

2021

January-December 2021

Financial statement bulletin

modulight

A young man with short brown hair and light skin is shown from the chest up. He is wearing a white wireframe mesh that covers his torso and arms. Overlaid on this mesh are two glowing, translucent lungs. The lungs are primarily cyan and blue, with a bright red circular spot on the right lung. A red line extends from the bottom left of the image towards the red spot on the lung. The background is a dark blue with abstract, geometric patterns.

Despite a record number of new projects, year 2021 was affected by significant non-recurring items and the acceleration of the corona pandemic

Highlights in 2021

- ❑ Modulight launched a record number (8) of new projects with significant customers. In total, the company now has 24 ongoing projects which have significant commercial potential and which are expected to form the basis for the company's targeted extensive commercial roll-outs. The development and expansion of the project portfolio is the most important internal measure of the company's success.
- ❑ Profitability was reduced by a significant write-off of trade receivables after the review period and listing-related expenses. Excluding non-recurring items, full-year adjusted operating profit (EBIT) was 36 (47) percent of net sales and adjusted EBITDA was 49 (58) percent of net sales.
- ❑ Net sales were affected by delays in the schedules of certain projects caused by the acceleration of the corona pandemic
- ❑ Net sales 9.1 million EUR (10.1)
- ❑ EBITDA was 0.46 million EUR (5.8)
- ❑ Operating result (EBIT) was -0.75 million EUR (4.7)
- ❑ Operating result margin (EBIT) was -8 % of net sales (47 %)

Highlights July-December 2021 (2H)

- ❑ Net sales were 4.5 million EUR (6.4)
- ❑ EBITDA was -2.7 million EUR (3.9)
- ❑ Operating result (EBIT) was -3.4 million EUR (3.3)
- ❑ Operating result margin (EBIT) was -74 % of net sales (52 %)
- ❑ Excluding non-recurring items, the adjusted EBIT-% 14 % (52 %) and adjusted EBITDA 29 % (60 %)
- ❑ The acceleration of the corona pandemic delayed both commercial and medical cooperation with customers, research institutes and hospitals

(Comparative figures in parentheses refer to the corresponding period of the previous year, unless otherwise stated)

Key figures

(1,000 EUR)	7-12/2021	7-12/2020	1-12/2021	1-12/2020	10-12/2021	10-12/2020
Net sales	4,511	6,390	9,071	10,062	2,374	4,399
EBITDA	-2,690	3,862	461	5,787	-3,715	2,743
EBITDA-%	-59.6 %	60.4 %	5.1 %	57.5 %	-156.5 %	62.4 %
Operating result	-3,351	3,347	-753	4,712	-4,067	2,508
Operating result %	-74.3 %	52.4 %	-8.3 %	46.8 %	-171.3 %	57 %
Earnings from the period	-7,076	2,655	-5,061	3,732	-4,234	2,017
Earnings per share (EPS, eur)	-0.19	0.09	-0.15	0.12	-0.1	0.07
Acquisition & scrapping of fixed and intangible assets	6,428	1,384	9,617	2,068	6,119	-235
Free cash from operating activities	-9,118	2,479	-9,156	3,719	-9,834	2,508
Cash & cash equivalents (at the end of the period)	62,978	1,784	62,978	1,784	62,978	1,784
Net debt	-53,415	3,924	-53,415	3,924	-53,415	3,924
Gearing ratio	-70.1 %	41.1 %	-70.1 %	41.1 %	-70.1 %	41.1 %
Equity ratio	87.0 %	48.6 %	87.0 %	48.6 %	87 %	48.6 %
Staff at the end of the period (FTE)	52	39	52	39	52	39

Events after the reporting period

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.

Seppo Orsila, CEO

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-offs 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 coronary 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 development 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.

Board of Directors report of the financial review for period 1.1.-31.12.2021 (21st 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 \$ 144 billion in 2019 and is expected to grow to \$ 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 \$ 29.5 billion in 2018. The market is expected to grow at a combined annual growth rate of 6.2 percent to approximately \$ 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 \$ 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, ie 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 € 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 product development 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 authorities (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 under the section "Assessment of short-term risks and uncertainties".

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.

	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
Number of new projects (compared to previous quarter)	0	0	1	0	0	0	2	1	0	4	2	2

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 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 development 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 1 January to 31 December 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 net sales was primarily due to the constraints of the coronavirus pandemic, which have affected the company's ability to meet and work with its current and potential customers face-to-face in hospitals and research facilities, which in turn has affected the ability to provide support and maintenance services to the 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	(1,000 EUR)	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 operatin 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 EUR 277 million 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 President and 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.

#	Name	Number of shares	% of shares and votes
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 %

Options program

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 per cent of the 2021 Options on 31 December 2023, 30 per cent on 31 December 2024 and 50 per cent on 31 December 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 31 December 2026. 2021 Options are non-transferable and cannot be pledged.

Related party transactions

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

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 operates 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.

Annual General Meeting

The Annual General Meeting is scheduled to be held on May 2, 2022. Modulight's Board of Directors will convene the Annual General Meeting separately at a later date

Financial reporting

- ❑ 1Q22 business review (1-3/2022): 28.4.2022
- ❑ 2Q22 business review (1-6/2022): 19.8.2022
- ❑ 1H22 semi-annual report (1-6/2022): 19.8.2022
- ❑ 3Q22 business review (1-9/2022): 20.10.2022

Webcast

Modulight's CEO Seppo Orsila will present the result in an English-language webcast, which will be held on March 15, 2022 at 10:30 am. The broadcast can be followed at <https://modulight.videosync.fi/2021-q4-results>. Questions are requested to be submitted in writing on the webcast portal. CFO Anca Guina is also present to answer questions.

Presentation materials will be available before the start of the event on the company's website at www.modulight.com/reports-presentations/.

Tampere, March 15, 2022

Board of Directors

Modulight Oyj

More information:

CEO: Seppo Orsila, m. +358 40 830 4671

Investor relations: Ulla Haapanen, m. +358 40 830 4676

Email: ir@modulight.com

Certified advisor: Danske Bank A/S, Finnish branch, +358 40 414 5358

www.modulight.com

Twitter: [@modulight](https://twitter.com/modulight), [@orsila](https://twitter.com/orsila)

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, international pharmaceutical companies, and well-known cancer centers and universities. Modulight was founded in 2000 and is headquartered in Tampere, Finland.

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