

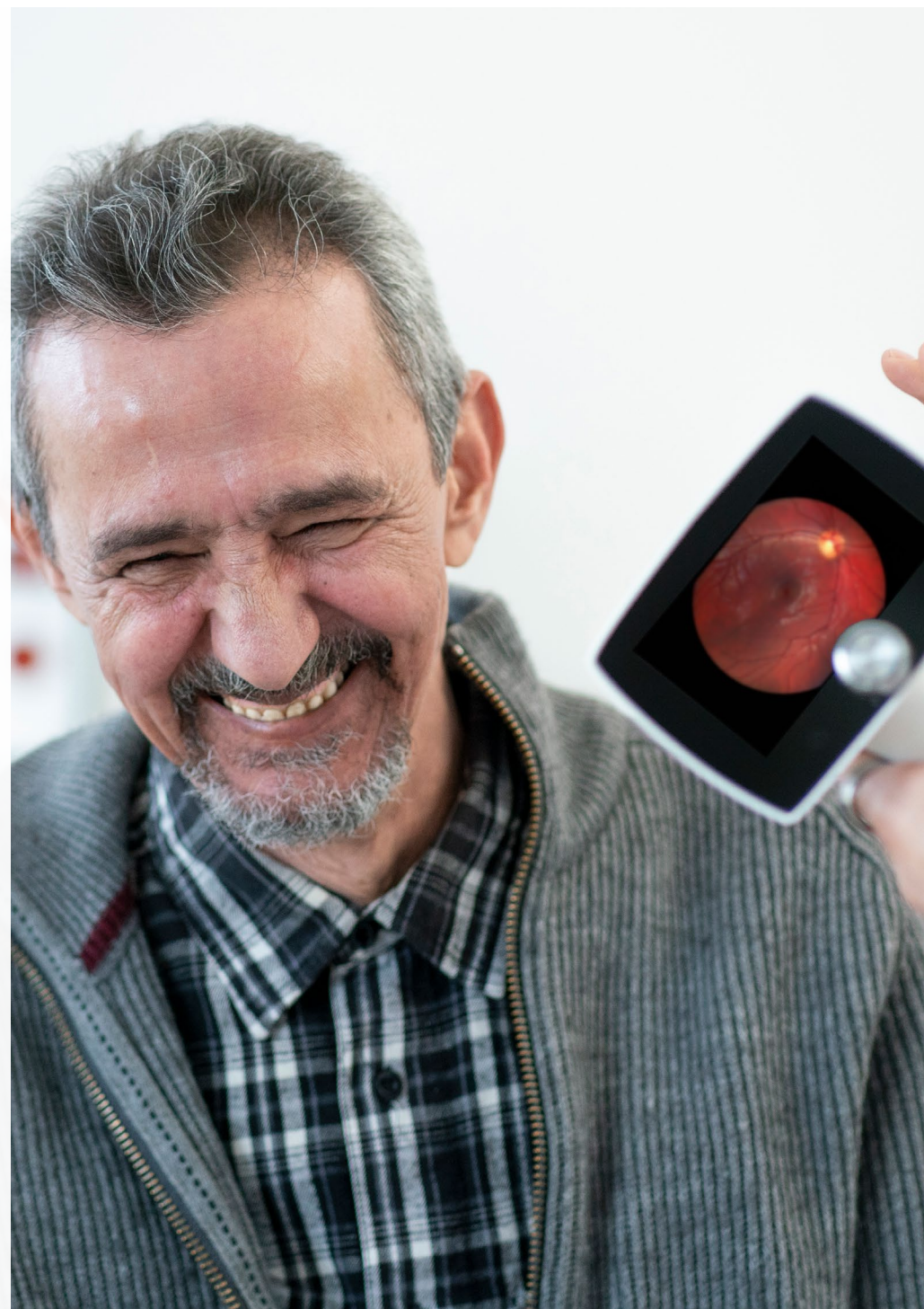
A woman in a white lab coat is holding a camera, looking through the viewfinder. The image is overlaid with a solid blue color. The text 'ANNUAL REPORT | 2021' is written in white, bold, sans-serif font across the center.

ANNUAL REPORT | 20 21

OPTO**MED**

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YEAR 2021



Optomed in brief

Optomed is a Finnish medical technology company and a leading manufacturer of handheld fundus cameras and screening software.

Optomed combines handheld fundus cameras with software and artificial intelligence with the aim to transform the diagnostic process of various diseases, such as rapidly increasing diabetic retinopathy. Optomed has offices in Finland, the US and China and the company's products are sold via various sales channels in over 60 countries globally.

YEAR 2021

Key figures 2021

EUR, thousand	2021	2020	Change, %
Revenue	14,850	13,011	14.1%
Gross profit *	10,558	8,955	17.9%
Gross margin % *	71.1%	68.8%	
EBITDA	-2,002	-733	-173.2%
EBITDA margin *, %	-13.5%	-5.6%	
Adjusted EBITDA *	-2,002	-733	-173.2%
Adjusted EBITDA margin *, %	-13.5%	-5.6%	
Operating result (EBIT)	-4,780	-2,906	-64.5%
Operating margin (EBIT) *, %	-32.2%	-22.3%	
Adjusted operating result (EBIT) *	-4,780	-2,906	-64.5%
Adjusted operating margin (EBIT margin) *, %	-32.2%	-22.3%	
Net profit/ loss	-4,249	-3,177	-33.8%
Earnings per share	-0.32	-0.24	-32.0%
Cash flow from operating activities	-2,940	-2,801	-5.0%
Net Debt	213	-4,090	-105.2%
Net debt/ Adjusted EBITDA (LTM)	-0.1	5.6	
Equity ratio *	58.8%	64.6%	
R&D expenses personnel	1,773	1,406	26.1%
R&D expenses other costs	511	253	101.8%
Total R&D expenses	2,284	1,659	37.6%





Sales in countries
globally

> **60**



International
patents

59



Professionals

118

Optomed grew strongly in 2021

Optomed's revenue growth was strong in 2021. Growth was especially strong in the first half of the year driven by Western markets recovery from the COVID-19 pandemic.

We continued expanding our commercial activities in the United States market as well as strengthening our team, which contributed to the strong growth in the Devices-segment. Also, sales to our OEM customers turned back to growth as expected. Sales to Asia and the Middle East were still affected by the lockdowns caused by the pandemic and were on a lower level than usual. We expect these markets to recover gradually in the near future. Our Software-segment recorded a new growth record in 2021. The growth came from new solution deliveries to healthcare customers as well as increased reoccurring revenue to existing customers.

The US is strategically Optomed's main market and most growth is expected to come from our US operations. The US usually represents approximately 40 percent of global sales to most companies in the fundus camera business. For Optomed the US share is still significantly smaller as we started our sales and marketing activities in North America only a year ago. The foundations for growth have now been established and in 2021 the US was the most significant and fastest-growing market for Optomed. Our goal is to grow our US revenue towards the 40 percent share, but also focus on growing our business globally.



// We expect the company's revenue growth to accelerate significantly once our camera products are combined with artificial intelligence.

Main products, where our future growth is based on, are Optomed cameras combined with artificial intelligence. During 2021, two very significant advances were made in the commercialization of these products. In November 2021, a new reimbursement code, CPT 92229, was passed at the federal level in the United States, allowing nationwide reimbursement for autonomous screening of diabetic retinopathy based on artificial intelligence. This reimbursement sum is higher than the reimbursement for a similar study based on a traditional ophthalmologist's reading. The passing of this reimbursement code is a significant advancement, and it is expected to improve the coverage of diabetic retinopathy screening, as well as transform screenings from ophthalmic clinics and optometrists to primary care where resources are more numerous.

Another significant progress of the year was the completion of a clinical study in the United States, which evaluated the ability of the Optomed Aurora camera and AEYE Health artificial intelligence solution to detect more than mild diabetic retinopathy. The research results for this combined product, Aurora AEYE were the following: sensitivity 91.9 percent, specificity 93.6 percent, and imageability > 99 percent. These results were obtained by taking only one image per eye, which speeds up and facilitates the performance of that fundus examination compared to traditional solutions. Combined with handheld cameras' excellent mobility and cost-effectiveness, this is believed to provide Optomed with a unique competitive advantage. We are very proud of the results we have achieved, and this will allow us to move forward towards our goal of obtaining FDA clearance for the product in the United States. We believe the United States is a

particularly favorable market environment for Aurora AEYE and this product would be highly competitive in terms of diagnostic accuracy, technical features and cost level compared to other solutions and the traditional way of performing fundus examinations. Moving forward with the FDA clearance process is our main strategic project of 2022.

In addition to the Aurora AEYE clinical study, we also conducted other significant research projects in 2021 like the Oulu University Hospital diabetic retinopathy screening study. This study concluded that the Optomed Aurora handheld fundus camera works well in diabetic retinopathy screening compared to traditional desktop fundus cameras. Optomed Aurora's image quality was found to be adequate and diabetic retinopathy changes in the fundus were observed well. The study also summarized that a handheld camera offers more flexibility in organizing screening programs, because of its portability and is also a more cost-effective option.

In addition to the clinical trials, both segments also made significant investments in the development of new products, with the goal of introducing new camera and software solutions to the market in the coming years. One example of future new products is the acs-rwm (Automation in Care and Evaluation) software development project, in which we develop, together with Finnish University Hospitals, an advanced IT system for the automation and evaluation of outcomes in ophthalmic care. The system provides a tool for national and international benchmarking. Our goal is to launch this product, Avenue Flow, in 2022. Based on the experience and feedback from Finnish University Hospitals, we expect to receive significant international interest for this product.

Our main challenge of 2021 was faced in the second half of the year in China. The cooperation agreement between our long-standing Chinese customer Phoebus Medical Technology Co., Ltd (Phoebus) and their major distribution partner China National Pharmaceutical Group Co., Ltd (Sinopharm) expired in the fourth quarter. This meant a significant drop in camera sales for Optomed in China, as Phoebus and Sinopharm were the exclusive distribution channel for Optomed camera products in China in 2021. Due to this also Phoebus exclusivity to Optomed cameras expired in the end of the year and we have started a



collaboration with various local distribution partners and also work directly with Sinopharm in two major provinces. The cooperation with Phoebeus will continue in 2022 on a non-exclusive basis.

Long-term uncertainty in China is further increased by the new national guidelines published in the autumn of 2021, according to which Chinese government-funded hospitals should in the future favor China-made products in their purchases of fundus cameras. At this stage, it is still difficult to assess how significantly these guidelines will affect Optomed's long-term business in China. Despite the changes in the operating environment, we expect China to remain a significant market for our company in the future, but we will focus most of our resources to support growth in the United States and other key markets.

We will continue to 2022 with confidence and determination. The company's strategy and goals are clear, and we are a technological pioneer in the ongoing market transformation in our key markets.

I would like to thank all our personnel, partners, and shareholders for all the milestones we achieved in 2021.

Seppo Kopsala
CEO

Optomed highlights 2021

Year of successful clinical validation and building grounds for growth in the US.



DEVICES SEGMENT

- E-Safe disposable eye cups launched
- Aurora gained regulatory (ANVISA) approval in Brazil
- Several promising clinical study results with the Aurora camera
- Commercialization of our Optomed Aurora camera started well in China in H1



US

- Vision Loss Rehabilitation Canada deal executed
- Commercial collaboration with Melling Medical signed
- Clinical study combining Aurora with AEYE Health AI completed



SOFTWARE SEGMENT

- Contract to develop an IT system for Finnish Ophthalmology clinics won
> Avenue Flow product development started
- Complete DR screening solution sold and delivered to the Philippines

DEVICES SEGMENT

SOFTWARE SEGMENT

MEGATRENDS

Visual Impairment is a Global Challenge

Sight is our most precious sense. Most of what we learn is through our eyes and we fear losing our vision more than any other sense. Studies have shown that vision impairment is often associated with various negative health outcomes and poor quality of life.¹⁻²

Sources:

¹ Zaba, Joel N. 2011. *Journal of Behavioral Optometry. Children's vision care in the 21st Century.*

² National Academies of Sciences, Engineering, and Medicine; Health and Medicine Division; Board on Population Health and Public Health Practice; Committee on Public Health Approaches to Reduce Vision Impairment and Promote Eye Health. Sept 2016. *Making Eye Health a Population Health Imperative.*

Global Megatrends Increasing Demand



Aging population

Prevalence of serious eye diseases (causing vision loss) increase strongly with age¹



Diabetes growing

Diabetic Retinopathy (causing vision loss) affects ~35% of all diabetics but can be prevented by laser treatment²



Artificial Intelligence (AI)

Technological advances in artificial intelligence enable faster diagnostics³

Screening & Diagnostis

Sources: ¹ National Eye Institute ² International Diabetes Federation. IDF Diabetes Atlas 9th Edition (2019) ³ Du, Li, Hu. Sept 2018. Int J Ophthalmol. Application of artificial intelligence in ophthalmology.

Optomed operates in the global ophthalmic devices market

Optomed operates in the global ophthalmic devices market including the fundus camera market, ophthalmic software market and the market for artificial intelligence in eye screening. The global fundus camera market exceeded 473 million USD in 2020 and is anticipated to grow at a CAGR of over 3.2 percent between 2021 and 2027.¹

The global market for nonmydriatic handheld fundus cameras was estimated at 122.5 million USD in the year 2020 and is projected to reach 192.6 million USD by 2026, growing at a CAGR of 7.9 percent over the analysis period.² The leading markets for handheld cameras are North America and Europe. The US currently accounts for over 30 percent share in the global market was estimated at 39 million USD in 2021. Europe is expected to reach approximately 24 million USD by 2026. The respective forecasted market size for China is expected at 21,7 million USD.²

The fundus camera and eye screening market are driven by steady pace of technological advancements, growing awareness about eye care, increasing geriatric population and favorable government initiatives.²

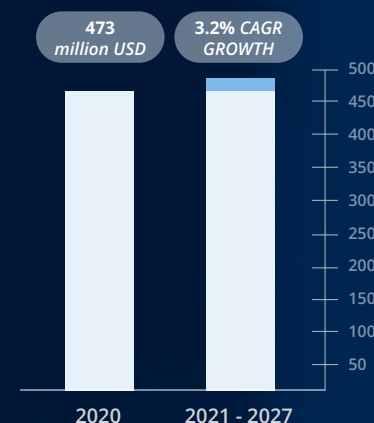
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Sources:

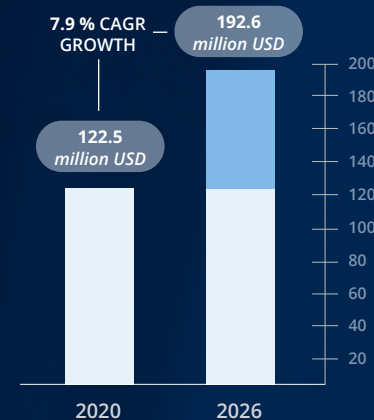
¹ <https://www.gminsights.com/industry-analysis/fundus-cameras-market>

² <https://www.prnewswire.com/news-releases/global-nonmydriatic-handheld-fundus-cameras-markets-2021-2026---focus-on-teleophthalmology-presents-opportunities-301438049.html>

Global fundus camera market



Global nonmydriatic handheld fundus camera market



Artificial Intelligence in Diabetic Retinopathy Screening - USA

Burden of Diabetic Retinopathy¹

- A major microvascular complication of diabetes is diabetic retinopathy (DR), which is the leading cause of preventable blindness in working-age Americans
- If detected and managed at an early stage, irreversible blindness can be avoided
- Therefore, the American Academy of Ophthalmology Preferred Practice Pattern recommends that patients with diabetes undergo an annual dilated retinal fundus examination
- The global prevalence of diabetes has tripled over the past 20 years, affecting 151 million in 2000, 463 million in 2019, and a projected 700 million by 2045
- At this rate, eye care providers who deliver routine screening will become overwhelmed
- Despite the effectiveness of teleretinal screening programs, these programs are also costly and labor intensive
- Therefore, an inexpensive, accurate, and automated method to triage DR screening fundus photographs in the primary care clinic setting would greatly benefit providers, health care systems, and patients

Sources: ¹A Lee, Yanagihara, S Lee, et al. Jan 2021. *Diabetes Care*. Multicenter, Head-to-Head, Real-World Validation Study of Seven Automated Artificial Intelligence Diabetic Retinopathy Screening Systems.





Artificial Intelligence as the Solution²

- Artificial intelligence (AI)-based algorithms may provide promising solutions to alleviate the DR screening burden
- When used in DR screening programs, AI algorithms can detect referable DR with high sensitivity and are cost effective compared with manual grading, the current gold standard
- Currently existing deep learning algorithms have demonstrated performance similar to, or even better than, human experts at various classification tasks in DR
- The U.S. Food and Drug Administration (FDA) has already approved two AI-based screening algorithms for use
- In 2021, a new CPT 92229 code was established for reimbursing the use of a screening method using artificial intelligence that provides real-time diabetic retinopathy diagnoses in patients with diabetes. This is the first time that providers will have a device that uses AI to diagnose diabetic retinopathy patients
- On November 2nd, 2021, CMS issued the CY 2022 Medicare Physician Fee Schedule (PFS) final rule and the CY 2022 Outpatient Prospective Payment System (OPPS) final rule that updated payment rates. The Final Rule established a national payment amount for CPT code 92229 (Imaging of retina for detection or monitoring of disease; point-of-care automated analysis and report, unilateral or bilateral)
- It is estimated that national average physician fee for CPT 92229 will be approximately \$45.69
- In the Outpatient Prospective Payment System (OPPS) final rule, CMS assigned CPT code 92229 with a payment rate of \$57.12

Sources: ² American Association of Ophthalmology. Medicare Update Webinar: The Financial Impact of the CMS Final Fee Schedule Rule on Ophthalmic Practice

A person's profile is shown in silhouette against a dark blue background. Overlaid on the head is a glowing blue neural network or circuitry pattern, with lines connecting various points. The background is filled with small, distant stars, suggesting a cosmic or futuristic theme.

The future of Artificial Intelligence

Artificial intelligence from retinal images to diagnose other than eye diseases has taken a major leap forward in the past couple of years.

Artificial intelligence from retinal images to diagnose other than eye diseases has taken a major leap forward in the past couple of years.

As an example, deep learning- based artificial intelligence (AI) methods have become increasingly common in studying the various factors involved in cardiovascular disease. This is major progress as heart disease continues to be the leading cause of death in the USA and globally. Certain cardiovascular conditions have been found to be correlated with specific characteristics of retinal structures and microvasculature. Thus, the retinal microvasculature provides a non-invasive window into the development of systemic vascular diseases.¹

Another specialty area, where AI has progressed is neurology. Examination of the optic nerves is a fundamental component of the clinical examination of patients with neurological symptoms, but direct ophthalmoscopy is usually avoided or poorly performed by general physicians. Detection of papilledema, which is optic-nerve edema from intracranial hypertension, and the ability to determine that the optic disk is normal, are valuable in the evaluation of patients with headache and other neurologic symptoms. The findings on ophthalmoscopy influence diagnostic strategy and treatment options. Failure to detect papilledema may result in visual loss and neurologic complications.²

Fundus photography has been used to overcome the problems associated with the use of direct ophthalmoscope to obtain optic-disk images for the purpose of detecting papilledema in a variety of clinical settings, including emergency departments, urgent care centers, and neurologic and general adult and pediatric clinics. The issue with fundus photography is, that they need to be interpreted and general physicians are not always trained to do this.²

A group of world's best neuro-ophthalmologists have researched the issue and created a deep learning system to detect papilledema. They proved that the artificial intelligence algorithm recognized and classified the severity of papilledema as well as or even better than several specialist doctors.³

Recent research has also demonstrated that there is a strong correlation between retinal vascular changes and several other diseases such as stroke, Alzheimer's disease, multiple sclerosis, and chronic kidney disease.¹

According to researchers, the use of AI and deep learning systems are starting to drive automated diagnoses in clinical ophthalmology, especially with aging populations across the globe.¹

Optomed collaborates with various global companies and research groups in various clinical study initiatives, and to include their AI algorithms with our fundus cameras to offer our customers world's leading diagnostic and screening services.



Deep learning- based artificial intelligence (AI) methods have become increasingly common in studying the various factors involved in cardiovascular disease.

Sources:

¹ Gupta and Reddy. Jun 2021. *Cardiol Res. Heart, Eye, and Artificial Intelligence: A Review*

² Milea, Najjar, Zhubo, et al. April 2020. *N Engl J Med. Artificial Intelligence to Detect Papilledema from Ocular Fundus Photographs.*

³ Vasseneix, Najjar, Xu, et al. Jul 2021. *Neurology. Accuracy of a Deep Learning System for Classification of Papilledema Severity on Ocular Fundus Photographs.*

ABOUT US

**Optomed's mission is to prevent blindness
by improving access to eye screening globally.**

**Our vision is to take eye screenings
to primary care.**

Clinical Validation at Optomed

Optomed is a global leader in handheld fundus imaging and screening workflow management software. Optomed works together with the world's best retinal artificial intelligence (AI) companies and integrates AI into our complete service offering.

As Optomed's products are classified as medical devices, clinical research and validation is at the core of our operations and our aim is to provide clinically proven products and services to our customers.

In 2021, eight clinical trials with Optomed products were concluded and nine studies are still ongoing. Out of the eight concluded, the most relevant for Optomed are summarized below.

In February 2022, Optomed and AI-company, AEYE Health announced the results of their clinical study in the US evaluating Aurora camera together with AEYE Health's AI in detecting more than mild diabetic retinopathy. The results were as follows; sensitivity 91.9%, specificity 93.6% and imageability >99%. The results were obtained by taking only one image of each eye, which makes the screening event faster and more pleasant for the patient. These results combined with the mobility and affordability that comes with using handheld cameras are believed to bring a strong competitive advantage for Optomed in the future.

Also Oulu University hospital published the results of their clinical research with the purpose to compare the performance and image quality of the Optomed Aurora handheld fundus camera to the standard desktop fundus cameras normally used in diabetic retinopathy (DR) screening. The main conclusion of the

study was that the Optomed Aurora handheld fundus camera performs well in diabetic eye screening. The image quality of the camera is good and the changes in the retina can be well detected. The handheld camera offers more flexibility in organizing screening programs as it can easily be moved from one location to another, and it is a more cost-effective alternative.¹

// Mobility and affordability that comes with using handheld cameras is believed to bring a strong competitive advantage for Optomed in the future.

Professors Tunde Peto and Paolo S. Silva published the results of their research group in the ARVO congress in 2021 comparing various vendor's handheld retinal imaging devices in diabetic retinopathy screening in the Philippines. Two of Optomed's handheld cameras were included into the study, Optomed Smartscope PRO and Optomed Aurora. Both cameras performed relatively well in the study, the Aurora camera performed extremely well in usability, as the



ungradable rate was the highest. Overall, the conclusion was that that handheld retinal imaging may be accurate enough for DR screening programs, where their size, cost, and ease of use attributes would allow them to be widely deployed in community-based DR screening programs.²⁻³

The study series also estimated and compared the cost-effectiveness of mydriatic and nonmydriatic imaging devices for consideration in a community-based program for DR screening in the Philippines. In this both Optomed handheld cameras performed very well with pupil dilation and their validity shows great potential for being cost-effective in a community-based DR screening program.⁴

This community-based diabetic retinopathy screening program study in the Philippines will continue and Optomed handheld cameras are also present in the next phase of the program. We have high hopes for this protocol to become the standard for DR screening in the Philippines in the future.

In addition to these studies Optomed cameras were also included in screening for DR in Northern Ireland haemodialysis clinics⁵ and in Eswatini, Africa also in a

screening program for diabetics. **We are proud to support various screening programs globally and help to increase the availability and attendance to eye screening in various countries.**

Sources:

¹ Kubin, Wirkkala, Keskitalo, et al. Dec 2021. Acta Ophthalmol. Handheld fundus camera performance, image quality and outcomes of diabetic retinopathy grading in a pilot screening study

² Salongcay, Aquino, Salva, et al. June 2021. ARVO Annual Meeting Abstracts. Comparison of Mydriatic Handheld Retinal Imaging with Early Treatment Diabetic Retinopathy Study (ETDRS) 7-Standard Field Photography for Diabetic Retinopathy (DR) and Diabetic Macular Edema (DME).

³ Salva, Acquino, Salongcay, et al. June 2021. ARVO Annual Meeting Abstract. Addition of Mid-peripheral Fields to 2-Field Disc and Macula Handheld Retinal Images Improves Agreement with Early Treatment Diabetic Retinopathy Study (ETDRS) 7-Standard Field Photography.

⁴ Bayani, Reyes, Sun, et al. June 2021. ARVO Annual Meeting Abstract. Cost-effectiveness analysis of retinal imaging devices for diabetic retinopathy screening.

⁵ Cushley, Quinn, Blows, et al. Sept 2021. BARS: British Association of Retinal Screening poster. The importance of handheld retinal imaging in haemodialysis clinics.

BUSINESS MODEL

Complete solutions for eye screening

Optomed combines handheld fundus cameras with software and artificial intelligence for image analysis and we sell our products and solutions via several sales channels globally.

Our sales channels include our direct sales team, our global distribution network of around 55 partners, our OEM customers as well as our complete eye screening solution sales organization. Optomed has two subsidiaries, in China and in the USA.

Our end-customers are health care units, including hospitals, eye clinics, optician shops, pharmacies, primary care centers and private and national screening operators worldwide.

Optomed operates in the health care market, where changes to processes and existing treatment guidelines are slow. In 2022 in accordance with our strategy, we will focus on growing our business by launching and commercializing our main product, Aurora AEYE in the US market. Aurora AEYE is a combination of Optomed Aurora handheld fundus camera and AEYE Health's AI for diabetic retinopathy screening. We will also continue to focus on our international solution sales cases, our expansion to new customer segments, especially neurology/emergency care, growing our distribution network, and enforcing our sales and marketing team. These expansion activities support our goal of bringing eye screenings to primary care and they will accelerate our revenue growth in the coming years.



Our global distribution network

55 partners

Our main markets

China and USA





ABOUT US

Our employees

Our employees are at the core of everything we do. In 2021 we employed 118 skilled professionals globally.

Optomed's values are



Meaningfulness

We want to enable more affordable and accessible eye screening for everyone despite of location.



Ambition

Our vision is to take eye screening and AI to primary care.



Innovation

Traditional solutions rarely enable great progress. We value true innovations.



Expertise

As an organization, we are not settling for mediocrity in any aspect of our business.



OUR EMPLOYEES

In 2021 Optomed's focus areas were developing our US operations and clinical validation. Therefore, we would like to introduce our main contributors to these areas, our US Managing Director **Mr. David Fransch** and our Clinical Director **Dr. Petri Huhtinen**.

David Fransch

Managing Director USA

Please describe your background and your role at Optomed?

I have spent the last 10 years in medical sales in ophthalmology, building high-performance sales teams at BioTissue most recently. Whilst a director there, I brought my team from worst to first, and it was a very painstaking and rewarding process. My role at Optomed is going to be very similar to that. I want to take our current team and build. I see my role first and foremost as a sales leader. As we drive units and move into new markets I want to grow in a controlled fashion and lay the foundation for us to build something powerful and steadfast.

Describe yourself and your interests outside of work?

Before anything else I'm a husband and father. They are my reason. I have a son and daughter who just turned two so that's a big deal for me. I'm always learning from how they look at the world. I love spending time with my wife and children. If I ever get the chance, I like to be doing anything and everything outdoors. I also kind of like cars...a bit.

// I want to grow in a controlled fashion and lay the foundation for us to build something powerful and steadfast.

What is your Leadership style?

To lead by example. I like to be in front of the customers, and to know the product like an expert should. I think that is key to success in any industry. I may not need to know it better than our people in R&D, but I need to be able to answer both difficult questions from physicians as well as our team internally. This also helps me formulate how we will plan and attack a specific market. I also like to enjoy what I do. There's no reason you can't care about your people and still demand high performance.

What are the cornerstones to success in the US market for Optomed?

I think that what is going to set us apart is based on 4 things. First, our technology. It's rare to find something that works as well as the Aurora does. Second, communication. It's rare to be part of a startup that has established roots across the Atlantic, so we already have a template of some successes and some pitfalls that we can learn from in the US. Third, agility. We're still small as a whole, so we can try things and make adjustments a lot easier than an organization with a 100+ person sales force can. Fourth is structure. By having a solid structure to work around it is going to help my team know what is working and what is not by isolating each part of our approach so it can be measured.

What are the main challenges for you and your team for the upcoming year?

First and foremost is growth. This is a growth organization. I want us to have a reasonable size sales organization and I want us to find out what works in a profitable fashion so we can scale it and expand as quickly as possible. The best way we can do that is to hit the ground early with AI. There is so much talk about AI right now that we have an opportunity to be first to market. I want us to be the company that is associated with this so that we have better opportunity to expand into new markets in the future. Due to the size of the company we're going to need to learn how to be more efficient so that we can execute at a better rate.

Petri Huhtinen

Clinical Director, PhD

Please describe your background and your role at Optomed?

I'm a molecular biologist by training and did my doctoral thesis on *in vitro* diagnostics. I also have a bachelor's degree in business. Education is important but even more important is the experience I've gained of preventive healthcare, specifically screening, since the late 90's.

As Clinical Director I manage Optomed's study portfolio making sure that clinical aspects remain at the core of the company's strategy. I also communicate frequently with our Scientific Advisors and try to keep up with the latest clinical research. I also work closely with Optomed's AI partners to ensure that our customers have access to the best and most suitable AI solutions.

What do you find most interesting in your work?

I joined Optomed in 2018 thinking that the company's work is limited to the digital imaging of the eye and providing tools to save, share and analyze the images. I realized soon that I was way too narrow-sighted. I have learnt that the eye really is a window into the body. A view through that window with the help of advanced technology can really have an impact on our health and well-being. So, one digital image of our retina can provide a huge amount of information for example about our cardiovascular health. I find that extremely fascinating and interesting!

What in your opinion are Optomed's greatest strengths?

Optomed's leading position in our niche market is based on innovative solutions, which are developed and delivered to end-users by extremely dedicated experts. The company is large enough to be at the forefront of retinal imaging



// I have learnt that the eye really is a window into the body.

and related software development. Simultaneously, we are small enough to be flexible and responsive. Our whole team is dedicated to take that extra step to ensure that we meet or exceed the expectations set by authorities, collaborators, customers and other stakeholders.

What were Optomed's main clinical milestones in 2021?

We had three key achievements last year. First, we completed our Smartscope-X project, which was part of the EU's Horizon 2020 Program. The project was successful overall, including the clinical Work Package. The final review stated for example that "The project delivered exceptional results". Second, our products performed very well in a study performed in the Philippines. The primary investigator Professor Paolo S. Silva and his team concluded that Optomed Aurora would be the most cost-efficient device in diabetic retinopathy screening in the Philippines. Third, our study in the USA together with AEYE Health was closed. The results, which were very good, were published early in 2022.

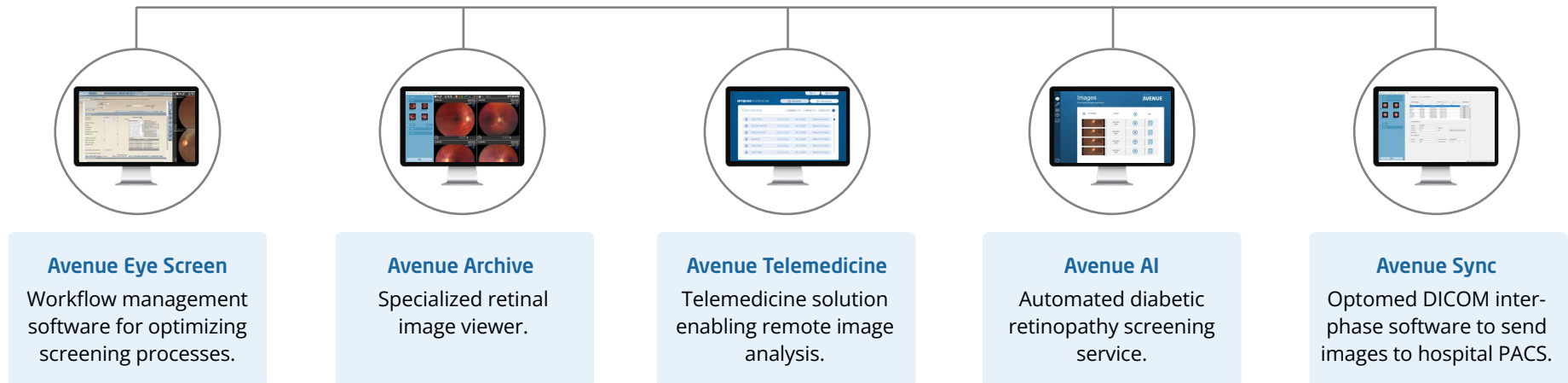
What are your main priorities for the clinical work in 2022 and beyond?

We will continue executing studies that demonstrate the benefits of our products & AI in diabetic retinopathy screening. We will also be more involved in study setups where retinal imaging is performed e.g., in primary care or emergency departments. In 2022 we also plan to start initiatives where retinal imaging is utilized in the screening of non-eye disease. Namely, there are several algorithms that can detect early signs of cardiovascular, neurological, and even systemic disease. The commercial applications will not be available in the nearest future, but we want to be part of this exciting development and collection of clinical real-world evidence.

Our products



Optomed's current product portfolio



Corporate Governance Statement 2021



Corporate Governance Statement

I. Introduction

Optomed Plc (“Optomed” or the “Company”) follows the Finnish Corporate Governance Code 2020 issued by the Finnish Securities Market Association (the “Code”). The Code is available at <http://www.cgfinland.fi/>. Additionally, the company follows, among others, the Finnish Limited Liability Companies Act and other laws and regulations applicable to publicly listed companies in Finland, the company’s Articles of Association, Board and committee charters, corporate policies and rules, as well as rules and guidelines issued by the European Securities and Markets Authority, the Finnish Financial Supervisory Authority and the Nasdaq Helsinki stock exchange.

This Corporate Governance Statement of Optomed has been prepared in accordance with recommendations of the Code. The corporate governance statement has been prepared as a separate report distinct from the Report of the Board of Directors and it is available on the Company’s website www.optomed.com. Optomed’s Board of Directors has reviewed this corporate governance statement. The Company’s external auditor has reviewed that the statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with the financial statements.

Departures from Individual Recommendations

Optomed has not made any departures from the recommendations of the Code.

II. Descriptions Concerning Corporate Governance

Optomed is a Finnish limited liability company with headquarters in Oulu, Finland. Optomed and its subsidiaries have in total 100+ employees and global operations. The group’s business is managed by the two reportable segments supported by group functions. Optomed is listed on the Nasdaq Helsinki stock exchange. Optomed uses a single-tier governance model. The responsibility of Optomed’s management lies with Shareholders’ General Meeting, the Board of Directors and the CEO. Their duties are mainly defined in the Finnish Companies Act.

The General Meeting elects the Board of Directors and the Company’s auditor. The Board of Directors appoints the CEO, appoints the Leadership Team members based on the CEO’s proposal, and is responsible for strategic management of the Company. The CEO is responsible for the management of the Company’s operations and governance in accordance with the instructions given by the Board. The CEO is assisted in his work by Optomed Leadership Team.

1. General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision-making body of Optomed. 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. These matters include confirming the Company’s financial statements and deciding on the distribution of profit, electing the Board of Directors and the auditor and determining their remuneration.

The Annual General Meeting of Shareholders of a company shall be held annually within six months from the end of the financial period. Additionally, extraordinary General Meetings may be held during the year, if required. Optomed publishes the meeting invitations as a stock exchange release and on its website www.optomed.com.

Shareholders have the right to place issues falling within the scope of the Annual General Meeting on the agenda of the Annual General Meeting. The request to place an issue on the agenda must be submitted to the Board of Directors in advance. Optomed publishes the details of how and when to submit the requests to the Board on its website.

General Meetings in 2021

Optomed's Annual General Meeting was held in Espoo, Finland on 28 April 2021. No other general meetings were held in 2021. In order to prevent the spread of the COVID-19 pandemic, the Annual General Meeting was held without Board of directors, shareholders' or their proxy representatives' presence at the venue of the meeting.

2. Shareholders' Nomination Board

The Extraordinary General Meeting of Shareholders of the Company held on 14 November 2019 resolved to establish a Shareholders' Nomination Board (the "Nomination Board") in the connection of the listing of the Company.

The Nomination Board prepares the proposals for the General Meeting of Shareholders regarding the election of the Board members and their remuneration. The proposal of the Nomination Board is communicated to the market as a stock exchange release and included in the notice of the Annual General Meeting.

The Nomination Board consists of three natural persons nominated by the shareholders annually. 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 Oy, 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. 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. The Nomination Board has a written charter governing its work available at www.optomed.com. In spite the Company has a Shareholders' Nomination Board, shareholders are entitled to make separate proposals concerning the composition or remuneration of the Board.

Nomination Board in 2021

The shareholders represented in the shareholders' Nomination Board for the purposes of Annual General Meeting 2022 are OP-Rahastoyhtiö Oy (OP funds), Aktia Rahastoyhtiö Oy (Aktia funds) and Finnish Industry Investment Ltd. These shareholders have appointed the following persons to the Nomination Board:

- Vesa Vanha-Honko, OP funds
- Markus Lindqvist, Aktia funds
- Keith Bonnici, Finnish Industry Investment Ltd

Vesa Vanha-Honko acts as the chairman of the Nomination Board and Petri Salonen, Chairman of Optomed's Board of Directors, serves as the Nomination Board's expert member.

3. Board of Directors

The Board of Directors is vested with powers and duties to manage and supervise the operations of the Company as set forth in the Finnish Companies Act, the Articles of Association of the Company and other applicable regulations.

The Board of Directors of Optomed is one-tier Board. Optomed Board consists of a minimum of 5 and a maximum of 8 members. The members of the Board of Directors are elected by the Annual General Meeting of Shareholders and the term of office of the members of the Board of Directors expires at the closing of the Annual General Meeting following their 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 constitutes a quorum when more than half of the elected members are present. When this proportion is calculated, disqualified members are excluded.

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 conducts an annual evaluation of its and its Committees' performance and working methods.

The Board of Directors convenes regularly 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).

Diversity Principles

The election and composition of the Board of Directors is guided by the principle of diversity to ensure that the Company has a skilled, competent, experienced and effective Board of Directors. A diverse composition of the Board of Directors supports and caters to the current and future needs in the successful development and growth of the Company.

A diverse composition of the Board of Directors includes complementary education, competence and experience of its members in different professional fields and management of business in different development phases as well as the personal qualities of each Board member, all of which add to the diversity of the Board of Directors.

The Company aims to have, where possible, representatives of different genders in the Board of Directors. As means to achieve a balanced gender distribution in the Board of Directors, the search and evaluation process for Board candidates should include representatives of different genders. The status of diversity and progress in achieving the aforesaid objective will be monitored and reported in the corporate governance statement.

In 2021, different genders were represented in the Board.

Board of Directors in 2021

During 2021, the Board of Directors held 9 meetings and comprised of the following members at the end of the year:

Name	Citizenship	Independence	Appointed to the Board	Meeting Attendance 2021
Petri Salonen	Finnish	Dependent of the Company	2006	100%
Xisi Guo	China	Dependent of a major shareholder	2021	100%
Seppo Mäkinen	Finnish	Independent	2019	100%
Reijo Tauriainen	Finnish	Independent	2019	100%
Anna Tenstam	Swedish	Independent	2020	100%

Petri Salonen

born 1958

serves as the Chairman of the Board of Directors of Delfoi Ltd and as a member of the Board of Directors of 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), a member of the Boards of Directors of Aura Capital Oy, 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. Petri Salonen is dependent of the Company as he has had a consultancy agreement with the Company and receives salary. Further, he has been a member of the Board for more than 10 years.

Xisi Guo

born 1982

serves as an executive director of Cenova Capital. He joined Cenova in 2020 with more than 10 years of investment experience in healthcare industry. Prior to Cenova, Xisi was the VP at CICC Jiacheng and a core member of the fund's healthcare investment team. His investments and successful exits included Shanghai MicroPort Endovascular MedTech, Beijing Chemclin Biotech, Distinct HealthCare, SonoScape Medical Corp and Beijing MD Joint Hospital etc. Prior to CICC, he was an associate with Cummins' global M&A team. In his early career, he was a senior associate with Deloitte financial advisory services. He holds BSc in Economics and Business and Master of Business Administration. He is dependent of a major shareholder of the Company due to him being employed by a major shareholder.

Seppo Mäkinen

born 1952

serves as the Chairman of the Board in Lino Biotech AG, as a member of the Boards of Directors AegirBio AB and Videovisit Ltd. Previously, Mr. Mäkinen was the Chairman of the Boards of Directors of Taikon Advisor Oy, ValiFinn Ltd and Ginolis Oy, and a member of the Board of Directors of Bittium Corporation, Neurotar Ltd, ArcDia International Oy Ltd, Coimbra Genomics SA, Evondos Ltd, Magnasense Technologies Oy, Med Group Oy, Med Group Holding Oy and Valirx Oy. In addition, he has been Partner at Ventac Partners, partner at Pathe-na SGPS, 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 independent of both Optomed and its major shareholders.

Reijo Tauriainen

born 1956

serves as the Chairman of the Boards of Directors of Arvo Invest Nordic Oy, Pohjanmaan Arvo Sijoitusosuuskunta and Temotek Oy, as a member of the Boards of Directors of, Hoivatilat Plc, Nordic Option 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, Technopolis Kiinteistöt Tampere Oy, Meka Pro Oy and Unipro Oy Ltd, 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 Propria Oy, Champion Door Oy, Lapwall Oy, Technopolis Kuopio Oy, as a deputy member of the Board of 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 independent of both Optomed and its major shareholders.

Anna Tenstam

born 1964

serves as the Chairman of Board of Directors of Sue Ellen Investments AB, the co-founder and Chairman of Board of Directors of Agamé Beauty AB and Estelle Medical AB, the Chairman of Board of Directors and partner of Expomind AB. Previously, Ms Tenstam has been the Chairman of the Board of Directors of Betagenon Ab, Patients Pending Ltd as well as the CEO and the Chairman of the Board of Eternogen LLC. She is independent of both Optomed and its major shareholders.

Board shareholding at the end of 2021

Name	Position	Own and controlled shares	Options
Petri Salonen	Chairman of the Board of Directors	4,295	-
Xisi Guo	Member of the Board of Directors	410	-
Seppo Mäkinen	Member of the Board of Directors	1,901	-
Reijo Tauriainen	Member of the Board of Directors	7,067	-
Anna Tenstam	Member of the Board of Directors	1,901	-
Total		15,574	-

4. Committees of the Board of Directors

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.

Audit Committee

In accordance with its charter, 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.

Remuneration Committee

In accordance with its charter, 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. 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.

Committees in 2021:

During 2021 the Audit Committee held 4 meetings and comprised of the following members at the end of the year:

Member	Attendance/ meetings	Independence
Reijo Tauriainen (chair)	100%	Independent
Seppo Mäkinen	100%	Independent
Anna Tenstam	100%	Independent

During 2020 the Remuneration Committee held 3 meetings and comprised of the following members at the end of the year:

Member	Attendance/ meetings	Independence
Seppo Mäkinen (chair)	100%	Independent
Reijo Tauriainen	100%	Independent
Anna Tenstam	100%	Independent

5. CEO and his duties

The Board of Directors appoints the Chief Executive Officer ("CEO"). The CEO is responsible for the management of the Company's operations and governance in accordance with the Articles of Association, the Finnish Companies Act, other applicable legislation and in accordance with the instructions given by the Board of Directors. The CEO's service terms are specified in writing in his written service contract.

Seppo Kopsala (born 1978) has served as the CEO for Optomed since 2005.

6. Optomed Leadership Team

Optomed Leadership Team assists the CEO in his duties in the management of the group. The members of the Optomed Leadership Team are appointed by Board of Directors.

At the end of 2021, the Leadership Team comprised the following 6 members:

Name	Position	Appointed	Employee since
Seppo Kopsala	Chief Executive Officer	2005	2005
Niina Huikuri	Vice President, Marketing	2018	2018
Sakari Knuutti	Chief Legal Officer	2019	2019
Lars Lindqvist	Chief Financial Officer	2019	2019
Markku Myllylä	Vice President, Software	2018	2018 ¹⁾
Laura Piila	Vice President, Devices	2015	2010

¹⁾One of the founders of Commit; Oy (today: Optomed Software Oy) in 1989 and the CEO since 2009.



Seppo Kopsala

(born 1978) has been the CEO of Optomed and a member of the Leadership Team since 2005. He founded Optomed in 2004. 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. Mr. Knuutti serves as a Board member of Oy Lifa Air Ltd and the Securities Market Association's Market Practice Board. Previously, Mr. Knuutti has held the positions of Senior Legal Counsel at CGI Inc, Head of Legal and IR at Affecto Plc, and various positions 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. Previously, Mr. Lindqvist was a member of the Board of Directors of Neonode Inc.. 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. 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. 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.

Management shareholding at the end of 2021:

Name	Position	Own and controlled shares	Options
Seppo Kopsala	CEO	185,080	60,000 ¹
Niina Huikuri	Vice President, Marketing		40,000 ²
Sakari Knuutti	Chief Legal Officer		40,000 ³
Lars Lindqvist	Chief Financial Officer		100,000 ⁴
Markku Myllylä	Vice President, Software		180,000 ⁵
Laura Piila	Vice President, Devices	2,000	68,000 ⁶
Total		187,080	488,000

¹) Of which 40,000 under the 2015 option program and 20,000 under the 2017 option program.

²) Of which 8,000 under the 2018C option program, 26,000 under the 2019D option program and 6,000 under option program 2020A.

³) Of which 20,000 under the 2019C option program, 14,000 under the 2019D option program and 6,000 under option program 2020A.

⁴) Of which 100,000 under the 2019B option program.

⁵) Of which 60,000 under the 2018C option program, 60,000 under the 2019A option program and 60,000 under option program 2020A.

⁶) Of which 18,000 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.

III. Descriptions of Internal Control Procedures and the Main Features of Risk Management Systems

Optomed prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards, as adopted by the EU, the Finnish Securities Markets Acts as well as the appropriate Finnish Financial Supervision Authority Standards and Nasdaq Helsinki Ltd's rules. The Report of the Board of Directors of Optomed and parent company financial statements are prepared in accordance with Finnish Accounting Act and the recommendations and guidelines of the Finnish Accounting Board.

Optomed's financial reporting process are mainly managed internally with minor support from an external accounting service provider. Internal control and risk management systems and practices as described below are designed to ensure that the financial reports as disclosed by the company give correct information about the company finances in all material respect.

Optomed group has reporting manual which includes an overview of financial reporting process, key outputs, and roles and responsibilities within the process. Essential group policies are part of the guidelines. The up-to-date versions of reporting manual and other internal guidelines for financial reporting can be found at group intranet.

Optomed's subsidiaries in each country have separate finance organization and also business activities are local. Proper arrangement and monitoring of internal control is under the responsibility of the local management in accordance with the group framework.

Optomed group uses a common chart of account and consolidation and reporting application. Subsidiaries submit external financial reporting to the group finance on a monthly basis.

Optomed's Group Finance and Control function has defined the significant processes relevant to internal control over financial reporting, e.g. revenue, purchasing, payroll expenses, project management, finance, and related IT systems. Within this process framework, financial reporting risks and control objectives have been defined and group wide common control points have been designed to mitigate financial reporting risks. Common control points include for example

authorizations, key accounting reconciliations, project management procedures, segregation of key financial duties and analysis of financial performance and figures in order to identify any irregularities or errors.

Group Finance and Control supports subsidiaries by regular monitoring and by providing additional guidance. The subsidiaries together with the Global Finance and Control conduct annually a self-evaluation of the internal control points, which is then presented to the Audit committee.

Financial reports prepared by the subsidiaries are analyzed by Optomed group finance. Group management and operative segment management have monthly meetings including a review of business operations and financial position for which the segment management prepares a report.

Group and segment-based financial reports are prepared for the Optomed Board on a monthly basis. According its charter, the Board reviews and approves quarterly interim financial reports, financial statement releases and the financial statements.

The Group Finance and Control functions and finance managers of the subsidiaries meet semi-annually to evaluate and adjust the procedures related to financial reporting and internal controls.

1. Overview of the risk management systems

Optomed has a defined risk management policy in place. The objective of Optomed risk management policy is to ensure the implementation of Optomed strategy and to support in achieving company strategic, operational and financial targets. The objective set for risk management is achieved when Optomed has systematically identified the uncertainties, risks and opportunities related to the targets and is able to effectively assess and manage the identified risks. Therefore, risk management is an integral part of Optomed management system. In order to be able to assess its total risk exposure, Optomed upholds a comprehensive risk portfolio including all business areas and functions. Optomed recognizes that controlled risk taking can have a positive effect on achievement of the set targets. Each segment is accountable for owning and managing its risk according to Optomed policies. The CFO is accountable of the risks with respect to financial reporting. Risk identification is performed in all business areas and operative functions of each segment and common functions. Risk identification is conduct-

ed by gathering risk data from all business areas and functions by appropriate actions. Risks are assessed and prioritized in terms of severity/impact and probability. Overall risk score is calculated by multiplying these two factors. Each mitigating activity must have a designated owner stated in the risk analysis summary. Risk responses (e.g. control methods, mitigation plans, continuity plans) are systematically defined for all major risks included in the risk portfolio as well as to less significant risks where the cost of measures is in a reasonable proportion to the significance of the risk. Risks are identified constantly and when appropriate necessary changes in the risk portfolio shall be made in order to ensure an up-to-date risk profile of the company.

The group level risk profile is reviewed by the Optomed Leadership team once per quarter. The risk summary prepared by the Leadership Team is then reviewed and approved by the Audit Committee and, as applicable, the Board. This is done as part of the quarterly financial reporting. The Board informs the market about the most significant risks and uncertainties in the financial statements and in the interim reports.

2. Overview of the internal control and internal audit

Internal control aims to ensure that Optomed's business activities are efficient and proficient, financial reporting is reliable and that applicable laws, regulations and company's internal policies are followed.

The Board of Directors and the Audit Committee, which is appointed by the Board, supervise internal control and the risk management pertaining to the financial reporting. The Group CEO and CFO are together responsible for implementing the internal control and risk management together with the Leadership Team, subsidiary management teams and finance directors.

Optomed does not have separate internal audit function, it is an outsourced service. The function is generally coordinated by the Group Finance and Control function together with the Audit Committee. Any audit results are reported by the CFO to the Board's Audit Committee and to the CEO. If necessary, reports can also be addressed directly to the entire Board of Directors.

IV. Other Information

1. Related party transactions

The Board of Directors of the Company has defined the principles regarding the monitoring and evaluation of related party transactions. The Company keeps a list of related parties. Optomed has set related party principles and related party transaction policy.

Transactions with any related parties are entered into on market terms and relevant decisions are taken in compliance with the Company's approval policy and established decision-making limits. The Company's finance and control function monitors related party transactions as a part of the Company's normal reporting and control procedures and reports related party transactions on a quarterly basis to the Audit Committee. The Company's Board of Directors decides on related party transactions that are not part of the ordinary course of business of the Company or are not concluded on market terms. Information on transactions concluded between the Company and its related parties is disclosed annually in the notes to the Company's consolidated financial statements. In addition, the Company publishes such related party transactions to the extent required pursuant to the applicable legislation and the rules of Nasdaq Helsinki Ltd.

2. Insider administration

Optomed complies with the EU regulation (especially the Market Abuse Regulation, (MAR)) and Finnish legislation, the insider guidelines of Nasdaq Helsinki Ltd and the regulations and guidelines of the European Securities Markets Authority and the Finnish Financial Supervisory Authority. The regulation is supplemented by the Company's own insider guidelines. The compliance is monitored by the Company's own insider administration.

The Company has defined Persons Discharging Managerial Responsibility of the Company (the "PDMRs") to include the members of the Optomed Board of Directors and Optomed Leadership Team. In addition, the Company maintains a list of persons that participate in the financial reporting of the Company (the "Financial Reporting Group").

PDMR Declarations

As per the Company's insider guidelines, both the PDMRs and their related parties must report any transactions with respect to financial instruments of the Company within two business days from the transaction. The Company announces the transactions of PDMRs and their related parties through stock exchange release.

Trading Restrictions

The PDMRs and the Financial Reporting Group are not allowed to trade 30 days before the publication of the Company's financial statement bulletin and interim reports, and on the day of the publication.

Further, in case the Company assesses and resolves to delay a disclosure of a major project or other matter, the Company establishes a project specific insider list. A person entered in the project-specific insider list is not allowed conduct any trading. Optomed has no permanent insiders.

3. External Auditor

The Annual General Meeting of shareholders elects the auditor for a period of one year until the next subsequent Annual General Meeting. The auditor needs to an Authorised Public Accountants firm approved by the Finnish Patent and Registration Office. The auditor is responsible for auditing the consolidated and parent company financial statements and the administration of the parent company.

External Auditor in 2021

In 2021, Optomed's statutory auditor was KPMG Oy Ab, Authorised Public Accountants, with Authorised Public Accountant Tapio Raappana as the auditor with principal responsibility since 2016. Tapio Raappana is a member of the Finnish Association of Auditor.

The history of fees paid to the auditors is the following:

In EUR thousand	2021	2020	2019
Audit fees	120	77	61
Consulting ¹	19	52	516

1) Including IPO related expenses of EUR 492 thousand in 2019.

Remuneration Report for Governing Bodies



Remuneration Report for Governing Bodies

This remuneration report for the financial year 2021 has been prepared according to the remuneration reporting section of the Finnish Corporate Governance Code 2020 as well as the provisions of the Finnish Securities Market Act and Limited Liability Companies Act.

The Annual General Meeting of Optomed Plc ("Optomed" or the "Company") approved Optomed's remuneration policy on 11 June 2020. The remuneration policy is available on the Company's website on <https://www.optomed.com/investors/>. Optomed intends to comply with the presented remuneration policy over a period of four years, unless a revised policy is presented to the general meeting before that. The Remuneration Report of 2020 was approved by the Annual General Meeting of 2021. The Company has not exercised the right to deviate from the Remuneration Policy nor exercised the option of clawback of remuneration

Optomed's management remuneration, including the CEO, currently consists of base salary, short term incentive scheme and long-term incentive scheme in the form of option programs. The aim of the long-term incentive schemes is to align the objectives of the shareholders and the management in order to increase the value of the Company in the long term, to commit the key employees, and to offer them competitive remuneration schemes based on their earning and accumulating the Company's shares. The alignment promotes the Company's long-term financial success.

The following table presents the development of the remuneration of the board of directors and the CEO compared to the development of the average

remuneration of employees and to the group's financial development over the preceding five financial years.

In EUR thousand	2021	2020	2019	2018	2017
Board total remuneration ¹	110	111	26	0	0
CEO remuneration	137	144	105	108	195
Average employee remuneration ²	78	65	58	53	39
Group revenue	14,85	13,010	14,977	12,733	6,899
Group EBITDA	-2,002	-733	-335	1,062	-1,784

1) Does not include the consultancy fees of Petri Salonen. 2) Optomed's annual reported personnel costs divided by the number of employees.

1. Remuneration of the Board of Directors

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 and 2017. The Annual General Meeting held of 2021 approved the following Board remuneration:

- EUR 36,000 for the Chairman of the Board of Directors, and
- EUR 18,000 for each member of the Board of Directors.

Further, the Annual General Meeting approved that a meeting fee in the amount of EUR 500 is paid to the Chairman of the Audit Committee for each Audit Committee meeting. 40 percent of the Board of Directors remuneration is paid in Optomed shares and 60 percent in cash. The yearly fees were paid in August 2021.

Name	Position	Yearly fees	Meeting fees	Consulting fees	Total
Petri Salonen	Chairman	36	0	85	121
Seppo Mäkinen	Remuneration Committee Chairman	18	0	0	18
Reijo Tauriainen	Audit Committee Chairman	18	2	0	20
Anna Tenstam	Board member	18	0	0	18
Jun Wu ¹	Board member	0	0	0	0

All in EUR thousand.

In addition to his duties as Board chairman, Petri Salonen also supports the company as consultant with various matters. In this capacity since September 2020 Petri Salonen has been paid a consultancy fee of EUR 8,000 a month in addition to his Board fees. Previously, Petri Salonen has acted as a consultant supporting the Company with, inter alia, listing process, 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 and to EUR 7,000 in November 2018. In 2021, the fees paid to Petri Salonen amounted to EUR 78 thousand and in 2020 they amounted to EUR 84 thousand. In addition, he has been paid EUR 1 thousand as reimbursement for travel and other expenses in 2021.

The members of the Board of Directors are not included in the incentive schemes of the Company and no shares, 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.

2. Remuneration of the CEO

The remuneration of the CEO of the Company consists of a monthly fixed salary of EUR 10,000, customary fringe benefits and options granted as long-term incentive. The CEO Seppo Kopsala is also a shareholder of the Company and therefore the interests of the CEO and the Company are aligned in terms of the Company's share price development.

The remuneration and benefits paid to the CEO during the financial years 2021 are presented in the following table:

	Fixed Salary	Short Term Incentive	Share-based payments	Total
CEO	114	30	0	144

All in EUR thousand.

1) Includes benefits

Optomed offers the CEO only the statutory Finnish TyEL pension. The current retirement age for the CEO follows the Finnish Employee's Pension Act. 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).

Short Term Incentive

The short-term incentive performance criteria for 2021 were set by the Board in the beginning of the financial year, with a focus on growth and profitability and achievement of certain strategic targets. Based on the achieved performance during 2021, the CEO is entitled to a bonus of EUR 9,000 that will be paid in 2022.

Long Term Incentive

For the financial period 2021, the salaries and benefits have completely consisted short term incentive scheme and fixed remuneration and no separate long-term incentive was paid.

In addition, at the end of the year Seppo Kopsala has a total of 60,000 options of which 40,000 under the 2015 option program and 20,000 under the 2017 option program. The subscription prices of the options are EUR 3.50, and the

exercise periods are 1 July 2020–1 July 2024 for both programs. 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 consultancy agreement with the Group is terminated, for any reason whatsoever, unless the Board of Directors decides to deviate from the rule.

Board of Directors' Report and Financial Statements 2021



Board of Directors' Report

Optomed in brief

Optomed is a Finnish medical technology company and a leading manufacturer of handheld fundus cameras and screening software. Optomed combines handheld fundus cameras with software and artificial intelligence with the aim to transform the diagnostic process of various diseases, such as rapidly increasing diabetic retinopathy. Optomed has offices in Finland, the US and China and the company's products are sold via various sales channels in over 60 countries globally.

Operating Environment

Optomed operates in the global ophthalmic devices market including the fundus camera market, ophthalmic software market and the market for artificial intelligence in eye screening.

The global fundus camera market exceeded 473 million USD in 2020 and is anticipated to grow at a CAGR of over 3.2 percent between 2021 and 2027¹. The global market for nonmydriatic handheld fundus cameras was estimated at 122.5 million USD in the year 2020 and is projected to reach 192.6 million USD by 2026, growing at a CAGR of 7.9 percent over the analysis period².

The leading markets for handheld cameras are North America and Europe. The US currently accounts for over 30 percent share in the global market was estimated at 39 million USD in 2021. Europe is expected to reach approximately 24 million USD by 2026. The respective forecasted market size for China is expected at 21,7 million USD².

The fundus camera and eye screening market are driven by steady pace of technological advancements, growing awareness about eye care, increasing geriatric population and favorable government initiatives³.

The adaptation of artificial intelligence took a major leap forward in 2021 as the new reimbursement code for diabetic retinopathy screening with AI was opened in 2021 in the USA. This new CPT-code 92229 "retinal imaging with automated point-of-care", will accelerate the use of AI within the US market, as payment for the service is more straightforward with the new coding. The US national average physician fee for CPT 92229 is approximately 45.69 USD. The physician payment amounts varies across the country depends on the applicable Geographic Practice Cost Indices (GPCI) for a specific locality, and in the locality with the highest cost index the physician fee for CPT code 92229 is estimated to be 62.93 USD. The Outpatient Prospective Payment System (OPPS) payment rate for 92229 is 57.12 USD.

"According to the American Association of Ophthalmology, it is estimated that 61 million adults in the United States are at high risk for vision loss although only half have visited an eye doctor sometime in the last 12 months. New technology, such as artificial intelligence, may be an important step to make initial screenings more convenient and accessible, reaching people who may have otherwise gone without. While it is not expected that artificial intelligence would replace physicians, it will increase efficiency. As artificial intelligence may be able to assist in the detection of diabetic retinopathy and macular degeneration, it may help to catch those patients that are currently being missed for this extremely important examination."³

The FDA has now cleared two AI companies' diabetic retinopathy algorithm to be sold with dedicated desktop cameras in the US market. Optomed has completed a prospective clinical study with a selected AI partner, AEYE Health with the following results: sensitivity 91.9 percent, specificity 93.6 percent and imageability > 99 percent. The goal of the clinical study is to be able to submit an application to the FDA to gain clearance for Optomed's and AEYE's joint product, a handheld fundus camera combined with AI.

¹ <https://www.gminsights.com/industry-analysis/fundus-cameras-market>

² <https://www.prnewswire.com/news-releases/global-nonmydriatic-handheld-fundus-cameras-markets-2021-2026---focus-on-teleophthalmology-presents-opportunities-301438049.html>

³ AAO, *Artificial Intelligence Trends in Eye Care*, Aug 22, 2018

Revenue, Profitability and Result

Group summary - Key figures and APM's

Optomed uses certain alternative performance measures (APMs) with the purpose to provide a better understanding of how the business develops. These APMs, as defined, cannot be fully compared with other companies' APMs.

EUR, thousand	2021	2020	Change, %	2019
Revenue	14,850	13,011	14.1%	14,977
Gross profit *	10,558	8,955	17.9%	9,944
Gross margin % *	71.1%	68.8%		66.4%
EBITDA	-2,002	-733	-173.2%	-335
EBITDA margin *, %	-13.5%	-5.6%		-2.2%
Adjusted EBITDA *	-2,002	-733	-173.2%	-196
Adjusted EBITDA margin *, %	-13.5%	-5.6%		-1.3%
Operating result (EBIT)	-4,780	-2,906	-64.5%	-2,596
Operating margin (EBIT) *, %	-32.2%	-22.3%		-17.3%
Adjusted operating result (EBIT) *	-4,780	-2,906	-64.5%	-2,457
Adjusted operating margin (EBIT margin) *, %	-32.2%	-22.3%		-16.4%
Net profit/ loss	-4,249	-3,177	-33.8%	-2,875
Earnings per share	-0.32	-0.24	-32.0%	-0.32
Cash flow from operating activities	-2,940	-2,801	-5.0%	161
Net Debt	213	-4,090	-105.2%	-8,940
Net debt/ Adjusted EBITDA (LTM)	-0.1	5.6		45.7
Equity ratio *	58.8%	64.6%		57.2%
R&D expenses personnel	1,773	1,406	26.1%	1,540
R&D expenses other costs	511	253	101.8%	234
Total R&D expenses	2,284	1,659	37.6%	1,774

*) Alternative performance measures, see section Alternative Performance Measures for definitions and calculations.

In January-December 2021, Group revenue increased by 14.1 percent to EUR 14,850 (13,011) thousand. The Devices segment revenue increased by 14.5 percent, despite negative business impact from China in the second half. The strong growth was mainly driven by increased demand in North America and Europe as well as from the OEM channel. The Software segment revenue increased by 13.9 percent and was mainly driven by screening and workflow software deliveries to new customers as well as increase in recurring revenue from existing customers due to a rise in patient volumes.

The gross margin increased to 71.2 percent from 68.8 percent last year. The company's other operating income includes governmental grants of EUR 810 (157) thousand including a waived loan from Business Finland of EUR 538 thousand related to a terminated product development project. The gross margin for the twelve-month period of 2021 adjusted for the total amount of the grants and other operating income would have been 65.6 percent compared to 67.6 percent in 2020.

In January-December 2021 EBITDA amounted to EUR -2,002 (-733) thousand and adjusted EBITDA totaled EUR -2,002 (-733) thousand. EBITDA for 2021 includes a change in the credit loss of EUR 709 thousand, as an impairment loss was recognized for overdue trade receivables from a Chinese customer.

Net financial items amounted to EUR 453 (-341) thousand in January-December 2021 and consisted mainly of interest payments to financial institutions and the translation effect of Chinese RMB and USD to EUR.

Financial summary per segment

Devices segment

Optomed has two synergistic business segments: Devices and Soft-ware. The Devices segment develops, commercializes and manufactures easy-to-use and affordable handheld fundus cameras, that are suitable for any clinic for screening of various eye diseases, such as diabetic retinopathy, glaucoma and AMD (Age Related Macular De-generation).

EUR, thousand	2021	2020	Change, %
Revenues Gross	5,839	5,097	14.5 %
profit * Gross	4,139	2,862	44.6 %
margin % *	70.9 %	56.1 %	
EBITDA	-1,014	-251	-304.5 %
EBITDA margin *, %	-17.4 %	-4.9 %	
Operating result (EBIT)	-3,182	-1,820	-74.8 %
Operating margin (EBIT) *, %	-54.5 %	-35.7 %	

*) Alternative performance measures, see section Alternative Performance Measures for definitions and calculations

In January-December 2021, the Devices segment revenue increased by 14.5 percent and was EUR 5,839 (5,097). The main drivers for the increase were high demand in North America and Europe as well as from OEM customers, despite negative business impact from China in the second half.

In January-December 2021, the gross margin increased to 70.9 percent from 56.1 percent in the previous year. The company received other operating income of EUR 811 (101) thousand in 2021, including a waived loan from Business Finland of EUR 538 thousand related to a terminated product development project. The gross margin excluding other operating income was 57.0 percent in 2021 and 54.1 percent in 2020.

In January-December 2021, EBITDA was EUR -1,014 (-251) thousand or -17.4 (-4.9) percent of revenue. EBITDA for 2021 includes a change in the credit loss of EUR 709 thousand, as an impairment loss was recognized for overdue trade receivables from a Chinese customer.

Software segment

Optomed has two synergistic business segments: Devices and Software. The Software segment develops and commercializes screening software for diabetic retinopathy and cancer screening for healthcare organizations. The segment also distributes off-the-shelf products from selected partners to supplement its own solutions and expertise and provides software consultation to support the Devices segment screening solution projects.

EUR, thousand	2021	2020	Change, %
Revenues	9,011	7,913	13.9 %
Gross profit *	6,420	6,093	5.4 %
Gross margin % *	71.2 %	77.0 %	
EBITDA	1,855	1,927	-3.7 %
EBITDA margin *, %	20.6 %	24.4 %	
Operating result (EBIT)	1,247	1,324	-5.7 %
Operating margin (EBIT) *, %	13.8 %	16.7 %	

*) Alternative performance measures, see section Alternative Performance Measures for definitions and calculations

In January-December 2021, the Software segment revenue increased by 13.9 percent and was EUR 9,011 (7,913) thousand. The gross profit included other operating income of EUR 56 thousand in 2020. The gross margin excluding other operating income was 71.2 percent in 2021 and 76.3 percent in 2020. EBITDA was EUR 1,855 (1,926) thousand or 20.6 (24.3) percent of revenue.

Group-wide expenses

Group-wide expenses consist of functions supporting the entire group such as treasury, group accounting, marketing, legal, HR and IT as well as public listing expenses.

In January-December 2021, group-wide operating expenses amounted to EUR 2,843 (2,408). The increase is mainly related to strengthened of Group Marketing function in 2021.

Balance sheet, financial position and investments

In January-December 2021, the cash flow from operating activities amounted to EUR -2,940 (-2,801) thousand. Net cash in investing activities was EUR -2,574 (-1,820) thousand and relates mainly to capitalized development expenses. Net cash from financing activities amounted to EUR 1,637 in 2021 and include a new loan of EUR 1,0 million in the third quarter of 2021. Net cash from financing activities in 2020 amounted to EUR -3,698 thousand and include a loan repayment of EUR 3,2 million in the first quarter of 2020.

Consolidated cash and cash equivalents at the end of the period amounted to EUR 6,804 (10,608) thousand. Interest-bearing net debt totaled EUR 213 (-4,090) thousand at the end of the period.

Net working capital was EUR 4,315 (3,440) thousand at the end of the period. The net working capital include trade receivables of EUR 3,7 (2,6) million which is the main reason for the increase compared to last year. One Chinese customer represent approximately 50% of the total group trade receivables out of which approximately EUR 2,0 million is overdue, which after management's assessment have resulted in a credit risk accrual of EUR 715 thousand which represent approximately 30% of the total outstanding trade receivable.

Research and development

Optomed is a research and development driven healthcare technology company, employing 60 full-time equivalent ("FTE") employees within its research and development function, divided between the Devices and Software segments. The strong focus on research and development has been the core of the operations since the foundation of the company in 2004 and has resulted in a strong international patent portfolio comprising 59 international patents and 18 pending patents. Additionally, Optomed has nine registered as well as 68 registered and 8 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 advantages of the company. Optomed's proprietary and patented technology have resulted in Optomed being able to develop and construct hand-held fundus cameras that are able to provide high- quality fundus images. The quality of the images is higher or on the same level as most traditional desktop fundus cameras.

The research and development expenditure totaled EUR 4,369 thousand, representing 29.4 percent of revenue in 2021, compared to EUR 3,108 thousand or 23.9 percent of revenue in 2020. The research and development expenditure increased 40,6 percent compared to 2020.

EUR, thousand	2021	2020
R&D expenditure	4,369	3,108
As percentage of revenue	29.4%	23.9%

Non-financial information

Environment, Social and Governance (ESG) related matters are an integral part of Optomed's operations. The company is still rather small which enables the management to take ESG matters into consideration efficiently.

Optomed has identified manufacturing as one of its key ESG elements and the key ESG related risks are within the scope of manufacturing. Therefore, the ESG matters are taken into account when making resolutions with regards to manufacturing. Currently, Optomed's devices are manufactured by an ESM partner that is a NYSE listed entity with its own strict sustainability requirements and reporting. This gives Optomed visibility and assurance that ESG matters are taken into account with regards to its device manufacturing.

Optomed has implemented a governance structure required for the Nasdaq Helsinki main list and implemented significant amount of policies, including the code of conduct and whistleblowing that all employees are expected to follow. The code of conduct also highlights Anti-Bribery and Corruption (ABC) matters as they have been assessed to be extremely important due to the global nature of Optomed's operations. The governance function has been strengthened significantly and new expertise has been brought to the board and audit committee. The governance structure is described in detail in Optomed's Corporate Governance Statement.

Health technology is a regulated sector which also contributes to the company's ESG approach. Optomed complies with RoHS, REACH, conflict mineral regulations and all applicable privacy, consumer protection and product safety regulations. Optomed's compliance with respect to various medical devices related regulations is also audited by third parties regularly.

Personnel, management and legal structure

Personnel

On 31 December 2021, Optomed had a total of 118 employees, of which a significant number worked in expert roles. The employee contracts are mostly permanent contracts.

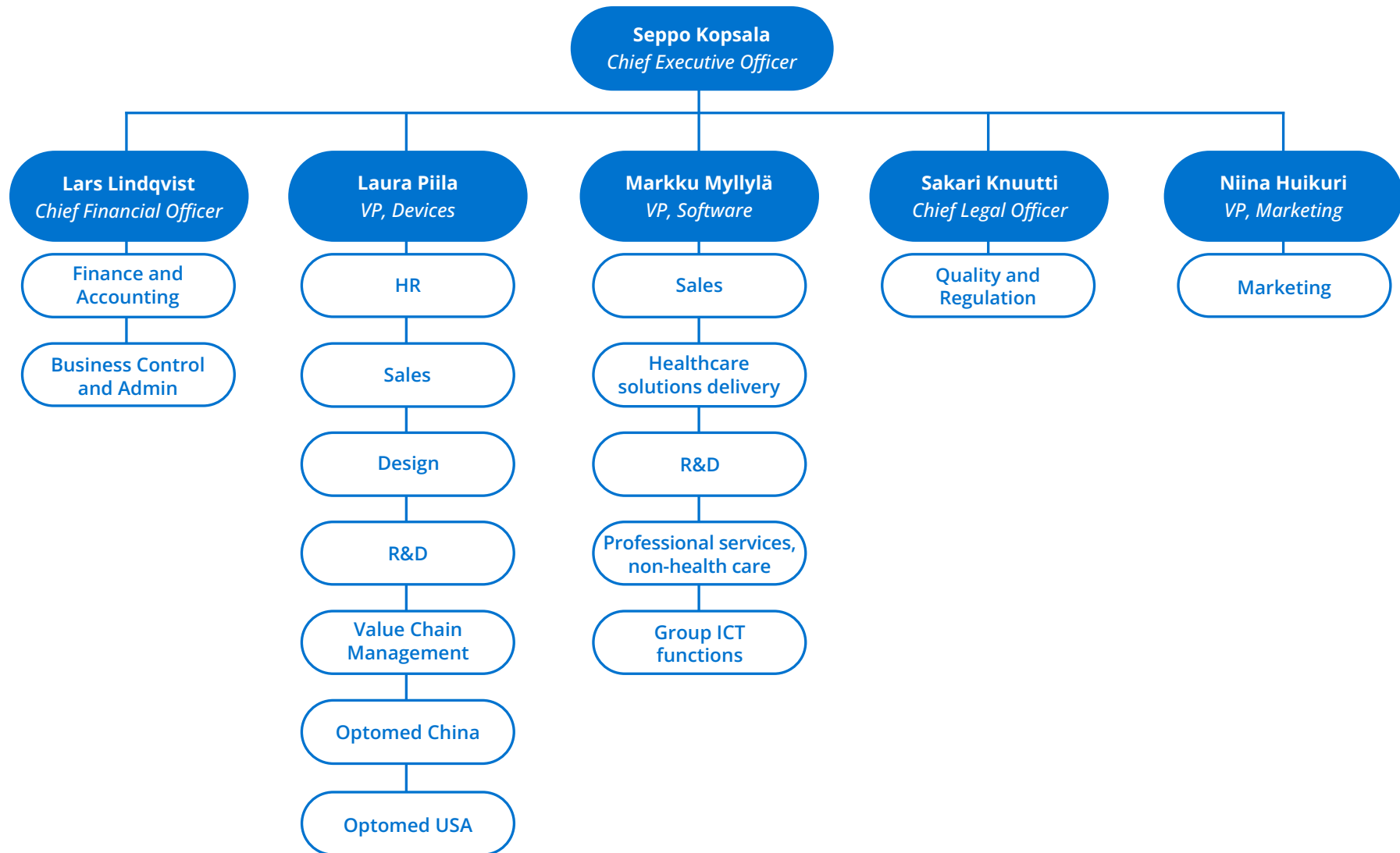
Number of employees	2021	2020
Average number of employees	115	105
Number of employees at the end of the period	118	109

Graphical distribution of employees	2021	2020
Finland	103	96
China	9	12
United States	6	1
Total	118	109

includes accounting and reporting, business controlling, treasury, tax, , 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, M&A, compliance, corporate governance, corporate responsibility, risk management, quality and regulatory. The Chief Legal Officer also acts as the secretary to the Board of Directors of the company.

Management

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



Legal structure

Optomed group consists of the parent company Optomed Plc and five subsidiaries in Finland, China, the USA 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, Optomed operates in China and the USA through its subsidiaries. The main responsibilities of the foreign subsidiaries are local sales and distribution channel management, product registration as well as the launching of new products, brand building, marketing, after-sales services, and repair services.

The following table presents the subsidiaries of the company along with respective ownership shares on 31 December 2021

Subsidiaries of the company	Consolidated shareholding and voting right, %	Country of incorporation
Optomed Software Oy	100.0%	Finland
Optomed Hong Kong Ltd	100.0%	Hong Kong
Optomed China LimitedCo.,Ltd	100.0%	China
Shanghai Optomed Medical Technology Co., Ltd	100.0%	China
Optomed USA Inc.	100.0%	United States

The USA subsidiary Optomed USA Inc. was established in early 2020. The China subsidiary Shanghai Optomed Medical Consulting Ltd was closed in early 2020.

Shares and shareholders

The company has one share series with all shares having the same rights. At the end of the review period Optomed Plc's share capital consisted of 14,003,144 shares and the company held 421,517 shares in the treasury which corresponds to approximately 3.01 percent of the total amount of the shares and votes. Optomed's market capitalization was EUR 137.2 million at the of the review period.

Optomed's shareholder structure was as follows at the year-end:

Sector	Number of shareholders	% of shareholders	Number of shares	% of shares
Private companies	253	3.42	1,018,760	7.28
Financial and insurance institutions	18	0.24	3,040,492	21.71
Public sector organizations	3	0.04	728,353	5.20
Households	7,093	95.77	2,760,827	19.72
Non-profit instit serving households	11	0.15	50,995	0.36
Foreigners	19	0.26	13,800	0.10
Total	7,397	99.88	7,613,227	54.37
Nominee registered	9	0.12	6,389,917	45.63
Total shares			14,003,144	100
Number of shares	Shareholders	%	Shares	%
1 - 100	3,219	43.46	158,061	1.13
101 - 1,000	3,719	50.22	1,305,082	9.32
1,001 - 10,000	427	5.77	1,083,688	7.74
10,001 - 100,000	27	0.36	754,771	5.39
100,001 - 1,000,000	13	0.18	4,841,079	34.57
> 1,000,000	1	0.01	5,860,463	41.85
Total	7,406	100	14,003,144	100.00
Nominee registered	9	0.12	6,389,917	45.63
Number of shares issued			14,003,144	100

	Shareholder	Shares	% of shares
1	* Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	5 860 463	41,85
2	Aktia Capital Mutual Fund	635 521	4,54
3	Suomen Teollisuussijoitus Oy	601 080	4,29
4	OP-Finland Micro Cap	475 000	3,39
5	* Citibank Europe Plc	463 518	3,31
6	OP-Finland Small Cap	437 524	3,12
7	Optomed Oyj	421 517	3,01
8	Mandatum Life Insurance Company Ltd.	410 922	2,93
9	Nordea Nordic Small Cap Fund	367 526	2,62
10	Kaleva Mutual Insurance Company	322 044	2,3
	10 largest shareholders total	9 995 115	71,38
	on which nominee registered	6 323 981	45,16
	Others	4 008 029	28,62
	Total	14 003 144	100

*Nominee register

At the end of the review period, Optomed's Chairman and Members of the Board of Directors controlled 15,574 shares, representing approximately 0.11 percent of the total number of all shares and 0.11 percent of all shares excluding shares in treasury. The CEO and management team owned 187,080 shares and 488,000 options. Additional information with regards to the shareholding of the board and the management is available at the company's corporate governance statement.

Flagging notifications

Under the provisions of the Finnish Securities Markets Act, shareholders of listed companies have an obligation to notify both the Finnish Financial Supervision Authority and the listed company of changes in their holdings when crossing predefined thresholds. In 2021, Optomed received the following major shareholder notifications:

On 17 February 2021, the total holdings of treasury shares held by Optomed Plc decreased to 4.61 per cent of all the registered shares.

On 8 April 2021, the total holdings in Optomed shares and votes held by OP-Rahastoyhtiö Oy increased to 5.46 per cent of all of the registered shares in Optomed.

On 28 April 2021, the total holdings in Optomed shares and votes held by BI Asset Management Fondsmægler-selskab A/S increased to 5.69 per cent of all of the registered shares in Optomed. On 25 May 2021, the total holdings in Optomed shares and votes held by Robert Bosch Venture Capital GmbH decreased to below 5.00 per cent of all of the registered shares in Optomed.

Additionally, the total holdings of treasury shares held by Optomed Plc decreased to 4.61 per cent of all of the registered shares in Optomed on 17 February 2021. The company is not aware of the existence of any Shareholders' agreements and it is not controlled by anyone. Additional information with respect to the shares, shareholding and trading can be found on the company's website www.optomed.com.

Authorizations

The Annual General Meeting 2021 approved the authorization for the Board of Directors to accept as pledge and repurchase of Optomed's own shares. Altogether no more than 1,400,314 shares may be repurchased or accepted as pledge. The authorization will be valid until the earlier of the end of the next Annual General Meeting or 18 months from the resolution of the Annual General Meeting. The Annual General Meeting 2021 authorized the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights

entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act. The number of shares to be issued based on this authorization may not exceed 1,400,314. The Board of Directors is authorized to resolve on all terms and conditions of the issuance of shares and special rights entitling to shares, including the right to derogate from the pre-emptive right of the shareholders. The authorization will be valid until the earlier of the end of the next Annual General Meeting or 18 months from the resolution of the Annual General Meeting.

Group Share Indicators	2021	2020	2019
Earnings per share	-0.32	-0.24	-0.32
Equity per share	1.34	1.51	1.72
Dividend per share	-	-	-
Dividend % of earnings	-	-	-
effective dividend yield %	-	-	-
P/E ratio	-31.00	-31.05	-19.70
Share price performance, share issue adjusted *			
Lowest share price	7.25	2.92	4.53
Highest share price	18.90	7.57	7.52
Average share price	10.62	5.33	6.13
Closing share price	9.80	7.22	6.34
Market value of shares at end of period	137,231	101,103	88,780
Weighted average adjusted number of shares during the financial period	13,390,702	13,262,766	8,935,654
Weighted average adjusted number of shares in the end of financial year	13,441,437	13,262,766	13,262,766

Optomed's shares were listed on Nasdaq Helsinki stock exchange on 5.12.2019

Calculation of share indicators

Earnings per share	Net result / Number of outstanding shares
Equity per share	Shareholders' equity / adjusted number of shares at the end of the financial period - own shares
Dividend per share	Total dividend / adjusted number of shares at the end of the financial period - own shares
Dividend, % of earnings	Dividends per share / earnings per share × 100
Effective dividend yield, %	Dividend per share x 100 / adjusted share price at the end of the financial period
P/E ratio	Earnings per share / market value per share

Option programs

Optomed has established several option programs as incentive programs covering employees, managing directors and consultants of the group.

Optomed's amended option programs are described below.

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 shares. 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.

Program	Subscription price (EUR)	Exercise Period	Outstanding options at the end of 2021
2015	3.5	1 July 2020 – 1 July 2024	125,000
2017	3.5	1 July 2020 – 1 July 2024	139,300
2017B	3.5	1 July 2020 – 1 July 2022	34,800
2018C	3.5	(50%) 1 July 2020 – 31 December 2024	187,800
		(50%) 1 July 2021 – 31 December 2024	
2019A	3.5	1 July 2021 – 31 December 2024	66,000
2019B	3.5	(40%) 1 July 2020 – 31 December 2024	100,000
		(20%) 1 September 2020 – 31 December 2024	
		(40%) 1 September 2021 – 31 December 2024	
2019C	3.5	(50%) 1 July 2020 – 31 December 2024	20,000
		(50%) 1 September 2020 – 31 December 2024	
2019D	5	1 January 2023 – 31 December 2023	72,000
2020A	3.5	1 January 2023 – 31 December 2023	110,000
Total			854,900

Decisions of the annual general meeting

The Annual General Meeting held on 28 April 2021 adopted the financial statements for the financial period ended on 31 December 2020 and the remuneration report for governing bodies and discharged the members of the Board of Directors and the CEO from liability for the financial period ended on 31 December 2020.

The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend will be paid for the year 2020.

The number of members of the Board of Directors was confirmed as five:

- Seppo Mäkinen, Petri Salonen, Reijo Tauriainen and Anna Tenstam were re-elected as members of the Board
- Xisi Guo was elected as a new member of the Board.

The Annual General Meeting confirmed the annual Board remuneration as follows:

- Chairman of the Board EUR 36,000
- members of the Board EUR 18,000.

In addition, a meeting fee in the amount of EUR 500 is paid to the Chairman of the Audit Committee for each Audit Committee meeting. 40 percent of the Board remuneration is paid in Optomed shares and 60 percent in cash. The remuneration will be paid once a year in August, after Optomed's H1 report has been announced.

The Annual General Meeting decided to elect KPMG Oy Ab, a firm of authorized public accountants, as the Company's auditor. KPMG Oy Ab has informed the Company that Authorized Public Accountant Tapio Raappana will continue as the auditor with principal responsibility. Auditor's remuneration will be paid in accordance with an invoice approved by the Company.

The General Meeting approved the authorization for the Board of Directors to repurchase Optomed's own shares and to accept them as pledge. Altogether no more than 1,400,314 shares may be repurchased or accepted as pledge. The

authorization will be valid until the earlier of the end of the next Annual General Meeting or 18 months from the resolution of the Annual General Meeting. The General Meeting authorized the Board of Directors to decide on the issuance of shares as well as the issuance of option rights and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Companies Act. The number of shares to be issued based on this authorization may not exceed 1,400,314. The Board of Directors is authorized to resolve on all terms and conditions of the issuance of shares and special rights entitling to shares, including the right to derogate from the pre-emptive right of the shareholders. The authorization will be valid until the earlier of the end of the next Annual General Meeting or 18 months from the resolution of the Annual General Meeting. At its meeting held after the Annual General Meeting, the Board of Directors elected from among its members Petri Salonen as its Chairman. The committee members were elected as follows:

Audit Committee:

- Reijo Tauriainen (Chairman)
- Seppo Mäkinen
- Anna Tenstam

Remuneration Committee:

- Seppo Mäkinen (Chairman)
- Reijo Tauriainen
- Anna Tenstam

Risks and uncertainties

COVID-19 coronavirus

The COVID-19 outbreak has turned into a pandemic the length and prolonged effect of which are uncertain.

The company's software segment has been proven to be largely unaffected due to recurring nature of the business and long-term customer agreements, howe-

ver, the Devices segment sales have been negatively affected by the pandemic. The medical sector as a whole is still concentrated on addressing the pandemic and other supplier meetings and purchases are still postponed in certain key markets. This has an effect on the company's ability to sell its devices and new software solutions and affects the Company's ability to increase its customer base especially because face-to-face meetings are market standard for fundus camera sales. Optomed recognizes the risk of a prolonged pandemic which may cause additional restrictions and other negative effects globally. The company has taken precautions to protect its currently strong cash position

High quality products

The quality and safety of the Company's products are extremely important for competitiveness.

The Company may be adversely affected if it fails to continuously develop and update its fundus cameras and software solutions or to identify or integrate new products and product platforms into its offering. The Company's or its partners products may also be subject to clinical trials, the results of which are critical for the products' regulatory approvals and market acceptance.

Strategy and M&A

The company may be unsuccessful in fulfilling its strategy or the strategy itself may be unsuccessful.

The successful implementation of the company's strategy depends upon several factors, some of which are completely or partially outside the company's control. The company has an appropriate risk management function in the context of the size of the company's operations, however, it may not be able to identify or monitor all relevant risks and determine efficient risk management procedures and responsible persons that may again affect the strategy. The company is also 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. Further, the company has an opportunistic view on M&A which by nature include inherent risks. Failure of strategy may force the company to record write-downs on its goodwill

Market and competition

The company operates in a market that is highly competitive.

Optomed operates in the fundus camera market that is developing fast and the competition is sometimes fierce. The market acceptance of the company's products and solutions is important for its future growth. Optomed recognizes a possibility of new market changing products entering the market. Further, in certain key geographies Optomed's client base is limited and, therefore, a loss of a key customer in a key market may adversely affect the Company's revenue streams.

External economic and political risks and natural disasters

Optomed operates globally and is thus exposed to various external risks.

The Company is exposed to natural disasters taking place in countries where it operates and general and country specific economic political and regulatory risks, which could entail volatile sales in key markets. In the PRC, "Made in China 2025" national strategic plan may have an effect on medical device manufacturers' sales to the public sector.

Supply chain

Optomed's business is dependent on the effectiveness of purchasing materials, manufacturing and timely distribution.

The Company is dependent on contract manufacturers for functioning, efficient and effective production and product assembly. Further, the Company is dependent on suppliers which may affect the Company's ability to supply its customers in a timely manner. Global component sourcing issues make it harder to obtain the key components for the Company's medical devices.

Systems and information

Optomed's operations are increasingly dependent on IT systems.

Disruption of the company's IT systems could inhibit the business operations in a number of ways, including disruption to financial reporting, sales, production and cash flows.

Litigation

Optomed operates globally and pursues double digit annual organic growth in medium term.

Optomed may not always be able to reach the best contractual terms with stakeholders. The company may be negatively affected by legal or administrative proceedings directed at the company or third parties due to back-to-back liability, or other disputes and claims including product liability, especially in terms of medical devices, and intellectual property rights related items.

Trade secrets and patents

The technological capabilities are a competitive advantage that the company must be able to protect.

The company may not be able to protect its trade secrets and know-how which could lead to losing the competitive advantage the company has. At the same time, the company may be forced to take actions against parties that violate Optomed's IPRs.

Talent & organisation

A skilled workforce and agile organisation are essential for the continued success of the business.

The company may be adversely affected if it would lose its key personnel or fails to attract the right talent.

Finance

The company needs external financing to operate and is not currently profitable.

The Company is dependant on external financing and the Company may have difficulties accessing additional financing on competitive terms or at all which may again contribute the Company's liquidity risks. The Company is also subject to credit and counterparty risks through its trade receivables. The Company's receivables in China have increased and Optomed has a large credit risk concentration related to a major Chinese customer whose payments are late. The payments from the customer continue but materially slower than originally agreed.

Forex

Optomed operates globally and is thus exposed to currency exchange risks.

The company is exposed to foreign exchange rate risks arising from fluctuations in currency exchange rates, especially with regards to USD, EUR and RMB. Currency rates, along with demand cycles, can result in significant swings in the prices of the raw materials needed to produce the Company's goods, sales prices and OPEX.

Legal and regulatory

Compliance with laws and regulations is an essential part of Optomed's business operations.

Optomed and its' suppliers and distributors operate globally and are subject to various national and regional regulations in the areas of medical devices, product safety, product claims, data protection, intellectual property rights, health and safety, competition, employment, taxes and anti-money laundering and anti-bribery & corruption (AML & ABC). Furthermore, many of the company's devices are subject to various medical related assessment (including clinical trials), clearance and approval processes that are required to introduce the Company's products on the markets.

Failure to comply with the regulations might lead to loss of sales permits in different markets, product recalls, reputational issues, civil and criminal actions leading to various direct and indirect damages to Optomed and its employees that are not completely covered by Optomed's insurance coverage. Especially, failures with respect to compliance with certain medical devices related regulations and processes may hinder the company's devices market access.

DISPUTES

The company is not currently involved in any disputes or trials that would have a significant impact on the group's financial position.

Major events after the review period

On 25 January 2022, Optomed announced the proposal of the Nomination Board to the next Annual General Meeting.

The Nomination Board proposed that Simon Guo, Seppo Mäkinen, Petri Salonen, Reijo Tauriainen and Anna Tenstam are re-elected as Board members.

On 7 February 2022, Optomed announced the results from the prospective, multi-center clinical trial intended to assess its handheld fundus camera Aurora together with AEYE Health's AI for autonomous detection of more than mild diabetic retinopathy (mtmDR). Among patients positive for mtmDR, the combined product, Aurora AEYE detected 91,9 percent (sensitivity), while patients without the eye disease were correctly identified 93,6 percent of the time (specificity). The observed imageability was over 99 percent.

The board's proposal for the distribution of profit

The parent company's non-restricted equity on 31 December 2021, was EUR 17,844,289.15 and the net loss for the financial year was EUR 2,208,466.18. The Board of Directors proposes to the Annual General Meeting that no dividend will be paid and the non-restricted equity on the outstanding 14,003,144 shares shall be retained and carried forward.

Outlook 2022

Optomed expects its full year 2022 revenue to grow compared to 2021.

Consolidated income statement

In thousand of euro	Note	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Revenue	2, 3	14,850	13,011
Other operating income	4	810	157
Materials and services	5	-5,102	-4,213
Employee benefit expenses	6	-8,702	-7,319
Depreciation, amortisation and impairment losses	8	-2,778	-2,173
Other operating expenses	7	-3,858	-2,369
Operating result		-4,780	-2,906
Finance income	8	715	452
Finance expenses	8	-263	-794
Net finance expenses		453	-341
Loss before income taxes		-4,327	-3,247
Income tax expense	10	78	70
Loss for the financial year		-4,249	-3,177
Loss for the financial year attributable to			
Owners of the parent company		-4,249	-3,177
Loss per share attributable to owners of the parent company			
Basic loss per share (euro)	11	-0.32	-0.24

Consolidated comprehensive income statement

In thousand of euro	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Loss for the financial year	-4,249	-3,177
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation difference	-253	77
Other comprehensive income for the financial year, net of tax	-253	77
Total comprehensive income for the financial year	-4,502	-3,100
Total comprehensive loss attributable to Owners of the parent company	-4,502	-3,100

Consolidated balance sheet

In thousand of euro	Note	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
ASSETS			
Non-current assets			
Goodwill		4,256	4,256
Development costs		6,338	5,667
Customer relationships		1,386	1,608
Technology		636	738
Other intangible assets		358	485
Total intangible assets	12	12,975	12,753
Tangible assets	13	433	359
Right-of-use assets	14	1,205	1,165
Deferred tax assets	10	13	11
Total non-current assets		14,626	14,289
Current assets			
Inventories	15	2,936	2,539
Trade receivables	16.21	3,658	2,639
Other receivables	17	973	998
Cash and cash equivalents	16	6,804	10,608
Total current assets		14,371	16,784
Total assets		28,998	31,073

In thousand of euro	Note	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
EQUITY			
Share capital		80	80
Share premium		504	504
Reserve for invested non-restricted equity		38,526	37,470
Translation differences		-88	166
Retained earnings		-17,721	-14,970
Profit (loss) for the financial year		-4,249	-3,177
Total equity	18	17,052	20,073
In thousand of euro	Note	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
LIABILITIES			
Non-current liabilities			
Borrowings from financial institutions	19.21	3,813	3,520
Government loans	19.21	1,940	2,670
Lease liabilities	14.19	818	782
Deferred tax liabilities	10	463	540
Total non-current liabilities		7,034	7,512
Current liabilities			
Borrowings from financial institutions	19.21	1,071	0
Government loans	19.21	193	328
Lease liabilities	14.19	396	425
Trade payables	19	944	595
Other payables	20	2,308	2,141
Total current liabilities		4,912	3,489
Total liabilities		11,946	11,001
Total equity and liabilities		28,998	31,073

Consolidated cash flow statement

In thousand of euro	Note	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Cash flows from operating activities			
Loss for the financial year		-4,249	-3,177
Adjustments:			
Depreciation, amortisation and impairment losses	7	2,689	2,173
Finance income and finance expenses	9	-472	343
Other adjustments		992	284
Cash flows before change in net working capital		-1,041	-377
Change in net working capital:			
Change in trade and other receivables (increase (-) / decrease (+))		-1,409	496
Change in inventories (increase (-) / decrease (+))		-340	-83
Change in trade and other payables (increase (+) / decrease (-))		-22	-2,402
Cash flows before finance items		-2,811	-2,367
Interest paid		-66	-75
Other finance expenses paid		-64	-725
Interest received		1	366
Net cash from operating activities (A)		-2,940	-2,801
Cash flows from investing activities			
Capitalization of development expenses	12	-2,112	-1,553
Acquisition of tangible assets	13	-462	-268

Net cash used in investing activities (B)		-2,574	-1,820
Cash flows from financing activities			
Proceeds from share subscriptions	18	1,012	92
Proceeds from loans and borrowings	19	1,366	-167
Repayment of loans and borrowings	19	-327	-3,233
Repayment of lease liabilities	14.19	-414	-390
Net cash from financing activities (C)		1,637	-3,698
Net cash from (used in) operating, investing and financing activities (A+B+C)		-3,876	-8,319
Net increase (decrease) in cash and cash equivalents		-3,876	-8,319
Cash and cash equivalents at January 1		10,608	18,866
Effect of movements in exchange rate on cash held		73	61
Cash and cash equivalents at December 31	16	6,804	10,608

Consolidated statement of changes in equity

Equity attributable to owners of the parent company

In thousand of euro	Note	Share Capital	Share Premium	Reserve for invested non-restricted	Translation differences	Retained earnings	Total
Balance at January 1, 2021		80	504	37,470	166	-18,147	20,073
Comprehensive income							
Loss for the financial year						-4,249	-4,249
– translation differences					-253		-253
Total comprehensive income for the financial year		-	-	-	-253	-4,249	-4,502
Transactions with owners of the company							
Share options	6	-	-	1,055	-	340	1,395
Total transactions with owners of the company		-	-	1,055	-	340	1,395
Other adjustments						86	86
Balance at December 31, 2021	18	80	504	38,526	-88	-21,970	17,052

Other adjustments line is about group elimination booking correction that is related to previous years

Equity attributable to owners of the parent company

In thousand of euro	Note	Share Capital	Share Premium	Reserve for invested non-restricted	Translation differences	Retained earnings	Total
Balance at January 1, 2020		80	504	37,341	89	-15,376	22,637
Comprehensive income							
Loss for the financial year		-	-	-	-	-3,177	-3,177
– translation differences		-	-	-	77		77
Total comprehensive income for the financial year		-	-	-	77	-3,177	-3,100
Transactions with owners of the company							
Share issue	18	-	-	-	-	-	-
Share options	6	-	-	129	-	406	535
Total transactions with owners of the company		-	0	129	-	406	535
Balance at December 31, 2020	18	80	504	37,470	166	-18,147	20,073

Notes to the consolidated financial statements

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.

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

Optomed's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force as at December 31, 2021. 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 (2020-2021), unless otherwise stated.

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 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

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 Plc. 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 23. 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 in the report

Acquired or established subsidiaries are accounted for by using the acquisition method.

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.

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 hierarchy 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 6.4 Share-based payment plans)

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 12. Intangible assets)
- leases: determination of lease term (Note 14. 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:

- Determining trade receivables credit risk (Note 21. Financial risk management)
- goodwill impairment testing (Note 12. Intangible assets)
- capitalisation of development expenditures (Note 12. Intangible assets)
- Development expenditures impairment testing (Note 12. Intangible assets)

1.2.7 Adoption of IFRS agenda decision

IFRS finalized in April 2021 its agenda decision Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets). In this agenda decision IFRS IC considered, whether, applying IAS 38, the customer recognises an intangible asset in relation to configuration or customisation of the application software, and if an intangible asset is not recognized, how the customer accounts for the configuration or customisation costs. IFRIC agenda decisions have no effective date, so they are expected to be applied as soon as possible. As the Group has cloud computing arrangements in place, it has analysed, that this agenda decision has an impact to the accounting policies applied to implementation costs in cloud computing arrangements.

1.2.8 Adoption of new and amended standards in future financial years

Effective for financial years beginning on or after January 1, 2023:

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.

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. Optomed has two reportable segments, Devices and Software.

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 bowel cancer screening management as well as Sectra software solutions and artificial intelligence algorithms.

The Devices segment develops, manufactures and sells Optomed fundus cameras for use by ophthalmologists, pediatricians, endocrinologists, neurologists and primary care professionals. Currently Devices segment comprises all Optomed

branded camera products, such as Optomed Smartscope Pro, Optomed Aurora and Optomed Polaris cameras. Products for OEM customers, Pictor Plus and Pictor Prestige (Volk), Visuscout 100 (Zeiss), Fundus Module 300 (The Haag-Streit) and Signal (Topcon) are included in the Devices segment

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. Optomed has not aggregated operating segments into reportable segments.

2.2 Reportable segments

2021

In thousand of euro	Devices	Software	Group Admin	Group, Total
External revenue	5,839	9,011	0	14,850
Net operating expenses	-1,700	-2,592	0	-4,292
Margin	4,139	6,420	0	10,558
Depreciation and amortisation	-2,168	-608	-2	-2,778
Other expenses	-5,153	-4,565	-2,843	-12,561
Operating result	-3,182	1,247	-2,844	-4,780
Finance items	0	0	453	453
Loss before tax expense	-3,182	1,247	-2,392	-4,327
Segment assets	11,974	7,568	241	19,784
Capital expenditure	2,176	197	36	2,409
Segment liabilities	613	400	113	1,126

2020

In thousand of euro	Devices	Software	Group Admin	Group, Total
External revenue	5,097	7,913	0	13,011
Net operating expenses	-2,235	-1,820	0	-4,055
Margin	2,862	6,093	0	8,955
Depreciation and amortisation	-1,569	-603	0	-2,173
Other expenses	-3,112	-4,167	-2,408	-9,688
Operating result	-1,820	1,323	-2,408	-2,906
	0	0	-341	-341
Loss before tax expense	-1,820	1,323	-2,749	-3,247
Segment assets	10,205	7,836	221	18,263
Capital expenditure	1,510	291	21	1,822
Segment liabilities	452	232	89	774

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.

In thousands of euro	Non-current assets ¹	
	2021	2020
Finland	14,337	14,011
China	276	267
Total	14,613	14,278

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.

Disaggregation 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 in the financial years 2021-2020 were approximately as follows: from one customer EUR 2,4 million (2021), and EUR 2.1 million (2020), and from another customer EUR 1,4 million (2021) and EUR 1,4 million (2020).

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

3.2 Disaggregation of revenue

In the following tables, consolidated revenue is disaggregated by geographical market¹ and timing of revenue recognition.

In thousands of euro	2021		2020	
Finland	8,939	60 %	7,777	60 %
China	2,165	15 %	2,443	19 %
Other	3,746	25 %	2,791	21 %
Total	14,850	100 %	13,011	100 %

	2021		2020	
Products and services transferred at a point in time	11,267	76 %	9,934	76 %
Services transferred over time	3,583	24 %	3,077	24 %
Total	14,850	100 %	13,011	100 %

Trade receivables and related credit losses are described in Notes 16. Financial assets and 21.5 Liquidity risk.

4. Other operating income

4.1 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.

4.2 Assumptions and estimation uncertainties

During the financial years 2021-2020 Optomed has received government grants from various organisations, such as Business Finland (previously Tekes). The most significant grants for the years 2021, 2020 Optomed received from Business Finland. 2021 operating income include Business Finland waived loan of 538 thousand EUR.

In thousands of euro	2021	2020
Other operating income	810	157
Total	810	157

5. Materials and services

5.1 Breakdown of materials and services expense

The increased costs in 2021 are due to increased revenue and higher component prices.

In thousands of euro	2021	2020
Purchase expenses	-5,153	-2,964
Change in inventories (increase (+), decrease (-))	403	-967
External services	-352	-282
	-5,102	-4,213

6. Employee benefits

6.1 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 2020-2021)
- d) termination benefits, i.e. benefits provided in exchange for the termination of an employment (no such benefits were provided during the financial years 2020-2021)
- e) share-based payments (refer to Note 6.4 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 five 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.

6.2 Expenses recognised in profit or loss

In thousands of euro	2021	2020
Wages and salaries	-7,053	-5,827
Contributions to defined contribution post-employment plans	-1,047	-842
Other social security expenses	-262	-245
Share-based payment plans	-340	-406
Total	-8,702	-7,319

6.3 Number of personnel

	2021	2020
Average number of employees for the financial year	115	105

6.4 Share-based payment plans

Option programs in effect during the financial year

2015: 125,000 Outstanding options on December 31.2021. Subscription price EUR 3.50 per share. Subscription period July 1, 2020–July 1, 2024. Each option right entitles its holder to subscribe for one new share. Up to 125,000 shares can be subscribed for based on the option rights, corresponding to 0.9% of the company's share capital and votes.

2017: 139,300 Outstanding options on December 31.2021. Subscription price EUR 3.50 per share. Subscription period July 1, 2020–July 1, 2024. Each option right entitles its holder to subscribe for one new share. Up to 139,300 shares can be subscribed for based on the option rights, corresponding to 1.0% of the company's share capital and votes.

2017B: 34,800 Outstanding options on December 31.2021. Subscription price EUR 3.50 per share. Subscription period July 1, 2020–July 1, 2022. Each option right entitles its holder to subscribe for one new share. Up to 34,800 shares can be subscribed for based on the option rights, corresponding to 0.3% of the company's share capital and votes.

2018C: 187,800 Outstanding options on December 31.2021. Subscription price EUR 3.50 per share. Subscription period (50%) July 1, 2020–December 31, 2024 and (50%) 1 July 2021–31 December 2024. Each option right entitles its holder to subscribe for one new share. Up to 187,800 shares can be subscribed for based on the option rights, corresponding to 1.4% of the company's share capital and votes.

2019A: 66,000 Outstanding options on December 31.2021. Subscription price EUR 3.50 per share. Subscription period July 1, 2021–December 31, 2024. Each option right entitles its holder to subscribe for one new share. Up to 66,000 shares can be subscribed for based on the option rights, corresponding to 0.5% of the company's share capital and votes.

2019B: 100,000 Outstanding options on December 31.2021. Subscription price EUR 3.50 per share. Subscription period (40%) July 1, 2020–December 31, 2024, (20%) September 1, 2020–December 31.2024 and (40%) September 1, 2021–December 31, 2024. Each option right entitles its holder to subscribe for one new share. Up to 100,000 shares can be subscribed for based on the option rights, corresponding to 0.7% of the company's share capital and votes.

2019C: 20,000 Outstanding options on December 31.2021. Subscription price EUR 3.50 per share. Subscription period (50%) July 1, 2020–December 1, 2024 and (50%) 1 September 2020–31 December 2024. Each option right entitles its holder to subscribe for one new share. Up to 20,000 shares can be subscribed for based on the option rights, corresponding to 0.1% of the company's share capital and votes.

Key terms and measurement of option plans

Plan	2015	2017	2017B	2018C	2019A
Maximum number of options	250,000	210,000	58,000	266,000	84,000
Number of options issued	250,000	210,000	58,000	266,000	84,000
Issued	2015-2018	2017	2017	2018	2019
Vesting period	2015 - 2020	2017 - 2020	2017 - 2020	2018 - 2021	2019 - 2021
Vesting condition	Employment	Employment	Employment	Employment	Employment
Option subscription price	3.50	3.50	3.50	3.50	3.50
Fair value at grant date	2.25	2.17	2.09	2.09	2.09
Total fair value (1,000 EUR)	562	455	121	556	175
Plan	2019B	2019C	2019D	2020A	
Maximum number of options	100,000	20,000	72,000	150,000	
Number of options issued	100,000	20,000	72,000	98,000	
Issued	2019	2019	2019	2020	
Vesting period	2019 - 2020	2019 - 2020	2019 - 2023	2020 - 2023	
Vesting condition	Employment	Employment	Employment	Employment	
Option subscription price	3.50	3.50	5.00	3.50	
Fair value at grant date	2,02-2,09	2.02	1.69	2.97	
Total fair value (1,000 EUR)	205	40	122	446	

The grant-date fair value of Optomed's all option programs 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 - 60 %
- the term of the option 1.3 - 3.7 years

Pieces	2021	2020
Outstanding at January 1	1,167,000	1,140,000
Granted during the year	14,000	98,000
Forfeited during the year	-17,000	
Exercised during the year	-309,100	-71,000
Expired during the year	-	-
Outstanding at December 31	854,900	1,167,000
Exercisable at December 31	672,900	740,000

Changes in outstanding share options

Weighted average option subscription price during the 2021 was 3.50€ for exercised options. Optomed average share price during the 2021 was 10.62€. In case the share options issued are fully exercised, the number of outstanding A shares will increase by 6.3 %. 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:

7. Other operating expenses

7.1 Accounting policy

Optomed's other operating expenses include:

In thousands of euro	2021	2020
Equity-settled share-based payments	-340	-406

- 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.

7.2 Breakdown of other operating expenses

Other operating expenses also comprise changes in expected credit losses and realised credit losses. More info about credit loss accrual in 21.4. Credit risk and counterparty risk

In thousands of euro	2021	2020
Travel expenses	-201	-222
Marketing expenses	-674	-422
IT expenses	-423	-353
Office expenses	-196	-168
Other administrative expenses	-866	-714
Research and development expenses	-412	-276
Credit loss accrual	-710	80
Other fixed expenses	-377	-292
Total	-3,858	-2,367

7.3 Auditor's fees

In thousands of euro	2021	2020
Audit fees	-120	-77
Tax advisory services	0	-23
Other services	-19	-29
Total	-139	-129

8. Depreciation, amortisation and impairment losses

8.1 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 12. Intangible assets and 13. Tangible assets.

8.2 Depreciation, amortisation and impairment losses by asset category

In thousands of euro	2021	2020
Intangible assets		
Development costs	-1,434	-1,014
Customer relationships	-222	-222
Technology	-102	-102
Other intangible assets	-221	-129
Total	-1,979	-1,467

In thousands of euro	2021	2020
Tangible assets		
Machinery and equipment	-390	-313
Total	-390	-313
Total depreciation and amortisation / owned assets	-1,779	-1,779

8.3 Impairment losses

The Group recognised impairment losses on intangible assets during financial year 2021 of 571 thousand euros and 160 in 2020. 2021 Impairment loss is due to terminated product development program. There were no recognised impairment losses on tangible assets during years 2020, 2021.

9. Finance income and expenses

The accounting policies for financial assets and financial liabilities are presented in Note 16. Financial assets and 19. Financial liabilities.

Recognised through profit or loss

9.1 Finance income

In thousands of euro	2021	2020
Foreign exchange gains	562	364
Interest income	17	8
Other finance income	137	81
Total	715	452

9.2 Finance expenses

In thousands of euro	2021	2020
Foreign exchange losses	-97	-466
Interest expenses	-101	-171
Other finance expenses	-64	-157
Total	-263	-794
Net finance expenses	453	-341

9.3 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 19. Financial liabilities. The capitalisation rate used to determine the amount of borrowing costs to be capitalised was 1 % for the years 2021-2020, being the interest rate applicable to those loans during the said annual periods. The capitalised costs amounted to EUR 20 thousand (2021) and EUR 14 thousand (2020), which were recorded as a deduction to interest expenses. Interest expenses in 2021, were affected by the Business Finland waived loan of 538 thousand EUR.

10. Income taxes

10.1 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.

10.2 Current tax

In thousands of euro	2021	2020
Current tax for the reporting year	0	0
Current tax adjustments for prior years	0	-9
Change in deferred taxes	78	80
	78	70

10.3 Reconciliation between income tax expense in profit or loss and tax expense calculated using the Finnish corporate tax rate

	2021	2020
Profit before income tax	-4,327	-3,247
Tax using the Finnish corporate tax rate (20 %)	865	649
Effect of tax rate in foreign jurisdictions	-2	12
Unrecognised deferred tax assets on taxable losses	-309	-261
Non-deductible expenses	-9	7
Share option expense	-68	-107
Depreciation and amortisation not deducted for tax purposes	-366	-249
Consolidation-related adjustments	-32	20
Taxes in the income statement	78	70

10.4 Income taxes recognised in other comprehensive income

During the years 2020-2021 the Group did not recognise any income taxes in other comprehensive income.

10.5 Movements in deferred tax asset and deferred tax liability balances

2021

In thousands of euro	At Jan 1, 2021	Business combinations	Recognised through profit or loss	Recognised in equity	Exchange differences and other changes	At Dec 31, 2021
Deferred tax assets						
Right-of-use assets	11	-	3	-	-	14
Total	11		3	-	-	14
Deferred tax liabilities						
PPA Intangible assets	-469	-	65	-	-	-404
Development costs	-70	-	12	-	-	-59
Total	-540	-	76	-	-	-463
Total deferred tax assets and deferred tax liabilities	-529	-	79	-	-	-450

2020

In thousands of euro	At Jan 1, 2020	Business combinations	Recognised through profit or loss	Recognised in equity	Exchange differences and other changes	At Dec 31, 2020
Deferred tax assets						
Right-of-use assets	8	-	3	-	-	11
Total	8		3	-	-	11
Deferred tax liabilities						
PPA Intangible assets	-534	-	65	-	-	-469
Development costs	-82	-	12	-	-	-70
Total	-616	-	76	-	-	-540
Total deferred tax assets and deferred tax liabilities	-608	-	76	-	-	-529

10.6 Group's tax losses and depreciation and amortisation not deducted for tax purposes

In thousands of euro	Dec 31, 2021	Dec 31, 2020
Tax losses approved by tax authorities	7,723	10,409
Depreciation and amortisation not deducted for tax purposes	6,532	4,702

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 2022-2030.

The depreciation and amortisation not deducted for tax purposes relate to Optomed Plc.

11. Loss per share

11.1 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 parent company
- by the weighted average number of ordinary shares outstanding during the financial year.

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 share-based incentive plans payable in shares.

11.2 Loss per share

	2021	2020
Loss attributable to owners of the parent company (in thousands of euro)	-4,249	-3,177
Weighted average number of shares outstanding during the financial year (pcs)	13,441,437	13,262,766
Basic loss per share (EUR/share)	-0.32	-0.24

Diluted loss per share is not presented, as the results for the financial years 2020 and 2021 were negative and thus the dilutive instruments would have an undilutive effect on loss per share.

12. Intangible assets

12.1 Accounting policy

The Group's intangible assets comprise the following: a) goodwill, b) development costs, c) customer relationships 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 12.3 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.

12.2 Assumptions and estimation uncertainties – development costs

Optomed capitalises development expenditure as an intangible asset where the related criteria are met (refer to 12.1 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.

In impairment testing the recoverable amount of development costs are determined based on value-in-use calculations. The calculations use cash flow projections approved by management covering a four-year period. Cash flows beyond the four-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 13.6% (13.6%) and the post-tax discount rate 11.2% (11.2%)

The sensitivity analysis is prepared in respect of the discount rate and the terminal growth rate applied beyond the four-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, 2021

- The pre-tax discount rate should increase by 28.1 percentage point.
- The terminal growth rate for break even cannot be measured.

Based on the impairment test carried out as at December 31, 2021 the development costs were not impaired..

12.3 Reconciliation of carrying amounts

At December 31, 2021

In thousands of euro	Goodwill	Develop- ment costs	Customer relationships	Technology	Other intangible assets	Total
Cost						
Balance at January 1	4,256	9,709	2,222	1,023	945	18,156
Additions	-	2,105	-	-	6	2,111
Balance at December 31	4,256	11,815	2,222	1,023	951	20,267
Accumulated amortisation and impairment losses						
Balance at January 1	-	-4,043	-614	-286	-461	-5,403
Amortisation	-	-952	-222	-102	-43	-1,408
Impairment losses	-	-482	-	-	-89	-571
Balance at December 31	-	-5,477	-836	-387	-593	-7,292
Carrying amount at Jan 1	4,256	5,667	1,608	738	485	12,753
Carrying amount at Dec 31	4,256	6,338	1,386	636	358	12,975

At December 31, 2020

In thousands of euro	Goodwill	Develop- ment costs	Customer relationships	Technology	Other intangible assets	Total
Cost						
Balance at January 1	4,256	8,246	2,222	1,023	859	16,606
Business combinations	-	-	-	-	-	-
Additions	-	1,463	-	-	86	1,549
Balance at December 31	4,256	9,709	2,222	1,023	945	18,156
Accumulated amortisation and impairment losses						
Balance at January 1	-	-3,029	-392	-184	-340	-3,945
Amortisation	-	-854	-222	-102	-121	-1,298
Impairment losses	-	-160	-	-	-	-160
Balance at December 31	-	-4,043	-614	-286	-461	-5,403
Carrying amount at Jan 1	4,256	5,218	1,829	840	519	12,662
Carrying amount at Dec 31	4,256	5,667	1,608	738	485	12,753

The research and development costs expensed amounted to EUR 2,284 thousand (2021) and EUR 1,659 thousand (2020), mainly comprising personnel expenses

12.4 Impairment testing of goodwill

12.4.1 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 recoverable 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.

12.4.2 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 7,754 thousand as at December 31, 2021, 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 13.6% (13.6%) and the post-tax discount rate 11.2% (11.2%).

The sensitivity 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, 2021:

- The pre-tax discount rate should increase by 15.5 percentage point.
- The terminal growth rate should decrease by 161.8 percentage point.

Based on the impairment test carried out as at December 31, 2021 the goodwill was not impaired.

13. Tangible assets

13.1 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.

13.2 Reconciliation of carrying amounts

	Machinery and equipment	
	2021	2020
Cost		
Balance at January 1	2,257	1,992
Additions	464	265
Balance at December 31	2,721	2,257
Accumulated depreciation and impairment losses		
Balance at January 1	-1,898	-1,585
Depreciation	-390	-313
Balance at December 31	-2,288	-1,898
Carrying amount at January 1	359	406
Carrying amount at December 31	433	359

Refer to Note 14. Leases for disclosures on Group's tangible assets acquired under lease agreements.

14. Leases

14.1 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.

14.2 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.

Optomed has re-negotiated its Oulu office lease during the 2021

In thousands of euro	2021	2020
Expense relating to leases of low-value assets ¹ (that are not short-term leases)	-3	-6
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)	-409	-394
Interest expense on lease liabilities (included in Finance expenses)	-35	-32

14.3 Amounts recognised in income statement

Total cash outflow for leases	-414	-390
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14.4 Amounts presented in cash flow statement

In thousands of euro	2021	2020
Additions to right-of-use assets	449	484
Depreciation charge for right-of-use assets	-409	-394
Carrying amount at the end of the financial year	1,205	1,165

14.5 Leased tangible assets

Leased tangible assets comprise business premises and are presented as a separate line item Right-of-use assets in the consolidated balance sheet.

In thousands of euro	2021	2020
Current	396	425
Non-current	818	782
Total	1,214	1,207

14.6 Lease liabilities

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 21.5 Liquidity risk.

15. Inventories

15.1 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	2021	2020
Raw materials and consumables	2,936	2,539
Total	2,936	2,539

Optomed has not recognised any impairment losses on inventories in the financial years 2020-2021.

16. Financial assets

16.1 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.

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 2019-2020.

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.

16.2 Carrying amounts - at amortised cost

Current financial assets

In thousands of euro	Note	2021	2020
Trade receivables			
Recourse factoring	21	740	131
Other trade receivables	21	2,917	2,509
Total trade receivables		3,658	2,641
Cash and cash equivalents		6,804	10,608
Total		10,462	13,249

The year 2021 include a specific credit risk accrual of EUR 715 thousand including overdue trade receivable from a Chinese customer. The Group had no non-current financial assets at the end of the financial years 2020-2021.

16.3 Cash and cash equivalents

In thousands of euro	2021	2020
Cash and bank accounts	6,804	10,608
Total	6,804	10,608

17. Other receivables

In thousands of euro	2021	2020
Prepayments and accrued income	807	762
Other	166	236
Total	973	998

18. Capital and reserves

18.1 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 de

liver 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.

18.2 Share capital and share series

18.2.1 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 80 thousand at December 31, 2021 and 80 thousand at December 31.12.2020 . The share capital consists of one share class.

The shares have no nominal value. All issued shares have been fully paid. Each share carries one vote.

18.2.2 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).

2021

	Pieces				In thousands of euro	
	A series		Total		Share capital	Reserve for invested non- restricted equity
At January 1, 2021	14,003,144			14,003,144	80	37,341
Additions to Reserve for Invested non-equity based on option subscription						1,055
At Dec 31, 2021	14,003,144			14,003,144	80	38,526

2020

	Pieces			In thousands of euro	
	A series		Total	Share capital	Reserve for invested non- restricted equity
At January 1, 2020	14,003,144		14,003,144	80	37,341
Additions to Reserve for Invested non-equity based on option subscription					129
At Dec 31, 2020	14,003,144		14,003,144	80	37,341

18.3 Treasury shares

18.3.1 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 total amount of treasury shares was 421 517 shares in the end of the financial year.

18.4 Dividends

18.4.1 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.

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.

18.5 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.

18.6 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. 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 based on the related terms of the borrowings, refer to 19.4 Financial covenant for more details.

19. Financial liabilities

19.1 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 2019-2020, and the Group had no other financial liabilities at fair value through profit or loss at the end of financial years 2019-2020.

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.

19.2 Financial liabilities measured at amortised cost

In thousands of euro	2021	2020
Non-current financial liabilities		
Borrowings from financial institutions	3,813	3,520
Government loans	1,940	2,670
Lease liabilities	818	782
Total	6,571	6,972
Current financial liabilities		
Borrowings from financial institutions	1,071	0
Government loans	193	328
Lease liabilities	396	425
Trade payables	944	595
Total	2,604	1,348
Total financial liabilities	8,320	8,320

The company mortgages related to the borrowings from financial institutions are disclosed in Note 22. Contingent assets, contingent liabilities and commitments.

19.3 Changes in financial liabilities

In the financial year 2021 the Group adjusted the repayment schedule for borrowings from financial institutions and negotiated new loan from Nordea.

19.4 Financial covenant

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 4,524 thousand (at December 31, 2021) and EUR 3,524 thousand (at December 31, 2020). 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 2020-2021. For covenant

	Covenant term	Actual ratio	Applicable level
Nordea loan			
At December 31, 2021			
Equity ratio	50 %	56.44 %	Optomed Group
Cash amount	2 million	6,8 million	Optomed Group
At december 31. 2022 and thereafter			
EBITDA	0		Optomed Group
OP loan			
Equity ratio			
At December 31, 2021	35 %	59.04 %	Optomed Group
At December 31, 2020	25 %	69.03 %	Optomed Group

accounting purposes equity ratio is calculated Covenant accounting purposes equity ratio is calculated, based on the related terms of the borrowings.

Nordea loan equity ratio calculation formula: Adjusted equity/Balance sheet total+ Leasing liabilities

OP loan equity ratio calculation formula: Adjusted equity/Balance sheet total-received advances

Optomed was in compliance with the covenant as at December 31, 2020 and as at December 31, 2021.

19.5 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 9.3 Borrowing costs - government loans.

19.6 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 hierarchy 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.

20. Other payables

In thousands of euro	2021	2020
Accrued expenses and prepaid income	1,580	1,494
Other	726	646
Total	2,306	2,141

21. Financial risk management

21.1 Principles of financial risk management

Optomed's financial risks consist of liquidity risk, interest rate risk, foreign exchange transaction risk, foreign 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.

21.2 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.

21.2.1 Currency risk exposure

In thousands of euro	USD	CNY
At December 31, 2021		
Gross trade receivables	268	2,382
Trade payables	335	0
Total	603	2,382
At December 31, 2020		
Gross trade receivables	15	1,352
Trade payables	163	0
Total	178	1,352

21.2.2 Sensitivity analysis on exchange rate movements

In thousands of euro	Income statement	
	strengthening	weakening
At December 31, 2021		
Gross trade receivables		
+/- 10 % change in USD	27	-27
+/- 10 % change in CNY	238	-238
Trade payables		
+/- 10 % change in USD	-34	33
+/- 10 % change in CNY	0	0
Total net effect	231	-231
In thousands of euro	strengthening	
	strengthening	weakening
At December 31, 2020		
Gross trade receivables		
+/- 10 % change in USD	2	-2
+/- 10 % change in CNY	135	-135
Trade payables		
+/- 10 % change in USD	-16	16
+/- 10 % change in CNY	0	0
Total net effect	121	-121

21.2.3 Average rates and closing rates for financial years used in consolidated financial statements

	Average rate	Closing rate	Average rate	Closing rate
	2021	2021	2020	2020
EUR/USD	0.85	0.88	0.86	0.81
EUR/CNY	0.13	0.14	0.13	0.12

21.3 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 7,017 thousand (at December 31, 2021) and EUR 6,518 thousand (at December 31, 2020). Those liabilities are linked to Euribor rates (0 to 12 months). The weighted average interest rate was 1.0 % (2021) and 0.5 % (2020).

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) percentage points – is excluded from the sensitivity analysis, as the reference rate cannot be negative.

21.3.1 Cash flow sensitivity due to interest rates

In thousands of euro	Income Statement	
	100 bps increase	300 bps increase
At December 31, 2021		
Borrowings from financial institutions	43	
Government loans		70
At December 31, 2020		
Borrowings from financial institutions	45	
Government loans		99

21.4. 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 heightened risk regarding Chinese customer's trade receivables. The credit risk concentration has been formed and is associated with an increased credit loss risk due to overdue trade receivables.

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 liquidity. 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.

21.4.1 Credit exposure per geographical area

In thousands of euro	Carrying amount	
	2021	2020
Gross trade receivables from companies		
Finland	913	912
China	2,382	1,352
Other	349	377
Total	3,644	2,641

21.4.2 Exposure to credit risk and loss allowance

In thousands of euro	Gross carrying amount	Weighted av. loss rate %	Loss allowance
At December 31, 2021			
Current (not past due)	1,143	0.5 %	6
Past due			
1-30 days	67	1.5 %	1
31-60 days	10	4 %	0
61-90 days	2	9 %	0
More than 90 days past due	40	12 %	5
<i>Specific loss allowance</i>	<i>2,382</i>	<i>30 %</i>	<i>715</i>
Total	3,644		727

The year 2021 include a specific credit risk accrual of EUR 715 thousand which consist of overdue trade receivable from a Chinese customer.

At December 31, 2020			
Current (not past due)	2,290	0.5 %	11
Past due			
1-30 days	181	1.5 %	3
31-60 days	48	4 %	2
61-90 days	3	9 %	0
More than 90 days past due	3	12 %	0
Total	2,525		17

21.4.3 Reconciliation of loss allowance

In thousands of euro	2021	2020
Balance at January 1	16	81
Amounts written off	0	-9
Net remeasurement of loss allowance	711	-56
Balance at December 31	727	16

Changes in expected credit losses and realised credit losses are recognised in the income statement under Other operating expenses.

21.4.4 Recourse factoring (insured receivables)

In thousands of euro	2021	2020
Carrying amount at December 31		
Trade receivables, recourse factoring	740	131
Total	740	131

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 insurance, receivables do not include significant credit risk and consequently those trade receivables are excluded from expected credit losses (ECL) accounting.

21.5 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 forecasted 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.

21.5.1 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, 2021						
Borrowings from financial institutions	4,538	917	529	2,410	683	-
Government loans	2,132	32	161	666	623	651
Lease liabilities	1,214	108	325	781	-	-
Trade payables	944	944	-	-	-	-
Total	8,829	2,001	1,015	3,856	1,306	651
In thousands of euro	Total	0-3 months	3-12 months	2-3 years	4-5 years	Over 5 years
At December 31, 2020						
Borrowings from financial institutions	3,524	-	-	1,762	1,762	-
Government loans	2,998	166	161	991	948	732
Lease liabilities	1,207	106	319	782	-	-
Trade payables	595	595	-	-	-	-
Total	8,324	868	479	3,535	2,710	732

If the covenants are breached, the financial institutions 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. For more details about covenant terms refer to 19.4.Financial covenant

In 2021 Optomed changed repayment programs and the changes affect the

future payments. The loan periods were extended and 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 19.4 Financial covenant). The borrowings can be renegotiated.

22. Contingent liabilities, contingent assets and commitments

22.1 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.

22.2 Collaterals

In thousands of euro	2021	2020
Liabilities secured under company mortgages given by Optomed¹		
Borrowings from financial institutions, current	705	328
Borrowings from financial institutions, non-current	5,952	6,194
Total	6,657	6,522
Collaterals given by collateral type		
Borrowings from financial institutions, company mortgages given	8,700	8,700
Other collaterals given	800	800
Total	9,500	9,500

1 Nominal values of the borrowings, which differ from the amounts recognised in the consolidated balance sheet, measured at amortised cost.

22.3 Guarantees

2021

Delivery guarantee, Fabrinet Pte Ltd. USD 800 thousand

2020

Delivery guarantee, Fabrinet Pte Ltd. USD 800 thousand

22.4 Legal proceedings and disputes

Optomed was not involved in any legal proceedings nor had any disputes during the financial years 2020-2021.

22.5 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.

23. Related party disclosures

23.1 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

The related party transactions disclosed consist of transactions carried out with related parties that are not eliminated in the consolidated financial statements.

23.2 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. 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.

In thousands of euro	2021	2020
CEO Seppo Kopsala		
Salaries and other short-term employee benefits	-128	-144
Pension benefits (defined contribution plans)	-26	-28
Share-based payments	0	0
Total	-154	-172
In thousands of euro	2021	2020
Group Management Team		
Salaries and other short-term employee benefits	-649	-731
Pension benefits (defined contribution plans)	-142	-157
Share-based payments	-194	-249
Total	-984	-1,137
In thousands of euro	2021	2020
Key management personnel		
Salaries and other short-term employee benefits	-777	-876
Pension benefits (defined contribution plans)	-168	-185
Share-based payments	-194	-249
Total	-1,139	-1,310

23.3 Transactions with other related parties and outstanding balances

Revenues and trade receivables relate to the major shareholders of Optomed Plc considered to be related parties to the parent company.

In thousands of euro	Revenues	Trade receivables	Other expenses
2021	1,704	2,382	-87
2020	2,685	1,389	-103

Other expenses consist of expenses consulting fees paid to the Chairman of the Board of Directors.

23.4 Group structure

At December 31, 2021 the Group comprised the following companies:
The Chinese subsidiary Optomed Medical Consulting (Shanghai) Co. Ltd was closed in early 2020. Optomed Usa Inc was founded early 2020.

Subsidiary	Domicile	Ownership interest, %
Optomed Software Oy	Finland	100
Optomed Hong Kong Ltd.	Hong Kong	100
Optomed China Ltd	China	100
Shanghai Optomed Medical Technology Ltd	China	100
Optomed USA Inc	USA	100

24. Events after the end of the reporting period

On 25 January 2022, Optomed announced the proposal of the Nomination Board to the next Annual General Meeting. The Nomination Board proposed that Simon Guo, Seppo Mäkinen, Petri Salonen, Reijo Tauriainen and Anna Tenstam are re-elected as Board members.

On 7 February 2022, Optomed announced the results from the prospective, multi-center clinical trial intended to assess its handheld fundus camera Aurora together with AEYE Health's AI for autonomous detection of more than mild diabetic retinopathy (mtmDR). Among patients positive for mtmDR, the combined product, Aurora AEYE detected 91,9 percent (sensitivity), while patients without the eye disease were correctly identified 93,6 percent of the time (specificity). The observed imageability was over 99 percent.

Parent Company's Financial Statements

Profit and loss account

	1 Jan - 31 Dec 2021		1 Jan - 31 Dec 2020	
NET TURNOVER		5,561,041.66		4,228,777.54
Other operating income		910,168.23		160,731.26
Materials and supplies				
Raw materials and consumables				
Purchases during the financial year	-2,827,812.64		-2,163,549.24	
Change in stocks	5,991.43		-22,069.61	
External services	-17,000.00	-2,838,821.21	0.00	-2,185,618.85
Personnel expenses				
Wages and salaries	-2,824,235.13		-2,352,188.27	
Social security expenses				
Pension expenses	-483,314.38		-392,853.96	
Other social security expenses	-82,825.58	-3,390,375.09	-103,472.20	-2,848,514.43
Depreciation, amortisation and impairment				
Depreciation and amortisation according to plan	-1,741,311.16	-1,741,311.16	-1,246,801.50	-1,246,801.50
Other operating expenses		-2,212,452.82		-1,724,644.28
OPERATING PROFIT (LOSS)		-3,711,750.39		-3,616,070.26
Financial income and expenses				
From others			7,439.81	
Interest expense and other financial expenses	30,339.09			
To group undertakings (-)			-12,980.16	
To others (-)	-8,195.46	22,143.63	-220,621.64	-226,161.99
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		-3,689,606.76		-3,842,232.25
Appropriations				
Group contribution	1,481,140.58	1,481,140.58	1,699,561.34	1,699,561.34
PROFIT (LOSS) FOR THE FINANCIAL YEAR		-2,208,466.18		-2,142,670.91

Balance sheet

	31 Dec 2021		31 Dec 2020	
Assets				
NON-CURRENT ASSETS				
Intangible assets				
Development expenditure	5,824,053.57		5,378,568.98	
Intangible rights	337,429.48		298,350.18	
Other capitalised long-term expenditure	85,345.62	6,246,828.67	130,135.98	5,807,055.14
Tangible assets				
Machinery and equipment	422,276.15		397,895.02	
Other tangible assets	950	423,226.15	950.00	398,845.02
Investments				
Holdings in group undertakings	9,266,906.46		9,266,906.46	
Receivables from group undertakings	1,052,545.19	10,319,451.65	1,003,875.27	10,270,781.73
TOTAL NON-CURRENT ASSETS		16,989,506.47		16,476,681.89
CURRENT ASSETS				
Stocks				
Raw materials and consumables	1,246,088.59		1,186,165.07	
Finished products / goods for resale	1,257,619.06	2,503,707.65	1,132,020.27	2,318,185.34
Long-term receivables				
Amounts owed by group undertakings	441,462.13	441,462.13	81,492.95	81,492.95
Short-term receivables				
Trade debtors	7,303,117.00		5,083,426.44	
Amounts owed by group undertakings	38,794.47		730,117.05	
Other receivables	95,473.16		201,783.07	
Prepayments and accrued income	524,444.50	7,961,829.13	342,625.71	6,357,952.27
Cash at bank and in hand		5,363,730.98		7,985,918.68
TOTAL CURRENT ASSETS		16,270,729.89		16,743,549.24
Total assets		33,260,236.36		33,220,231.13

Balance sheet

	31 Dec 2021		31 Dec 2020	
Capital, reserves and liabilities				
CAPITAL AND RESERVES				
Share capital		80,000.00		80,000.00
Share premium account		503,699.60		503,699.60
Reserve for invested free own capital		42,439,622.44		41,384,281.85
Retained earnings (Cumulative loss)		-16,562,813.54		-14,420,142.63
Profit (loss) for the financial year		-2,208,466.18		-2,142,670.91
TOTAL CAPITAL AND RESERVES		24,252,042.32		25,405,167.91
LIABILITIES				
Non-current				
Loans from credit institutions	5,759,319.80		6,194,905.28	
Amounts owed to group undertakings	490,000.00	6,249,319.80	0.00	6,194,905.28
Current				
Loans from credit institutions	1,264,051.72		327,583.21	
Advances received	57,497.67		39,386.50	
Trade creditors	633,237.57		444,594.45	
Amounts owed to group undertakings	299.44		0.00	
Other liabilities	83,402.39		86,498.53	
Accruals and deferred income	720,385.45	2,758,874.24	722,095.25	1,620,157.94
TOTAL LIABILITIES		9,008,194.04		7,815,063.22
Total capital, reserves and liabilities		33,260,236.36		33,220,231.13

Cash flow statement - indirect

	1 Jan 2021–31 Dec 2021	1 Jan 2020–31 Dec 2020
Cash flow from operating activities:		
Profit(loss) (+/-)	-2,208,466.18	-2,142,670.91
Adjustments to operating profit (+/-) for:		
Depreciation according to plan	1,741,311.16	1,246,801.50
Unrealised foreign exchange gains and losses	-136,514.38	49,178.43
Financial income and expenses	114,370.74	176,983.56
Other adjustments, share benefit - members of the board	43,140.59	37,564.74
Cash flow before working capital changes	-446,158.07	-632,142.68
Working capital changes:		
Increase/decrease in trade and other short-term interest-free receivables	-1,963,846.04	-67,932.97
Increase/decrease in stocks	-185,522.31	-74,898.85
Increase/decrease in short-term interest-free liabilities	-200,007.82	-2,556,530.08
Operating cash flow before financing items and taxes	-2,795,534.24	-3,331,504.58
Interest and other financial expenses paid relating to operating activities (-)	-144,023.85	-216,764.89
Interest received relating to operating activities	30,339.09	7,439.81
Cash flow from operating activities:	-2,909,219.00	-3,540,829.66
Cash flow from investing activities:		
Purchase of tangible and intangible items (-)	-2,205,465.82	-1,536,727.35
Purchase of investments (-)	0.00	-184,043.43
Proceeds from repayment of loans	-48,669.92	29,707.20
Cash flow from investing activities	-2,254,135.74	-1,691,063.58
Cash flow from financing activities		
Proceeds from issuance of share capital	1,012,200.00	91,700.00
Proceeds from short-term borrowings	366,100.04	0.00
Repayment of short-term borrowings (-)	0.00	-1,529,857.24
Repayment of long-term borrowings (-)	-327,133.00	-3,287,858.40
Cash flow from financing activities	2,541,167.04	-4,726,015.64
Net increase (+)/ decrease (-) in cash and cash equivalents	-2,622,187.70	-9,957,908.88
Cash and cash equivalents at beginning of period	7,985,918.68	17,943,827.56
Cash and cash equivalents at end of period	5,363,730.98	7,985,918.68

Accounting policies

Optomed Oyj financial statements have been prepared in accordance with the Finnish Accounting Act (FAS)

Valuation principles and methods

Valuation principles and methods of non-current assets

Tangible and intangible assets are recognised in the balance sheet at cost less depreciation according to plan. Cost includes variable expenditure relating to the acquisition and production of the assets. Grants received are deducted from the cost. Depreciation according to plan is calculated using the straight-line method based on the useful life of the assets. Depreciation is started at the month when the asset is taken into use.

The depreciation periods are as follows: Intangible assets 5-10 years
Machinery and equipment 3–6 years

The cost of tangible and intangible assets whose probable useful life is less than 3 years or whose value is low (less than 850.00 €) is recognised as an expense as incurred expense.

Valuation of stocks

Stocks are recognised by using the FIFO method at cost, reacquisition cost, or probable selling price, whichever lower. Cost includes, in addition to variable costs, an appropriate portion of fixed costs attributable to the purchase and production or construction of the asset.

Recognition of development costs and long-term expenditure

Company has capitalized R&D costs relating to new product development according to Finnish Accounting Act (KPL 5:8§). Capitalized costs include personnel and other costs that directly relate to developing the product to its intended use. Capitalized R&D costs are depreciated during their estimated useful life that is 10 year straight line depreciation.

Change in the presentation of the profit and loss account or balance sheet

Increase or decrease in stocks is partly included in the purchases during financial year. This accounting principle has no material effect to the assessment of the company's performance and financial position.

Preparation of the cash flow statement

The cash flow statement was drawn up in accordance with the Accounting Board's general guideline (30 Jan 2007). Cash flow from operating activities is indicated on indirect method.

Notes to the profit and loss account

	1 Jan 2021–31 Dec 2021	1 Jan 2020–31 Dec 2020
Net turnover		
Net turnover by geographical markets		
Finland	23,487.00	16,000.00
EU	1,047,993.00	550,488.95
Outside the EU	4,489,561.66	3,662,288.59
	5,561,041.66	4,228,777.54
Other operating income		
Contributions received	806,875.70	100,000.00
Management fee from group companies	100,410.03	59,086.23
Other income	2,882.50	1,645.03
	910,168.23	160,731.26
The company's other operating income of EUR 807 thousand includes a waived loan from Business Finland of EUR 538 thousand related to a terminated product development project.		
Materials and services		
Materials and supplies		
Purchases during the financial year	-2,827,812.64	-2,163,549.24
Variation in stocks	5,991.43	-22,069.61
External services	-17,000.00	0.00
	-2,838,821.21	-2,185,618.85
Notes relating to personnel		
Average number of personnel during the financial year	54.54	53.08
	54.54	53.08
Wages, salaries and pension expenses		
Wages and salaries	-2,824,235.13	-2,352,188.27
Pension expenses	-483,314.38	-392,853.96
Other staff expenses	-82,825.58	-103,472.20
	-3,390,375.09	-2,848,514.43
Wages, salaries and other remuneration of directors and management		
CEO and Board members compensation	-264,315.00	-316,942.80
Depreciation, amortisation and impairment		
Depreciation according to plan	1,741,311.16	1,246,801.50
	1,741,311.16	1,246,801.50

	1 Jan 2021–31 Dec 2021	1 Jan 2020–31 Dec 2020
Other operating expenses		
Administrative expenses	-497,879.90	-366,962.37
Marketing expenses	-95,276.01	-115,252.30
Travelling expenses	-73,903.18	-82,386.98
Representation expenses	-1,830.71	-1,380.93
Other operating expenses	-1,543,563.02	-1,158,661.70
	-2,212,452.82	-1,724,644.28
Auditor's fees		
Audit of financial statements	-88,470.75	-55,961.00
Tax consulting	0.00	-21,500.00
Other fees	-25,938.00	-90,735.00
	-114,408.75	-168,196.00
Financial income and expenses		
Other interest income		
From others	30,339.09	7,439.81
Total interest income	30,339.09	7,439.81
Total financial income	30,339.09	7,439.81
Interest and financial expenses		
Group undertakings	-299.44	-12,980.16
Others	-7,896.01	-220,621.66
Total interest and financial expenses	-8,195.45	-233,601.82
Other financial expenses of financial year 2019 include costs related to listing total of 3 917 991,86 euros.		
Total financial expenses	-8,195.45	-233,601.82
Total financial income and expenses	22,143.64	-226,162.01

Notes to assets

Amortisation period for capitalised development expenditure

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.

Amortisation period for capitalised intangible rights and other long-term expenditure

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. Depreciation times and methods of other intangible assets are:

License fees and computer software	5 year straight-line
Patents	10 year straight-line
Trademarks	10 year straight-line

Stocks	31 Dec 2021	31 Dec 2020
Raw materials and consumables	1,246,088.59	1,186,165.07
Finished products / goods for resale	1,257,619.06	1,132,020.27
	2,503,707.65	2,318,185.34

Non-current assets

	Development expenditure	Intangible rights	Other longterm expenditure	Total
Acquisition cost at 1 Jan 2021	9,244,660.74	455,016.81	229,641.63	9,929,319.18
Additions	1,847,385.32	89,382.94	0.00	1,936,768.26
Disposals	-481,779.01	0.00	0.00	-481,779.01
Acquisition cost at 31 Dec 2021	10,610,267.05	544,399.75	229,641.63	11,384,308.43
Accumulated amortisation and reduction in value at 1 Jan 2021	3,866,091.76	156,666.63	99,505.65	4,122,264.04
Amortisation for the financial year	920,121.72	50,303.64	44,790.36	1,015,215.72
Accumulated amortisation and reduction in value at 31 Dec 2021	4,786,213.48	206,970.27	144,296.01	5,137,479.76
Book value at 31 Dec 2021	5,824,053.57	337,429.48	85,345.62	6,246,828.67
Book value at 31 Dec 2020	5,378,568.98	298,350.18	130,135.98	5,807,055.14

Tangible assets	Machinery and equipment	Total
Acquisition cost at 1 Jan 2021	1,354,905.57	1,354,905.57
Additions	268,697.56	268,697.56
Acquisition cost at 31 Dec 2021	1,623,603.13	1,623,603.13
Accumulated amortisation and reduction in value at 1 Jan 2021	957,010.56	957,010.56
Amortisation for the financial year	244,316.43	244,316.43
Accumulated amortisation and reduction in value at 31 Dec 2021	1,201,326.99	1,201,326.99
Book value 31 Dec 2021	422,276.14	422,276.14
Book value 31 Dec 2020	397,895.01	397,895.01
Book value of machinery and equipment used for production at 31 Dec 2021	288,184.10	
Book value of machinery and equipment used for production at 31 Dec 2020	315,271.71	

Investments	Shares in group companies	Receivables from group companies	Total
Acquisition cost at 1 Jan 2021	9,266,906.46	1,085,368.22	10,352,274.68
Additions	0.00	-32,823.03	-32,823.03
Acquisition cost at 31 Dec 2021	9,266,906.46	1,052,545.19	10,319,451.65
Book value 31 Dec 2021	9,266,906.46	1,052,545.19	10,319,451.65
Book value 31 Dec 2020	9,266,906.46	1,085,368.22	10,352,274.68

Holdings in other undertakings

Group undertakings	Ownership %
Optomed Software Oy, Espoo	100
Optomed Hong Kong Limited, China	100
Optomed China Ltd, China	100
Shanghai Optomed Medical Technology Ltd	100
Optomed USA Inc	100

Analysis of receivables

Long-term receivables	31 Dec 2021	31 Dec 2020
From group undertakings		
Loans receivable	1,052,206.30	681,212.49
Other receivables	441,801.02	404,155.73
Total	1,494,007.32	1,085,368.22
Total long-term receivables	1,494,007.32	1,085,368.22
Short-term receivables		
From group undertakings		
Trade debtors	5,314,920.08	4,681,323.60
Other receivables	38,794.47	811,610.00
Total	5,353,714.55	5,492,933.60
From others		
Trade debtors	1,988,196.92	402,102.84
Other receivables	95,473.16	201,783.07
Prepayments and accrued income	524,444.50	342,625.71
Total	2,608,114.58	946,511.62
Total short-term receivables	7,961,829.13	6,439,445.22

Capital and reserves

Restricted equity	31 Dec 2021	31 Dec 2020
Subscribed capital at 1 January	80,000.00	80,000.00
Share issue	0.00	0.00
Subscribed capital at 31 December	80,000.00	80,000.00
Share premium account at 1 January	503,699.60	503,699.60
Reduction of share premium account	0.00	0.00
Share premium account at 31 December	503,699.60	503,699.60
Total restricted equity	583,699.60	583,699.60
Unrestricted equity		
Reserve for invested unrestricted equity at 1 January	41,384,281.85	41,255,042.75
Share issue	1,055,340.59	129,239.10
Reserve for invested unrestricted equity at 31 December	42,439,622.44	41,384,281.85
Retained earnings from previous financial years at 1 January	-16,562,813.54	-14,420,142.63
Retained earnings from previous financial years 31 December	-16,562,813.54	-14,420,142.63
Profit for the financial year	-2,208,466.18	-2,142,670.91
Total unrestricted equity	23,668,342.72	24,821,468.31
Total capital and reserves	24,252,042.32	25,405,167.91

	31 Dec 2021	31 Dec 2020
Distributable equity		
Calculation regarding distributable equity		
Profit from previous financial years	-16,562,813.54	-14,420,142.63
Profit of the financial year	-2,208,466.18	-2,142,670.91
Reserve for invested unrestricted equity	42,439,622.44	41,384,281.85
Capitalised development expenditure	-5,824,053.57	-5,378,568.98
	17,844,289.15	19,442,899.33

Optomed's share treasury

Optomed has conveyed 2,461 treasury shares to the members of the Board of Directors as a part of the Board members' annual remuneration in accordance with the decision of the Annual General Meeting 2021.

In addition total of 316,400 of shares have been subscribed for under the Company's stock option plans 2009A, 2015, 2017 2017B and 2018C and

Optomed has used treasury shares for the share subscriptions.

The total amount of treasury shares was 421 517 shares in the end of the financial year.

Liabilities

Appropriations	31 Dec 2021	31 Dec 2020
Non-current liabilities		
Loans from financial institutions	5,759,319.80	6,194,905.28
Other non-current liabilities	490,000.00	0.00
	6,249,319.80	6,194,905.28
Liabilities falling due later than in five years		
Loans from financial institutions	651,168.00	527,882.00
	651,168.00	527,882.00
Current liabilities		
Amounts owed to group undertakings		
Other liabilities	299.44	0.00
	299.44	0.00
Amounts owed to others		
Loans from financial institutions	1,264,051.72	327,583.21
Advances received	57,497.67	39,386.50
Trade creditors	633,237.57	444,594.47
Other liabilities	83,402.39	86,498.53
Accruals and deferred income	720,385.45	722,095.25
	2,758,874.24	1,620,157.96
Material items included in accruals and deferred income		
Wages and salaries including social security costs	632,868.15	636,192.64
Interest	14,472.27	14,085.72
Other	73,045.03	71,816.89
	720,385.45	722,095.25

Related party transactions

The following material transactions were carried out with related parties during the financial period:

	31 Dec 2021	31 Dec 2020
Sale of goods, group companies	1,083,473.72	1,655,184.00
Other operating income, group companies	100,410.03	59,086.23
Purchases, group companies	-521,747.43	-841,351.56
Interests of loans, group companies	-29.44	-12,980.16
Total	662,106.88	859,938.51

The transactions between group companies are carried out with regular terms. Parent company has also received a group contribution of 1,481,140.58€.

Guarantees and contingent liabilities

Liabilities in balance sheet secured by enterprise mortgages	31 Dec 2021	31 Dec 2020
Loans from financial institution	4,524,445.24	3,524,445.28
Enterprise mortgages	8,700,000.00	8,700,000.00
Enterprise mortgages, total	8,700,000.00	8,700,000.00

Pension obligations

The company's pension obligations are insured in external pension insurance companies. The pension obligations are fully covered.

Other commitments	31 Dec 2021	31 Dec 2020
Rental commitments (Inc. VAT)		
Payble during the following financial year	210,890.52	105,999.60
Payable in later years	87,871.05	0.00
Total	298,761.57	105,999.60
Amounts payable based on lease contracts (Inc.VAT)		
Payble during the following financial year	935.99	935.95
	935.99	935.95

Other off-balance-sheet financial commitments

Company has off-balance sheet commitment to enterprice resource planning system licence fees total of 93,963.91 euros.

Company has delivery guarantee to Fabrinet Pte Ltd, 800.000,00 USD

Collateralised loans include covenants. The specific terms relate to the company's solvency and liquidity. Breaching the covenants may increase the cost of financing or result in termination of the loans. The management of the company states that the covenants are met and they are being monitored.

Signatures to the Financial Statements and Board of Director's Report

Espoo, February 16, 2022

Petri Salonen
Chairman of the Board

Anna Tenstam
Board Member

Seppo Mäkinen
Board Member

Xisi Guo
Board Member

Reijo Tauriainen
Board Member

Seppo Kopsala
CEO

The Auditor's Note

A report on the audit performed has been issued today. Oulu, February 17, 2022

KPMG Oy Ab

Tapio Raappana
Authorised Public Accountant, KHT

Auditor's Report



This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Optomed Oyj Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Optomed Oyj (Finnish business identity code 1936446-1) for the year ended 31 December 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the 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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7.3 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



KPMG Oy Ab, a Finnish limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article

10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The Key Audit Matter

How the Matter was Addressed in the Audit

Goodwill (Basis of Preparation for the consolidated financial statements and Note 12.4 to the Financial Statements)

— The carrying amount of goodwill in the consolidated financial statements amounted to EUR 4,256 thousand as at December 31, 2021, accounting for 15 % of the total assets and 25 % of total balance of equity and reserves.

— Goodwill is tested for impairment by the management annually or more frequently. Impairment is recorded in case the carrying amount exceeds the asset's recoverable amount.

— For purposes of impairment testing, the recoverable amount is determined by Optomed based on value in use. The projected cash flows underlying the estimates made involve an element of management judgment regarding profitability of operations, long-term growth factors and interest rates applicable to the discounting of cash flows.

— Resulting from management judgment underlying estimates and the significance of the book value of goodwill, the valuation of goodwill is perceived as a key audit matter.

Our audit measures included, among others:

— We have assessed the key assumptions made by the management such as profitability of operations, interest rates and long-term growth factors. In the course of our audit of the estimates we have assessed the projections prepared by management in comparison with realized cash flows and employed professional judgment in the testing of key assumptions and their effect on sensitivity analyses.

— We involved KPMG's valuation specialists in the audit for assessment of the appropriateness of the assumptions employed and the technical integrity of the calculations. The procedures have included a comparison to general market and industry-specific forecasts.

— In addition, we assessed the appropriate presentation of notes to the accounts relating to goodwill and impairment testing in the consolidated financial statements.

Revenue recognition and trade receivables (Basis of Preparation for the consolidated financial statements and Notes 3, 16.2 and 21.4 to the Financial Statements)

— The net sales for the Group, total EUR 14,085 thousand, is comprised of sales of medical screening devices and solutions to wholesale dealers and of sales of software services.

— Optomed recognises revenue to reflect the transfer of negotiated goods or services to customers in the amount of compensation Optomed expects to be entitled to in exchange of the goods and services.

— The sales revenue from sales of screening devices and solutions are recognized when the performance obligation is fulfilled by the delivery of good to wholesale dealer and control is transferred to customer.

— For the sales of software services, revenue is recognized over a period of time; for licensing agreements, at a point of time as control is transferred to customer; and for installation solutions, at the point of time as control is transferred and the end product is at the customer's disposal.

— Optomed has a significant amount of trade receivables, EUR 3,958 thousand, which consist of resource factoring receivables and normal trade receivables with payment time of different lengths. There is always a credit risk in trade receivables, which is increased by a significant amount of overdue trade receivables, as in Note 21.4 is described. The significant expiry of trade receivables is a reference of increased credit risk and loss allowance.

— Group recognises all trade receivables 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.

— Optomed has evaluated the expected credit loss related to overdue trade receivables and recognized a loss allowance of EUR 715 thousand on an individual basis.

— Following the variety of types of sales proceeds collected by the Group and the significant amount of overdue trade receivables and related credit loss risk, revenue recognition and trade receivables are perceived as a key audit matter.

Our audit measures included, among others:

— Our audit measures have included the assessment of internal control environment monitoring sales processes and overdue trade receivables and testing of effectiveness of key sales controls identified. Additionally, we have performed substantive audit measures on net sales recorded.

— We have tested the recording of sales transactions as well as the function of recording and invoicing of sales transactions and evaluated the correctness of sales proceeds by testing the accrual of sales between periods.

— We have performed substantive audit procedures for trade receivables in the consolidated financial statements to evaluate the valuation of trade receivables.

— We have evaluated the reasonability of estimates related to valuation of trade receivables, especially regarding overdue trade receivables.

— In addition, we assessed the appropriate presentation of notes to the accounts relating to sales revenue and trade receivables recognized in the consolidated financial statements.

Capitalized development expense (Basis of Preparation for the consolidated financial statements and Note 12.2 to the Financial Statements)

The development of screening devices is a key part of Optomed Group operating model. It takes lot of development work before launching the products. Optomed capitalizes such costs when all the financial statement regulation criteria are met and those will generate probable future economic benefits. The carrying amount of capitalized development expense in the consolidated financial statements amounted to EUR 6,338 thousand as at December 31, 2021

- Optomed capitalizes development expenditure as an intangible asset where all the related criteria mentioned in basis of preparation are met.
- This requires management to make judgement on when all of the criteria for capitalization are met and when to cease capitalization and start amortising the asset.
- The carrying amount of capitalized development expense is depreciated as a straight-line depreciation over 10 years of economic life and consequently the capitalized expense has a significant impact on the company's level of operating profit.
- Following from the element of management judgment in the capitalized development expense and the related depreciations, the significance of book value of the asset and the effect on the result of operations, the correctness of capitalized development expense is perceived as a key audit matter.

Our audit measures included, among others:

- Our audit measures have included the assessment of internal control environment monitoring capitalization of development expense processes. We have assessed if the capitalized development expenses in the financial period have met all the criteria.
- We have assessed the appropriateness of the principles related to capitalization, valuation and the write-off period of those development expense.
- We have assessed the judgements and assumptions made by the management decisions related to capitalization, cease capitalization and amortising the asset.
- We have tested the correctness of capitalized screening device development expense by sample tests and analytical substantive audit measures.
- We have assessed the appropriateness of valuation of capitalized development expense and the depreciation period by reviewing the profit projections of most significant projects and the technical integrity of the calculations and employed professional judgment in the testing of key assumptions and their effect on sensitivity analyses.
- We involved KPMG's valuation specialists in the audit for assessment of the appropriateness of the assumptions employed and the technical integrity of the calculations.
- In addition, we assessed the appropriate presentation of notes to the accounts relating to capitalized development expense.



Responsibilities of the Board of Directors and the Managing Director for the 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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a 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 parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 parent company's or 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 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 parent company or the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 11 May 2016, and our appointment represents a total period of uninterrupted engagement of 6 years. Optomed Oyj has become a Public Interest Entity 5 December 2019 and we have been auditors all that time.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include



Optomed Oyj Auditor's Report 17 February 2022

the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Oulu 17 February 2022
KPMG OY AB

TAPIO RAAPPANA
Authorised Public Accountant, KHT



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This is voluntary published pdf report, so it does not fulfill the disclosure obligation pursuant to Section 7:5§ of the Securities Markets Act