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.

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 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