



ANNUAL REPORT | 20 22

OPT[©]MED

Table of contents

Year 2022	3
Optomed in brief	3
CEO Review	4
Corporate Governance Statement 2022	6
Remuneration Report for Governing Bodies 2022	19
Board of Directors' Report and Financial Statements 2022	23
Board of Directors' Report	24
Consolidated income statement	41
Consolidated comprehensive income statement	42
Consolidated balance sheet	43
Consolidated cash flow statement	45
Consolidated statement of changes in equity	47
Notes to the consolidated financial statements	49
Parent Company's Financial Statements (FAS)	93
Signatures of the Board of Directors	109
Auditor's Report	110



YEAR 2022

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.

CEO REVIEW

Focus on the United States

The focus of Optomed's business has shifted to the West.

The demand for our products in Western markets has continued to grow while the challenges arising from Covid-19 lockdowns and a changing operating environment have persisted in the Chinese market. In terms of revenue, the first half of the year was weak, with sales in China decreasing by approximately €1.5 million compared to the previous year. However, in the second half of the year, the revenue of both of our business units turned back to growth, especially driven by demand in Western markets and a few larger solution deliveries. After a challenging start to the year, we were pleased with this turnaround and positive development in the second half of the year. Overall, except for the challenges in the Chinese market, Optomed's business developed in a positive direction.

Looking to the future, our focus is especially on the United States, the FDA approval process for the Aurora AEYE AI camera, and introducing new products to the market. Many of Optomed's key products are still in the early stages of market entry or in product development. The most significant event of the year for the company's long-term strategy was the completion of the clinical study of the Aurora AEYE AI camera in the United States and the publication of the results at the beginning of the year. We were very pleased with the results obtained, which allowed us to start the process of obtaining FDA clearance.

The FDA clearance process for the Aurora AEYE AI camera is ongoing, and the FDA made the latest data requests at the end of the year. Optomed is working





Overall, except for the challenges in the Chinese market, Optomed's business developed in a positive direction.

with its partners to gather the necessary additional data and will submit it to the FDA with an updated clearance application in the coming months. Although obtaining FDA clearance for medical devices utilizing diagnostic AI is particularly time-consuming and challenging, we strongly believe that these investments will pay off. The high quality standards and high market barriers in the US create trust in the customer base and provide strong protection against competition for solutions that have been cleared. The revenue potential for cleared products is significant in the coming years and decades. We aim to do accurate and comprehensive work in gathering and submitting the additional data to the FDA. We believe that the probability of getting the clearance is good with these actions. We see that the screening market for diabetic retinopathy in the US is now at its turning point due to the new reimbursement code (CPT 92229), and we believe it is the most significant commercial opportunity for our company. Regarding the expected market size, we estimate that in about 5-10 years, there could be around 50,000 to 100,000 fundus cameras connected to diagnostic AI, screening for diabetic retinopathy and later other blinding eye diseases and systemic diseases in the United States, and that in 5-10 years, most diabetic retinopathy screenings will be done in the United States using AI. On an annual basis, this will potentially mean tens of millions of screenings, for which the reimbursement to be paid based on CPT code 92229 is currently an average of about 55 U.S. dollars per screening, divided mainly among the screening service provider and their technical solution provider. If the ongoing FDA clearance process is successful, we believe Optomed will be in a strong position in this market. Our goal is to be one of the leading solution providers in the United States, and our business model will be mainly recurring revenue type.

We are heavily focusing our growth efforts on the US where we have a strong and capable organization in sales, marketing and customer service. We sell both our cameras and related software solutions through this organization. We have also started training and preparing our partners for the expected launch of our Aurora AEYE product. In addition to the United States, we expect demand for both our devices and software solutions to continue to grow in other key markets. The demand for handheld cameras, screening software solutions, and diagnostic artificial intelligence solutions is expected to continue to grow strongly globally. We approach the Chinese market cautiously as we enter the new year, ready to seize the opportunity if the market finally shows positive signs. After years of recurring COVID-19 lockdowns, we believe that the Chinese market may finally recover in 2023. Optomed still has its own sales and marketing unit in China, as well as ongoing sales through its distribution network. Despite the declined revenue, China is still one of Optomed's most significant individual countries in terms of sales. The long-term need for Optomed's products in China remains significant, so despite the challenging operating environment, we believe that China can still offer us significant opportunities. We are currently exploring new strategic partnership opportunities to best leverage China's significant long-term potential.

Regarding new products, we have just started commercial launch activities for our Avenue Flow software product for eye clinics. In addition, the development of our new device product is nearing completion, and we are preparing to start its CE testing. The commercial introduction of the product will be made after it receives CE approval.

I am extremely proud of our staff, who have successfully kept the company's business running even in the worst of COVID-19 times, moved the company's strategic development projects forward, and turned the company's revenue growth back on track in the second half of 2022. I believe we are clearly heading in the right direction. Thank you to our staff, customers, partners, and shareholders for all of this.

Seppo Kopsala
CEO

Corporate Governance Statement 2022



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 2022

Optomed's Annual General Meeting was held in Espoo, Finland on 10 May 2022, and an extraordinary general meeting was held on 6 September 2022 ("EGM"). The EGM appointed a new member to the Board of Directors to replace a resigned board member. 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 2022

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. The composition of the Nomination Board remained the same as in 2021.

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 and the CFO, who acts as the 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 2022, different genders were represented in the Board.

Board of Directors in 2022

During 2022, the Board of Directors held 14 meetings. In addition to the board members listed below who were members of the Board at the end of the year, Xisi Guo acted as a board member until September 2022.

Name	Citizenship	Independence	Appointed to the Board	Meeting Attendance
Petri Salonen	Finnish	Dependent of the Company	2006	100%
Mars Duan	China	Dependent of a major shareholder	2022	75%
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.

Mars Duan

born 1982

is a Vice President with Cenova Capital. Prior to Cenova, Mr. Duan worked for the Duff & Phelps Securities LLC investment banking team, PwC corporate finance team and KPMG Shanghai audit team. Mr. Duan is a CFA charter holder and holds a CPA qualification. He graduated from the University of Shanghai for Science and Technology with Bachelor's degrees in Engineering and Accounting. 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 and as a member of the Boards of Directors AegirBio AB 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 Videovisit Oy, 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 and Temotek Oy and as a member of the Boards of Directors of Temotek Palvelut Oy. Previously, Mr. Tauriainen was the Chairman of the Boards of Directors of Arvo Invest Nordic Oy, Pohjanmaan Arvo Sijoitusosuuskunta, 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 Hoivatilat Plc, Nordic Option Oy, 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 2022

Name	Position	Own and controlled shares	Options
Petri Salonen	Chairman of the Board of Directors	9,367	-
Mars Duan	Member of the Board of Directors	0	-
Seppo Mäkinen	Member of the Board of Directors	8,787	-
Reijo Tauriainen	Member of the Board of Directors	11,866	-
Anna Tenstam	Member of the Board of Directors	3,787	-
Total		33,827	-

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 2022 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 2022 the Remuneration Committee held 2 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 2022, the Leadership Team comprised the following members:

Name	Position	Appointed	Employee since
Seppo Kopsala	Chief Executive Officer	2005	2005
Sakari Knuutti	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.



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.



Sakari Knuutti

(born 1984) has been the Chief Financial Officer of Optomed since 2022 and a member of the Leadership Team and Chief Legal Officer since 2019. He joined Optomed in 2019. In addition, Mr. Knuutti serves as a Board member of Finnish 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.



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.

Furthermore, Niina Huikuri and Lars Lingvist were members of the leadership team in 2022, however, both left the Company during the third quarter of 2022.

Management shareholding at the end of 2022:

Name	Position	Own and controlled shares	Options
Seppo Kopsala	CEO	202,712	60,000 ¹
Sakari Knuutti	CFO		70,000 ²
Markku Myllylä	Vice President, Software		180,000 ³
Laura Piila	Vice President, Devices	2,000	98,000 ⁴
Total		204,712	408,000

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

²⁾ Of which 20,000 under the 2019C option program, 6,000 under option program 2020A and 44,000 under the 2019D option program.

³⁾ Of which 60,000 under the 2018C option program, 60,000 under the 2019A option program and 60,000 under option program 2020A.

⁴⁾ 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 50,000 under the 2022A 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 to 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 conducted 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 rele-

vant 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 2022

In 2022, 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	2022	2021	2020
Audit fees	145	120	77
Consulting ¹	7	19	52

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 2022 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 2021 was approved by the Annual General Meeting of 2022. 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	2022	2021	2020	2019	2018
Board total remuneration ¹	95	110	111	26	
CEO remuneration	137	128	144	105	108
Average employee remuneration ²	74	78	65	58	53
Group revenue	14,66M	14.85M	13.01M	14.98M	12.7M
Group EBITDA	-2,0	-2.0	-0.7	-0.3	1.1

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 2022 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 300 is paid to the Chairpersons and EUR 200 to the members of the Committees for 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 2022.

Name	Position	Yearly fees	Meeting fees	Consulting fees	Total
Petri Salonen	Chairman	36	0	78	114
Xisi Guo	Board member until 19 August 2022	3	0	0	3
Mars Duan	Board member since 6 September 2022	0	0	0	0
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

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 2022, the fees paid to Petri Salonen amounted to EUR 78 thousand and in 2020 they amounted to EUR 78 thousand. In addition, he has been paid EUR 2 (2) thousand as reimbursement for travel and other expenses in 2022.

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 2022 are presented in the following table:

	Fixed Salary	Short Term Incentive	Share-based payments	Total
CEO	128	9	0	137

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 (STI) performance criteria for 2022 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.

The scheme includes several milestones that each have a revenue and EBITDA target. Both the EBITDA and revenue targets must be reached in order to trigger the payment for the milestone. The strategic targets mean various business development and other targets that must be reached in order to trigger the payment. Currently the scheme is heavily geared towards the revenue and EBITDA targets in terms of payouts. The STI scheme includes an aggregate payout limit of EUR 50,000 for the CEO. Based on the achieved performance during 2022, the CEO is not entitled to a bonus.

Long Term Incentive

For the financial period 2022, 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 2022



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 2027. 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 period¹.

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	2022	2021	Change, %	2020
Revenue	14,660	14,850	-1.3%	13,011
Gross profit *	10,069	10,558	-4.6%	8,955
Gross margin % *	68.7%	71.1%		68.8%
EBITDA	-1,952	-2,002	2.5%	-733
EBITDA margin *, %	-13.3%	-13.5%		-5.6%
Adjusted EBITDA *	-1,952	-2,002	2.5%	-733
Adjusted EBITDA margin *, %	-13.3%	-13.5%		-5.6%
Operating result (EBIT)	-5,097	-4,780	-6.6%	-2,906
Operating margin (EBIT) *, %	-34.8%	-32.2%		-22.3%
Adjusted operating result (EBIT) *	-5,097	-4,780	-6.6%	-2,906
Adjusted operating margin (EBIT margin) *, %	-34.8%	-32.2%		-22.3%
Net profit/ loss	-5,472	-4,249	-28.8%	-3,177
Earnings per share	-0.37	-0.32	-18.2%	-0.24
Cash flow from operating activities	-2,370	-2,940	19.4%	-2,801
Net Debt	-3,251	213	-1,629.6 %	-4,090
Net debt/ Adjusted EBITDA (LTM)	1.7	-0.1		5.6
Equity ratio *	65.0%	58.8%		64.6%
R&D expenses personnel	1,198	1,773	-32.5%	1,406
R&D expenses other costs	661	511	29.5%	253
Total R&D expenses	1,859	2,284	-18.6%	1,659

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

In January-December 2022, Group revenue decreased by 1.3 percent to EUR 14,660 (14,850) thousand. The Devices segment's revenue decreased by 7.6 percent and the Software segment's revenue increased by 2.8 percent. The decrease was mainly driven by the muted business in China where the revenue decreased approximately EUR 1.5 million.

The gross margin decreased to 68.7 percent from 71.1 percent last year. In January-December the Company's other operating income was EUR 857 (810) thousand. Other operating income includes EUR 841(538) thousand Business Finland loan waiver related to closed product development projects. The gross margin for the period adjusted for the total amount of the grants and other operating income would have been 62.8 percent compared to 65.6 percent in 2021.

EBITDA amounted to EUR -1,952 (-2,002) thousand and EBIT was EUR -5,097 (-4,780) thousand. EBIT was affected by the impairment of the terminated product development program amounting to EUR 1,040 thousand. increased staff costs especially in the US and decreased gross profit had a negative effect on EBITDA this year.

Net financial items amounted to EUR -454 (453) thousand 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 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).

In January-December 2022, the Devices segment revenue decreased by 7.6 percent to EUR 5,398 (5,839) thousand. The decline was due to sales in China being approximately EUR 1.5 million euros lower than during the previous year.

EUR, thousand	2022	2021	Change,%
Revenues Gross	5,398	5,839	-7.6%
profit * Gross	3,738	4,139	-9.7%
margin% *	69.3%	70.9%	
EBITDA	-670	-1,014	33.9%
EBITDA margin *,%	-12.4%	-17.4%	
Operating result (EBIT)	-3,159	-3,182	0.7%
Operating margin (EBIT) *,%	-58.5%	-54.5%	

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

The gross margin decreased to 69.3 percent from 70.9 percent in the previous year. Both review and comparison period had other operating income, and the twelve months' gross margin adjusted for this other operating income would have been 53.4 (57.0) percent. The gross margin was positively affected by a Business Finland loan waiver of 841 (538) thousand, and negatively affected by an inventory provision for non marketable items of 251 (0) thousand.

EBITDA was EUR -670 (-1,014) thousand or -12.4 (-17.4) percent of revenue. The staff cost increased especially in the US.

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.

In January-December 2022, the Software segment revenue increased by 2.8 percent to EUR 9,263 (9,011) thousand. EBITDA was EUR 2,079 (1,855) thousand or 22.4 (20.6) percent of revenue.

EUR, thousand	2022	2021	Change, %
Revenues	9,263	9,011	2.8 %
Gross profit *	6,330	6,420	-1.4 %
Gross margin % *	68.3 %	71.2 %	
EBITDA	2,079	1,855	12.1 %
EBITDA margin *, %	22.4 %	20.6 %	
Operating result (EBIT)	1,431	1,247	14.7 %
Operating margin (EBIT) *, %	15.4 %	13.8 %	

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

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.

Group-wide operating expenses amounted to EUR 3,368 (2,844) thousand.

Balance sheet, financial position and investments

In January-December 2022, the cash flow from operating activities amounted to EUR -2,370 (-2,940) thousand. Net cash in investing activities was EUR -3,029 (-2,574) thousand and relates mainly to capitalized development expenses. Net cash from financing activities amounted to EUR 7,003 (1,637) in 2022. Optomed completed two directed share issues consisting of 2,538,211 shares and collected gross proceeds of approximately EUR 8.9 million in 2022.

Consolidated cash and cash equivalents at the end of the period amounted to EUR 8,524 (6,804) thousand. Interest-bearing net debt totaled EUR -3,251 (213) thousand at the end of the period.

Net working capital was EUR 3,738 (4,315) thousand at the end of the period. The net working capital includes trade receivables of EUR 3,6 (3,7) million. One Chinese customer represents 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 589 thousand which represents approximately 30% of the total outstanding trade receivable.

Research and development

Optomed is a research and development driven healthcare technology company. 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 52 international patents and 21 pending patents. Additionally, Optomed has eleven registered as well as one pending model protection and 87 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 4,000 thousand, representing 27.3 percent of revenue in 2022, compared to EUR 4,369 thousand or 29.4 percent of revenue in 2021. The research and development expenditure decreased 9,2 percent compared to 2021.

EUR, thousand	2022	2021
R&D expenditure	4,000	4,369
As percentage of revenue	27.3%	29.4%

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 2022, Optomed had a total of 114 employees, of which a significant number worked in expert roles. The employee contracts are mostly permanent contracts.

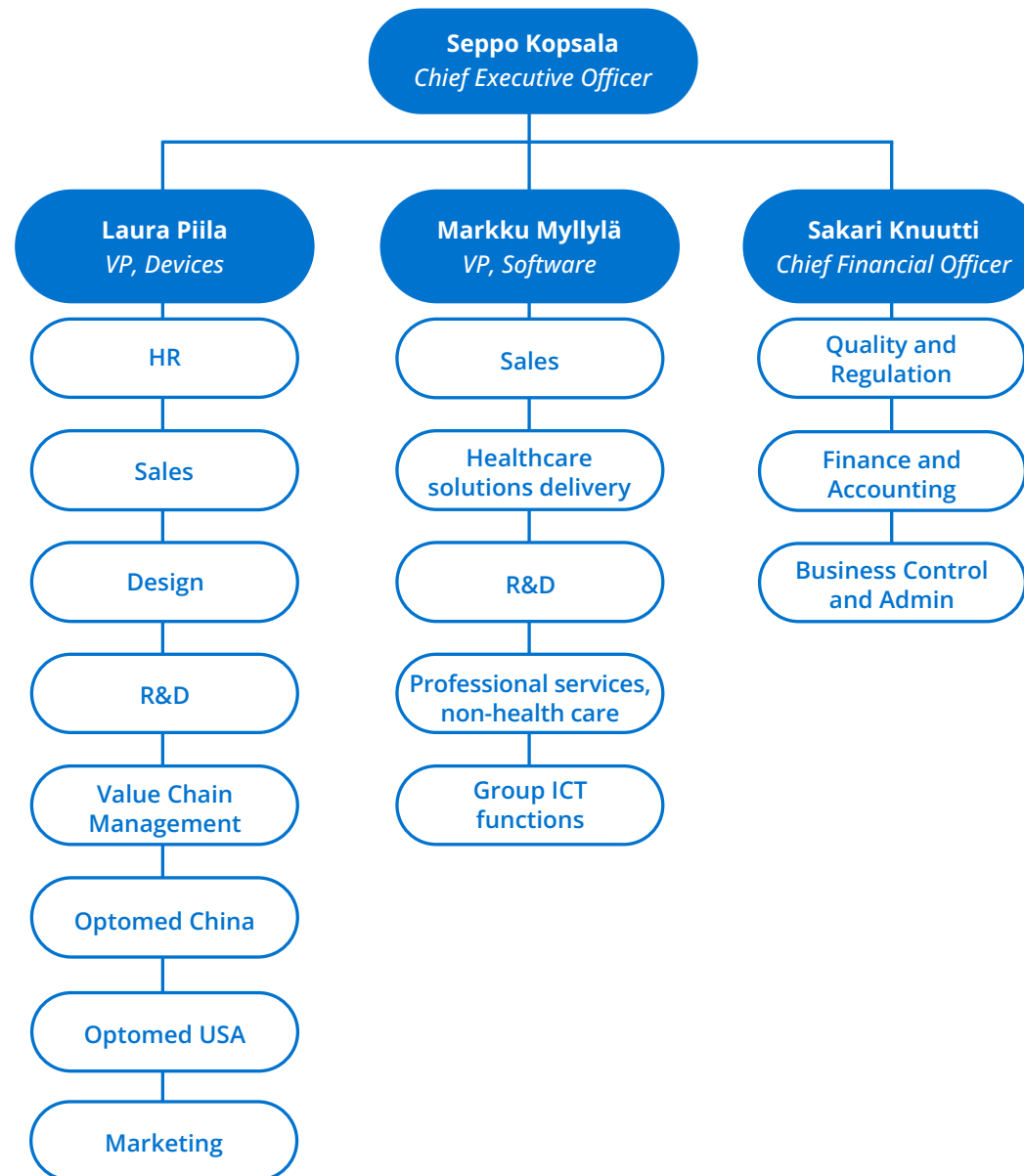
Number of employees	2022	2021
Average number of employees	119	115
Number of employees at the end of the period	114	118

Graphical distribution of employees	2022	2021
Finland	95	103
China	8	9
United States	11	6
Total	114	118

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 includes accounting and reporting, business controlling, treasury, tax, investor relations, internal controls as well as legal matters, M&A, compliance, corporate governance, corporate responsibility, risk management, quality and regulatory. The Chief Financial Officer also acts as the secretary to the Board of Directors of the company.

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.



Legal structure

Optomed group consists of the parent company Optomed Plc and four subsidiaries in Finland, China, the USA and Hong Kong. In addition, Optomed Plc had a branch, Optomed Sweden Filial, in Sweden, which was closed at the end of 2022. 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 2022.

Subsidiaries of the company	Consolidated shareholding and voting right, %	Country of incorporation
Optomed Software Oy	100 %	Finland
Optomed Hong Kong Ltd	100 %	Hong Kong
Optomed China Limited Co.,Ltd	100 %	China
Shanghai Optomed Medical Technology Co., Ltd	100 %	China
Optomed USA Inc.	100 %	United States

Shanghai Optomed Medical Technology Co., Ltd was closed on January 2023.

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 16,541,355 shares and the company held 374,566 shares in the treasury which corresponds to approximately 2.26 percent of the total amount of the shares and votes. Optomed's market capitalization was EUR 62.0 million at the of the review period.

Sector	Number of shareholders	% of shareholders	Number of shares	% of shares
Private companies	309	3.71	2,607,975	15.77
Financial and insurance institutions	19	0.23	3,358,516	20.3
Public sector organizations	4	0.05	965,336	5.84
Households	7,965	95.6	5,201,920	31.45
Non-profit instit serving households	10	0.12	98,045	0.59
Foreigners	15	0.18	18,255	0.11
Total	8,322	99.88	12,250,047	74.06
Nominee registered	10	0.12	4,291,308	25.94
Total shares			16,541,355	100
Number of shares	Shareholders	%	Shares	%
1 - 100	3,089	37.07	147,224	0.89
101 - 1,000	4,273	51.28	1,647,483	9.96
1,001 - 10,000	873	10.48	2,286,328	13.82
10,001 - 100,000	77	0.92	2,093,269	12.66
100,001 - 1,000,000	18	0.22	5,056,584	30.57
> 1,000,000	2	0.02	5,310,467	32.1
Total	8,332	100	16,541,355	100
Nominee registered	10	0.12	4,291,308	25.94
Number of shares issued			16,541,355	100

	Shareholder	Shares	% of shares
1	* Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	4,100,758	24.79
2	OP-Suomi Pieniyhtiöt	1,209,709	7.31
3	Sr Aktia Capital	687,409	4.16
4	Suomen Teollisuussijoitus Oy	601,080	3.63
5	Sr Säästöpankki Pieniyhtiöt	440,839	2.67
6	Mandatum Henkivakuutusosakeyhtiö	414,237	2.5
7	Optomed Oyj	374,566	2.26
8	Sr Nordea Nordic Small Cap	361,125	2.18
9	Keskinäinen Vakuutusyhtiö Kaleva	322,044	1.95
10	Aura Capital Oy	268,934	1.63
	Total	8,780,701	53.08
	Nominee registered	4,100,758	24.79
	Others	7,760,654	46.92
	Total	16,541,355	100

*Nominee register

At the end of the review period, Optomed's Chairman and Members of the Board of Directors controlled 33,827 shares, representing approximately 0.20 percent of the total number of all shares and 0.21 percent of all shares excluding shares in treasury. The CEO and management team owned 204,712 shares and 408,000 options.

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 pre-defined thresholds.

In 2022, Optomed received the following major shareholder notifications:

28.1.2022 BI Asset Management Fondsmægler-selskab A/S notified that, the total holdings in Optomed shares and votes has decreased to 4.31% of all of the registered shares in Optomed.

11.5.2022 Funds (Shanghai Cenova Innovation Venture Fund (Limited Partnership), Alnair Investment and Cenova China Healthcare Fund IV, L.P.) the total holdings in Optomed shares and votes held by Notifier through has decreased to 14.36 per cent of all of the registered shares in Optomed on 10 May 2022 as a result of Optomed's total number of shares increasing on the date.

2.12.2022 OP-Rahastoyhtiö Oy ("Notifier"). According to the notification, the total holdings in Optomed shares and votes held by Notifier is 5.43 per cent of all of the registered shares in Optomed on 30 November 2022. The total holdings of the Notifier have not changed on 30 November 2022. Instead, the disclosure is made due to the merger of OP-Suomi Mikroyhtiöt and OP-Suomi Pieniyhtiöt funds.

Shareholder agreements

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 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 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	2022	2021	2020
Earnings per share	-0.37	-0.32	-0.24
Equity per share	1.39	1.34	1.51
Dividend per share	-	-	-
Dividend % of earnings	-	-	-
effective dividend yield %	-	-	-
P/E ratio	-10.03	-31.00	-31.05
Share price performance, share issue adjusted *			
Lowest share price	2.11	7.25	2.92
Highest share price	10.75	18.90	7.57
Average share price	4.56	10.62	5.33
Closing share price	3.75	9.80	7.22
Market value of shares at end of period	62,030	137,231	101,103
Weighted average adjusted number of shares during the financial period	14,052,855	13,390,702	13,262,766
Weighted average adjusted number of shares in the end of financial year	14,640,697	13,441,437	13,262,766

Calculation of share indicators

Earnings per share	Net result / Weighted average 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 × 100 / adjusted share price at the end of the financial period
P/E ratio	Market value per share/ earnings 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 2022
2015	3.5	1 July 2020 – 1 July 2024	118,000
2017	3.5	1 July 2020 – 1 July 2024	131,300
2017B	3.5	1 July 2020 – 1 July 2024	29,300
2018C	3.5	(50%) 1 July 2020 – 31 December 2024 (50%) 1 July 2021 – 31 December 2024	164,500
2019A	3.5	1 July 2021 – 31 December 2024	66,000
2019B	3.5	(40%) 1 July 2020 – 31 December 2024 (20%) 1 September 2020 – 31 December 2024 (40%) 1 September 2021 – 31 December 2024	100,000
2019C	3.5	(50%) 1 July 2020 – 31 December 2024 (50%) 1 September 2020 – 31 December 2024	20,000
2019D	5	1 January 2023 – 31 December 2023	8,000
2020A	3.5	1 January 2023 – 31 December 2023	119,000
2022A	4.17	1 January 2026 – 31 December 2027	147,500
Total			903,600

Decisions of the annual general meeting

On 10 May 2022, Optomed held its Annual General Meeting (AGM) that adopted the financial statements for the financial period ended on 31 December 2021 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 2021. The AGM resolved that no dividend will be paid for the year 2021.

The number of members of the Board of Directors was confirmed as five. Xisi Guo, Seppo Mäkinen, Petri Salonen, Reijo Tauriainen and Anna Tenstam were re-elected as members 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 300 is paid to the Chairpersons and EUR 200 to members of the Committees for each 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 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 Annual General Meeting resolved in accordance with the Board's proposal to amend Section II.2.3 of Stock Option Plan 2017B to extend the subscription period for shares by two (2) years, so that the subscription period pursuant to all option rights granted under Stock Option Plan 2017B will end on 1 July 2024.

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 entit-

ling 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

Extraordinary General Meeting

On 6 September 2022, the Company organized an Extraordinary General Meeting as Board member Xisi Guo decided to leave the Board of Directors of Optomed on 19 August 2022. The Extraordinary General Meeting elected Mr. Mars Duan to the Board of Directors of the Company. Mars Duan is independent of the Company and dependent of a major shareholder.

The Board of Directors of Optomed Plc currently consists of the following persons: the Chairman Petri Salonen, Mars Duan, Seppo Mäkinen, Reijo Tauriainen and Anna Tenstam.

Risks and uncertainties

Aurora AEYE FDA clearance process

Optomed is in the process to obtain a US FDA clearance for its AI handheld camera Aurora AEYE. Optomed and its partner AEYE Health have a common goal to obtain the US FDA clearance for the handheld AI fundus camera Aurora AEYE. The Company has limited visibility to the FDA decision making process and the Company may be adversely affected if the process is delayed or requires significant additional work or investments from the Company.

Pandemics

The COVID-19 pandemic is still affecting Optomed's markets. The Company may be adversely affected if a new outbreak of COVID-19 or another disease causes a new pandemic. The COVID-19 pandemic is still affecting various countries.

Hight quality products

The quality and safety of the Company's products are extremely important for Optomed's 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 a number of 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

Optomed operates in a niche 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 our future growth. Optomed recognizes a possibility of new market changing products entering the market. Further, in certain key geographies our client base is limited and, therefore, a loss of a key customer in a key market may adversely affect our 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

Our operations are increasingly dependent on IT systems.

Disruption of the Company's IT systems could inhibit our 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 technologic 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, we may be forced to take actions against parties that violate our IPRs.

Talent & organisation

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

We operate globally and are 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 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 our goods and our sales prices and OPEX.

Legal and regulatory

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

Optomed together with 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). Further, many of the Company's devices are subject to various medical related assessment (including clinical trials), clearance and approval processes that are required to place our products the market. Failure to comply these 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 our 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

According to the understanding of the company board of directors, 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

No material events after the reporting period.

The board's proposal for the distribution of profit

The parent company's non-restricted equity on 31 December 2022, was EUR 23,858,348.30 and the net loss for the financial year was EUR -3,547,640.33 . The Board of Directors proposes to the Annual General Meeting that no dividend will be paid and the non-restricted equity on the outstanding 16,541,355 shares shall be retained and carried forward.

Outlook 2023

Optomed expects its full year 2023 revenue to grow compared to 2022.

Consolidated income statement

In thousand of euro	Note	Jan 1 - Dec 31, 2022	Jan 1 - Dec 31, 2021
Revenue	2, 3	14,660	14,850
Other operating income	4	857	810
Materials and services	5	-5,449	-5,102
Employee benefit expenses	6	-8,827	-8,702
Depreciation, amortization and impairment losses	8	-3,145	-2,778
Other operating expenses	7	-3,193	-3,858
Operating result		-5,097	-4,780
Finance income	8	569	715
Finance expenses	8	-1,024	-263
Net finance expenses		-454	453
Loss before income taxes		-5,551	-4,327
Income tax expense	10	79	78
Loss for the financial year		-5,472	-4,249
Loss for the financial year attributable to			
Owners of the parent company		-5,472	-4,249
Loss per share attributable to owners of the parent company			
Basic loss per share (euro)	11	-0.37	-0.32

Consolidated comprehensive income statement

In thousand of euro	Jan 1 - Dec 31, 2022	Jan 1 - Dec 31, 2021
Loss for the financial year	-5,472	-4,249
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation difference	139	-253
Other comprehensive income for the financial year, net of tax	139	-253
Total comprehensive income for the financial year	-5,333	-4,502
Total comprehensive loss attributable to Owners of the parent company	-5,333	-4,502

Consolidated balance sheet

In thousand of euro	Note	Dec 31, 2022	Dec 31, 2021
ASSETS			
Non-current assets			
Goodwill		4,256	4,256
Development costs		6,562	6,338
Customer relationships		1,164	1,386
Technology		534	636
Other intangible assets		379	358
Total intangible assets	12	12,895	12,975
Tangible assets	13	852	433
Right-of-use assets	14	1,448	1,205
Deferred tax assets	10	15	13
Total non-current assets		15,210	14,626
Current assets			
Inventories	15	2,998	2,936
Trade receivables	16.21	3,556	3,658
Other receivables	17	1,012	973
Cash and cash equivalents	16	8,524	6,804
Total current assets		16,090	14,371
Total assets		31,300	28,998

In thousand of euro	Note	Dec 31, 2022	Dec 31, 2021
EQUITY			
Share capital		80	80
Share premium		504	504
Reserve for invested non-restricted equity		46,896	38,526
Translation differences		51	-88
Retained earnings		-21,717	-17,721
Profit (loss) for the financial year		-5,472	-4,249
Total equity	18	20,342	17,052
LIABILITIES			
Non-current liabilities			
Borrowings from financial institutions	19.21	3,380	3,813
Government loans	19.21	906	1,940
Lease liabilities	14.19	1,058	818
Deferred tax liabilities	10	387	463
Total non-current liabilities		5,731	7,034
Current liabilities			
Borrowings from financial institutions	19.21	794	1,071
Government loans	19.21	193	193
Lease liabilities	14.19	412	396
Trade payables	19	869	944
Other payables	20	2,959	2,308
Total current liabilities		5,227	4,912
Total liabilities		10,957	11,946
Total equity and liabilities		31,300	28,998

Consolidated cash flow statement

In thousand of euro	Note	Jan 1 - Dec 31, 2022	Jan 1 - Dec 31, 2021
Cash flows from operating activities			
Loss for the financial year		-5,472	-4,249
Adjustments:			
Depreciation, amortization and impairment losses	7	3,145	2,689
Finance income and finance expenses	9	618	-472
Other adjustments		-770	454
Cash flows before change in net working capital		-2,479	-1,579
Change in net working capital:			
Change in trade and other receivables (increase (-) / decrease (+))		204	-1,409
Change in inventories (increase (-) / decrease (+))		-68	-340
Change in trade and other payables (increase (+) / decrease (-))		172	516
Cash flows before finance items		-2,171	-2,811
Interest paid		-76	-66
Other finance expenses paid		-123	-64
Interest received		0	1
Net cash from operating activities (A)		-2,370	-2,940
Cash flows from investing activities			
Capitalization of development expenses	12	-2,249	-2,112
Acquisition of tangible assets	13	-780	-462

Net cash used in investing activities (B)		-3,029	-2,574
Cash flows from financing activities			
Proceeds from share subscriptions	18	9,012	1,012
Share issue transaction costs		-682	0
Proceeds from loans and borrowings	19	0	1,366
Repayment of loans and borrowings	19	-912	-327
Repayment of lease liabilities	14.19	-415	-414
Net cash from financing activities (C)		7,003	1,637
Net cash from (used in) operating, investing and financing activities (A+B+C)		1,605	-3,876
Net increase (decrease) in cash and cash equivalents		1,605	-3,876
Cash and cash equivalents at January 1		6,804	10,608
Effect of movements in exchange rate on cash held		115	73
Cash and cash equivalents at December 31	16	8,524	6,804

**Comparison figures for 2021 numbers have been corrected in Operating activities category.*

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, 2022		80	504	38,526	-88	-21,970	17,052
Comprehensive income							
Loss for the financial year						-5,472	-5,472
translation differences					139		139
Total comprehensive income for the financial year					139	-5,472	-5,333
Transactions with owners of the company							
Share issue				8,371			8,371
Share options	6					253	253
Total transactions with owners of the company				8,371		253	8,624
Other adjustments							
Balance at December 31, 2022	18	80	504	46,896	51	-27,189	20,342

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, 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

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, 2022. 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 (2021-2022), 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, amortization 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 amortization 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 this in autumn 2021 and effects on intangible assets were taken into account in financial statement 2021.

1.2.8 Adoption of new and amended standards in future financial years

Optomed has not yet adopted the following amended standards and interpretations already issued by the IASB. The Group will adopt these pronouncements as of the effective date of each of the pronouncements, or if the effective date is not the first day of the financial year, as of the beginning of the next financial year following the effective date. Currently Optomed believes that the adoption of these pronouncements will not have a significant effect on the future consolidated financial statements.

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.

Amendments to IAS 1 Financial Statements: Presentation and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material: The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS standards. In addition, the explanations accompanying the definition have been improved.

Other amendments and interpretations are not expected to have an impact on the consolidated financial statements when adopted.

2. Segment reporting

2.1 Accounting policy

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. 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 distributor of Sectra software solutions and reseller of artificial intelligence algorithms of several companies.

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

2022

In thousand of euro	Devices	Software	Group Admin	Group, Total
External revenue	5,398	9,263	0	14,660
Net operating expenses	-1,659	-2,933	0	-4,592
Margin	3,738	6,330	0	10,069
Depreciation and amortization	-2,489	-649	-8	-3,145
Other expenses	-4,408	-4,251	-3,361	-12,020
Operating result	-3,159	1,431	-3,368	-5,097
Finance items	0	0	-454	-454
Loss before tax expense	-3,159	1,431	-3,823	-5,551
Segment assets	11,627	8,185	241	20,053
Capital expenditure	1,992	790	49	2,831
Segment liabilities	474	673	146	1,292

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 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
Segment assets	11,974	7,568	241	19,784
Capital expenditure	2,176	197	36	2,409
Segment liabilities	613	400	113	1,126

2.3 Geographic information

In presenting the geographic information, segment assets were based on the geographic location of the assets. Segment assets are measured in the same way as in the IFRS financial statements.

Non-current assets ¹		
In thousands of euro	2022	2021
Finland	15,174	14,337
China	21	276
Total	15,195	14,613

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 2021-2022 were approximately as follows: from one customer EUR 2.4 million (2022), and EUR 2.4 million (2021), and from another customer EUR 1.3 million (2022) and EUR 1,4 million (2021).

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 market and timing of revenue recognition.

In thousands of euro	2022		2021	
Finland	8,606	59 %	8,939	60 %
Rest of the Europe	1,715	12 %	1,162	8 %
Rest of the World	4,340	30 %	4,749	32 %
Total	14,660	100 %	14,850	100 %

	2022		2021	
Products and services transferred at a point in time	11,067	75 %	11,267	76 %
Services transferred over time	3,593	25 %	3,583	24 %
Total	14,660	100 %	14,850	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 Breakdown of other operating income

During the financial years 2021-2022 Optomed has received government grants from various organisations, such as Business Finland (previously Tekes). The most significant grants for the years 2022, 2021 Optomed received from Business Finland. 2022 operating income include Business Finland waived loan of 841 (538) thousand EUR.

In thousands of euro	2022	2021
Other operating income	857	810
Total	857	810

5. Materials and services

5.1 Breakdown of materials and services expense

Optomed has recognized 251 thousand inventory provision for non marketable items during 2022.

In thousands of euro	2022	2021
Purchase expenses	-4,974	-5,153
Change in inventories (increase +), decrease (-))	-99	403
External services	-375	-352
	-5,449	-5,102

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 2021-2022)
- d) termination benefits, i.e. benefits provided in exchange for the termination of an employment (no such benefits were provided during the financial years 2021-2022)
- 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 ten 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	2022	2021
Wages and salaries	-7,197	-7,053
Contributions to defined contribution post-employment plans	-1,105	-1,047
Other social security expenses	-271	-262
Share-based payment plans	-253	-340
Total	-8,827	-8,702

6.3 Number of personnel

	2022	2021
Average number of employees for the financial year	119	115

6.4 Share-based payment plans

Option programs in effect during the financial year

2015: 118,000 Outstanding options on December 31.2022. 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 118,000 shares can be subscribed for based on the option rights, corresponding to 0.7% of the company's share capital and votes.

2017: 131,300 Outstanding options on December 31.2022. 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 131,300 shares can be subscribed for based on the option rights, corresponding to 0.8% of the company's share capital and votes.

2017B: 29,300 Outstanding options on December 31.2022. 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 29,300 shares can be subscribed for based on the option rights, corresponding to 0.2% of the company's share capital and votes.

2018C: 164,500 Outstanding options on December 31.2022. 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 164,500 shares can be subscribed for based on the option rights, corresponding to 1.0% of the company's share capital and votes.

2019A: 66,000 Outstanding options on December 31.2022. 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 0.4% of the company's share capital and votes.

2019B: 100,000 Outstanding options on December 31.2022. 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 0.6% of the company's share capital and votes.

2019C: 20,000 Outstanding options on December 31.2022. 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.

2019D: 8,000 Outstanding options on December 31.2022. Subscription price EUR 5.0 per share. Subscription period January 1, 2023–December 31, 2023. Each option right entitles its holder to subscribe for one new share. Up to 8,000 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.

2020A: 119,000 Outstanding options on December 31.2022. Subscription price EUR 3.5 per share. Subscription period January 1, 2023–December 31, 2023. Each option right entitles its holder to subscribe for one new share. Up to 119,000 shares can be subscribed for based on the option rights, corresponding to 0.7% of the company's share capital and votes.

2022A: 147,500 Outstanding options on December 31.2022. Subscription price EUR 4.17 per share. Subscription period January 1, 2026–December 31, 2027. Each option right entitles its holder to subscribe for one new share. Up to 147,500 shares can be subscribed for based on the option rights, corresponding to 0.9% 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	2022A
Maximum number of options	100,000	20,000	72,000	150,000	250 000
Number of options issued	100,000	20,000	72,000	119,000	147,500
Issued	2019	2019	2019	2020	2022
Vesting period	2019 - 2020	2019 - 2020	2019 - 2023	2020 - 2023	2022 - 2026
Vesting condition	Employment	Employment	Employment	Employment	Employment
Option subscription price	3.50	3.50	5.00	3.50	4.17
Fair value at grant date	2.02-2.09	2.02	1.69	2.97	1.771
Total fair value (1,000 EUR)	205	40	122	446	443

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 4.0 - 6.5
- expected volatility 30 - 64 %
- the term of the option 1.3 - 3.7 years

Changes in outstanding share options

Pieces	2022	2021
Outstanding at January 1	854,900	1,167,000
Granted during the year	178,000	14,000
Forfeited during the year	-92,000	-17,000
Exercised during the year	-37,300	-309,100
Expired during the year	-	-
Outstanding at December 31	903,600	854,900
Exercisable at December 31	629,100	672,900

Option subscription price during the 2022 was 3.50 EUR for exercised options. Optomed average share price during the 2022 was 4.56 EUR. In case the share options issued are fully exercised, the number of outstanding A shares will increase by 5.6%. The subscription prices will be recorded in the Reserve for invested non-restricted equity.

Expenses from share-based payment plans

Total expenses arising from share-based payment plans recognised as part of employee benefits were as follows:

In thousands of euro	2022	2021
Equity-settled share-based payments	-253	-340

7. Other operating expenses

7.1 Accounting policy

Optomed's other operating expenses include:

- expenses other than the cost of goods sold, such as travel, marketing, IT and office expenses.
- losses on the disposal of tangible and intangible assets.

7.2 Breakdown of other operating expenses

In thousands of euro	2022	2021
Travel expenses	-356	-201
Marketing expenses	-784	-674
IT expenses	-403	-423
Office expenses	-186	-196
Other administrative expenses	-765	-866
Research and development expenses	-361	-412
Credit loss accrual	123	-710
Other fixed expenses	-463	-377
Total	-3,193	-3,858

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.

7.3 Auditor's fees

In thousands of euro	2022	2021
Audit fees	-145	-120
Tax advisory services	0	0
Other services	-7	-19
Total	-152	-139

8. Depreciation, amortization and impairment losses

8.1 Accounting policy

Depreciation and amortization 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, amortization and impairment losses by asset category

In thousands of euro	2022	2021
Intangible assets		
Development costs	-1,939	-1,434
Customer relationships	-222	-222
Technology	-102	-102
Other intangible assets	-83	-221
Total	-2,346	-1,979

In thousands of euro	2022	2021
Tangible assets		
Machinery and equipment	-372	-390
Total	-372	-390
Total depreciation and amortization / owned assets	-2,718	-1,779

8.3 Impairment losses

The Group recognised impairment losses on intangible assets during financial year 2022 of 1,040 thousand euros and 571 thousand euros in 2021. 2022 and 2021 Impairment losses are due to terminated product development program. There were no recognised impairment losses on tangible assets during years 2021-2022.

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	2022	2021
Foreign exchange gains	560	562
Interest income	4	17
Other finance income	6	137
Total	569	715

9.2 Finance expenses

In thousands of euro	2022	2021
Foreign exchange losses	-756	-97
Interest expenses	-115	-101
Other finance expenses	-153	-64
Total	-1,024	-263
Net finance expenses	-454	453

Net financial items amounted to EUR -454 (453) thousand and consisted mainly of interest payments to financial institutions and the translation effect of Chinese RMB and USD to EUR.

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 2021-2022, being the interest rate applicable to those loans during the said annual periods. The capitalised costs amounted to EUR 21 thousand (2022) and EUR 20 thousand (2021), which were recorded as a deduction to interest expenses. Interest expenses in 2022, were affected by the Business Finland waived loan of 841 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	2022	2021
Current tax for the reporting year	0	0
Current tax adjustments for prior years	0	0
Change in deferred taxes	79	78
Total	79	78

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

	2022	2021
Profit before income tax	-5,551	-4,327
Tax using the Finnish corporate tax rate (20 %)	1,110	865
Effect of tax rate in foreign jurisdictions	40	-2
Unrecognised deferred tax assets on taxable losses	-527	-309
Non-deductible expenses	-21	-9
Share option expense	-51	-68
Depreciation and amortisation not deducted for tax purposes	-466	-366
Consolidation-related adjustments	-7	-32
Taxes in the income statement	79	78

10.4 Income taxes recognised in other comprehensive income

During the years 2021-2022 the Group did not recognise any income taxes in other comprehensive income.

10.5 Movements in deferred tax asset and deferred tax liability balances

2022

In thousands of euro	At Jan 1, 2022	Business combinations	Recognised through profit or loss	Recognised in equity	Exchange differences and other changes	At Dec 31, 2022
Deferred tax assets						
Right-of-use assets	14		2			15
Total	14		2			15
Deferred tax liabilities						
PPA Intangible assets	-404		65			-340
Development costs	-59		12			-47
Total	-463		76			-387
Total deferred tax assets and deferred tax liabilities	-450		78			-371

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

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

In thousands of euro	Dec 31, 2022	Dec 31, 2021
Tax losses approved by tax authorities	6,854	7,723
Depreciation and amortization not deducted for tax purposes	8,645	6,443

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 2023-2032.

The depreciation and amortization 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

Diluted loss per share is not presented, as the results for the financial years 2021 and 2022 were negative and thus the dilutive instruments would have an undilutive effect on loss per share.

	2022	2021
Loss attributable to owners of the parent company (in thousands of euro)	-5,472	-4,249
Weighted average number of shares outstanding during the financial year (pcs)	14,640,697	13,441,437
Basic loss per share (EUR/share)	-0.37	-0.32

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 amortization 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 amortization periods and the amortization methods applied at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortization 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 eight-year period. 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 19.7% (13.6%) and the post-tax discount rate 13.1% (11.2%)

The sensitivity analysis is prepared in respect of the discount rate and the terminal growth rate applied beyond the eight-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, 2022.

— The pre-tax discount rate should increase by 54.4 percentage point. So that the net present value of the 8 year forecast is 0.

— The terminal growth rate for break even cannot be measured.

Based on the impairment test carried out as at December 31, 2022 the development costs were not impaired.

The Group recognised impairment losses on intangible assets during financial year 2022 of 1,040 thousand euros and 571 in 2021. 2022 Impairment loss is due to terminated product development program. There were no recognised impairment losses on tangible assets during years 2021-2022.

12.3 Reconciliation of carrying amounts

At December 31, 2022

In thousands of euro	Goodwill	Develop- ment costs	Customer relationships	Technology	Other intangible assets	Total
Cost						
Balance at January 1	4,256	11,815	2,222	1,023	951	20,267
Additions	-	2,163	-	-	103	2,266
Balance at December 31	4,256	13,978	2,222	1,023	1,054	22,533
Accumulated amortization and impairment losse						
Balance at January 1	-	-5,477	-836	-387	-593	-7,292
Amortization	-	-899	-222	-102	-83	-1,306
Impairment losses	-	-1,040	-	-	-	-1,040
Balance at December 31	-	-7,416	-1,057	-489	-676	-9,638
Carrying amount at Jan 1	4,256	6,338	1,386	636	358	12,975
Carrying amount at Dec 31	4,256	6,562	1,164	534	379	12,895

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 amortization and impairment losses						
Balance at January 1	-	-4,043	-614	-286	-461	-5,403
Amortization	-	-952	-222	-102	-43	-1,319
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

The research and development costs expensed amounted to EUR 1,859 thousand (2022) and EUR 2,284 thousand (2021), 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 7,816 (7,754) thousand as at December 31, 2022, including the goodwill of EUR 4,256 (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 15.7% (13.6%) and the post-tax discount rate 13.1% (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, 2022:

- The pre-tax discount rate should increase by 12.7 percentage point.
- The terminal growth rate should decrease by 80.2 percentage point.

Based on the impairment test carried out as at December 31, 2022 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	
	2022	2021
Cost		
Balance at January 1	2,721	2,257
Additions	791	464
Balance at December 31	3,512	2,721
Accumulated depreciation and impairment losses		
Balance at January 1	-2,288	-1,898
Depreciation	-372	-390
Balance at December 31	-2,660	-2,288
Carrying amount at January 1	433	359
Carrying amount at December 31	852	433

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.

14.3 Amounts recognised in income statement

In thousands of euro	2022	2021
Expense relating to leases of low-value assets ¹ (that are not short-term leases)	-5	-3
Depreciation charge for right-of-use assets by class of underlying asset (business premises) (included in Depreciation, amortization and impairment losses in the income statement)	-428	-409
Interest expense on lease liabilities (included in Finance expenses)	-33	-35

14.4 Amounts presented in cash flow statement

Total cash outflow for leases	-415	-414
-------------------------------	------	------

14.5 Leased tangible assets

In thousands of euro	2022	2021
Additions to right-of-use assets	671	449
Depreciation charge for right-of-use assets	-428	-409
Carrying amount at the end of the financial year	1,448	1,205

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

14.6 Lease liabilities

In thousands of euro	2022	2021
Current	412	396
Non-current	1,058	818
Total	1,470	1,214

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.

Optomed has recognized 251 thousand inventory provision for non marketable items in inventory during 2022.

In thousands of euro	2022	2021
Raw materials and consumables	2,998	2,936
Total	2,998	2,936

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 amortized 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 amortized 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 amortized cost

Optomed recognises all trade receivables that are non-derivative assets at amortized 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 amortized 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 amortized 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 2021-2022.

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

The year 2022 include a specific credit risk accrual of EUR 598 (715) thousand covering overdue trade receivable from a Chinese customer.

More information on Note 21.4.2. The Group had no non-current financial assets at the end of the financial years 2021-2022.

In thousands of euro	Note	2022	2021
Trade receivables			
Recourse factoring	21	324	740
Other trade receivables	21	3,232	2,917
Total trade receivables		3,556	3,658
Cash and cash equivalents		8,524	6,804
Total		12,080	10,462

16.3 Cash and cash equivalents

In thousands of euro	2022	2021
Cash and bank accounts	8,524	6,804
Total	8,524	6,804

17. Other receivables

In thousands of euro	2022	2021
Prepayments and accrued income	792	807
Other	220	166
Total	1,012	973

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 deliver cash or another financial asset, or the holder has a right to demand cash or another financial asset.

Optomed evaluates the terms of an issued compound instrument to determine whether it contains both a liability and an equity component. Such components are classified separately as financial liabilities, financial assets or equity instruments in accordance with the substance of the contractual arrangement.

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, 2022 and 80 thousand at December 31.12.2021. 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.

2022

	Pieces			In thousands of euro	
	A series		Total	Share capital	Reserve for invested non- restricted equity
At January 1, 2022	14,003,144		14,003,144	80	38,526
Share issue 5.5.2022	1,397,853		1,397,853		4,441
Share issue 5.5.2022	1,140,358		1,140,358		3,760
Additions to Reserve for Invested non-equity based on option subscription					170
At Dec 31, 2022	16,541,355		16,541,355	80	46,896

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	37,340
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

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 374 566 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 amortized cost, and
- financial liabilities measured at fair value through profit or loss (FVTPL).

Optomed did not use derivative instruments during the years 2021-2022, and the Group had no other financial liabilities at fair value through profit or loss at the end of financial years 2021-2022.

Financial liabilities at amortized 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 amortized 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 amortized cost

In thousands of euro	2022	2021
Non-current financial liabilities		
Borrowings from financial institutions	3,380	3,813
Government loans	906	1,940
Lease liabilities	1,058	818
Total	5,344	6,571
Current financial liabilities		
Borrowings from financial institutions	794	1,071
Government loans	193	193
Lease liabilities	412	396
Trade payables	869	944
Total	2,268	2,604
Total financial liabilities	7,612	9,175

During the financial year 2022 Business Finland waived loan of 841 (538) thousand EUR. 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

During the financial year 2022 the Group adjusted the repayment schedule for borrowings from financial institutions. Loan payment exemptions were taken while the loan payment periods remain the same.

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 4,172 thousand (at December 31, 2022) and EUR 4,524 thousand (at December 31, 2021). 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 2021-2022. 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

	Covenant term	Actual ratio	Applicable level
Nordea loan			
At December 31, 2022			
Equity ratio	50 %	62.1 %	Optomed Group
Cash amount	2 million	8.5 million	Optomed Group
At December 31, 2021			
Equity ratio	50 %	56.4%	Optomed Group
Cash amount	2 million	6.8 million	Optomed Group
OP loan			
Equity ratio			
At December 31, 2022	35 %	66.1%	Optomed Group
At December 31, 2022	35 %	59.0%	Optomed Group

Optomed was in compliance with the covenant as at December 31, 2021 and as at December 31, 2022.

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 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. The fair value hierarchy is presented in Note 1.2.3 Fair value measurement.

20. Other payables

In thousands of euro	2022	2021
Accrued expenses and prepaid income	1,939	1,580
Other	1,019	726
Total	2,958	2,306

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, 2022		
Gross trade receivables	635	1,962
Trade payables	245	0
Total	880	1,962
At December 31, 2021		
Gross trade receivables	268	2,382
Trade payables	335	0
Total	603	2,382

21.2.2 Sensitivity analysis on exchange rate movements

In thousands of euro	Income statement	
	strengthening	weakening
At December 31, 2022		
Gross trade receivables		
+/- 10 % change in USD	64	-64
+/- 10 % change in CNY	196	-196
Trade payables		
+/- 10 % change in USD	-24	24
+/- 10 % change in CNY	0	0
Total net effect	235	-235
In thousands of euro	strengthening	
	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

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

	Average rate	Closing rate	Average rate	Closing rate
	2022	2022	2021	2021
EUR/USD	0.95	0.94	0.85	0.88
EUR/CNY	0.14	0.14	0.13	0.14

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 5,270 thousand (at December 31, 2022) and EUR 7,017 thousand (at December 31, 2021). Those liabilities are linked to Euribor rates (0 to 12 months). The weighted average interest rate was 1.6% (2022) and 1.0% (2021).

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 change 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 of 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

Income Statement		
In thousands of euro	100 bps change	300 bps increase
At December 31, 2022		
Borrowings from financial institutions	+39,-40	
Government loans		40
At December 31, 2021		
Borrowings from financial institutions	+43,-43	
Government loans		70

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	
	2022	2021
Gross trade receivables from companies		
Finland	1,190	913
China	1,962	2,382
Other	684	349
Total	3,836	3,644

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, 2022			
Current (not past due)	1,664	0.5 %	8
Past due			
1-30 days	161	1.5 %	2
31-60 days	7	4 %	0
61-90 days	29	9 %	3
More than 90 days past due	12	12 %	1
<i>Specific loss allowance</i>	<i>1,962</i>	<i>30 %</i>	<i>589</i>
Total	3,836		604

The year 2022 include a specific credit risk accrual of EUR 589 thousand which consist of overdue trade receivable from a Chinese customer.

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.

21.4.3 Reconciliation of loss allowance

In thousands of euro	2022	2021
Balance at January 1	727	16
Amounts written off	0	0
Net remeasurement of loss allowance	-123	711
Balance at December 31	604	727

Changes in expected credit losses and realised credit losses are recognised in the income statement under Other operating expenses. Company had no realized credit losses in 2022.

21.4.4 Recourse factoring (insured receivables)

In thousands of euro	2022	2021
Carrying amount at December 31		
Trade receivables, recourse factoring	324	740
Total	324	740

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, 2022						
Borrowings from financial institutions	4,172	199	596	1,794	1,583	
Government loans	1,098	32	161	385	263	257
Lease liabilities	1,470	121	363	986		
Trade payables	869	869				
Total	7,609	1,220	1,119	3,165	1,847	257
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

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 2022 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. For more details see note 19.3 Changes in financial liabilities.

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	2022	2021
Liabilities secured under company mortgages given by Optomed¹		
Borrowings from financial institutions, current	987	705
Borrowings from financial institutions, non-current	4,286	5,952
Total	5,273	6,657
Collaterals given by collateral type		
Borrowings from financial institutions, company mortgages given	8,700	8,700
Other collaterals given	1,000	800
Total	9,700	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

2022

Delivery guarantee, Fabrinet Pte Ltd. USD 1,000 thousand

2021

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 2021-2022.

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	2022	2021
CEO Seppo Kopsala		
Salaries and other short-term employee benefits	-137	-128
Pension benefits (defined contribution plans)	-30	-26
Share-based payments	0	0
Total	-166	-154
In thousands of euro	2022	2021
Group Management Team		
Salaries and other short-term employee benefits	-627	-649
Pension benefits (defined contribution plans)	-143	-142
Share-based payments	-124	-194
Total	-894	-984
In thousands of euro	2022	2021
Key management personnel		
Salaries and other short-term employee benefits	-764	-777
Pension benefits (defined contribution plans)	-172	-168
Share-based payments	-124	-194
Total	-1,060	-1,139

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. Due to changes in the board of directors, the owners will no longer be related parties in 2022.

In thousands of euro	Revenues	Trade receivables	Other expenses
2022	0	0	-80
2021	1,704	2,382	-87

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

23.4 Group structure

At December 31, 2022 the Group comprised the following companies:

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

Shanghai Optomed Medical Technology Ltd was closed in January 2023.

24. Events after the end of the reporting period

No material events after the reporting period.

Parent Company's Financial Statements

Profit and loss account

	1 Jan - 31 Dec 2022		1 Jan - 31 Dec 2021	
NET TURNOVER		5,150,299.16		5,561,041.66
Other operating income		971,610.36		910,168.23
Materials and supplies				
Raw materials and consumables				
Purchases during the financial year	-2,435,577.19		-2,827,812.64	
Change in stocks	-222,929.35		5,991.43	
External services	0.00	-2,658,506.54	-17,000.00	-2,838,821.21
Personnel expenses				
Wages and salaries	-2,838,275.46		-2,824,235.13	
Social security expenses				
Pension expenses	-567,531.25		-483,314.38	
Other social security expenses	-95,724.24	-3,501,530.95	-82,825.58	-3,390,375.09
Depreciation, amortization and impairment				
Depreciation and amortization according to plan	-1,162,464.99		-1,259,532.15	
Impairment of non-current assets	-1,040,052.71	-2,202,517.70	-481,779.01	-1,741,311.16
Other operating expenses		-2,127,344.66		-2,212,452.82
OPERATING PROFIT (LOSS)		-4,367,990.33		-3,711,750.39
Financial income and expenses				
From group undertakings	42,155.21		0	
From others	3,773.84		30,339.09	
Interest expense and other financial expenses				
Impairment of securities held as current assets (-)	-9,582.03		0	
To group undertakings (-)	-21,505.63		0	
To others (-)	-981,756.77	-966,915.38	-8,195.46	22,143.63
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		-5,334,905.71		-3,689,606.76
Appropriations				
Group contribution	1,787,265.38	1,787,265.38	1,481,140.58	1,481,140.58
PROFIT (LOSS) FOR THE FINANCIAL YEAR		-3,547,640.33		-2,208,466.18

Balance sheet

	31 Dec 2022		31 Dec 2021	
Assets				
NON-CURRENT ASSETS				
Intangible assets				
Development expenditure	5,315,096.65		5,824,053.57	
Intangible rights	378,666.83		337,429.48	
Other capitalised long-term expenditure	40,555.30	5,734,318.78	85,345.62	6,246,828.67
Tangible assets				
Machinery and equipment	855,530.39		422,276.15	
Other tangible assets	950	856,480.39	950	423,226.15
<i>Advance payments and construction in process</i>	<i>9,993.16</i>	<i>9,993.16</i>		
Investments				
Holdings in group undertakings	9,266,906.46		9,266,906.46	
Receivables from group undertakings	1,083,006.89	10,349,913.35	1,052,545.19	10,319,451.65
TOTAL NON-CURRENT ASSETS		16,950,705.68		16,989,506.47
CURRENT ASSETS				
Stocks				
Raw materials and consumables	1,591,574.37		1,246,088.59	
Finished products / goods for resale	829,337.46	2,420,911.83	1,257,619.06	2,503,707.65
Long-term receivables				
Amounts owed by group undertakings	1,265,704.11	1,265,704.11	441,462.13	441,462.13
Short-term receivables				
Trade debtors	2,044,663.59		7,303,117.00	
Amounts owed by group undertakings	7,074,826.90		38,794.47	
Other receivables	158,019.94		95,473.16	
Prepayments and accrued income	479,388.84	9,756,899.27	524,444.50	7,961,829.13
Cash at bank and in hand		7,205,755.63		5,363,730.98
TOTAL CURRENT ASSETS		20,649,270.84		16,270,729.89
Total assets		37,599,976.52		33,260,236.36

Balance sheet

		31 Dec 2022		31 Dec 2021
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		51,492,364.99		42,439,622.44
Retained earnings (Cumulative loss)		-18,771,279.71		-16,562,813.54
Profit (loss) for the financial year		-3,547,640.33		-2,208,466.18
TOTAL CAPITAL AND RESERVES		29,757,144.55		24,252,042.32
LIABILITIES				
Non-current				
Loans from credit institutions	4,283,472.54		5,759,319.80	
Amounts owed to group undertakings	1,040,000.00	5,323,472.54	490,000.00	6,249,319.80
Current				
Loans from credit institutions	986,892.00		1,264,051.72	
Advances received	167,924.74		57,497.67	
Trade creditors	481,657.27		633,237.57	
Amounts owed to group undertakings	21,805.07		299.44	
Other liabilities	74,633.35		83,402.39	
Accruals and deferred income	786,447.00	2,519,359.43	720,385.45	2,758,874.24
TOTAL LIABILITIES		7,842,831.97		9,008,194.04
Total capital, reserves and liabilities		37,599,976.52		33,260,236.36

Cash flow statement - indirect

	1 Jan 2022-31 Dec 2022	1 Jan 2021-31 Dec 2021
Cash flow from operating activities:		
Profit(loss) (+/-)	-3,547,640.33	-2,208,466.18
Adjustments to operating profit (+/-) for:		
Depreciation, amortization and impairment losses	2,202,517.70	1,741,311.16
Unrealised foreign exchange gains and losses	49,471.39	-136,514.38
Financial income and expenses	113,016.97	114,370.74
Other adjustments, share benefit - members of the board	18,925.22	43,140.59
Cash flow before working capital changes	-1,163,709.05	-446,158.07
Working capital changes:		
Increase/decrease in trade and other short-term interest-free receivables	-1,796,731.79	-1,963,846.04
Increase/decrease in stocks	82,795.82	-185,522.31
Increase/decrease in short-term interest-free liabilities	-52,775.91	-200,007.82
Operating cash flow before financing items and taxes	-2,930,420.93	-2,795,534.24
Interest and other financial expenses paid relating to operating activities (-)	-934,347.20	-144,023.85
Interest received relating to operating activities	0.00	30,339.09
Cash flow from operating activities:	-3,864,768.13	-2,909,219.00
Cash flow from investing activities:		
Purchase of tangible and intangible items (-)	-2,142,837.24	-2,205,465.82
Purchase of investments (-)	-822,580.33	0.00
Proceeds from repayment of loans	0.00	-48,669.92
Cash flow from investing activities	-2,965,417.57	-2,254,135.74
Cash flow from financing activities		
Proceeds from issuance of share capital	9,033,817.33	1,012,200.00
Proceeds from short-term borrowings	0.00	366,100.04
Repayment of short-term borrowings (-)	-366,550.24	0.00
Proceeds from long-term borrowings	550,000.00	1,490,000
Repayment of long-term borrowings (-)	-545,056.74	-327,133.00
Cash flow from financing activities	8,672,210.35	2,541,167.04
Net increase (+)/ decrease (-) in cash and cash equivalents	1,842,024.65	-2,622,187.70
Cash and cash equivalents at beginning of period	5,363,730.98	7,985,918.68
Cash and cash equivalents at end of period	7,205,755.63	5,363,730.98

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 1,200.00 €) 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 2022–31 Dec 2022	1 Jan 2021–31 Dec 2021
Net turnover		
Net turnover by geographical markets		
Finland	4,329.19	23,487.00
EU	956,822.53	1,047,993.00
Outside the EU	4,189,147.44	4,489,561.66
	5,150,299.16	5,561,041.66
Other operating income		
Contributions received	853,966.03	806,875.70
Management fee from group companies	116,165.25	100,410.03
Other income	1,479.08	2,882.50
	971,610.36	910,168.23
The company's received contributions includes a waived loan from Business Finland of EUR 841 thousand.		
Materials and services		
Materials and supplies		
Purchases during the financial year	-2,435,577.19	-2,827,812.64
Variation in stocks	-222,929.35	5,991.43
External services	0.00	-17,000.00
	-2,658,506.54	-2,838,821.21
The inventory change includes a 211 thousand euro inventory write-down provision.		
Notes relating to personnel		
Average number of personnel during the financial year	54.67	54.54
	54.67	54.54
Wages, salaries and pension expenses		
Wages and salaries	-2,838,275.46	-2,824,235.13
Pension expenses	-567,531.25	-483,314.38
Other staff expenses	-95,724.24	-82,825.58
	-3,501,530.95	-3,390,375.09
Wages, salaries and other remuneration of directors and management		
CEO and Board members compensation	-261,077.00	-264,315.00
Depreciation, amortization and impairment		
Depreciation according to plan	-1,162,464.99	-1,259,532.15
Impairment of tangible and intangible assets	-1,040,052.71	-481,779.01
	-2,202,517.70	-1,741,311.16

	1 Jan 2022–31 Dec 2022	1 Jan 2021–31 Dec 2021
Other operating expenses		
Administrative expenses	-543,753.30	-497,879.90
Marketing expenses	-141,937.18	-95,276.01
Travelling expenses	-179,577.73	-73,903.18
Representation expenses	-8,888.17	-1,830.71
Other operating expenses	-1,253,188.28	-1,543,563.02
	-2,127,344.66	-2,212,452.82
Auditor's fees		
Audit of financial statements	-128,181.20	-88,470.75
Other fees	-6,600.00	-25,938.00
	-134,781.20	-114,408.75
Financial income and expenses		
Other interest income		
<i>From group undertakings</i>	42,155.21	0
From others	3,773.84	30,339.09
Total financial income	45,929.05	30,339.09
Interest and financial expenses		
<i>Realized loss in value, investments</i>	-9,582.03	0
From group undertakings	-21,505.63	-299.44
From others	-981,756.77	-7,896.01
Total financial expenses	-1,012,844.43	-8,195.45
Total financial income and expenses	-966,915.38	22,143.64

Notes to assets

Amortization 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.

Amortization 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 2022	31 Dec 2021
Raw materials and consumables	1,591,574.37	1,246,088.59
Finished products / goods for resale	829,337.46	1,257,619.06
	2,420,911.83	2,503,707.65

Non-current assets

	Development expenditure	Intangible rights	Other longterm expenditure	Total
Acquisition cost at 1 Jan,2022	10,610,267.05	544,399.75	229,641.63	11,384,308.43
Additions	1,356,477.87	101,754.52	0.00	1,458,232.39
Disposals	-1,040,052.71	0.00	0.00	-1,040,052.71
Acquisition cost at 31 Dec 2022	10,926,692.21	646,154.27	229,641.63	11,802,488.11
Accumulated amortization and reduction in value at 1 Jan 2022	4,786,213.48	206,970.27	144,296.01	5,137,479.76
Amortization for the financial year	825,382.08	60,517.17	44,790.32	930,689.57
Accumulated amortization and reduction in value at 31 Dec 2022	5,611,595.56	267,487.44	189,086.33	6,068,169.33
Book value at 31 Dec 2022	5,315,096.65	378,666.83	40,555.30	5,734,318.78
Book value at 31 Dec 2021	5,824,053.57	337,429.48	85,345.62	6,246,828.67

Tangible assets	Machinery and equipment	Total
Acquisition cost at 1 Jan 2022	1,623,603.13	1,623,603.13
Additions	665,029.66	665,029.66
Acquisition cost at 31 Dec 2022	2,288,632.79	2,288,632.79
Accumulated amortization and reduction in value at 1 Jan 2022	1,201,326.99	1,201,326.99
Amortization for the financial year	231,775.42	231,775.42
Accumulated amortization and reduction in value at 31 Dec 2022	1,433,102.41	1,433,102.41
Book value 31 Dec 2022	855,530.38	855,530.38
Book value 31 Dec 2021	422,276.14	422,276.14
Book value of machinery and equipment used for production at 31 Dec 2022	751,478.55	
Book value of machinery and equipment used for production at 31 Dec 2021	288,184.10	

Investments	Shares in group companies	Receivables from group companies	Total
Acquisition cost at 1 Jan 2022	9,266,906.46	1,052,545.19	10,319,451.65
Additions	0.00	30,461.70	30,461.70
Acquisition cost at 31 Dec 2022	9,266,906.46	1,083,006.89	10,349,913.35
Book value 31 Dec 2022	9,266,906.46	1,083,006.89	10,349,913.35
Book value 31 Dec 2021	9,266,906.46	1,052,545.19	10,319,451.65

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

Shanghai Optomed Medical Technology Ltd, China was closed on January 2023.

Analysis of receivables

Long-term receivables	31 Dec 2022	31 Dec 2021
From group undertakings		
Loans receivable	1,083,006.89	1,052,206.30
Other receivables	1,265,704.11	441,801.02
Total	2,348,711.00	1,494,007.32
Total long-term receivables	2,348,711.00	1,494,007.32
Short-term receivables		
From group undertakings		
Trade debtors	6,044,985.01	5,314,920.08
Other receivables	1,029,841.89	38,794.47
Total	7,074,826.90	5,353,714.55
From others		
Trade debtors	2,044,663.59	1,988,196.92
Other receivables	158,019.94	95,473.16
Prepayments and accrued income	479,388.84	524,444.50
Total	2,682,072.37	2,608,114.58
Total short-term receivables	9,756,899.27	7,961,829.13

Capital and reserves

Restricted equity	31 Dec 2022	31 Dec 2021
Subscribed capital at 1 January	80,000.00	80,000.00
Subscribed capital at 31 December	80,000.00	80,000.00
Share premium account at 1 January	503,699.60	503,699.60
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	42,439,622.44	41,384,281.85
Share issue	9,052,742.55	1,055,340.59
Reserve for invested unrestricted equity at 31 December	51,492,364.99	42,439,622.44
Retained earnings from previous financial years at 1 January	-18,771,279.71	-16,562,813.54
Retained earnings from previous financial years 31 December	-18,771,279.71	-16,562,813.54
Profit for the financial year	-3,547,640.33	-2,208,466.18
Total unrestricted equity	29,173,444.95	23,668,342.72
Total capital and reserves	29,757,144.55	24,252,042.32

	31 Dec 2022	31 Dec 2021
Distributable equity		
Calculation regarding distributable equity		
Profit from previous financial years	-18,771,279.71	-16.562.813.54
Profit of the financial year	-3,547,640.33	-2.208.466.18
Reserve for invested unrestricted equity	51,492,364.99	42.439.622.44
Capitalised development expenditure	-5,315,096.65	-5.824.053.57
	23,858,348.30	17.844.289.15

Optomed's share treasury

Optomed has conveyed 9,951 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 2022.

In addition total of 37,300 of shares have been subscribed for under the Company's stock option plans 2015, 2017, 2017B and 2018C and Optomed has used treasury shares for the share subscriptions.

The total amount of treasury shares was 374,566 shares in the end of the financial year.

Liabilities

Appropriations	31 Dec 2022	31 Dec 2021
Non-current liabilities		
Loans from financial institutions	4,283,472.54	5,759,319.80
Other non-current liabilities	1,040,000.00	490,000.00
	5,323,472.54	6,249,319.80
Liabilities falling due later than in five years		
Loans from financial institutions	257,335.00	651,168.00
	257,335.00	651,168.00
Current liabilities		
Other liabilities	21,805.07	299.44
	21,805.07	299.44
Amounts owed to others		
Loans from financial institutions	986,892.00	1,264,051.72
Advances received	167,924.74	57,497.67
Trade creditors	481,657.27	633,237.57
Other liabilities	74,633.35	83,402.39
Accruals and deferred income	786,447.00	720,385.45
	2,497,554.36	2 758 574.79
Material items included in accruals and deferred income		
Wages and salaries including social security costs	667,767.63	632,868.15
Interest	20,154.49	14,472.27
Other	98,524.88	73,045.03
	786,447.00	720,385.45

Related party transactions

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

	31 Dec 2022	31 Dec 2021
Sale of goods, group companies	672,861.42	1,083,473.72
Other operating income, group companies	116,165.25	100,410.03
Interest income of loans, group companies	42,155.21	0.00
Purchases, group companies	-376,638.35	-521,747.43
Interests of loans, group companies	-21,505.63	-29.44
Total	433,037.90	662,106.88

The transactions between group companies are carried out with regular terms. Parent company has also received a group contribution of 1,787,265.38€. Parent company has given loan to daughter company, 822,580,33€ and received loan of 700,000,00€ from another daughter company.

Guarantees and contingent liabilities

Liabilities in balance sheet secured by enterprise mortgages	31 Dec 2022	31 Dec 2021
Loans from financial institution	4 172 000,54	4,524,445.24
Enterprise mortgages	8 700 000,00	8,700,000.00
Enterprise mortgages, total	8 700 000,00	8,700,000.00
<i>The liability has been guaranteed with 80% share by Osuuspankki of Oulu and 20% by Finnvera Oyj special guarantee.</i>		

Pension obligations

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

Other commitments	31 Dec 2022	31 Dec 2021
Rental commitments (Inc. VAT)		
Payble during the following financial year	251,824.08	210,890.52
Payable in later years	0.00	87,871.05
Total	251,824.08	298,761.57
Amounts payable based on lease contracts (Inc.VAT)		
Payble during the following financial year	1,122.99	935.99
Payable in later years	3,368.98	0
	4,491.97	935.99

Other off-balance-sheet financial commitments

Company has off-balance sheet commitment to enterprice resource planning system licence fees total of 143,592.20 euros.

Company has liabilities for the delivery guarantee to Fabrinet Pte Ltd, 1,000,000.00 USD, which is covered 40% by Oulu Osuuspankki corporate mortgage and 60% by Finnvera's special guarantee.

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, 2023

Petri Salonen
Chairman of the Board

Anna Tenstam
Board Member

Seppo Mäkinen
Board Member

Mars Duan
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 16, 2023

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 2022. 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, 2022, accounting for 14 % of the total assets and 21 % 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 appropriateness of the disclosures 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 14,610 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 3,556 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 kept the loss allowance of 30% which was recognized EUR 589 (715) thousand this year.

— 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 appropriateness of the disclosures to the accounts relating to sales revenue and trade receivables recognized in the consolidated financial statements.



Capitalized development costs (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 cost in the consolidated financial statements amounted to EUR 6,562 thousand as at December 31, 2022
- 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 amortizing the asset.
- The carrying amount of capitalized development cost is depreciated as a straight-line amortization over 10 years of economic life and consequently the capitalized cost has a significant impact on the company's level of operating profit.
- Following from the element of management judgment in the capitalized development cost and the related amortizations, the significance of book value of the asset and the effect on the result of operations, the appropriateness of capitalized development cost 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 cost 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 amortization period of those development expense.
- We have assessed the judgements and assumptions made by the management decisions related to capitalization, cease capitalization and amortizing 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 cost and the amortization period by reviewing the profit projections of most significant projects and the technical accuracy 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 accuracy of the calculations.
- In addition, we assessed appropriateness of the disclosures to the accounts relating to capitalized development costs.



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 7 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 16 February 2023
KPMG OY AB

TAPIO RAAPPANA
Authorised Public Accountant, KHT



www.optomed.com

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