ANNUAL REPORT 2023

OPTOMED

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YEAR 2023

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.

Optimism Marks Future Prospects for Optomed

The year 2023 presented a mix of opportunities and hurdles, with the pending FDA clearance for artificial intelligence powered Aurora-AEYE AI fundus camera being a significant focus for the company.

Our financial performance for the full year 2023 reflects a steady growth trajectory compared to the previous year. We attribute this growth to strategic investments in product development, marketing efforts, and expanding our market reach.

Throughout 2023, we continued to prioritize innovation and product development to meet the evolving needs of our customers. We continued our R&D efforts to develop both in software and hardware segments products and services aimed at improving diagnostics and patient care. Additionally, we focused on strengthening our distribution channels and forging strategic partnerships to enhance our market presence.

One of the key targets of 2023 was the pending FDA clearance for our Aurora- -AEYE AI fundus camera. While the resolution was not achieved by the end of the fiscal year, the process is

> **2023 was a satisfactory year for Optomed.**

going forward. This clearance will not only validate the efficacy and safety of our product but also open new avenues for revenue generation and market expansion.

Looking ahead, we are cautious but optimistic about the prospects for Optomed in 2024. With the pending completion of the FDA process for our handheld AI fundus camera, we see accelerated growth and increased market penetration. We remain committed to driving innovation, delivering value to our customers, and creating long-term shareholder value.

2023 was a satisfactory year for Optomed. We are confident in our ability to navigate the evolving landscape of the market and capitalize on emerging opportunities. We thank our employees, customers, and shareholders for their continued support and look forward to a successful year ahead.

Sincerely,

Juho Himberg
CEO

Corporate Governance Statement 2023

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 2023
Optomed's Annual General Meeting was held in Espoo, Finland on 10 May 2023.

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 2023
The shareholders represented in the shareholders' Nomination Board for the purposes of Annual General Meeting 2023 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 has remained the same since 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 4 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 2023, different genders were represented in the Board.

Board of Directors in 2023

During 2022, the Board of Directors held 10 meetings. In addition to the board members listed below who were members of the Board at the end of the year, Mars Duan acted as a board member until May 2023.

Name	Citizenship	Independence	Appointed to the Board	Meeting Attendance
Petri Salonen	Finnish	Dependent of the Company	2006	100%
Catherine Calarco	USA	Independent	2023	100%
Seppo Mäkinen	Finnish	Independent	2019	100%
Reijo Tauriainen	Finnish	Independent	2019	100%
Anna Tenstam	Swedish	Independent	2020	100%
Ty Lee	USA	Independent	2023	71%

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. He is a Finnish citizen.

Catherine Calarco (born 1960) serves currently a member of the Board of Advisors of Astia and a member of the Leadership Committee of How Women Lead. She has most recently been Vice President, Global Go to Market, Innovation Evangelism of Automation Anywhere. She holds a Bachelor's Degree in Biology and Chemistry degree (California State University) and a Master of Business Administration degree (MIT Sloan School of Management MIT Sloan School of Management). She is independent of both Optomed and its major shareholders. She is US citizen.

Seppo Mäkinen (born 1952) serves as the Chairman of the Board of Klinik Healthcare Solutions Oy and as a member of the Board of Directors of Ginolis Oy. Previously, Mr. Mäkinen was the Chairman of the Boards of Directors of Lino Biotech AG, Taikon Advisor Oy, ValiFinn Ltd and Ginolis Oy, and a member of the Board of Directors of Aegirbio AB, 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 Pathena 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. He is a Finnish citizen.

Reijo Tauriainen (born 1956) serves as the Chairman of the Boards of Directors of Pohjolan Rakennustaito Oy and Temotek Oy and as a member of the Boards of Directors of Temotek Palvelut Oy. Previously, Mr. Tauriainen has been a CFO, a board member or board chair in various public and private companies. He holds a Master of Science degree in Economics from the University of Oulu. He is independent of both Optomed and its major shareholders. He is a Finnish citizen.

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. She is Swedish citizen.

Ty Lee (born 1970) serves as the Group President, North America of Demant as well as a member of the North America Compensation Committee of Demant and the Chair of the Board of Birdsong Hearing Benefits. He holds a Master of Business Administration degree (University of Berkeley, Haas School of Business) and a Master of Liberal Arts degree (Harvard University) and a Master of Science degree (Northwestern University). He is independent of both Optomed and its major shareholders. He is US citizen.

Board shareholding at the end of 2023

Name	Position	Own and controlled shares	Options
Petri Salonen	Chairman of the Board of Directors	13 680	-
Catherine Calarco	Member of the Board of Directors	2 156	-
Seppo Mäkinen	Member of the Board of Directors	10 943	-
Reijo Tauriainen	Member of the Board of Directors	14 022	-
Anna Tenstam	Member of the Board of Directors	5 943	-
Ty Lee	Member of the Board of Directors	2 156	-
Total		**48,900**	-

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

IIn 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 2023:

During 2023 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
Catherine Calarco	100%	Independent
Anna Tenstam	100%	Independent

During 2023 the Remuneration Committee held 3 meetings and comprised of the following members at the end of the year:

Member	Attendance/ meetings	Independence
Seppo Mäkinen (chair)	100%	Independent
Catherine Calarco	100%	Independent
Ty Lee	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.

Juho Himberg (born 1970) has served as the CEO for Optomed since 2023.

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 2023, the Leadership Team comprised the following members:

Name	**Position**	**Appointed**	**Employee since**
Juho Himberg	Chief Executive Officer	2023	2023
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.

Juho Himberg

(born 1970) has been the CEO of Optomed and a member of the Leadership Team since 2023. . Juho Himberg was most recently the CEO of Aidian.. Prior to Aidian, Himberg held leadership positions worldwide at various healthcare and medical technology companies such as Orton, Stryker, C.R. with Bard Inc. and Gambro. He holds a Master of Science in Chemistry from the University of Helsinki and Master of Business Administration from the University of Rochester. 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, among others, the positions of Senior Legal Counsel at CGI Inc, Head of Legal and IR at Affecto 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.

Management shareholding at the end of 2023:

Name	Position	Own and controlled shares	Options
Juho Himberg	CEO		
Sakari Knuutti	CFO		70,000[1]
Markku Myllylä	Vice President, Software		180,000[2]
Laura Piila	Vice President, Devices	2,000	98,000[3]
Total		**2,000**	**348,000**

[1]) Of which 20,000 under the 2019C option program, 6,000 under option program 2020A (expires 31 Dec 2023) and 44,000 under the 2019D option program
[2]) Of which 60,000 under the 2018C option program, 60,000 under the 2019A option program and 60,000 under option program 2020A (expires 31 Dec 2023).
[3]) 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 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 relevant decisions are taken in compliance with the Company's approval policy and established decision-making limits. The Company's finance and control function monitors related party transactions as a part of the Company's normal reporting and control procedures and reports related party transactions on a quarterly basis to the Audit Committee. The Company's Board of Directors decides on related party transactions that are not part of the ordinary course of business of the Company or are not concluded on market terms. Information on transactions concluded between the Company and its related parties is disclosed annually in the notes to the Company's consolidated financial statements. In addition, the Company publishes such related party transactions to the extent required pursuant to the applicable legislation and the rules of Nasdaq Helsinki Ltd.

2. Insider administration

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

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

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

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

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

External Auditor in 2023
In 2023, Optomed's statutory auditor was KPMG Oy Ab, Authorised Public Accountants, with Authorised Public Accountant Heidi Hyry as the auditor with principal responsibility since the Annual General Meeting of 2023. Heidi Hyry is a member of the Finnish Association of Auditor.

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

In EUR thousand	2023	2022	2021
Audit fees	160	145	120
Consulting	0	7	19

Remuneration Report for Governing Bodies

Remuneration Report for Governing Bodies

This remuneration report for the financial year 2023 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 ("Policy"). The remuneration policy is available on the Company's website on https://www.optomed.com/investors/.

The goal of the the Policy is to promote the Optomed's long-term financial performance and sustainable shareholder value creation by attracting, retaining and motivating executive management to drive the Optomed strategy in alignment with all essential stakeholder interests. The Policy's overriding objective is to ensure long-term pay-for-performance alignment at Optomed, that rewards for the delivery of Optomed's strategy in a manner which is simple, straightforward and understandable. The Policy aims to support attracting, retaining and motivating individuals with the suitable caliber to lead Optomed.

The Company has not exercised the right to deviate from the Remuneration Policy nor exercised the option of clawback of remuneration.

The remuneration report for the year 2022 was rejected by an advisory vote at the Annual General Meeting of the company in 2023. Subsequently, the Company has engaged in dialogue with shareholders regarding the reasons for the rejections, the feedback received on the matter as well as regarding the remuneration principles of the company, and has clarified reporting and decision-making processes.

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. As a largest element affecting the remuneration during the financial year, the CEO changed 1 October 2023.

In EUR thousand	2023	2022	2021	2020	2019
Board total remuneration[1]	131	95	110	111	26
CEO remuneration	181	137	128	144	105
Average employee remuneration[2]	77	74	78	65	58
Group revenue	15,10M	14.66M	14.85M	13.01M	14.98M
Group EBITDA	-1,8	-2,0	-2.0	-0.7	-0.3

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. The Annual General Meeting held of 2023 approved the following annual fees for the Board members:

- 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 2023 by transferring own shares held by the Company based on an authorization granted by the Annual General Meeting.

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. In 2023, the fees paid to Petri Salonen amounted to EUR 78 thousand and in 2022 they amounted to EUR 78 thousand. The fees include VAT. In addition, he has been paid EUR 5 (2) thousand as reimbursement for travel and other expenses in 2023. The consultancy relationship does not entitle Salonen to any benefits or variable pay in addition to the fees.

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 with the exception of the afore-mentioned proportion of their annual fee, which was paid in shares.

No pension benefits have been granted in favor of the members of the Board of Directors.

Name	Position	Yearly fees	Meeting fees	Consulting fees	Total
Petri Salonen	Chairman	36	0	78	114
Catherine Calarco	Board member	18	1	0	19
Mars Duan	Board member since 6 September 2022	0	0	0	0
Seppo Mäkinen	Remuneration Committee Chairman	18	1	0	19
Reijo Tauriainen	Audit Committee Chairman	18	1	0	19
Anna Tenstam	Board member	18	1	0	19
Ty Lee	Board member	18	1	0	19

All in EUR thousand.

2. Remuneration of the CEO

The remuneration of the CEO of the Company in accordance with the remuneration policy consists of a monthly fixed salary, customary fringe benefits and short and long-term incentives. The Board of Optomed decides on the CEO's remuneration annually within the framework of the Policy and based on the proposal of the Board's remuneration committee.

The remuneration and benefits paid to the CEO during the financial yeas 2023 are presented in the following table:

	Fixed Salary[1]	Short Term Incentive	Share-based payments	Total
Seppo Kopsala, CEO until 30.9.2023	129[2]	0	0	129
Juho Himberg, CEO from 1.10.2023	52	0	0	52
Total	**181**	**0**	**0**	**181**

in EUR thousand.

1) Includes benefits

In 2023, 100% of the total remuneration consisted of fixed pay components and 0 % of variable pay components.

Juho Himberg started as the CEO of Optomed 1 October 2023 and he was therefore paid for three months in 2023. Starting from 2024, the CEO is entitled to both a long term incentive scheme, and a short-term incentive scheme. Additionally, the CEO is entitled to supplementary pension and health insurance from 2024 onwards. The current retirement age for the CEO follows the Finnish Employee's Pension Act.

Seppo Kopsala will be paid a severance payment equivalent to his notice period salary. The total amount of the payment is 60.000 and it will be paid in installments monthly over a six-month period.

Short Term Incentive

The short-term incentive (STI) performance criteria for 2023 were set by the Board in the beginning of the financial year. These criteria encompassed several financial and strategic objectives. The strategic objectives included various business development and other targets. The maximum bonus for the CEO under the short-term incentive system was EUR 69,750, with the largest single target being the revenue growth target, representing approximately 50 percent of the total compensation. Compensation begins to accrue when revenue exceeds a separately defined minimum level and increases linearly, reaching 100% of the target level when the set revenue target is met. The second-largest goal related to the FDA clearance for the Company's AI fundus camera and its sales, representing about 25 percent of the total compensation.

Based on the achievement of the targets in 2023, the former CEO Seppo Kopsala will be paid a short-term incentive of 4,125 euros, which corresponds to 5.9 percent of the maximum amount. The earnings for the year were adjusted pro rata based on Kopsala's contract terminating 30 September 2023.The payment will be made in 2024. No short-term incentives will be paid to Juho Himberg for the year 2023.

The performance metrics and earned incentives of the short-term incentive scheme are detailed in the table below.

<table>
<tr><th>Measure</th><th>Weight of the measure (%)</th><th>Outcome on the measurement scale</th><th>Total earning opportunity (per cent of the fixed annual salary)</th><th>Total outcome</th></tr>
<tr><td>Revenue growth</td><td>52%</td><td>8%</td><td rowspan="3">Maximum earning opportunity: 58%</td><td rowspan="3">EUR 4,125</td></tr>
<tr><td>FDA clearance and related sales targets</td><td>25%</td><td>Not achieved during 2023</td></tr>
<tr><td>Measures based on strategic targets and projects</td><td>23%</td><td>15%</td></tr>
</table>

Long Term Incentive

For the financial period 2023, the CEO salaries and benefits have completely consisted short term incentive scheme and fixed remuneration. No decisions were made regarding new long-term programs, nor were payments made based on existing programs.

At the end of the year, the previous Seppo Kopsala had a total of 60,000 options of which 40,000 under the 2015 option program and 20,000 under the 2017 option program. The options were decided upon and Seppo Kopsala received the allocations from both programs before the IPO of the Company in 2019. The subscription prices of the options are EUR 3.50, and the exercise periods are 1 July 2020–1 July 2024 for both programs, after which the programs will expire. The current CEO does not have outstanding earning opportunities based on share-based incentive schemes on the date this remuneration report is published.

Board of Directors' Report and Financial Statements 2023

OPTOMED

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

In 2023 a solution delivered by Optomed to a public sector customer in Valencia Spain will serve as a good indicator of public sector demand. The solution consist of Optomed Aurora IQ fundus cameras and associated software solutions. The solution will be used for the screening of local diabetic retinopathy patients and for the detection of potentially vision threatening diabetic retinopathy.
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 three AI companies’ diabetic retinopathy algorithm to be sold with dedicated desktop cameras in the US market. Optomed’s goal is to receive FDA- approval for its Aurora AEYE AI camera.

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	2023	2022	Change, %	2021
Revenue	15,100	14,660	3.0%	14,850
Gross profit *	10,292	10,069	2.2%	10,558
Gross margin % *	68.2%	68.7%		71.1%
EBITDA	-1,781	-1,952	8.7%	-2,002
EBITDA margin *, %	-11.8%	-13.3%		-13.5%
Adjusted EBITDA *	-1,470	-1,952	24.7%	-2,002
Adjusted EBITDA margin *, %	-9.7%	-13.3%		-13.5%
Operating result (EBIT)	-3,974	-5,097	22.0%	-4,780
Operating margin (EBIT) *, %	-26.3%	-34.8%		-32.2%
Adjusted operating result (EBIT) *	-3,663	-5,097	28.1%	-4,780
Adjusted operating margin (EBIT margin) *, %	-24.3%	-34.8%		-32.2%
Net profit/ loss	-4,441	-5,472	18.9%	-4,249
Earnings per share	-0.27	-0.37	28.9%	-0.32
Cash flow from operating activities	-615	-2,370	74.0%	-2,940
Net Debt	-3,768	-3,251	15.9%	213
Net debt/ EBITDA (LTM)	2.1	1.7		-0.1
Net debt/ Adjusted EBITDA(LTM)	2.6	1.7		-0.1
Equity ratio *	70.0%	65.0%		58.8%
R&D expenses personnel	1,280	1,198	6.8%	1,773
R&D expenses other costs	644	661	-2.6%	511
Total R&D expenses	1,924	1,859	3.5%	2,284

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

In January - December 2023, Group revenue increased by 3.0 percent to EUR 15,100 (14,660) thousand. The growth was driven by the Software segment as the Devices segment's revenue decreased by 7.2 percent while the Software segment's revenue increased by 8.9 percent.

The gross margin decreased to 68.2 percent from 68.7 percent last year. During the comparison period, the gross margin was negatively affected by an inventory provision of EUR 251 thousand, and Optomed was granted a loan waiver in the amount of EUR 841 thousand treated as other operating income and, therefore, affecting the gross margin positively. The gross margin for 2023 adjusted for grants and other operating income is 67.8 percent compared to comparison period 62.8 percent.

EBITDA amounted to EUR -1,781 (-1,952) thousand and adjusted EBITDA was EUR -1,470 (-1,952) thousand. The comparison period EBITDA was also positively affected by the previously mentioned loan waiver, and the comparison period EBITDA adjusted for grants and other operating income would have been EUR -2,809 thousand.

EBIT was EUR -3,974 (-5,097) thousand and adjusted EBIT was EUR -3,663 (-5,097) thousand. The improvement is due to the improved gross profit.

Net financial items amounted to EUR -545 (-454) thousand and consisted mainly of interest payments to financial institutions and the translation effect of CNY 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).

EUR, thousand	2023	2022	Change,%
Revenues	5,009	5,398	-7.2%
Gross profit *	2,947	3,738	-21.2%
Gross margin % *	58.8%	69.3%	
EBITDA	-1,264	-670	-88.6%
EBITDA margin *, %	-25.2%	-12.4%	
Operating result (EBIT)	-2,707	-3,159	14.3%
Operating margin (EBIT) *, %	-54.0%	-58.5%	

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

In January - December 2023, the Devices segment revenue decreased by 7.2 percent to EUR 5,009 (5,398) thousand. The global distributor sales and USA grew strongly; however, the growth was offset by weak OEM sales.

The gross margin decreased to 58.8 percent from 69.3 percent and gross margin adjusted for grants and other operating income increased to 58.8 (53.4) percent.

EBITDA was EUR -1,264 (-670) thousand or -25.2 (-12.4) percent of revenue. During the comparison period, Optomed was granted a loan waiver in the amount of EUR 841 thousand treated as other operating income that had a corresponding effect on both gross margin and EBITDA.

Software segment

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

EUR, thousand	2023	2022	Change, %
Revenues	10,091	9,263	8.9%
Gross profit *	7,346	6,330	16.0%
Gross margin % *	72.8%	68.3%	
EBITDA	2,629	2,079	26.4%
EBITDA margin *, %	26.1%	22.4%	
Operating result (EBIT)	1,889	1,431	32.0%
Operating margin (EBIT) *, %	18.7%	15.4%	

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

In January - December 2023, the Software segment revenue increased by 8.9 percent to EUR 10,091 (9,263) thousand.

Gross margin increased and it was 72.8 (68.3) percent. EBITDA was EUR 2,629 (2,079) thousand or 26.1 (22.4) percent of revenue. The increased profitability was driven by improved performance of the healthcare solution sales.

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 3,155 (3,368) thousand.

Balance sheet, financial position and investments

In January-December 2023, the cash flow from operating activities amounted to EUR –615 (-2,370) thousand. Net cash in investing activities was EUR -2,412 (-3,029) thousand and relates mainly to capitalized development expenses. Net cash from financing activities amounted to EUR 1,609 (7,003). In 2023 Optomed completed directed share issues consisting of 1,589,042 shares and collected gross proceeds of approximately EUR 4.3 million.

Consolidated cash and cash equivalents at the end of the period amounted to EUR 7,118 (8,524) thousand. Interest-bearing net debt totaled EUR -3,768 (-3,251) thousand at the end of the period.

Net working capital was EUR 2,460 (3,738) thousand at the end of the period. The net working capital includes trade receivables of EUR 2,6 (3,6) million. One Chinese customer represents approximately 45% of the total group trade receivables out of which approximately EUR 1,5 million is overdue, which after management's assessment have resulted in a credit risk accrual of EUR 767 thousand which represents approximately 50% of the total outstanding trade receivable. During 2023 credit risk accrual increased EUR 178 thousand.

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 38 international patents and 31 pending patents. Additionally, Optomed has six registered as well as four pending model protection and 91 registered and 3 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 handheld 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 3,993 thousand, representing 26.4 percent of revenue in 2023, compared to EUR 4,000 thousand or 27.3 percent of revenue in 2022.

EUR, thousand	2023	2022
R&D expenditure	3,993	4,000
As percentage of revenue	26.4%	27.3%

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

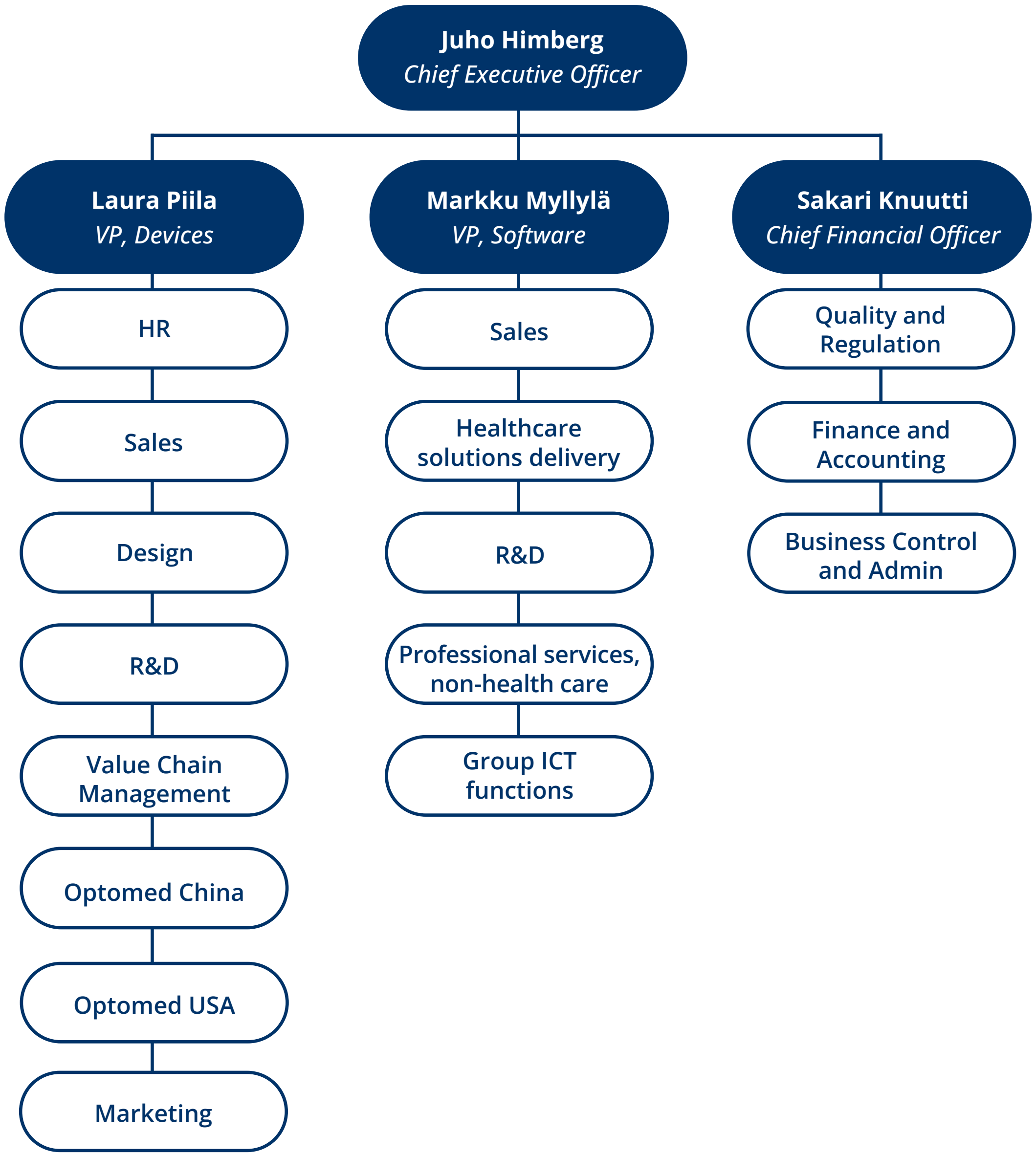
On 31 December 2023, Optomed had a total of 114 employees, of which a significant number worked in expert roles. The employee contracts are mostly permanent contracts.

Number of employees	2023	2022
Average number of employees	114	119
Number of employees at the end of the period	114	114

Graphical distribution of employees	2023	2022
Finland	97	95
China	8	8
United States	9	11
Total	114	114

Management

Optomed Oyj leadership team consist of at the end of the 2023 CEO Juho Himberg, CFO Sakari Knuutti, Software-segment leader Markku Myllylä and Devices-segment leader Laura Piila.



Juho Himberg
Chief Executive Officer
Laura Piila
VP, Devices
HR
Sales
Design
R&D
Value Chain Management
Optomed China
Optomed USA
Marketing
Markku Myllylä
VP, Software
Sales
Healthcare solutions delivery
R&D
Professional services, non-health care
Group ICT functions
Sakari Knuutti
Chief Financial Officer
Quality and Regulation
Finance and Accounting
Business Control and Admin

Legal structure

Optomed group consists of the parent company Optomed Plc and four subsidiaries in Finland, China, the USA and Hong Kong. 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 and country companies are 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 2023.

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

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
Optomed USA Inc.	100 %	United States

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 18,130,397 shares and the company held 353,973 shares in the treasury which corresponds to approximately 1.95 percent of the total amount of the shares and votes. Optomed's market capitalization was EUR 67.4 million at the of the review period.

Sector	Number of shareholders	% of shareholders	Number of shares	% of shares
Private companies	369	3.87	3,749,401	20.68
Financial and insurance institutions	19	0.20	3,972,649	21.91
Public sector organizations	5	0.05	1,431,512	7.90
Households	9,103	95.47	6,903,766	38.08
Non-profit instit serving households	11	0.12	204,345	1.13
Foreigners	19	0.20	34,795	0.19
Total,	9,526	99.91	16,296,468	89.88
Nominee registered	9	0.09	1,833,929	10.12
Total shares			**18,130,397**	**100**

Number of shares	**Shareholders**	**%**	**Shares**	**%**
1- 100	3,259	34.18	156,481	0.86
101–1,000	4,904	51.43	1,963,057	10.83
1,001–10,000	1,245	13.06	3,349,721	18.48
10,001–100,000	105	1.1	2,754 629	15.19
100,001–1.000,000	20	0.21	6,744,740	37.2
>1,000,000	2	0.02	3,161,769	17.44
Total	**9,535**	**100**	**18,130,397**	**100**
Nomineeregistered	9	0.09	1,833,929	10.12
Number of shares issued			18,130,397	100

	Shareholder	Shares	%,of,shares
1	*,Skandinaviska,Enskilda, Banken,Ab,(publ),Helsinki,Branch	1,728,813	9.54
2	OP-Suomi Pienyhtiöt	1,432,956	7.9
3	Sr Säästöpankki Pienyhtiöt	879,719	4.85
4	Sr Aktia Capital	687,409	3.79
5	Suomen Teollisuussijoitus Oy	601,080	3.32
6	Keskinäinen Työeläkevakuutusyhtiö Elo	561,916	3.1
7	Mandatum Henkivakuutusosakeyhtiö	419,382	2.31
8	Danske Invest Suomi Osake	418,824	2.31
9	Sr eQ Suomi	386,993	2.13
10	Joensuun Kauppa ja Kone Oy	364,858	2.01
,	10 largest shareholder's total	7,481,950	41.27
,	Nominee,registered	1,728,813	9.54
,	Others	10,648,447	58.73
,	**Total**	**18,130,397**	**100**

*Nominee register

At the end of the review period, Optomed's Chairman and Members of the Board of Directors controlled 48,900 shares, representing approximately 0.27 percent of the total number of all shares and 0.28 percent of all shares excluding shares in treasury. The CEO and management team owned 2,000 shares and 348,000 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 predefined thresholds.

In 2023, Optomed received the following major shareholder notifications:

5.6.2023 Cenova Capital notified that its total holdings in Optomed shares and votes has decreased to 9.96% of all of the registered shares in Optomed..

2.11.2023 Universal-Investment-Gesellschaft mit beschränkter Haftung notified that its total holdings in Optomed shares and votes has decreased to 4.98 per cent of all of the registered shares in Optomed.

4.12.2023 Cenova Capital notified that its total holdings in Optomed shares and votes has decreased to 3.81% of all of the registered shares in Optomed.

Shareholders 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 Company's annual general meeting held 10.5.2023 approved following authorizations for the Board of Directors.

The Annual 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 1,654,135 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 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 1,654,135. 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	2023	2022	2021
Earnings per share	-0.27	-0.37	-0.32
Equity per share	1.22	1.39	1.34
Dividend per share	-	-	-
Dividend % of earnings	-	-	-
effective dividend yield %	-	-	-
P/E ratio	-14.00	-10.03	-31.00
Share price performance, share issue adjusted *			
Lowest share price	2.38	2.11	7.25
Highest share price	4.63	10.75	18.90
Average share price	3.45	4.56	10.62
Closing share price	3.72	3.75	9.80
Market value of shares at end of period	67,445	62,030	137,231
Weighted average adjusted number of shares during the financial period	15,949,241	14,052,855	13,390,702
Weighted average adjusted number of shares in the end of financial year	16,706,508	14,640,697	13,441,437

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 x 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 2023
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	157,900
		(50%) 1 July 2021 – 31 December 2024	
2019A	3.5	1 July 2021 – 31 December 2024	66,000
2019B	3.5	(40%) 1 July 2020 – 31 December 2024	100,000
		(20%) 1 September 2020 – 31 December 2024	
		(40%) 1 September 2021 – 31 December 2024	
2019C	3.5	(50%) 1 July 2020 – 31 December 2024	20,000
		(50%) 1 September 2020 – 31 December 2024	
2019D	5	1 January 2023 – 31 December 2023	6,000
2020A	3.5	1 January 2023 – 31 December 2023	114,000
2022A	4.17	1 January 2026 – 31 December 2027	147,500
Total			**890,000**

Decisions of the annual general meeting

The Annual General Meeting held on 10 May 2023 adopted the financial statements for the financial period ended on 31 December 2022 and discharged the members of the Board of Directors and the CEO from liability for the financial period ended on 31 December 2022. The Annual General Meeting decided to reject the remuneration report for governing bodies. The decision made is advisory.

The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend will be paid for the year 2022.

The number of members of the Board of Directors was confirmed as six. Seppo Mäkinen, Petri Salonen, Reijo Tauriainen and Anna Tenstam were re-elected as members of the Board and Catherine Calarco and Ty Lee were elected as new 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 Annual General Meeting decided to re-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 Heidi Hyry acts as the auditor with principal responsibility. Auditor's remuneration will be paid in accordance with an invoice approved by the Company.

The Annual 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 1,654,135 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 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 1,654,135. 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.

The Annual General Meeting decided to amend the Articles of Association so that the minimum number of the members of the Board of Directors was reduced from five members to four.

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)
- Catherine Calarco
- Anna Tenstam

Remuneration Committee:

- Seppo Mäkinen (Chairman)
- Catherine Calarco
- Ty Lee

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.

PUBLIC PROCUREMENT

In addition to its healthcare customers, Optomed's Software segment provides development services also to a non-healthcare Finnish governmental agency under a contract the term of which is ending in the beginning of July 2024.

The new contract with the agency is subject to a public procurement process. There is a risk that the Company fails to win the procurement process and the new contract. In case the Company fails to win the new contract, the impact on 2024 revenue is expected to be approximately EUR 0.5M-1.0M.

PANDEMICS

In 2020, the COVID-19 pandemic led to widespread lockdowns and had significant effects on the supply chain and revenue streams of various companies.

The Company may be adversely affected if a new outbreak of COVID-19 or another disease causes a new pandemic and lockdowns.

HIGH 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 the 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.

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.

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 mdium 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, the Company maybe 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 have continued but materially slower than originally agreed.

FOREX

Optomed operates 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 its employees that are not completely covered by Optomed's insurance coverage. Especially, failures with respect to compliance with certain medical devices related regulations .and processes may hinder the Company's devices' market access.

Disputes

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 2023 was EUR 24,937,168.01 and the net loss for the financial year was EUR -2,583,822.23. The Board of Directors proposes to the Annual General Meeting that no dividend will be paid and the non-restricted equity on the outstanding 18,130,397 shares shall be retained and carried forward.

Outlook 2024

Optomed expects its full year 2024 revenue to grow compared to 2023.

Consolidated income statement

In thousand of euro	Note	Jan 1 - Dec 31, 2023	Jan 1 - Dec 31, 2022
Revenue	2, 3	15,100	14,660
Other operating income	4	49	857
Materials and services	5	-4,857	-5,449
Employee benefit expenses	6	-8,699	-8,827
Depreciation, amortization and impaiment losses	8	-2,193	-3,145
Other operating expenses	7	-3,374	-3,193
Operating result		**-3,974**	**-5,097**
Finance income	9	479	569
Finance expenses	9	-1,024	-1,024
Net finance expenses		-545	-454
Loss before income taxes		**-4,519**	**-5,551**
Income tax expense	10	79	79
Loss for the financial year		**-4,441**	**-5,472**
Loss for the financial year attributable to			
Owners of the parent company		-4,441	-5,472
Loss per share attributable to owners of the parent company			
Basic loss per share (euro)	11	-0.27	-0.37

Consolidated comprehensive income statement

In thousand of euro	Jan 1 - Dec 31, 2023	Jan 1 - Dec 31, 2022
Loss for the financial year	-4,441	-5,472
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss **Foreign currency translation difference**	283	139
Other comprehensive income for the financial year, net of tax	**283**	**139**
Total comprehensive income for the financial year	**-4,157**	**-5,333**
Total comprehensive loss attributable to **Owners of the parent company**	-4,157	-5,333

Consolidated balance sheet

In thousand of euro	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Goodwill		4,256	4,256
Development costs		7,731	6,562
Customer relationships		942	1,164
Technology		433	534
Other intangible assets		384	379
Total intangible assets	12	13,746	12,895
Tangible assets	13	710	852
Right-of-use assets	14	1,472	1,448
Deferred tax assets	10	23	15
Total non-current assets		**15,951**	**15,210**
Current assets			
Inventories	15	2,820	2,998
Trade receivables	16,21	2,583	3,556
Other receivables	17	607	1,012
Cash and cash equivalents	16	7,118	8,524
Total current assets		**13,128**	**16,090**
Total assets		**29,079**	**31,300**

Consolidated balance sheet

In thousand of euro	Note	Dec 31, 2023	Dec 31, 2022
EQUITY			
Share capital		80	80
Share premium		504	504
Reserve for invested non-restricted equity		50,936	46,896
Translation differences		334	51
Retained earnings		-27,052	-21,717
Profit (loss) for the financial year		-4,441	-5,472
Total equity	**18**	**20,361**	**20,342**
LIABILITIES			
Non-current liabilities			
Borrowings from financial institutions	19,21	1,651	3,380
Government loans	19,21	713	906
Lease liabilities	14,19	991	1,058
Deferred tax liabilities	10	310	387
Total non-current liabilities		**3,665**	**5,731**
Current liabilities			
Borrowings from financial institutions	19,21	794	794
Government loans	19,21	193	193
Lease liabilities	14,19	516	412
Trade payables	19	782	869
Other payables	20	2,767	2,959
Total current liabilities		**5,052**	**5,227**
Total liabilities		**8,718**	**10,957**
Total equity and liabilities		**29,079**	**31,300**

Consolidated cash flow statement

In thousand of euro	Note	Jan 1 - Dec 31, 2023	Jan 1 - Dec 31, 2022
Cash flows from operating activities			
Loss for the financial year		-4,441	-5,472
Adjustments:			
Depreciation, amortization and impairment losses	8	2,193	3,145
Finance income and finance expenses	9	468	618
Other adjustments		289	-770
Cash flows before change in net working capital		-1,491	-2,479
Change in net working capital:			
Change in trade and other receivables (increase (-) / decrease (+))		1,094	204
Change in inventories (increase (-) / decrease (+))		118	-68
Change in trade and other payables (increase (+) / decrease (-))		-75	172
Cash flows before finance items		-354	-2,171
Interest paid		-169	-76
Other finance expenses paid		-93	-123
Net cash from operating activities (A)		**-615**	**-2,370**
Cash flows from investing activities			
Capitalization of development expenses	12	-2,199	-2,249
Acquisition of tangible assets	13	-213	-780

Consolidated cash flow statement

In thousand of euro	Note	Jan 1 - Dec 31, 2023	Jan 1 - Dec 31, 2022
Net cash used in investing activities (B)		**-2,412**	**-3,029**
Cash flows from financing activities			
Proceeds from share subscriptions	18	4,310	9,012
Share issue transaction costs		-318	-682
Repayment of loans and borrowings	19	-1,921	-912
Repayment of lease liabilities	14.19	-462	-415
Net cash from financing activities (C)		**1,609**	**7,003**
Net cash from (used in) operating, investing and financing activities (A+B+C)		**-1,419**	**1,605**
Net increase (decrease) in cash and cash equivalents		**-1,419**	**1,605**
Cash and cash equivalents at January 1		8,524	6,804
Effect of movements in exchange rate on cash held		13	115
Cash and cash equivalents at December 31	16	7,118	8,524

Consolidated statement of changes in equity

In thousand of euro	Note	Share Capital	Share Premium	Reserve for invested non-restricted	Translation differences	Retained earnings	Total
		Equity attributable to owners of the parent company					
Balance at January 1, 2023		**80**	**504**	**46,896**	**51**	**-27,189**	**20,342**
Comprehensive income							
Loss for the financial year						-4,441	-4,441
Translation differences					283		283
Total comprehensive income for the financial year					**283**	**-4,441**	**-4,157**
Transactions with owners of the company							
Share issue				3,973			3,973
Share based payments				48			48
Share options	6			19		137	156
Total transactions with owners of the company				**4,039**		**137**	**4,176**
Balance at December 31, 2023	**18**	**80**	**504**	**50,936**	**334**	**-31,493**	**20,361**

				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				8,200			8,200
Share based payments				41			41
Share options	6			129		253	382
Total transactions with owners of the company				**8,371**		**253**	**8,624**
Balance at December 31, 2022	**18**	**80**	**504**	**46,896**	**51**	**-27,189**	**20,342**

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, 2023. 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 (2022-2023), 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 hierachy based on the inputs used in the valuation techniques as follows:

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (i.e. as prices) or indirectly (i.e. derived from prices).
— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Specific valuation techniques used in fair value measurement include:
— Share-based payments – Black-Scholes option pricing model (Note 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 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, 2024 :

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 bowl 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. Optomed subsidiaries Optomed USA and Optomed China are part of devices segment. 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

2023

In thousand of euro	Devices	Software	Group Admin	Group, Total
External revenue	5,009	10,091	0	15,100
Net operating expenses	-2,062	-2,745	0	-4,807
Margin	2,947	7,346	0	10,292
Depreciation and amortization	-1,444	-740	-9	-2,193
Other expenses	-4,210	-4,717	-3,146	-12,074
Operating result	**-2,707**	**1,889**	**-3,155**	**-3,974**
Finance items	0	0	-545	-545
Loss before tax expense	**-2,707**	**1,889**	**-3,701**	**-4,519**
Segment assets	11,024	8,369	241	19,635
Capital expenditure	1,520	634	53	2,208
Segment liabilities	189	618	192	999

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

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	2023	2022
Finland	15,749	15,047
USA	61	127
China	117	21
Total	**15,928**	**15,195**

1 Group's non-current assets exclude financial instruments and deferred tax assets. Optomed has no defined benefit pension plans and thus no related assets.

Disaggreration of consolidated revenue by geographical market is disclosed in Note 3.2 Disaggregation of revenue.

2.4 Major customers

The Group's revenues from two major customers in the financial years 2022-2023 were approximately as follows: from one customer EUR 2.4 million (2023), and EUR 2.4 million (2022), and from another customer EUR 1.4 million (2023) and EUR 1.3 million (2022).

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	2023		2022	
Finland	9,643	64%	8,606	59%
Rest of the Europe	1,870	12%	1,715	12%
Rest of the World	3,586	24%	4,340	30%
Total	**15,100**	**100%**	**14,660**	**100%**

	2023		2022	
Products and services transferred at a point in time	11,140	74%	11,067	75 %
Services transferred over time	3,960	26%	3,593	25 %
Total	**15,100**	**100%**	**14,660**	**100 %**

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

In thousands of euro	2023	2022
Other operating income	49	857
Total	**49**	**857**

During the year 2023 Optomed did not receive significant grants. 2022 Optomed has received government grants from various organisations, such as Business Finland (previously Tekes). The most significant grants for the years 2022, Optomed received from Business Finland. 2022 operating income include Business Finland waived loan of 841 thousand EUR.

5.Materials and services

5.1 Breakdown of materials and services expense

In thousands of euro	2023	2022
Purchase expenses	-4,370	-4,974
Change in inventories (increase (+), decrease (-))	-26	-99
External services	-460	-375
Total	**-4,857**	**-5,449**

Optomed has recognized 68 thousand inventory provision for non marketable items during 2023 and 251 thousand during 2022.

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 2022-2023)
d) termination benefits, i.e. benefits provided in exchange for the termination of an employment
(no such benefits were provided during the financial years 2022-2023)
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	2023	2022
Wages and salaries	-7,287	-7,197
Contributions to defined contribution post-employment plans	-1,016	-1,105
Other social security expenses	-260	-271
Share-based payment plans	-137	-253
Total	**-8,699**	**-8,827**

6.3 Number of personnel

	2023	2022
Average number of employees for the financial year	114	119

6.4 Share-based payment plans

Option programs in effect during the financial year

2015: 118,000 Outstanding options on December 31,2023. Subcription 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 31,2023. Subcription 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 0.7% of the company's share capital and votes.

2017B: 29,300 Outstanding options on December 31,2023. Subcription price EUR 3.50 per share. Subscription period July 1, 2020–July 1, 2023. 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: 157,900 Outstanding options on December 31,2023. Subcription 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 157,900 shares can be subscribed for based on the option rights, corresponding to 0.9% of the company's share capital and votes.

2019A: 66,000 Outstanding options on December 31,2023. Subcription 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 31,2023. Subcription 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 31,2023. Subcription 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: 6,000 Outstanding options on December 31,2023. Subcription 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 6,000 shares can be subscribed for based on the option rights, corresponding to 0.0% of the company's share capital and votes.

2020A: 114,000 Outstanding options on December 31,2023. Subcription 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 114,000 shares can be subscribed for based on the option rights, corresponding to 0.6% of the company's share capital and votes.

2022A: 147,500 Outstanding options on December 31,2023. Subcription 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 0.8% 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	2023	2022
Outstanding at January 1	903,600	854,900
Granted during the year	-	178,000
Forfeited during the year	-8,100	-92,000
Exercised during the year	-5,500	-37,300
Expired during the year	-	-
Outstanding at December 31	**890,000**	**903,600**
Exercisable at December 31	**742,500**	**629,100**

Option subscription price during the 2023 was 3.50 EUR for exercised options. Optomed average share price during the 2023 was 3.45 EUR. In case the share options issued are fully exercised, the number of outstanding A shares will increase by 5.0%. 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	2023	2022
Equity-settled share-based payments	-137	-253

7. Other operating expenses

7.1 Accounting policy

Optomed's other orerating 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	2023	2022
Travel expenses	-424	-356
Marketing expenses	-635	-784
IT expenses	-403	-403
Office expenses	-161	-186
Other administrative expenses	-813	-765
Research and development expenses	-230	-361
Credit loss accrual	-206	123
Other fixed expenses	-502	-463
Total	**-3,374**	**-3,193**

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

7.3 Auditor's fees

In thousands of euro	2023	2022
Audit fees	-160	-145
Other services	0	-7
Total	**-160**	**-152**

8. Depreciation, amortization and impaiment 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 impaiment losses by asset category

In thousands of euro	2023	2022
Intangible assets		
Development costs	-920	-1,939
Customer relationships	-222	-222
Technology	-102	-102
Other intangible assets	-87	-83
Total	**-1,331**	**-2,346**

In thousands of euro	2023	2022
Tangible assets		
Machinery and equipment	-355	-372
Total	**-355**	**-372**
Total depreciation and amortization / owned assets	**-1,685**	**-2,718**

8.3 Impairment losses

The Group recognised impairment losses on intangible assets during financial year 2023 of 21 thousand euros and 1,040 thousand euros in 2022. 2023 Impairment losses are due to terminated patents. There were no recognised impairment losses on tangible assets during years 2022-2023.

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	2023	2022
Foreign exchange gains	422	560
Interest income	23	4
Other finance income	34	6
Total	**479**	**569**

9.2 Finance expenses

In thousands of euro	2023	2022
Foreign exchange losses	-736	-756
Interest expenses	-204	-115
Other finance expenses	-84	-153
Total	**-1,024**	**-1,024**
Net finance expenses	**-545**	**-454**

Net financial items amounted to EUR -545 (-454) 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 2022-2023, being the interest rate applicable to those loans during the said annual periods. The capitalised costs amounted to EUR 21 thousand (2023) and EUR 21 thousand 2022 which were recorded as deductions to interest expenses.

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	2023	2022
Current tax for the reporting year	0	0
Current tax adjustments for prior years	0	0
Change in deferred taxes	79	79
Total	**79**	**79**

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

	2023	2022
Profit before income tax	**-4,519**	**-5,551**
Tax using the Finnish corporate tax rate (20 %)	904	1,110
Effect of tax rate in foreign jurisdictions	38	40
Unrecognised deferred tax assets on taxable losses	-550	-527
Non-deductible expenses	-17	-21
Share option expense	-27	-51
Depreciation and amortisation not deducted for tax purposes	-264	-466
Consolidation-related adjustments	-4	-7
Taxes in the income statement	**79**	**79**

10.4 Income taxes recognised in other comprehensive income

During the years 2022-2023 the Group did not recognise any income taxes in other comprehensive income.

10.5 Gross movements in deferred tax asset and deferred tax liability balances

2023

In thousands of euro	At Jan 1, 2023	Business combinations	Recognised through profit or loss	Recognised in equity	Exchange differences and other changes	At Dec 31, 2023
Deferred tax assets,						
Lease liabilities	306		7			318
Right-of-use assets	-290		-5		5	-294
Total	**16**		**3**		**5**	**24**
Deferred tax liabilities, gross changes, additions						
PPA Intangible assets	-340		65			-275
Development costs	-47		12			-35
Total	**-387**		**76**			**-310**
Total deferred tax assets and deferred tax liabilities	**-371**		**79**		**5**	**-288**

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						
Lease liabilities	255		51			306
Right-of-use assets	-241		-49			-290
Total	**14**		**2**			**16**
Deferred tax liabilities, gross changes additions						
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**

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

In thousands of euro	Dec 31, 2023	Dec 31, 2022
Tax losses approved by tax authorities	7,940	6,854
Depreciation and amortization not deducted for tax purposes	10,424	9,102

These tax losses relate to Optomed Plc. 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 2024-2033.

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 2022 and 2023 were negative and thus the dilutive instruments would have an undilutive effect on loss per share.

	2023	2022
Loss attributable to owners of the parent company (in thousands of euro)	-4,441	-5,472
Weighted average number of shares outstanding during the financial year (pcs)	16,706,508	14,640,697
Basic loss per share (EUR/share)	**-0.27**	**-0.37**

12. Intangible assets

12.1 Accounting policy

The Group's intangible assets comprise the following: a) goodwill, b) development costs, c) customer relatioships and technology (identified in the Commit acquisition) and d) other intangible assets.

a) Goodwill: The excess of the

— consideration transferred
— amount of any non-controlling interest in the acquired entity, measured at fair value, and
— acquisition-date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill reflects e.g. expected future synergies resulting from acquisitions. Goodwill is not subject to 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 seven 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 20.2% (19.7%) and the post-tax discount rate 13.1% (13.1%)

The sensivity analysis is prepared in respect of the discount rate and the terminal growth rate applied beyond the seven-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, 2023.

- The pre-tax discount rate should increase by 117.0 percentage point. So that the net present value of the 7 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, 2023 the development costs were not impaired.

The Group recognised impairment losses on intangible assets during financial year 2023 of 21 thousand euros and 1,040 in 2022. 2023 Impairment loss is due to terminated patents.

12.3 Reconciliation of carrying amounts

At December 31, 2023

In thousands of euro	Goodwill	Develop-ment costs	Customer relationships	Technology	Other intangible assets	Total
Cost						
Balance at January 1	4,256	13,978	2,222	1,023	1,054	22,533
Additions		2,089			93	2,182
Balance at December 31	**4 ,256**	**16,067**	**2,222**	**1,023**	**1,147**	**24,715**
Accumulated amortization and impairment losse						
Balance at January 1		-7,416	-1,057	-489	-676	-9,638
Amortization		-920	-223	-101	-66	-1,311
Impairment losses					-21	-21
Balance at December 31		-8,336	-1,280	-590	-763	-10,969
Carrying amount at Jan 1	**4,256**	**6,562**	**1,164**	**534**	**379**	**12,895**
Carrying amount at Dec 31	**4,256**	**7,731**	**942**	**433**	**384**	**13,746**

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 losses						
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**

The research and development costs expensed amounted to EUR 1,924 thousand (2023) and EUR 1,859 thousand (2022), 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 recoverabe amount is:
— the higher of the asset's or CGU's fair value less costs of disposal, and
— its value in use.
whichever is greater.
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 7,813 (7,816) thousand as at December 31, 2023, 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 20.3% (15.7%) and the post-tax discount rate 13.1% (13.1%.)

The sensivity analysis is prepared in respect of the discount rate and the terminal growth rate applied beyond the five- year projection period. The changes in these key assumptions - holding other assumptions constant - would result in the recoverable amount of the tested assets to equal their carrying amount as at December 31, 2023:
— The pre-tax discount rate should increase by 51.9 percentage point.
— The terminal growth rate for break even cannot be measured.

Based on the impairment test carried out as at December 31, 2023 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	
	2023	2022
Cost		
Balance at January 1	3,512	2,721
Additions	212	791
Balance at December 31	3,724	3,512
Accumulated depreciation and impairment losses		
Balance at January 1	-2,660	-2,288
Depreciation	-355	-372
Balance at December 31	-3,015	-2,660
Carrying amount at January 1	**852**	**433**
Carrying amount at December 31	**710**	**852**

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, cars, 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.

14.3 Amounts recognised in income statement

In thousands of euro	2023	2022
Expense relating to leases of low-value assets1 (that are not short-term leases)	-4	-5
Depreciation charge for right-of-use assets by class of underlying asset (business premises,- cars) (included in Depreciation, amortization and impairment losses in the income statement)	-508	-428
Interest expense on lease liabilities (included in Finance expenses)	-42	-33

14.4 Amounts presented in cash flow statement

Total cash outflow for leases	-462	-415

14.5 Leased tangible assets

In thousands of euro	2023	2022
Additions to right-of-use assets	532	671
Depreciation charge for right-of-use assets	-508	-428
Carrying amount at the end of the financial year	1,472	1,448

Leased tangible assets comprise business premises and cars 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	2023	2022
Current	516	412
Non-current	991	1,058
Total	**1,507**	**1,470**

The weighted average Optomed's incremental borrowing rate applied for discounting purposes was 3.2 %.

The above liabilities are presented on the line item Lease liabilities (non-current / current) in the consolidated balance sheet, based on their maturity. The maturity analysis is disclosed in Note 21.5 Liquidity risk.

15. Inventories

15.1 Accounting policy

Inventories are stated at the lower of cost and net realisable value. The cost of ready purchased products consists of the purchase price, including direct transportation, processing and other costs.

Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

In thousands of euro	2023	2022
Raw materials and consumables	2,820	2,998
Total	**2,820**	**2,998**

Optomed has recognized 68 thousand euros inventory provision for non marketable items in inventory during 2023 and 251 thousand euros during 2022.

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 pre sent 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 2022-2023.

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 2023 include a specific credit risk accrual of EUR 767 (589) 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 2022-2023. During the 2023 The Group has ended its recourse factoring agreement.

In thousands of euro	Note	2023	2022
Trade receivables			
Recourse factoring	21	0	324
Other trade receivables	21	2,583	3,232
Total trade receivables		2,583	3,556
Cash and cash equivalents		7,118	8,524
Total		**9,701**	**12,080**

16.3 Cash and cash equivalents

In thousands of euro	2023	2022
Cash and bank accounts	7,118	8,524
Total	**7,118**	**8,524**

17. Other receivables

In thousands of euro	2023	2022
Prepayments and accrued income	511	792
Other	96	220
Total	**607**	**1,012**

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, 2023 and 80 thousand at December 31.2022. 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.

2023

	Pieces		In thousands of euro	
	A series	Total	Share capital	Reserve for invested non-restricted equity
At January 1, 2023	**16,541,355**	**16,541,355**	**80**	**46,896**
Share issue 25.9.2023	1,589,042	1,589,042		3,973
Additions to Reserve for Invested non-equity based on option subscription and board share fee.				67
At Dec 31, 2023	**18,130,397**	**18,130,397**	**80**	**50,936**

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 10.5.2022	1,397,853	1,397,853		4,441
Share issue 14.12.2022	1,140,358	1,140,358		3,760
Additions to Reserve for Invested non-equity based on option subscription and board share fee.				170
At Dec 31, 2022	**16,541,355**	**16,541,355**	**80**	**46,896**

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 353,973 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 2022-2023, and the Group had no other financial liabilities at fair value through profit or loss at the end of financial years 2022-2023.

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	2023	2022
Non-current financial liabilities		
Borrowings from financial institutions	1,651	3,380
Government loans	713	906
Lease liabilities	991	1,058
Total	**3,355**	**5,344**
Current financial liabilities		
Borrowings from financial institutions	794	794
Government loans	193	193
Lease liabilities	516	412
Trade payables	782	869
Total	**2,285**	**2,268**
Total financial liabilities	**5,640**	**7,612**

During the financial year 2023 Company paid Nordea term loan of EUR 1,000 thousand. 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 2023 the Group paid its Nordea Loan.

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 2,444 thousand (at December 31, 2023) and EUR 4,172 thousand (at December 31, 2022). 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 2022-2023. Covenant accounting purposes equity ratio is calculated, based on the related terms of the borrowings.

	Covenant term	Actual ratio	Applicable level
OP loan			
Equity ratio			
At December 31, 2023	35%	83.1%	Optomed Group
At December 31, 2022	35%	76.7%	Optomed Group

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

Optomed was in compliance with the covenant as at December 31, 2023 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 hierachy Level 3, as the measurement of the said liabilities is based on Optomed management view. The fair value hierarchy is presented in Note 1.2.3 Fair value measurement.

20. Other payables

In thousands of euro	2023	2022
Accrued expenses and prepaid income	1,962	1,939
Other	805	1,019
Total	**2,767**	**2,958**

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 exchange translation risk and counterparty credit risk. 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 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, 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 and USA. 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, 2023		
Gross trade receivables	334	1,534
Trade payables	211	0
Total	**544**	**1,534**
At December 31, 2022		
Gross trade receivables	635	1,962
Trade payables	245	0
Total	**880**	**1,962**

21.2.2 Sensitivity analysis on exchange rate movements

	Income statement	
In thousands of euro	strenghtening	weakening
At December 31, 2023		
Gross trade receivables		
+/- 10 % change in USD	33	-33
+/- 10 % change in CNY	153	-153
Trade payables		
+/- 10 % change in USD	-21	21
+/- 10 % change in CNY	0	0
Total net effect	**166**	**-166**

In thousands of euro	strenghtening	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**

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

	Average rate	Closing rate	Average rate	Closing rate
	2023	2023	2022	2022
EUR/USD	0.94	0.91	0.95	0.94
EUR/CNY	0.13	0.13	0.14	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 3,351 thousand (at December 31, 2023) and EUR 5,270 thousand (at December 31, 2022). Those liabilities are linked to Euribor rates (0 to 12 months). The weighted average interest rate was 3.2% (2023) and 1.6% (2022).

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

21.3.1 Cash flow sensitity due to interest rates

	Income Statement	
In thousands of euro	100 bps change	300 bps increase
At December 31, 2023		
Borrowings from financial institutions	+14,-14	
Government loans		35
At December 31, 2022		
Borrowings from financial institutions	+39,-40	
Government loans		40

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 customer missed several payments during H2 and, consequently, the specific loss allowance weighted average loss rate was increased from 30% to 50% in Q3. The payment schedule negotiations continue with the said customer. The total amount of the receivable in the balance sheet is now EUR 767 thousand.

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. 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

	Carrying amount	
In thousands of euro	2023	2022
Gross trade receivables from companies		
Finland	1,129	1,190
China	1,547	1,962
Other	716	684
Total	**3,392**	**3,836**

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, 2023			
Current (not past due)	1,516	0.5%	8
Past due			
1-30 days	51	1.5%	1
31-60 days	6	4%	0
61-90 days	10	9%	1
More than 90 days past due	277	12%	33
Specific loss allowance	1,534	50%	767
Total	**3,392**		**809**

The year 2023 include a specific credit risk accrual of EUR 767 thousand which consist of overdue trade receivable from a Chinese customer.

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
Specific loss allowance	1,962	30%	589
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.

21.4.3 Reconciliation of loss allowance

In thousands of euro	2023	2022
Balance at January 1	604	727
Net remeasurement of loss allowance	206	-123
Balance at December 31	**809**	**604**

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 2022-2023.

21.4.4 Recourse factoring (insured receivables)

In thousands of euro	2023	2022
Carrying amount at December 31		
Trade receivables, recourse factoring	0	324
Total	**0**	**324**

During the 2023 the company ended its recourse factoring agreement.

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, 2023						
Borrowings from financial institutions	2,444	199	596	1,631	19	
Government loans	906	32	161	342	210	161
Lease liabilities	1,559	129	387	1,043		
Trade payables	782	782				
Total	**5,691**	**1,142**	**1,143**	**3,016**	**229**	**161**

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**

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 2023 Optomed paid its Nordea loan. For more details see note 19.3 Changes in financial liabilities.

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	2023	2022
Liabilities secured under company mortgages given by Optomed[1]		
Borrowings from financial institutions, current	987	987
Borrowings from financial institutions, non-current	2,364	4,286
Total	**3,351**	**5,273**
Collaterals given by collateral type		
Borrowings from financial institutions, company mortgages given	8,700	8,700
Other collaterals given	800	1,000
Total	**9,500**	**9,700**

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

22.3 Guarantees

2023: Delivery guarantee, USD 800 thousand.
2022: Delivery guarantee, USD 1,000 thousand.

22.4 Legal proceedings and disputes

Optomed was not involved in any legal proceedings nor had any disputes during the financial years 2022-2023.

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 member, 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	2023	2022
CEO Seppo Kopsala (until 9/2023)		
Salaries and other short-term employee benefits	-98	-137
Pension benefits (defined contribution plans)	-20	-30
Paid resignation fee 10-12/2023	-38	0
Total	**-156**	**-166**
CEO Juho HImberg (From 10/2023)		
Salaries and other short-term employee benefits	-52	0
Pension benefits (defined contribution plans)	-12	0
Total	**-63**	**0**

In thousands of euro	2023	2022
Group Management Team		
Salaries and other short-term employee benefits	-377	-627
Pension benefits (defined contribution plans)	-81	-143
Share-based payments	-52	-124
Total	**-509**	**-894**

In thousands of euro	2023	2022
Key management personnel		
Salaries and other short-term employee benefits	-527	-764
Pension benefits (defined contribution plans)	-113	-172
Paid resignation fee 10-12/2023	-38	0
Share-based payments	-52	-124
Total	**-729**	**-1,060**

23.3 Transactions with other related parties and outstanding balances

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

In thousands of euro	Revenues	Trade receivables	Other expenses
2023	0	0	-78
2022	0	0	-80

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

23.4 Group structure

At December 31, 2023 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
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 2023		1 Jan - 31 Dec 2022
NET TURNOVER		**4,184,753.55**		**5,150,299.16**
Other operating income		89,491.78		971,610.36
Materials and supplies				
Raw materials and consumables				
Purchases during the financial year	-1,875,038.74		-2,435,577.19	
Change in stocks	-64,508.39	-1,939,547.13	-222,929.35	-2,658,506.54
Personnel expenses				
Wages and salaries	-2,438,658.25		-2,838,275.46	
Social security expenses	-408,401.97		-567,531.25	
Pension expenses	-80,999.33	-2,928,059.55	-95,724.24	-3,501,530.95
Other social security expenses				
Depreciation, amortization and impairment				
Depreciation and amortization according to plan	-1,129,199.37		-1,162,464.99	
Impairment of non-current assets	-20,608,52	-1,149,807.89	-1,040,052.71	-2,202,517.70
Other operating expenses		-2,098,608.50		-2,127,344.66
OPERATING PROFIT (LOSS)		**-3,841,777.74**		**-4,367,990.33**
Financial income and expenses				
From group undertakings	3,694.87		42,155.21	
From others	97,243.52		3,773.84	
Interest expense and other financial expenses				

		1 Jan - 31 Dec 2023		1 Jan - 31 Dec 2022
Impairment of securities held as current assets (–)			-9,582.03	
To group undertakings (–)	-21,088.98		-21,505.63	
To others (–)	-638,031.80	-558,182.39	-981,756.77	-966,915.38
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**-4,399,960.13**		**-5.334.905.71**
Appropriatons				
Group contribution	1,816,137.90	1,816,137.90	1,787,265.38	1,787,265.38
PROFIT (LOSS) FOR THE FINANCIAL YEAR		**-2,583,822.23**		**-3,547,640.33**

Balance sheet

	31 Dec 2023		31 Dec 2022	
Assets				
NON-CURRENT ASSETS				
Intangible assets				
Development expenditure	6,009,727.49		5,315,096.65	
Intangible rights	383,977.45		378,666.83	
Other capitalised long-term expenditure	300.00	6,394,004.94	40,555.30	5,734,318.78
Tangible assets				
Machinery and equipment	761,815.57		855,530.39	
Other tangible assets	950.00	762,765.57	950	856,480.39
Advance payments and construction in process	813.08	813.08	9,993.16	9,993.16
Investments				
Holdings in group undertakings	9,266,906.46		9,266,906.46	
Receivables from group undertakings	1,064,760.89	10,331,667.35	1,083,006.89	10,349,913.35
TOTAL NON-CURRENT ASSETS		**17,489,250.94**		**16,950,705.68**
CURRENT ASSETS				
Stocks				
Raw materials and consumables	1,590,909.24		1,591,574.37	
Finished products / goods for resale	787,453.58	2,378,362.82	829,337.46	2,420,911.83
Long-term receivables				
Amounts owed by group undertakings	2,117,963.81	2,117,963.81	1,265,704.11	1,265,704.11
Short-term receivables				
Trade debtors	1,644,701.31		2,044,663.59	
Amounts owed by group undertakings	7,629,653.16		7,074,826.90	

Balance sheet

		31 Dec 2023		31 Dec 2022
Other receivables	60,175.65		158,019.94	
Prepayments and accrued income	237,360.06	9,571,890.18	479,388.84	9,756,899.27
Cash at bank and in hand		5,640,798.73		7,205,755.63
TOTAL CURRENT ASSETS		**19,709,015.54**		**20,649,270.84**
Total assets		**37,198,266.48**		**37,599,976.52**
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		55,849,637.77		51,492,364.99
Retained earnings (Cumulative loss)		-22,318,920.04		-18,771,279.71
Profit (loss) for the financial year		-2,583,822.23		-3,547,640.33
TOTAL CAPITAL AND RESERVES		**31,530,595.10**		**29,757,144.55**
LIABILITIES				
Non-current				
Loans from credit institutions	2,362,770.54		4,283,472.54	
Amounts owed to group undertakings	1,040,000.00	**3,402,770.54**	1,040,000.00	**5,323,472.54**
Current				
Loans from credit institutions	986,892.00		986,892.00	
Advances received	65,254.21		167,924.74	
Trade creditors	397,398.83		481,657.27	
Amounts owed to group undertakings	43,786.29		21,805.07	
Other liabilities	74,643.07		74,633.35	

Balance Sheet

		31 Dec 2023		31 Dec 2022
Accurals and deferred income	696,926.44	2,264,900.84	786,447.00	2,519,359.43
TOTAL LIABILITIES		**5,667,671.38**		**7,842,831.97**
Total capital, reserves and liablities		**37,198,266.48**		**37,599,976.52**

Cash flow stament

	1 Jan 2023–31 Dec 2023	1 Jan 2022-31 Dec 2022
Cash flow from operating activities:		
Profit(loss) (+/–)	**-2,583,822.23**	**-3,547,640.33**
Adjustments to operating profit (+/–) for:		
Depreciation, amortization and impairment losses	1,149,807.89	2,202,517.70
Unrealised foreign exchange gains and losses	50,239.38	49,471.39
Financial income and expenses	648,216.38	113,016.97
Other adjustments, share benefit - members of the board	47,609.38	18,925.22
Cash flow before working capital changes	-687,949.20	-1,163,709.05
Working capital changes:		
Increase/decrease in trade an other short-term interest-free receivables	239,650.52	-1,796,731.79
Increase/decrease in stocks	42,549.01	82,795.82
Increase/decrease in short-term interest-free liabilities	-268,388.36	-52,775.91
Operating cash flow before financing items and taxes	-674,138.03	-2,930,420.93
Interest and other financial expenses paid relating to operating activities (–)	-666,279.99	-934,347.20
Cash flow from operating activities:	**-1,340,418.02**	**-3,864,768.13**
Cash flow from investing activities:		
Purchase of tangible and intangible items (–)	-1,706,599.15	-2,142,837.24
Purchase of investments (–)	-906,901.13	-822,580.33
Cash flow from investing activities	**-2,613,500.28**	**-2,965,417.57**
Cash flow from financing activities		
Proceeds from issuance of share capital	4,309,663.40	9,033,817.33
Repayment of short-term borrowings (–)	0.00	-366,550.24
Proceeds from long-term borrowings	0.00	550,000.00

Cash flow statement

	1 Jan 2023–31 Dec 2023	1 Jan 2022-31 Dec 2022
Repayment of long-term borrowings (–)	-1,920,702.00	-545,056.74
Cash flow from financing activities	**2,388,961.40**	**8,672,210.35**
Net increase (+)/ decrease (–) in cash and cash equivalents	**-1,564,956.90**	**1,842,024.65**
Cash and cash equivalents at beginning of period	**7,205,755.63**	**5,363,730.98**
Cash and cash equivalents at end of period	**5,640,798.73**	**7,205,755.63**

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.

Measurement of financial instruments

Financial instruments are measured at the lower of cost or probable value.

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 princible 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 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Net turnover		
Net turnover by geographical markets		
Finland	39,898.38	4,329.19
EU	1,471,935.09	956,822.53
Outside the EU	2,672,920.08	4,189,147.44
	4,184,753.55	**5,150,299.16**
Other operating income		
Contributions received	-1,636.73	853,966.03
Management fee from group companies	91,080.13	116,165.25
Other income	48.38	1,479.08
	89,491.78	**971,610.36**
The company's received contributions includes a waived loan from Business Finland of EUR 841 thousand in 2022.		
Materials and services		
Materials and supplies		
Purchases during the financial year	-1,875,038.74	-2,435,577.19
Variation in stocks	-64,508.39	-222,929.35
	-1,939,547.13	**-2,658,506.54**
The inventory change includes a 68 (211 in 2022) thousand euro inventory write-down provision.		
Notes relating to personnel		
Average number of personnel during the financial year	48	55
	48	**55**

Notes to the profit and loss account

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Wages, salaries and pension expenses		
Wages and salaries	-2,438,658.25	-2,838,275.46
Pension expenses	-408,401.97	-567,531.25
Other staff expenses	-80,999.33	-95,724.24
	-2,928,059.55	**-3,501,530.95**
Wages, salaries and other remuneration of directors and management		
CEO and Board members compensation	-307,648.00	-261,077.00
Depreciation, amortization and impairment		
Depreciation according to plan	-1,129,199.47	-1,162,464.99
Impairment of tangible and intangible assets	-20,608.52	-1,040,052.71
	-1,149,807.89	**-2,202,517.70**
Other operating expenses		
Administrative expenses	-511,188.08	-543,753.30
Marketing expenses	-108,984.79	-141,937.18
Travelling expenses	-206,460.35	-179,577.73
Representation expenses	-7,581.86	-8,888.17
Other operating expenses	-1,264,393.42	-1,253,188.28
	-2,098,608.50	**-2,127,344.66**
Auditor's fees		
Audit of financial statements	-135,021.05	-128,181.20
Other fees	0.00	-6,600.00
	-135,021.05	**-134,781.20**

Notes to the profit and loss account

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Other interest income		
From group undertakings	3,694.87	42,155.21
From others	97,243.52	3,773.84
Total financial income	**100,938.39**	**45,929.05**
Interest and financial expenses		
Realized loss in value, investments	0.00	-9,582.03
From group undertakings	-21,088.98	-21,505.63
From others	-638,031.80	-981,756.77
Total financial expenses	**-659,120.78**	**-1,012,844.43**
Total financial income and expenses	**-558,182.39**	**-966,915.38**

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 2023	31 Dec 2022
Raw materials and consumables	1,590,909.24	1,591,574.37
Finished products / goods for resale	787,453.58	829,337.46
	2,378,362.82	**2,420,911.83**

Non-current assets

Intangible assets	Development expenditure	Intangible rights	Other longterm expenditure	Total
Acquisition cost at 1 Jan,2023	10,926,692.21	646,154.27	229,641.63	11,802,488.11
Additions	1,482,683.75	92,324.64	0.00	1,575,008.39
Disposals	0.00	-20,608.52	0.00	-20,608.52
Acquisition cost at 31 Dec 2023	12,409,375.96	717,870.39	229,641.63	13,356,887.98
Accumulated amortization and reduction in value at 1 Jan 2023	5,611,595.56	267,487.44	189,086.33	6,068,169.33
Amortization for the financial year	788,052.91	66,405.50	40,255.30	894,713.71
Accumulated amortization and reduction in value at 31 Dec 2023	6,399,648.47	354,501.46	229,341.63	6,962,883.04
Book value at 31 Dec 2023	**6,009,727.49**	**383,977.45**	**300.00**	**6,394,004.94**
Book value at 31 Dec 2022	**5,315,096.65**	**378,666.83**	**40,555.30**	**5,734,318.78**

Tangible assets	Machinery and equipment	Total
Acquisition cost at 1 Jan 2023	2,288,632.79	2,288,632.79
Additions	140,770.85	140,770.85
Acquisition cost at 31 Dec 2023	2,429,403.64	2,429,403.64
Accumulated amortization and reduction in value at 1 Jan 2023	1,433,102.41	1,433,102.41
Amortization for the financial year	234,485.66	234,485.66
Accumulated amortization and reduction in value at 31 Dec 2023	1,667,588.07	1,667,588.07
Book value 31 Dec 2023	**761,815.57**	**761,815.57**
Book value 31 Dec 2022	**855,530.38**	**855,530.38**
Book value of machinery and equipment used for production at 31 Dec 2023	684,731.14	
Book value of machinery and equipment used for production at 31 Dec 2022	751,478.55	

Investments	Shares in group companies	Receivables from group companies	Total
Acquisition cost at 1 Jan 2023	9,266,906.46	1,083,006.89	10,349,913.35
Additions	0.00	-18,246.00	-18,246.00
Acquisition cost at 31 Dec 2023	9,266,906.46	1,064,760.89	10,331,667.35
Book value 31 Dec 2023	**9,266,906.46**	**1,064,760.89**	**10,331,667.35**
Book value 31 Dec 2022	**9,266,906.46**	**1,083,006.89**	**10,349,913.35**

Holdings in other undertakings

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

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

Analysis of receivables

Long-term receivables	31 Dec 2023	31 Dec 2022
From group undertakings		
Loans receivable	1,064,760.89	1,083,006.89
Other receivables	2,117,963.81	1,265,704.11
Total	**3,182,724.70**	**2,348,711.00**
Total long-term receivables	**3,182,724.70**	**2,348,711.00**
Short-term receivables		
From group undertakings		
Trade debtors	5,756,893.83	6,044,985.01
Other receivables	1,872,759.33	1,029,841.89
Total	**7,629,653.16**	**7,074,826.90**
From others		
Trade debtors	1,644,701.31	2,044,663.59
Other receivables	60,175.65	158,019.94
Prepayments and accrued income	237,360.06	479,388.84
Total	**1,942,237.02**	**2,682,072.37**
Total short-term receivables	**9,571,890.18**	**9,756,899.27**

Capital and reserves

Restricted equity	31 Dec 2023	31 Dec 2022
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	51,492,364.99	42,439,622.44
Share issue	4,357,272.78	9,052,742.55
Reserve for invested unrestricted equity at 31 December	**55,849,637.77**	**51,492,364.99**
Retained earnings from previous financial years at 1 January	-22,318,920.04	-18,771,279.71
Retained earnings from previous financial years 31 December	**-22,318,920.04**	**-18,771,279.71**
Profit for the financial year	**-2,583,822.23**	**-3,547,640.33**
Total unrestricted equity	**30,946,895.50**	**29,173,444.95**
Total capital and reserves	**31,530,595.10**	**29,757,144.55**

	31 Dec 2023	31 Dec 2022
Distributable equity		
Calculation regarding distributable equity		
Profit from previous financial years	-22,318,920.04	-18,771,279.71
Profit of the financial year	-2,583,822.23	-3,547,640.33
Reserve for invested unrestricted equity	55,849,637.77	51,492,364.99
Capitalised development expenditure	-6,009,727.49	-5,315,096.65
	24,937,168.01	**23,858,348.30**

Optomeds share treasury

Optomed has conveyed 15,093 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 2023 and the weighted average price of share from July 28 to August 3, 2023

In addition total of 5,500 of shares have been subscribed for under the Company's stock option plans 2018C and 2020A Optomed has used treasury shares for the share subscriptions. The total amount of treasury shares was 353,973 shares in the end of the financial year.

Liabilities

Appropriations	31 Dec 2023	31 Dec 2022
Non-current liabilities		
Loans from financial institutions	2,362,770.54	4,283,472.54
Other non-current liabilities	1,040,000.00	1,040,000.00
	3,402,770.54	**5,323,472.54**
Liabilities falling due later than in five years		
Loans from financial institutions	160,932.00	257,335.00
	160,932.00	**257,335.00**
Current liabilities		
Other liabilities	43,786.29	21,805.07
	43,786.29	**21,805.07**
Amounts owed to others		
Loans from financial institutions	986,892.00	986,892.00
Advances received	65,254.21	167,924.74
Trade creditors	397,398.83	481,657.27
Other liabilities	74,643.07	74,633.35
Accruals and deferred income	696,926.44	786,447.00
	2,221,114.55	**2,497,554.36**
Material items included in accruals and deferred income		
Wages and salaries including social security costs	596,282.47	667,767.63
Interest	12,995.28	20,154.49
Other	87,648.69	98,524.88
	696,926.44	**786,447.00**

Related party transactions

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

	31 Dec 2023	31 Dec 2022
Sale of goods, group companies	369,959.02	672,861.42
Other operating income, group companies	91,080.13	116,165.25
Interest income of loans, group companies	3,694.87	42,155.21
Purchases, group companies	-207,495.29	-376,638.35
Interests of loans, group companies	-21,088.98	-21,505.63
Total	**236,149.75**	**433,037.90**

The transactions between group companies are carried out with regular terms. Parent company has also received a group contribution of 1,816,137.90€. Parent company has given loan to daughter company, 852,259.70€.

Guarantees and contingent liabilities

Liabilities in balance sheet secured by enterprise mortgages	31 Dec 2023	31 Dec 2022
Loans from financial institution	2,443,910.54	4,172,000.54
Enterprise mortgages	8,700,000.00	8,700,000.00
Enterprise mortgages, total	8,700,000.00	8,700,000.00
The liability has been guaranteed with 80% share by Osuuspankki of Oulu and 20% by Finnvera Oyj special guarantee.		

Pension obligations

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

	31 Dec 2023	31 Dec 2022
Other commitments		
Rental commitments (Inc. VAT)		
Payble during the following financial year	140,077.84	251,824.08
Payable in later years	0.00	0.00
Total	**140,077.84**	**251,824.08**
Amounts payable based on lease contracts (Inc.VAT)		
Payble during the following financial year	3,518.59	1,122.99
Payable in later years	2,333.18	3,368.98
	5,851.77	**4,491.97**

Other off-balance-sheet financial commitments

Company has off-balance sheet commitment to enterprice resource planning system licence fees total of 164,175.72 euros.

Company has liabilities for the delivery guarantee of 800,000.00 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 14, 2024

Petri Salonen
Chairman of the Board

Anna Tenstam
Board Member

Seppo Mäkinen
Board Member

Ty Lee
Board Member

Catherine Calarco
Board Member

Reijo Tauriainen
Board Member

Juho Himberg
CEO

The Auditor’s Note

A report on the audit performed has been issued today. Oulu, February 15, 2024, KPMG Oy Ab

Heidi Hyry
Authorised Public Accountant, KHT

Auditor's Report

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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 2023. 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 material accounting policy information, 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 IFRS Accounting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

Basis for Opinion

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

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Materiality

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Goodwill (Basis of Preparation for the consolidated financial statements and Note 12.4 to the Financial Statements)	
— The carrying amount of goodwill in the consolidated financial statements amounted to EUR 4,256 thousand as at December 31, 2023, accounting for 14,6 % 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 15,100 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 2,583 thousand, 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.

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.

- Optomed has evaluated the expected credit loss related to overdue trade receivables and increased the loss allowance from 30% to 50% which was recognized EUR 767 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.

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 7,731 thousand as at December 31, 2023.
- Optomed capitalizes development expenditure as an intangible asset where all the related criteria mentioned in basis of preparation are met.
- This requires management to make judgement on when all of the criteria for capitalization are met and when to cease capitalization and start amortising the asset.
- The carrying amount of capitalized development 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.

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 amortising the asset.
- We have tested the correctness of capitalized screening device development expense by sample tests and analytical substantive audit measures.
- We have assessed the appropriateness of valuation of capitalized development cost and the amortization period by reviewing the profit projections of most significant projects and the technical accuracy of the calculations and employed professional

— 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.

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 IFRS Accounting Standards 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 8 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 15 February 2024

KPMG OY AB

HEIDI HYRY

Authorised Public Accountant, KHT

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