to those under Chapter 7 Section 2 or Chapter 8 Section 1 or 3 of the Finnish Employment Contracts Act (55/2001, as amended). In addition, the Vice President of Software and the managing director of Optomed Software Oy, Markku Myllylä, is entitled to a severance pay of an amount equaling nine months' salary in addition to the salary for the notice period if the Company terminates the managing director contract without grounds as described above.

The Leadership Team members' employment contracts may be terminated on a mutual basis with a notice period ranging from two to six months.

Management Holdings

The EGM resolved that the Company's three share classes will be combined into one single class of shares, such resolution being conditional upon and until the Board of Directors having made the decision to complete the Listing. For more information on the combination of the Company's share classes, see "*Description of the Shares and Share Capital – Changes to the Shares and Share Capital Prior to the Listing".* Prior to the completion of the combination of the share classes, based on the Company's shareholders' register maintained by Euroclear Finland, the members of the Board of Directors, the CEO, and the members of the Leadership Team held (either directly or through entities controlled by them) on 19 November 2019 a total of 3,397,640 Shares in the Company, corresponding to approximately 35.5 percent of the Shares and votes in Optomed. In addition, the members of the Board of Directors and the Leadership Team held as at 19 November 2019 a total of 418,500 options entitling to Optomed's Shares.

The following table sets forth the number of Shares owned by the members of the Board of Directors and the Leadership Team of Optomed that appeared on the shareholders' register maintained by Euroclear Finland on 19 November 2019 prior to the completion of the combination of the Company's share classes as well as the number of options held by these persons as at the date of this Prospectus.

Name	Position	Class A Shares	Class B Shares	Class C Shares	Options
Petri Salonen	Chairman of the Board of Directors				
Matthew Hallam	Member of the Board of Directors				
Seppo Mäkinen	Member of the Board of Directors				
Ingo Ramesohl	Member of the Board of Directors				
Reijo Tauriainen	Member of the Board of Directors				
Anders Torstensson	Member of the Board of Directors	322,280[1]			
Jens Umehag	Member of the Board of Directors				
Jun Wu	Member of the Board of Directors	2,438,280[2]			
Seppo Kopsala	CEO	637,080			60,000[3]
Niina Huikuri	Vice President, Marketing				34,000[4]
Sakari Knuutti	Chief Legal Officer				34,000[5]
Lars Lindqvist	Chief Financial Officer				100,000[6]
Markku Myllylä	Vice President, Software				120,000[7]
Laura Piila	Vice President, Devices				70,000[8]
Total		**3,397,640**			**418,000**

[1)] Includes shares owned by Mankato Capital Ltd, which is controlled by Anders Torstensson.
[2)] Includes shares owned by Alnair Investments, Cenova China Healthcare Fund IV and Shanghai Cenova Innovation Venture Fund (Limited Partnership), which are controlled by Cenova Capital (China), an entity controlled by Jun Wu.
[3)] Of which 40,000 under the 2015 option program and 20,000 under the 2017 option program.
[4)] Of which 8,000 under the 2018C option program and 26,000 under the 2019D option program.
[5)] Of which 20,000 under the 2019C option program and 14,000 under the 2019D option program.
[6)] Of which 100,000 under the 2019B option program.
[7)] Of which 60,000 under the 2018C option program and 60,000 under the 2019A option program.
[8)] Of which 20,000 under the 2015 option program, 10,000 under the 2017 option program, 20,000 options under the 2017B option program and 20,000 under the 2019D option program.

Auditors

Pursuant to the Company's Articles of Association, the Company must have one auditor, which must be an auditing firm approved by the Finnish Patent and Registration Office. The term of the auditor of the Company shall end at the close of the Annual Meeting following the election. The Company has appointed KPMG Oy Ab, Authorised Public Accountants,

as its auditor. KPMG Oy Ab has appointed Tapio Raappana, Authorised Public Accountant, as the auditor with the principal responsibility. Tapio Raappana is a member of the Finnish Association of Auditors.

The Company's consolidated financial statements as at and for the years ended 31 December 2018, 2017 and 2016 have been audited by KPMG Oy Ab, Authorised Public Accountants, with Tapio Raappana, Authorised Public Accountant, as the principal auditor.

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

As at the date of this Prospectus, Optomed has three share classes, and in total 9,558,700 Shares. The EGM resolved that the Company's three share classes will be combined into one single class of shares, such resolution being conditional upon and until the Board of Directors having made the decision to complete the Listing. After the Company's share class combination has been registered with the Trade Register, the Company will continue to have 9,558,700 Shares. The aforementioned numbers do not include any New Shares. Please see "*Description of the Shares and Share Capital – Changes to the Shares and Share Capital Prior to the Listing*" for more information. Following the combination of the share classes, each Share in the Company will carry one vote at the Company's General Meeting of Shareholders and provide equal rights to dividend and other distributions from the Company.

The Company had 13 shareholders as at 19 November 2019. The following table sets forth the shareholders of the Company based on the shareholders' register maintained by Euroclear Finland on 19 November 2019 as well as on information provided to the Company, prior to the completion of the combination of the Company's share classes:

Shareholder	Number of Shares	% of outstanding Shares and votes	% of total Shares
Cenova Capital (China)[1]	2,438,280	27.87	25.51
Alnair Investments	1,142,800	13.06	11.96
Cenova China Healthcare Fund IV	895,480	10.24	9.37
Shanghai Cenova Innovation Venture Fund (Limited Partnership)	400,000	4.57	4.18
Halma Ventures Limited[2]	1,900,680	21.73	19.88
Robert Bosch Venture Capital GmbH[3]	1,106,920	12.65	11.58
Aura Capital Oy[4]	1,064,240	12.17	11.13
Finnish Industry Investment Ltd[5]	801,440	9.16	8.38
Seppo Kopsala[6]	637,080	7.28	6.66
Mankato Capital Ltd[7]	322,280	3.68	3.37
Cliff Swallow Investment Ltd[8]	265,160	3.03	2.77
Uppland Kapital AB[9]	120,820	1.38	1.26
Markku Virta[10]	72,560	0.83	0.76
David Oak[11]	18,240	0.21	0.19
Total	**8,747,700**	**100.00**	**91.52**
Treasury shares	811,000	-	8.48
Total Shares in the Company	**9,558,700**	**-**	**100.00**

[1] Alnair Investments, Cenova China Healthcare Fund IV and Shanghai Cenova Innovation Venture Fund (Limited Partnership) are controlled by Cenova Capital (China), an entity controlled by Jun Wu. The ownership of Alnair Investments consists of 1,142,800 class A Shares, the ownership of Cenova China Healthcare Fund IV consists of 895,480 class A Shares and the ownership of Shanghai Cenova Innovation Venture Fund (Limited Partnership) consists of 400,000 class A Shares.
[2] The ownership of Halma Ventures Limited consists of 1,900,680 class A Shares.
[3] The ownership of Robert Bosch Venture Capital GmbH consists of 661,420 class A Shares and 445,500 class C Shares.
[4] The ownership of Aura Capital Oy consists of 923,960 class A Shares and 140,280 class B Shares.
[5] The ownership of Finnish Industry Investment Ltd consists of 661,160 class A Shares and 140,280 class B Shares.
[6] The ownership of Seppo Kopsala consists of 637,080 class A Shares.
[7] The ownership of Mankato Capital Ltd consists of 322,280 class A Shares. Mankato Capital Ltd is controlled by Anders Torstensson.
[8] The ownership of Cliff Swallow Investment Ltd consists of 265,160 class A Shares.
[9] The ownership of Uppland Kapital AB consists of 120,820 class A Shares.
[10] The ownership of Markku Virta consists of 72,560 class A Shares.
[11] The ownership of David Oak consists of 18,240 class A Shares.

The following table presents for illustrative purposes the ownership of the current shareholders of the Company after the completion of the Company's share class combination (as described in "*Description of the Shares and Share Capital – Changes to the Shares and Share Capital Prior to the Listing*") and after the Share Issue and the Share Sale, assuming that the Company issues 4,444,444 New Shares, the maximum number of Sale Shares are offered and subscribed for in the Offering and that the Over-Allotment Option is fully exercised (and assuming that the current shareholders do not subscribe for Offer Shares in the Offering).

Shareholder	**Number of Shares**	**% of outstanding Shares and votes**	**% of total Shares**
Cenova Capital (China)[1]	2,438,280	18.48	17.41
Alnair Investments	1,142,800	8.66	8.16
Cenova China Healthcare Fund IV	895,480	6.79	6.39
Shanghai Cenova Innovation Venture Fund (Limited Partnership)	400,000	3.03	2.86
Halma Ventures Limited	0	0.00	0.00
Robert Bosch Venture Capital GmbH	1,106,920	8.39	7.90
Aura Capital Oy	691,756	5.24	4.94
Finnish Industry Investment Ltd	601,080	4.56	4.29
Seppo Kopsala	637,080	4.83	4.55
Mankato Capital Ltd[2]	225,597	1.71	1.61
Cliff Swallow Investment Ltd	265,160	2.01	1.89
Uppland Kapital AB	120,820	0.92	0.86
Markku Virta	18,140	0.14	0.13
David Oak	18,240	0.14	0.13
Other shareholders	7,069,071	53.59	50.48
Total	**13,192,144**	**100.00**	**94.21**
Treasury shares	811,000	-	5.79
Total Shares in the Company	**14,003,144**	**-**	**100.00**

[1)] Alnair Investments, Cenova China Healthcare Fund IV and Shanghai Cenova Innovation Venture Fund (Limited Partnership) are controlled by Cenova Capital (China), an entity controlled by Jun Wu.
[2)] Mankato Capital Ltd is controlled by Anders Torstensson.

To the extent known to the Company, Optomed is not, directly or indirectly, owned or controlled by any one person.

Related Party Transactions

Parties are considered to be related parties if one party has the ability to control the other party or to exercise significant influence in or joint control over the other party in making financial and operating decisions. The related parties of the Company include its subsidiaries as well as certain major shareholders of the Company, i.e. Halma Ventures Limited and Cenova Capital (China) (Alnair Investments, Cenova China Healthcare Fund IV and Shanghai Cenova Innovation Venture fund are controlled by Cenova Capital (China)). Optomed considers that both shareholders have significant influence over the Company, as defined under IFRS, and consequently Optomed is an associate of both Halma Ventures Limited and Cenova. Related parties also include key management personnel and their close family members as well as entities controlled by these persons. The key management personnel of Optomed include the members of the Board of Directors and the Leadership Team. The Board of Directors, the CEO and the Leadership Team, and the remuneration of these individuals has been presented in this Prospectus under "*Board of Directors, Management and Auditors – Management Remuneration*". The Company's subsidiaries have been presented in this Prospectus under "*Business of the Company – Organisation and Personnel*".

The Company's related party transactions with members of the Board of Directors and the Leadership Team in 2019 consist of normal remuneration. The current group level Leadership Team has been established in 2019 to replace the previous management team as described in section "*Board of Directors, Management and Auditors – Leadership Team".* There has been no material changes in the remuneration of the Board of Directors and the Leadership Team of the Company between 30 September 2019 and the date of this Prospectus.

The following table presents transactions with the Company's related parties (other than remuneration paid to the key management personnel) carried out during the nine months period ended 30 September 2019 as well as for the years ended 31 December 2018, 2017 and 2016:

EUR thousand	Nine months ended 30 September	Year ended 31 December		
	2019	2018	2017	2016
	(unaudited)		(audited)	
Revenues[1]	1,681	3,233	1,706	1,032
Trade receivables[1]	2,138	1,594	648	10
Other expenses[2]	(90)	(74)	(34)	-

[1)] Revenues and trade receivables relate to sales to the major shareholders of the Company considered to be related parties to the parent company.
[2)] Other expenses consist of consulting fees paid to the Chairman of the Board of Directors, Petri Salonen. See "*Board of Directors, Management and Auditors – Management Remuneration".*

There has not been any significant change in the Company's related party transactions after the nine months period ended 30 September 2019 by the date of this Prospectus.

DESCRIPTION OF THE SHARES AND SHARE CAPITAL

General Information on Optomed

As at the date of this Prospectus, the registered name of the Company is Optomed Oyj in Finnish and Optomed Plc in English. The Company is domiciled in Oulu, Finland, its registered address is Yrttipellontie 1, FI-90230 Oulu, Finland and the telephone number of the Company is +358 20 741 3380. The Company is a Finnish public limited liability company subject to the laws of Finland. The business identity code of the Company is 1936446-1, its LEI is 7437009IVYWGEE4S7B77 and its accounting period is the calendar year.

Optomed Plc[110] was registered with the Trade Register on 31 December 2004.

Pursuant to the Articles of Association of the Company, Optomed's field of business is developing, manufacturing, sales, marketing, subcontracting, training, consulting, project work, resales as well as maintenance of medical and health care devices and software as well as related services. The Company may own and possess real estate, shares, interests and other securities as well as trade with them.

Shares and Share Capital

As at the date of this Prospectus, the Company has three share classes and in total 9,558,700 Shares of which 8,832,640 are A Shares (of which 811,000 are held by the Company itself), 280,560 B Shares and 445,500 C Shares. As at the date of this Prospectus, the Company's registered share capital is EUR 80,000. The EGM resolved on 14 November 2019 to split the Shares of the Company with a ratio 1:20 so that each Share of the Company corresponded to 20 Shares of the same class of Shares. The share split was registered on 15 November 2019. The share split had no other impact on the rights attached to the Shares. In addition, noting that it would be beneficial for the Company to have treasury shares in order to simplify the process of subscribing shares under the Company's Option Programs and related registrations, the Board of Directors proposed that the EGM resolves to issue new A Shares to the Company itself without consideration. The EGM resolved on the issuance of 811,000 treasury shares to the Company itself and the shares were registered on 18 November 2019.

The number of share classes of the Company will change prior to the Listing, please see "— *Changes to the Shares and Share Capital Prior to the Listing*" below for information regarding these changes. The Shares do not have nominal value. The Shares have been entered in the Euroclear Finland book-entry securities system and the ISIN codes of the shares are FI4000410881 (A Shares), FI4000410899 (B Shares) and FI4000410907 (C Shares). The Shares are issued under Finnish law.

The following table sets forth a summary of the changes in the Company's share capital and the number of Shares from 1 January 2016 to the date of this Prospectus.

[110] Between 31 December 2004 and 15 November 2019, the registered name of the Company was Optomed Oy.

Date of decision	Arrangement	Number of Shares in the arrangement	Number of Shares after the arrangement	Share capital (EUR)	Date of Trade Register registration
Situation as of 1 January 2016	-	-	Class A: 300,082 Class B: 14,028 Class C: 22,275 Total: 336,385	18,501.20	-
5 May 2015	New share issue	Class A: 21,000	Class A: 321,082 Class B: 14,028 Class C: 22,275 Total: 357,385	18,501.20	3 March 2016
24 May 2017	Cancellation of Shares	Class A: 5,000	Class A: 316,082 Class B: 14,028 Class C: 22,275 Total: 352,385	18,501.20	23 October 2017
1 February 2018	New share issue	Class A: 55,000	Class A: 371,082 Class B: 14,028 Class C: 22,275 Total: 407,385	18,501.20	2 July 2018
8 March 2019	New share issue	Class A: 30,000	Class A: 401,082 Class B: 14,028 Class C: 22,275 Total: 437,385	18,501.20	5 June 2019
14 November 2019	Increase in share capital and share split	Class A: 8,021,640 Class B: 280,560 Class C: 445,500 Total: 8,747,700	Class A: 8,021,640 Class B: 280,560 Class C: 445,500 Total: 8,747,700	80,000.00	15 November 2019
14 November 2019	Share issue	Class A: 8,832,640 Class B: 280,560 Class C: 445,500 Total: 9,558,700	Class A: 8,832,640 Class B: 280,560 Class C: 445,500 Total: 9,558,700	80,000.00	18 November 2019

Changes to the Shares and Share Capital Prior to the Listing

The EGM held on 14 November 2019 took certain conditional decisions, which will affect the rights conferred by Shares in the Company prior to the Listing. These resolutions are conditional upon and until the Board of Directors having made the decision to complete the Listing. These decisions are described in further detail below. If the Board of Directors decides to complete the Listing, these decisions will become effective upon registration with the Trade Register prior to the registration of the New Shares and the completion of the Listing.

As at the date of this Prospectus, the Company has three share classes: A, B and C Shares. As set out in the Articles of Association, each Share carries one vote at the Company's General Meeting of Shareholders and class B Shares have a preferred right to dividends paid by the Company over class A and C Shares as follows: Class B Shares entitle to a preferred dividend for each financial period equaling to nine percent (9 %) of their subscription price and if the preferred dividend of B Shares cannot be paid for a certain financial period due to the lack of funds that can be used for dividend distribution, the portion that remains unpaid is accumulated and must be paid as soon as the Finnish Companies Act allows the payment. To the extent the amount of dividend to be distributed exceeds the preferred dividend payable to B Shares, A, B and C Shares shall have the equal right to the remaining amount to the distributable dividend. Furthermore, according to the Company's Articles of Association, holders of class B and C Shares have the right to request the conversion of their Shares into class A Shares. The Company's Articles of Association stipulates that each B and C Share shall be automatically converted into A Shares by using a conversion ratio of 1:1 upon the completion of an initial public offering.

The number of B Shares as at the date of this Prospectus is 280,560 on which the accrued preferred dividend amounted to EUR 294 thousand at the end of the latest financial period ended on 31 December 2018, and added with a pro-rata portion of the preferred dividend accrued for the financial period 2019 until the expected date of the implementation of the combination of the share classes (4 December 2019), EUR 33 thousand, amounting to EUR 327 thousand in the aggregate.

The EGM resolved that through amending the relevant articles of the Company's Articles of Association the Company's currently existing three share classes are combined into a single share class by converting all current A, B and C Shares into a single class shares with a conversion ratio of 1:1 and that all Shares are renamed "shares" without any symbol letter, so that, following the combination of the share classes, each Share in the Company carries one vote at the General Meeting of Shareholders and provides equal rights to dividend and other distribution from the Company. In addition, the EGM resolved, due to lack of distributable retained earnings or profits, to approve the distribution to the holders of the B Shares (or Shares that were B Shares in the situation immediately preceding the combination of the share classes, being on the date of this Prospectus Aura Capital Oy owning 140,280 B shares, and Finnish Industry Investment Ltd owning 140,280 B shares) of, in the aggregate the amount corresponding to the accrued preferred dividend, EUR 294 thousand, added with the pro-rata portion of the preferred dividend accrued for the financial period 2019 until the date of the implementation of the combination of the share classes, from the reserves of invested unrestricted equity and authorised the Board of Directors to make the final resolution on such distribution. The Board of Directors made such resolution on 18 November 2019.

Upon the registration of the combination of share classes, the distribution of funds from the reserves of invested unrestricted equity to the holders of B Shares as payment for the accrued preferred dividend falls due. The aforementioned share conversions will not have any effect on the Company's registered share capital.

In addition to the amendments to the Articles of Association relating to the combination of share classes, the EGM resolved to remove the redemption clause (article 10) and the consent clause (article 11) and to approve certain other amendments to articles 8 and 9 in the Articles of Association. The Company's amended Articles of Association, which will be registered immediately after the Board of Directors has resolved to complete the Listing, is contained in Annex B of this Prospectus.

After the Company's share class combination has been registered with the Trade Register, the Company will have 9,558,700 Shares. The aforementioned numbers do not include any New Shares.

After the share class combination is completed, and assuming that the Company issues 4,444,444 New Shares, the Company will have 14,003,144 Shares following the completion of the Offering (of which 811,000 would be held by the Company and 13,192,144 be outstanding).

As at the date of this Prospectus, the Articles of Association of the Company include redemption and consent clauses, which the EGM resolved to remove from the Articles of Association subject to the Board of Directors having made the

decision to complete the Listing. At the completion of the Listing, the Shares will therefore be freely transferrable subject to the transfer restrictions described in "*Plan of Distribution in the Offering – Lock up*".[111]

Listing of the Shares

The Company will submit a listing application to Nasdaq Helsinki to list the Shares on the Official List. Trading of the Shares is expected to commence on the prelist of Nasdaq Helsinki on or about 5 December 2019 and on the Official List of Nasdaq Helsinki on or about 9 December 2019. As of the Listing, the share trading code of the Shares will be "OPTOMED" and the ISIN code of the Shares will be "FI4000410881".

Current Authorisations

The Extraordinary General Meeting resolved on 13 September 2019 to authorise the Board of Directors to decide on the issue of option rights. On the basis of the authorisation the Board of Directors may decide on one or more issues of option rights referred to in the Finnish Companies Act Chapter 10, Section 1, Subsection 1 that entitle to subscribe in total maximum of 10,000 A Shares of the Company (or if the company has only one class of shares, such shares). The options are intended to be issued in connection with the incentive plan of the Group's personnel, covering employees, managing directors and consultants of the Group. The authorisation is valid five years from the authorisation decision. The Extraordinary General Meeting also decided to revoke all prior authorisations to issue option rights.

The EGM resolved on 14 November 2019 to authorise the Board of Directors to decide on a directed share issue for the purpose of initial public offering. The maximum number of New Shares issued on the basis of the authorisation is 7,500,000 in one or more issues. The authorisation is in force until the end of the next Annual General Meeting of Shareholders but no later than 30 June 2020.

The EGM also resolved on 14 November 2019 to authorise the Board of Directors to decide on a directed share issue and issuance of special rights of a maximum of 1,705,870 Shares (including the shares to be received based on special rights) in one or more issues, such authorisation resolution being conditional upon and becoming effective upon the Board of Directors having made the decision to complete the Listing. The issuance of shares and/or special rights entitling to shares can be carried out against payment or without consideration. The issuance of shares and/or special rights entitling to shares can be executed in deviation from the shareholders' pre-emptive subscription right. The authorisation is in force until the end of the next Annual General Meeting of Shareholders but no later than 30 June 2020.

The EGM also resolved on 14 November 2019 to authorise the Board of Directors to decide on a repurchase of own Shares of a maximum of 894,870 own Shares in one or more instalments, using the unrestricted shareholders' equity of the Company, such authorisation resolution being conditional upon and becoming effective upon the Board of Directors having made the decision to complete the Listing. The Shares can be repurchased in another proportion than that of existing shareholdings of the shareholders. The Board of Directors cannot repurchase own Shares so that the total amount of own shares held by or pledged to the Company and its subsidiaries would exceed 10 percent of all Shares. The Shares would be purchased in public trading at the prevailing market price and the purchases would be carried out on Nasdaq Helsinki in accordance with its rules and regulations. The authorisation is in force until the end of the next Annual General Meeting of Shareholders but no later than 30 June 2020.

Option Programs

The Company has established several option programs as incentive programs for the personnel of the Group, covering employees, managing directors and consultants of the Group.

The Extraordinary General Meeting held on 13 September 2019 took a decision to amend the terms and conditions of the Option Programs. The amendments will become effective with respect to an option holder once such option holder has approved the amendment and the Board of Directors has made a decision to complete the Listing. The terms and conditions effective as of such decision to complete the Listing are described in further detail below. If the Board of Directors decides to complete the Listing, the amended terms and conditions of the Option Programs will be registered with the Trade Register prior to the completion of the Listing. In addition, when resolving on the share split on 14 November 2019, the EGM also resolved to amend the terms and conditions of all option rights issued by the Company to take into account the effects of the share split described in "— *Shares and Share Capital*" above so that the number of

[111] As at the date of this Prospectus, under the redemption clause of the current Articles of Association of the Company, the shareholders of Shares have the primary right, and the Company has the secondary right to redeem Shares of all share classes that are transferred to parties other than the current shareholders of the Company. Under the consent clause of the current Articles of Association, a consent by the Board of Directors is required for acquiring a Share on the basis of assignment. If the transferee controls or is controlled by the transferor as set forth in the Finnish Accounting Act or if the transferor and the transferee are under common control, the Board of Directors shall give such consent. The Company's amended Articles of Association, which will be registered immediately after the Board of Directors has resolved to complete the Listing, are contained in Annex B of this Prospectus.

option rights held by each option holder is multiplied by 20 and corresponding amendments are made to the share subscription price.

The Company's amended Option Programs are described below.

Program	Subscription Price (EUR)	Exercise Period			Outstanding Options
2009A	0.70	1 July 2020	–	1 July 2021	80,000
2015	3.50	1 July 2020	–	1 July 2024	250,000
2017	3.50	1 July 2020	–	1 July 2024	210,000
2017B	3.50	1 July 2020	–	1 July 2022	58,000
2018C	3.50	(50%) 1 July 2020	–	31 December 2024	266,000
		(50%) 1 July 2021	–	31 December 2024	
2019A	3.50	1 July 2021	–	31 December 2024	84,000
2019B	3.50	(40%) 1 July 2020	–	31 December 2024	100,000
		(20%) 1 September 2020	–	31 December 2024	
		(40%) 1 September 2021	–	31 December 2024	
2019C	3.50	(50%) 1 July 2020	–	31 December 2024	20,000
		(50%) 1 September 2020	–	31 December 2024	
2019D	5.00	1 January 2023	–	31 December 2023	72,000
Total					**1,140,000**

As at the date of this Prospectus, under all of the Option Programs a total of 1,140,000 options are outstanding.

Each option entitles its owner to subscribe for one (1) new, or if the Company's Board of Directors so decides, existing A Share in the Company or if the Company would only have one class of shares, as is the case following the Listing, such share. The share subscription prices and the exercise periods are set out in the terms and conditions of the options.

The dividend right of the new Shares and other shareholder rights will commence after the Shares upon exercise of the relevant option are recorded into the Trade Register, or if existing Shares of the Company are being issued, upon completion of the transfer of the Share provided that the transfer has been fully paid.

The options are forfeited and automatically transferred to the Company without consideration if the employment or service relationship to the Group is terminated, for any reason whatsoever, or if the consulting agreement regarding the option holder's work performed for the Group is terminated for any reason whatsoever, unless the Board of Directors decides to deviate from the main rule.

The Shares subscribed by virtue of the options after commencement of the exercise period shall be freely transferable after the Listing subject to the transfer restrictions described in "*Plan of Distribution in the Offering – Lock up*".

Shareholders' Agreement

As at the date of this Prospectus, the Company is a party to a shareholders' agreement concerning the Company dated 14 August 2015 between Aura Capital Oy, Finnish Industry Investment Ltd, Cliff Swallow Investment Ltd, Mankato Capital Ltd, Uppland Kapital AB, Halma Ventures Limited, Alnair Investments, Robert Bosch Venture Capital GmbH, Shanghai Cenova Innovation Venture Fund (Limited Partnership), Cenova China Healthcare Fund IV, Seppo Kopsala, Markku Virta, David Oak and Optomed Oy.

According to the shareholders' agreement, Halma Ventures Limited have had the right to nominate two members to the Board of Directors and Aura Capital Oy, Alnair Investments, Finnish Industry Investment Ltd and Robert Bosch Venture Capital GmbH each have had the right to nominate one member. Other shareholders have had the right to jointly nominate two members to the Board of Directors. Halma Ventures Limited has appointed Matthew Hallam and Jens Umehag, Aura Capital Oy has appointed Petri Salonen, Alnair Investments has appointed Jun Wu and Robert Bosch Venture Capital GmbH has appointed Ingo Ramesohl to the Board of Directors of the Company.

According to the terms of the above mentioned shareholders' agreement, the agreement will cease to be in effect as of the Listing.

The Company is not aware of any other shareholder agreements between the shareholders of the Company that would be in effect.

Shareholders' Rights

Shareholders' Pre-emptive Subscription Right

Pursuant to the Finnish Companies Act, the shareholders of a Finnish limited liability company have a pre-emptive right to subscribe for the company's shares in proportion to the number of shares in a company they already hold unless otherwise provided in the resolution of the General Meeting of Shareholders or the Board of Directors resolving on such issue. Pursuant to the Finnish Companies Act, a resolution by the General Meeting of Shareholders that deviates from the shareholders' pre-emptive rights must be approved by at least two thirds of all votes cast and shares represented at a General Meeting of Shareholders. In addition, pursuant to the Finnish Companies Act, such a resolution requires that the company has a weighty financial reason to deviate from the pre-emptive rights of shareholders. In addition, pursuant to the Finnish Companies Act, a resolution on a share issue without payment waiving the shareholders' pre-emptive rights requires that there is an especially weighty financial reason for the company and in regard to the interests of all shareholders in the company.

Certain foreign shareholders may not necessarily be able to exercise their pre-emptive subscription rights in the Company's future offerings due to the legislation and regulations of their own country. See "*Risk Factors – Risks Related to the Shares and the Offering - Certain foreign shareholders may not necessarily be able to exercise their subscription rights".*

General Meetings of Shareholders

Pursuant to the Finnish Companies Act, the shareholders exercise their decision-making power concerning the Company's matters at the General Meetings of Shareholders. Pursuant to the Articles of Association of the Company and the Finnish Companies Act, the Annual General Meeting of Shareholders of a company shall be held annually within six months of the end of the financial year.

Pursuant to the Finnish Companies Act, the Annual General Meeting of Shareholders shall resolve on matters including, amongst other things, the following:

- adoption of the financial statements and consolidated financial statements,
- granting discharge from liability to the members of the Board of Directors and the Chief Executive Officer,
- use of profit shown in the balance sheet,
- election and remuneration of the members of the Board of Directors, and
- election of auditors.

Furthermore, an authorisation for the Board of Directors to resolve on a share issuance or issuance of other special rights entitling to shares and amendments to the Articles of Association also require the resolution of a General Meeting of Shareholders. In addition to Annual General Meetings of Shareholders, Extraordinary General Meetings of Shareholders may also be held if required. Subject to the nature of the matter to be resolved, the provisions of the Finnish Companies Act regarding qualified majority, as described below, shall be applied.

The General Meeting of Shareholders handles the matters required by the Finnish Companies Act or the Articles of Association or presented to it by the Board of Directors. As a general rule, the General Meeting of Shareholders is summoned by the Board of Directors. If a shareholder or shareholders of a company controlling at least ten percent of the shares, or the company's auditor request in writing that a certain matter be handled at a General Meeting of Shareholders, the Board of Directors must summon a General Meeting of Shareholders within one month from the arrival of the request. Under the Finnish Companies Act, a shareholder may submit a written request to the Board of Directors to include on the agenda for the next General Meeting of Shareholders any matter falling within the competence of the General Meeting of Shareholders, provided that the request is submitted in good time so that it can be included in the notice to the meeting. In a listed company, a request is always considered to be on time, if it is submitted at the latest four weeks prior to the giving of the notice to a meeting.

The proposal by the Shareholders' Nomination Board for the composition of the Board of Directors shall be included in the notice of the General Meeting of Shareholders. The same applies to a proposal for the composition of the Board of Directors made by shareholders with at least 10 percent of the votes carried by the shares, provided that the candidates have given their consent to the election and the Company has received information on the proposal sufficiently in advance so that it may be included in the notice to the General Meeting of Shareholders. The proposal by the Board of Directors for the auditors of the company will be published in connection with the notice to the General Meeting of Shareholders.

As of the Listing, the shareholders of the Company are summoned to a General Meeting of Shareholders by publishing the notice through a stock exchange release and by publishing the notice on the Company's website. The notice shall be published no earlier than three months and no later than three weeks prior to the General Meeting of Shareholders, in any event no later than nine days prior to the Record Date (as defined below) of the General Meeting of Shareholders.[112]

Under the Articles of Association, the notice to the General Meeting of Shareholders must state the date by when the shareholder shall at the latest register with the Company in order to attend the General Meeting of Shareholders, which date, pursuant to the Finnish Companies Act, may be no earlier than ten days prior to the General Meeting of Shareholders.

Pursuant to the Finnish Companies Act, only the shareholders who have been entered in the Company's shareholders' register maintained by Euroclear Finland eight working days before a General Meeting of Shareholders (the "**Record Date**") have the right to attend the General Meeting of Shareholders. A holder of nominee registered shares has the right to participate in a General Meeting of Shareholders by virtue of such shares based on which he or she on the Record Date would be entitled to be registered in the shareholders' register of the company held by Euroclear Finland. The right to participate in a General Meeting of Shareholders requires, in addition, that the shareholder on the basis of such shares has been registered into the temporary shareholders' register of the company held by Euroclear Finland. The notification of temporary entry into the shareholders' register shall be made no later than on the date specified in the notice to the General Meeting of Shareholders, which must be after the Record Date.

Pursuant to the Finnish Companies Act, a shareholder may participate in a General Meeting of Shareholders in person or by way of proxy representation. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his or her right to represent a shareholder at a General Meeting of Shareholders. When a shareholder participates in the General Meeting of Shareholders by means of several proxy representatives representing the shareholder based on shares at different securities accounts, the shares based on which each proxy representative represents the shareholder shall be identified in connection with the registration for the General Meeting of Shareholders. In addition, each shareholder or proxy representative may have an assistant present at the General Meeting of Shareholders.

Voting Rights

A shareholder may attend and vote at a General Meeting of Shareholders personally or by way of proxy representation. Under the Articles of Association of the Company, each share entitles its holder to cast one (1) vote at a General Meeting of Shareholders. If a holder of a nominee-registered share wishes to attend a General Meeting of Shareholders and exercise the voting rights attached to such share, the holder must be notified for a temporary entry in the company's shareholders' register. The notification for temporary entry into the shareholders' register shall be made no later than on the date specified in the notice to the General Meeting of Shareholders, which must be after the Record Date. There are no quorum requirements for the General Meetings of Shareholders in the Finnish Companies Act or the Company's Articles of Association.

At a General Meeting of Shareholders, resolutions generally require the approval of the majority of the votes cast. However, certain resolutions, such as amending the Articles of Association, a directed share issue and, in certain cases, a resolution regarding the merger or demerger of the company, require a majority of two thirds of the votes cast and of the shares represented at the General Meeting of Shareholders. In addition, certain resolutions, such as a mandatory redemption of the shares by a company in deviation from the shareholdings of the shareholders, require a consent of all shareholders.

Dividend and Other Distribution of Funds

Under the Finnish Companies Act, dividends on shares of a Finnish company may only be paid after the General Meeting of Shareholders has adopted the company's financial statements and resolved on the distribution of dividends. As a general rule, the General Meeting of Shareholders may not decide to distribute assets in excess of what the Board of Directors has proposed or accepted. Pursuant to the Finnish Companies Act, the distribution of dividends shall be based on the latest adopted and audited financial statements. A company may also pay an interim dividend based on the earnings of the ongoing financial year if an Extraordinary General Meeting of Shareholders adopts new audited financial statements. The payment of dividends requires the approval of the majority of the votes cast at a General Meeting of Shareholders. The General Meeting of Shareholders may also authorise the Board of Directors to resolve on the distribution of dividends.

Pursuant to the Finnish Companies Act, the shareholders' equity is divided into restricted and unrestricted equity. The division has significance when determining the amount of distributable funds. Share capital and revaluation surplus, fair value reserve and revaluation reserve pursuant to the Finnish Accounting Act (1336/1997, as amended) are restricted

[112] As at the date of this Prospectus, under the current Articles of Association of the Company, the notice to the General Meeting is mailed or sent by email to the shareholders at the earliest two months and at the latest one week before the record date of the General Meeting to the address notified to the Board of Directors by the shareholder. The EGM resolved to amend this provision subject to the completion of the Listing.

equity. The premium fund and reserve fund established prior to the entry into force of the Finnish Companies Act are restricted equity as provided by the Act on the Implementation of the Companies Act (625/2006, as amended). Other reserves and the profit for the financial year and retained earnings from the previous financial years are unrestricted equity. The amount of any dividend or other distribution of assets is limited to the amount of distributable funds. However, no funds may be distributed if at the time of resolving on the distribution it is known or it should be known that the company is insolvent or that the distribution will result in insolvency. Distributable funds include the profit for the financial year, retained earnings from previous years and other unrestricted equity, less reported losses and the amount required by the company's Articles of Association to be left undistributed. The distributable funds shall be adjusted as appropriate by the amount of founding costs, research costs and certain development costs capitalised in the balance sheet pursuant to the Act on the Implementation of the Companies Act.

A dividend or other distribution of assets may not exceed the amount proposed or approved by the Board of Directors unless requested at the Annual General Meeting of Shareholders by shareholders representing at least ten percent of the issued shares of a company. If such a request is presented, and sufficient distributable funds are available as described above, the dividend paid shall equal at least one-half of a company's profit for the financial year, less the amount required by a company's Articles of Association to be left undistributed. The shareholders may request dividend for a maximum amount of eight percent of the total shareholders' equity of a company. Any dividend for the financial year distributed prior to the Annual General Meeting of Shareholders shall be deducted from the distributable amount.

Dividend and other distributions are paid to shareholders or their nominees that are included in the shareholders' register on the relevant Record Date. The shareholders' register is maintained by Euroclear Finland through relevant book-entry account operators. Under the Finnish book-entry securities system, dividends are paid by account transfers to the accounts of the shareholders appearing in the register. Upon the Board of Directors having made the decision to complete the Listing and the changes to the Articles of Association having been registered with the Trade Register, all shares of the Company provide equal rights to dividend and other distributions of the Company (including distribution of assets in an event of dissolution of the Company).[113] The date of expiry of the dividend is normally three years from the payment date of the dividend.

Under the Finnish Companies Act, a company may acquire or redeem its own shares. Decisions on the acquisition or redemption of a company's own shares must be made by the General Meeting of Shareholders and require at least two thirds of the votes cast and the shares represented at the meeting. The General Meeting of Shareholders may also authorise the Board of Directors to decide on an acquisition of a company's own shares using the unrestricted equity for a specific period of time, which cannot exceed 18 months. Own shares may be acquired in a proportion other than that of the shares held by the shareholders only if there is a weighty financial reason for the company to do so. As a general rule, own shares may be redeemed in a proportion other than that of the shares held by the shareholders only by the consent of all shareholders. In a public company, the decision to acquire or redeem own shares or to accept them as pledge may not be made if the treasury shares in the possession of, or held as pledges by, the company and its subsidiaries would exceed ten percent of all shares. Shares held by a company or its subsidiaries shall not be entitled to participate in the General Meeting of Shareholders or to dividend distribution.

Mandatory Tender Offer and Redemption Obligation

The Finnish Securities Markets Act requires that a shareholder whose holding in a company exceeds three-tenths or one-half of the total voting rights attached to the shares of the company, after the commencement of a public quotation of such shares must make a public tender offer for all the remaining shares and securities with an entitlement to its shares issued by the company for fair value. For more information, see "*The Finnish Securities Markets – Regulation of the Finnish Securities Markets*".

Under the Finnish Companies Act, a party holding more than nine-tenths of all the shares and votes attached to the shares in a company has the right to redeem the shares of the other shareholders of the company at fair value. The Finnish Companies Act provides detailed provisions for the calculation of the said shares and votes. In addition, any minority shareholder that possesses shares that may be so redeemed by the majority shareholder based on the Finnish Companies Act is entitled to require such majority shareholder to redeem its shares. If a shareholding constitutes the right and obligation for redemption, the company must immediately enter this in the Trade Register. The Redemption Committee of the Finland Chamber of Commerce appoints a requisite number of arbitrators to resolve disputes related to the redemption and the redemption price. The redemption price shall be determined on the basis of the fair market price preceding the initiation of the arbitration proceedings.

[113] The EGM resolved to combine the currently existing share classes of the Company subject to the completion of the Listing. See "— *Changes to the Shares and Share Capital Prior to the Listing*" above.

Transfer through the Finnish Book-entry Securities System

Upon a sale of shares through the Finnish book-entry securities system, the relevant shares are transferred from the seller's book-entry account to the buyer's book-entry account as an account transfer. For the sale, allocation data is recorded into Euroclear Finland's Infinity system and, if necessary, a provision regarding the book-entry security is made to the book-entry account. The sale is registered as an advance transaction until settlement and payment, after which the buyer is automatically registered in the shareholders' register of the relevant company. Trades are normally cleared in Euroclear Finland's automated clearing and settlement system (Infinity system) on the second banking day after the trade date unless otherwise agreed by the parties. In case the shares are registered in the name of a nominee and the seller's and buyer's shares are deposited in the same custodial nominee account, a sale of shares does not require any entries into the Finnish book-entry securities system unless the nominee changes or the shares are transferred from the custodial nominee account pursuant to the sale.

Foreign Exchange Control

Shares in a Finnish company may be purchased by non-residents of Finland without any separate Finnish exchange control consent. Non-residents may also receive dividends without separate Finnish exchange control consent, but the company is generally required to withhold tax on the transfer of assets out of Finland unless an agreement for avoiding double taxation, whose provisions prevent the withholding of tax, applies. Non-residents having acquired shares in a Finnish limited liability company may receive shares pursuant to a bonus issue or through participation in a rights issue without separate Finnish exchange control consent. Shares in a Finnish company may be sold in Finland by non-residents, and the proceeds of such sale may be transferred out of Finland in any convertible currency. There are no Finnish exchange control regulations restricting the sale of shares in a Finnish company by non-residents to other non-residents.

PLAN OF DISTRIBUTION IN THE OFFERING

Underwriting Agreement

The Company expects that it will, on or about 4 December 2019, together with Halma, as well as with Aura Capital and Finnish Industry Investment Ltd, if such Selling Shareholders have decided to increase the Offering and sell the Sale Shares, enter into the Underwriting Agreement with the Managers, and the other Selling Shareholders have each given a Sales Undertaking with respect to the Offering. According to the Underwriting Agreement and the Sales Undertakings, the Company agrees to issue and the Selling Shareholders agree to sell Offer Shares to purchasers procured by the Managers or, failing which, to the Managers themselves, and each of the Managers severally agrees to procure such purchasers, or failing such procurement, to subscribe for or purchase, provided that certain conditions are fulfilled, the percentage of the total number of Offer Shares opposite such Manager's name below.

	Percentage of Offer Shares
Carnegie Investment Bank AB (publ)	84%
Swedbank AB (publ)	16%
Total	**100%**

The Underwriting Agreement provides that the obligations of the Managers to procure purchasers for, or failing which, to purchase themselves, the Offer Shares are subject to certain conditions and may be subject to termination by Carnegie (acting for itself and on behalf of the Managers) under certain circumstances, including force majeure, pursuant to the Underwriting Agreement. If Carnegie elects to terminate the several commitments of the Managers, the Offering may be cancelled and, if cancelled, no Offer Shares will be delivered. If the Underwriting Agreement is terminated, the Sales Undertakings would also terminate.

Furthermore, the Company and the Selling Shareholders, each solely, will give customary representations and warranties to the Managers related to, among others, the Company's business and compliance with the law, the Company's Shares and the content of this Prospectus. According to the Underwriting Agreement, the Company and the Selling Shareholders are committed to, among other things, releasing the Managers of certain obligations and reimburse them certain costs incurred in connection with the Offering.

The Offering consists of (i) the Public Offering to private individuals and entities in Finland and in Sweden, and (ii) the Institutional Offering as private placements to institutional investors in Finland and internationally.

Over-Allotment Option

Halma and the Stabilising Manager may agree that Halma shall give the Stabilising Manager an over-allotment option exercisable during the Stabilisation Period, to purchase or to procure purchasers for a maximum of 666,666 Additional Shares (assuming that the Selling Shareholders would not decide to increase the Offering and sell the Sale Shares), or a maximum of 922,052 Additional Shares (assuming that the Selling Shareholders would decide to increase the Offering and sell a maximum of 1,702,575 Sale Shares) solely to cover over-allotment. The Additional Shares represent approximately 7.6 percent of the outstanding Shares and votes before the Offering and approximately 5.1 percent after the Offering, assuming that a maximum number of New Shares are subscribed for in the Offering. However, the Additional Shares will in no case represent more than 15 percent of the total number of New Shares and Sale Shares.

Stabilisation

After the Offering, the Stabilising Manager may, but is not obligated to, within the Stabilisation Period, engage in measures which stabilise, maintain or otherwise affect the price of the Shares. The Stabilising Manager may allocate a larger number of Shares than the total number of Offer Shares, which creates a short position. The short position is covered if the short selling does not exceed the number of Shares which the Stabilising Manager can acquire through the Over-Allotment Option. The Stabilising Manager may close covered short selling with the Over-Allotment Option or by purchasing Shares in the market. In determining the acquisition method of the Shares to cover the short selling, the Stabilising Manager considers, among other things, the market price of the Shares compared to the Over-Allotment Option price. After the Offering, the Stabilising Manager may also bid for and purchase Shares in the market to stabilise the share price. The measures may raise or maintain the market price of the Shares in comparison with the price levels determined independently on the market or may prevent or delay any decrease in the market price of the Shares. However, the stabilisation measures may not be conducted on a higher price than the Final Subscription Price. The Stabilising Manager has no obligation to carry out these measures, and they may stop any of these measures at any time. The Stabilising Manager or the Company on behalf of the Stabilising Manager will publish information regarding the stabilisation required by legislation or other applicable regulations during the Stabilisation Period and at the end of the Stabilisation Period.

Any stabilisation measures will be conducted in accordance with the Market Abuse Regulation and the Commission Delegated Regulation (EU) 2016/1052 supplementing the Market Abuse Regulation with regards to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures.

The Stabilising Manager and Halma may enter into a share lending agreement in connection with the Listing related to the settlement and stabilisation. According to the share lending agreement, the Stabilising Manager may borrow a number of Shares equal to the Over-Allotment Option to cover any possible over-allotments in connection with the Offering. To the extent that the Stabilising Manager borrows Shares, it must return an equal number of Shares to Halma.

Lock-up

The parties mentioned below shall agree with the Managers that, during a period ending 180 days from the Listing (i.e. until on or about 2 June 2020) as regards the Selling Shareholders and the other existing shareholders of the Company and 360 days from the Listing (i.e. until on or about 29 November 2020) as regards the Company and the management team of the Company, neither any of these persons nor any party acting on their behalf, save for the Offering and certain other exceptions, will, without the prior written consent of the Sole Global Coordinator, offer, hypothecate, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option or warrant to purchase, lend or otherwise transfer or dispose of (or publicly announce such transaction), directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares, or enter into any swap or other arrangement that transfer to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transactions are to be settled by delivery of the Shares or other securities, in cash or otherwise, or to submit to the Company's shareholders a proposal to effect any of the foregoing.

The lock-up does not apply to certain situations, including, as regards the Selling Shareholders and other parties named above, exercising options or other instruments entitling to subscribe for Shares, a takeover bid concerning the Company, or a Share buyback directed to all shareholders, amongst others, and does not concern Shares other than those owned by the Selling Shareholders and other existing shareholders and the members of the Board of Directors or the executive officers and certain key employees of the Company at the date of admission of the Shares to trading on Nasdaq Helsinki.

The lock-ups apply in total to approximately 53 percent of the outstanding Shares and votes after the Share Issue without the Over-Allotment Option (approximately 46 percent including the Over-Allotment Option) assuming that the Selling Shareholders sell the maximum number of Sale Shares.

Listing of the Shares

The Company will submit a listing application to list the Shares on the Official List of Nasdaq Helsinki.

Fees and Expenses

The Company will pay approximately EUR 4 million in fees and expenses in connection with the Offering (assuming that the maximum number of New Shares are subscribed for in the Offering). If the Selling Shareholders decide to increase the Offering, the Selling Shareholders will pay approximately EUR 0.6 million in fees in connection with the Offering (assuming that the Selling Shareholders will sell the maximum number of Sale Shares, that the Over-Allotment Option will not be exercised and that the discretionary fee will be paid in full).

Interests Related to the Offering

The fees to be paid to the Managers are, in part, linked to the proceeds from the Offering.

In connection with the Offering, the Managers and any affiliates acting as investors for their own account may take up Offer Shares and in that capacity may retain, purchase or sell Offer Shares, other securities of the Company or related investments for their own account and may offer or sell such securities or other investments otherwise than in connection with the Offering, in each case, in accordance with applicable law.

The Managers and their affiliates have engaged in transactions with and performed various banking, investment, commercial and other services for the Company, the Selling Shareholders and their respective subsidiaries and affiliates in the past and may do so from time to time in the future and may be paid fees in connection with such services from time to time.

The Managers do not intend to disclose the content of any such services, investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Aura Capital, Halma and certain other shareholders listed in Annex A are the Selling Shareholders in the Share Sale.

Dilution

As a result of the Share Issue, the number of outstanding Shares could increase to 13,192,144 Shares assuming that the maximum number of New Shares are subscribed for in the Offering, which corresponds to a dilution for the existing shareholders of approximately 33.7 percent, in the event that the existing shareholders do not subscribe for New Shares in connection with the Offering, as compared to the number of Shares in the Company following the completion of the combination of the Company's share classes (see "*Description of the Shares and Share Capital – Changes to the Shares and Share Capital Prior to the Listing*") but prior to the issuance of the New Shares.

NCI Requirement for Natural Persons

The national client identifier (NCI) is a global identity code for natural persons. Under the Markets in Financial Instruments Directive (2014/65/EU) ("**MiFID II**"), all natural persons wishing to trade in financial instruments must verify their identity with a national client identifier from 3 January 2018 onwards. If the identity is not verified, the Managers may not be able to carry out transactions on behalf of the natural person. In Finland, the personal identity code is used as the NCI code.

LEI Requirement for Legal Persons

The legal entity identifier (LEI) is a global identity code for legal persons. Under MiFID II, all legal persons wishing to trade in financial instruments must have a legal identity identifier from 3 January 2018 onwards. If a legal entity identifier cannot be provided, the Managers may not be able to carry out transactions on behalf of the legal person.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) MiFID II, (b) Articles 9 and 10 of the Commission Delegated Directive (EU) 2017/593 supplementing MiFID II, and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that they each are (i) compatible with an end target market of retail investor and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II (the "**Target Market Assessment**"), and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II. Distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements in any contractual, legal or regulatory selling restrictions in relation to the Offering.

The Target Market Assessment does not constitute (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, obtain, or take any other action concerning the Shares. Each distributor is responsible for its own Target Market Assessment in respect of the Shares and determining the appropriate distribution channels.

THE FINNISH SECURITIES MARKETS

The following is an overview of the Finnish securities markets, including a brief summary of certain Finnish laws and regulations in effect on the date of this Prospectus and affecting Optomed as a company with a listing on Nasdaq Helsinki. The summary is not intended to provide a comprehensive description of all laws and regulations affecting Optomed and should not be considered exhaustive. Moreover, the laws, rules, regulations and procedures summarised below may be amended or reinterpreted.

Trading in Securities and Clearing on the Nasdaq Helsinki

Trading in and clearing of securities on Nasdaq Helsinki takes place in euro. The minimum price increment in which prices are quoted (tick size) depends on the share price. Price information is produced and published in euro.

Nasdaq Helsinki uses the trading platform INET Nordic. INET Nordic is an order-based system in which orders are executed when price and volume information as well as other conditions match. INET Nordic continuously broadcasts trading information. The information is displayed in real time in the form of, inter alia, order books, concluded trades, index information and different kinds of reports. Nasdaq Helsinki has three principal trading sessions: pre-open session, continuous trading and post-trading session. For shares, pre-open session begins at 9:00 a.m. (all times in this section are stated in Finnish time) and ends at 9:45 a.m. during which orders may be placed, changed or cancelled. The opening call begins at 9:45 a.m. and ends at 10:00 a.m. Continuous trading begins immediately after the opening call ends at 10:00 a.m. and trading continues at prices based on market demand until 6:25 p.m. when the closing call is initiated. Orders entered during the pre-open session and existing orders with several days' validity are automatically transferred into the opening call. Post-trading, during which contract transactions for shares can be registered as after-hours trading in confirmed prizes within the price limits based on the trading day, takes place between 6:30 p.m. and 7:00 p.m.

Trades are normally cleared in Euroclear Finland's automated clearing and settlement system (Infinity system) on the second banking day after the trade date unless otherwise agreed by the parties. Nasdaq Helsinki is a part of the Nasdaq, Inc. ("**Nasdaq**"). Nasdaq offers trading across multiple asset classes, and its technology supports the operations of over 90 marketplaces in 50 countries. Nasdaq also owns and maintains the stock exchanges in Stockholm, Copenhagen, Reykjavik, Tallinn, Riga and Vilnius. Each country has its own official list and country-specific listing requirements. Nasdaq's Nordic List (the "**Nordic List**") was launched in 2006 and consists of shares listed on the exchanges in Helsinki, Copenhagen, Stockholm and Reykjavik. Through the Nordic List, the listing requirements for companies as well as the way of presenting the listed companies have been harmonised. In the Nordic List, companies are presented first by their market capitalisation and then by their industry sector irrespective of the domicile of the issuer. The market's capitalisation classification is divided into three categories: Large Cap, Mid Cap and Small Cap. Within each market capitalisation segment, issuers are sorted by their industry sector according to the ICB Company Classification Standard. Issuers belonging to the same industry sector are placed in the same industry sector segment in alphabetical order.

Regulation of the Finnish Securities Market

The securities market in Finland is supervised by the Finnish Financial Supervisory Authority (the "**FIN-FSA**"). The principal statute governing the Finnish securities market is the Finnish Securities Markets Act, which contains regulations with respect to, among other matters, company and shareholder disclosure obligations, such as flagging obligation, prospectuses as well as public tender offers. In addition, the Market Abuse Regulation regulates insider dealing, unlawful disclosure of inside information, market manipulation, and public disclosure of inside information. MAR establishes a uniform regulatory framework for market abuse regime in the EU. The FIN-FSA and Nasdaq Helsinki have also issued more detailed regulations on the securities markets pursuant to the Finnish Securities Markets Act. The FIN-FSA monitors compliance with these regulations.

The Finnish Securities Markets Act specifies the minimum disclosure requirements for Finnish companies applying to list on Nasdaq Helsinki or making a public offering of securities in Finland. The issuer of security subject to public trading is obliged to regularly provide financial information of the company and, pursuant to MAR, publicly disclose to the public as soon as possible the inside information which directly concerns that issuer. An issuer may delay disclosure of inside information to the public provided that all of the conditions set out in MAR are met. Information disclosed shall be sufficient to enable investors to make an informed assessment of the security and the issuer thereof.

The Finnish Criminal Code (39/1889, as amended) contains provisions relating to the misuse of inside information, unlawful disclosure of inside information, market manipulation and breach of disclosure requirements. A breach of these provisions constitutes a criminal offence. Pursuant to MAR, the Finnish Securities Markets Act and the Finnish Act on the Financial Supervisory Authority (878/2008, as amended), the FIN-FSA has the right to impose administrative sanctions to the extent the offence does not fall within the scope of the Finnish Criminal Code. The FIN-FSA may, for example, issue a public warning or impose administrative fine or penalty payment for the breach of disclosure requirements or public tender offer, insider register or market abuse provisions. The disciplinary board of Nasdaq Helsinki

may give a warning or note or impose a disciplinary fine or order the company to be removed from the stock exchange list.

A shareholder is required, without undue delay, to notify a Finnish listed company and the FIN-FSA when its voting interest in, or its percentage ownership of, the total number of shares in such Finnish listed company reaches, exceeds or falls below 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, 50 percent, 66.67 percent (2/3) or 90 percent, calculated in accordance with the Finnish Securities Markets Act, or when it has on the basis of a financial instrument the right to receive an amount of shares that reaches, exceeds or falls below any such threshold. If a Finnish listed company receives information indicating that a voting interest or ownership interest has reached, exceeded or fallen below any of these thresholds, it must, without undue delay, publish such information and disclose it to Nasdaq Helsinki and to the main media. If a shareholder has violated its obligation to notify on voting interest or ownership, the FIN-FSA may due to a weighty reason prohibit the shareholder from using its right to vote and to be presented in the General Meeting of Shareholders for the shares to which the violation relates.

Pursuant to the Finnish Securities Markets Act, a shareholder whose proportion of voting rights in a listed company exceeds three-tenths (3/10) or exceeds one-half (1/2) of the total voting rights attached to the shares of the company, calculated in accordance with the Finnish Securities Markets Act, after the commencement of a public quotation of such shares must make a public tender offer for all the remaining shares and securities with an entitlement to its shares issued by the company for fair value. If the securities exceeding the thresholds referred to above have been acquired through a public tender offer on all shares and securities with an entitlement to the shares issued by the target company, no obligation to make a tender offer arises. If a company has two or more shareholders whose holdings of voting rights exceed the above mentioned limit, only the shareholder with the most voting rights is required to make a tender offer. If the proportion of votes described above is exceeded solely due to the measures taken by the target company or other shareholders, the shareholder will not be obligated to make a tender offer until he or she acquires or subscribes for more shares in the target company or otherwise increases his or her proportion of votes in the target company. If the above-mentioned limit is exceeded due to the shareholders acting in concert when making a voluntary tender offer, the obligation to make a tender offer is not triggered if acting in concert is limited only to such tender offer. There is no obligation to make a tender offer if a shareholder or another party who is acting in concert with such shareholder gives up its voting rights in excess of the above mentioned limit within one month after such limit was exceeded provided that the shareholder publishes its intention and voting rights are not used during such time.

Under the Finnish Companies Act, a shareholder holding shares representing more than nine-tenths of all the shares in a company and of the votes conferred by the shares has the right to redeem the shares of the other shareholders of the company at fair value. In addition, any minority shareholder that possesses shares that may be so redeemed by the majority shareholder in accordance with the Finnish Companies Act is entitled to require such majority shareholder to redeem its shares. The Finnish Companies Act includes detailed rules that apply to the calculation of the majority shareholder's proportion of shares and votes.

Under the Finnish Securities Markets Act, a Finnish listed company must directly or indirectly belong to an independent body, established in Finland, that broadly represents the business sector which has, in order to promote compliance with good securities markets practice, issued a recommendation which relates to the actions of the management of the target company regarding a public takeover bid (the "**Helsinki Takeover Code**"). Pursuant to the Finnish Securities Markets Act, a listed company must provide an explanation in case it is not committed to complying with the Helsinki Takeover Code.

Net short positions relating to shares tradable on Nasdaq Helsinki must be disclosed to the FIN-FSA in accordance with Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps. The obligation to disclose net short positions applies to all investors and market participants. A net short position regarding shares admitted to trading on a regulated market must be disclosed when the position reaches, exceeds or falls below 0.2 percent of the issued share capital of the target company. A new notification must be disclosed for each 0.1 percent exceeding the above threshold. The FIN-FSA publishes the notified net short positions on its website, if the net short position reaches, exceeds or falls below 0.5 percent of the issued share capital of the target company.

Finnish Book-Entry Securities System

General

Any issuer established in the European Union that issues or has issued transferable securities which are admitted to trading or traded on trading venues, shall arrange for such securities to be represented in book-entry form. An issuer has the right to choose the central securities depository where the securities are issued. The book-entry system is maintained by the central securities depository. In Finland, the central securities depository is Euroclear Finland, which provides national clearing and settlement as well as registration services for securities. Euroclear Finland maintains a centralised book-entry

securities system for both equity and debt securities. The business address of Euroclear Finland is Urho Kekkosen katu 5 C, FI-00100, Helsinki, Finland.

Euroclear Finland keeps, on behalf of the issuers, issuer-specific shareholders' registers of companies entered into the book-entry system. In addition, Euroclear Finland offers book-entry account services to shareholders, who have opened their accounts before enforcement of the Act on the Book-Entry System and Settlement Activities (348/2017, as amended), entered into force on 21 June 2017. The expenses incurred by Euroclear Finland in connection with maintaining the centralised book-entry securities system are borne mainly by the issuers and the account operators participating in the book-entry securities system during the transitional period of the Act on the Book-Entry System and Settlement Activities. The account operators, which consist of, inter alia, credit institutions, investment service firms and other institutions licensed to act as clearing parties by the central securities depository administer the book-entry accounts and are entitled to make entries in the book-entry accounts.

Registration Procedure

In order to hold entries in the book-entry system, a security holder or such holder's nominee must establish a book-entry account with an account operator or register its shares through a nominee registration process in order to effect share entries. Finnish shareholders are not allowed to hold his or her shares through nominee registration in Finland. Non-Finnish shareholders may deposit book-entries in a custodial nominee account, where the shares are registered in the name of a custodial account holder in the company's shareholders' register. A custodial nominee account must contain information on the custodial account holder instead of the beneficial owner and indicate that the account is a custodial nominee account. Book-entry securities owned by one or more beneficial owners may be registered in a custodial nominee account. In addition, the shares owned by a foreigner, foreign entity or trust may be registered in a book-entry account opened in the name of such foreigner, foreign entity or trust, but the holding may be registered in the name of a nominee in the company's shareholders' register. For shareholders who have not transferred their shares into book-entries, a joint book-entry account shall be opened with the central securities depository and the issuer is entered as the account holder. All transactions in securities registered with the book-entry securities system are executed as computerised book-entry transfers. The account operator confirms book-entry transfers by sending notifications of all transactions to the holder of the respective book-entry account. The account holders also receive an annual statement of their holdings as of the end of each calendar year.

Each book-entry account is required to contain specified information with respect to the account holder and other holders of rights to the book-entries entered into the account as well as information on an account operator administering the book entry account. In addition, the book-entry account shall contain information with respect to the type and number of book-entry securities registered and the rights and restrictions pertaining to the account and to the book-entry securities registered in the account. A nominee registration is identified as such upon entry. Euroclear Finland and the account operators are bound by strict confidentiality requirements, although certain information (for example the name and address of each account holder) contained in the register is public, except in the case of nominee registration. The FIN-FSA is entitled to receive certain information on nominee registrations upon request. However, a company must keep the shareholders' register accessible to everyone at the head office of the company or, if the company's shares are incorporated in the book entry system, at the registered office of the Central Securities Depository in Finland, except in the case of nominee registration.

Each account operator is strictly liable for errors and omissions on the registers maintained by it and for any unauthorised disclosure of information. If an account holder has suffered a loss as a result of a faulty registration or an amendment to, or deletion of, rights in respect of registered securities and an account operator is unable to compensate for such loss due to insolvency that is not temporary, such account holder is entitled to receive compensation from the statutory registration fund of Euroclear Finland. The capital of the registration fund must be at least 0.0048 percent of the average of the total market value of the book-entry securities included in the book-entry securities system during the previous five years and, in any event, must at least equal to EUR 20 million. The compensation to be paid to an injured party shall be equal to the amount of damages suffered from a single account operator subject to a maximum amount of EUR 25,000 per account operator. The liability of the registration fund to pay damages in relation to each individual incident is limited to EUR 10 million.

Custody of the Shares and Nominee Registration

A non-Finnish shareholder may appoint an account operator (or certain other Finnish or non-Finnish organisations approved by central securities depository) to act as a custodial nominee account holder on its behalf. A custodial nominee account holder is entitled to receive dividends on behalf of the shareholder. A holder of nominee-registered shares wishing to attend and vote at General Meetings of Shareholders must be registered temporarily in the shareholders' register no later than the date set out in the notice to convene the meeting, which date shall be subsequent to the Record Date of the relevant General Meeting of Shareholders. A holder of nominee-registered shares temporarily registered in the shareholders' register shall be deemed to have enrolled to the meeting and no further enrolment is required provided that such holder of nominee-registered shares on the Record Date would be entitled, by virtue of such shares, to be registered

in the shareholders' register of the company held by Euroclear Finland. When the holder of nominee-registered shares is known, a custodial nominee account holder is required, on request, to disclose to the FIN-FSA and the relevant company the identity of the holder of any shares registered in the name of such custodial nominee, as well as the number of shares owned by such holder of nominee-registered shares. If the identity of the holder of nominee-registered shares is not known, the custodial nominee account holder is required to disclose the identity of the representative acting on behalf of the holder of nominee-registered shares and the number of shares held, and to submit a written declaration to the effect that the holder of the nominee-registered shares is not a Finnish natural person or a Finnish legal entity.

Finnish depositories for both Euroclear Bank, S.A./N.V. – as operator of Euroclear Finland – and Clearstream have custodial accounts within the book-entry securities system and, accordingly, non-Finnish shareholders may hold their shares listed on Nasdaq Helsinki in their accounts in Euroclear Bank, S.A./N.V. and in Clearstream.

Shareholders wishing to hold their shares in the book-entry securities system in their own name and who do not maintain a book-entry account in Finland are required to open a book-entry account at an authorised account operator in Finland and a convertible euro account at a bank.

Compensation Fund for Investor and Deposit Insurance Fund

The Finnish Act on Investment Services (747/2012, as amended) sets forth a compensation fund for investors. Under the Finnish Act on Investment Services, investors are divided into professional and non-professional investors. The fund does not compensate any losses by professional investors. The definition of professional investor includes business enterprises and public entities, which can be deemed to understand the securities markets and their associated risks. An investor may also provide notice in writing that, on the basis of his or her professional skills and experience in the securities markets, he or she is a professional investor; however, natural persons are presumed to be non-professional investors.

Investment firms and credit institutions must belong to the compensation fund. The compensation fund safeguards payment of clear and indisputable claims when an investment company or a credit institution has been declared bankrupt, is undergoing a restructuring process or is otherwise, for a reason other than temporary insolvency, not capable of paying claims within a determined period of time. For valid claims, the compensation fund will pay 90 percent of the investor's claim against each investment company or credit institution, up to a maximum of EUR 20,000. The compensation fund does not provide compensation for losses due to decreases in stock value or bad investment decisions. Accordingly, investors continue to be liable for the consequences of their own investment decisions.

Pursuant to the Act on Finnish Financial Stability Authority (1195/2014, as amended), depositary banks must belong to a deposit guarantee scheme, which is intended to safeguard payments of receivables in the depositary bank's account or receivables in the forwarding of payments that have not yet been entered into an account if the depositary bank becomes insolvent and the insolvency is not temporary. The customers of a depositary bank can be compensated by the deposit insurance fund up to a maximum of EUR 100,000. An investor's funds can be safeguarded either by the deposit insurance fund or the compensation fund; however, an investor's funds cannot be safeguarded by both funds at the same time.

TAXATION

The following summary is based on the tax laws of Finland as in effect and applied as at the date of this Prospectus, as well as on the current case law and tax practice. Any changes in tax laws and their interpretation may also have a retroactive effect on taxation. The following summary is not exhaustive and does not take into account or discuss the tax laws, case law or tax practice of any country other than Finland. Prospective investors are advised to consult a tax adviser in order to obtain information about tax consequences resulting from the purchase, ownership and disposition of the Offer Shares in Finland or elsewhere. Prospective investors, whose taxation may be impacted by the tax laws of other countries, should consult their own tax advisers as to the tax implications related to their individual circumstances.

Finnish Taxation

Background

The following is a general description of Finnish income and transfer tax consequences that may be relevant in terms of the Listing. The description below is applicable to individuals and limited companies that are tax resident or tax non-resident in Finland, and it discusses the Finnish tax laws applicable to distribution of dividends and capital gains arising from the sale of the Shares.

The following does not address the taxation of the Company itself or any tax consequences applicable to shareholders who are subject to special tax rules. Such shareholders include, among others, entities exempt from income tax, non-business carrying entities, individuals taxable under the Finnish Business Income Tax Act and general or limited partnerships. Furthermore, this description does not address the tax consequences of Finnish resident shareholders in controlled foreign corporations in Finland, different restructurings of corporations or Finnish inheritance tax or gift tax consequences.

This description is based on:

- the Finnish Income Tax Act (1535/1992, as amended);
- the Finnish Business Income Tax Act (360/1968, as amended);
- the Finnish Act on the Taxation of Non-residents' Income (627/1978, as amended);
- the Finnish Transfer Tax Act (931/1996, as amended); and
  the Finnish Tax Procedure Act (1558/1995, as amended)

In addition, case law and any decisions and statements made by the tax authorities in effect and available as at the date of this Prospectus have also been taken into account. Tax legislation, case law and statements given by tax authorities are subject to change, which could also have retroactive effects.

General

The scope of taxation in Finland is defined by the tax liability position of a taxpayer. Finnish residents are subject to Finnish taxation on their worldwide income (unlimited tax liability). Non-residents are taxed only on Finnish source income (limited tax liability). In addition, all income of non-residents derived from a permanent establishment located in Finland is taxed in Finland. Tax treaties binding on Finland may restrict the applicability of Finnish internal tax legislation and prevent the Finnish taxation of income derived from Finland by a non-resident.

Generally, a natural person is deemed a resident of Finland for tax purposes if the person stays in Finland for more than six consecutive months or if the permanent home and abode of the person is in Finland. A Finnish citizen is deemed a resident of Finland for tax purposes during the year he or she has emigrated from Finland and three subsequent years unless he or she proves that no essential ties to Finland existed during the relevant tax year. Earned income is taxed at progressive tax rates. Capital income up to EUR 30,000 per calendar year is taxed at a rate of 30 percent and, if the overall capital income exceeds EUR 30,000 during a calendar year, the tax rate for the exceeding amount is 34 percent. Corporate entities established under the laws of Finland are regarded as residents of Finland and thus subject to corporate income tax on their worldwide income. In addition, non-residents are subject to Finnish corporate income tax on their income connected with their permanent establishments situated in Finland. The current corporate income tax rate is 20 percent.

Distribution of unrestricted equity (in accordance with Chapter 13 Section 1 Subsection 1 of the Finnish Companies Act) by a publicly listed company pursuant to Section 33a Subsection 2 of the Income Tax Act ("**Listed Company**") is taxable as dividend.

Hence, the description below addressing the tax implications of dividends is also applicable with respect to distribution of unrestricted equity.

The following is a summary of certain Finnish tax consequences relating to the purchase, ownership and disposition of Offer Shares by Finnish resident and non-resident shareholders.

Taxation of Finnish Corporations

Purchasing the Offer Shares

No income taxation is triggered by purchasing or owning the Offer Shares per se. For the dividends received based on the Offer Shares, please see below "– *Dividends Received Based on the Offer Shares*" and for Finnish transfer taxation, please see below "– *Transfer Tax*".

Dividends Received Based on the Offer Shares

The tax treatment of dividends distributed by a Listed Company varies depending on whether the Finnish company receiving the dividend is a Listed Company or a non-listed company.

Dividends received by a Listed Company from another Listed Company are generally exempt from tax. However, in the event that the underlying Finnish shares belong to the investment assets of such a shareholder, 75 percent of the dividend received by the Listed Company is taxable income and 25 percent is tax exempt income. Only financial, insurance and pension institutions may have investment assets. The actual tax rate in these situations is 15 percent.

If the recipient is a non-listed company, the dividends it receives are fully subject to corporate income tax if such a shareholder does not directly own at least 10 percent of the share capital of the distributing company. If the direct ownership is at least 10 percent when the dividend is distributed, the dividend received on such shares is tax exempt. However, if a non-listed company receives a dividend from shares of a Finnish company included in its investment assets, 75 percent of the dividend is taxable income and 25 percent is tax exempt regardless of the ownership threshold.

Disposal of the Offer Shares: Capital Gains and Losses

Finnish corporations are subject to a national corporate income tax on their worldwide income. Any capital gains from the sale of the Offer Shares are generally regarded as taxable income arising either from business activities or other activities of Finnish resident corporations. The taxable income of a Finnish corporation is determined separately for business activities and for other activities. Income belonging to both baskets is taxed according to a fixed tax rate of 20 percent, but business activities are taxable under the Finnish Business Income Tax Act, whereas other activities are taxable under the Finnish Income Tax Act. Shares belonging to the business activities basket may be fixed assets, current assets, investment assets or financial assets of a Finnish corporation. The taxation of a disposal of shares and loss of value varies according to the asset type for which the shares qualify.

The capital gain (as well as the capital loss) is calculated by deducting the total sum of the actual acquisition cost and selling costs from the sales price. The acquisition cost of the Offer Shares sold is thus deductible from the income in the basket to which the Offer Shares sold belonged and in which the sales price was recorded.

Any capital loss arising from the sale of Offer Shares attributable to business activities, but not belonging to fixed assets, is generally deductible from income in the business income basket. Confirmed tax losses from business activities can be carried forward and deducted against taxable income from business activities for 10 years following the loss-making year. Capital losses attributable to other income can only be offset against capital gains arising in the same income basket and can be carried forward only for the subsequent five tax years.

However, capital gains based on the disposal of shares in a limited liability company is tax exempt for corporate entities, provided, that certain strictly defined requirements are met. Under Section 6 b of the Finnish Business Income Tax Act (so-called participation exemption) capital gains arising from the sale of shares that are part of the fixed assets of a selling company that is not engaged in private equity activities are not considered taxable business income and, correspondingly, capital losses incurred on the sale of such shares are not tax deductible, if the disposal of shares is tax exempt. A disposal of shares is tax-exempt, if (i) the selling company has directly and continuously for at least one year owned at least 10 percent of the share capital in the company whose shares are sold and such ownership has ended at the most one year before the sale of shares; (ii) the company whose shares have been sold is not a real estate or residential housing company or a limited liability company whose activities, de facto, mainly consist of ownership or possession of real estate; and (iii) the company whose shares are sold is resident in Finland, in another EU member state, the company is specified in Article 2 of the Parent Subsidiary Directive or the company is resident in a country with which Finland has entered into a Tax Treaty that is applicable to dividends. Additionally, in Finnish case law it has also been required, inter alia, that there is a business connection between the company disposing shares and the company whose shares are disposed of.

Capital losses relating to the disposals of shares entitled to this tax exemption will not be tax deductible. Capital losses arising from the disposal of shares, which belong to the seller's fixed assets but do not qualify for tax exemption, are deductible only from capital gains arising from the disposal of shares, which belong to the seller's fixed assets, in the same tax year and the subsequent five fiscal years. With effect from tax year 2020, the application of the Income Tax Act will be restricted significantly, and generally, the Business Income Tax Act will be applied in calculating the taxable income of most corporations (with certain exceptions such as e.g. certain real estate companies, or calculating taxable agricultural income). A new asset class, other assets, will be introduced to the business income basket. Other assets comprise assets which do not have a distinct connection to the business operations of a corporation, and assets that cannot be allocated to existing asset classes i.e. fixed assets, current assets, investment assets or financial assets. Capital gains on disposals of other assets will be taxable. Capital losses on disposals of other assets can only be offset against capital gains on disposals of other assets and can only be carried forward for the subsequent five tax years. Capital losses which have been calculated according to the Income Tax Act and have not been offset before tax year 2020, can be carried forward for five years following the tax year of disposal of the asset, and will primarily be deductible from capital gains on disposals of other assets, and secondarily from capital gains on disposal of shares or real property belonging to fixed assets.

Taxation of Finnish Resident Individuals

Purchasing the Offer Shares

No income taxation is triggered by purchasing or owning the Offer Shares per se. For the dividends received based on the Offer Shares, please see below "– *Dividends received based on the Offer Shares*" and for Finnish transfer taxation, please see below "– *Transfer Tax*".

Dividends Received Based on the Offer Shares

85 percent of dividends received by a natural person resident in Finland from a Listed Company is taxable as capital income, whereas 15 percent is tax exempt income. The current applicable tax rate is 30 percent for capital income of up to EUR 30,000 per calendar year and 34 percent for any amount exceeding EUR 30,000 per calendar year.

When a Listed Company distributes dividends to individuals, the Listed Company is obligated to withhold advance tax on the dividend payments. As at the date of this Prospectus, the tax withholding is 25.5 percent of the amount of the dividend. The advance tax withheld by the distributing company is credited against the final tax payable for the tax year by the recipient of the dividend. Finnish tax resident individuals must check from their pre completed tax return that the dividend information has been correctly reported, and, when necessary, correct the right amount of dividends and tax withholding into the tax return.

Regulations concerning the taxation of a dividend based on a nominee registered share have been amended and the new regulation will come into force in 1 January 2020 regarding taxpayers who are Finnish tax residents. According to the new rules, a 50 percent withholding tax will be withheld on the nominee account's dividends if the dividend paying company or registered custodian cannot identify the recipient of the dividend.

Disposal of the Offer Shares: Capital Gains and Losses

Capital gains from the sale of Offer Shares are taxed as capital income of the Finnish resident individual. The current tax rate applied to capital gains is 30 percent for capital income of up to EUR 30,000 per calendar year and 34 percent for any amount exceeding EUR 30,000 per calendar year. However, capital gains from assets that do not belong to the person's business activities are exempt from tax if the total amount of the transfer prices of the person's sold assets does not exceed EUR 1,000 in a tax year (excluding sales prices of assets from which capital gains are tax exempt under Finnish tax laws).

Individuals may deduct capital losses arising from the sale of Offer Shares primarily from capital gains and secondarily from other capital income arising in the same tax year and the following five tax years. Capital losses will not be taken into account when calculating the capital income deficit for the tax year in question, and it does hence not entitle to a deficit credit. Capital losses will not, however, be tax deductible if the total amount of the acquisition costs (and also sales prices) of the assets sold by the individual does not exceed EUR 1,000 in a tax year (excluding sales prices of assets from which capital gains are tax exempt under Finnish tax laws).

Capital gains and losses are calculated as the difference between the transfer price and the aggregate of the actual acquisition cost and sales-related expenses. Alternatively, individuals may choose to apply the presumptive acquisition cost instead of the actual acquisition cost for the Offer Shares. As the presumptive acquisition cost, 20 percent is deducted from the transfer price but, if the shareholder has held the Offer Shares for at least 10 years, the presumptive acquisition cost is 40 percent of the transfer price. If the presumptive acquisition cost is applied instead of the actual acquisition cost,

all expenses arising from acquiring the gains are deemed to be included in the presumptive acquisition cost and, therefore, cannot be deducted separately from the transfer price.

Natural persons resident in Finland must enter information about any disposal of the Offer Shares during the tax year in their pre-completed tax return.

Taxation of Investors not Resident in Finland

Purchasing the Offer Shares

No income taxation is triggered by purchasing or owning the Offer Shares per se. For the dividends received based on the Offer Shares, please see below "*– Dividends Received based on the Offer Shares*" and for Finnish transfer taxation, please see below "*– Transfer Tax*".

Dividends received based on the Offer Shares

In connection with the payment of dividends from a Finnish company to a non-resident investor, the Finnish dividend payer is generally obliged to withhold withholding tax in connection with the payment of the dividend, and no other Finnish taxes are payable on the dividend.

The current withholding tax rate applicable to dividends paid to non-resident corporate entities is 20 percent, and that applicable to dividends paid to non-resident individuals and other non corporate recipients is 30 percent. The withholding tax may be reduced or removed pursuant to tax treaty provisions applicable to the dividend.

Finland has entered into tax treaties with several countries pursuant to which the withholding tax rate is reduced on dividends paid to persons entitled to the benefits under such treaties. For example, in the case of the treaties with the following countries, Finnish withholding tax rate regarding dividends of portfolio shares is generally reduced to the following percentages: Austria: 10 percent; Belgium: 15 percent; Canada: 15 percent; Denmark: 15 percent; France: 0 percent; Germany: 15 percent; Ireland: 0 percent; Italy: 15 percent; Japan: 15 percent; the Netherlands: 15 percent; Norway: 15 percent; Spain: 15 percent; Sweden: 15 percent; Switzerland: 10 percent; the United Kingdom: 0 percent; and the United States: 15 percent (0 percent for certain pension funds). This list is not exhaustive. A further reduction in the withholding tax rate is available under most tax treaties to corporate entities for dividend distributions on qualifying holdings (usually direct ownership of at least 10 or 25 percent of the share capital or votes of the distributing company). The reduced withholding rate benefit in an applicable tax treaty will be available if the person beneficially entitled to the dividend has provided a valid tax at source card or necessary details of its nationality and identity to the company paying the dividend.

However, no withholding tax shall be levied on dividends paid to such corporate entities residing within the European Union, as defined in Article 2 of the Parent Subsidiary Directive (2011/96/EU, as amended), if the recipient company directly holds at least 10 percent of the share capital of the dividend distributing Finnish company.

Dividends paid to certain foreign corporate entities resident within the EEA may qualify for a complete exemption from Finnish withholding taxation or may be subject to withholding taxation at a reduced rate, based on how the dividend would have been taxed, had it been paid to a corresponding Finnish entity. No withholding tax shall be levied in Finland from dividends to a non-resident entity distributed by a Finnish company, if (i) the entity receiving dividend resides in the EEA; (ii) the Mutual Assistance Directive (2011/16/EU) or an agreement on mutual assistance and information exchange in tax matters applies to the home state of the recipient of the dividend; and (iii) the company receiving a dividend is equivalent to a Finnish entity defined in the Finnish Income Tax Act, Section 33d, Sub section 4, or Section 6a of the Finnish Business Income Tax Act; (iv) the dividend would be fully tax exempt if paid to a Finnish corresponding corporation or entity; and (v) the entity establishes (with a certificate from the home member state's tax authority) that in accordance with the agreement on avoiding double taxation concluded between Finland and the home state of the recipient of dividends, the withholding tax cannot de facto be credited in full.

Notwithstanding the aforementioned, the dividend is only partly tax exempt if the Offer Shares belong to the investment assets of the recipient corporate entity, and that corporate entity is not a corporate entity defined in the Parent Subsidiary Directive directly holding at least 10 percent of the capital of the distributing company. In this case, the applicable withholding tax rate is currently 15 percent. A prerequisite for this tax treatment is that the recipient corporate entity has its registered office in a state fulfilling the conditions (i) and (ii) above and that the entity fulfils the conditions set out under (iii) above. Depending on the applicable agreement on avoiding double taxation, the withholding tax rate may also be lower than 15 percent.

When the shares of a Finnish company are nominee registered, the Finnish company paying the dividend pays them to the nominee registered custodian account, whose custodian remits the dividends paid to the beneficial owners. If the

recipient of the dividend paid to a nominee registered share is resident in a tax treaty state, withholding tax is always levied on the dividend at a rate of at least 15 percent, or a higher percentage provided for in the applicable tax treaty, provided that, pursuant to the information duly ascertained by the payer, the recipient qualifies under the tax treaty provisions applicable to dividends. The recipient of dividends may, prior to the payment, provide the payer with information on his or her domicile and the other requirements for the application of the tax treaty, in which case he or she may receive the dividend payable on the nominee registered share at a lower tax rate pursuant to the applicable tax treaty. This means that with respect to dividends on shares held through a nominee account, tax is withheld at the rate set in the applicable tax treaty, higher than 15 percent or 15 percent absent thorough clarification of the identity of the person beneficially entitled to the dividend. Such procedure, however, requires that the foreign custodian intermediary is registered in the Finnish tax authorities' register and that it is resident in territory of the European Union or in a country with which Finland has a tax treaty. Also, the foreign custodian intermediary must have an agreement with the Finnish account operator regarding the custody of the shares. In such agreement, the foreign custodian intermediary must, among other things, commit to report the dividend receiver's residential country to the account operator and to provide additional information to the tax authorities, if needed. If these provisions are not fulfilled, a 30 percent withholding tax is withheld from a non-resident natural person and a 20 percent withholding tax is withheld from a non-resident corporate entity on the nominee account's dividends. The regulations concerning the taxation of a dividend based on a nominee registered share and the prerequisites on how the provisions of a tax treaty could be applied to the dividend have been amended and the new regulation will come into force on 1 January 2021. According to the new rules, a 35 percent withholding tax will be withheld on the nominee account's dividends if the new provisions regarding application of a lower withholding tax rate under a tax treaty are not fulfilled.

Recent rulings of the European Court of Justice (Joined Cases C-116/16 and C-117/16 and Joined Cases C-115/16, C-118/16, C-119/16, C-299/16) regarding the concept of beneficial owner for European Union law purposes may have implications on Finnish tax legislation going forward, which may result in i.a. additional criteria to obtain a preferred dividend withholding tax rate.

If the recipient of the dividends is a non-resident natural person residing in the EEA, he or she can claim, provided that certain preconditions are met, that the taxation of dividends paid by a Finnish company is carried out in accordance with the Tax Procedure Act instead of withholding tax. A precondition is that the mutual assistance in tax matters between Finland and the recipient's country of residence is organised in accordance with the Mutual Assistance Directive (2011/16/EU) or a tax treaty concerning executive assistance and exchange of information and, furthermore, that the Finnish withholding tax cannot, by virtue of provisions in the applicable tax treaty, be credited in its entirety in the country where the recipient is residing.

Disposal of the Offer Shares: Capital Gains and Losses

Investors that are not resident in Finland for tax purposes are not generally subject to Finnish tax on capital gains arising from the transfer of the Offer Shares, unless the transfer of the Offer Shares relates to business activities carried out in Finland by the investor (through a permanent establishment) or more than 50 percent of the total assets of the company in question consist of real estate properties located in Finland.

Transfer Tax

Transfer tax is not payable in connection with the issuance of new shares.

Transfer tax is generally not payable in Finland on the transfer of shares in Finnish companies subject to public trading on a regularly functioning regulated market or multilateral trading facility against fixed cash consideration on the condition that the broker or other party to the transaction is an investment firm, a foreign investment firm or other investment services provider as defined in the Finnish Act on Investment Services (747/2012, as amended) or the transferee has been approved as a trading party in the market where the transfer is executed. If the intermediary or other trading party is not a securities broker as defined in the Transfer Tax Act (i.e. the intermediary is a foreign broker that does not have a branch or office in Finland), the precondition for the tax exemption is that the transferee notifies the Finnish tax authorities of the transfer within two months of the transfer or that the intermediary submits an annual notification to the tax authorities pursuant to the Tax Procedure Act.

The exemption does not apply to certain specifically defined disposals, such as transfers of shares by means of a capital contribution or distribution, or transfers of shares in which the consideration consists partially or completely of employment or work. Also, the exemption does not apply to transfers of shares carried out in order to fulfil the provisions in the Finnish Companies Act concerning the purchase of minority shareholdings under squeeze out rules. Furthermore, the exemption does not apply to a transfer of shares if it is based on an offer made after the public trading with the share in question has ended or before it has begun. However, such transfer may qualify for the exemption if it takes place in the context of a sale of shares that is a part of a combined public offer to sell existing shares and subscribe for new shares of the company, in which the shares transferred are specified only after the public trading has begun and in which the sales

price is equal to the subscription price of the new shares. This means, among others, that a sale of shares taking place as a part of an initial public offering and that has been agreed before the trading has commenced in public trading on a regulated market or multilateral trading facility, may under certain circumstances be exempt from transfer tax, provided that, inter alia, new shares are being issued in the same initial public offering.

Where the transfer of shares does not fulfil the above requirements for a tax-exempt transfer, the purchaser has a liability to pay transfer tax at a rate of 1.6 percent of the transaction price. However, if the purchaser is neither a tax resident in Finland nor a Finnish branch or office of a foreign credit institution, investment firm, fund management company or EEA alternative investment fund manager, the seller must collect the tax from the purchaser. If the broker is a Finnish stockbroker or credit institution, or a Finnish branch or office of a foreign stockbroker or credit institution, it is liable to collect the transfer tax from the purchaser and pay the tax to the state. If neither party to the transfer is tax resident in Finland or a Finnish branch or office of a foreign credit institution, foreign investment firm, fund management company or EEA alternative investment fund manager, the transfer of shares will be exempt from Finnish transfer tax. No transfer tax is collected if the amount of the tax is less than EUR 10.

Certain Tax Considerations in Sweden

The following is a summary of certain tax consequences based on Swedish legislation that can arise in relation to the Listing. The summary is based on current Swedish legislation and is solely intended to provide general information to private individuals and Swedish limited liability companies (Sw. *aktiebolag*) with unlimited tax liability in Sweden that are considering to purchase, own or dispose of shares, unless stated otherwise. In this case, "unlimited tax liability" refers to holders of shares or other securities who are (i) a natural person who is resident or is permanently living in Sweden or who has an essential connection with Sweden, or (ii) any legal entity registered in Sweden or whose board of directors is domiciled in Sweden if registration has not taken place.

The summary is not exhaustive and will, for example, not cover:

- situations where shares have been acquired by means of shares in so called closely held companies;
- situations involving tax exempt dividends and capital gains on shares deemed to be held for business purposes under the Swedish participation exemption regime;
- situations where shares are held by a general partnership or a limited partnership;
- situations where shares are held as current assets in business operations;
- foreign companies conducting business through a permanent establishment in Sweden;
- situations where shares are held by investment companies, insurance companies or investment funds;
- situations where shares have been acquired by employees at a discounted rate (below fair market value), or
- situations where shares are held in an investments savings account (Sw. *investeringssparkonto*) or endowment insurance (Sw. *kapitalförsäkring*).

The tax consequences for each individual shareholder will ultimately depend on the holder's particular circumstances. Everyone considering to purchase, own or dispose of shares is therefore recommended to consult their tax advisors regarding the tax consequences which might arise in connection to the Listing, including the effects of foreign tax legislation (including regulations), tax treaties and other rules which may apply.

Private individuals

Capital gains taxation

When publicly traded shares are sold, a taxable gain or a tax-deductible loss may arise for Swedish tax purposes. Capital gains are taxed in the category income from capital at a rate of 30 percent. The capital gain or the capital loss is normally calculated as the difference between the sale proceeds less expenses relating to the disposal, and the acquisition cost of the shares (Sw. *omkostnadsbelopp*). The acquisition cost for all shares of the same series and type should generally be calculated jointly in accordance with the average method (Sw. *genomsnittsmetoden*).

The acquisition cost for publicly traded shares may alternatively be determined by using the standard method (Sw. *schablonmetoden*) under which the acquisition cost is calculated as 20 percent of the sale proceeds less expenses relating to the disposal.

Capital losses on publicly traded shares may be fully offset against taxable capital gains on shares and other publicly traded securities, except for units in investment funds containing only Swedish receivables (Sw. *räntefonder*). Capital losses not absorbed by these set off rules are deductible at 70 percent in the capital income category. Should a net loss arise in the capital income category, a reduction is granted of the municipality and state income tax, property tax and

municipality property fee with 30 percent of the net loss that does not exceed SEK 100,000 and at 21 percent of any remaining net loss. Any excess net loss cannot be carried forward to future tax years.

Taxation of dividends

Private individuals are taxed on dividends received on listed shares in the category income from capital at a rate of 30 percent.

For withholding taxes, please see "– *Finnish Taxation*".

Transfer taxes

In Swedish taxation, there is no stamp duty or transfer tax on security transactions.

Swedish limited liability companies

Taxation of capital gains and dividends

Swedish limited liability companies will be taxed on all income, including capital gains and dividend payments at the ordinary corporate income tax rate of 21.4 percent (to be lowered to 20.6 percent in January 2021). Capital gains and capital losses shall be calculated in accordance with the rules applicable to private individuals (please see "– *Private individuals – Capital gains taxation*"). Deductible capital losses on shares may only be offset against taxable capital gains on shares and other securities taxed as shares. Capital losses may in certain cases be utilised against capital gains in other group companies, presuming that the criteria for group contributions are fulfilled. A capital loss that cannot be utilised may be carried forward and utilised against future capital gains on shares and other securities taxed as shares, without any limitation in time.

For withholding taxes, please see "– *Finnish Taxation*".

Transfer taxes

In Swedish taxation, there is no stamp duty or transfer tax on security transactions.

Shareholders with limited tax liability in Sweden

Capital gains taxation

Non-resident holders of shares are generally not subject to Swedish capital gains taxation at the disposal of such securities, provided the holding cannot be allocated to a Swedish permanent establishment.

However, in accordance with a special tax rule, private individuals not resident in Sweden may be subject to Swedish capital gains taxation upon disposal of certain securities (e.g. shares), if they have been domiciled in Sweden or have had a habitual abode in Sweden at any time during the same calendar year or the 10 preceding calendar years. However, in regard to foreign securities, e.g. shares in Finnish companies, this rule applies only to securities acquired when the individual was still subject to unlimited tax liability in Sweden (please note that the rules can also apply to securities acquired though rollover of such securities). Further, the applicability of this rule may be limited by the tax treaty.

DOCUMENTS AVAILABLE

Documents Available

Copies of the following documents are available during the period of validity of this Prospectus on weekdays during normal business hours between 9 a.m. and 4 p.m. (Finnish time) at the registered address of the Company at Yrttipellontie 1, FI-90230, Oulu, Finland, and on the investor website of the Company at www.optomed.com/ipo:

1. the Articles of Association of the Company valid as at the date of this Prospectus;
2. the audited consolidated financial statements and auditor's reports as at and for the years ended 31 December, 2018, 2017 and 2016;
3. the unaudited consolidated interim report as at and for the nine months ended 30 September, 2019;
4. this Prospectus;
5. the Finnish Prospectus; and
6. the decision of the FIN-FSA regarding the Finnish Prospectus.

ANNEX A – THE SELLING SHAREHOLDERS

The following table sets forth the Selling Shareholders, their relation to Optomed, the number of Sale Shares of each Selling Shareholder (assuming that the Selling Shareholders would decide to increase the Offering and sell the maximum amount of Sale Shares and that the Over-Allotment Option is fully exercised) and the registered address of each Selling Shareholder.

Name of the Selling Shareholder	**Relation to Optomed**	**Number of Shares to be sold**	**Registered address**
Halma Ventures Limited	Shareholder	1,900,680	Misbourne Court, Rectory Way, Amersham, England, HP7 0DE
Aura Capital Oy	Shareholder	372,484	Kluuvikatu 5, FI-00100, Helsinki, Finland
Finnish Industry Investment Ltd	Shareholder	200,360	Porkkalankatu 1, FI-00180, Helsinki, Finland
Mankato Capital Ltd	Shareholder (Mankato Capital Ltd is controlled by Anders Torstensson)	96,683	5/F Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong
Markku Virta	Shareholder	54,420	c/o Optomed Oyj, Yrttipellontie 1, FI-90230 Oulu, Finland

ANNEX B – THE ARTICLES OF ASSOCIATION OF OPTOMED (UNOFFICIAL ENGLISH TRANSLATION)

The Articles of Association described in this Prospectus are in effect as of the Listing.

1 § COMPANY NAME AND DOMICILE

The name of the Company is Optomed Oyj and Optomed Plc in English. The domicile of the Company is Oulu.

2 § FIELD OF BUSINESS

The Company's field of business is developing, manufacturing, sales, marketing, subcontracting, training, consulting, project work, resales as well as maintenance of medical and health care devices and software as well as related services. The Company may own and possess real estate, shares, interests and other securities as well as trade with them.

3 § SHARES

The shares of the Company belong to the book-entry system.

4 § BOARD OF DIRECTORS

The Board of Directors of the Company shall comprise of a minimum of five (5) and a maximum of eight (8) ordinary members. The term of the Board of Directors shall expire at the closing of the Annual General Meeting following the election.

5 § REPRESENTATION OF THE COMPANY

The Board of Directors represents the Company. The Chairman of the Board of Directors and the Managing Director, each alone, and two (2) members of the Board of Directors together have the right to represent the Company. The Board of Directors may also authorise a specifically named person to represent the Company, alone or together with another person.

6 § AUDITORS

The Company shall have one (1) auditor, which shall be an Authorised Public Accountants firm approved by the Finnish Patent and Registration Office. The term of the auditor shall expire at the closing of the Annual Meeting following the election.

7 § FINANCIAL PERIOD

The Company's financial period is the calendar year.

8 § NOTICE TO GENERAL MEETING

The notice to convene a General Meeting shall be delivered by publishing the notice on the website of the Company no earlier than three (3) months and no later than three (3) weeks prior to the General Meeting, in any event no later than nine (9) days before the record date of the General Meeting.

In order to attend a General Meeting, a shareholder must register with the Company no later than the date specified in the notice of meeting, which date may not be earlier than ten (10) days prior to the General Meeting.

9 § ANNUAL GENERAL MEETING OF SHAREHOLDERS

The General Meetings of Shareholders may be held in Helsinki or in Espoo.

The Annual General Meeting must be held annually within six (6) months from the end of the financial period on the date determined by the Board of Directors.

At the Annual General Meeting, the following shall be

presented:

1. the financial statements, which encompasses the consolidated financial statements, and
2. the auditor’s report;

decided upon:
3. the adoption of the financial statements
4. the use of the profit shown on the balance sheet,
5. the discharge of the members of the Board of Directors and the Managing Director from liability,
6. the remuneration of the members of the Board of Directors and the auditor, and
7. the number of the members of the Board of Directors;

elected:
8. the members of the Board of Directors, and
9. the auditor; and

addressed:
10. other issues possibly indicated in the notice of the meeting.

ANNEX C – AUDITOR'S REPORT CONCERNING UNAUDITED PRO FORMA FINANCIAL INFORMATION

KPMG Oy Ab
Töölönlahdenkatu 3 A
PO Box 1037
00101 Helsinki, FINLAND

Telephone +358 20 760 3000
www.kpmg.fi

Independent auditor's assurance report on the compilation of pro forma financial information included in a prospectus

To the Board of Directors of Optomed Plc

We have completed our assurance engagement to report on the compilation of pro forma financial information of Optomed Plc ("Company" and "Issuer") prepared by the board of directors of Optomed Plc. The unaudited pro forma financial information comprises the pro forma income statement and pro forma comprehensive income statement for the twelve-month period ended 31 December 2018, and related notes and key figures, and it is set out in section "Unaudited Pro Forma Financial Information" of the prospectus dated 21 November 2019 issued by Optomed Plc. The applicable basis used by the board of directors of Optomed Plc in preparing the pro forma financial information is specified in Annex 20 of Commission Delegated Regulation (EU) 2019/980 and described in the section "Unaudited Pro Forma Financial Information" of the prospectus.

The pro forma financial information has been compiled by the board of directors to illustrate the impact of the transaction described in section "Unaudited Pro Forma Financial Information" of the prospectus on Optomed Plc's financial performance for the twelve-months period ended 31 December 2018, as if the transaction had taken place at 1 January 2018 for the pro forma income statement and pro forma comprehensive income statement. As part of this process, information about Optomed Plc's financial performance has been extracted by the board of directors from Optomed Plc's consolidated financial statements for the period ended 31 December 2018, on which an audit report has been included in the prospectus.

The board of directors' responsibility for the pro forma financial information

The board of directors is responsible for compiling the pro forma financial information in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council and Commission Delegated Regulation (EU) 2019/980

The Practitioner's Independence and Quality Control

We are independent from Optomed Plc according to the ethical requirements in Finland and we have complied with other ethical requirements, which apply to the engagement conducted.

The practitioner 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.

The practitioner's responsibilities

Our responsibility is to express an opinion, as required by section 3 of Annex 20 of Commission Delegated Regulation (EU) 2019/980, as to whether the pro forma financial information has been compiled, in all material respects, by the board of directors on the basis stated and whether that basis is consistent with the accounting policies applied by the issuer.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3420) *Assurance engagements to report on the compilation of pro forma financial information*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance as to whether the pro forma financial information has been compiled by the board of directors, in all material respects, in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council and Commission Delegated Regulation (EU) 2019/980.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in

the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of the pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis stated and that basis is consistent with the accounting policies of the issuer involves performing procedures to assess whether the basis used by the board of directors in the compilation of the pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

— the basis stated has been consistently applied in the pro forma adjustments; and

— the resulting pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

— the pro forma financial information has been properly compiled on the basis stated on in the section "Unaudited Pro Forma Financial Information" of the prospectus dated 21 November 2019 and

— the basis stated is consistent with the accounting policies applied by Optomed Plc.

Restriction to the distribution of the report

This report has been issued solely for the purposes of including in the prospectus prepared in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council and Commission Delegated Regulation (EU) 2019/980. Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Helsinki, 21 November 2019

KPMG OY AB

Tapio Raappana
Authorised Public Accountant, KHT

ANNEX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016 AND UNAUDITED CONSOLIDATED INTERIM REPORT AS AT AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

The Company's audited consolidated financial statements as at and for the years ended 31 December 2018, 2017 and 2016 and the unaudited consolidated interim report as at and for the nine months ended 30 September 2019 have been prepared in accordance with IFRS.

OPTOMED PLC INTERIM REPORT JANUARY–SEPTEMBER 2019

Laying Foundation for Growth

INTERIM FINANCIAL STATEMENTS

Consolidated Income Statement

The principles for describing events after the interim period are the same as for events after the balance sheet date (IAS 10).

In thousands of euro	July 1 - Sept 30, 2019	Jan 1 - Sept 30 2019	July 1 - Sept 30, 2018	Jan 1 - Sept 30, 2018	Jan 1 - Dec 31, 2018
Revenue	3,551	10,649	3,362	8,045	12,733
Other operating income	-235	242	208	469	889,
Materials and services	-1,281	-3,691	-1,424	-2,989	-4,568
Employee benefit expenses	-1,591	-5,156	-1,239	-3,312	-5,137
Depreciation, amortisation and impaiment losses	-563	-1,678	-492	-1,296	-1,810
Other operating expenses	-990	-2,928	-752	-2,118	-2,855
Operating result	**-1,109**	**-2,563**	**-337**	**-1,201**	**-748**
Finance income	-13	4	-10	7	22
Finance expenses	-129	-293	-92	-460	-578
Net finance expenses	**-142**	**-289**	**-102**	**-453**	**-555**
Profit (loss) before income taxes	**-1,251**	**-2,852**	**-439**	**-1,654**	**-1,303**
Income tax expense	-4	34	-36	-122	-24
Loss for the period	**-1,256**	**-2,817**	**-476**	**-1,776**	**-1,327**
Loss for the period attributable to					
Owners of the parent company	-1,256	-2,817	-476	-1,776	-1,327
Loss per share attributable to owners of the parent company					
A and C shares series	8,133,807	8,133,807	7,744,918	7,744,918	7,775,473
Basic loss per share (euro)	-0,15	-0,35	-0,06	-0,23	-0,17

Consolidated condensed comprehensive income statement

Loss for the period	-1,256	-2,817	-476	-1,776	-1,327
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Foreign currency translation difference	14	18	5	10	13
Other comprehensive income, net of tax	**14**	**18**	**5**	**10**	**13**
Total comprehensive income for the period	**-1,242**	**-2,799**	**-470**	**-1,766**	**-1,314**
Total comprehensive loss attributable to					
Owners of the parent company	-1,242	-2,799	-470	-1,766	-1,314

Consolidated Balance Sheet

In thousands of euro	Sept 30, 2019	Sept 30, 2018	Dec 31, 2018
ASSETS			
Non-current assets			
Goodwill	4,256	4,256	4,256
Development costs	5,257	5,089	5,172
Customer relationships	1,885	2,108	2,051
Technology	865	969	942
Other intangible assets	418	243	376
Total intangible assets	12,681	12,664	12,796
Tangible assets	507	726	739
Right-of-use assets	795	1,184	1,084
Financial instruments at fair value	0	404	0
Deferred tax assets	8	7	8
Total non-current assets	**13,991**	**14,984**	**14,627**
Current assets			
Inventories	2,335	1,280	1,121
Trade and other receivables	3,745	3,274	3,399
Cash and cash equivalents	1,721	1,055	2,000
Total current assets	**7,801**	**5,609**	**6,519**
Total assets	**21,791**	**20,593**	**21,146**
EQUITY			
Share capital	19	19	19
Share premium	565	565	565
Reserve for invested non-restricted equity	21,549	18,549	18,549
Translation differences	93	72	75
Retained earnings	-13,306	-12,373	-12,730
Profit (loss) for the financial year	-2,817	-1,776	-925
Total equity	**6,102**	**5,055**	**5,552**
LIABILITIES			
Non-current liabilities			
Borrowings from financial institutions	5,332	6,210	-
Government loans	3,117	3,256	2,993
Lease liabilities	487	829	727
Preference share liability	721	685	694
Deferred tax liabilities	635	812	693
Total non-current liabilities	**10,292**	**11,792**	**5,107**
Current liabilities			
Borrowings from financial institutions	1,458	766	7,010
Government loans	168	139	204
Lease liabilities	346	390	393
Trade and other payables	3,425	2,452	2,880
Total current liabilities	**5,397**	**3,746**	**10,487**
Total liabilities	**15,689**	**15,538**	**15,594**
Total equity and liabilities	**21,791**	**20,593**	**21,146**

Consolidated Statement of Changes In Shareholders Equity

		Equity attributable to owners of the parent company					
In thousands of euro	**Note**	**Share capital**	**Share premium**	**Reserve for invested non-restricted equity**	**Translation differences**	**Retained earnings**	**Total**
Balance at January 1, 2019		19	565	18,549	75	-13,656	**5,552**
Comprehensive income							
Profit (loss) for the period		-	-	-	-	-2,817	-2,817
Translation differences		-	-	-	18		18
Total comprehensive income for the period		-	-	-	18	-2,817	**-2,799**
Transactions with owners of the company							
Share issue		-	-		-	349	349
Share options		-	-	3,000	-		3,000
Total transactions with owners of the company		-	-	3,000	-	349	**3,349**
Balance at September 30, 2019		19	565	21,549	93	-16,124	6,102

		Equity attributable to owners of the parent company					
In thousands of euro	**Note**	**Share capital**	**Share premium**	**Reserve for invested non-restricted equity**	**Translation differences**	**Retained earnings**	**Total**
Balance at January 1, 2018		19	565	13,049	62	-12,532	1,162
Comprehensive income							
Profit (loss) for the period		-	-	-		-1,776	-1,776
Translation differences		-	-	-	10	27	37
Total comprehensive income for the period		-	-	-	10	-1,749	-1,739
Transactions with owners of the company							
Share issue		-	-	5,500	-	-	5,500
Share options		-	-	-	-	132	132
Total transactions with owners of the company		-	-	5,500	-	132	5,632
Balance at Sept 30, 2018		19	565	18,549	72	-14,149	5,055

Consolidated Cash Flow Statement

In thousands of euro	July 1 - Sept 30, 2019	Jan 1 - Sept 30, 2019	July 1 - Sept 30, 2018	Jan 1 - Sept 30, 2018
Cash flows from operating activities				
Loss for the financial year	-1,256	-2,817	-476	-1,776
Adjustments:				
Depreciation, amortisation and impairment losses	563	1,678	492	1,296
Finance income and finance expenses	135	269	102	453
Other adjustments	70	326	99	260
Cash flows before change in net working capital	-488	-545	217	233
Change in net working capital:				
Change in trade and other receivables (increase (-) / decrease (+))	638	-312	-438	-742
Change in inventories (increase (-) / decrease (+))	-347	-1,212	107	-182
Change in trade and other payables (increase (+) / decrease (-))	-215	489	101	-554
Cash flows before finance items	-412	-1,580	-12	-1,244
Interest paid	-64	-147	-70	-152
Other finance expenses paid	-55	-119	-24	-81
Interest received	0	7	-	1
Income taxes paid	0	0	80	26
Net cash from operating activities (A)	**-530**	**-1,839**	**-26**	**-1,451**
Cash flows from investing activities				
Acquisition of intangible assets	-250	-836	-246	-885
Acquisition of tangible assets	-65	-192	-4	-256
Proceeds from sale of intangible assets			8	8
Proceeds from sale of tangible assets			9	133
Acquisition of subsidiary, net of cash acquired	-1	2		-7604
Dividends received		-		16
Net cash used in investing activities (B)	**-314**	**-1,026**	**-233**	**-8,587**
Cash flows from financing activities				
Proceeds from share subscriptions	0	3,000	-	5,500
Cta elimination	-1	10	0	0
Proceeds from loans and borrowings	138	136	-	5,178
Repayment of loans and borrowings	-84	-274	-77	-362
Repayment of lease liabilities	-97	-287	-98	-244
Net cash from financing activities (C)	**-44**	**2,584**	**-176**	**10,072**
Net cash from (used in) operating, investing and financing activities (A+B+C)	-888	-281	-435	34
Net increase (decrease) in cash and cash equivalents	**-888**	**-281**	**-435**	**34**
Cash and cash equivalents at beginning of period	2,607	2,000	1,507	1,032
Effect of movements in exchange rate on cash held	2	2	-17	-11
Cash and cash equivalents at end of period	**1,721**	**1,721**	**1,055**	**1,055**

Selected Notes

1. Corporate information and basis of accounting

1.1 Corporate information

Optomed is a Finnish medical technology group (hereafter 'Optomed' or 'Group') that specialises in hand-held fundus cameras and solutions for screening of blinding eye diseases, established in 2004.

The Group's parent company, Optomed Plc (hereafter the 'Company') is a Finnish limited liability company established under the laws of Finland, and its business ID is 1936446-1. It is domiciled in Oulu, Finland and the Company's registered address is Yrttipellontie 1, 90230 Oulu, Finland.

1.2 Basis of accounting

Optomed's consolidated financial statements has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The preparation of this interim report also takes into account the amendments to IFRS standards that have become effective by September 30, 2019. In the EU IFRS are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. Optomed has consistently applied these policies, unless otherwise stated. The Group has not applied any standard, interpretation or amendment thereto before its effective date.

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with Group`s last annual consolidated financial statements as at and for the year ended 31 December 2018. This Interim financial statements do not include all of the information required for a complete set of IFRS financial statements: selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group`s financial position and performance since the last annual financial statements.

These interim financial statements were authorised for issue by the Company`s board of directors on 19.11.2019.

Optomed's financial statements are assuming that the Company will continue as a going concern. The going concern basis presumes that the Group has adequate resources to remain in operation, and that management intends to do so, for at least one year from the date the financial statements are signed.

Reportable segments

Q3/2019

In thousands of euro	Devices	Software	Group Admin	Group, IFRS
External revenue	1,863	1,688		3,551
Net operating expenses	-1,095	-421		-1,517
Margin	768	1,267		2,035
Depreciation and amortisation	-408	-156		-564
Other expenses	-931	-840	-809	-2,580
Operating result	-571	271	-809	**-1,109**
Finance items	-	-	-142	-142
Loss before tax expense	-571	271	-951	**-1,251**

Q3/2018

In thousands of euro	Devices	Software	Group Admin	Group, IFRS
External revenue	1,577	1,785		3362
Net operating expenses	-711	-505		-1216
Margin	**866**	**1,280**		2,146
Depreciation and amortisation	-408	-83		-492
Other expenses	-1,161	-831		-1991
Operating result	**-703**	**366**		-337
Finance items	0	0	-102	-102
Loss before tax expense	**-703**	**366**	**-102**	**-439**

1-9/2019

In thousands of euro	Devices	Software	Group Admin	Group, IFRS
External revenue	5,152	5,497		10,649
Net operating expenses	-2,064	-1,385		-3,449
Margin	**3,087**	**4,112**	**-**	**7,201**
Depreciation and amortisation	-1,133	-545		-1,678
Other expenses	-3,335	-2,922	-1,827	-8,084
Operating result	**-1,381**	**645**	**-1,827**	**-2,563**
Finance items	0	0	-289	-289
Loss before tax expense	**-1,381**	**645**	**-2,116**	**-2,852**

1-9/2018

In thousands of euro	Devices	Software	Group Admin	Group, IFRS
External revenue	4,605	3,440		8,045
Net operating expenses	-1,639	-880		-2,520
Margin	**2,965**	**2,560**		**5,525**
Depreciation and amortisation	-1,130	-166		-1,296
Other expenses	-3,394	-2,036		-5,430
Operating result	**-1,559**	**358**		**-1,201**
Finance items	0	0	-453	-453
Loss before tax expense	**-1,559**	**358**	**-453**	**-1,654**

Revenue

In the following tables, consolidated revenue is disaggregated by geographical market and timing of revenue recognition.

In thousands of euro	Q3/2019	Q3/2018	1-9/2019		1-9/2018	2018	
Finland	1,674	1,554	5,363	50 %	3,228	5,021	39 %
China	484	546	1,500	14 %	1,568	2,753	22 %
Other	1393	1,262	3,787	36 %	3,249	4,960	39 %
Total	**3,551**	**3,362**	**10,649**	**100 %**	**8,045**	**12,733**	**100 %**

Tangible assets

In thousands of euro	Machinery and equipment 30.9.2019	Machinery and equipment 2018
Cost		
Balance at January 1	1,729	1,185
Business combinations		274
Additions	198	270
Disposals	-	-
Effect of movements in exchange rates	-	-
Balance at September 30	1,927	1,729
Accumulated depreciation and impairment losses		
Balance at January 1	-990	-555
Depreciation	-430	-435
Impairment losses		-
Effect of movements in exchange rates		-
Balance at September 30	-1,420	-990
Carrying amount at January 1	739	631
Carrying amount at September 30	507	739

Leases

Leased tangible assets

In thousands of euro	30.9.2019	31.12.2018
Additions to right-of-use assets	0	840
Carrying amount at the end of the reporting period	795	1,084

Leased tangible assets comprise business premises and are presented as a separate line item Right-of-use assets in the consolidated balance sheet.

Lease liabilities

In thousands of euro	30.9.2019	31.12.2018
Current	487	393
Non-current	346	727
Total	**833**	**1,120**

The weighted average Optomed's incremental borrowing rate applied for discounting purposes was 3.2 %.

The above liabilities are presented on the line item Lease liabilities (non-current / current) in the consolidated balance sheet, based on their maturity.

Intangible Assets and Goodwill

At September 30th 2019	Goodwill	Develop-ment costs	Customer relationships	Technology	Other intangible assets	Total
In thousands of euro						
Cost						
Balance at January 1	4,256	7,353	2,222	1,023	543	15,397
Business combinations						-
Additions		718	-	-	171	889
Disposals	-	-			-	-
Effect of movements in exchange rates	-		-	-	-	-
Balance at September 30	4,256	8,071	2,222	1,023	714	16,286
						-
Accumulated amortisation and impairment losses						-
						-
Balance at January 1	-	-2,181	-170	-82	-168	-2,601
Amortisation		-633	-166	-76	-129	-1,004
Impairment losses	-	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-	-
Balance at September 30		-2,814	-337	-158	-297	-3,605
						-
Carrying amount at January 1	**4,256**	**5,172**	**2,051**	**942**	**376**	**12,796**
Carrying amount at september 30	**4,256**	**5,257**	**1,885**	**865**	**418**	**12,681**

During nine months ended 30 September 2019, no impairment losses were detected.

At December 31, 2018	Goodwill	Develop-ment costs	Customer relationships	Technology	Other intangible assets	Total
In thousands of euro						
Cost						
Balance at January 1	-	6,295	-	-	261	6,557
Business combinations	4,256	-	2,222	1,023	44	7,545
Additions	-	1,058	-	-	238	1,296
Balance at December 31	4,256	7,353	2,222	1,023	543	15,397
Accumulated amortisation and impairment losses						
Balance at January 1	-	-1,480	-	-	-95	-1,575
Amortisation	-	-701	-170	-82	-73	-1,026
Balance at December 31	-	-2,181	-170	-82	-168	-2,601
Carrying amount at Jan 1	-	4,816	-	-	166	4,982
Carrying amount at Dec 31	4,256	5,172	2,051	942	376	12,796

Capital and reserves

See financial covenants and covenant breach.

Financial liabilities

In thousands of euro	30.9.2019	31.12.2018
Non-current financial liabilities		
Borrowings from financial institutions	5,332	-
Government loans	3,117	2,993
Subordinate loan	-	-
Lease liabilities	487	727
Preference share liability	721	694
Total	**9,657**	**4,414**
Current financial liabilities		
Borrowings from financial institutions	1458	7,010
Government loans	168	204
Subordinate loan	-	-
Lease liabilities	346	393
Trade payables	1,160	732
Total	**3,132**	**8,339**
Total financial liabilities	**12,789**	**12,753**

Financial covenant and covenant breach

Optomed's borrowings from financial institutions contain a financial covenant (equity ratio) and Optomed also has to meet certain key operative targets. The related liabilities amounted to EUR 6,696 thousand (7,006 thousand at December 31, 2018). The borrowings will be repaid in accordance with the repayment schedule.

Optomed has to comply with the financial covenant terms specified in the loan agreement terms at the financial year-end. Equity ratio is calculated in FAS figures using the agreed formula. The table below summarises the Group's financial covenant term and compliance during 2018 and reporting period.

	Equity ratio		
	Covenant term	Actual ratio	Applicable level
At September 30, 2019	35 %	35,66 %	Optomed Group
At June 30, 2019	35 %	39.07 %	Optomed Group
At December 31, 2018	35 %	34,65 %	Optomed Group

The covenant was breached at December 31, 2018, and consequently the related borrowings from financial institutions were classified as current as at December 31, 2018.

Related party transactions

In thousands of euro	Revenues	Trade receivables	Other expenses
Jul 1 - Sept 30 2019	590	892	-28
Jul 1 - Sept 30 2018	608	1,594	-22

Revenues and trade receivables relate to the major shareholders of Optomed Ltd considered to be related parties to the parent company.

Other expenses consist of consulting fees and travel expenses paid to the Chairman of the Board of Directors.

Events After the Review Period

The company has received 29.10.2019 a waiver from OP Bank. New covenant term is 25% equity requirement until end of 2020.

KPMG Oy Ab
Töölönlahdenkatu 3 A
PO Box 1037
00101 Helsinki, FINLAND

Telephone +358 20 760 3000
www.kpmg.fi

Independent Auditors' Report on Review of Interim Financial Statements

To the Board of Directors of Optomed Plc

Introduction

We have reviewed the condensed consolidated balance sheet of Optomed Plc as of September 30, 2019, and the related condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in shareholders equity and cash flows for the nine-months periods ended September 30, 2019, and selected notes to the interim financial statements. Optomed Plc's Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, "Interim Financial Reporting" Our responsibility is to express a conclusion on this interim financial information based on our review. This report has been issued solely for the purpose of including in the prospectus prepared in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council and Commission Delegated Regulation (EU) 2019/980.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists principally of applying analytical procedures and making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that Optomed Plc's interim financial statements for the nine-months period ended September 30, 2019 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Helsinki November 21, 2019

KPMG OY AB

Tapio Raappana
Authorised Public Accountant, KHT

Optomed Group

IFRS consolidated financial statements
as at and for the years ended
December 31, 2018, 2017 and 2016

Table of contents

IFRS consolidated financial statements

CONSOLIDATED INCOME STATEMENT

In thousands of euro	Note	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Revenue	2, 3, 4	12 733	6 899	6 609
Other operating income	5	889	288	153
Materials and services	6	(4 568)	(3 118)	(2 990)
Employee benefit expenses	7	(5 137)	(3 662)	(3 104)
Depreciation, amortisation and impaiment losses	8	(1 810)	(1 043)	(746)
Other operating expenses	9	(2 855)	(2 192)	(2 532)
Operating result		**(748)**	**(2 827)**	**(2 611)**
Finance income	10	22	135	6
Finance expenses	10	(578)	(197)	(156)
Net finance expenses		**(555)**	**(63)**	**(151)**
Loss before income taxes		**(1 303)**	**(2 890)**	**(2 762)**
Income tax expense	11	(24)	3	3
Loss for the financial year		**(1 327)**	**(2 887)**	**(2 758)**
Loss for the financial year attributable to				
Owners of the parent company		(1 327)	(2 887)	(2 758)
Loss per share attributable to owners of the parent company				
A and C share series				
Basic loss per share (euro)	12	(0,17)	(0,43)	(0,41)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Loss for the financial year		**(1 327)**	**(2 887)**	**(2 758)**
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation difference		13	(168)	230
Other comprehensive income for the financial year, net of tax		13	(168)	230
Total comprehensive income for the financial year		**(1 314)**	**(3 056)**	**(2 528)**
Total comprehensive loss attributable to				
Owners of the parent company		(1 314)	(3 056)	(2 528)

CONSOLIDATED BALANCE SHEET

In thousands of euro	Note	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
ASSETS					
Non-current assets					
Goodwill		4 256	-	-	-
Development costs		5 172	4 816	3 954	3 013
Customer relationships		2 051	-	-	-
Technology		942	-	-	-
Other intangible assets		376	166	123	92
Total intangible assets	4, 13	12 796	4 982	4 078	3 106
Tangible assets	14	739	631	470	232
Right-of-use assets	15	1 084	593	528	27
Deferred tax assets	11	8	6	3	-
Total non-current assets		**14 627**	**6 211**	**5 079**	**3 365**
Current assets					
Inventories	16	1 121	1 057	1 583	1 084
Trade receivables	17, 22	2 871	962	1 019	1 178
Other receivables	18	528	658	726	1 073
Cash and cash equivalents	17	2 000	1 032	1 621	2 821
Total current assets		**6 519**	**3 709**	**4 949**	**6 157**
Total assets		**21 146**	**9 920**	**10 028**	**9 521**
EQUITY					
Share capital		19	19	19	19
Share premium		565	565	565	565
Reserve for invested non-restricted equity		18 549	13 049	13 049	11 049
Translation differences		75	62	230	-
Retained earnings		(13 656)	(12 532)	(10 340)	(7 885)
Total equity	19	**5 552**	**1 162**	**3 523**	**3 747**
LIABILITIES					
Non-current liabilities					
Borrowings from financial institutions	20, 22	-	1 950	61	102
Government loans	20, 22	2 993	3 013	2 478	2 766
Subordinated loans		-	-	-	28
Lease liabilities	15, 20	727	435	442	17
Preference share liability	19, 20	694	658	622	586
Deferred tax liabilities	11	693	-	-	-
Total non-current liabilities		**5 107**	**6 055**	**3 603**	**3 499**
Current liabilities					
Borrowings from financial institutions	20, 22	7 010	389	116	82
Government loans	20, 22	204	180	562	570
Subordinated loans		-	-	28	157
Lease liabilities	15, 20	393	187	103	10
Trade payables	20	732	522	668	712
Other payables	21	2 148	1 423	1 426	745
Total current liabilities		**10 487**	**2 703**	**2 903**	**2 275**
Total liabilities		**15 594**	**8 758**	**6 506**	**5 774**
Total equity and liabilities		**21 146**	**9 920**	**10 028**	**9 521**

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euro	Note	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Cash flows from operating activities				
Loss for the financial year		(1 327)	(2 887)	(2 758)
Adjustments:				
Depreciation, amortisation and impairment losses	8	1 810	1 043	746
Finance income and finance expenses	10	555	63	151
Other adjustments		228	690	321
Cash flows before change in net working capital		1 267	(1 092)	(1 541)
Change in net working capital:				
Change in trade and other receivables (increase (-) / decrease (+))		(958)	126	490
Change in inventories (increase (-) / decrease (+))		(50)	550	(269)
Change in trade and other payables (increase (+) / decrease (-))		(126)	(153)	630
Cash flows before finance items		133	(569)	(691)
Interest paid		(218)	(200)	(59)
Other finance expenses paid		(86)	-	(68)
Interest received		2	3	8
Income taxes received		93	-	-
Net cash from operating activities (A)		**(76)**	**(766)**	**(810)**
Cash flows from investing activities				
Acquisition of intangible assets	13	(1 295)	(1 443)	(1 503)
Acquisition of tangible assets	14	(404)	(486)	(410)
Proceeds from sale of intangible assets		8	-	23
Proceeds from sale of tangible assets		133	23	-
Acquisition of subsidiary, net of cash acquired	4	(7 604)	-	-
Dividends received		16	-	-
Proceeds from sale of financial assets		380	-	-
Net cash used in investing activities (B)		**(8 765)**	**(1 906)**	**(1 889)**
Cash flows from financing activities				
Proceeds from share subscriptions	19	5 500	-	2 000
Proceeds from loans and borrowings	20	5 192	2 721	390
Repayment of loans and borrowings	20	(537)	(405)	(850)
Repayment of lease liabilities	15, 20	(342)	(174)	(36)
Net cash from financing activities (C)		**9 814**	**2 142**	**1 505**
Net cash from (used in) operating, investing and financing activities (A+B+C)		**972**	**(530)**	**(1 195)**
Net increase (decrease) in cash and cash equivalents		**972**	**(530)**	**(1 195)**
Cash and cash equivalents at January 1		1 032	1 621	2 821
Effect of movements in exchange rate on cash held		(5)	(59)	(5)
Cash and cash equivalents at December 31	17	2 000	1 032	1 621

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euro	Note	Equity attributable to owners of the parent company: Share capital	Share premium	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total
Balance at January 1, 2018		**19**	**565**	**13 049**	**62**	**(12 532)**	**1 162**
Comprehensive income							
Loss for the financial year		-	-	-	-	(1 327)	(1 327)
Other comprehensive income – translation differences		-	-	-	13	-	13
Total comprehensive income for the financial year		**-**	**-**	**-**	**13**	**(1 327)**	**(1 314)**
Transactions with owners of the company							
Share issue	19	-	-	5 500	-	-	5 500
Share options	7	-	-	-	-	203	203
Total transactions with owners of the company		**-**	**-**	**5 500**	**-**	**203**	**5 703**
Balance at December 31, 2018	19	**19**	**565**	**18 549**	**75**	**(13 656)**	**5 552**

In thousands of euro	Note	Equity attributable to owners of the parent company: Share capital	Share premium	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total
Balance at January 1, 2017		**19**	**565**	**13 049**	**230**	**(10 340)**	**3 523**
Total comprehensive income							
Loss for the financial year		-	-	-	-	(2 887)	(2 887)
Other comprehensive income – translation differences		-	-	-	(168)	-	(168)
Total comprehensive income for the financial year		**-**	**-**	**-**	**(168)**	**(2 887)**	**(3 056)**
Transactions with owners of the company							
Share options	7	-	-	-	-	695	695
Total transactions with owners of the company		**-**	**-**	**-**	**-**	**695**	**695**
Balance at December 31, 2017	19	**19**	**565**	**13 049**	**62**	**(12 532)**	**1 162**

In thousands of euro	Note	Equity attributable to owners of the parent company					
		Share capital	Share premium	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total
Balance at December 31, 2015, as reported in the FAS consolidated financial statements		**19**	**565**	**11 049**	**11**	**(7 445)**	**4 199**
Impact of IFRS transition	26	-	-	-	(11)	(440)	(451)
Restated IFRS balance at January 1, 2016		**19**	**565**	**11 049**	**-**	**(7 885)**	**3 747**
Total comprehensive income							
Loss for the financial year		-	-	-	-	(2 758)	(2 758)
Other comprehensive income – translation differences		-	-	-	230	-	230
Total comprehensive income for the financial year		**-**	**-**	**-**	**230**	**(2 758)**	**(2 528)**
Transactions with owners of the company							
Share issue	19	-	-	2 000	-	-	2 000
Share options	7	-	-	-	-	303	303
Total transactions with owners of the company		**-**	**-**	**2 000**	**-**	**303**	**2 303**
Balance at December 31, 2016	19	**19**	**565**	**13 049**	**230**	**(10 340)**	**3 523**

1. Corporate information and basis of accounting

1.1 Corporate information

Optomed is a Finnish medical technology group (hereafter 'Optomed' or 'Group') that specialises in hand-held fundus cameras and solutions for screening of blinding eye diseases, established in 2004.

The Group's parent company, Optomed Plc. (hereafter the 'Company') is a Finnish public limited liability company established under the laws of Finland, and its business ID is 1936446-1. It is domiciled in Oulu, Finland and the Company's registered address is Yrttipellontie 1, 90230 Oulu, Finland.

In its meeting on 19 November 2019 the Board of Directors of Optomed Plc approved these consolidated financial statements for issue. According to the Finnish Limited Liability Companies' Act, the shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. Furthermore, the Annual General Meeting can decide on modifications to be made to the financial statements.

1.2 Basis of accounting

These are Optomed's first consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force as at December 31, 2018. In the EU IFRS are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. Optomed has consistently applied these policies to all the years presented (2016-2018), unless otherwise stated. The Group has not applied any standard, interpretation or amendment thereto before its effective date, except for IFRS 16 *Leases* (applicable from January 1, 2019).

Optomed's date of transition to IFRS was January 1, 2016. Until December 31, 2015 Optomed's consolidated financial statements had been prepared in accordance with Finnish Accounting Standards (FAS). The FAS-based accounting policies were presented in the 2015 annual financial statements. The Group applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* in preparing these consolidated financial statements. The impacts resulting from the adoption of IFRS are presented in Note 26. *Transition to IFRS*.

General policies applied that relate to the consolidated financial statements as a whole are described in this section 1.2. Accounting policies that are specific to a component of the financial statements, together with descriptions of management judgements, related estimates and assumptions, have been incorporated into the relevant note. The accounting policies are marked with blue background and information on the key management judgements and related estimates and assumptions with yellow background.

Optomed's financial statements are assuming that the Company will continue as a going concern. The going concern basis presumes that the Group has adequate resources to remain in operation, and that management intends to do so, for at least one year from the date the financial statements are signed.

The consolidated financial statements are prepared on a historical cost basis, except for the following that are measured at fair value (refer to 1.2.3 *Measurement of fair values* below):
— share-based payments
— assets and liabilities in the Commit acquisition

The financial year of Optomed is the calendar year. The figures in the financial statements are mainly presented in thousands of euro. All figures presented have been rounded, and consequently the sum of individual figures may deviate from the presented aggregate figure. Key figures are computed using exact figures.

1.2.1 Consolidation

The consolidated financial statements incorporate the financial statements of the parent company Optomed Ltd and of all those subsidiaries over which the parent company has control at the end of the reporting period. Optomed controls an entity when Optomed is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Acquired subsidiaries are consolidated from the date on which control is transferred to Optomed until control ceases. Refer to Note 24. *Related party transactions* for disclosures on the Group structure.

Intra-group transactions, receivables, liabilities and unrealized margins, as well as distribution of profits within the Group, are eliminated in preparing the consolidated financial statements. Optomed had no non-controlling interests (NCI) during the financial years 2016-2018.

Acquired or established subsidiaries are accounted for by using the acquisition method. Refer to Note 4. *Business combinations* for further information.

1.2.2 Foreign currency transactions and balances

Items included in the financial statements of each subsidiary are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is the functional and presentation currency of the parent company.

Subsidiaries' foreign currency transactions are translated into local functional currencies using the exchange rates prevailing at the dates of the transactions. Receivables and liabilities denominated in foreign currencies are translated into functional currencies using the exchange rate quoted on that date.

For those subsidiaries with non-Euro functional and presentation currency, the income and expenses for the income statement and comprehensive income statement, and the items for cash flow statement, are translated into Euro using the average exchange rates of the reporting period. The assets and liabilities for the balance sheet are translated using the exchange rates prevailing at the reporting date. The translation differences arising from the use of different exchange rates explained above are recognized in consolidated other comprehensive income.

Any goodwill arising on the acquisition of foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of those foreign operations are treated as assets and liabilities of those foreign operations. They are translated into Euro using the exchange rates prevailing at the reporting date. When a foreign operation is sold, or is otherwise partially or completely disposed of, the translation differences accumulated in equity are reclassified in profit or loss as part of the gain or loss on the transaction.

1.2.3 Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierachy based on the inputs used in the valuation techniques as follows:

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (i.e. as prices) or indirectly (i.e. derived from prices).
— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Specific valuation techniques used in fair value measurement include:
— Share-based payments – Black-Scholes option pricing model (Note 7.4 *Share-based payment plans*)
— Intangible assets identified in the Commit acquisition - multi-period excess earnings method and relief-from-royalty method (Note 4. *Business combination).*

1.2.4 Operating result

Optomed has determined operating result to be a relevant subtotal in understanding the Group's financial performance. However, IFRS does not define the concept of operating result. The Group has defined it as follows: operating result is the net amount attained when revenues are added by other operating income, less:
— purchase expenses, adjusted with change in inventories
— employee benefit expenses
— depreciation, amortisation and any impairment losses, and
— other operating expenses.
All other items are presented below operating result in the income statement.

1.2.5 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale, if their carrying amounts are to be recovered principally through a sale transaction rather than through continuing use. From the date of classification, these assets (or disposal groups) are measured at the lower of their carrying amounts and fair value less the costs to sell, and the recognition of depreciation or amortisation is discontinued.

1.2.6 Critical management judgments and related estimates and assumptions

The preparation of financial statements under IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the end of the reporting period as well as the reported amounts of income and expenses during the reporting period. These estimates and assumptions are based on historical experience and other justified assumptions, such as future expectations, that Optomed management believes are reasonable under the circumstances at the end of the reporting period and the time when they were made.

Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis and when preparing financial statements. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or more experience. Such changes are recognized in the period in which the estimate or the assumption is revised.

Use of judgment and estimates

Judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognised in the financial statements, relate to the following areas:

— capitalisation of development costs: determination of development expenditure eligible for capitalisation (Note 13. *Intangible assets*)
— leases: determination of lease term (Note 15. *Leases*)

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the following:

— goodwill impairment testing (Note 13. *Intangible assets*)
— capitalisation of development expenditures (Note 13. *Intangible assets*)
— fair value measurement of the intangible assets identified in the Commit acquisition (Note 4. *Business Combination*)

1.2.7 Adoption of new and amended standards in future financial years

Optomed has not yet adopted the following amended standards and interpretations already issued by the IASB. The Group will adopt these pronouncements as of the effective date of each of the pronouncements, or if the effective date is not the first day of the financial year, as of the beginning of the next financial year following the effective date. Currently Optomed believes that the adoption of these pronouncements will not have a significant effect on the future consolidated financial statements.

* = not yet endorsed for use by the European Union as at December 31, 2018.

Effective for financial years beginning on or after January 1, 2019:	Effective for financial years beginning on or after January 1, 2020:
Interpretation IFRIC 23 *Uncertainty over Income Tax Treatments*: The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment	*Amendments to References to Conceptual Framework in IFRS Standards**: The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.
Amendments to IFRS 9 *Financial Instruments - Prepayment Features with Negative Compensation*: The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation.	Amendments to IFRS 3 *Business Combinations - Definition of a Business**: The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

Annual Improvements to IFRSs (2015-2017 cycle)*: The annual improvements process (AIP) provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.	Amendments to IAS 1 *Financial Statements: Presentation* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material**: The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS standards. In addition, the explanations accompanying the definition have been improved.

Other amendments and interpretations are not expected to have an impact on the consolidated financial statements when adopted.

2. Segment reporting

2.1 Accounting policy

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. Since April 2018, following from the Commit acquisition Optomed has two reportable segments, Devices and Software. Prior to this, in 2017 and 2016 the CEO (the chief operating decision maker of Optomed) assessed the Group's profitability, financial position and development as a whole and consequently to the management approach Optomed consisted of one operating segment.

Software segment offers products for optimal management of various screening operations as well as IT solutions and services for storing, viewing and working with medical images. Also professional IT consulting services for government institutions are included in this segment. Currently it comprises own screening solution products for diabetic retinopathy and breast, cervical and bowl cancer screening management as well as Sectra software solutions and artificial intelligence algorithms.

Devices segment consists of handheld fundus camera products, which are used in ophthalmology, pediatric care, endocrinology, neurology and primary care. Currently it comprises all Optomed branded camera products, such as Optomed Smartscope Pro, Optomed Aurora and Optomed Aava cameras. Also the OEM cameras are included in this segment (Pictor Plus (Volk), Visuscout 100 (Zeiss), Fundus Module 300 (Haag-Streit) and Bosch Eye Cam).

In Optomed Group the CEO has been identified as being the chief operating decision maker responsible for assessing performance of the segments and making resource allocating decisions. The segment disclosures presented are based on the internal management reporting which is prepared in accordance with Finnish Accounting Standards (FAS). Optomed has not aggregated operating segments into reportable segments.

2.2 Reportable segments

2018

In thousands of euro	Devices	Software	Group, FAS	IFRS adjustment	Group, IFRS
External revenue	7 460	5 273	12 733	-	12 733
Net operating expenses[1]	(2 132)	(1 269)	(3 401)	(277)	(3 678)
Margin	5 328	4 004	9 332	(277)	9 055
Depreciation and amortisation[2]	(1 263)	(93)	(1 356)	(455)	(1 810)
Other expenses[3,4]	(5 334)	(3 113)	(8 448)	456	(7 992)
Operating result	**(1 269)**	**797**	**(471)**	**(276)**	**(748)**
Finance items	-	-	-	-	(555)
Loss before tax expense	**(1 269)**	**797**	**(471)**	**(276)**	**(1 303)**
Segment assets[5]	9 318	1 012	10 330	(215)	10 115
Capital expenditure	1 226	8 988	10 214	840	11 054
Segment liabilities	1 189	40	1 229	-	1 229

1 The adjustment was attributable to the transfer of the EU Horizon 2020 grant recognised under other operating income, to deduct the carrying amount of the associated capitalised development costs, as applicable.

2 The adjustment related to:
i) the change in the depreciation policy, representing a shift from the diminishing balance method (EVL) to the straight-line method adopted
ii) the depreciation on the capitalised right-of-use assets (leased assets), and
iii) net effect of the adjustments associated with the Commit acquisition (the amortisation of customer relationships and technology, as well as the reversal of the goodwill amortisation recorded under FAS).

3 The adjustment arose from employee benefits expenses, comprising:
i) the expense incurred from the share option incentive plans, which increased employee benefits expenses, and
ii) capitalisation of labor costs incurred in development projects, decreasing employee benefits expenses.

4 The adjustment was attributable to:
i) accounting for acquisition-related costs as expenses, which were subsumed within goodwill as part of the consideration under FAS, and
ii) reversal of lease expenses recorded under other operating expenses under FAS.

5 The adjustment mainly resulted from the change in the depreciation policy, refer to the footnote 2i) above.

2.3 Geographic information

In presenting the geographic information, segment assets were based on the geographic location of the assets. Segment assets are measured in the same way as in the IFRS financial statements.

	Non-current assets[1]		
In thousands of euro	**2018**	**2017**	**2016**
Finland	14 320	5 805	4 948
China	299	401	128
Total	**14 619**	**6 205**	**5 076**

[1] Group's non-current assets exclude financial instruments and deferred tax assets. Optomed has no defined benefit pension plans and thus no related assets.

Disaggreration of consolidated revenue by geographical market is disclosed in Note 3.2 *Disaggregation of revenue.*

2.4 Major customers

The Group's revenues from two major customers of the Devices segment in the financial years 2016-2018 were approximately as follows: from one customer EUR 1.5 million (2018), EUR 1.7 million (2017) and EUR 1.0 million (2016), and from another customer EUR 1.8 million (2018).

3. Revenue

3.1 Accounting policy

Optomed recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Optomed expects to be entitled in exchange for those goods or services.

Devices segment sells medical imaging tools and solutions to distributors. The agreements with distributors are frame agreements. An enforceable contract is created based on each purchase order combined with the frame agreement. Typical sales agreements for the Software segment include maintenance service agreements, resource hiring agreements, service portal agreements and software package agreements.

For medical imaging tools and solutions each product in a purchase order forms a separate performance obligation as:
— the distributor can benefit from the good on its own, and
— the promise to transfer the good to the customer is separately identifiable from other promises in the contract.
Extended warranty may be sold separately, it is also a separate performance obligation.

For Software segment:
— A maintenance contract has one performance obligation containing overall service for the period agreed upon.
— A resource hiring contract is based on hourly fee. Each hour of consulting service is a separate performance obligation.
— A service portal agreement includes following separate performance obligations: implementation, additions for new service providers, reconfigurations and continuous service provided.
— A software package agreement includes following separate performance obligations: licences, implementation and continuous maintenance service.

Transaction prices in the contracts are mostly fixed. Some contracts may, however, include a minimum amount for transactions in a certain period, for example. The variable fee is constrained to the amount for which it is highly probable that a significant reversal will not occur subsequently. The terms of payment applied vary to some extent geographically and in different business areas, but the term of payment provided is nonetheless always clearly less than a year. Consequently, contracts do not include a significant financing component.

Optomed allocates the transaction price for medical imaging tools and solutions to performance obligations based their stand-alone selling prices using price lists. For service portal and software package contracts the transaction price is allocated based on costs incurred plus margin.

For Devices segment the revenues from sales of medical imaging tools and solutions are recognised when the performance obligation is satisfied by transferring a promised good to the distributor, i.e. at a point in time. The control is transferred when Optomed has present right to payment, significant risks and rewards of ownership have transferred to the distributor as well as the legal title and physical possession of the products.

In respect of Software segment:
— Service revenues are recognised over time as the customer simultaneously receives and consumes the benefits provided by Optomed's performance.
— Revenues from implementation projects are recognised at a point in time when the customer gets control and is able to start using the end product.
— Licence revenues are recognised at the point in time when the customer gets control. This is based on the nature of licences, being to provide a right to use intellectual property of the Software segment as that intellectual property exists (in terms of form and functionality) at the point in time at which the licence is granted to the customer.

3.2 Disaggregation of revenue

In the following tables, consolidated revenue is disaggregated by geographical market[1] and timing of revenue recognition.

In thousands of euro	2018		2017		2016	
Finland	5 021	39 %	41	1 %	198	3 %
China	2 753	22 %	2 387	35 %	1 704	26 %
Other	4 960	39 %	4 471	65 %	4 706	71 %
Total	**12 733**	**100 %**	**6 899**	**100 %**	**6 609**	**100 %**

[1] Based on the geographic location of customers.

In thousands of euro	2018		2017		2016	
Products and services transferred at a point in time	8 067	63 %	6 899	100 %	6 609	100 %
Services transferred over time	4 667	37 %	-	-	-	-
Total	**12 733**	**100 %**	**6 899**	**100 %**	**6 609**	**100 %**

Changes in the disaggregation of revenue resulted in from the Commit acquisition.

Trade receivables and related credit losses are described in Notes 17. *Financial assets* and 22.5 *Liquity risk.*

4. Business combination

4.1 Accounting policy

Acquired subsidiaries are accounted for by using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed in the acquired company are measured at the acquisition-date fair values. The consideration transferred includes any assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and any equity interests issued by the acquirer. The consideration transferred does not include any transactions accounted for separately from the acquisition, but instead these are recognised in profit or loss in the connection with the acquisition.

Any contingent consideration (additional purchase price) is measured at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as a liability is remeasured at fair value at the end of each reporting period and the resulting fair value changes are recognized in profit or loss. Contingent consideration classified as equity is not subsequently remeasured.

All acquisition-related costs, such as professional fees, are expensed in the periods in which the costs are incurred and the services rendered, with the exception of costs to issue debt or equity securities.

4.2 Assumptions and estimation uncertainties

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. Optomed has relied on an external advisor on the estimates of the fair values of the assets and liabilities. In respect of intangible assets, fair value measurement is based on estimated future cash flows expected to be derived from the assets. The key assumptions and estimations involved with the Commit acquisition were the identification and valuation of intangible assets which require the estimation of future cash flows.

4.3 Summary of acquisition

At March 26, 2018 Optomed acquired the total share capital in Commit Oy. With the acquisition these two companies form a strong international provider of complete solutions for screening of different diseases. The merger enables serving the customer base of both companies better than before and investing more in research and development and international growth.

The purchase consideration, EUR 8,877 thousand, was effected in cash. There was no contingent consideration. Acquisition-related costs of EUR 191 thousand, comprising the asset transfer tax and professional fees, are included in the line item Other operating expenses in the consolidated income statement.

The consolidated income statement for the financial year 2018 comprises the revenues (EUR 5,273 thousand) and loss of Commit Oy (EUR 102 thousand) for the period April-December 2018. Had the acquisition occurred at January 1, 2018, consolidated pro-forma revenue and loss for the year ended December 31, 2018 would have been EUR 14,463 thousand and EUR 1,268 thousand, respectively.

4.4 Identifiable assets acquired and liabilities assumed

The following table presents the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

In thousands of euro	Note	Recognised fair values
Assets		
Intangible assets		
Customer-related intangibles	13	2 222
Technology-based intangibles	13	1 067
Machinery and equipment		274
Right-of-use assets		628
Trade receivables and other receivables		894
Shareholdings and financial assets		596
Cash and cash equivalents		1 273
Total assets		**6 954**
Liabilities		
Trade and other payables		(219)
Lease liabilities		(628)
Other liabilities		(837)
Deferred tax liabilities	11	(649)
Total liabilities		**(2 333)**
Net assets		**4 621**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

— Customer relationships, EUR 2,222 thousand / multi-period excess earnings method: This method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
— Technology asset, EUR 1,023 thousand / relief-from-royalty method: This method considers the discounted estimated royalty payments that are expected to be avoided as a result of the technology acquired.

The estimated remaining useful life of the both assets is 10 years.

Optomed expects the gross contractual amount for the acquired trade receivables to equal their fair value (EUR 684 thousand).

The non-recurring fair value measurement for the acquisition has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (for the fair value hierarchy refer to Note 1.2.3 *Measurement of fair values).*

4.5 Goodwill on acquisition

In thousands of euro	
Purchase consideration transferred	8 877
Net identifiable assets of the acquiree	(4 621)
Goodwill	**4 256**

The goodwill is attributable to the professional workforce and other synergy benefits expected to be derived from the Commit acquisition, based on the expanded service selection of the combined Group enabling increase of revenues. The goodwill has been allocated to the Software operating segment. The goodwill will not be deductible for tax purposes. Disclosures on goodwill impairment testing are presented in Note 13. *Intangible assets* .

4.6 Consideration transferred - cash outflow

In thousands of euro	
Outflow of cash to acquire Commit, net of cash acquired	
Cash consideration	8 877
Less: cash acquired	(1 273)
Net outflow of cash - investing activities	**7 604**

5. Other operating income

5.1 Accounting policy

Other operating income comprises income from activities outside the ordinary business of Optomed. Examples include government grants, rental income and gains from disposals of tangible and intangible assets.

The Group recognises a government grant only when:
— there is reasonable assurance that Optomed will comply with the conditions attached to the grant, and
— the grant will be received.

Income-related grants are recognised in profit or loss over the periods necessary to match them with the related costs that they are intended to compensate. They are presented under the line item Other operating income. Asset-related grants, such as government grants received for development purposes, are deducted in arriving at the carrying amount of the assets. The grant is recognised over the life of the asset as a reduced depreciation expense.

5.2 Balances of other operating income

In thousands of euro	2018	2017	2016
Other operating income	889	288	153
Total	**889**	**288**	**153**

During the financial years 2016-2018 Optomed has received government grants from various organisations, such as Business Finland (previously Tekes). The most significant grants for the years 2017 and 2018 Optomed received from the EU Horizon 2020 funding programme for research and innovation. The Horizon grants were deducted from the carrying amount of related capitalised development costs, as applicable.

6. Materials and services

6.1 Breakdown of materials and services expense

In thousands of euro	2018	2017	2016
Purchase expenses	(4 853)	(3 570)	(3 220)
Change in inventories (increase (+), decrease (-))	300	489	267
External services	(15)	(37)	(37)
Total	**(4 568)**	**(3 118)**	**(2 990)**

The increase in the material and service expenses in 2018 was attributable to the Commit acquisition, refer to Note 4. *Business combination.*

7. Employee benefits

7.1 Accounting policy

Employee benefits include the following:
a) short-term employee benefits
b) post-employment benefits
c) other long-term employee benefits (no such benefits were provided during the financial years 2016-2018)
d) termination benefits, i.e. benefits provided in exchange for the termination of an employment (no such benefits were provided during the financial years 2016-2018)
e) share-based payments (refer to Note 7.4 *Share-based payment plans* below).

a) Wages, salaries, fringe benefits, annual leave and bonuses are included in short-term employee benefits. They are recognised in the period in which the work is performed.

b) Post-employment benefits are payable to employees after the completion of employment. In Optomed, these benefits are related to pensions. Pension coverage of the Group is arranged through external pension insurance companies. Pension plans are classified as either defined contribution or defined benefit plans. Optomed only has defined contribution plans. A defined contribution plan is a pension plan under which Optomed pays fixed contributions into a separate entity. Optomed has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the related benefits. All other plans are classified as defined benefit plans. The contributions for defined contribution plans are recognized as employee benefit expense in those periods to which they relate. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

c) Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits. Examples include long-term paid absences such as sabbatical leave.

d) Termination benefits are not based on work performance but on the termination of employment. These benefits consist of severance payments. Termination benefits result either from the Group's decision to terminate the employment or the employee's decision to accept the benefits offered by Optomed in exchange for the termination of employment. Such benefits are recognised at the earlier of: when Optomed can no longer withdraw the offer of the benefits, and when the Group recognises costs for a restructuring that involves the payment of termination benefits.

e) The Group has three share-based incentive plans for the Group key personnel, which are share option plans. The purpose of the plans is to encourage the employees to work on a long-term basis in order to increase shareholder value, and to commit the key employees to the company. The payments for the incentives are made with equity instruments.

Share-based compensation is measured at the grant date and expensed using the straight-line method in the income statement over the vesting period. The expense determined at grant date is based on Optomed's estimate of the number of share options to which it is assumed that rights will vest by the end of the vesting period. The fair value is determined using the Black-Scholes pricing model. The Group updates its estimate of the final number of the share options that will vest at each reporting date. Changes in this estimate are recognised in the income statement. The options will be returned to Optomed in case the employee leaves the Group before the subscription period has commenced. There are no other vesting conditions.

When the option rights are exercised, the proceeds received are recognised in accordance with the terms of the plan under Reserve for invested non-restricted equity, net of any transaction costs.

7.2 Expenses recognised in profit or loss

In thousands of euro	2018	2017	2016
Wages and salaries	(4 180)	(2 649)	(2 493)
Contributions to defined contribution post-employment plans	(705)	(303)	(228)
Other social security expenses	(48)	(14)	(80)
Share-based payment plans	(203)	(695)	(303)
Total	**(5 137)**	**(3 662)**	**(3 104)**

Information on the remuneration of the key management personnel is presented in Note 24. *Related party transactions.*

7.3 Number of personnel

	2018	2017	2016
Average number of employees for the financial year	113	71	77

The increase in the number of employees in 2018 was mainly attributable to the Commit acquisition, refer to Note 4. *Business combination.*

7.4 Share-based payment plans

The figures presented below reflect the changes in the number of options following from the share split carried out in November 2019 (refer to Note 25. *Events after the end of the reporting period).*

2009 plan

At May 29, 2009 the extraordinary general meeting decided on the issuance of a maximum of 120,000 option rights that entitle their owners to subscribe for a total of 120,000 A shares in the company, to the Group's key persons. The Board of Directors issued a total of 100,000 option rights, for which 20,000 were used to share subscriptions prior to January 1, 2016. The share subscription period commenced at January 1, 2011 and it expires at December 31, 2019.

2015 plan

At August 14, 2015 the meeting of shareholders decided on the issuance of a maximum of 640,000 option rights that entitle their owners to subscribe for a total of 640,000 A shares in the company, to the Group's key persons. During the years 2015-2018 the Board of Directors issued a total of 657,000 option rights, for which 89,000 were returned to the company, resulting in 568,000 option rights issued on a net basis. The numbers and share subscription periods are as follows:
— 460,000 pcs: January 1, 2018 - December 31, 2019
— 60,000 pcs: January 1, 2020 - December 31, 2021
— 24,000 pcs: July 1, 2020 - December 31, 2024
— 24,000 pcs: July 1, 2021 - December 31, 2024.

2018 plan

The annual general meeting held at February 1, 2018 decided on the issuance of a maximum of 440,000 option rights that entitle their owners to subscribe for a total of 440,000 A shares in the company, to the Group's key persons. During the year 2018 the Board of Directors issued a total of 224,000 option rights, for which 2,000 were returned to the company, resulting in 222,000 option rights issued on a net basis. The numbers and share subscription periods are as follows:
— 111,000 pcs: July 1, 2020 - December 31, 2024
— 111,000 pcs: July 1, 2021 - December 31, 2014.

Key terms and measurement of option plans

Plan	2009	2015	2018
Maximum number of options	120 000	640 000	440 000
Number of options issued	100 000	568 000	222 000
Issued	2009	2015-2018	2018
Vesting period	2009 - 2011	2015 - 2021	2018 - 2021
Vesting condition	Employment condition	Employment condition	Employment condition
Option subscription price	0,7	3,5	3,5
Fair value at grant date	-[1)]	1.78-2.15	2.15-2.16
Total fair value (1,000 EUR)	-[1)]	1 245	478

The grant-date fair value of options is determined using the Black Scholes option pricing model that takes into account the following key inputs:
— expected fair value of the underlying share EUR 5.0-6.5
— expected volatility 30 %
— the term of the option 2.7 - 6.6 years

[1)] No fair value was determined for the 2009 plan, since the vesting period closed in 2011. These options had no impact on the 2016-2018 consolidated financial statements.

Changes in outstanding share options

Pieces	2018	2017	2016
Outstanding at January 1	609 000	390 000	250 000
Granted during the year	272 000	299 000	140 000
Forfeited during the year	(11 000)	(80 000)	-
Exercised during the year	-	-	-
Expired during the year	-	-	-
Outstanding at December 31	**870 000**	**609 000**	**390 000**
Exercisable at December 31	**540 000**	**80 000**	**80 000**

In case the share options issued are fully exercised, the number of outstanding A shares will increase by 11.7 %. The subscription prices will be recorded in the Reserve for invested non-restricted equity.

Expenses from share-based payment plans

Total expenses arising from share-based payment plans recognised as part of employee benefits were as follows:

In thousands of euro	2018	2017	2016
Equity-settled share-based payments	(203)	(695)	(303)

8. Other operating expenses

8.1 Accounting policy

Optomed's other operating expenses include:
— expenses other than the cost of goods sold, such as travel, marketing, IT and office expenses.
— losses on the disposal of tangible and intangible assets.

8.2 Breakdown of other operating expenses

In thousands of euro	2018	2017	2016
Travel expenses	(603)	(640)	(527)
Marketing expenses	(509)	(647)	(648)
IT expenses	(257)	(124)	(115)
Office expenses	(315)	(190)	(270)
Other administrative expenses	(489)	(220)	(251)
Research and development expenses	(371)	(227)	(532)
Other fixed expenses	(312)	(144)	(189)
Total	**(2 855)**	**(2 192)**	**(2 532)**

Other operating expenses also comprise changes in expected credit losses and realised credit losses.

8.3 Auditor's fees

In thousands of euro	2018	2017	2016
Audit fees	(6)	(4)	(3)
Other assurance services	(14)	(1)	(1)
Tax advisory services	(5)	(9)	-
Other services	(108)	-	-
Total	**(133)**	**(14)**	**(4)**

9. Depreciation, amortisation and impaiment losses

9.1 Accounting policy

Depreciation and amortisation is the systematic allocation of the depreciable amount of a tangible / an intangible asset over its useful life. Optomed generally applies the straight-line method. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. Refer to Notes 13. *Intangible assets* and 14. *Tangible assets.*

9.2 Depreciation, amortisation and impaiment losses by asset category

In thousands of euro	2018	2017	2016
Intangible assets			
Development costs	(701)	(512)	(498)
Customer relationships	(170)	-	-
Technology	(82)	-	-
Other intangible assets	(73)	(42)	(39)
Total	**(1 026)**	**(554)**	**(537)**

In thousands of euro	2018	2017	2016
Tangible assets			
Machinery and equipment	(435)	(303)	(179)
Total	**(435)**	**(303)**	**(179)**
Total depreciation and amortisation / owned assets	**(1 462)**	**(857)**	**(716)**

9.3 Impairment losses

The Group did not recognise impairment losses on intangible or tangible assets during the financial years 2016-2018.

10. Finance income and expenses

The accounting policies for financial assets and financial liabilities are presented in Note 17. *Financial assets* and 20. *Financial liabilities* .

Recognised through profit or loss

10.1 Finance income

In thousands of euro	2018	2017	2016
Foreign exchange gains	5	133	-
Interest income	1	2	6
Other finance income	16	-	-
Total	**22**	**135**	**6**

10.2 Finance expenses

In thousands of euro	2018	2017	2016
Impairment losses	(6)	-	-
Interest expenses	(269)	(197)	(89)
Other finance expenses	(302)	-	(68)
Total	**(578)**	**(197)**	**(156)**
Net finance expenses	**(555)**	**(63)**	**(151)**

In the financial year 2018 the item Other finance expenses mainly consisted of a loss on sale of shares (EUR 208 thousand). The impairment loss recognised was based on objective evidence of the value of the unlisted share in question.

10.3 Borrowing costs - government loans

Optomed has capitalised under Development costs those borrowing costs incurred from the government loans (Business Finland) granted for development activities, refer also to Note 20. *Financial liabilities.* The capitalisation rate used to determine the amount of borrowing costs to be capitalised was 1 % for the years 2016-2018, being the interest rate applicable to those loans during the said annual periods. The capitalised costs amounted to EUR 9 thousand (2018), EUR 16 thousand (2017) and EUR 14 thousand (2016), which were recorded as a deduction to interest expenses.

11. Income taxes

11.1 Accounting policy

The income tax expense for the period consists of:
— current tax, and
— change in deferred tax assets and deferred tax liabilities.
Income tax is recognized in the income statement, except that the income tax effects of items recognized in other comprehensive income or directly in equity are similarly recognized in other comprehensive income or equity.

The current income tax charge is calculated on the basis of the taxable income determined in accordance with the tax rates and laws enacted (or substantively enacted) in the countries where Optomed operates and generates taxable income. Income taxes are adjusted with any taxes relating to previous financial years. Other taxes not based on income are included within other operating expenses. Current taxes are calculated using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Taxable profit differs from the profit reported in the consolidated income statement, since:
— some income or expense items are taxable or deductible in other years, and/or
— certain income items are not taxable or certain expense items are non-deductible for taxation purposes.

Generally deferred tax is provided using the liability method on:
— temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and
— unused tax losses or unused tax credits.

Deferred tax assets are recognised for deductible temporary differences only to the extent that it is probable that future taxable profits will be available, against which Optomed can utilise deductible temporary differences. The amount and the probability of the utilisation of deferred tax assets are reviewed at the end of each reporting period. A valuation allowance is recognized against the deferred tax asset, if the utilisation of the related tax benefit is no more considered probable.

Deferred tax liabilities are usually recognized in full. However, deferred tax liability is not accounted for, if it arises from:
— the initial recognition of goodwill, or
— the initial recognition of an asset or a liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for investments in subsidiaries, except to the extent that Optomed is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are determined using tax rates (and laws) that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. The applied tax rate is the rate enacted or substantively enacted by the balance sheet date in the respective countries.

11.2 Current tax

In thousands of euro	2018	2017	2016
Current tax for the reporting year	18	-	-
Current tax adjustments for prior years	-	-	-
Change in deferred taxes	(42)	3	3
Total	**(24)**	**3**	**3**

11.3 Reconciliation between income tax expense in profit or loss and tax expense calculated using the Finnish corporate tax rate

In thousands of euro	2018	2017	2016
Profit before income tax	**(1 303)**	**(2 890)**	**(2 762)**
Tax using the Finnish corporate tax rate (20 %)	261	578	552
Effect of tax rate in foreign jurisdictions	19	75	46
Unrecognised deferred tax assets on taxable losses	(120)	(536)	(278)
Non-deductible expenses	(49)	(8)	(8)
Share option expense	(41)	(139)	(61)
Depreciation and amortisation not deducted for tax purposes	(181)	(142)	(130)
Use of previously unrecognised tax losses for previous years	114	-	-
Consolidation-related adjustments	(27)	176	(118)
Taxes in the income statement	**(24)**	**3**	**3**

11.4 Income taxes recognised in other comprehensive income

During the years 2016-2018 the Group did not recognise any income taxes in other comprehensive income.

11.5 Movements in deferred tax asset and deferred tax liability balances

2018

In thousands of euro	At Jan 1, 2018	Business combi-nations	Recognised through profit or loss	Recognised in equity	Exchange differences and other changes	At Dec 31, 2018
Deferred tax assets						
Right-of-use assets	6	-	2	-	-	8
Total	**6**	**-**	**2**	**-**	**-**	**8**
Deferred tax liabilities						
Intangible assets	-	(649)	50	-	-	(599)
Development costs	-	-	(94)	-	-	(94)
Total	**-**	**(649)**	**(44)**	**-**	**-**	**(693)**
Total deferred tax assets and deferred tax liabilities	**6**	**(649)**	**(42)**	**-**	**-**	**(685)**

2017

In thousands of euro	At Jan 1, 2017	Recognised through profit or loss	Recognised in equity	Exchange differences and other changes	At Dec 31, 2017
Deferred tax assets					
Right-of-use assets	3	3	-	-	6
Total	**3**	**3**	**-**	**-**	**6**
Deferred tax liabilities	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Total deferred tax assets and deferred tax liabilities	**3**	**3**	**-**	**-**	**6**

2016

In thousands of euro	At Jan 1, 2016	Recognised through profit or loss	Recognised in equity	Exchange differences and other changes	At Dec 31, 2016
Deferred tax assets					
Right-of-use assets	-	3	-	-	3
Total	**-**	**3**	**-**	**-**	**3**
Deferred tax liabilities	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Total deferred tax assets and deferred tax liabilities	**-**	**3**	**-**	**-**	**3**

11.6 Group's tax losses and depreciation and amortisation not deducted for tax purposes

In thousands of euro	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Tax losses approved by tax authorities	9 546	7 950	6 807
Depreciation and amortisation not deducted for tax purposes	2 253	1 353	646

These tax losses relate to Optomed Plc and its Chinese subsidiaries. The Group has not recognised any deferred tax asset on these losses as at the time of preparation of these financial statements it is unlikely that these entities will generate taxable income against which the losses could be utilised before their expiration dates. The losses will expire in the years 2017-2027.

The depreciation and amortisation not deducted for tax purposes relate to Optomed Plc.

12. Loss per share

12.1 Accounting policy

Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing:
— the profit (loss) attributable to owners of the company
— by the weighted average number of ordinary shares (A and C shares) outstanding during the financial year.

The amounts attributable to ordinary equity holders of the parent company are adjusted for the after-tax amounts of preference dividends (B share series). The amount of preference dividends that is deducted from profit or loss is the after-tax amount of the preference dividends for cumulative preference shares required for the period, whether or not the dividends have been declared. Refer to Note 19. *Capital and reserves* for more information.

In calculating the diluted earnings (loss) per share, the dilutive effect of all dilutive potential ordinary shares is taken into account in the weighted average number of outstanding shares. The Group's dilutive potential ordinary shares comprise the B shares and the share-based incentive plans payable in shares.

12.2 Loss per share - A and C share series

	2018	2017	2016
Loss attributable to owners of the parent company (in thousands of euro)	(1 327)	(2 887)	(2 758)
Weighted average number of shares outstanding during the financial year (pcs)	7 775 473	6 767 140	6 767 140
Basic loss per share (EUR/share)	**(0,17)**	**(0,43)**	**(0,41)**

The table presented above reflects changes in the number of shares following the resolution of the Extraordinary General Meeting on 14 November 2019 to split the shares of the company with a ratio 1:20. Refer to Note 25. *Events after the end of the reporting period.*

Diluted loss per share is not presented, as the results for the financial years 2016, 2017 and 2018 were negative and thus the dilutive instruments would have an undilutive effect on loss per share.

The changes in the numbers of the A and C shares for the financial years 2016-2018 are disclosed in Note 19. *Capital and reserves.*

13. Intangible assets

13.1 Accounting policy

The Group's intangible assets comprise the following: a) goodwill, b) development costs, c) customer relatioships and technology (identified in the Commit acquisition) and d) other intangible assets.

a) Goodwill: The excess of the
— consideration transferred
— amount of any non-controlling interest in the acquired entity, measured at fair value, and
— acquisition-date fair value of any previous equity interest in the acquired entity,
over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill reflects e.g. expected future synergies resulting from acquisitions. Goodwill is not subject to amortisation but is tested annually for impairment, or more frequently if there is any indication that it might be impaired, refer to Note 13.3 below. Goodwill is carried at historical cost less accumulated impairment losses.

b) Development costs: Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Optomed capitalises such costs when all the following criteria are met:
— Optomed can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale.
— Optomed intends to complete the intangible asset and use or sell it.
— Optomed is able to use or sell the intangible asset.
— Optomed is able to demonstrate how the intangible asset will generate probable future economic benefits.
— The Group has adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset
— Optomed is able to measure reliably the expenditure attributable to the intangible asset during its development.
Capitalised development costs comprise all directly attributable costs (mainly labour) necessary to prepare the asset to be capable of operating in the manner intended. Optomed has also:
— capitalised borrowing costs arisen from government loans granted for development purposes, and
— deducted an applicable amount of major government grants received for development activities from the carrying amount.
Development expenditure that was initially expensed is not capitalised at a later date. The estimated useful life for development costs is 10 years.

Research is original and planned investigation Optomed undertakes with the prospect of gaining new scientific or technical knowledge and understanding. Such costs are expensed as incurred.

c) Customer relationships and technology: these assets were measured at fair value at the acquisition date using the multi-period excess earnings method and the relief-from-royalty method. Their estimated remaining useful lives are 10 years.

d) Other intangible assets: An intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to Optomed, and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred. Group’s other intangible assets mainly comprise patents and trademark rights, which are amortised on a straight-line basis over their estimated useful lives (10 years).

Optomed reviews the amortisation periods and the amortisation methods applied at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. The changes of useful lives can be due to e.g. technical development, changes in demand or competition, for example.

The Group assesses, at each reporting date, whether there is an indication that an intangible asset other than goodwill may be impaired. If any indication exists, Optomed estimates the asset’s recoverable amount. An impairment loss is recognised in the income statement when the carrying amount of an asset exceeds its recoverable amount.

13.2 Assumptions and estimation uncertainties – development costs

Optomed capitalises development expenditure as an intangible asset where the related criteria are met (refer to 13.1 *Accounting policy* above). This requires management to make judgement on when all of the criteria for capitalisation are met and when to cease capitalisation and start amortising the asset. The point at which development costs meet the criteria for capitalisation is dependent on Optomed management’s judgement of, for example, the point at which technical feasibility is demonstrable.

13.3 Reconciliation of carrying amounts

At December 31, 2018 In thousands of euro	Goodwill	Development costs	Customer relationships	Technology	Other intangible assets	Total
Cost						
Balance at January 1	-	6 295	-	-	261	6 557
Business combinations	4 256	-	2 222	1 023	44	7 545
Additions	-	1 058	-	-	238	1 296
Balance at December 31	4 256	7 353	2 222	1 023	543	15 397
Accumulated amortisation and impairment losses						
Balance at January 1	-	(1 480)	-	-	(95)	(1 575)
Amortisation	-	(701)	(170)	(82)	(73)	(1 026)
Balance at December 31	-	(2 181)	(170)	(82)	(168)	(2 601)
Carrying amount at Jan 1	**-**	**4 816**	**-**	**-**	**166**	**4 982**
Carrying amount at Dec 31	**4 256**	**5 172**	**2 051**	**942**	**376**	**12 796**

At December 31, 2017 In thousands of euro	Development costs	Other intangible assets	Total
Cost			
Balance at January 1	4 921	177	5 098
Additions	1 374	99	1 473
Disposals	-	(15)	(15)
Balance at December 31	6 295	261	6 557
Accumulated amortisation and impairment losses			
Balance at January 1	(967)	(53)	(1 021)
Amortisation	(512)	(42)	(554)
Balance at December 31	(1 480)	(95)	(1 575)
Carrying amount at Jan 1	**3 954**	**123**	**4 078**
Carrying amount at Dec 31	**4 816**	**166**	**4 982**

At December 31, 2016 In thousands of euro	Development costs	Other intangible assets	Total
Cost			
Balance at January 1	3 483	106	3 589
Additions	1 439	70	1 509
Balance at December 31	4 921	177	5 098
Accumulated amortisation and impairment losses			
Balance at January 1	(469)	(14)	(483)
Amortisation	(498)	(39)	(537)
Balance at December 31	(967)	(53)	(1 021)
Carrying amount at Jan 1	**3 013**	**92**	**3 106**
Carrying amount at Dec 31	**3 954**	**123**	**4 078**

Refer to Note 4. *Business combination* for further information on the Commit acquisition effected in 2018.

The research and development costs expensed amounted to EUR 1,273 thousand (2018), EUR 800 thousand (2017) and EUR 387 thousand (2016), mainly comprising personnel expenses.

13.4 Impairment testing of goodwill

13.4.1 Accounting policy

For the purposes of impairment testing goodwill is allocated to the cash-generating units (CGUs) or the groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. A cash-generating unit is the smallest identifiable group of assets in Optomed that generates inflows that are largely independent from the cash inflows from other assets or groups of assets. A cash-generating unit is impaired when its carrying amount exceeds its recoverable amount. The recoverabe amount is:
— the higher of the asset's or CGU's fair value less costs of disposal, and
— its value in use.
Optomed determines recoverable amounts based on value-in-use calculations prepared using discounted future net cash flows.

13.4.2 Assumptions and estimation uncertainties

At each balance sheet date Optomed management assesses if there is any indication of impairment of goodwill (or other intangible, tangible asset or right-of-use asset). Review is based on indicators that measure economic performance, such as Group's management reporting as well as economic environment and market follow-up.
Such indications may include, among others:
— unexpected changes in significant factors underlying impairment tests (revenues, profitability levels and changes in prevailing interest rates), and
— changes in market conditions.
The recoverable amount determined in the testing process is based on assumptions and estimates made by management on future sales, production costs, sales growth rate and discount rate, among others.

Optomed has allocated the goodwill arisen from the Commit acquisition to the Software operating segment. This segment establishes a single cash-generating unit. The carrying amount of the assets amounted to EUR 7,440 thousand as at December 31, 2018, including the goodwill of EUR 4,256 thousand.

In impairment testing the recoverable amount of the Software segment is determined based on value-in-use calculations. The calculations use cash flow projections approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated steady growth rate of 1.8 %. The cash flow projections exclude expansion investments. The discount rate is defined as WACC (weighted average cost of capital), which reflects the total cost of equity and debt while considering the asset-specific risks. The pre-tax discount rate was 14.8 % and the post-tax discount rate 12.0 %.

The sensivity analysis is prepared in respect of the discount rate and the terminal growth rate applied beyond the five-year projection period. The changes in these key assumptions - holding other assumptions constant - would result in the recoverable amount of the tested assets to equal their carrying amount as at December 31, 2018:
— The pre-tax discount rate should increase by 0.6 percentage point.
— The terminal growth rate should decrease by 0.7 percentage point.

Based on the impairment test carried out as at December 31, 2018 the goodwill was not impaired.

14. Tangible assets

14.1 Accounting policy

Tangible assets acquired by Optomed held for use are stated in the balance sheet at their cost. The cost comprises directly attributable incremental costs incurred in their acquisition and installation. Subsequently tangible assets are carried at cost, less any accumulated depreciation and any accumulated impairment losses. Ordinary repairs and maintenance costs are expensed during the reporting period in which they are incurred. Government grants are accounted for by reducing the carrying amount of the asset. The grant is then recognised in profit or loss over the useful life of the asset by way of a reduced depreciation charge.

Depreciation is charged so as to write off the cost of assets using the straight-line method, over their estimated useful lives, as follows:
— Production machinery and equipment: six years
— Other machinery and equipment: three years
— Office furniture: three years
— Cars: three years

Expected useful lives and residual values are reviewed at least at each financial year-end and if they differ significantly from previous estimates, the useful lives are revised accordingly. Recognition of depreciation is discontinued when a tangible asset is classified as held for sale. The Group assesses, at each reporting date, whether there is an indication that a tangible asset may be impaired. If any indication exists, Optomed estimates the asset's recoverable amount. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

The gain or loss arising on the disposal or retirement of a tangible asset is determined as the difference between any net sale proceeds and the carrying amount of the asset and is recognised in other operating income or other operating expenses.

14.2 Reconciliation of carrying amounts

In thousands of euro	Machinery and equipment		
	2018	2017	2016
Cost			
Balance at January 1	1 185	722	305
Business combinations	274	-	-
Additions	270	463	417
Balance at December 31	1 729	1 185	722
Accumulated depreciation and impairment losses			
Balance at January 1	(555)	(252)	(73)
Depreciation	(435)	(303)	(179)
Balance at December 31	(990)	(555)	(252)
Carrying amount at January 1	**631**	**470**	**232**
Carrying amount at December 31	**739**	**631**	**470**

Refer to Note 15. *Leases* for disclosures on Group's tangible assets acquired under lease agreements.

15. Leases

15.1 Accounting policy

The Group acts as a lessee leasing mainly business premises, IT equipment as well as other machinery and equipment. As a general rule, Optomed recognises a leased asset (right-of-use asset) and a lease liability for all leases, except for short-term leases and leases of low-value items (the accounting treatment is described below). The Group assesses whether a contract is or contains a lease at inception of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:
— the amount of the initial measurement of the lease liability
— any lease payments made at or before the commencement date, less any lease incentives (e.g. lease-free months)
— any initial direct costs incurred by Optomed, and
— an estimate of restoration costs to be incurred by Optomed.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight-line method, from the commencement date to the earlier of the end of the useful life of the right-of-use asset, or the end of the lease term. The estimated useful life for the business premises applied by Optomed is three years. The right-of-use asset is tested for impairment where necessary and any impairment loss identified is recorded in profit or loss.

Initially the lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The discount rate used by the Group is Optomed's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:
— fixed payments, including in substance fixed payments
— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date of the contract
— amounts expected to be payable under a residual value guarantee, and
— the exercise price under a purchase option that the Group is reasonably certain to exercise.

Subsequently the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Optomed has elected not to recognise right-of-use assets and lease liability for:
— short-term leases (that have a lease term of 12 months or less)
— leases of low-value assets (each asset with a value of approximately EUR 5,000 or less when new). Such assets include IT equipment as well as other machinery and equipment.
The Group recognises the lease payments associated with above-mentioned leases as an expense on a straight-line basis over the lease term.

15.2 Management judgements

Some business facility leases of the Group include termination options. Optomed uses such terms in its contract management to maximise operational flexibility for its business. Termination options are considered on a case-by-case basis following a regular management assessment. The factors considered include, for example, contractual terms and conditions for optional periods compared with market rates, the importance of the underlying asset to Optomed's operations as well as termination and replacement costs.

15.3 Amounts recognised in income statement

In thousands of euro	2018	2017	2016
Expense relating to leases of low-value assets[1] (that are not short-term leases)	(5)	(2)	(1)
Expense relating to short-term leases[1]	-	-	(55)
Depreciation charge for right-of-use assets by class of underlying asset (business premises) (included in Depreciation, amortisation and impairment losses in the income statement)	(349)	(186)	(52)
Interest expense on lease liabilities (included in Finance expenses)	(36)	(37)	(15)

[1] Those expenses are included in the line item Other operating expenses.

15.4 Amounts presented in cash flow statement

Total cash outflow for leases	(376)	(212)	(51)

15.5 Leased tangible assets

In thousands of euro	2018	2017	2016
Additions to right-of-use assets	840	251	554
Carrying amount at the end of the financial year	1 084	593	528

Leased tangible assets comprise business premises and are presented as a separate line item Right-of-use assets in the consolidated balance sheet.

15.6 Lease liabilities

In thousands of euro	2018	2017	2016
Current	393	187	103
Non-current	727	435	442
Total	**1 120**	**622**	**545**

The weighted average Optomed's incremental borrowing rate applied for discounting purposes was 3.2 %.

The above liabilities are presented on the line item Lease liabilities (non-current / current) in the consolidated balance sheet, based on their maturity. The maturity analysis is disclosed in Note 22.5 *Liquidity risk.*

16. Inventories

16.1 Accounting policy

Inventories are stated at the lower of cost and net realisable value. The cost of ready purchased products consists of the purchase price, including direct transportation, processing and other costs.

Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

In thousands of euro	2018	2017	2016
Raw materials and consumables	1 121	1 057	1 583
Total	**1 121**	**1 057**	**1 583**

Optomed has not recognised any impairment losses on inventories in the financial years 2016-2018.

17. Financial assets

17.1 Accounting policy

Optomed classifies financial assets as follows:
— financial assets measured at fair value through profit or loss (FVTPL)
— financial assets measured at amortised cost, and
— financial assets measured at fair value through other comprehensive income (FVOCI).

Classification of financial assets is made based on their purpose of use upon initial recognition. Classification relies on the objectives of Optomed's business model and the contractual cash flows from financial assets, or by applying the fair value option upon initial recognition. Optomed recognises all its financial assets at amortised cost. At the end of the financial years 2016-2018 the Group had no financial assets measured at fair value through other comprehensive income (FVOCI). Optomed has not used derivative instruments during the financial years 2016-2018.

All purchases and sales of financial assets are recognised at the trade date. For financial assets not carried at fair value through profit or loss, transaction costs are included in the initial carrying amount. Financial assets are derecognised when the Group loses the rights to receive the contractual cash flows on the financial asset or it has transferred substantially all the risks and rewards of ownership outside the Group.

Financial assets measured at amortised cost

Optomed recognises all trade receivables that are non-derivative assets at amortised cost. In the Group trade receivables are held within a business model whose objective is to collect the contractual cash flows, and those cash flows that are solely payments of principal and interest. Trade receivables are current assets that Optomed has the intention to hold for less than 12 months from the end of reporting period. Assets classified in this category are measured at amortised cost using the effective interest (EIR) method. The carrying amounts of current trade receivables are expected to substantially equal their fair values.

Optomed recognizes a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The expected credit losses on trade receivables are recorded based on Optomed's historical knowledge on trade receivables at default and payment delays due to financial difficulties. The loss allowance is assessed both on an individual basis and collectively. The expected loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s effective interest rate. This adjustment is recognised in other operating expenses and as a deduction to the carrying amount of the receivable.

All realised credit losses are recognised in profit or loss. A credit loss is reversed in a subsequent period, if the reversal can be related objectively to an event occurring after the impairment was recognised. Optomed did not recognise credit losses during the financial years 2016-2018.

Financial assets measured at fair value through profit or loss

Optomed classifies in this category such financial assets that are held for trading, and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are primarily acquired for short-term or long-term profit-taking. These financial assets are presented either under non-current or current financial assets. The Group had such assets during the financial year 2018 but not at the 2018 financial year-end.

Cash and cash equivalents

The Group's cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments. Items qualifying as cash equivalent have a maturity of three months or less from the date of acquisition.

17.2 Carrying amounts - at amortised cost

Current financial assets

In thousands of euro	Note	2018	2017	2016
Trade receivables				
Recourse factoring	22	889	769	245
Other trade receivables	22	1 982	193	774
Total trade receivables		2 871	962	1 019
Cash and cash equivalents		2 000	1 032	1 621
Total		**4 871**	**1 994**	**2 640**

The Group had no non-current financial assets at the end of the financial years 2016-2018.

17.3 Cash and cash equivalents

In thousands of euro	2018	2017	2016
Cash and bank accounts	2 000	1 032	1 621
Total	**2 000**	**1 032**	**1 621**

18. Other receivables

In thousands of euro	2018	2017	2016
Prepayments and accrued income	337	149	144
Other	190	509	581
Total	**528**	**658**	**726**

19. Capital and reserves

19.1 Accounting policy

The Group classifies the instruments it has issued either as equity instruments or financial liabilities based on their nature.
— An equity instrument is any contract that evidences a residual interest in the assets of Optomed after deducting all of its liabilities.
— A financial liability is an instrument that obligates Optomed to deliver cash or another financial asset, or the holder has a right to demand cash or another financial asset.

Optomed evaluates the terms of an issued compound instrument to determine whether it contains both a liability and an equity component. Such components are classified separately as financial liabilities, financial assets or equity instruments in accordance with the substance of the contractual arrangement. Optomed has issued cumulative preference shares (B share series) which are compound instruments and classified as a financial liability based on their characteristics. Any dividends on preference shares are accounted for as an interest expense.

19.2 Share capital and share series

19.2.1 Accounting policy

The share capital consists of the parent company's ordinary shares classified as equity. The subscription price of a share received by the company in connection with share issues is credited to the share capital, unless it is provided in the share issue decision that a part of the subscription price is to be recorded in the Reserve for invested non-restricted equity. Transaction costs directly attributable to the issue of new shares are recorded in equity as a deduction, net of tax, from the proceeds.

The share capital of Optomed Plc amounted to EUR 18.5 thousand at December 31, 2018. The share capital is made up by two share classes (A and C share classes). B shares are cumulative preference shares that Optomed must convert into A shares anytime at the discretion of the holder. B shares are accounted for as a compound instrument and classified as a financial liability. The annual dividends on those shares are recognised in interest expenses, refer to Note 19.4 *Dividends* below. Optomed issued these shares in the financial year 2010.

The shares have no nominal value. All issued shares have been fully paid. Each share carries one vote.

The redemption clause and the consent clause of the Articles of Association apply to all share classes. Furthermore, the Board of Directors of Optomed Plc shall convert a number of the B shares or C shares (of the B share holder or C share holder) into A shares by using a conversion ratio of 1:1 per request of the B share holder or the C share holder in question. Each B share and C share shall automatically be converted into A shares by using a conversion ratio of 1:1 upon the closing of an Initial Public Offering (IPO).

19.2.2 Movements in share numbers and Group's equity

The table below discloses changes in the number of shares and respective changes in Group's equity (A and C share classes).

	2018					
	Pieces				In thousands of euro	
	A series	B series (liability)	C series	Total	Share capital	Reserve for invested non-restricted equity
At January 1, 2018	6 321 640	280 560	445 500	7 047 700	19	13 049
Share issue	1 100 000	-	-	1 100 000	-	5 500
At December 31, 2018	**7 421 640**	**280 560**	**445 500**	**8 147 700**	**19**	**18 549**

	2017					
	Pieces				In thousands of euro	
	A series	B series (liability)	C series	Total	Share capital	Reserve for invested non-restricted equity
At January 1, 2017	6 421 640	280 560	445 500	7 147 700	19	13 049
Cancellation of treasury shares	(100 000)	-	-	(100 000)	-	-
At December 31, 2017	**6 321 640**	**280 560**	**445 500**	**7 047 700**	**19**	**13 049**

	2016					
	Pieces				In thousands of euro	
	A series	B series (liability)	C series	Total	Share capital	Reserve for invested non-restricted equity
At January 1, 2016	6 001 640	280 560	445 500	6 727 700	19	11 049
Share issue	420 000	-	-	420 000	-	2 000
At December 31, 2016	**6 421 640**	**280 560**	**445 500**	**7 147 700**	**19**	**13 049**

The Extraordinary General Meeting resolved on 14 November 2019 to split the shares of the company with a ratio 1:20. The tables presented above reflect this change in the number of shares. Refer to Note 25. *Events after the end of the reporting period* .

19.3 Treasury shares

19.3.1 Accounting policy

The consideration paid for treasury shares, including any directly attributable transaction costs (net of taxes), is deducted from equity, until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and net of taxes, is directly recognised in equity.

The Group had treasury shares in its possession over the financial years 2016 and 2017. Optomed cancelled these shares in 2017.

19.4 Dividends

19.4.1 Accounting policy

Dividend distribution to the parent company's shareholders is recognised as a liability in the consolidated balance sheet in the period in which the dividends are approved by the company's Annual General Meeting (A and C share series). However, the cumulative preference shares (B share series) entitle their holders to an annual preferred dividend equal to 9 % on their subscription price. The dividend is recognised as an interest expense and a financial liability.

If the preferred dividend cannot be paid to the holders of the B shares for a certain financial year because of lack of distributable funds, such holders are entitled to the cumulative unpaid amount as soon as a profit distribution is possible under the Finnish Limited Liability Companies Act. To the extent the amount of distributed dividend exceeds the preferred dividend payable to B shares, A, B and C shares shall have the equal right to the remaining amount of distributed dividend.

Under the Finnish Limited Liability Companies Act the amount of capitalised development costs (accounted for in accordance with the Finnish Accounting Act) is deducted from unrestricted equity in calculating distributable funds.

Optomed Plc has not distributed dividends in the financial years 2016-2018. The cumulative preference share liability for the B shares is disclosed in Note 20. *Financial liabilities.*

19.5 Reserves

Reserve for invested non-restricted equity

The reserve for invested non-restricted equity comprises other equity investments and that part of the share subscription price that has not specifically been allocated to share capital.

Share premium

The share premium accrued under the previous Finnish Limited Liability Companies Act. Under the current Act the share premium is classified as restricted equity and may no longer increase. The share premium may be reduced in accordance with the rules applying to decreasing share capital and can be used to increase the share capital as a reserve increase.

Translation differences

The reserve includes translation differences arisen from the IFRS post-transition date (January 1, 2016) translation of the financial statements of foreign operations into euro.

Retained earnings

Retained earnings are earnings accrued over the previous financial years that have not been transferred to equity reserves or issued as dividends to owners.

19.6 Capital management

Optomed's objective in capital management is to maintain optimum capital structure in order to secure normal operating conditions and to optimise cost of capital to create value to shareholders. For capital management purposes, Optomed manages equity as indicated in the consolidated balance sheet. The equity is mainly influenced through share issues and restructuring of loans and borrowings. The Group is not subject to externally imposed capital requirements. Group management and the Board of Directors of the parent company monitor Group's capital structure and liquidity development. The objective of this monitoring is to ensure Group's liquidity and flexibility of capital structure in order to fulfil the growth strategy.

Optomed monitors the development of capital structure based on equity ratio, which was:
— 34.65 % (at December 31, 2018, Group)
— 41.91 % (at December 31, 2017, parent company)
— 60.47 % (at December 31, 2016, parent company).
Equity ratio is also the financial covenant of Optomed's borrowing facilities (line item Borrowings from financial institutions). For covenant accounting purposes equity ratio is calculated following FAS (Finnish Accounting Standards), based on the related terms of the borrowings. The covenant was breached at December 31, 2018, refer to Note 20.4 *Financial covenant and covenant breach.*

20. Financial liabilities

20.1 Accounting policy

Optomed classifies financial liabilities as follows:
— financial liabilities measured at amortised cost, and
— financial liabilities measured at fair value through profit or loss (FVTPL).

Optomed did not use derivative instruments during the years 2016-2018, and the Group had no other financial liabilities at fair value through profit or loss at the end of financial years 2016-2018.

Financial liabilities at amortised cost

Financial liabilities are initially recognised at fair value. Transaction costs are included in the original carrying amount. Subsequently these financial liabilities are measured at amortised cost using the effective interest rate (EIR) method. A financial liability is classified as current if Optomed does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. In respect of loans and borrowings current financial liabilities comprise the portion falling due within less than 12 months and repayments in accordance with the repayment plans.

Financial liabilities may be interest-bearing or non-interest-bearing. The Group's all financial liabilities carry interest.

A financial liability (or part of the liability) is not derecognised until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled, cancelled or is no longer effective.

Borrowing costs

Optomed capitalises borrowing costs that are directly attributable to creation of a qualifying asset as an addition to the cost of that asset.
— Borrowing costs are interest and other costs that Optomed incurs in connection with the borrowing of funds.
— A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

Optomed considers capitalised development costs to be a qualifying asset. Consequently, the Group recognises those borrowing costs incurred from the government loans (from Business Finland), granted for development activities, as an addition to the carrying amount of the development cost. The capitalised borrowing costs are recorded as a deduction to interest expenses. Other borrowing costs are expensed in the period in which Optomed incurs them. Optomed ceases capitalising borrowing costs when the development project is substantially complete.

For cash flow statement purposes Optomed classifies cash flows related to capitalised borrowing costs as operating activities.

20.2 Financial liabilities measured at amortised cost

In thousands of euro	2018	2017	2016
Non-current financial liabilities			
Borrowings from financial institutions	-	1 950	61
Government loans	2 993	3 013	2 478
Lease liabilities	727	435	442
Preference share liability	694	658	622
Total	**4 414**	**6 055**	**3 603**
Current financial liabilities			
Borrowings from financial institutions	7 010	389	116
Government loans	204	180	562
Subordinate loan	-	-	28
Lease liabilities	393	187	103
Trade payables	732	522	668
Total	**8 339**	**1 280**	**1 477**
Total financial liabilities	**12 753**	**7 335**	**5 080**

The preference share liability relates to the B share series (preference shares) which are classified as a financial liability and consequently the annual cumulative dividend is accounted for as an interest expense. Refer to Notes 19.2 *Share capital and share series* and 19.4 *Dividends.*

Optomed has a borrowing facility available under the recourse factoring arrangement, which was not in use at the financial-year end 2016-2018.

The company mortgages related to the borrowings from financial institutions are disclosed in Note 23. *Contingent assets, contingent liabilities and commitments.*

20.3 Changes in financial liabilities

During the financial years 2016-2018 Optomed agreed with its financiers on the changes made to repayment terms (borrowings from financial institutions and goverment loans). The changes related to the repayment schedule. Furthermore, the repayment period for the government loans were extended.

In the financial year 2018 the Group adjusted the repayment schedule for borrowings from financial institutions, however, the repayment dates remained unchanged.

20.4 Financial covenant and covenant breach

Optomed's borrowings from financial institutions contain a financial covenant (equity ratio) and Optomed also has to meet certain key operative targets. The related liabilities amounted to EUR 7,006 thousand (at December 31, 2018), EUR 2,396 thousand (at December 31, 2017) and EUR 176 thousand (at December 31, 2016). The borrowings will be repaid in accordance with the repayment schedule.

Optomed has to comply with the financial covenant terms specified in the loan agreement terms at the financial year-end. Equity ratio is calculated using the agreed formula. The table below summarises the Group's financial covenant term and compliance over the financial years 2016-2018.

	Equity ratio		
	Covenant term	Actual ratio	Applicable level
At December 31, 2016	20 %	60,47 %	Optomed Ltd
At December 31, 2017	35 %	41,91 %	Optomed Ltd
At December 31, 2018	35 %	34,65 %	Optomed Group[1]

[1] The change in the covenant compliance level was due to the Commit acquisition.

For covenant accounting purposes equity ratio is calculated following FAS (Finnish Accounting Standards), based on the related terms of the borrowings.

Optomed breached the financial covenant as at December 31, 2018 and consequently the related borrowings from financial institutions were classified as current as at December 31, 2018. Optomed was in compliance with the covenant as at December 31, 2016 and December 31, 2017. Refer to Note 22.5 *Liquidity risk* for more information.

20.5 Government loans - borrowings costs

Optomed has capitalised borrowing costs incurred from the government loans granted for development activities in the balance sheet under Development costs. Details are disclosed in Note 10.3 *Borrowing costs - government loans.*

20.6 Fair values - financial liabilities measured at amortised cost

Optomed considers that the carrying amounts of the financial liabilities measured at amortised cost substantially equal to their fair values. This estimate corresponds to the fair value hierachy Level 3, as the measurement of the said liabilities is based on Optomed management view. The fair value hierarchy is presented in Note 1.2.3 *Fair value measurement.*

21. Other payables

In thousands of euro	2018	2017	2016
Accrued expenses and prepaid income	1 397	1 108	344
Other	752	316	1 081
Total	**2 148**	**1 423**	**1 426**

22. Financial risk management

22.1 Principles of financial risk management

Optomed's financial risks consist of liquidity risk, interest rate risk, foreign exchange transaction risk, foreign exchange translation risk and counterparty credit risk. Financial risks are managed centrally, in order to align financial risk management with Optomed's strategy and ensure access to debt financing.

The Group manages centrally loan negotiations for the parent company and the subsidiaries, for example, and projects the financing requirements for the next 12 months on a rolling basis, in order to ensure long-term liquidity. The Group also handles negotiations in respect of letters of credit and recourse factoring on a centralised basis.

The objective is to ensure that the Group has liquidity for outgoing commitments at all times and that the financing portfolio is well diversified. The financing portfolio should also be flexible in case of changes in Optomed's business operations.

The Board of Directors of the parent company has the following responsibilities:

— reviewing and approving the Group's risk management policy and the Group's strategy concerning external financing and financial risk management on an annual basis
— evaluating and approving new financial instruments and arrangements
— delegating the authority to undertake financial risk management and financing activities to the CEO and CFO
— reviewing the Group's risk exposures on a monthly basis, and
— reviewing any policy breaches.

Currently letters of credit, recourse factoring agreements as well as non-current loans and borrowings from financial institutions are the only approved financial instruments.

Subsidiaries should maximise their long-term performance by optimising their working capital structure. Basic financial management operations are delegated to the subsidiaries, such as payment transactions and debt collection.

22.2 Foreign exchange transaction risk and foreign exchange translation risk

Due to its international operations, Optomed is exposed to transaction risks arising from foreign currency positions and risks from investments denominated in foreign currencies translated into the functional currency of the parent company.

The Group's foreign exchange translation risk is defined as the negative effect of movements in exchange rates on the value of a foreign subsidiary's assets when those values are translated into the reporting currency of the parent company. The Group has subsidiaries in China. So far, the translation difference has not been a significant item, and thus the Group has not hedged this risk by using currency derivative instruments.

Optomed's trade receivables and trade payables may be denominated in foreign currencies and thus prone to foreign exchange transaction risk. Foreign exchange transaction risk may also arise from tangible assets subject to price changes due to volatility in exchange rates.

The Group has foreign currency positions denominated in Chinese Renminbi (CNY) and US Dollar (USD). Transaction is managed by actively monitoring currency positions, i.e. absolute amounts. Should the absolute amounts for currency positions increase significantly, Optomed may consider using currency derivative instruments for hedging purposes, where necessary.

22.2.1 Currency risk exposure

In thousands of euro	USD	CNY
At December 31, 2018		
Gross trade receivables	83	1 046
Trade payables	477	8
Total	**560**	**1 054**
At December 31, 2017		
Gross trade receivables	20	62
Trade payables	132	48
Total	**153**	**110**
At December 31, 2016		
Gross trade receivables	5	218
Trade payables	112	-
Total	**117**	**218**

22.2.2 Sensitivity analysis on exchange rate movements

In thousands of euro	Income statement	
	strenghtening	weakening
At December 31, 2018		
Gross trade receivables		
+/- 10 % change in USD	8	(8)
+/- 10 % change in CNY	105	(105)
Trade payables		
+/- 10 % change in USD	(48)	48
+/- 10 % change in CNY	(1)	1
Total net effect	**64**	**(64)**
At December 31, 2017		
Gross trade receivables		
+/- 10 % change in USD	2	(2)
+/- 10 % change in CNY	6	(6)
Trade payables		
+/- 10 % change in USD	(13)	13
+/- 10 % change in CNY	(5)	5
Total net effect	**(10)**	**10**
At December 31, 2016		
Gross trade receivables		
+/- 10 % change in USD	1	(1)
+/- 10 % change in CNY	22	(22)
Trade payables		
+/- 10 % change in USD	(11)	11
+/- 10 % change in CNY	-	-
Total net effect	**11**	**(11)**

22.2.3 Average rates and closing rates for financial years used in consolidated financial statements

	Average rate 2018	Closing rate 2018	Average rate 2017	Closing rate 2017	Average rate 2016	Closing rate 2016
EUR/USD	0,85	0,87	0,89	0,83	0,90	0,95
EUR/CNY	0,13	0,13	0,13	0,13	0,10	0,14

22.3 Interest rate risk

Optomed’s interest rate risk is primarily derived from outstanding floating-rate borrowings from financial institutions. Interest rate risk is not significant. The Group’s revenues and operational cash flows are to a large extent independent of fluctuations in interest rates.

Optomed's loans and borrowings carry variable interest. The Group had interest-bearing financial liabilities totaling EUR 10,207 thousand (at December 31, 2018), EUR 5,532 thousand (at December 31, 2017) and EUR 3,216 thousand (at December 31, 2016). Those liabilities are linked to Euribor rates (0 to 12 months). The weighted average interest rate was 0.50 % (2018), 0.51 % (2017) and 1.0 % (2016).

Optomed manages interest rate risk by projecting its outstanding net debt for the next 12 months on a rolling basis. In addition, the Group uses likely interest rate scenarios to identify the effect interest rate risk could have on Optomed’s result and key figures. As the interest rate risk is not significant for the Group, Optomed has not used derivative instruments to hedge financial liabilities against changes in market interest rates.

The following interest rate sensitivity analysis presents how Optomed's interest expenses on borrowings from financial institutions would increase following a change of 1 percentage point (100 basis points) in reference interest rates. In respect of the government loans a change of 3 percentage points was applied since only a change of at least 3 percentage points would increase the Group's interest expenses, based on the loan terms. The effect of decrease in interest expenses – either by 1 (one) or 3 (three) percentange points – is excluded from the sensitivity analysis, as the reference rate cannot be negative.

22.3.1 Cash flow sensitity due to interest rates

In thousands of euro	Income statement	
	100 bps increase	300 bps increase
At December 31, 2018		
Borrowings from financial institutions	70	
Government loans		95
At December 31, 2017		
Borrowings from financial institutions	23	
Government loans		96
At December 31, 2016		
Borrowings from financial institutions	-	
Government loans		95

22.4. Credit risk and counterparty risk

Credit and counterparty risk arise from a counterparty not being able to fulfil its contractual requirements, and thus resulting in a loss to the creditor. Trade receivables are the main driver of credit and counterparty credit risk. Counterparty risk results from receivables from companies with which the Group provides credit.

Optomed considers it has no significant credit risk concentrations. Credit risk is actively managed, in order to avoid such concentrations.

Optomed manages counterparty credit risk by using credit limits approved by the Board of Directors and only dealing with authorized counterparties when it comes to financing activities such as letters of credit. Optomed has policies in place to ensure that products are sold and services provided only to those clients with appropriate credit history. Client credit data is reviewed prior to the signing of the agreement. Receivable collection and follow-up are performed actively and streamlined by the recourse factoring agreement with a Finnish financial institution. In the recourse factoring arrangement the financial institution manages collection activities and partly guarantees receivables but the final risk remains with Optomed. The arrangement reduces the Group's credit risk and improves liqiuidity. The Group also manages counterparty credit risk with advance payments and letters of credit. The maximum exposure to credit risk at the end of the financial year is the carrying amount of financial assets.

The following tables disclose credit exposure per geographical area, aging analysis for trade receivables and related expected credit losses (ECL). The loss allowance has been recorded in accordance with the tables presented below.

22.4.1 Credit exposure per geographical area

In thousands of euro	Carrying amount		
Gross trade receivables from companies			
Finland	690	1	8
China	1 046	62	218
Other	262	148	569
Total	**1 998**	**211**	**795**

22.4.2 Exposure to credit risk and loss allowance

In thousands of euro	Gross carrying amount	Weighted av. loss rate %	Loss allowance
At December 31, 2018			
Current (not past due)	1 885	0,5 %	9
Past due			
1-30 days	17	1,5 %	0
31-60 days	54	4 %	2
61-90 days	14	9 %	1
More than 90 days past due	29	12 %	3
Total	**1 998**		**16**
At December 31, 2017			
Current (not past due)	35	0,5 %	0
Past due			
1-30 days	6	1,5 %	0
31-60 days	11	4 %	0
61-90 days	77	9 %	7
More than 90 days past due	82	12 %	10
Total	**211**		**17**
At December 31, 2016			
Current (not past due)	438	0,5 %	2
Past due			
1-30 days	196	1,5 %	3
31-60 days	39	4 %	2
61-90 days	11	9 %	1
More than 90 days past due	110	12 %	13
Total	**795**		**21**

22.4.3 Reconciliation of loss allowance

In thousands of euro	2018	2017	2016
Balance at January 1	17	21	-
Amounts written off	-	-	-
Net remeasurement of loss allowance	(1)	(3)	21
Balance at December 31	**16**	**17**	**21**

Changes in expected credit losses and realised credit losses are recognised in the income statement under Other operating expenses.

22.4.4 Recourse factoring (insured receivables)

In thousands of euro	2018	2017	2016
Carrying amount at December 31			
Trade receivables, recourse factoring	889	769	245
Total	**889**	**769**	**245**

In the recourse factoring arrangement, Optomed transfers trade receivables to be collected by a financial institution and thereby receives credit insurance covering a large part of the carrying amount of trade receivables. Owing to the nature of the arrangement and the extent of the insuran ce, receivables do not include significant credit risk and consequently those trade receivables are excluded from expected credit losses (ECL) accounting.

22.5 Liquidity risk

Liquidity risk is incurred from a potential mismatch between Optomed's liquid assets and financing requirements. The company adheres to careful liquidity risk management and aims to ensure sufficient liquidity even in difficult circumstances. The Group manages liquidity risk by ensuring that non-current liabilities have different maturities and by limiting individual receivables. Optomed also aims at ensuring liquidity through credit instruments. The liquidity of the company is monitored and forecast over a 12-month period and, if necessary, short-term liquidity is monitored. Liquidity is followed up on a rolling basis and any changes are addressed promptly.

The liquidity reserve comprises highly liquid assets that can be used without delay to cover financial obligations at all times. Optomed aims at ensuring that it always has the amount of liquid funds available to fund operations. The liquidity reserve includes the following components: cash and cash equivalents, liquid investments and credit limits.

The table below analyses financial liabilities based on their contractual maturities. The amounts disclosed are undiscounted, comprising both interest payments and repayments of capital.

22.5.1 Contractual maturities of financial liabilities

In thousands of euro	Total	0-3 months	3-12 months	2-3 years	4-5 years	Over 5 years
At December 31, 2018						
Borrowings from financial institutions	**7 052**	7 052	-	-	-	-
Government loans	**3 306**	46	187	1 007	1 121	946
Lease liabilities	**1 186**	106	319	671	90	-
Trade payables	**732**	732	-	-	-	-
Total	**12 277**	**7 937**	**507**	**1 677**	**1 211**	**946**
At December 31, 2017						
Borrowings from financial institutions	**3 328**	96	279	1 102	1 258	594
Government loans	**3 442**	28	233	672	1 131	1 379
Lease liabilities	**1 560**	55	318	772	414	-
Trade payables	**522**	522	-	-	-	-
Total	**8 853**	**701**	**830**	**2 546**	**2 803**	**1 973**
At December 31, 2016						
Borrowings from financial institutions	**301**	9	165	104	21	2
Government loans	**3 182**	10	113	296	919	1 843
Lease liabilities	**1 772**	48	164	799	671	90
Trade payables	**668**	668	-	-	-	-
Total	**5 923**	**736**	**443**	**1 199**	**1 611**	**1 935**

The financial covenant for the borrowings from financial institutions was breached at December 31, 2018. Consequently, the borrowings in question were reclassified as current financial liabilities in the consolidated balance sheet and are presented in the category 0-3 months in the above table. Owing to the covenant breach, the financial institution is entitled to demand immediate repayment of those borrowings. Optomed has been in contact with the lender regarding the convenant breach. The counterparties had no requirements in respect of the borrowings and the Group incurred no additional expenses. The covenant breach did not result in renegotiation of the terms of the borrowings. The equity ratio must be at least 25% until the end of 2020 and 35% thereafter. If the covenants are breached, the financial institution has the right to immediately terminate the contracts or require repayment and/or alternatively the right to increase the marginal for the borrowings and obligations by 2 percentage points. The covenant agreement is in force as long as Optomed Plc has unpaid debt, obligations or other commitments. The Group carried out a share issue in spring 2019, refer to Note 25. *Events after the end of the reporting period* for more information.

In 2018 Optomed changed repayment programs and the changes affect the future payments. The loan periods were not extended but repayment amounts were modified to be better aligned with Optomed's liquidity.

It is not possible to repay the borrowings at an earlier date than agreed in the related terms. The lender has no right to demand for repayment, except in the event of a breach of the covenant (refer to Note 20.4 *Financial covenant and covenant breach).* The borrowings can be renegotiated.

Optomed has a financial liability related to the share arrangements (preference share liability) that has no maturity. The holders of the B shares in question may request the conversion of these shares into A shares any time. Therefore this liability is excluded from the above maturity analysis. The preference share liability amounted to EUR 694 thousand (at December 31, 2018), EUR 658 thousand (at December 31, 2017) and EUR 622 thousand (at December 31, 2016). Refer to Note 19. *Capital and reserves* for further information.

Optomed has an access to a factoring credit facility attached to the recourse factoring arrangement. The facility was not in use at the financial year-ends 2016-2018.

23. Contingent liabilities, contingent assets and commitments

23.1 Accounting policy

A contingent liability arises when:
— there is a possible obligation that arises from past events and whose existence will be confirmed by a future event that is outside the control of Optomed
— there is a present obligation that arises from past events, but probably will not require an outflow of resources, or
— Optomed cannot make a sufficiently reliable estimate of the amount of a present obligation.
Contingent liabilities are not recognised, but require disclosure unless the possibility of outflow is remote.

A contingent asset arises when:
— the inflow of economic benefits to Optomed is probable, but not virtually certain, and
— occurrence depends on an event outside the control of Optomed.
Contingent assets require disclosure only. If the realisation of income is virtually certain, the income item is recognised.

23.2 Collaterals

In thousands of euro	2018	2017	2016
Liabilities secured under company mortgages given by Optomed[1]			
Borrowings from financial institutions, current	525	570	677
Borrowings from financial institutions, non-current	9 691	4 991	2 567
Total	**10 216**	**5 560**	**3 245**
Collaterals given by collateral type			
Borrowings from financial institutions, company mortgages given	8 700	4 200	2 200
Other collaterals given	500	267	338
Total	**9 200**	**4 467**	**2 538**

[1] Nominal values of the borrowings, which differ from the amounts recognised in the consolidated balance sheet, measured at amortised cost.

23.3 Guarantees

2018:	
Delivery guarantee, Fabrinet Pte Ltd.	USD 500 thousand
2017:	
Delivery guarantee, Sanmina Corporation	EUR 400 thousand
Delivery guarantee, Fabrinet Pte Ltd.	USD 500 thousand
2016:	
Delivery guarantee, Sanmina Corporation	EUR 400 thousand
Delivery guarantee, Fabrinet Pte Ltd.	USD 500 thousand

23.4 Legal proceedings and disputes

Optomed was not involved in any legal proceedings nor had any disputes during the financial years 2016-2018.

23.5 Contingencies attaching to government grants

Non-compliance with the conditions attached to the EU Horizon 2020 funding programme may result in, for example, the rejection of ineligible costs or reduction of the grant. Refer to Note 5. *Other operating income* for more detailed information on the grant.

24. Related party disclosures

24.1 Accounting policy

The parent company Optomed Plc's related parties include the following:
— its subsidiaries
— key management personnel, comprising the members of the Board of Directors, CEO and the Group Management Team members
— entities, over which the above-mentioned persons have control, joint control or significant influence
— close family members of the above-mentioned persons
— certain major shareholders (Halma International and Cenova).

Both Halma International Ltd and Cenova (Alnair Investments, Cenova China Healthcare Fund IV and Shanghai Cenova Innovation Venture Fund together) have had an interest exceeding 20 % in shares and voting power in the parent company during the financial years 2016-2018. Furthermore, over those years Halma has had two members in the Board of Directors of Optomed Plc and Cenova has had one. Optomed considers that this results in the both shareholders having significant influence over Optomed Plc, as defined under IFRS, and consequently Optomed Plc is an associate to both Halma and Cenova.

The related party transactions disclosed consist of transactions carried out with related parties that are not eliminated in the consolidated financial statements.

24.2 Key management personnel compensation

The amounts disclosed in the tables below represent the expenses recognised in those financial years. Salary amounts include any fringe benefits.

In thousands of euro	2018	2017	2016
CEO Seppo Kopsala			
Salaries and other short-term employee benefits	(108)	(109)	(127)
Pension benefits (defined contribution plans)	(20)	(20)	(22)
Share-based payments	-	(86)	(48)
Total	**(128)**	**(214)**	**(197)**
Group Management Team			
Salaries and other short-term employee benefits	(703)	(510)	(459)
Pension benefits (defined contribution plans)	(113)	(77)	(68)
Share-based payments	(71)	(475)	(231)
Total	**(887)**	**(1 062)**	**(758)**
Key management personnel			
Salaries and other short-term employee benefits	(811)	(618)	(586)
Pension benefits (defined contribution plans)	(133)	(97)	(90)
Share-based payments	(71)	(560)	(279)
Total	**(1 015)**	**(1 276)**	**(955)**

The CEO and the Group Management Team members are entitled to the statutory pension, and the retirement age is determined by the Finnish statutory pension system.

No compensation was paid to the members of the Board of Directors of the parent company during the financial years 2016-2018 and they are not included in the share incentive plans of the Group.

24.3 Transactions with other related parties and outstanding balances

In thousands of euro	Revenues	Trade receivables	Other expenses
2016	1 032	10	-
2017	1 706	648	(34)
2018	3 233	1 594	(74)

Revenues and trade receivables relate to the major shareholders of Optomed Plc considered to be related parties to the parent company. Refer also to Note 2.4 *Major customers.*

Other expenses consist of consulting fees paid to the Chairman of the Board of Directors.

24.4 Group structure

At December 31, 2018 the Group comprised the following companies:

Subsidiary	Domicile	Ownership interest, %
Commit Oy	Finland	100
Optomed Hong Kong Ltd.	Hong Kong	100
Optomed Medical Consulting (Shanghai) Co. Ltd	China	100
Optomed China Ltd	China	100
Shanghai Optomed Medical Technology Ltd	China	100

The Commit acquisition carried out in the financial year 2018 is described in Note 4. *Business combination.*

25. Events after the end of the reporting period

In January 2019 Commit Oy received the authoritative decision regarding the EU Horizon 2020 grant.

Optomed Plc issued shares against payment in March 2019. In the issue 600 000 new A shares were subscribed. The subscription price for the shares was EUR 5 per share and altogether EUR 3,000,000 was paid for the new shares. This amount will be credited in full to the reserve for invested non-restricted equity. The shares were issued in order to strengthen the balance sheet of the company.

In October 2019 the company received a waiver from OP Bank. The new covenant term (equity ratio) is 25% requirement until the end of 2020.

The Extraordinary General Meeting resolved on 14 November 2019 to split the shares of the company with a ratio 1:20 so that each share of the company corresponded to 20 shares of the same class of shares. The share split was registered on 15 November 2019. The share split had no other impact on the rights attached to the shares. The number of shares and options and related values are in these financial statements adjusted retrospectively for the share split.

26. Transition to IFRS

These are Optomed's first consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force as at December 31, 2018. Furthermore, the Group has early adopted IFRS 16 Leases as from January 1, 2016 before its effective date. The date of transition to IFRS was January 1, 2016. The Group applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* in the transition. Optomed applied the accounting policies presented above in these financial statements in preparing the opening IFRS balance sheet and the consolidated financial statements for the financial years 2016, 2017 and 2018.

Previously Optomed's consolidated financial statements were drawn up in accordance with Finnish Accounting Standards (FAS). In preparing the opening IFRS balance sheet Optomed has adjusted FAS-based financial statement information. The IFRS adjustments made in the transition are described below. The most significant impacts relate to the following: accounting for the Commit acquisition, leases, preference shares and share-based incentive plans.

Due to the size of the Group Optomed has not previously been required to prepare cash flow statements in accordance with FAS. Cash flow statements for the financial years 2016, 2017 and 2018 were prepared in connection with the IFRS transition.

Reconciliation of consolidated equity at January 1, 2016	FAS at Dec 31, 2015													Transi-tion impact	IFRS at Jan 1, 2016
In thousands of euro	(A)	**Note**	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(B)	(A)+(B)
ASSETS															
Non-current assets															
Intangible assets	3 106		-	-	-	-	-	-	-	-	-	-	-	-	3 106
Tangible assets	232		-	-	-	-	-	-	-	-	-	-	-	-	232
Right-of-use assets	-		-	-	-	27	-	-	-	-	-	-	-	27	27
Deferred tax assets	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	**3 338**		-	-	-	27	-	-	-	-	-	-	-	**27**	**3 365**
Current assets															
Inventories	1 084		-	-	-	-	-	-	-	-	-	-	-	-	1 084
Trade and other receivables	2 116		-	-	-	-	-	-	-	-	-	-	135	135	2 251
Cash and cash equivalents	2 821		-	-	-	-	-	-	-	-	-	-	-	-	2 821
Total current assets	**6 022**		-	-	-	-	-	-	-	-	-	-	135	**135**	**6 157**
Total assets	**9 360**		-	-	-	27	-	-	-	-	-	-	135	**162**	**9 521**
EQUITY															
Share capital	19		-	-	-	-	-	-	-	-	-	-	-	-	19
Share premium	565		-	-	-	-	-	-	-	-	-	-	-	-	565
Reserve for invested non-restricted equity	11 049		-	-	-	-	-	-	-	-	-	-	-	-	11 049
Translation differences	11		-	-	-	-	-	-	-	-	-	(11)	-	(11)	-
Retained earnings	(6 105)		-	-	(586)	-	-	-	-	-	-	11	135	(440)	(6 544)
Loss for the financial year	(1 341)		-	-	-	-	-	-	-	-	-	-	-	-	(1 341)
Total equity	**4 199**		-	-	(586)	-	-	-	-	-	-	-	135	**(451)**	**3 747**
LIABILITIES															
Non-current liabilities															
Subordinated loans	185		-	-	-	-	-	-	-	-	(157)	-	-	(157)	28
Borrowings from financial institutions and government loans	2 868		-	-	-	-	-	-	-	-	-	-	-	-	2 868
Lease liabilities	-		-	-	-	17	-	-	-	-	-	-	-	17	17
Preference share liability	-		-	-	586	-	-	-	-	-	-	-	-	586	586
Deferred tax liability	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**3 053**		-	-	586	17	-	-	-	-	(157)	-	-	**446**	**3 499**
Current liabilities															
Subordinated loans	-		-	-	-	-	-	-	-	-	157	-	-	157	157
Borrowings from financial institutions and government loans	652		-	-	-	-	-	-	-	-	-	-	-	-	652
Lease liabilities	-		-	-	-	10	-	-	-	-	-	-	-	10	10
Trade and other payables	1 457		-	-	-	-	-	-	-	-	-	-	-	-	1 457
Total current liabilities	**2 108**		-	-	-	10	-	-	-	-	157	-	-	**166**	**2 275**
Total liabilities	**5 161**		-	-	586	27	-	-	-	-	-	-	-	**613**	**5 774**
Total equity and liabilities	**9 360**		-	-	-	27	-	-	-	-	-	-	135	**162**	**9 521**

Reconciliation of consolidated comprehensive income for the financial year January 1, 2016 - December 31, 2016	**FAS Jan 1 - Dec 31, 2016**													**Transi-tion impact**	**IFRS Jan 1 - Dec 31, 2016**
In thousands of euro	(A)	**Note**	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(B)	(A)+(B)
Revenue	6 609		-	-	-	-	-	-	-	-	-	-	-	-	6 609
Other operating income	287		-	-	-	-	-	-	-	-	-	-	(135)	(135)	153
Materials and services	(2 990)		-	-	-	-	-	-	-	-	-	-	-	-	(2 990)
Employee benefits	(2 801)		(303)	-	-	-	-	-	-	-	-	-	-	(303)	(3 104)
Depreciation, amortisation and impairment losses	(664)		-	-	-	(52)	(29)	-	-	-	-	-	-	(81)	(746)
Other operating expenses	(2 562)		-	-	-	51	-	-	(21)	-	-	-	-	30	(2 532)
Operating result	**(2 121)**		(303)	-	-	(2)	(29)	-	(21)	-	-	-	(135)	**(490)**	**(2 611)**
Finance income	6		-	-	-	-	-	-	-	-	-	-	-	-	6
Finance expenses	(120)		-	-	(36)	(15)	-	-	14	-	-	-	-	(37)	(156)
Net finance expenses	**(114)**		-	-	(36)	(15)	-	-	14	-	-	-	-	**(37)**	**(151)**
Loss before income taxes	**(2 235)**		(303)	-	(36)	(17)	(29)	-	(7)	-	-	-	(135)	**(526)**	**(2 761)**
Income tax expense	-		-	-	-	3	-	-	-	-	-	-	-	3	3
Loss for the financial year	**(2 235)**		(303)	-	(36)	(13)	(29)	-	(7)	-	-	-	(135)	**(523)**	**(2 758)**
Other comprehensive income															
Items that may be subsequently reclassified to profit or loss															
Foreign currency translation difference	-		-	-	-	-	-	-	-	-	-	230	-	230	230
Other comprehensive income, net of tax	-		-	-	-	-	-	-	-	-	-	230	-	230	**230**
Total comprehensive income for the financial year	**-**		**(303)**	**-**	**(36)**	**(13)**	**(29)**	**-**	**(7)**	**-**	**-**	**230**	**(135)**	**(293)**	**(2 528)**

Reconciliation of consolidated equity at December 31, 2016	FAS at Dec 31, 2016	Cumu-lative IFRS adjust-ments												Transition impact for the year ended	Cumulative IFRS adjust-ments for 2016	IFRS at Dec 31, 2016
In thousands of euro	(A)	(B)	**Note**	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(C)	(B)+(C)	(A)+(D)
ASSETS																	
Non-current assets																	
Intangible assets	4 063	-		-	-	-	-	-	-	14	-	-	-	-	14	14	4 078
Tangible assets	499	-		-	-	-	-	(29)	-	-	-	-	-	-	(29)	(29)	470
Right-of-use assets	-	27		-	-	-	501	-	-	-	-	-	-	-	501	528	528
Deferred tax assets	-	-		-	-	-	3	-	-	-	-	-	-	-	3	3	3
Total non-current assets	**4 562**	**27**		-	-	-	505	(29)	-	14	-	-	-	-	**490**	**517**	**5 079**
Current assets																	
Inventories	1 583	-		-	-	-	-	-	-	-	-	-	-	-	-	-	1 583
Trade and other receivables	1 766	135		-	-	-	-	-	-	(21)	-	-	-	(135)	(156)	(21)	1 745
Cash and cash equivalents	1 621	-		-	-	-	-	-	-	-	-	-	-	-	-	-	1 621
Total current assets	**4 970**	135		-	-	-	-	-	-	(21)	-	-	-	(135)	**(156)**	**(21)**	**4 949**
Total assets	**9 532**	**162**		-	-	-	505	(29)	-	(7)	-	-	-	(135)	**335**	**496**	**10 028**
EQUITY																	
Share capital	19	-		-	-	-	-	-	-	-	-	-	-	-	**-**	-	19
Share premium	565	-		-	-	-	-	-	-	-	-	-	-	-	**-**	-	565
Reserve for invested non-restricted equity	13 049	-		-	-	-	-	-	-	-	-	-	-	-	**-**	-	13 049
Translation differences	241	(11)		-	-	-	-	-	-	-	-	-	-	-	-	(11)	230
Retained earnings	(7 445)	(440)		303	-		-	-	-	-	-	-	-	-	303	(136)	(7 582)
Loss for the financial year	(2 235)	-		(303)	-	(36)	(13)	(29)	-	(7)	-	-	-	(135)	(523)	(523)	(2 758)
Total equity	**4 193**	**(451)**		-	-	(36)	(13)	(29)	-	(7)	-	-	-	(135)	**(220)**	**(671)**	**3 523**
LIABILITIES																	
Non-current liabilities																	
Subordinated loans	28	-		-	-	-	-	-	-		-	(28)	-	-	(28)	(28)	-
Borrowings from financial institutions and government loans	2 539	-		-	-	-	-	-	-	-	-	-	-	-	-	-	2 539
Lease liabilities	-	17		-	-	-	425	-	-	-	-	-	-	-	425	442	442
Preference share liability	-	586		-	-	36	-	-	-	-	-	-	-	-	36	622	622
Deferred tax liability	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**2 567**	**603**		-	-	36	425	-	-	-	-	(28)	-	-	**433**	**1 036**	**3 603**
Current liabilities																	
Subordinated loans	-	-		-	-	-	-	-	-	-	-	28	-	-	28	28	28
Borrowings from financial institutions and government loans	677	-		-	-	-	-	-	-	-	-	-	-	-	-	-	677
Lease liabilities	-	10		-	-	-	93	-	-	-	-	-	-	-	93	103	103
Trade and other payables	2 094	-		-	-	-	-	-	-	-	-	-	-	-	-	-	2 094
Total current liabilities	**2 772**	**10**		-	-	-	93	-	-	-	-	28	-	-	**121**	**131**	**2 903**
Total liabilities	**5 339**	**613**		-	-	36	518	-	-	-	-	-	-	-	**554**	**1 167**	**6 506**
Total equity and liabilities	**9 532**	**162**		-	-	-	505	(29)	-	(7)	-	-	-	(135)	**335**	**496**	**10 028**

Reconciliation of consolidated comprehensive income for the financial year January 1, 2017 - December 31, 2017	**FAS Jan 1 - Dec 31, 2017**													**Transi-tion impact**	**IFRS Jan 1 - Dec 31, 2017**
In thousands of euro	(A)	**Note**	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(B)	(A)+(B)
Revenue	6 899		-	-	-	-	-	-	-	-	-	-	-	-	6 899
Other operating income	506		-	-	-	-	-	(218)	-	-	-	-	-	(218)	288
Materials and services	(3 118)		-	-	-	-	-	-	-	-	-	-	-	-	(3 118)
Employee benefits	(2 966)		(695)	-	-	-	-	-	-	-	-	-	-	(695)	(3 662)
Depreciation, amortisation and impairment losses	(791)		-	-	-	(186)	(66)	-	-	-	-	-	-	(252)	(1 043)
Other operating expenses	(2 407)		-	-	-	211	-	-	3	-	-	-	-	215	(2 192)
Operating result	**(1 876)**		(695)	-	-	25	(66)	(218)	3	-	-	-	-	**(951)**	**(2 827)**
Finance income	135		-	-	-	-	-	-	-	-	-	-	-	-	135
Finance expenses	(168)		-	-	(36)	(37)	-	-	44	-	-	-	-	(29)	(197)
Net finance expenses	**(33)**		-	-	(36)	(37)	-	-	44	-	-	-	-	(29)	**(63)**
Loss before income taxes	**(1 910)**		(695)	-	(36)	(13)	(66)	(218)	47	-	-	-	-	(980)	**(2 890)**
Income tax expense	-		-	-	-	3	-	-	-	-	-	-	-	3	**3**
Loss for the financial year	**(1 910)**		(695)	-	(36)	(10)	(66)	(218)	47	-	-	-	-	**(978)**	**(2 887)**
Other comprehensive income															
Items that may be subsequently reclassified to profit or loss															
Foreign currency translation difference	-		-	-	-	-	-	-	-	-	-	(168)	-	(168)	(168)
Other comprehensive income, net of tax	**-**		-	-	-	-	-	-	-	-	-	(168)	-	**(168)**	**(168)**
Total comprehensive income for the financial year	**-**		(695)	-	(36)	(10)	(66)	(218)	47	-	-	(168)	-	**(1 146)**	**(3 056)**

Reconciliation of consolidated equity at December 31, 2017	FAS at Dec 31, 2017	Cumu-lative IFRS adjust-ments for 2016												Transition impact for the year ended	Cumulative IFRS adjust-ments for 2016-2017	IFRS at Dec 31, 2017
In thousands of euro	(A)	(B)	**Note**	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(C)	(B)+(C)	(A)+(D)
ASSETS																	
Non-current assets																	
Intangible assets	5 170	14		-	-	-	-	-	(218)	16	-	-	-	-	(202)	(188)	4 982
Tangible assets	725	(29)		-	-	-	-	(66)	-	-	-	-	-	-	(66)	(95)	631
Right-of-use assets	-	528		-	-	-	64	-	-	-	-	-	-	-	64	593	593
Deferred tax assets	-	3		-	-	-	3	-	-	-	-	-	-	-	3	6	6
Total non-current assets	**5 895**	**517**		-	-	-	67	(66)	(218)	16	-	-	-	-	**(201)**	**316**	**6 211**
Current assets																	
Inventories	1 057	-		-	-	-	-	-	-	-	-	-	-	-	-	-	1 057
Trade and other receivables	1 638	(21)		-	-	-	-	-	-	3	-	-	-	-	3	(17)	1 620
Cash and cash equivalents	1 032	-		-	-	-	-	-	-	-	-	-	-	-	-	-	1 032
Total current assets	**3 727**	**(21)**		-	-	-	-	-	-	3	-	-	-	-	**3**	**(17)**	**3 709**
Total assets	**9 622**	**496**		-	-	-	67	(66)	(218)	19	-	-	-	-	**(198)**	**299**	**9 920**
EQUITY																	
Share capital	19	-		-	-	-	-	-	-	-	-	-	-	-	-	-	19
Share premium	565	-		-	-	-	-	-	-	-	-	-	-	-	-	-	565
Reserve for invested non-restricted equity	13 049	-		-	-	-	-	-	-	-	-	-	-	-	-	-	13 049
Translation differences	73	(11)		-	-	-	-	-	-	-	-	-	-	-	-	(11)	62
B/S at 31 Dec 2016		(136)															
I/S for 2016		(523)															
Retained earnings	(9 681)	(659)		695	-	-	-	-	-	-	-	-	-	-	695	36	(9 645)
Loss for the financial year	(1 910)			(695)	-	(36)	(10)	(66)	(218)	47	-	-	-	-	(978)	(978)	(2 887)
Total equity	**2 116**	**(671)**		-	-	(36)	(10)	(66)	(218)	47	-	-	-	-	**(282)**	**(953)**	**1 162**
LIABILITIES																	
Non-current liabilities																	
Borrowings from financial institutions and government loans	4 991	-		-	-	-	-	-	-	(28)	-	-	-	-	(28)	(28)	4 963
Lease liabilities	-	442		-	-	-	(8)	-	-	-	-	-	-	-	(8)	435	435
Preference share liability	-	622		-	-	36	-	-	-	-	-	-	-	-	36	658	658
Deferred tax liability	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**4 991**	**1 064**		-	-	36	(8)	-	-	(28)	-	-	-	-	**0**	**1 064**	**6 055**
Current liabilities																	
Borrowings from financial institutions and government loans	570	-		-	-	-	-	-	-	-	-	-	-	-	-	-	570
Lease liabilities	-	103		-	-	-	85	-	-	-	-	-	-	-	85	187	187
Trade and other payables	1 946	-		-	-	-	-	-	-	-	-	-	-	-	-	-	1 946
Total current liabilities	**2 516**	**103**		-	-	-	85	-	-	-	-	-	-	-	**85**	**187**	**2 703**
Total liabilities	**7 506**	**1 167**		-	-	36	77	-	-	(28)	-	-	-	-	**85**	**1 252**	**8 758**
Total equity and liabilities	**9 622**	**496**		-	-	-	67	(66)	(218)	19	-	-	-	-	**(198)**	**299**	**9 920**

Reconciliation of consolidated comprehensive income for the financial year January 1, 2018 - December 31, 2018	**FAS Jan 1 - Dec 31, 2018**													**Transi-tion impact**	**IFRS Jan 1 - Dec 31, 2018**
In thousands of euro	(A)	**Note**	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(B)	(A)+(B)
Revenue	12 733		-	-	-	-	-	-	-	-	-	-	-	-	12 733
Other operating income	1 167		-	-	-	-	-	(277)	-	-	-	-	-	(277)	889
Materials and services	(4 568)		-	-	-	-	-	-	-	-	-	-	-	-	(4 568)
Employee benefits	(5 404)		(203)		-	-	-	471	-	-	-	-	-	267	(5 137)
Depreciation, amortisation and impairment losses	(1 356)		-	12	-	(349)	(118)	-	-	-	-	-	-	(455)	(1 810)
Other operating expenses	(3 044)		-	(191)	-	378	-	-	1	-	-	-	-	188	(2 855)
Operating result	**(471)**		(203)	(179)	-	29	(118)	193	1	-	-	-	-	**(276)**	**(748)**
Finance income	22		-	-	-	-	-	-	-	-	-	-	-	-	22
Finance expenses	(495)		-	-	(36)	(36)	-	-	(11)	-	-	-	-	(83)	(578)
Net finance expenses	**(472)**		-	-	(36)	(36)	-	-	(11)	-	-	-	-	**(83)**	**(555)**
Loss before income taxes	**(944)**		(203)	(179)	(36)	(7)	(118)	193	(10)	-	-	-	-	**(359)**	**(1 303)**
Income tax expense	18		-	50	-	2	-	(94)	-	-	-	-	-	(42)	(24)
Loss for the financial year	**(925)**		(203)	(128)	(36)	(6)	(118)	99	(10)	-	-	-	-	**(401)**	**(1 327)**
Other comprehensive income															
Items that may be subsequently reclassified to profit or loss															
Foreign currency translation difference	-		-	-	-	-	-	-	-	-	-	13	-	13	13
Other comprehensive income, net of tax	**-**		-	-	-	-	-	-	-	-	-	13	-	**13**	**13**
Total comprehensive income for the financial year			(203)	(128)	(36)	(6)	(118)	99	(10)	-	-	13	-	**(388)**	**(1 314)**

Reconciliation of consolidated equity at December 31, 2018	FAS at Dec 31, 2018	Cumu-lative IFRS adjust-ments for 2016-2017												Transition impact for the year ended	Cumulative IFRS adjust-ments for 2016-2018	IFRS at Dec 31, 2018
In thousands of euro	(A)	(B)	**Note**	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(C)	(B)+(C)	(A)+(D)
ASSETS																	
Non-current assets																	
Goodwill	6 779	-		-	####	-	-	-	-	-	-	-	-	-	(2 523)	(2 523)	4 256
Development costs	5 158	(188)		-	-	-	-	-	193	9	-	-	-	-	202	14	5 172
Customer relationships	-	-		-	####	-	-	-	-	-	-	-	-	-	2 051	2 051	2 051
Technology	-	-		-	942	-	-	-	-	-	-	-	-	-	942	942	942
Intangible rights and other intangible assets	376	-		-	-	-	-	-	-	-	-	-	-	-	-	-	376
Total intangible assets	12 312	(188)		-	470	-	-	-	193	9	-	-	-	-	672	484	12 796
Tangible assets	952	(95)		-	-	-	-	(118)	-	-	-	-	-	-	(118)	(212)	739
Right-of-use assets	-	593		-	-	-	491	-	-	-	-	-	-	-	491	1 084	1 084
Deferred tax assets	-	6		-	-	-	2	-	-	-	-	-	-	-	2	8	8
Total non-current assets	**13 264**	**316**		-	470	-	493	(118)	193	9	-	-	-	-	**1 047**	**1 363**	**14 627**
Current assets																	
Inventories	1 121	-		-	-	-	-	-	-	-	-	-	-	-	-	-	1 121
Trade and other receivables	3 415	(17)		-	-	-	-	-	-	1	-	-	-	-	1	(16)	3 399
Cash and cash equivalents	2 000	-		-	-	-	-	-	-	-	-	-	-	-	-	-	2 000
Total current assets	**6 536**	**(17)**		-	-	-	-	-	-	1	-	-	-	-	**1**	**(16)**	**6 519**
Total assets	**19 799**	**299**		-	470	-	493	(118)	193	9	-	-	-	-	**1 048**	**1 347**	**21 146**
EQUITY																	
Share capital	19	-		-	-	-	-	-	-	-	-	-	-	-	-	-	19
Share premium	565	-		-	-	-	-	-	-	-	-	-	-	-	-	-	565
Reserve for invested non-restricted equity	18 549	-		-	-	-	-	-	-	-	-	-	-	-	-	-	18 549
Translation differences	86	(11)		-	-	-	-	-	-	-	-	-	-	-	-	(11)	75
B/S at Dec 31, 2016		(659)															
B/S 31 Dec 31, 2017		695															
I/S for 2017		(978)															
Retained earnings	(11 590)	(942)		203											203	(739)	(12 329)
Loss for the financial year	(925)			(203)	(128)	(36)	(6)	(118)	99	(10)	-	-	-	-	(401)	(401)	(1 327)
Total equity	**6 703**	**(953)**		-	(128)	(36)	(6)	(118)	99	(10)	-	-	-	-	**(198)**	**(1 151)**	**5 552**
LIABILITIES																	
Non-current liabilities																	
Borrowings from financial institutions and government loans	9 691	(28)		-	-	-	-	-	-	19	####	-	-	-	(6 670)	(6 698)	2 993
Lease liabilities	-	435		-	-	-	293	-	-	-	-	-	-	-	293	727	727
Preference share liability	-	658		-	-	36	-	-	-	-	-	-	-	-	36	694	694
Deferred tax liability	-	-		-	599	-	-	-	94	-	-	-	-	-	693	693	693
Total non-current liabilities	**9 691**	**1 064**		-	599	36	293	-	94	19	####	-	-	-	**(5 648)**	**(4 584)**	**5 107**
Current liabilities																	
Borrowings from financial institutions and government loans	525	-		-	-	-	-	-	-	-	####	-	-	-	6 689	6 689	7 214
Lease liabilities	-	187		-	-	-	205	-	-	-	-	-	-	-	205	393	393
Trade and other payables	2 880	-		-	-	-	-	-	-	-	-	-	-	-	-	-	2 880
Total current liabilities	**3 405**	187		-	-	-	205			-	####	-	-	-	6 895	7 082	**10 487**
Total liabilities	**13 096**	**1 252**		-	599	36	498	-	94	19	-	-	-	-	1 246	2 498	15 594
Total equity and liabilities	**19 799**	**299**		**-**	**470**	**-**	**493**	**(118)**	**193**	**9**	**-**	**-**	**-**	**-**	**1 048**	**1 347**	**21 146**

Notes to the reconciliations of consolidated equity and reconciliations of consolidated comprehensive income

(1) Share options (IFRS 2 *Share-based Payments)*

Optomed has three share option plans for the Group key personnel and the related payments are made with equity instruments. In FAS financial statements option plans are not accounted for through profit or loss. IFRS 2 requires share options be measured at the grant-date fair value and recognised as expenses over the vesting period. A contra-entry is made to equity, so the equity balance is not affected. The resulting expense amounted to EUR 303 thousand (2018), EUR 695 thousand (2017) and EUR 203 thousand (2016).

(2) Commit acquisition (IFRS 3 *Business Combinations)*

Under FAS Optomed determined consolidation goodwill as the excess of the cost of the acquisition over the acquisition-date equity of the subsidiary. In the transition the assets and liabilities of Commit Oy were measured at fair value at the acquisition date. The identified intangible assets, customer relationships and technology, were separated from goodwill and recorded in the balance sheet. Consequently the goodwill balance decreased. The application of IFRS 3 increased the intangible asset balance by EUR 3,245 thousand and deferred tax liabilities EUR 649 thousand. The amortisation of the said intangibles increases the annual amortisation expenses by EUR 252 thousand for the next 10 years.

Under IFRS 3 goodwil is not amortised but tested for impairment at least annually. Therefore the goodwill amortisation recorded in the FAS financial statements, amounting to EUR 264 thousand, was reversed. Based on the impairment test carried out (as at December 31, 2018) the goodwill was not impaired.

(3) Preference shares (IAS 32 *Financial Instruments: Presentation)*

In FAS financial statements all shares issued by Optomed Plc are treated as equity instruments. The cumulative preference shares (B share series) are compound instruments and reclassified as a financial liability, thereby deducting retained earnings (EUR 586 thousand). The annual 9 % cumulative dividend, EUR 36 thousand, is accounted for as an interest expense, respectively.

(4) Lease arrangements (IFRS 16 *Leases)*

In its FAS financial statements Optomed recorded rental expenses in the financial year to which they related. The Group adopted IFRS 16 using the modified retrospective approach. The resulting effect was recognised as an equal adjustment, EUR 27 thousand, under the right-of-use assets and financial liabilities (non-current and current portions) at January 1, 2016. Those leases relate to the business premises. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. Lease payments previously presented under other operating expenses are apportioned between the reduction of the lease liability and the interest charge on the lease liability. Furthermore, depreciation of the right-of-use assets is recorded in profit or loss.

Optomed has applied the recognition exemption for both:
— short-term leases (a lease that, at the commencement date, has a lease term of 12 months or less) and for
— leases for which the underlying asset is of low value (each asset with a value of approximately EUR 5,000 or less when new).
The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term in other operating expenses.

(5) Depreciation on tangible assets (IAS 16 *Property, Plant and Equipment)*

Previously Optomed Plc and Commit Oy recorded depreciation on tangible assets using the diminishing balance method based on the maximum depreciation allowed under the Finnish Business Income Tax Act (EVL). In the transition the Group adopted the straight-line method. This increased the annual depreciation as follows: EUR 118 thousand (2018), EUR 66 thousand (2017) and EUR 29 thousand (2016).

(6) Development costs (IAS 38 *Intangible Assets* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*)

Optomed has been involved with the EU Horizon 2020 funding programme since August 2017. In the transition Optomed Plc and Commit Oy capitalised the related eligible development costs for the financial year 2018 (Optomed EUR 396 thousand and Commit EUR 75 thousand). Previously Commit Oy expensed all development costs. Furthermore, for the financial years 2017 and 2018 the Horizon grants were transferred from other operating income of Optomed Plc to deduct the carrying amount of the associated capitalised development costs, as applicable. In the financial year 2018 the net increase in the capitalised development costs amounted to EUR 193 thousand, and the increase in deferred tax liabilities EUR 94 thousand. The respective adjustment for Commit Oy at December 31, 2018 was not made, as the the company only obtained the decision for the Horizon 2020 grant in January 2019.

(7) Financial liabilities and borrowing costs (IFRS 9 *Financial Instruments* and IAS 23 *Borrowing Costs)*

i) In its FAS financial statements Optomed expensed all borrowing costs. In the transition to IFRS Optomed capitalised borrowing costs incurred from the government loans granted for development activities. The capitalised costs amounted to EUR 9 thousand (2018), EUR 16 thousand (2017) and EUR 14 thousand (2016), which were recorded as a deduction to interest expenses.

ii) Previously Optomed measured its financial liabilities at their nominal values. In the transition to IFRS the Group adopted the effective interest rate method (EIR). The resulting change in interest expenses was as follows: increase EUR 19 thousand (2018), decrease EUR 28 thousand (2017) and EUR 0 (2016).

iii) Prior to the transition, Optomed recorded credit losses when they realised. The Group has adopted the expected credit loss model, measuring credit losses at an amount equal to the lifetime expected credit losses for a trade receivable. The resulting credit loss provision deducting trade receivables in the balance sheet was as follows: EUR 17 thousand (at December 31, 2018), EUR 17 thousand (at December 31, 2017) and EUR 21 thousand (at December 31, 2016).

Optomed has drawn government loans from Business Finland granted for development activities at a below-market rate of interest. As all these loans originated before the date of transition to IFRS (January 1, 2016), in the transition Optomed elected to use the exemption permitted under IFRS 1 and did not adjust the carrying amounts of the loans in the opening IFRS balance sheet.

(8) Covenant breach (IAS 1 *Presentation of Financial Statements)*

Optomed breached the equity ratio covenant, i.e. the financial covenant of its borrowing facilities (borrowings from financial institutions) as at December 31, 2018. Consequently, the related borrowings were reclassified as current financial liabilities at the financial year-end 2018. FAS does not require such reclassification in these situations.

(9) Reclassification (IAS 1 *Presentation of Financial Statements)*

In the transition to IFRS the classification of the subordinated loan into the current and non-current portions was clarified, resulting in an adjustment from non-current financial liabilities to current financial liabilities, amounting to EUR 157 thousand (at January 1, 2016) and EUR 28 thousand (at December 31, 2016).

(10) Translation differences (IAS 21 *The Effects of Changes in Foreign Exchange Rates)*

Optomed elected to apply the exemption granted under IFRS 1 for cumulative translation differences. Therefore, the cumulative translation differences for all foreign operations were deemed to be zero at the date of transition to IFRS. This adjustment amounted to EUR 11 thousand, increasing retained earnings.

(11) Correction of prior period error (IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors)*

The FAS-based consolidated financial statements 2016 included income and expense adjustments related to the subsidiaries, totalling EUR 135 thousand. In the transition this correction, reported as an income item, was transferred as an adjustment to the opening IFRS balance sheet as at January 1, 2016.

SIGNATURES OF THE BOARD OF DIRECTORS

Oulu, November 19, 2019

Petri Salonen Chairman of the Board	Matthew Hallam Board Member
Seppo Mäkinen Board Member	Ingo Ramesohl Board Member
Reijo Tauriainen Board Member	Anders Torstensson Board Member
Jens Umehag Board Member	Jun Wu Board Member

The Auditor's Note

A report on the audit performed has been issued today.

Oulu, November 21, 2019

KPMG Oy Ab

Tapio Raappana
Authorised Public Accountant, KHT

KPMG Oy Ab
Töölönlahdenkatu 3 A
PO Box 1037
00101 Helsinki, FINLAND

Telephone +358 20 760 3000
www.kpmg.fi

Auditor's Report

To the Board of Directors of Optomed Plc

Opinion

We have audited the consolidated financial statements of Optomed Plc (business identity code 1936446-1) and its subsidiaries (the Group), which comprise for the consolidated balance sheet as at December 31, 2018, 2017 and 2016 and the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended and notes, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, 2017 and 2016, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Consolidated Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and the Managing Director are responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the Group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events so that the consolidated financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report has been issued solely for the purposes of including in the prospectus prepared in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council and Commission Delegated Regulation (EU) 2019/980. The company has prepared statutory financial statements for the financial year 2018 in accordance with the laws and regulation governing the preparation of financial statements in Finland. We have issue an auditors' report on those financial statement to the Annual General Meeting on May 6, 2019.

Helsinki November 21, 2019

KPMG OY AB

Tapio Raappana
Authorised Public Accountant, KHT