



2023

BUSINESS REVIEW

January-March 2023

modulight

Market authorization in the U.S. was received, revenue increased from the last quarter of 2022

The figures in brackets refer to the corresponding period of the previous year. This business review is unaudited.

Highlights in January–March 2023

- ❑ The R&D pipeline stayed on the level of the last quarter of 2022, and ongoing projects progressed well. Some projects show significant revenue potential this year.
- ❑ In January 2023, Modulight Corporation received pre-market authorization (PMA) from the U.S. Food and Drug Administration (FDA) for its laser device for the treatment of wet age-related macular degeneration (AMD) in the United States.
- ❑ Revenue was EUR 1,493 (1,601) thousand. The revenue started to grow from the previous quarter but did not yet reach the level the comparison period due to the company's long sales cycle and delays in customer projects.
- ❑ EBITDA was EUR -1,429 (-418) thousand. Profitability was impacted by low revenue and the implementation of the growth strategy, as planned.
- ❑ EBITDA margin was -95.7 (-26.1) % of revenue.
- ❑ Operating result (EBIT) was EUR -1,903 (-869) thousand.
- ❑ Operating result (EBIT) margin was -127.5 (-54.3) % of revenue.
- ❑ Earnings per share was EUR -0.04 (-0.03).

Key figures

Group EUR 1,000 unless otherwise noted	1-3/2023	1-3/2022	1-12/2022 ¹⁾
Revenue	1,493	1,601	4,599
EBITDA	-1,429	-418	-5,936
EBITDA, %	-95.7 %	-26.1%	-129.1%
Operating result (EBIT)	-1,903	-869	-7,792
Operating result (EBIT), %	-127.5 %	-54.3%	-169.4%
Earnings for the period	-1,739	-1,224	-8,552
Earnings per share (EPS, EUR)	-0.04	-0.03	-0.20
Acquisition of fixed and intangible assets	-3,483	-3,628	-13,694
Free cash flow from operating activities	-4,912	-4,046	-19,630
Cash and cash equivalents ²⁾	37,675	58,185	43,870
Net debt ²⁾	-29,811	-48,968	-35,586
Gearing ratio ²⁾	-45.3 %	-65.4%	-52.7%
Equity ratio ²⁾	86.6 %	86.6%	86.3%
Headcount (FTE) ²⁾	63	55	62

¹⁾ Audited

²⁾ Figure refers to the end of the review period

Outlook for 2023

Modulight has not issued guidance for revenue or profitability in 2023. As the company's customer projects are still distributed across varying early stages of development, and predicting developments in the market remains challenging, it is difficult to forecast performance in 2023. However, the company expects that changes in the operating environment caused by corona pandemic restrictions as well as macroeconomic and geopolitical uncertainty will still impact its financial performance in the short term.

Seppo Orsila, CEO

During the first quarter of the year, we saw positive changes in our operating environment despite the general economic development, the aftermath of the pandemic and the geopolitical situation. Our customers have been more active, which is reflected, among other things, in the number of visitors to trade fairs in the field and in our clinical development activities. The number of customer meetings has returned to the pre-corona level, and during the first months of the year, a record number of customers visited our head office in Tampere, which has historically been an important way for us to promote customer relationships and sales. Interest in us has also increased after we received the FDA pre-market authorization (PMA) in January, which is significant, especially for the credibility of our cloud strategy.

Our revenue in the first quarter of 2023 was EUR 1.5 million, while in the comparison period it was EUR 1.6 million. Revenue increased by 18% from the fourth quarter of 2022. Our EBITDA was EUR -1.4 million (EUR -0.4 million), and it was burdened by our investments in the implementation of our growth strategy. In line with our growth strategy, we have accelerated investments in our processes and the introduction of new technologies, which will increase our opportunities to expand our offering and improve our competitiveness. In connection with the equipment investments made, our operational costs will increase temporarily as we implement new processes faster than planned. This is to accelerate strategy implementation. We expect these costs to decrease towards the end of the year, as the investment program has been completed, and the amount of investment this year will be lower than last year. However, we aim to continue recruitment in line with our growth strategy. Thanks to our good employer image, we have received a lot of applications and hired new professionals without difficulty.

Our most important strategic metric is our R&D pipeline, which was again record-high after the first quarter of the year. There are currently 27 projects in our R&D pipeline, at different stages of product development. The number of projects remained at the level of the last quarter of 2022. Progress was made in several projects, and we estimate that their revenue potential in 2023 will be significant. We saw positive development in, among other things, cloud technology related to the treatment of bladder cancer and eye diseases, in new business models and related clinical trials. Likewise, the studies and patient recruitments related to treatment of glioblastoma progressed. In addition, our R&D team continued active development of our IP portfolio.

The pre-market authorization granted by the U.S. Food and Drug Administration (FDA) in January 2023 for our laser device for the treatment of wet age-related macular degeneration (AMD) in the United States was a significant step forward for us. In addition to the high quality of our laser technology, the pre-market authorization also demonstrates in concrete terms our pioneering role in the utilization of cloud services. Players in our industry have been particularly impressed with the fact that the FDA has now granted permission to utilize cloud computing. We believe that the FDA approval will promote cloud-related practices in the healthcare industry, and for us, this pre-market authorization also has a significant reference value.

One of our most important business goals is to expand our own local operations in the United States. We have opened the first product support center on the East Coast, and with the FDA pre-market authorization for our laser device, we expect to start launching the product in the U.S. during the first half of 2023 together with our partner. In Europe and Asia, we focus on selected partnerships. In the first quarter of the year, we launched an exclusive distribution partnership with Laser 2000. As a result, our products are now available to the largest European customers in Germany, Austria, Switzerland and France. We have made progress with all areas of our strategic programs.

We believe that the actions in line with our growth strategy and our long-term investment program will contribute to the return of our business to strong, profitable growth. Key factors in this include our state-of-the-art laser technology expertise, new SaaS-based business models such as the pay per treatment (PPT) model, the pre-market authorization we received in the United States, and our long-term and expanded cooperation with leading companies and researchers in the field. Our goal is to grow strongly in each calendar year and return to strong profitability during the strategy period 2023-2025.

Progress of the R&D pipeline

The R&D pipeline, which the company considers the most important measure of its progress, stayed on the level of the last quarter of 2022, and at the end of March 2023, Modulight had a total of 27 (26) projects related to individual indications and applications. Several projects progressed, and the company expects them to have significant revenue potential in 2023. The company also identified a promising opportunity to accelerate its cloud strategy in the short term based on U.S. clinician feedback.

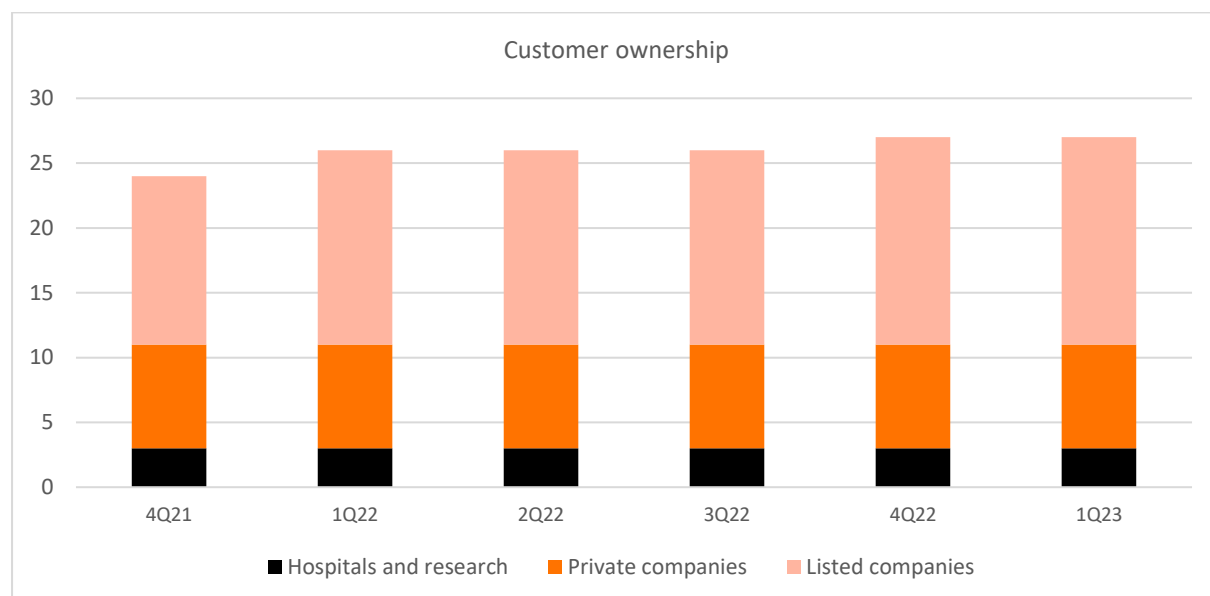
Ongoing projects progressed well in the first quarter. A concrete indication of the progress of the R&D pipeline was the pre-market authorization received in January 2023 for a laser device for the treatment of wet age-related macular degeneration (AMD) in the United States, which was expected already in 2021. The FDA pre-market authorization is also of great importance to the company's cloud strategy. In addition, there was good progress in the clinical study of treatment of glioblastoma, which previously suffered from a shortage of test patients, but which was continued in the first quarter. The company's new growth strategy also produces projects that are estimated to have significant short-term potential.

Several customers have progressed with their projects. This was reflected in a significant number of customer visits to assess the company's suitability as a critical supplier.

	2019				2020				2021				2022				2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Total number of projects*	12	12	13	13	13	13	15	16	16	20	22	24	26	26	26	27	27

* To be listed here, a project needs to fulfill strict criteria related to its potential for commercial roll-out and to fit the company strategy and technological focus areas. In addition to the official projects listed in the above table, Modulight continues to work on several other initiatives, and eventually, some of these are expected to mature into projects. Classifying projects into customer groups and including or excluding them from the R&D pipeline is not just the result of numerical analysis but ultimately a subjective process.

Additional information about Modulight's customers



Financial development

Revenue

January-March 2023

Revenue in January-March 2023 was EUR 1,493 (1,601) thousand. The year-on-year change in revenue was EUR -108 thousand or -6,7 %. The decrease in revenue was due to the long sales cycle and delays in the customers' projects. Although revenue did not reach the level of the first quarter of 2022, sales have increased quarter on quarter since the second quarter of 2022.

Profitability

January-March 2023

EBITDA in January-March 2023 was EUR -1,429 (-418) thousand, or -95,7 (-26.1) % of revenue. Operating result (EBIT) was EUR -1,903 (-869) thousand, or -127.5 (-54.3) % of revenue. Earnings for the reporting period were EUR 1,738 (-1,224) thousand, and earnings per share were EUR -0.04 (-0.03).

The year-on-year lower level of profitability was the result of a lower level of revenue and increased operational costs. Modulight's costs are now at a significantly higher level compared to the previous year, as the company has continued to execute its growth strategy.

On March 31, 2023, the total amount of trade receivables was EUR 3,359 thousand. The company considers risks related to trade receivables as reasonable.

Annual General Meeting

On April 5, 2023, Modulight published an invitation to the Annual General Meeting, to be held on Tuesday, May 2, 2023, from 1:00 p.m. Finnish time onwards at the Kampusareena Auditorium A223 at the address Korkeakoulunkatu 7, 33720 Tampere, Finland.

Proposals of the Shareholders' Nomination Board

On March 28, 2023, Modulight published the proposals of the Shareholders' Nomination Board on the composition and remuneration of the Board of Directors to the Annual General Meeting 2023 to be held on May 2, 2023.

Financial reporting in 2023

In 2023, Modulight will publish the following financial reports:

- ❑ Half-year financial report January-June 2023: August 18, 2023
- ❑ Business review January-September 2023: October 20, 2023

Tampere, April 28, 2023

Board of Directors

Modulight Corporation

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Modulight in brief

Modulight Corporation is a biomedical laser company that designs and manufactures products for oncology, ophthalmology and genetics. The company also provides solutions for selected high value-add applications including quantum computing and digital press. The company's products include medical devices, subsystems, software, cloud services and specialized semiconductors. Modulight's products are used worldwide by many Fortune 500 companies, pharmaceutical companies, and well-known cancer centers and universities. Modulight was founded in 2000 and is headquartered in Tampere, Finland. www.modulight.com

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