

2021



Financial Statements Bulletin

January – December 2021

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Optomed Plc: Financial Statements Bulletin, January – December 2021

October – December 2021

- Revenue decreased by 12.1 percent to EUR 3,552 (4,041) thousand
- Devices segment revenue decreased by 23.6 percent to EUR 1,329 (1,738) thousand, as no camera deliveries were made to China during the quarter
- Devices segment revenue continue strong growth in North America, Europe, and to the OEM channel
- The Software segment revenue decreased by 3.5 percent to EUR 2,223 (2,303), as revenue from one-time deliveries in the comparison period of 2020 were exceptionally high
- Adjusted EBITDA amounted to EUR -1,528 (-62) thousand corresponding to -43.0 (-1.5) percent of revenue, including a credit risk accrual of EUR 645 thousand including overdue trade receivable from a customer in China
- Sales through the new distribution channel in China has not started as expected, Phoebus exclusivity ended, and new distribution partners appointed in China
- After the review period, Optomed announced the clinical trial results intended to assess Optomed Aurora together with AEYE Health's AI for autonomous detection of more than mild diabetic retinopathy

January – December 2021

- Revenue increased by 14.1 percent to EUR 14,850 (13,011) thousand
- Software segment revenue continued strong growth at 13.9 percent driven by recurring revenue from the healthcare sector
- Devices segment revenue grew 14.5 percent, despite negative business impact from China in the second half while other markets and sales channels continued to grow
- Adjusted EBITDA amounted to EUR -2,002 (-733) thousand corresponding to -13.5 (-5.6) percent of revenue, including a change in the credit risk accrual of EUR 709 thousand including overdue trade receivable from a customer in China

Key figures

EUR, thousand	Q4/2021	Q4/2020	Change, %	2021	2020	Change, %
Revenue	3,552	4,041	-12.1%	14,850	13,011	14.1%
Gross profit *	2,407	2,809	-14.3%	10,558	8,955	17.9%
Gross margin % *	67.8%	69.5%		71.1%	68.8%	
EBITDA	-1,528	-62	-2374.1%	-2,002	-733	-173.2%
EBITDA margin *, %	-43.0%	-1.5%		-13.5%	-5.6%	
Adjusted EBITDA *	-1,528	-62	-2374.1%	-2,002	-733	-173.2%
Adjusted EBITDA margin *, %	-43.0%	-1.5%		-13.5%	-5.6%	
Operating result (EBIT)	-2,182	-594	-267.2%	-4,780	-2,906	-64.5%
Operating margin (EBIT) *, %	-61.4%	-14.7%		-32.2%	-22.3%	
Adjusted operating result (EBIT) *	-2,182	-594	-267.2%	-4,780	-2,906	-64.5%
Adjusted operating margin (EBIT margin) *, %	-61.4%	-14.7%		-32.2%	-22.3%	
Net profit/ loss	-1,936	-652	-196.9%	-4,249	-3,177	-33.8%
Earnings per share	-0.14	-0.05	-193.0%	-0.32	-0.24	-32.0%
Cash flow from operating activities	-484	383	226.2%	-2,940	-2,801	-5.0%
Net Debt	213	-4,090	-105.2%	213	-4,090	-105.2%
Net debt/ Adjusted EBITDA (LTM)	-0.1	5.6		-0.1	5.6	
Equity ratio *	58.8%	64.6%		58.8%	64.6%	
R&D expenses personnel	419	395	5.9%	1,773	1,406	26.1%
R&D expenses other costs	121	83	45.5%	511	253	101.8%
Total R&D expenses	540	479	12.8%	2,284	1,659	37.6%

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

CEO comments

Very strong revenue growth in the United States, China's revenue fell significantly. Other business areas grew slightly from previous year. Promising results from a clinical study.

Optomed's both business segments recorded strong revenue growth of 14 percent in 2021. In the Devices segment, revenue growth was very strong in the US market and in the OEM channel, both in the fourth quarter and full year. However, sales to China declined, which limited the overall revenue growth of the Devices segment in both, the fourth quarter and full year. The Software segment's full year sales continued strong growth, despite there were no large-scale one-time system deliveries in the fourth quarter like in the previous year. The Software segment's recurring revenue from healthcare solutions continued to grow strongly in both, the fourth quarter and full year.

The main challenge of 2021 was that sales via the new distribution channel in China did not progress as expected. The agreement between Phoebus Medical Technology Co., Ltd. (Phoebus), Optomed's strategic partner, and their distribution channel China National Pharmaceutical Group Co., Ltd. (Sinopharm), ended during the fourth quarter. The termination of the cooperation between Phoebus and Sinopharm has negatively affected Phoebus' business, and also impacted the short-term outlook for Optomed's camera sales in China. As a result, Phoebus' exclusivity for Optomed cameras in China has ended at end of the year. Business with Phoebus will continue on non-exclusive basis in 2022 and in addition to this sales channel, Optomed has entered into new distribution agreements with other Chinese resellers. Optomed will also continue distribution cooperation with Sinopharm directly in two high volume provinces. Optomed is therefore returning back to its previous distribution model based on several local distributors in China.

In the past couple of years, China has accounted for approximately 15 percent of Optomed's revenue, and a major share of this has come through Phoebus. The drop in sales in China had a negative impact on revenue growth in the second half of 2021 and will continue to have a negative impact in the first half of 2022. Revenue from China is expected to pick up again in the second half of 2022.

Long-term uncertainty in China is increased by new national guidelines published in the fall of 2021, where Chinese government-funded hospitals should prioritize Chinese made products in their procurement of fundus cameras in the future. We are not yet able to assess how significantly these guidelines will affect on 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 also in the future. But from now on we will focus more of our growth efforts in the United States and other fast growing key markets.

Sales to the United States continued very strong growth, both in the fourth quarter and full year. As a result of recent development, the US is now emerging as Optomed's main market over China, and we expect this trend to continue also in the future. The growth of demand for handheld cameras in the US has been strong, and Optomed's revenue comes from the growing number of direct sales customers and through our expanding distribution network. We are planning to significantly increase our sales and marketing efforts in the US during 2022.

Optomed's most significant strategic projects are to develop, validate and commercialize products that combine Optomed's fundus cameras with artificial intelligence. On February 7, 2022, we announced the

results of a clinical trial intended to assess Optomed's handheld fundus camera Aurora together with AEYE Health's AI for autonomous detection of more than mild diabetic retinopathy. The research results for the Aurora AEYE camera were as follows; sensitivity 91.9 percent, specificity 93.6 percent and imageability > 99 percent. These results were achieved by taking only one image per eye, which makes the fundus examination process faster and easier to perform compared to other solutions. This combined with the Aurora AEYE's excellent mobility and cost-effectiveness, is believed to provide Optomed with a unique competitive advantage. We are very proud of the results we have achieved as this will allow us to move on to the next step towards our goal of obtaining FDA clearance for the product in the US market.

Optomed's main strategic goal for 2022 is to move forward with our cameras combined with artificial intelligence towards the FDA clearance process in the United States, and to increase the company's market share and revenue in our strategic key markets. We expect the company's revenue growth to accelerate significantly once our camera products combined with artificial intelligence are regulatory approved and commercialized in key markets. Due to the relatively small size and early stage of the company, variations in revenue growth rate between fiscal years and their quarters may be significant.

CEO

Seppo Kopsala

Outlook 2022

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

Telephone conference

A telephone conference for analysts, investors and media will be arranged on 17 February 2022 at 11.00 EET. The event will be held in English. The presentation material will be available at www.optomed.com/investors 10.00 EET at the latest.

The participants are requested to register for the call in advance by email to sakari.knuutti@optomed.com.

Please see the call-in numbers below:

FI +358 9 856 26300

SE +46 8 505 218 52

UK +44 20 3321 5273

US +1 646 838 1719

FR +33 1 70 99 53 92

The conference id is 393 139 762#.

Please note that by dialing into the conference call, the participant agrees that personal information such as name and company name will be collected.

Group performance

October – December 2021

In October-December 2021, Group revenue decreased by 12.1 percent to EUR 3,552 (4,041) thousand. The main reason for weak Group revenue growth relates to the Devices segment, as no camera deliveries were made to China in the fourth quarter. In the comparison period of 2020, the camera sales to China accounted for a significant share of the segment's revenue. The Devices segment's revenue decreased by 23.6 percent due to China, while North America, Europe, and the OEM channel continued strong growth also in the fourth quarter. The Software segment's stable performance continued even though revenue decreased by 3.5 percent as revenue from one-time deliveries in the comparison period in 2020 was exceptionally high.

The gross margin decreased to 67.8 from 69.5 percent last year. The company received grants and other operating income of EUR 57 (40) thousand. The gross margin for the fourth quarter of 2021 adjusted for grants and other operating income would have been 66.2 percent compared to 68.5 percent in 2020.

In October-December 2021, Group EBITDA amounted to EUR -1,528 (-62) thousand and adjusted EBITDA totaled EUR -1,528 (-62) thousand. The fourth quarter include a credit risk accrual of EUR 645 thousand including overdue trade receivable from a customer in China. The remaining negative EBITDA variance versus last year is a combination of lower revenue and gross profit together with higher operating expenses because of Optomed's US market entry and expansion as well as the strengthened Group Marketing function.

In October-December 2021, net financial items amounted to EUR 226 (-69) thousand and consisted mainly of interest payments to financial institutions and the translation effect of Chinese RMB and USD to EUR.

January – December 2021

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.

Cash flow and financial position

October- December 2021

In October-December 2021, the cash flow from operating activities amounted to EUR -484 (383) thousand. Net cash used in investing activities was EUR -882 (-651) thousand and relates mainly to capitalized development expenses. Net cash from financing activities amounted to EUR 291 (-34) thousand.

January- December 2021

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.

Devices segment

Optomed has two synergistic business segments: Devices and Software.

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 Degeneration).

EUR, thousand	Q4/2021	Q4/2020	Change, %	2021	2020	Change, %
Revenue	1,329	1,738	-23.6 %	5,839	5,097	14.5 %
Gross profit *	764	990	-22.8 %	4,139	2,862	44.6 %
Gross margin, % *	57.5 %	56.9 %		70.9 %	56.1 %	
EBITDA	-1,198	1	-192327.5 %	-1,014	-251	-304.5 %
EBITDA margin, % *	-90.2 %	0.0 %		-17.4 %	-4.9 %	
Operating result (EBIT)	-1,698	-384	-342.7 %	-3,182	-1,820	-74.8 %
Operating margin (EBIT), % *	-127.8 %	-22.1 %		-54.5 %	-35.7 %	

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

October- December 2021

In October-December 2021, the Devices segment revenue decreased by 23.6 percent and was EUR 1,329 (1,738) thousand, as no hardware deliveries were made to China during the second half of 2021. In the comparison period of 2020, the camera sales to China accounted for a significant share of the segment's revenue. North America and European markets continued strong growth as well as sales to OEM-customers.

In October-December 2021, the gross margin increased to 57.5 percent from 56.9 percent in the previous year. The Devices segment's other operating income was EUR 57 (0) thousand, which increased the gross margin in the fourth quarter. The gross margin adjusted for grants and the total amount of other operating income would have been 53.2 percent compared to 56.9 percent in 2020. The variance is mainly due to a higher share of devices sales to OEM customers.

In October-December 2021, EBITDA was EUR -1,198 (1) thousand or -90.2 (0.0) percent of revenue. The fourth quarter include a credit risk accrual of EUR 645 thousand including overdue trade receivable from a customer in China. The remaining negative EBITDA variance versus last year is a combination of lower revenue and gross profit together with higher operating expenses mainly because of Optomed's US market entry and expansion.

January- December 2021

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	Q4/2021	Q4/2020	Change, %	2021	2020	Change, %
Revenue	2,223	2,303	-3.5 %	9,011	7,913	13.9 %
Gross profit *	1,643	1,819	-9.7 %	6,420	6,093	5.4 %
Gross margin, % *	73.9 %	79.0 %		71.2 %	77.0 %	
EBITDA	516	635	-18.8 %	1,855	1,926	-3.7 %
EBITDA margin, % *	23.2 %	27.6 %		20.6 %	24.3 %	
Operating result (EBIT)	363	487	-25.5 %	1,247	1,323	-5.7 %
Operating margin (EBIT), % *	16.3 %	21.1 %		13.8 %	16.7 %	

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

October – December 2021

In October-December 2021, the Software segment had another stable quarter even though the revenue decreased by 3.5 percent and was EUR 2,223 (2,303) thousand, while the comparison in 2020 was exceptionally strong due to one-time deliveries. Software sales 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.

In October-December 2021, the gross margin was 73.9 (79.0) percent. Other operating income was EUR 0 (40) thousand in 2021. The gross margin excluding other operating income was 73.9 percent in 2021 and 77.0 percent in 2020.

EBITDA stood at EUR 516 (635) thousand or 23.2 (27.6) percent of revenue, respectively.

The negative variance is mainly due to lower gross margin.

January – December 2021

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 2021. 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 relate to functions supporting the entire group such as treasury, group accounting, Marketing, legal, HR, and IT.

October – December 2021

In October-December 2021, group-wide operating expenses amounted to EUR 845 (697). The increase is mainly related to strengthened of Group Marketing function in 2021.

January – December 2021

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.

Personnel

Number of personnel at the end of the reporting period.

	2021	2020
Devices	50	53
Software	45	38
Group	23	18
Total	118	109

The increase of personnel is mainly related to strengthening of sales and marketing in Optomed's subsidiary in the US and Optomed's Group Marketing function.

Corporate Governance

Optomed complies with Finnish laws and regulations, Optomed's Articles of Association, the rules of Nasdaq Helsinki and the Finnish Corporate Governance Code 2020 issued by the Securities Market Association of Finland. The code is publicly available at <http://cgfinland.fi/en/>. Optomed's corporate governance statement 2020 is available on the company website www.optomed.com/investors/.

Annual General Meeting

On 28 April 2021, Optomed held its Annual General Meeting (AGM) that adopted the financial statements 2020 and the remuneration report for governing bodies and discharged the members of the Board of Directors and the CEO from liability for 2020. The AGM resolved 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 Q1-Q3 report has been announced.

The AGM 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.

The AGM 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.

Decisions of the Board of Directors:

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

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 approximately 3.0 percent of the total amount of the shares and votes. Additional information with respect to the shares, shareholding and trading can be found on the company's website www.optomed.com/investors/.

Risks and uncertainties

Optomed has reviewed its complete risk position after the year end of 2021. The complete risk position is as follows:

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, however, 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 dependant 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 & organization

A skilled workforce and agile organization 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 dependent 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.

Flagging 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.

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 Xisi 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.

Audit review

This financial report has been audited by the company's auditors.

Financial reporting in 2022

4 March 2022	Annual Report 2021
5 May 2022	Interim Report for 1 January – 31 March 2022
4 August 2022	Half-Year Financial Report for 1 January – 30 June 2022
3 November 2022	Interim Report for 1 January – 30 September 2022

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About Optomed

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.

Alternative Performance Measures

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.

Alternative Performance Measures	Definition
Gross profit	Revenue + Other operating income – Materials and services expenses
Gross margin, %	Gross profit / Revenue
EBITDA	Operating result before depreciation, amortization, and impairment losses
EBITDA margin, %	EBITDA / Revenue
Operating result	Profit/loss after depreciation, amortization, and impairment losses
Operating margin, %	Operating result / Revenue
Adjusted operating result	Operating result excluding items affecting comparability
Adjusted operating margin, %	Adjusted operating result / Revenue
Adjusted EBITDA	EBITDA excluding items affecting comparability
Adjusted EBITDA margin %	Adjusted EBITDA / Revenue
Items affecting comparability	Material items outside ordinary course of business including restructuring costs, net gains or losses from sale of business operations or other non-current assets, strategic development projects, external advisory costs related to capital reorganization, impairment charges on non-current assets incurred in connection with restructurings, compensation for damages and transaction costs related to business acquisitions.
Net Debt	Interest-bearing liabilities (borrowings from financial institutions, government loans and subordinated loans) – cash and cash equivalents (excl. lease liabilities according to IFRS 16)
Net Debt / Adjusted EBITDA (LTM), times	Net Debt / Adjusted EBITDA (for the last twelve months, LTM)
Earnings per share	Net result / Number of outstanding shares
Equity ratio, %	Total equity / Total assets
R&D expenses	Employee benefit expenses for R&D personnel and other operational expenses related to R&D activities

Consolidated income statement

In thousands of euro	Q4/2021	Q4/2020	2021	2020
Revenue	3,552	4,041	14,850	13,011
Other operating income	57	40	810	157
Materials and services	-1,201	-1,272	-5,102	-4,213
Employee benefit expenses	-2,448	-2,161	-8,702	-7,319
Depreciation, amortization and Impairment losses	-654	-533	-2,778	-2,173
Other operating expenses	-1,486	-710	-3,858	-2,369
Operating result	-2,182	-594	-4,780	-2,906
Finance income	264	197	715	452
Finance expenses	-38	-266	-263	-794
Net finance expenses	226	-69	453	-341
Profit (loss) before income taxes	-1,956	-663	-4,327	-3,247
Income tax expense	20	11	78	70
Loss for the period	-1,936	-652	-4,249	-3,177
Loss for the period attributable to				
Owners of the parent company	-1,956	-652	-4,249	-3,177
Loss per share attributable to owners of the parent company				
Weighted average number of shares	13,441,437	13,262,766	13,441,437	13,262,766
Basic loss per share (euro)	-0.14	-0.05	-0.32	-0.24

Consolidated condensed comprehensive income statement

In thousands of euro	Q4/2021	Q4/2020	2021	2020
Loss for the period	-1,936	-652	-4,249	-3,177
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation difference	-119	9	-253	77
Other comprehensive income, net of tax	-119	9	-253	77
Total comprehensive income for the period	-2,055	-643	-4,502	-3,100
Total comprehensive loss attributable to Owners of the parent company	-2,055	-643	-4,502	-3,100

Consolidated balance sheet

In thousands of euro	Dec 31, 2021	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	12,975	12,753
Tangible assets	433	359
Right-of-use assets	1,205	1,165
Deferred tax assets	13	11
Total non-current assets	14,626	14,289
Current assets		
Inventories	2,936	2,539
Trade and other receivables	4,631	3,637
Cash and cash equivalents	6,804	10,608
Total current assets	14,371	16,784
Total assets	28,998	31,073

In thousands of euro	Dec 31, 2021	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	17,052	20,073
LIABILITIES		
Non-current liabilities		
Borrowings from financial institutions	3,813	3,520
Government loans	1,940	2,670
Lease liabilities	818	782
Deferred tax liabilities	463	540
Total Non-current liabilities	7,034	7,512
Current liabilities		
Borrowings from financial institutions	1,071	0
Government loans	193	328
Lease liabilities	396	425
Trade and other payables	3,252	2,736
Total current liabilities	4,912	3,489
Total liabilities	11,946	11,001
Total equity and liabilities	28,998	31,073

Consolidated statement of changes in shareholders' equity

Equity attributable to owners of the parent company

In thousands of euro	Share capital	Share premium	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total
Balance at January 1, 2021	80	504	37,470	166	-18,147	20,073
Comprehensive income						
Loss for the period					-4,249	-4,249
Other comprehensive income						
Translation differences				-253		-253
Total comprehensive income for the period				-253	-4,249	-4,502
Share options			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	80	504	38,526	-88	-21,970	17,052

**Equity attributable to
owners of the parent company**

In thousands of euro	Share capital	Share premium	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total
Balance at January 1, 2020	80	504	37,341	89	-15,376	22,637
Comprehensive income						
Loss for the period					-3,177	-3,177
Other comprehensive income						
Translation differences				77		77
Total comprehensive income for the period				77	-3,177	-3,100
Share issue						
Share options			129		406	535
Total transactions with owners of the company			129		406	535
Balance at December 31, 2020	80	504	37,470	166	-18,147	20,073

Consolidated cash flow statement

In thousands of euro	Q4/2021	Q4/2020	2021	2020
Cash flows from operating activities				
Loss for the financial year	-1,936	-652	-4,249	-3,177
Adjustments:				
Depreciation, amortization and impairment losses	565	533	2,689	2,173
Finance income and finance expenses	-206	69	-472	343
Other adjustments	671	92	992	284
Cash flows before change in net working capital	-906	42	-1,041	-377
Change in net working capital:				
Change in trade and other receivables (increase (-) / decrease (+))	248	-80	-1,409	496
Change in inventories (increase (-) / decrease (+))	-9	259	-340	-2
Change in trade and other payables (increase (+) / decrease (-))	235	350	-22	-2,483
Cash flows before finance items	-432	571	-2,811	-2,367
Interest paid	-27	-17	-66	-75
Other finance expenses paid	-25	-249	-64	-725
Interest received	0	78	1	366
Net cash from operating activities (A)	-484	383	-2,940	-2,801
Cash flows from investing activities				
Capitalization of development expenses	-789	-546	-2,112	-1,553
Acquisition of tangible assets	-92	-105	-462	-268
Net cash used in investing activities (B)	-882	-651	-2,574	-1,820
Cash flows from financing activities				
Proceeds from share subscriptions	149	57	1,012	92
Proceeds from loans and borrowings	367	4	1,366	-167
Repayment of loans and borrowings	-124	0	-327	-3,233
Repayment of lease liabilities	-100	-95	-414	-390
Net cash from financing activities (C)	291	-34	1,637	-3,698
Net cash from (used in) operating, investing and financing activities (A+B+C)	-1,075	-302	-3,876	-8,319
Net increase (decrease) in cash and cash equivalents	-1,075	-302	-3,876	-8,319
Cash and cash equivalents at beginning of period	7,827	10,899	10,608	18,866
Effect of movements in exchange rate on cash held	52	11	73	61
Cash and cash equivalents at end of period	6,804	10,608	6,804	10,608

Selected notes

Corporate information and basis of accounting

Corporate information

Optomed is a Finnish medical technology group (hereafter 'Optomed' or 'Group') that specializes in handheld 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.

Basis of accounting

Optomed's consolidated financial statements has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The preparation of this financial statement release also takes into account the amendments to IFRS standards that have become effective by January 1, 2021.

All presented figures have been rounded. Financial ratios have been calculated using exact figures.

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with Group's last annual consolidated financial statements as at and for the year ended 31 December 2021.

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:

- Determining trade receivables credit risk
- capitalisation of development costs: determination of development expenditure eligible for capitalisation
- impairment testing of development expenditures

Reportable segments

Q4/2021

In thousands of euro	Devices	Software	Group admin	Total
External revenue	1,329	2,223	0	3,552
Net operating expenses	-565	-579	0	-1,144
Margin	764	1,643	0	2,407
Depreciation and amortization	-500	-153	-1	-654
Other expenses	-1,962	-1,127	-845	-3,935
Operating result	-1,698	363	-846	-2,182
Finance items	0	0	226	226
Loss before tax expense	-1,698	363	-620	-1,956

Q4/2020

In thousands of euro	Devices	Software	Group admin	Total
External revenue	1,738	2,303	0	4,041
Net operating expenses	-748	-484	0	-1,232
Margin	990	1,819	0	2,809
Depreciation and amortisation	-384	-148	0	-533
Other expenses	-989	-1,184	-697	-2,869
Operating result	-384	487	-697	-593
Finance items	0	0	-69	-69
Loss before tax expense	-384	487	-767	-664

2021

In thousands of euro	Devices	Software	Group Admin	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 amortization	-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

2020

In thousands of euro	Devices	Software	Group Admin	Group
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 amortization	-1,569	-603	0	-2,173
Other expenses	-3,113	-4,167	-2,408	-9,687
Operating result	-1,820	1,323	-2,408	-2,904
Finance items	0	0	-341	-341
Loss before tax expense	-1,820	1,323	-2,749	-3,247

Revenue

In thousands of euro	Q4/2021	Q4/2020	2021		2020	
Finland	2,262	2,263	8,939	60.2 %	7,777	59.8 %
China	131	1,031	2,165	14.6 %	2,443	18.8 %
Other	1,158	747	3,746	25.2 %	2,791	21.4 %
Total	3,558	4,041	14,850	100,0 %	13,011	100,0 %

Other operating income

In thousands of euro	Q4/2021	Q4/2020	2021	2020
Other operating income	57	40	810	157
Total	57	40	810	157

Other operating income consist of received grants, profit from sales of fixed assets and Business Finland loan conversion to grant. During the financial years 2020-2021 Optomed has received government grants from various organizations, such as Business Finland. 2021 operating income include Business Finland waived loan of 538 thousand EUR.

Tangible assets

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

Leases

Leased tangible assets

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 reporting period	1,205	1,165

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

Lease liabilities

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

The above liabilities are presented on the line item Lease liabilities (non-current / current) in the consolidated balance sheet, based on their maturity.

Intangible assets and goodwill

At December 31 2021	Goodwill	Development costs	Customer relationships	Technology	Other intangible assets	Total
In thousands of euro						
Cost						
Balance at January 1	4,256	9,709	2,222	1,023	945	18,156
Additions		2,195	-	-	6	2,201
Balance at December 31	4,256	11,904	2,222	1,023	952	20,357
Accumulated amortisation and impairment losses						
Balance at January 1	-	-4,043	-614	-286	-461	-5,403
Amortization		-952	-222	-102	-43	-1,408
Impairment losses		-482	-	-	-89	-571
Balance at December 31		-5,566	-836	-387	-593	-7,382
Carrying amount at January 1	4,256	5,667	1,608	738	485	12,753
Carrying amount at December 31	4,256	6,338	1,386	636	359	12,975

At December 31 2020	Goodwill	Development costs	Customer relationships	Technology	Other intangible assets	Total
In thousands of euro						
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
Amortization		-854	-222	-102	-121	-1,298
Impairment losses		-160	-	-	-	-160
Balance at December 31		-4,043	-614	-286	-461	-5,403
Carrying amount at January 1	4,256	5,218	1,829	840	519	12,662
Carrying amount at December 31	4,256	5,667	1,608	738	485	12,753

Financial assets

Current financial assets

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

Due to overdue trade receivables, financial assets are subject to an increased risk of credit loss.

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	0		
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
Specific loss allowance	2,382	30 %	715
Total	3,644		727

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.

Financial liabilities

In thousands of euro	31.12.2021	31.12.2020
Non-current financial liabilities		
Borrowings from financial institutions	3,813	3,192
Government loans	1,940	2,998
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	9,175	8,320

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

Fair values - financial liabilities measured at amortized cost

Optomed considers that the carrying amounts of the financial liabilities measured at amortized 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.

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 borrowings will be repaid in accordance with the new 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 summarizes the Group's financial covenant term and compliance during the reporting period.

	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

Company's Equity ratio is calculated as follows depending on the lender:

Nordea loan equity ratio calculation formula: $\text{Adjusted equity} / (\text{Balance sheet total} + \text{Leasing liabilities})$

OP loan equity ratio calculation formula: $\text{Adjusted equity} / (\text{Balance sheet total} - \text{received advances})$

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

Related party transactions

In thousands of euro	Revenues	Trade receivables	Other expenses
Jan 1 - Dec 31 2021	1,704	2,382	-87
Jan 1 - Dec 31 2020	2,685	1,389	-103

Revenue and trade receivables and some of the other expenses relate to the major shareholders of Optomed Ltd considered to be related parties to the parent company.

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

Events after the review period

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.