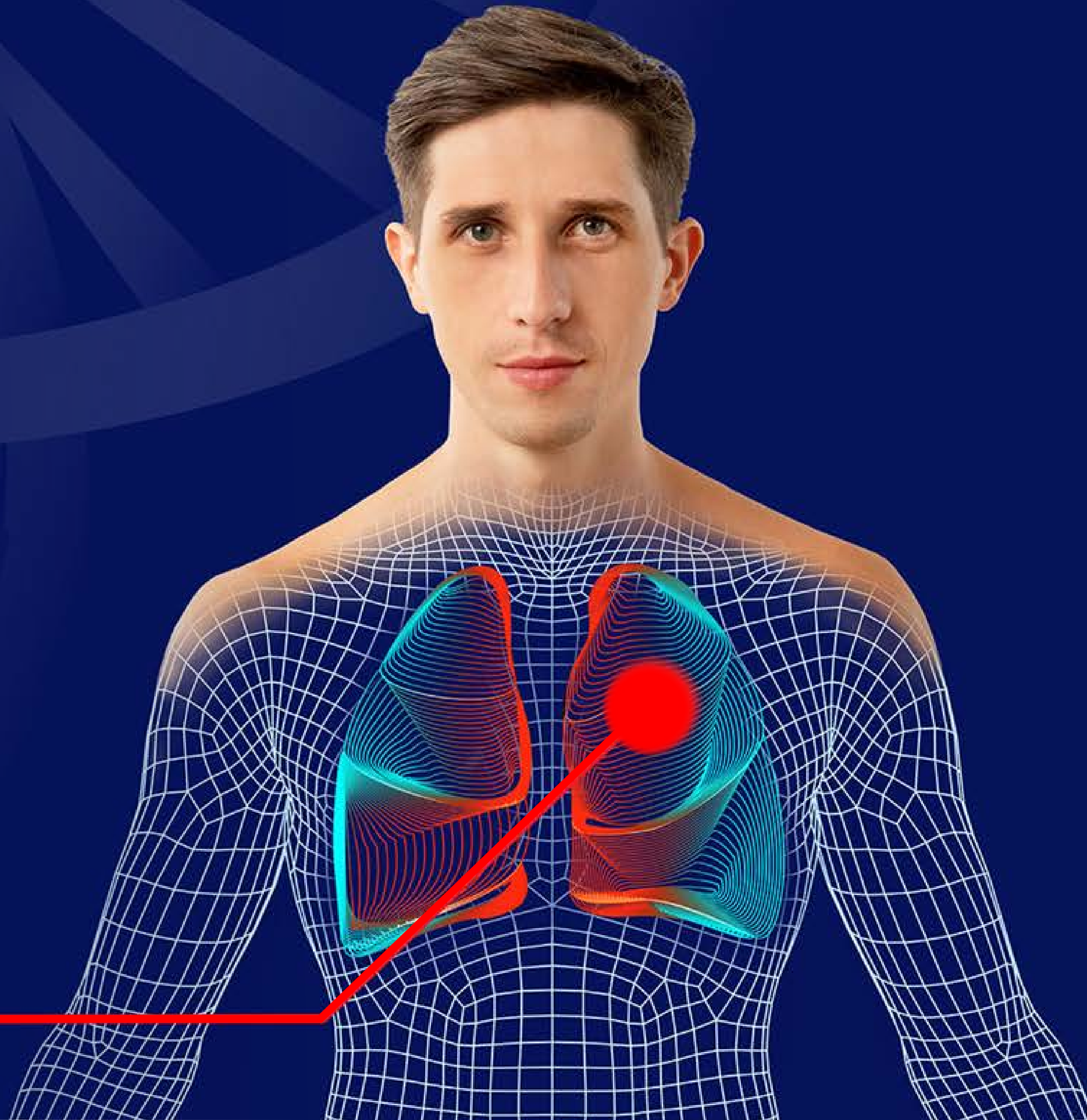


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# Annual Report 2021

**modulight**

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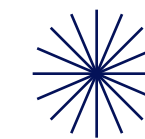


# Contents

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MODULIGHT IN BRIEF	3
BUSINESS MODEL	4
CEO'S REVIEW	5
BUSINESS CASES	7
BOARD OF DIRECTORS REPORT AND FINANCIAL REVIEW FROM THE FINANCIAL PERIOD JANUARY 1-DECEMBER 31, 2021 (21. FISCAL YEAR)	9
CONSOLIDATED INCOME STATEMENT (FAS) JANUARY 1-DECEMBER 31, 2021	16
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	19
PARENT COMPANY FINANCIAL STATEMENT (FAS) JANUARY 1-DECEMBER 31, 2021	27
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS	29
SIGNATURES ON THE FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS	37
AUDITORS REPORT	38

Modulight's laser and semiconductor technology opens countless possibilities for cancer treatments, genetics and personalized medicine, among other things.



# Modulight in brief

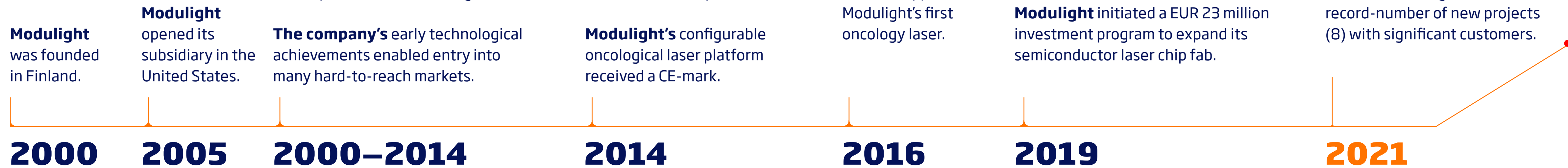
Modulight Corporation is a Finnish technology company that designs, markets and manufactures laser products, including semiconductors, laser modules, complete cloud connected laser systems and related software and analytics services for demanding medical technology and technology companies and target markets around the world.

Modulight has over 20 years of experience in designing and manufacturing medical applications, laser and optics. Since 2014, the company's main focus has been on providing laser solutions for the medicine and biomedicine sectors. More specifically, Modulight has been involved in developing various laser-based treatment methods for indications within oncology and ophthalmology. Modulight believes that its in-depth expertise gives the company a competitive market position in its target field. The company's key target market area is the United States and other target markets are Europe, Japan and China.

Modulight's customers use the company's comprehensive laser solutions in their medical and biomedical treatments and products or other products where laser technology brings significant added value to customers, often related to the improved functionality, performance of the customer's own product or service, or to the manufacturability of a product customized by Modulight.

<p><b>52</b> Employees December 31, 2021</p>	<p><b>€9 million</b> Revenue 2021</p>
<p><b>20+</b> years of experience in designing and manufacturing lasers and optics, and applications for medical usage.</p>	<p><b>10+</b> customer base includes over ten multinational medical companies, and Fortune 500-listed companies, as well as several well-known US, Japan, and European based cancer research centers and universities.</p>

## THE HISTORY OF MODULIGHT





# Business model

Modulight develops and provides biomedical lasers for medical applications, custom lasers for selected niche applications that provide high added value for customers, as well as related services.

Modulight provides biomedical lasers for medical applications, including oncology, ophthalmology and genetics, as well as other diagnostics for medical and biomedical segments. Additionally, the company offers customized biomedical laser solutions, including wavelength, optical power and laser output beam engineering enabled by its own fabrication plant and semiconductor process.

Within the Custom and Industrial segment, the company offers specialized laser solutions for selected high-value markets and customers. Highly specialized semiconductor chip designs used for medical and biomedical applications can often be applied directly to other industrial applications with similar requirements for wavelength, laser power and light delivery.

The company has an extensive suite of service offerings ranging from cloud-based features and support to regulatory documentation.

## Business areas

<p><b>Medicine and Biomedicine</b></p> <ul style="list-style-type: none"> <li>– Oncology Products</li> <li>– Ophthalmology Products</li> <li>– Genetics and Diagnostics Products</li> </ul>	<p><b>Other high value add applications</b></p> <p>The company provides Laser Solutions for Selected Synergistic High Customer Value Applications</p> <ul style="list-style-type: none"> <li>– Quantum Computing</li> <li>– Communications</li> <li>– Digital (printing) press</li> <li>– Environmental monitoring &amp; sensing</li> </ul>
<p><b>Services</b></p> <ul style="list-style-type: none"> <li>– <b>Data Analytics and Cloud Services for improved treatment</b></li> <li>– Lifecycle support with Recurring Service Plans</li> <li>– Regulatory Design and Approval Services</li> <li>– Pay-per-use Services</li> <li>– On-site or Online Training and Calibration</li> <li>– Regulatory and Feature Software Updates</li> </ul>	

## Revenue model

The company's revenue model can be roughly divided into four phases. The company's customer strategy is to cover the entire process from proof of concept to I active product portfolio, which may significantly help its customers do decrease their time to market and increase the value of their product. Modulight typically charges a fixed fee per project, or a license service fee cumulative to customer's turnover.





# CEO's review

**Modulight initiated a record number of new projects** during 2021, but operating profit was weakened by a significant write-off of trade receivables after the review period, which made our operating profit negative for the first time in more than 10 years. Our operating profitability remained very strong and excluding write-off and non-recurring items related to listing, operating profit was EUR 3.2 (4.7) million, corresponding to 35.8 % (49.2 %) of net sales.

**Our net sales decreased to EUR 9.1 (10.1) million.** The decline was driven by the effects of the escalating coronavirus pandemic during the fourth quarter. Modulight's opportunities to meet customers and work with them in hospitals and research facilities on site were limited towards the end of the year, delaying some of the company's ongoing research and development projects. The pandemic also further slowed down government action.

**Despite this, I am pleased with our performance.** A more important measure of our success than short-term revenue is the development of our product development pipeline, which continued to be very strong. In 2021, we launched eight new projects with significant clients. At the same time, we have successfully continued our work to provide new treatments for example for glioblastoma (an aggressive form of brain cancer), eye melanoma, lung cancer, and bladder cancer. There is an urgent need for new, more effective treatments for all of these cancers.

**Modulight aims to improve people's lives** with our laser and semiconductor technology. We have not identified any other companies with similar multidisciplinary expertise in medicine and laser technology. Our technology platforms are highly versatile and there are significant synergies between our product development projects. The same hardware platforms and analytics can be utilized with different clients and in different cancer treatments. Increasingly, we are also seeing our competing customers choose both of our solutions.

**We have a clear business goal.** We are preparing for the wider commercialization of our technology and our goal is to advance the widespread adoption of our products with our three customers by the end of 2023. At the same time, we will continue to expand our product development portfolio, as our technology can be utilized in a number of high value-added solutions in addition to the life sciences, such as genomics, digital printing and quantum computing. We have made important progress with our photodynamic laser therapy (PDT) solution in collaboration with a major pharmaceutical company listed on the New York Stock Exchange (NYSE). In connection with this project, we have now agreed with the European (CE) and US (FDA) authorities on the audits to be carried out in 2022.

**Before our projects move into the commercial phase,** a significant portion of our company's revenue comes from research and devel-



“I am especially pleased with how we have consistently succeeded in recruiting new experts to our team for all operations, but especially in product development. This highlights Modulight's strong reputation in the industry.”



opment projects, and revenue recognition depends on the achievement of milestones in individual projects that were more affected by our interest rate pandemic towards the end of the year. As we emphasized in our business review published in October, due to the relatively large size of the projects, the company's quarterly results may fluctuate significantly, both positively and negatively, in the short to medium term.

**Our company's receivables are also subject to counterparty risks,** which we have described in connection with our listing. We work with large companies and payment terms are agreed on a customer-by-customer basis. Prolonged limited travel and increased geopolitical risks caused by the corona pandemic have had a significant impact on the financing and thus the solvency of some customers. Due to the increased financial risk of customers, the company has written off part of its receivables. While the write-off had a significant impact on last year's profitability, it does not reduce the value of our technology nor the longer-term potential of those projects. No projects have been discontinued, and the work done on written-off receivables supports the development of our technology and production capabilities.

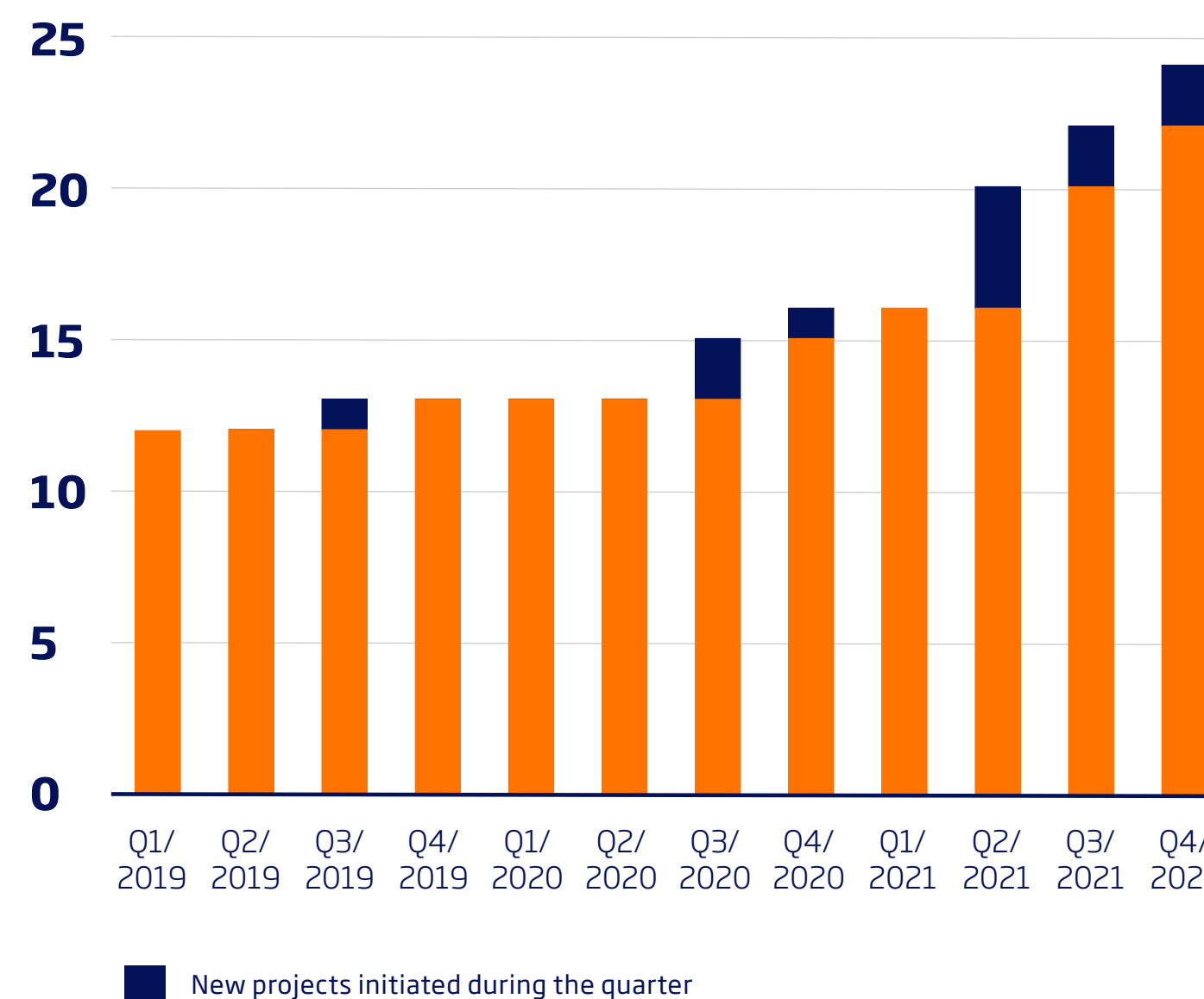
**In 2022, we will continue our work to move towards** the commercialization phase. The implementation of key areas of our growth strategy has progressed according to plan. At the same time, we have improved the competitiveness of our technology and

made good progress with our investment program launched in 2019 and expanded last year to increase our capacity. I am also pleased with how we have consistently succeeded in attracting new experts to our team for all functions, but especially for product development. This tells about Modulight's good reputation in the industry. Based on the customer feedback we receive, our customers also have strong confidence in our technology.

**Despite our progress, it is important to emphasize** the significant uncertainty associated with each intermediate stage, especially for life sciences projects. As our business progresses to the next stages, this variance is expected to decrease, but in the short term, the risks from the corona pandemic and geopolitics are significant. Our extensive project portfolio will continue to be our most important means of reducing these risks.

**Seppo Orsila, CEO**

### THE COMMERCIALIZATION POTENTIAL OF MODULIGHTS TOTAL NUMBER OF PROJECTS



**"In 2021, Modulight initiated a record-number (8) of new projects with significant customers."**





Case →

## Modulight technology is repairing visual degeneration among the elderly

In 2016, Modulight was contacted by Bauch, a major pharmaceutical company wanting to improve their treatment method for wet form age-related macular degeneration and at the same time change their supplier.

Age-related macular degeneration (AMD) causes among other things blurred vision and dark or blind spots in the visual field. The problem concerns especially the elderly who make up a constantly growing section of the population.

- > We did an exclusive cooperation agreement with Bausch to develop a new photodynamic laser technology that is specially designed to be compatible with Bausch's and Lomb's VISUDYNE (verteporfin for injection), describes CFO Anca Guina.

As the project went on, the collaboration expanded from documentation to product development - the contract relating to laser technology aimed to cure age-related macular degeneration (AMD) was finalized in 2018. The collaboration allowed the utilization of Modulight laser technology on a new market.

- > Because of COVID, we faced challenges in the beginning of 2020 to get a product inspected by official authorities since at the time treatment methods necessary for survival were understandably prioritized. After waiting a while, however, also products improving the quality of life began to be meaningful again, Guina comments.

For Modulight, the collaboration with Bauch meant an opportunity to be part of a project important for the elderly people's quality of life, but also a unique opportunity to utilize their expertise on a wider scale on the global market. The collaboration offered Modulight exceptionally broad visibility in the industry and a chance to evolve

together with experts from a big organization. Modulight ended up handling the entire product development and produced all the necessary documentation for the client.

The next step is to apply for U.S. Food and Drug Administration's (FDA) approval for the solution. The inspection process for the FDA approval is very demanding, and every aspect is being carefully scrutinized.

- > After the inspection is done, there will be an all-encompassing report. After this, the product will be introduced to the market, and a wide-scale implementation of a much-awaited better treatment can begin.

After the inspection is done, there will be an all-encompassing report, and from there Modulight will make any necessary adjustments to the product. After the adjustments, the product will be introduced to the market, and a wide-scale implementation of a much-awaited better treatment can begin.



"The collaboration offered Modulight exceptionally broad visibility in the industry"





Case →

## Modulight technology is used from cancer treatment to diagnostics

One of Modulight's key strengths is the way in which its technology can be applied to various uses. Laser technique successfully used to treat tumors has also been effectively utilized to identify tumors and symptoms of other diseases.

- > In practice, this enables us to identify tumors or diseases that could go unnoticed with traditional technology – and thus possibly save more lives, says the research and development director.

Modulight technology is compatible with the most common endoscopes on the market, and it allows the detection of tumors and for example monitoring bladder functions during a surgery. The laser has previously been used as a therapeutical laser light, but Modulight has modified it to support fluorescence. The method is generally used when

operating on different tumors. Before the surgery, a patient is given fluorescent solution combined with marker solution that will seek out the tumor and cancer cells. By using the laser, the marker can be illuminated, thus distinguishing cancerous tissue clearly from healthy tissue and making removing it possible. Operations utilizing fluorescence increase their significance as robot-assisted surgical operations become more common. Modulight also offers the device a platform that allows easy modification of the device without the need for a re-design.

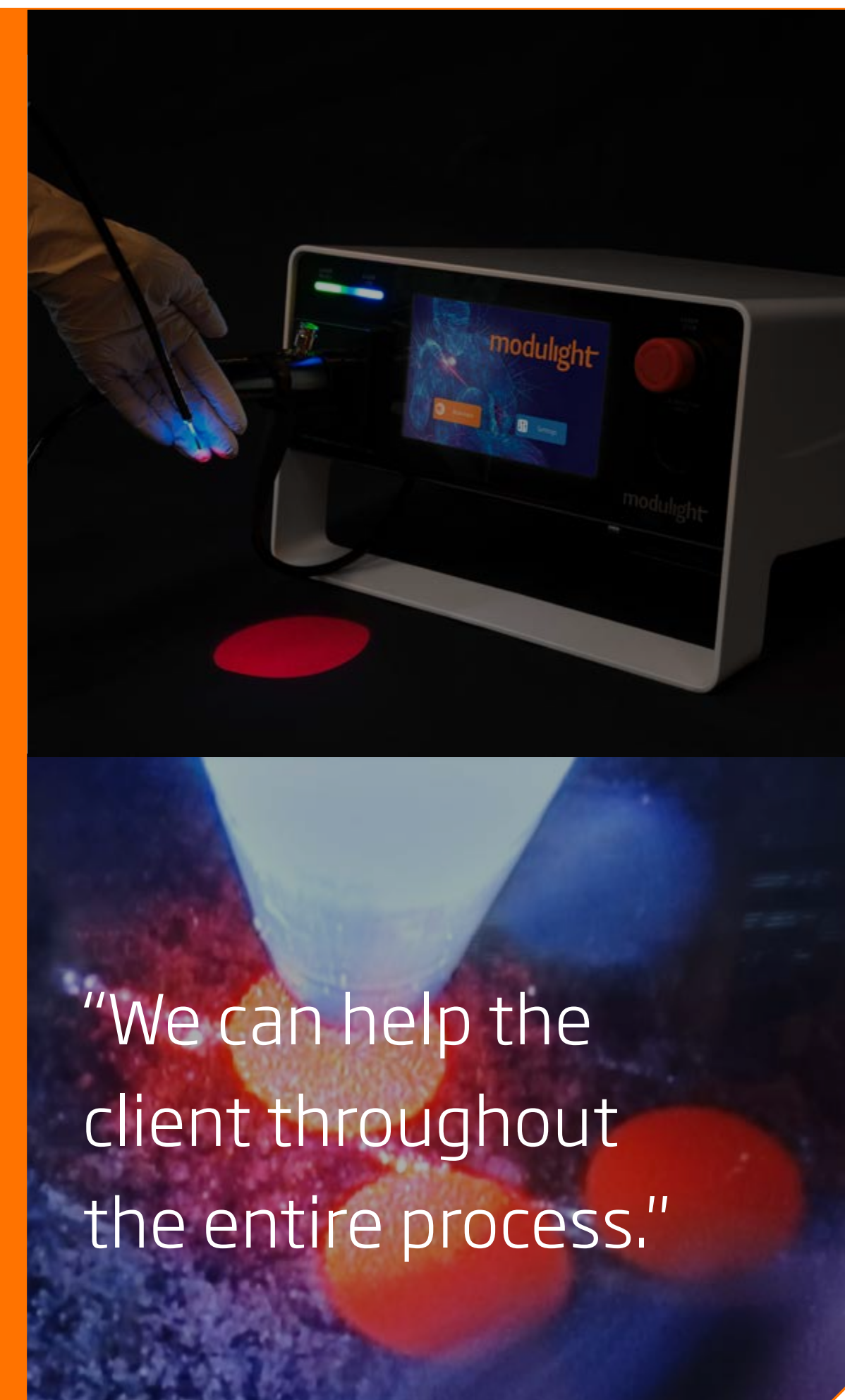
- > The client's problem is that no one knows what will come next. Our technological platform makes it possible to adjust wavelengths, removing the need to make mechanical alterations on the device. This saves the client's time and money since there is no need for a re-design, CFO Anca Guina elaborates.

The client approached Modulight in a conference and became interested in the company's lasers. Traditional pharmaceutical companies cannot for

insurance reasons offer products using certain wavelengths.

- > We are able to offer the client all wavelengths as well as design, manufacture, and deliver the lasers. We can help the client throughout the entire process. The client was very happy when they heard this.

For Modulight, the project means saving lives in a new way: aside from treatments, the lasers are used to diagnose diseases. Furthermore, expanding into diagnostics with a major client is a significant reference for the company and broadens the market geographically.



"We can help the client throughout the entire process."





# Board of Directors report and financial review from the financial period January 1–December 31, 2021 (21. fiscal year )

## Important facts for assessing the state of the company and the Group and the results of its operations

Modulight Corporation (the "Company") is a biomedical company that designs and manufactures devices that utilize laser light for the treatment of cancer and eye diseases, as well as for genetics. The company also manufactures products for other high value-added applications, such as quantum computing and digital printing. Modulight's products include medical devices, application systems, software, cloud services, and custom semiconductors. Modulight's products are used worldwide and the company's customer base includes e.g. several Fortune 500 companies, international pharmaceutical companies, and well-known cancer centers and universities. Modulight was founded in 2000 and is headquartered in Tampere.

Our strengths are in particular:

- > More than 20 years of experience in medical and laser technology
- > Scalability and better therapeutic performance offered by cloud-based laser platforms

- > Significant customer base consisting of well-known pharmaceutical and technology companies
- > Significant business opportunities offered by the pharmaceutical market, supported by synergistic business opportunities related to industrial applications
- > Strong financial performance

## Market overview and operating environment

The medical markets relevant to Modulight Corporation are especially related to cancer treatment (oncology), ophthalmology and genetics and diagnostics.

In addition to the medical market, Modulight has identified synergistic business opportunities for the technology it offers in the markets for other specialty applications, such as telecommunications and digital printing, but also in quantum computing, modified and virtual reality, meteorological monitoring and 3D imaging.

The global oncology pharmaceutical market was USD 144 billion in 2019 and is expected to grow to USD

391 billion by 2030, corresponding to a combined annual growth rate of 9.5 percent between 2019 and 2030 (Frost & Sullivan, Global Oncology Drug Market, 2021). Although Modulight is targeting only a portion of the global oncology market, significant growth in the overall market also means a corresponding increase in demand for laser-based oncology treatments. Growth in the oncology market is driven in particular by an aging population worldwide. Age is known to be a major factor in the increase in the incidence of cancers.

The global ophthalmic treatment market was USD 29.5 billion in 2018. The market is expected to grow at a combined annual growth rate of 6.2 percent to approximately USD 48 billion in 2026. Modulight believes that the growth of the global eye care market will be supported primarily by the continuing increase in ophthalmic diseases with an aging population and increasing R&D investment in the development of treatments for ophthalmic diseases.

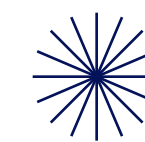
In the fields of genetics and diagnostics, the global combined market for next-generation sequencing, endoscopes, and flow cytometry is expected to grow from the current USD 21 billion to tens of billions of dollars by the end of the decade. One of the main

growth factors in the genetics and diagnostics market is the need for personalized drug therapies for the treatment of cancers. Other important drivers for growth include the need for scalable cloud-based care solutions.

## Strategy

Modulight Corporation has 20 years of experience in medical applications, laser and optics design and production. The company supplies biomedical lasers for a variety of medical applications, such as oncology, ophthalmology and genetics, as well as other diagnostics. The company also offers customized and lasers for well-selected customer value-added applications, such as telecommunications, digital printing, environmental detection and imaging.

The company succeeded to increase the total number of projects in the product development pipeline. As a result of the projects, prototypes are created for the commercial introduction of the products. The products developed in the projects are made under the company's own brand, and the company also mainly owns the related intellectual property rights.



In addition, the company has identified the following strategic priorities to advance its profitable growth strategy.

- > Expanding the product range to other indications: Modulight intends to expand its product range to other indications (the purpose of treatment, i.e. certain cancers) and plans to expand the use of its medical device platform.
- > Increasing production capacity: Modulight has decided to increase its capabilities and production capacity to meet increased demand through an ongoing EUR 23 million investment program.
- > Geographic expansion: Modulight aims to expand its business in key regions in the United States and in selected markets in Asia, such as China and Japan.
- > Expansion opportunities in the field of cloud analytics: Modulight is developing its cloud-based analytics services to further improve the therapeutic efficacy and final treatment results of treatments provided with the Company's equipment.
- > Continued investment in laser technology: Modulight will continue to invest in high-power single-laser technology and intends to further improve its position over its competitors.

### Long-term goals

The company's long-term financial goal is to maintain strong revenue growth and strong profitability. In addition, the company's business goal is to advance the large-scale commercial introduction of the products with its three customers by the end of 2023.

Most of Modulight's current net sales come from products under development, and the Company determines that extensive commercial deployment has taken place when the company's net sales for that product / customer exceed EUR 10 million.

In the coming years, Modulight will focus on financing the growth and development of its business. The company will follow a very strict dividend policy, which is tied to the company's result and financial position. The company estimates that it will not distribute dividends or will distribute them to a very small extent in the short to medium term.

### Key events in the financial year 2021

#### Progress of the project pipeline

During 2021, Modulight continued to work closely

with its customers to enable the aforementioned target of commercial deployment for at least three projects by the end of 2023. The progress of the company's product development pipeline is key to achieving and implementing this goal, as well as achieving the full potential of the company's technology platforms in the long term. Overall, the product development pipeline is the most important measure of the company's progress, and it has developed well in 2021.

The company has three main platform devices (ML7710, ML6710i and ML6600) that can be used in medical and several other high value-added applications. All platforms are ready to take advantage of the cloud technology developed by Modulight. Every project in our product development pipeline is related to the application of our technological platforms in a specific indication or application.

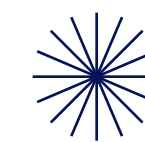
Projects typically begin with a proof-of-concept phase of the device and then progress to clinical trials and pilot production. The customer then applies for approval for the application from the authori-

ties (US: FDA, EU: CE). In the medical field, regulatory approval is required before a project can be commercialized. In some applications, the regulatory approval process is lighter, such as in diagnostics. The overall process from pilot production to a fully commercialized project typically takes several years and there is significant uncertainty associated with each step. The risks and uncertainties are described in more detail in the report on page 14.

At the end of 2021, Modulight had a total of 24 projects related to individual indications and applications. During the year, the product development pipeline grew with eight new development projects (2020: three new projects, 2019: one new project). The number of new projects is a significant indicator for the company for two reasons. On the other hand, it shows that the company's customers are interested in utilizing the company's technology platforms in new applications, and this will increase the company's revenue from research and development in the short term. In addition, each new project increases the company's long-term potential in commercializing its products. At the same time, the rapid expansion of the project portfolio also inevitably reduces the risks associated with individual projects, especially in the life sciences.

Modulight is currently approaching the regulatory approval phase for a new eye photodynamic therapy (PDT) laser in partnership with a major New York-listed pharmaceutical company. The company initially

	2019				2020				2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Total number of projects	12	12	13	13	13	13	15	16	16	20	22	24
New projects initiated during the quarter	0	0	1	0	0	0	2	1	0	4	2	2



expected to receive approval in the fall of 2021, but due to delays caused by the COVID-19 pandemic, the company now expects to receive approval during 2022. Approval-related audits have been agreed with both European (CE) and U.S. (FDA) authorities for 2022. Due to the timeliness uncertainties associated with the progress of regulatory processes, the Company does not provide estimates at this time as to when approvals will be obtained.

Several development projects have progressed to the next stages in clinical trials. In Europe, two clinical trials were launched in 2021 for the treatment of glioblastoma (aggressive brain cancer, 4th worst type of cancer), which also uses Modulight cloud technology to improve treatment outcomes. In addition, we have continued preparations to submit laser equipment and related statutory documentation to seven other clinical trials, including ocular melanoma, lung cancer, and superficial bladder cancer.

All new laser equipment delivered for clinical trials is based on either Modulight's ML7710 laser platform or the ML6710i laser platform developed for ocular photodynamic therapies. Several customers use the same laser platform developed by Modulight for treatments developed for different indications. On the other hand, there are also situations where competing customers use Modulight technology to treat the same indication.

We also launched eight new projects in the testing phase of the concept with our customers, and these included e.g. a project on noninvasive monitoring of brain signals based on the same lasers as our eye care devices.

### ***Other actions to support the implementation of the strategy***

During the financial year, the company continued to invest in accordance with the ongoing EUR 23 million investment program. The program was expanded in scope, quality and capability of the tools, as we announced in connection with the listing. As a result, we have already been able to reduce delivery times for our customers from two weeks to three days in some operations. Our investment program is expected to be completed in 2022 according to the original schedule, but on a larger scale than originally planned. This brings more benefits than expected to the R&D pipeline and to our customers (e.g., through a significant acceleration in the deployment time of current and future projects in the R&D pipeline). Thanks to the efficient implementation of the program and the reductions in procurement, the expansion of the program has not had a significant impact on its costs.

Significant progress has also been made in laser technologies during the 2021 financial year. For example, investment in MOCVD technology (deposition of ultra-thin atomic layers on a semiconductor

wafer) and electron beam lithography (enabling the creation of very small structures in semiconductors) will enable the production of more accurate lasers in terms of wavelength, stability and other important technical properties. We believe these will benefit almost all of our customers and applications, but especially in genomics, digital printing, quantum computing and diagnostics. Modulight applies its single-mode laser array technology, originally developed for digital printing presses, to other applications such as quantum computing and optogenetics.

To accelerate AI activity and cloud operations, the company recruited and established a team focused solely on the development of data analytics, machine learning and artificial intelligence. The company's success in recruiting as well as the quantity and diversity of applicants reflects Modulight's and "the laser family's" strong reputation in the industry.

The company filed five new US patent applications in the field of cloud connected theragnostic medical device platforms and semiconductor technology in 2021 and received one approved US patent in the field of remote connected multi-indication medical device. Modulight continues to build up its IPR portfolio within these fields in 2022.

The main focus of sales and marketing was on increasing our presence in the U.S. market, but the company also planned to expand its business devel-

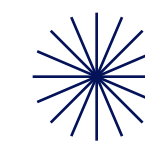
opment to other geographic areas. The company aims to have a physical presence in the major eye hospitals and clinics and to build a service network in the United States in 2022. The ability to travel continues to be somewhat limited and especially large customers are still having many visit limitations, thus major progress in onsite presence cannot be expected at least before end of 2022.

### **Responsibility and responsible business**

While the focus of our work is on medical technology products that improve people's lives and help combat serious illness, we also continue to focus on environmental, social responsibility and governance (ESG) matters. The company's goal is to ensure transparency and accountability in all its operations. Regarding environmental topics, Modulight was certified to the ISO 14001 environmental standard in 2003 and has been systematically responsible for the environment ever since. For example, the company has been recycling for years all ultra-pure metal residues from the production process.

The customer is always at the heart of our operations. We strive to ensure this, for example, with a customer feedback system and, if necessary, by taking corrective measures. We have also worked on data protection to ensure that the information of our customers, suppliers and employees is secure. In addition, the company has e.g. The Whistleblower System, global personnel information systems and databases, and





privacy practices for employee disciplinary, regulatory, and criminal investigations. Modulight respects human rights and does not allow any discrimination. The company is proud of its diversity; there are about ten different nationalities and the gender distribution of the company's employees is fairly even. Company's employment contracts are based on collective agreements and the changes to the regulations are monitored regularly. Modulight is also engaged in charitable activities and has consistently supported a local children's center, local universities and junior sports teams.

In terms of governance, we use strict anti-corruption policies and code of conduct. We invest heavily in the diversity of our boards and the number of members who are independent of the company. The transparency of management remuneration is disclosed in the annual reports. After the reporting period, Modulight Corporation was awarded the Board of Directors 'Golden Club' 2022 award for good board work in January 2022. As the reasons for his choice, the award committee emphasized in particular the work of Modulight's board as a team. Other clear strengths of the Board's work highlighted by the Awards Committee are ESG (responsibility and sustainability), the Board's systematic approach and the ability to pilot the company's strategy and monitor its implementation.

## Financial indicators

### *Group sales*

The Group's net sales for the financial period January 1 to December 31, 2021 were EUR 9,071 (10,062) thousand. The change in net sales compared to the comparison period was EUR -991 thousand and -9.9%. The decline in revenue was primarily due to the constraints caused by the coronavirus pandemic, which have affected the company's ability to meet its current and potential customers face-to-face and work with them in hospitals and research facilities. This, in turn, has affected the invoicing, which is tied to progress of project milestones. Travel restrictions have also had a negative impact on the company's lifecycle services, as it has made it more difficult to provide support and maintenance services to customers.

### *Group profitability and earnings development*

The company has continued to improve the pricing of products and services to better reflect their true value to their customers. On the other hand, the investment program launched in the medium term in 2019 to improve business efficiency in relation to business development and product development has raised some of the costs associated with these.

The Group's EBITDA for the financial year was EUR 461 (5,787) thousand, or 5.1 (57.5)% of net sales.

The operating result for the financial year was EUR -753 (4,712) thousand and the operating result % was -8.3% (46.8%).

Earnings for the financial year were EUR -5,061 (3,732) thousand and earnings per share were EUR -0.15 (0.12) per share.

The financial expenses for the financial year 2021, which weakened the company's result and thus the comparability of the company's profitability, include expenses of approximately EUR 4,070 thousand from listing on the Nasdaq First North Growth Market, and a write-off of EUR 4,000 thousand on trade receivables.

The pandemic has had a significant impact on the financing of some of our customers, and thus on their ability to pay. Due to the increased financial risk of these customers, the company has recorded a write-off of trade receivables of EUR 4,000 thousand.

Although the write-off had a significant impact on last year's profitability, it does not reduce the value of Modulight's technology or reduce the longer-term potential of those projects. No projects have been discontinued, and the work done on written-off receivables supports the development of our technology and production capabilities.

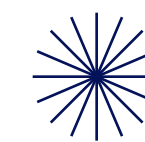
### *Balance sheet, financing and investments*

During the financial period January 1 - December 31, 2021, the company continued to invest in intangible and tangible assets, which amounted to EUR 9,617 (2,068) thousand. Free cash flow from operating activities was EUR -9,156 (3,719) thousand.

The Group's cash and bank receivables on December 31, 2021 were EUR 62,978 (1,784) thousand. Net debt was EUR -53,415 (3,924) thousand, gearing -70.1 (41.1)% and equity ratio 87.0 (48.6)%. The return on equity was -11.8% (2020: 46.7 %, 2019: 34.4 %).

Capitalized development expenses were EUR 1,579 (2020: 1 565, 2019: 1 500) thousand, or 14.1 (2020: 26.9, 2019: 31.0) % of total operating expenses.

The company had capital loans of EUR 80 thousand at the end of the financial year. Details of the loans are presented in the notes to the financial statements.



## Key figures, group

EUR 1,000	2021	2020	2019
Revenue	9,071	10,062	7,192
EBITDA	461	5,787	4,457
EBITDA-%	5.1%	57.5%	62.0%
Operating result	-753	4,712	2,937
Operating result-%	-8.3%	46.8%	40.8%
Profit for the period	-5,061	3,732	1,888
Earnings per share (EPS)	-0.15	0.12	0.06
Acquisition & scrapping of fixed and intangible assets	9,617	2,068	1,683
Free cash flow from operating activities	-9,156	3,719	2,773
Cash and cash equivalents	62,978	1,784	720
Net debt	-53,415	3,924	4,534
Gearing ratio	-70.1%	41.1%	70.6%
Equity ratio	87.0%	48.6%	45.5%
Number of employees at the end of the period (FTE)	52	39	29

## Personnel, management and board

The number of employees (FTE) on December 31, 2021 was 52 (39) and the average number of employees during the financial period January 1-December 31, 2021 was 51 (39). Personnel expenses during the financial year totaled EUR 3,880 (2,786) thousand, a change of + 39.3% compared to the previous year. The increase in personnel expenses is mainly due to the recruitment of new employees. The lower number of employees at the end of the year than reported in the third quarter is explained by the fact that the company had 13 summer employees in the summer and a significant proportion of the company's part-time employees worked exceptionally full days in the summer. The number of permanent employees in the company has thus continued to grow due to successful recruitments.

At the end of the financial year, Modulight Corporation's Management Team consisted of Seppo Orsila (CEO), Petteri Uusimaa (CTO), Anca Guina (Finance Director), Ulla Haapanen (Marketing Manager), Juha Lemmetti (R&D Director), Kati Reiman (People & Culture Director), Jari Sillanpää (Sales & Service Director) and Ville Vilokkinen (Operations Director).

At the end of the financial year, Modulight Plc's Board of Directors consisted of Jyrki Liljeroos (Chairman), Pia Kantola, Timur Kärki, Seppo Orsila, Kalle Palomäki and Petteri Uusimaa. In the financial year 2021, Pia Kantola and Timur Kärki started as new members of the Board. Seppo Orsila served as

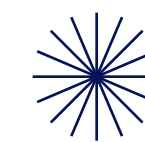
Chairman of the Board during the financial year until September 30, 2021.

## Shares and shareholders

The Company has one class of shares and all shares have the same voting rights and the right to a dividend and the Company's assets. On September 9, 2021, the company announced that it was planning to go public on the Nasdaq Helsinki First North list. Both the IPO and the additional share option exercised in connection with it were subscribed for in full, and as a result of the listing, the Company's ownership base expanded to more than 16,000 shareholders. A total of 13,999,982 shares were issued in the IPO, corresponding to approximately 32.9% of all the Company's shares and votes. The final subscription price for the share in the IPO was EUR 6.49 per share, which corresponds to approximately 277 million euro market value. Trading in the shares of Modulight Corporation ("MODU") began on September 30, 2021. The number of shares on December 31, 2021 was 42,616,936 (30,730,000).

The Group's market capitalization on December 31, 2021 was EUR 483,702 thousand, with a share price of EUR 11.35 per share.

At the end of the financial year, Modulight Corporation had 11,703 shareholders. The members of the Board of Directors, the CEO and the Management Team held 46.6% of the shares on December 31, 2021, and the 20 largest shareholders accounted



for 86.9% of the total number of shares. Modulight Corporation's 20 largest shareholders on December 31, 2021 are presented in the table below.

	Owner	Number of stocks	Ownership and voting rights
1	Seppo Orsila	6,205,500	14.56%
2	Petteri Uusimaa	6,205,500	14.56%
3	Pekka Savolainen	3,465,000	8.13%
4	Varma Mutual Pension Insurance Company	3,276,074	7.69%
5	Ville Vilokkinen	3,039,750	7.13%
6	Petri Melanen	2,173,500	5.10%
7	Mika Saarinen	1,630,125	3.83%
8	Pekko Sipilä	1,630,125	3.83%
9	Swedbank Robur Funds	1,590,832	3.73%
10	Didner & Gerge Funds	1,437,157	3.37%
11	TIN Funds	1,155,625	2.71%
12	Hubert Jouve	980,000	2.30%
13	Mandatum Life Insurance Company	813,922	1.91%
14	Ancuta Guina	670,320	1.57%
15	Evli Funds	640,346	1.50%
16	Juha Lemmetti	553,140	1.30%
17	Jyrki Liljeroos	460,950	1.08%
18	Kalle Palomäki	414,855	0.97%
19	Alcur Funds	408,617	0.96%
20	SEB Funds	300,000	0.70%

### Option programs

On September 2, 2021, the company's shareholders decided to authorize the Board of Directors to issue a maximum of 852,758 options to key personnel of Modulight Corporation ("2021 Option Authorization"). By a decision made on September 9, 2021, the Company's Board of Directors decided to issue a maximum of 852,758 options ("2021 Options") to key personnel selected under the 2021 Option Authorization.

Each 2021 Option entitles the holder of the 2021 Option (the "2021 Option Holder") to one new Modulight Corporation share at a subscription price of EUR 6.49 per share. The subscription rights under the 2021 Options will arise within four years of the end of their subscription period, so that 20 percent of the 2021 Options on December 31, 2023, 30 percent on 31 December 2024 and 50 percent on December 31, 2025 can be used to subscribe for shares. 2021 The subscription period for the shares to be subscribed for under the options ends no later than December 31, 2026. 2021 Options are non-transferable and cannot be pledged.

### Related party transactions

There have been no related party transactions during the 2021 financial year.

### Assessment of short-term risks and uncertainties

There have been no significant changes in business risks during the financial year compared to what was previously stated during 2021. The Group oper-

ates in the field of biomedicine and other high technology, where product development projects are basically characterized by high uncertainty about the timing of the progress of product development projects, the achievement of intermediate goals and the final commercialization. The success of projects also depends on third parties, such as the company's customers and obtaining FDA and CE approvals, in which case, for example, changes in legislation can have a detrimental effect on business.

As a result of the global business environment, we are also exposed to macroeconomic risks, such as cyclical fluctuations, changes in private and public health care spending, and other social and political changes. The global business model also exposes company's business to potential supply chain disruptions. Disruptions can have a detrimental effect on, for example, the availability of raw materials and components that are difficult to replace.

The company is also exposed to credit and counterparty risk if its counterparties are unable to meet their contractual obligations. Counterparty risk is mainly related to trade receivables and receivables related to the company's financial instruments. Since the review period, the company has written off trade receivables of 4.0 million, but the remaining trade receivables are still subject to risks, which are still considered reasonable. Counterparty risks are described in more details in the company's listing prospectus.





The development of coronavirus pandemic, such as viral mutations, vaccine coverage and efficacy, also remains one of the company's most significant risks and uncertainties in the near future.

The success of Modulight's business and growth strategies also depends on the company's ability to recruit and engage skilled personnel. The availability and loss of key personnel could have a material adverse effect on the Company's business.

The company is constantly taking measures to manage the above risks. The Company's management seeks to reduce the impact of business continuity risks through standard control and contingency measures. For example, the company has prepared for various material and non-material damages by insuring its operations to a sufficient extent.

The war that started between Russia and Ukraine after the period under review has affected, among other things, trade relations between the two countries and their ability to engage in international trade. The effects of the war extend indirectly to, among other things, the security situation in Europe and the world, access to energy and raw materials, and the development of relations between the United States and China. The company cannot rule out the possibility that the events could have a negative impact on

its business, for example through possible disruptions to the subcontracting network. For example, it is possible that the availability of critical components for a company's business will deteriorate further, which could have a negative impact on the company's business. The Company's management will continue to actively monitor the situation and seek to reduce the impact of risks to the Company's business through standard control and contingency measures.

### **Board of Directors' proposal for the distribution of distributable funds**

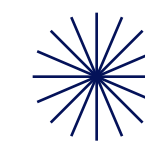
The distributable equity of the Group's parent company Modulight Corporation on December 31, 2021 is EUR 70,654 (4,929) thousand. The company's Board of Directors proposes to the Annual General Meeting that no dividend be distributed for the 2021 financial year.

### **Events after the end of the financial year**

#### ***Write-off of trade receivables***

The pandemic has had a significant impact on the financing of some of our customers, and thus on their ability to pay. Due to the increased financial risk of these customers, the company has recorded a write-off of trade receivables of EUR 4,000 thousand.

Although the write-off had a significant impact on last year's profitability, it does not reduce the value of Modulight's technology or reduce the longer-term potential of those projects. No projects have been discontinued, and the work done on written-off receivables supports the development of our technology and production capabilities.



# Consolidated financial statement (FAS) January 1-December 31, 2021

## Consolidated income statement (FAS)

EUR 1,000	2021	2020
<b>Turnover</b>	<b>9,071</b>	<b>10,062</b>
Change in inventory	329	-50
Manufacturing for own use	1,579	1,565
Other operating income	1,345	472
Raw materials and services		
Raw materials and consumables		
Purchases during financial year	-1,596	-504
Change in inventory	406	-31
External services	-362	-378
Total raw materials and services	-1,552	-912
Staff expenses		
Wages and salaries	-3,199	-2,321
Social security expenses		
Pension expenses	-538	-382
Other social security expenses	-142	-84
Total staff expenses	-3,880	-2,786
Depreciation, amortization and reduction in value		
Depreciation and amortization according to plan	-1,214	-1,075

EUR 1,000	2021	2020
Other operating expenses	-6,432	-2,562
<b>Operating profit</b>	<b>-753</b>	<b>4,712</b>
Financial income and expenses		
Other interest income and financial income	7	14
Interest and other financial expenses	-4,317	-109
Total financial income and expenses	-4,310	-96
<b>Profit (loss) before appropriations and taxes</b>	<b>-5,063</b>	<b>4,616</b>
Income taxes	1	-884
<b>Profit (loss) of the financial year</b>	<b>-5,061</b>	<b>3,732</b>

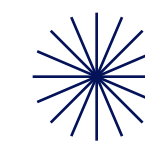


### Consolidated balance sheet (FAS)

EUR 1,000	Dec 31, 2021	Dec 31, 2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets		
Development expenditure	5,490	4,691
Total intangible assets	5,490	4,691
Fixed assets		
Buildings	2,903	2,405
Machinery and equipment	5,686	315
Advance payments	1,734	
Total fixed assets	10,324	2,725
<b>Total non-current assets</b>	<b>15,814</b>	<b>7,411</b>
<b>Current assets</b>		
Inventory		
Raw materials and consumables	785	379
Finished products	343	14
Total Inventory	1,128	393
Debtors		
Short-term		
Trade debtors	5,636	7,408
Other debtors	1,491	703
Prepayments and accrued income	468	1,955
Total short-term debtors	7,596	10,065
Financial securities	62,469	
Cash and cash equivalents	508	1,784
<b>Total current assets</b>	<b>71,702</b>	<b>12,242</b>
<b>Total assets</b>	<b>87,515</b>	<b>19,653</b>

EUR 1,000	Dec 31, 2021	Dec 31, 2020
<b>LIABILITIES</b>		
<b>Equity</b>		
Equity capital	80	18
The invested unrestricted equity fund	75,334	3,284
Retained earnings	5,800	2,517
Earnings from the period	-5,061	3,732
<b>Total equity</b>	<b>76,153</b>	<b>9,551</b>
<b>Liabilities</b>		
Non-current liabilities		
Capital loan		80
Loans from financial institutions	8,217	4,404
Total non-current liabilities	8,217	4,483
Current liabilities		
Capital loan	80	
Loans from financial institutions	1,267	1,225
Advances received	112	793
Accounts payable	727	803
Other liabilities	108	218
Accrued expenses	853	2,580
Total current liabilities	3,146	5,619
<b>Total equity and liabilities</b>	<b>11,363</b>	<b>10,102</b>
<b>Total liabilities</b>	<b>87,515</b>	<b>19,653</b>





### Consolidated cash flow statement (FAS)

EUR 1,000	Dec 31, 2021	Dec 31, 2020
<b>Cash flow from operating activities</b>		
Operating result	-753	4,712
Depreciation & amortization	1,214	1,075
Net interests	-4,310	-96
Change in inventory	-735	81
Change in short term receivables	2,469	-3,542
Change in short-term liabilities	-2,593	1,938
Tax on profit	1	-884
<b>Net cash from operations (A)</b>	<b>-4,707</b>	<b>3,284</b>
<b>Cash flow from investing</b>		
Investments to fixed and intangible assets	-9,617	-2,068
<b>Net cash from investing (B)</b>	<b>-9,617</b>	<b>-2,068</b>
<b>Cash flow from financing</b>		
Change in interest bearing debts	75,904	454
Dividends paid	-615	-527
<b>Net cash from financing (C)</b>	<b>75,290</b>	<b>-72</b>
<b>Net cash flow (A+B+C)</b>	<b>60,965</b>	<b>1,144</b>
<b>Cash at the beginning of the period</b>	<b>1,784</b>	<b>720</b>
<b>Exchange rate differences</b>	<b>228</b>	<b>-80</b>
<b>Cash at the end of the period</b>	<b>62,978</b>	<b>1,784</b>



# Notes to the consolidated financial statements

PARENT COMPANY: MODULIGHT CORPORATION  
DOMICILE: TAMPERE

## Notes to the financial statements

### Accounting principles for consolidated financial statements

Modulight Oyj is the parent company of the Modulight Group. The financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). Modulight Oyj and the Modulight Group are domiciled in Tampere and their registered address is Hermiankatu 22, 33720 Tampere. A copy of the financial statements is available from the parent company's head office.

The income statement and balance sheet of the subsidiary Modulight USA, Inc. have been consolidated at the exchange rate on the balance sheet date.

### Changes in group structure

There have been no changes in the group structure during the financial year.

### Factors affecting comparability

The shares of the Group's parent company have been admitted to public trading on September 30, 2021 on the Nasdaq First North Growth Market Finland marketplace maintained by Nasdaq Helsinki Oy.

The direct non-recurring costs arising from the listing have been recognized in full as an expense for the financial year 2021 and amount to approximately EUR 4,017 thousand. Expenses are presented as part of financial expenses for the financial year 2021.

### Internal transactions and margins

Intra-group transactions, intra-group receivables and liabilities, intra-group profit distribution and intra-group margin have been eliminated. All Group companies have been consolidated in the consolidated financial statements. The consolidated financial statements have been prepared using the acquisition cost method.

### Valuation principles and methods

#### Valuation principles for non-current assets

Development costs included in non-current assets consisted mainly of product development costs related to products being developed for commercial use. Development costs have been capitalized prudently. The condition for capitalization is that the capitalized item is likely to generate income at least equal to the capitalized amount after the end of the capitalization period.

The carrying amount of property, plant and equipment is its original acquisition cost less any planned depreciation.

### Valuation principles for current assets

The value of the inventory is presented at the acquisition value or at lower fair value.

Financial securities include low-risk fund investments that can be easily converted into cash. Investments are marked to their acquisition value or to a lower fair value at the end of the financial year.

Cash and cash equivalents include assets in the parent company's bank accounts. Loans from financial institutions are divided into current and non-current liabilities in the balance sheet based on their projected payment date. Interest expense is recognized as an expense in the period in which it is incurred.

Trade receivables, accrued income and other receivables included in financial assets are valued at their nominal value or to its lower probable value. Receivables are recognized as credit losses based on a case-by-case risk assessment, when there is sufficient evidence that the claim will not be received on the original terms.

### Conversion rate of financial statements of a foreign subsidiary

The income statements and balance sheets of foreign subsidiaries have been consolidated at the exchange rate on the balance sheet date.

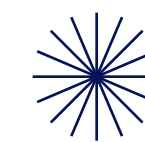
### Foreign currency items

Exchange rate differences are presented in the income statement under financial income and expenses. Foreign currency liabilities and receivables open at the balance sheet date have been adjusted to the exchange rate at the balance sheet date if the value of the liability exceeds the book value or the value of the receivable is below book value.

### Principles for accruals

#### Revenue model

The Company's revenue model can be roughly divided in four phases that have similar elements in both business areas, Life Sciences and Custom & Industrial. With respect to customers in the medical and biomedical fields, the first phase is usually the preclinical trial phase, which is followed by the clinical trial phase I or pilot production. The following phases are clinical trial phases II and III, and the last phase of the model is launching an active product portfolio on the market, which the Company strives for. The commercial commissioning stage is considered to have been rendered as the Company's revenue exceeds EUR 10 million in terms of this product/client. With respect to products in the Custom & Industrial market segment, the revenue model typically consists of the proof of concept (POC), pilot production, product development, market launch, and production. In each of the phases, the Company's customer strategy is to cover the entire process from proof of concept to



active product portfolio, which may significantly help its customers to decrease their time to market and increase the value of their product. This is due to a variety of factors, including the Company's current product platforms and solutions, agile product development process that is based on its own production, the earlier approvals granted by the relevant authority for the Company's platform solutions, and the Company's full service offering and cloud-based service model. The Company believes that the cloud services can be applied to both product areas even though they have been initially designed for medical and biomedical applications.

In the proof of concept or the preclinical phase, the Company typically delivers a laser product or prototype to the client to prove the product's initial suitability to be used for the intended purpose and to determine the additional features that will be possibly needed in the final product. The Company's intention is that clients in the medical and biomedical fields benefit from shorter time to market when using the Company's existing product platforms and CE mark or the approvals that the FDA has previously granted to the platforms. In terms of products in Custom & Industrial market segment, the proof-of-concept phase can utilize existing products and product platforms for initial testing, which aim to create cost and time savings for the customers. The customers are usually companies that seek long-term competitive advantages in the field of laser technology. In the preclinical phase, the Company typically charges

a fixed fee per project, which may include e.g. equipment and services. In this phase, the fixed fee per project is approximately between EUR 10 thousand and EUR 150 thousand for universities and between EUR 100 thousand and EUR 1,000 thousand for early-stage medical research and industrial projects.

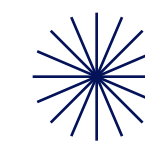
In the clinical phase I, the Company typically delivers a full offering to the client, including e.g., testing and documentation related to the device approval, installation of research device, and training of research staff. Again, the intention of the Company is that customers will benefit from shorter time to market when using the Company's CE mark, FDA approvals, and functionalities of the device platforms already developed. The pilot phase of the products in the Custom & Industrial market segment typically involves initial testing of the product within the customer's product or process. This phase can be preceded or followed by a separate, more extensive development phase in which the product or technology is developed together with the customer, and which may contain separate phases of moving to production. In phase I and pilot production, the Company typically charges a fixed fee per project that is based on the completion of intermediate objectives jointly agreed upon. The fixed fee per project is approximately between EUR 500 thousand and 5,000 thousand or even to a greater extent. The Company also charges a service fee equal to approximately 25 percent of the client's cumulative device acquisitions.

In clinical trial phases II-III, the Company typically aims to offer the full product and service package to customers to help them approve and qualify the product to commercial production. This usually includes final product requirements, production ramp up plans, software and services plans, and distribution plans for commercial roll out. With regard to its products that have reached phases II-III, the Company has typically charged a fixed fee per project that includes devices and services in different forms. The product development projects in the Custom & Industrial market segment contain similar elements but they usually focus on developing certain product characteristics or technologies that are required by the customer as part of the customer's product. Product development projects also typically involve preparation and ramp up of the production, development of business and service models, and management of product versions. Based on the estimate of the Company's management, the fixed fee per project is approximately between EUR 2 million and EUR 30 million. These phases also include a service fee that is based on the number of devices in the field but may also include other service elements. The Company also charges a license or service fee equal to approximately 25 percent of the client's cumulative investments.

In the active product portfolio go to market phase, dedicated client-specific products are intended to be in active use. These products can either be new products or product lifetime extensions through the intro-

duction of new laser components or features. The Company expects that in certain cases the commercial introduction could be carried out through the product platforms already placed on the market by activating new products in the cloud service. The Company aims to offer the full value chain, including cloud-based business services that may in the medical and biomedical fields involve e.g., treatment fees per use, licensing of the treatment or monitoring and use control of drugs or consumables, and analytic services that are aimed at improving the treatment result. The services regarding industrial applications may contain installation and maintenance agreements, fees that are based on the use or utilization rate, and analytics related to improvement of quality or product usage. In this phase, the Company's revenue is based on a share of the drug or treatment fee or the utilization rate of industrial applications. The Company's management estimates that installation and service fees equal to approximately 25 percent to 35 percent of the client's cumulative investments, in addition to which the Company expects to earn 2 percent to 20 percent from licensing or revenue shares.





### Depreciation according to plan

Fixed assets have been valued at acquisition cost less planned depreciation. Depreciation according to plan is calculated on the basis of the economic life as follows:

	Depreciation method	Depreciation period
Development costs	Straight line	5
Buildings and structures	Straight line	20-40
Machines and hardware	Straight line	2-10

There have been no changes in the depreciation policy during the financial year.

### Notes related to subsidiaries and associates

*Companies consolidated in the consolidated financial statements (group structure Dec 31, 2021)*

Name	Domicile	Ownership-%
Modulight Oyj	Finland	Parent company
Modulight USA, Inc.	United States	100
Modulight China Export A Oy	Finland	100
Leapteck Photonics Oy	Finland	100

### Notes to the consolidated income statement

#### Turnover by market area

% of total turnover	2021	2020
Finland	11	7
Other	89	93
Total	100	100

### Material items in other operating income

EUR 1,000	2021	2020
Subsidies and grants received	1,345	393
Other income		79
Total	1,345	472

### Manufacturing for own use

EUR 1,000	2021	2020
Manufacture for own use, intangible assets	1,579	1,565
Total	1,579	1,565

### Salaries, pension expenses and other personnel expenses for the financial year

EUR 1,000	2021	2020
Salaries and fees	3,175	2,294
Pension expenses	538	382
Voluntary pensions	24	27
Other personnel expenses	142	84
Total	3,880	2,786

The group's statutory and voluntary pension cover is managed by external pension insurance companies. Voluntary pensions are defined contribution plans that are expensed in the year in which they accrue. In a defined contribution plan, the group's legal obligation is limited to the amount that has been agreed to be paid into the plan.



Average number of employees during the financial year (FTE)	2021	2020
Staff	46	34
Employees	5	5
Total	51	39

### Management salaries and fees

EUR 1,000	2021	2020
CEO, Board of Directors, Management Team	1,035	855

### Totals of interest income, financial income, interest expenses and financial expenses

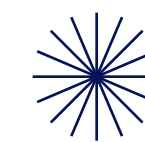
EUR 1,000	2021	2020
Interest expenses	-162	-74
Other financial income	7	14
Other financial expenses	-4,154	-36
Total	-4,310	-96

Other financial expenses in 2021 include listing-related expenses of approximately EUR 4,070 thousand.

### Notes to the consolidated balance sheet items Intangible assets

Development costs (EUR 1,000)	2021	2020
Acquisition cost Jan 1	13,138	11,573
Additions for the financial year	1,579	1,565
Deductions for the financial year	-	-
Acquisition cost Dec 31	14,717	13,138
Depreciation according to plan		
Accumulated depreciation Jan 1	-8,447	-7,658
Depreciation for the financial year	-780	-790
Accumulated depreciation Dec 31	-9,228	-8,447
Book value in the financial statements Dec 31	5,490	4,691

Activated development costs consist of 10 product development projects. Six of these have not yet been depreciated during the past financial year. During the financial year, activation of product development costs has been started for three new projects.



### Tangible assets

<b>Buildings and structures (EUR 1,000)</b>	<b>2021</b>	<b>2020</b>
Acquisition cost Jan 1	5,322	5,038
Additions for the financial year	669	284
Deductions for the financial year	-	-
Acquisition cost Dec 31	5,991	5,322
Depreciation according to plan		
Accumulated depreciation Jan 1	-2,917	-2,740
Depreciation for the financial year	-171	-177
Accumulated depreciation Dec 31	-3,088	-2,917
Book value in the financial statements Dec 31	2,903	2,405

<b>Machinery and equipment (EUR 1,000)</b>	<b>2021</b>	<b>2020</b>
Acquisition cost Jan 1	4,564	4,345
Additions for the financial year	5,634	219
Deductions for the financial year	-	-
Acquisition cost 3Dec 31	10,198	4,564
Depreciation according to plan		
Accumulated depreciation Jan 1	-4,250	-4,141
Depreciation for the financial year	-262	-108
Accumulated depreciation Dec 31	-4,512	-4,250
Book value in the financial statements Dec 31	5,686	315

<b>Other fixed assets (EUR 1,000)</b>	<b>2021</b>	<b>2020</b>
Acquisition cost Jan 1		-
Additions for the financial year	1,734	-
Deductions for the financial year	-	-
Acquisition cost Dec 31	1,734	-
Book value in the financial statements Dec 31	1,734	-

Other fixed assets consist of prepayments for fixed asset investments.

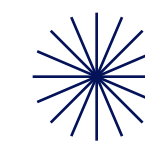
### Other receivables

<b>EUR 1,000</b>	<b>2021</b>	<b>2020</b>
Business Finland	1,001	479
ELY-centres	300	-
European Union	12	85
VAT-receivables	179	139
Total	1,491	703

### Prepayments and accrued income

<b>EUR 1,000</b>	<b>2021</b>	<b>2020</b>
Cost accruals	215	39
Prepayments	253	1,915
Total	468	1,955





### Financial securities

EUR 1,000	2021	2020
Cash and bank receivables	508	1,784
Fund units	62,469	-
In total	62,978	1,784

The fund units consist of liquid and low-risk investments in short-term funds.

### Notes to liabilities in the balance sheet

#### Capital loans

The company has a capital loan of EUR 79,581.25. The main terms of the loan are as follows:

- 1) The principal, interest and other compensation may be paid in the event of the company's dissolution and bankruptcy only with a lower priority than all other debts.
- 2) Otherwise, the capital may only be returned if the company's restricted equity and other non-distributable items in accordance with the balance sheet to be confirmed for the last financial year ended are fully covered.
- 3) Interest or other compensation may be paid only if the amount to be paid can be used for profit distribution according to the company's balance sheet for the most recently ended financial year.

Unpaid interest for a financial year is recognized in the accounts as an expense in the financial year in which it becomes payable.

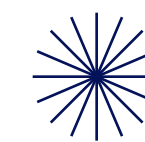
#### Changes in equity items and distributable funds

Restricted equity (EUR 1,000)	2021	2020
Share capital Jan 1	18	18
Share capital increases during the financial year	62	
Share capital Dec 31	80	18
Total restricted equity Dec 31	80	18

Unrestricted equity (EUR 1,000)	2021	2020
Reserve for invested unrestricted equity Jan 1	3,284	3,284
Increases in the invested unrestricted equity fund	72,050	
Reserve for invested unrestricted equity Dec 31	75,334	3,284
Profit (loss) for the previous financial years Jan 1	6,249	3,123
Exchange rate differences	166	-80
Dividends distributed during the financial year	-615	-527
Profit (loss) for the previous financial years Dec 31	5,800	2,517
Profit of the financial period	-5,061	3,732
Total non-restricted equity Dec 31	76,073	9,533
Total equity on Dec 31	76,153	9,551

### Other liabilities

EUR 1,000	2021	2020
Withholding debt	103	210
Other liabilities	5	8
In total	108	218



## Accrued expenses

EUR 1,000	2021	2020
Accruals for salaries	282	143
Holiday pay accrual	443	381
Cost accruals	128	2,013
Other accrued liabilities	-	43
In total	853	2,580

## Long-term debt

Liabilities maturing after more than five years:

EUR 1,000	2021	2020
Loans from financial institutions	5,387	2,428

## Other notes

### *Collateral provided and other off-balance sheet liabilities*

Liabilities secured by mortgages on real estate and / or corporate mortgages:

Collateral provided (EUR 1,000)	2021	2020
Collateral provided for own debt		
Loans from financial institutions	9,563	5,629
Mortgages granted	4,246	4,246
Mortgages on company assets granted	1,973	973

Collateral provided (EUR 1,000)	2021	2020
Collateral other than for own debt		
Mortgage as security for land rent <sup>1</sup>	23	23
Total securities provided	6,242	10,871

<sup>1</sup>The company has leased the land under a lease that expires on November 30, 2050. The amount of rent is tied and for 2021 the rent was EUR 10,412.

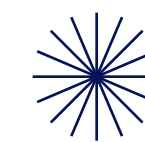
Other off-balance sheet liabilities (EUR 1,000)	2021	2020
Leasing liabilities		
Payable in the next financial year	27	54
Payable later	23	43
Total other off - balance sheet liabilities	50	98

## Company shares

The company's share capital on December 31, 2021 is divided into 42,616,936 shares. All shares have equal voting rights and the right to the company's assets and dividend.

## Notes on auditor's fees (Moore Rewinet Oy)

EUR 1,000	2021	2020
Audit fees	14	6
Other auditing services	22	0
Total auditor fees	36	6



## Calculation formulas for key figures

Key figures	Definition	Reason for the use
Growth of revenue-%	$(\text{Revenue for the period} - \text{The revenue of the previous reference period}) / \text{Previous revenue for the period}$	Revenue growth is an indicator to measure the growth of the Company
EBITDA	Operating result before depreciation, and amortization	EBITDA is an indicator to measure the operational performance of the Company
EBTIDA-%	$\text{EBITDA} / \text{Revenue}$	Operating margin is an indicator to measure the operational performance of the Company
Operating result	Operating result as presented in the income statement	Operating result is an essential indicator for the understanding of the Company's financial performance
Operating result-%	$\text{Operating result} / \text{Revenue}$	Operating result is an essential indicator for the understanding of the Company's financial performance
Earnings per share	Earning from the period / weighted average number of outstanding shares during the period	Indicator describes the distribution of operating result to individual shares
Acquisition & scrapping on fixed and intangible assets	Acquisition & scrapping of fixed and intangible assets as presented in the statement of cash flow	Indicator produces more information on the cash flow needs for operational investments
Free cash flow operating activities	$\text{EBITDA} - \text{Acquisitions \& scrapping of fixed and intangible assets as presented in the statement of cash flow}$	Indicator produces information of the cash flow which the Company is able to generate after operational investments
Net debt	Interest-bearing debt - Cash and cash equivalents (at the end of the period)	Net debt is an indicator to measure the total external debt financial of the Company
Gearing ratio	$(\text{Interest-bearing debt} + \text{Cash and cash equivalents (at the end of the period)}) / \text{Equity}$	Indicator for the management to track the Company's level of equity
Equity ratio	$\text{Equity} / \text{Total Equity}$	Indicator for the proportion of the Company's assets that have been financed with equity

## List of accounting books

Diary and general ledger in computer printouts  
 Purchase and sales ledger in computer printouts  
 All types of documents in paper copy



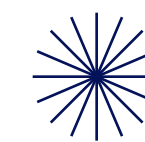
# Parent company financial statement (FAS) January 1-December 31, 2021



## Parent company income statement

EUR 1,000	2021	2020
<b>Turnover</b>	<b>9,070</b>	<b>10,063</b>
Change in inventory	329	-50
Manufacturing for own use	1,579	1,565
Other operating income	1,500	472
Raw materials and services		
Raw materials and consumables		
Purchases during financial year	-1,596	-504
Change in inventory	406	-31
External services	-362	-378
Total raw materials and services	-1,552	-912
Staff expenses		
Wages and salaries	-3,199	-2,321
Social security expenses		
Pension expenses	-538	-382
Other social security expenses	-142	-84
Total staff expenses	-3,880	-2,786
Depreciation, amortization and reduction in value		
Depreciation and amortization according to plan	-1,214	-1,075

EUR 1,000	2021	2020
Other operating expenses	-6,436	-2,561
<b>Operating profit</b>	<b>-602</b>	<b>4,714</b>
Financial income and expenses		
Other interest income and financial income	7	14
Interest and other financial expenses	-4,317	-109
Total financial income and expenses	-4,310	-96
<b>Profit (loss) before appropriations and taxes</b>	<b>-4,912</b>	<b>4,619</b>
Income taxes		-880
<b>Profit (loss) of the financial year</b>	<b>-4,912</b>	<b>3,738</b>



## Parent company balance sheet (FAS)

EUR 1,000	Dec 31, 2021	Dec 31, 2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets		
Development expenditure	5,490	4,691
Total intangible assets	5,490	4,691
Fixed assets		
Buildings	2,903	2,405
Machinery and equipment	5,686	315
Other fixed assets	1,739	5
Total fixed assets	10,329	2,725
<b>Total non-current assets</b>	<b>15,819</b>	<b>7,416</b>
<b>Current assets</b>		
Inventory		
Raw materials and consumables	785	379
Finished products	343	14
Total inventory	1,128	393
Debtors		
Short-term		
Trade debtors	5,356	7,233
Receivables, group companies	438	166
Other debtors	1,491	702
Prepayments and accrued income	463	1,950
Total short-term debtors	7,747	10,692
Investments		
Fund units	62,469	
Cash and cash equivalents	497	1,765
<b>Current assets total</b>	<b>71,843</b>	<b>12,849</b>
<b>Total assets</b>	<b>87,661</b>	<b>20,265</b>

EUR 1,000	Dec 31, 2021	Dec 31, 2020
<b>LIABILITIES</b>		
<b>EQUITY</b>		
Equity capital	80	18
Share premium reserve	75,334	3,284
Retained earnings	5,801	2,677
Earnings from the period	-4,912	3,738
<b>Total equity</b>	<b>76,303</b>	<b>9,717</b>
<b>LIABILITIES</b>		
Non-current liabilities		
Capital loan		80
Loans from financial institutions	8,217	4,404
Total non-current liabilities	8,217	4,483
Current liabilities		
Capital loan	80	
Loans from financial institutions	1,267	1,225
Advances received	112	793
Accounts payable	723	619
Other liabilities	108	218
Accrued expenses	853	2,569
Total current liabilities	3,142	6,065
<b>Total liabilities</b>	<b>11,359</b>	<b>10,548</b>
<b>Total equity and liabilities</b>	<b>87,661</b>	<b>20,265</b>



# Notes to parent company financial statements

## Notes to the financial statements

### Accounting principles

Modulight Oyj is the parent company of Modulight group. The financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). Modulight Oyj and Modulight Group are domiciled in Tampere, Finland and their registered address is Hermiankatu 22, 33720 Tampere.

Copies of the financial statements can be obtained from the registered address of the parent company.

### Principles for valuation

#### Non-current assets

Development costs included in non-current assets consisted mainly of product development costs related to products being developed for commercial use. Development costs have been capitalized prudently. The condition for capitalization is that the capitalized item is likely to generate income at least equal to the capitalized amount after the end of the capitalization period.

Tangible assets in the balance sheet are valued at acquisition cost less planned depreciation.

#### Current assets

The value of the inventory is presented at the acquisition value or at lower fair value.

Financial securities include low-risk fund investments that can be easily converted into cash. Investments are marked to their acquisition value or to a lower fair value at the end of the financial year.

Cash and cash equivalents include assets in the parent company's bank accounts. Loans from financial institutions are divided into current and non-current liabilities in the balance sheet based on their projected payment date. Interest expense is recognized as an expense in the period in which it is incurred.

Trade receivables, accrued income and other receivables included in financial assets are valued at their nominal value or to its lower probable value. Receivables are recognized as credit losses based on a case-by-case risk assessment, when there is sufficient evidence that the claim will not be received on the original terms. Credit losses are recognized as an expense in the income statement.

#### Principles for accruals

##### Revenue model

The Company's revenue model can be roughly divided in four phases that have similar elements in both business areas, Life Sciences and Custom & Indus-

trial. With respect to customers in the medical and biomedical fields, the first phase is usually the preclinical trial phase, which is followed by the clinical trial phase I or pilot production. The following phases are clinical trial phases II and III, and the last phase of the model is launching an active product portfolio on the market, which the Company strives for. The commercial commissioning stage is considered to have been rendered as the Company's revenue exceeds EUR 10 million in terms of this product/client. With respect to products in the Custom & Industrial market segment, the revenue model typically consists of the proof of concept (POC), pilot production, product development, market launch, and production. In each of the phases, the Company's customer strategy is to cover the entire process from proof of concept to active product portfolio, which may significantly help its customers to decrease their time to market and increase the value of their product. This is due to a variety of factors, including the Company's current product platforms and solutions, agile product development process that is based on its own production, the earlier approvals granted by the relevant authority for the Company's platform solutions, and the Company's full service offering and cloud-based service model. The Company believes that the cloud services can be applied to both product areas even though they have been initially designed for medical and biomedical applications.

In the proof of concept or the preclinical phase, the Company typically delivers a laser product or prototype to the client to prove the product's initial suitability to be used for the intended purpose and to determine the additional features that will be possibly needed in the final product. The Company's intention is that clients in the medical and biomedical fields benefit from shorter time to market when using the Company's existing product platforms and CE mark or the approvals that the FDA has previously granted to the platforms. In terms of products in Custom & Industrial market segment, the proof-of-concept phase can utilize existing products and product platforms for initial testing, which aim to create cost and time savings for the customers. The customers are usually companies that seek long-term competitive advantages in the field of laser technology. In the preclinical phase, the Company typically charges a fixed fee per project, which may include e.g. equipment and services. In this phase, the fixed fee per project is approximately between EUR 10 thousand and EUR 150 thousand for universities and between EUR 100 thousand and EUR 1,000 thousand for early-stage medical research and industrial projects.

In the clinical phase I, the Company typically delivers a full offering to the client, including e.g., testing and documentation related to the device approval, installation of research device, and training of research





staff. Again, the intention of the Company is that customers will benefit from shorter time to market when using the Company's CE mark, FDA approvals, and functionalities of the device platforms already developed. The pilot phase of the products in the Custom & Industrial market segment typically involves initial testing of the product within the customer's product or process. This phase can be preceded or followed by a separate, more extensive development phase in which the product or technology is developed together with the customer, and which may contain separate phases of moving to production. In phase I and pilot production, the Company typically charges a fixed fee per project that is based on the completion of intermediate objectives jointly agreed upon. The fixed fee per project is approximately between EUR 500 thousand and 5,000 thousand or even to a greater extent. The Company also charges a service fee equal to approximately 25 percent of the client's cumulative device acquisitions.

In clinical trial phases II-III, the Company typically aims to offer the full product and service package to customers to help them approve and qualify the product to commercial production. This usually includes final product requirements, production ramp up plans, software and services plans, and distribution plans for commercial roll out. With regard to its products that have reached phases II-III, the Company has typically charged a fixed fee per project that includes devices and services in different forms. The product development projects in the Custom & Indus-

trial market segment contain similar elements but they usually focus on developing certain product characteristics or technologies that are required by the customer as part of the customer's product. Product development projects also typically involve preparation and ramp up of the production, development of business and service models, and management of product versions. Based on the estimate of the Company's management, the fixed fee per project is approximately between EUR 2 million and EUR 30 million. These phases also include a service fee that is based on the number of devices in the field but may also include other service elements. The Company also charges a license or service fee equal to approximately 25 percent of the client's cumulative investments.

In the active product portfolio go to market phase, dedicated client-specific products are intended to be in active use. These products can either be new products or product lifetime extensions through the introduction of new laser components or features. The Company expects that in certain cases the commercial introduction could be carried out through the product platforms already placed on the market by activating new products in the cloud service. The Company aims to offer the full value chain, including cloud-based business services that may in the medical and biomedical fields involve e.g., treatment fees per use, licensing of the treatment or monitoring and use control of drugs or consumables, and analytic services that are aimed at improving the treatment result. The

services regarding industrial applications may contain installation and maintenance agreements, fees that are based on the use or utilization rate, and analytics related to improvement of quality or product usage.

In this phase, the Company's revenue is based on a share of the drug or treatment fee or the utilization rate of industrial applications. The Company's management estimates that installation and service fees equal to approximately 25 percent to 35 percent of the client's cumulative investments, in addition to which the Company expects to earn 2 percent to 20 percent from licensing or revenue shares.



### Depreciation according to plan

Fixed assets have been valued at acquisition cost less planned depreciation.

Depreciation according to plan is calculated on the basis of the economic life as follows:

	Depreciation method	Depreciation period (years)
Development costs	Straight line	5
Buildings and structures	Straight line	20-40
Machines and hardware	Straight line	2-10

There have been no changes in the depreciation policy during the financial year.

### Foreign currency items

Exchange rate differences are presented in the income statement under financial income and expenses.

Foreign currency liabilities and receivables open at the balance sheet date have been adjusted to the exchange rate at the balance sheet date if the value of the liability exceeds the book value or the value of the receivable is estimated below it.

### Notes related to subsidiaries and associates

#### Holdings in other companies (group structure Dec 31, 2021)

Name	Domicile	Ownership-%
Modulight Oyj	Finland	Parent company
Modulight USA, Inc.	United States	100
Modulight China Export A Oy	Finland	100
Leapteck Photonics Oy	Finland	100

### Notes to the income statement

#### Turnover by market area

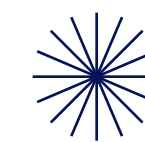
% of total turnover	2021	2020
Finland	11	7
Other	89	93
Total	100	100

#### Material items in other operating income

EUR 1,000	2021	2020
Subsidies and grants received	1,500	393
Other income	-	79
Total	1,500	472

#### Manufacturing for own use

EUR 1,000	2021	2020
Manufacture for own use, intangible assets	1,579	1,565
Total	1,579	1,565



### Salaries, pension expenses and other personnel expenses for the financial year

EUR 1,000	2021	2020
Salaries and fees	3,175	2,294
Pension expenses	538	382
Voluntary pensions	24	27
Other personnel expenses	142	84
<b>Total</b>	<b>3,880</b>	<b>2,786</b>

The company's statutory and voluntary pension cover is managed by external pension insurance companies. Voluntary pensions are defined contribution plans that are expensed in the year in which they accrue. In a defined contribution plan, the Group's legal obligation is limited to the amount that has been agreed to be paid into the plan.

Average number of employees during the financial year (FTE)	2021	2020
Staff	46	34
Employees	5	5
<b>Total</b>	<b>51</b>	<b>39</b>

### Management salaries and fees

EUR 1,000	2021	2020
CEO, Board of Directors, Management Team	1,035	855

### Totals of interest income, financial income, interest expenses and financial expenses

EUR 1,000	2021	2020
Interest expenses	-162	-74
Other financial income	7	14
Other financial expenses	-4,154	-36
<b>Total</b>	<b>-4,310</b>	<b>-96</b>

Other financial expenses in 2021 include listing-related expenses of approximately EUR 4,070 thousand.

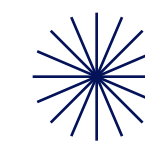
### Notes to the balance sheet items

#### Intangible assets

Development costs (EUR 1,000)	2021	2020
Acquisition cost Jan 1	13,138	11,573
Additions for the financial year	1,579	1,565
Deductions for the financial year	-	-
Acquisition cost Dec 31	14,717	13,138
Depreciation according to plan		
Accumulated depreciation Jan 1	-8,447	-7,658
Depreciation for the financial year	-780	-790
Accumulated depreciation Dec 31	-9,228	-8,447
Book value in the financial statements Dec 31	5,490	4,691

Activated development costs consist of 10 product development projects. Six of these have not yet been depreciated during the past financial year. During the financial year, activation of product development costs has been started for three new projects.





### Tangible assets

<b>Buildings and structures (EUR 1,000)</b>	<b>2021</b>	<b>2020</b>
Acquisition cost Jan 1	5,322	5,038
Additions for the financial year	669	284
Deductions for the financial year	-	-
Acquisition cost Dec 31	5,991	5,322
Depreciation according to plan		
Accumulated depreciation Jan 1	-2,917	-2,740
Depreciation for the financial year	-171	-177
Accumulated depreciation Dec 31	-3,088	-2,917
Book value in the financial statements Dec 31	2,903	2,405

<b>Machinery and equipment (EUR 1,000)</b>	<b>2021</b>	<b>2020</b>
Acquisition cost Jan 1	4,564	4,345
Additions for the financial year	5,634	219
Deductions for the financial year	-	-
Acquisition cost Dec 31	10,198	4,564
Depreciation according to plan		
Accumulated depreciation Jan 1	-4,250	-4,141
Depreciation for the financial year	-262	-108
Accumulated depreciation Dec 31	-4,512	-4,250
Book value in the financial statements Dec 31	5,686	315

<b>Other fixed assets (EUR 1,000)</b>	<b>2021</b>	<b>2020</b>
Acquisition cost Jan 1	5	5
Additions for the financial year	1,734	-
Deductions for the financial year	-	-
Acquisition cost Dec 31.	1,739	5
Book value in the financial statements Dec 31	1,739	5

Other fixed assets consist of prepayments for fixed asset investments (1,734 thousand euros) and shares in subsidiaries (5 thousand euros).

### Receivables from group companies

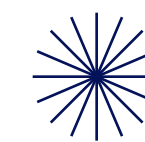
Current receivables

<b>EUR 1,000</b>	<b>2021</b>	<b>2020</b>
Trade receivables	438	166

Intra-group liabilities and receivables have been consolidated and presented on a net basis.

### Other receivables

<b>EUR 1,000</b>	<b>2021</b>	<b>2020</b>
Business Finland	1,001	479
ELY-centres	300	-
European Union	12	85
VAT-receivables	179	139
Total	1,491	702



### Prepayments and accrued income

EUR 1,000	2021	2020
Cost accruals	215	39
Prepayments	248	1,910
<b>Total</b>	<b>463</b>	<b>1,950</b>

### Material items included in financial securities

EUR 1,000	2021	2020
Cash and bank receivables	497	1,765
Fund units	62,469	-
<b>In total</b>	<b>62,967</b>	<b>1,765</b>

The fund units consist of liquid and low-risk investments in short-term funds.

## Notes to liabilities in the balance sheet

### Capital loans

The company has a capital loan of EUR 79,581.25. The main terms of the loan are as follows:

- 1) The principal, interest and other compensation may be paid in the event of the company's dissolution and bankruptcy only with a lower priority than all other debts.
- 2) Otherwise, the capital may only be returned if the company's restricted equity and other non-distributable items in accordance with the balance sheet to be confirmed for the last financial year ended are fully covered.
- 3) Interest or other compensation may be paid only if the amount to be paid can be used for profit distribution according to the company's balance sheet for the most recently ended financial year.

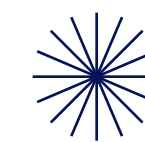
Unpaid interest for a financial year is recognized in the accounts as an expense in the financial year in which it becomes payable.

### Changes in equity items and distributable funds

Restricted equity (EUR 1,000)	2021	2020
Share capital Jan 1	18	18
Share capital increases during the financial year	62	
Share capital Dec 31	80	18
<b>Total restricted equity Dec 31</b>	<b>80</b>	<b>18</b>

Unrestricted equity (EUR 1,000)	2021	2020
Reserve for invested unrestricted equity Jan 1	3,284	3,284
Increases in the invested unrestricted equity fund	72,050	0
Reserve for invested unrestricted equity Dec 31	75,334	3,284
Profit (loss) for the previous financial years Jan 1	6,416	3,204
Dividends distributed during the financial year	-615	-527
Profit (loss) for the previous financial years Dec 31	5,801	2,677
Profit of the financial period	-4,912	3,738
<b>Total non-restricted equity Dec 31</b>	<b>76,223</b>	<b>9,700</b>
<b>Total equity on Dec 31</b>	<b>76,303</b>	<b>9,717</b>

Calculation of distributable funds (EUR 1,000)	2021	2020
Total non-restricted equity Dec 31	76,223	9,700
Activated development costs in the balance sheet Dec 31	-5,490	-4,691
Capital loans Dec 31	-80	-80
<b>Distributable funds Dec 31</b>	<b>70,654</b>	<b>4,929</b>



### Other liabilities

EUR 1,000	2021	2020
Withholding debt	103	210
Other liabilities	5	8
In total	108	218

### Prepaid expenses

EUR 1,000	2021	2020
Accruals for salaries	282	143
Holiday pay accrual	443	381
Cost accruals	128	2,013
Other accrued liabilities	-	32
In total	853	2,569

### Long-term debt

Liabilities maturing after more than five years:

EUR 1,000	2021	2020
Loans from financial institutions	5,387	2,428

### Other notes

#### Collateral provided and other off - balance sheet liabilities

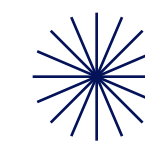
Liabilities secured by mortgages on real estate and / or corporate mortgages:

Collateral provided (EUR 1,000)	2021	2020
Collateral provided for own debt		
Loans from financial institutions	9,563	5,629
Mortgages granted	4,246	4,246
Mortgages on company assets granted	1,973	973
Collateral other than for own debt		
Mortgage as security for land rent <sup>1</sup>	23	23
Total securities provided	6,242	10,871

<sup>1</sup>The company has leased the land under a lease that expires on November 30, 2050. The amount of rent is tied and for 2021 the rent was EUR 10,412.

Other off-balance sheet liabilities (EUR 1,000)	2021	2020
Leasing liabilities		
Payable in the next financial year	27	54
Payable later	23	43
Total other off - balance sheet liabilities	50	98





## Company shares

The company's share capital on December 31, 2021 is divided into 42,616,936 shares. All shares have equal voting rights and the right to the company's assets and dividend.

### Notes on auditor's fees (Moore Rewinet Oy)

EUR 1,000	2021	2020
Audit fees	13	6
Other auditing services	22	0
Total auditor fees	35	6

## Calculation formulas for key figures

Key figures	Definition	Reason for the use
Growth of revenue-%	$(\text{Revenue for the period} - \text{The revenue of the previous reference period}) / \text{Previous revenue for the period}$	Revenue growth is an indicator to measure the growth of the Company
EBITDA	Operating result before depreciation, and amortization	EBITDA is an indicator to measure the operational performance of the Company
EBTIDA-%	EBITDA / Revenue	Operating margin is an indicator to measure the operational performance of the Company
Operating result	Operating result as presented in the income statement	Operating result is an essential indicator for the understanding of the Company's financial performance
Operating result-%	Operating result / Revenue	Operating result is an essential indicator for the understanding of the Company's financial performance
Earnings per share	Earning from the period / weighted average number of outstanding shares during the period	Indicator describes the distribution of operating result to individual shares
Acquisition & scrapping on fixed and intangible assets	Acquisition & scrapping of fixed and intangible assets as presented in the statement of cash flow	Indicator produces more information on the cash flow needs for operational investments
Free cash flow operating activities	EBITDA - Acquisitions & scrapping of fixed and intangible assets as presented in the statement of cash flow	Indicator produces information of the cash flow which the Company is able to generate after operational investments
Net debt	Interest-bearing debt - Cash and cash equivalents (at the end of the period)	Net debt is an indicator to measure the total external debt financial of the Company
Gearing ratio	$(\text{Interest-bearing debt} + \text{Cash and cash equivalents (at the end of the period)}) / \text{Equity}$	Indicator for the management to track the Company's level of equity
Equity ratio	Equity / Total Equity	Indicator for the proportion of the Company's assets that have been financed with equity

## List of accounting books

Diary and general ledger in computer printouts  
 Purchase and sales ledger in computer printouts  
 All types of documents in paper copy



# Signatures on the financial statements and the report of the Board of Directors

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In Tampere, March 15, 2022

Jyrki Liljeroos  
Chairman of the Board

Pia Kantola  
Member of the Board

Kalle Palomäki  
Member of the Board

Petteri Uusimaa  
Member of the Board

Seppo Orsila  
Member of the Board  
CEO

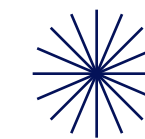
Timur Kärki  
Member of the Board

Auditor's note  
An audit report has been issued today.

In Tampere, March 15, 2022

**Moore Rewinet Oy**  
Audit firm

Jari Paloniemi  
Authorized Public Accountant



# Auditor's report (Translation of the Finnish original)

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

## Opinion

We have audited the financial statements of Modulight Oyj (business identity code 1603878-3) for the year ended 31 December, 2021. The financial statements comprise the balance sheets, the income statements and notes for the group as well as for the parent company and cash flow of the group.

In our opinion, the financial statements give a true and fair view of the group's and the 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.

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

## 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 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 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 inten-

tion to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities in the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on 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 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 company 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.

## **Other reporting requirements**

### ***Other information***

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors 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 information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 requirements.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Tampere, March 15, 2022

Moore Rewinet Oy  
Audit Firm

Jari Paloniemi  
Authorized Public Accountant

**modulight**

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