

2020



January - December 2020
Financial Statements Bulletin

OPTOMED

Optomed Plc: Financial Statements Bulletin, January – December 2020

October – December 2020

- Revenue decreased by 6.6 percent to EUR 4,041 (4,329) thousand
- Adjusted EBITDA amounted to EUR -62 (-211) thousand corresponding to –1.5 (-4.9) percent of revenue
- The COVID-19 pandemic continued to negatively affect especially the OEM sales of the Devices segment, whereas the Software segment continued its solid performance
- Solid revenue growth in China
- Regulatory approval received for Optomed Aurora camera in China
- The US revenue continued to grow
- Successful launch of Aurora IQ, handheld fundus camera with seamless AI integration in November 2020

January – December 2020

- Revenue decreased by 13.1 percent to EUR 13,011 (14,977) thousand
- Adjusted EBITDA amounted to EUR -733 (-196) thousand corresponding to –5.6 (-1.3) percent of revenue
- The COVID-19 pandemic has negatively affected the Devices segment whereas the Software segment continues its solid performance

Key figures

EUR, thousand	Q4/2020	Q4/2019	Change, %	2020	2019	Change, %
Revenue	4,041	4,329	-6.6%	13,011	14,977	-13.1%
Gross profit *	2,809	2,745	2.3%	8,955	9,944	-9.9%
Gross margin % *	69.5%	63.4%		68.8%	66.4%	
EBITDA	-62	550	-111.2%	-733	-335	-118.8%
EBITDA margin *, %	-1.5%	12.7%		-5.6%	-2.2%	
Adjusted EBITDA *	-62	-211	70.7%	-733	-196	-274.6%
Adjusted EBITDA margin *, %	-1.5%	-4.9%		-5.6%	-1.3%	
Operating result (EBIT)	-594	-33	-1677.9%	-2,906	-2,596	-11.9%
Operating margin (EBIT) *, %	-14.7%	-0.8%		-22.3%	-17.3%	
Adjusted operating result (EBIT) *	-594	-794	25.1%	-2,906	-2,457	-18.3%
Adjusted operating margin (EBIT margin) *, %	-14.7%	-18.3%		-22.3%	-16.4%	
Net profit/ loss	-652	-58	-1016,5%	-3,177	-2,875	-10.5%
Earnings per share	-0.05	-0.01	-612.5%	-0.24	-0.32	29.5%
Cash flow from operating activities	383	2,000	-80.8%	-2,801	161	-1839.7%
Net Debt	-4,090	-8,940	-54.3%	-4,090	-8,940	-54.3%
Net debt/ Adjusted EBITDA (LTM)	5.6	45.7		5.6	45.7	
Equity ratio *	64.6%	57.2%		64.6%	57.2%	
R&D expenses personnel	395	443	-10.8%	1,406	1,540	-8.7%
R&D expenses other costs	83	66	25.6%	253	234	8.1%
Total R&D expenses	479	509	-6.1%	1,659	1,774	-6.5%

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

CEO comments

Optomed's business developed towards a positive direction during the last quarter of the year, even though revenue slightly declined. The overall demand for our own branded fundus cameras and related software solutions increased, despite the pandemic continued to negatively impact our business, particularly in Europe and the United States.

Both revenue and profitability of our Software segment, which has performed well during the pandemic, continued to grow. This growth came from increasing recurring revenue from the existing customer base and new customer deliveries made during the quarter.

For the Devices segment, 2020 was a year of significant change. Optomed's strategy has been to expand its own distribution network and thus increase sales of camera products and complete screening solutions under its own brand. Optomed branded camera sales via our distribution network started to grow in the third quarter and continued this strong growth during the fourth quarter, while sales to our OEM customers declined. During 2020, the share of cameras sold under the company's own brand significantly exceeded the number of products sold through our OEM customers, growing our own installed base, and providing more opportunities for additional software and other recurring revenue streams in the coming years.

Revenue of our Chinese subsidiary developed favorably, especially in the last quarter of the year. The new product registrations and launches in 2020 are expected to have a positive impact on our China sales in the current and future years.

In the last quarter of 2020, the Devices segment's revenue decreased but the profitability increased. The decline in the revenue was caused by the Covid-19 pandemic constraints in traditional sales work to hospitals affecting our OEM sales the most.

In the fourth quarter, we were especially pleased that we were able to sell and deliver several complete diabetic retinopathy screening solutions, including cameras, software and artificial intelligence services, for healthcare and screening programs in Asia and the Middle East. We expect the number of complete screening solution deliveries to increase further during 2021, especially when the pandemic related travel restrictions begin to ease. The new Aurora IQ camera with AI services launched in November has received very positive feedback from the market, but due to logistics, the delivery volumes were not yet significant in 2020. The Aurora IQ camera is expected to have a considerable impact on the company's growth from 2021 and onwards.

Overall, the company's revenue in the fourth quarter decreased by 6.6 percent due to the decline in camera sales to our OEM customers caused by the pandemic. However, profitability improved because of increased software and higher margin Optomed branded camera sales. The cash flow from operating activities was positive.

The changes in our sales channel structure during 2020, establishment of our US subsidiary, launch of the Aurora IQ camera, new product registrations in China and Canada, and the positive market outlook in China give us a good starting point for 2021. Several of our key markets are showing clear signs of recovery, and therefore in the end of 2020, we started to significantly increase our sales and marketing activities. Although the impact of the Covid-19 pandemic to the market and our business is expected to continue going forward, we expect the company's revenue to grow during 2021.

CEO

Seppo Kopsala

Outlook 2021

Optomed expects its full year 2021 revenue to grow compared to 2020.

Telephone conference

A telephone conference for analysts, investors and media will be arranged on 18 February 2021 at 11.00 EET. The event will be held in English. The presentation material will be available at www.optomed.com/investors 10.00 EET at the latest.

The participants are requested to register for the call in advance by email to sakari.knuutti@optomed.com.

Please see the call-in numbers below:

FI +358 9 856 26300

SE +46 8 505 218 52

UK +44 20 3321 5273

US +1 646 838 1719

FR +33 1 70 99 53 92

The conference id is 554 810 399#.

Please note that by dialing into the conference call, the participant agrees that personal information such as name and company name will be collected.

Group performance

October – December 2020

In October-December 2020, Group revenue decreased by 6.6 percent to EUR 4,041 (4,329) thousand. The Software segment's solid performance continued, and its revenue increased by 6.1 percent driven by stable recurring business from the existing customers in addition to new global delivery projects. The Devices segment OEM sales were still affected by the pandemic and the segment's revenue decreased by 19.5 percent. China, the US, and distribution sales channels performed well. The Group gross margin increased to 69.5 from 63.4 percent last year. The Group recorded other operating income of EUR 40 (11) thousand during October-December. The October-December Group gross margin excluding other operating income was 68.5 percent in 2020 and 63.2 percent in 2019.

In October-December 2020, Group EBITDA amounted to EUR -62 (550) thousand and adjusted EBITDA totaled EUR -62(-211) thousand. The October-December 2019 was affected by EUR 760 thousand of rebooked IPO expenses classified as items affecting comparability. The main reasons for the positive adjusted EBITDA variance versus 2019 were higher gross profit due to more software and Optomed branded product sales and lower operating expenses because of the company's swift response to the pandemic and the related cost reduction actions. The Group has since April cut travelling and postponed external events. EBIT was EUR -594 (-33) thousand and adjusted EBIT was EUR -594 (-794) thousand.

In October-December 2020, net financial items amounted to EUR -69 (-67) thousand and consisted mainly of interest payments to financial institutions and the translation effect of Chinese RMB to EUR.

January – December 2020

In January-December 2020, Group revenue decreased by 13.1 percent to EUR 13,011 (14,977) thousand. The Software segment performed well considering the ongoing COVID-19 situation, and its revenue growth was 3.2 percent driven by stable recurring business from the existing customers. The Devices segment's revenue decreased by 30.3 percent. The decrease was a result of the COVID-19 pandemic causing a decline in OEM sales. Optomed branded products performed well despite pandemic and exceeded OEM sales. The gross margin increased to 68.8 percent from 66.4 percent of the comparison period. The company received other operating income of EUR 157 (254) thousand for the full year of 2020 and 2019, which increased the gross margin of both periods. The January-December gross margin excluding other operating income was 67.6 percent in 2020 and 64.7 percent in 2019.

In January-December 2020 EBITDA amounted to EUR -733 (-335) thousand and adjusted EBITDA totaled EUR -733 (-196) thousand. January-December 2019 was affected by EUR 139 thousand of IPO expenses classified as items affecting comparability. The main reasons for the adjusted EBITDA variance versus 2019 were lower revenue which was partly compensated by higher gross margin and lower operating expenses due to the layoffs, lower level of corporate travelling, as well as external events that had been cancelled or postponed due to the COVID-19 situation. EBIT was EUR -2,906 (-2,596) thousand and adjusted EBIT was EUR -2,906 (-2,457) thousand.

Net financial items amounted to EUR -341 (-356) thousand in January-December 2020 and consisted mainly of interest payments to financial institutions and the translation effect of Chinese RMB and USD to EUR.

Cash flow and financial position

October- December 2020

In October-December 2020, the cash flow from operating activities amounted to EUR 383 (2,000) thousand. Net cash used in investing activities was EUR -651 (-407) thousand and relates mainly to capitalized development expenses. Net cash from financing activities amounted to EUR -34 (15,548) thousand. Financing activities in the fourth quarter 2019 include share issue proceeds from the IPO of EUR 20 million.

January- December 2020

In January-December 2020, the cash flow from operating activities amounted to EUR -2,801 (161) thousand. Net cash in investing activities was EUR -1,820 (-1,434) thousand and relates mainly to capitalized development expenses. Net cash from financing activities amounted to EUR -3,698 in 2020 and include a loan repayment of EUR 3,2 million in the first quarter of 2020. Net cash from financing activities in 2019 amounted to EUR 18,123 thousand and include the proceeds of two share issues. Optomed received proceeds of EUR 3,0 million in a share issue conducted prior to the IPO in 2019 and proceeds of EUR 20 million in the IPO.

Consolidated cash and cash equivalents at the end of the period amounted to EUR 10,608 (18,866) thousand. Interest-bearing net debt totaled EUR -4,090 (-8,940) thousand at the end of the period.

Net working capital was EUR 3,440 (1,275) thousand at the end of the period.

Devices segment

Optomed has two synergistic business segments: Devices and Software.

The Devices segment develops, commercializes and manufactures easy-to-use, and affordable handheld fundus cameras, that are suitable for any clinic for screening of various eye diseases, such as diabetic retinopathy, glaucoma and AMD (Age Related Macular Degeneration).

EUR, thousand	Q4/2020	Q4/2019	Change, %	2020	2019	Change, %
Revenue	1,738	2,158	-19.5 %	5,097	7,309	-30.3 %
Gross profit *	990	1,113	-11.1 %	2,862	4,200	-31.9 %
Gross margin, % *	56.9 %	51.6 %		56.1 %	57.5 %	
EBITDA	1	-169	100.4 %	-251	-408	38.5 %
EBITDA margin, % *	0.0 %	-7.8 %		-4.9 %	-5.6 %	
Operating result (EBIT)	-384	-539	28.9 %	-1,820	-1,913	4.8 %
Operating margin (EBIT), % *	-22.1 %	-25.0 %		-35.7 %	-26.2 %	

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

October- December 2020

In October-December 2020, the Devices segment revenue decreased by 19.5 percent and was EUR 1,738 (2,158) thousand. The decrease was, as in the second and third quarter, caused by the COVID-19 pandemic affecting personal sales work to hospitals and clinics, seen as lower OEM sales. Optomed branded product sales via distributors and our China and US business performed well despite pandemic and exceeded OEM sales.

In October-December 2020, the gross margin increased to 56.9 percent from 51.6 percent in the previous year. The positive variance is mainly due to a higher share of Optomed branded products sold with a higher gross margin compared to OEM products.

In October-December 2020, EBITDA was EUR 1 (-169) thousand or 0.0 (-7.8) percent of revenue. The key drivers for the increase in EBITDA were higher gross margin and the COVID-19 outbreak affecting corporate traveling and external events.

January- December 2020

In January-December 2020, the Devices segment revenue decreased by 30.3 percent and was EUR 5,097 (7,309) thousand caused by the COVID-19 pandemic affecting mainly OEM sales.

In January-December 2020, the gross margin decreased to 56.1 percent from 57.5 percent in the previous year. The company received other operating income of EUR 101 (175) thousand in 2020. The gross margin excluding other operating income was 54.1 percent in 2020 and 55.1 percent in 2019.

In January-December 2020, EBITDA was EUR -251 (-408) thousand or -4.9 (-5.6) percent of revenue. In spite the revenue decreased by 30.3 percent, the EBITDA was improved while cost saving measures started in response to the pandemic.

Software segment

Optomed has two synergistic business segments: Devices and Software.

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

EUR, thousand	Q4/2020	Q4/2019	Change, %	2020	2019	Change, %
Revenue	2,303	2,171	6.1 %	7,913	7,668	3.2 %
Gross profit *	1,819	1,631	11.5 %	6,093	5,744	6.1 %
Gross margin, % *	79.0 %	75.2 %		77.0 %	74.9%	
EBITDA	635	476	33.3 %	1,926	1,667	15.6 %
EBITDA margin, % *	27.6 %	21.9 %		24.3 %	21.7%	
Operating result (EBIT)	487	264	84.6 %	1,323	909	45.4 %
Operating margin (EBIT), % *	21.1 %	12.1 %		16.7 %	11.9 %	

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

October – December 2020

In October-December 2020, the Software segment had another successful quarter and the revenue increased by 6.1 percent and was EUR 2,303 (2,171) thousand. The performance was driven by the stable recurring business with the current customer base that was not affected by the pandemic and new delivery projects abroad.

In October-December 2020, the gross margin was 79,0 (75.2) percent. Other operating income was EUR 40 (11) thousand in 2020. The gross margin excluding other operating income was 77.0 percent in 2020 and 74.9 percent in 2019. The positive variance is due to favorable customer and product mix.

EBITDA stood at EUR 635 (476) thousand or 27.6 (21.9) percent of revenue, respectively. The travel restriction due to the pandemic have slowed down the global screening solution sales.

January – December 2020

In January-December 2020, the Software segment revenue increased by 3.2 percent and was EUR 7,913 (7,668) thousand. The gross profit included other operating income of EUR 56 thousand in 2020 compared to EUR 79 thousand in 2019. The gross margin excluding other operating income was 76.3 percent in 2020 and 73.9 percent in 2019. EBITDA was EUR 1,926 (1,667) thousand or 24.3 (21.7) percent of revenue.

Organic growth

The following table shows the organic growth of the group and the segments. The adjusted elements are related to exchange rate variances between EUR and Chinese RMB and USD.

Organic growth, percentage	Q4/2020	2020	2019
Devices segment*	-18.9%	-29.5%	-2.5%
Software segment*	6.1%	3.2%	6.9%
Group*	-6.3%	-12.7%	1.5%

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

Group-wide expenses

Group-wide expenses relate to functions supporting the entire group such as treasury, group accounting, Marketing, legal, HR, IT and public listing expenses.

October – December 2020

In October-December 2020, group-wide operating expenses amounted to EUR 697 (+242). The fourth quarter of 2019 includes reclassified IPO expenses of EUR 760 thousand. The increase in review period excluding the IPO expenses was EUR 179 thousand.

January – December 2020

In January-December 2020, group-wide operating expenses amounted to EUR 2,408 (1,593). The full year 2019 includes IPO expenses of EUR 139 thousand.

Personnel

Number of personnel at the end of the reporting period.

	2020	2019
Devices	53	59
Software	38	36
Group	18	13
Total	109	108

Corporate Governance

Optomed complies with Finnish laws and regulations, Optomed's Articles of Association, the rules of Nasdaq Helsinki and the Finnish Corporate Governance Code 2020 issued by the Securities Market Association of Finland. The code is publicly available at <http://cgfinland.fi/en/>. Optomed's corporate governance statement 2019 is available on the company website www.optomed.com/investors/.

Annual General Meeting

The Annual General Meeting held on 11 June 2020 approved the financial statements, adopted the Remuneration Policy for governing bodies and discharged the responsible parties from liability for the financial period ended 31 December 2019.

The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend will be paid for the year 2019.

The number of members of the Board of Directors was confirmed as five:

- Seppo Mäkinen, Petri Salonen, Reijo Tauriainen and Jun Wu were re-elected as members of the Board
- Anna Tenstam was elected as a new member of the Board

The Annual General Meeting confirmed the annual Board remuneration as follows:

- Chairman of the Board EUR 36,000
- Members of the Board EUR 18,000

In addition, a meeting fee in the amount of EUR 500 is paid to the Chairman of the Audit Committee for each Audit Committee meeting. 40 percent of the Board remuneration is paid in Optomed shares and 60 percent in cash. The remuneration was paid in August, after Optomed's H1 report was announced.

The Annual General Meeting decided that KPMG Oy Ab, authorized public accountants is elected as the Company's auditor. KPMG Oy Ab has informed the Company that Authorized Public Accountant Tapio Raappana would continue as the auditor with principal responsibility. Auditor's remuneration will be paid in accordance with an invoice approved by the Company.

The General Meeting approved the authorization for the Board of Directors to accept as pledge and repurchase of Optomed's own shares. Altogether no more than 1,400,314 shares may be repurchased or accepted as pledge. The authorization will be valid until the earlier of the end of the next Annual General Meeting or 18 months from the resolution of the Annual General Meeting.

The General Meeting authorized the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act. The number of shares to be issued based on this authorization may not exceed 1,400,314. The Board of Directors is authorized to resolve on all terms and conditions of the issuance of shares and special rights entitling to shares, including the right to derogate from the pre-emptive right of the shareholders. The authorization will be valid until the earlier of the end of the next Annual General Meeting or 18 months from the resolution of the Annual General Meeting. At its meeting held after the Annual General Meeting, the Board of Directors elected from among its members Petri Salonen as its Chairman. The committee members were elected as follows:

Audit Committee:

Reijo Tauriainen (chairman)

Seppo Mäkinen

Anna Tenstam

Remuneration Committee:

Seppo Mäkinen (chairman)

Reijo Tauriainen

Anna Tenstam

Shares and shareholders

The company has one share series with all shares having the same rights. At the end of the review period Optomed Plc's share capital consisted of 14,003,144 shares and the company held 740,378 shares in the treasury which corresponds approximately 5.3 percent of the total amount of the shares and votes. Additional information with respect to the shares, shareholding and trading can be found on the company's website www.optomed.com/investors/.

Risks and uncertainties

The key risks and uncertainties are described in the company's annual report 2019 which was published on 20 March 2020. The complete report is available at <https://www.optomed.com/investors/>. In this financial report, the company describes only the changes to the complete risks and uncertainties described in the annual report.

The COVID-19 coronavirus risk as disclosed in the previous financial report has been updated as follows:

COVID-19 coronavirus

The COVID-19 outbreak has turned into a pandemic the length and prolonged effect of which are uncertain.

The company's software segment continues to be largely unaffected due to recurring nature of the business and long-term customer agreements, however, the Devices segment sales have been negatively affected by the pandemic. The medical sector as a whole is concentrated on addressing the immediate pandemic and other supplier meetings and purchases are postponed. This has an effect on the company's ability to sell its devices and increase its customer base especially because face-to-face meetings are market standard for fundus camera sales.

Currently, it seems like the People's Republic of China and the Asia-Pacific have recovered from the pandemic and demand is back to normal in key countries of the area. However, Europe and the US have been hit by a new wave of infections which may have a negative effect on both the European sales and the US operations that are in the ramp-up phase. In spite the vaccinations are progressing, Optomed recognizes the risk of a prolonged pandemic which may cause additional restrictions and other negative effects globally. Further, the pandemic has increased the risk of component sourcing issues. The company has taken precautions to protect its currently strong cash position and to secure alternative components.

Flagging notifications

In October-December 2020, Optomed received two major shareholder notifications from OP-Rahastoyhtiö Oy. According to the latest notification, the total holdings in Optomed shares and votes held by OP-Rahastoyhtiö has decreased to 4.99 per cent of all of the registered shares in Optomed on 16 November 2020.

Events after the review period

On 12 January 2021, Optomed announced that it has been awarded a contract to develop an advanced IT system for the automation and evaluation of outcomes in ophthalmic care. The system is developed for the Finnish University Eye Clinics.

On 14 January 2021, Optomed announced the proposal of the Nomination Board to the next Annual General Meeting. The Nomination Board proposed that Seppo Mäkinen, Petri Salonen, Reijo Tauriainen and Anna Tenstam are re-elected as Board members and Haohao Zhang is elected as a new Board member. The Board remuneration was proposed to remain as-is.

On 28 January, Optomed announced that it has established an international scientific advisory board. The board consists of globally recognized and scientifically merited medical doctors specializing in ophthalmology and neuro-ophthalmology, with advanced experience on artificial intelligence applied to detection of ophthalmic conditions.

The Board's proposal for the distribution of profit

The parent company's non-restricted equity on December 31, 2020 was EUR 19,442,899.33 and the net loss for the financial year was EUR 2,142,670.91. The Board of Directors proposes to the Annual General Meeting that no dividend will be paid and the non-restricted equity on the outstanding 14,003,144 shares shall be retained and carried forward.

Audit review

This financial report has been audited by the company's auditors.

Financial reporting in 2021

Week 10 at the latest	Annual Report 2020
6 May 2021	Interim Report for 1 January – 31 March 2021
5 August 2021	Half-Year Financial Report for 1 January – 30 June 2021
4 November	Interim Report for 1 January – 30 September 2021

For more information, contact

Lars Lindqvist, CFO

Tel: +46 702 59 57 89

E-mail: lars.lindqvist@optomed.com

Seppo Kopsala, CEO

Tel.: +358 40 555 1050

E-mail: seppo.kopsala@optomed.com

About Optomed

Optomed is a Finnish medical technology company and one of the leading providers of handheld fundus cameras. Optomed combines handheld screening devices with software and artificial intelligence with the aim to transform the diagnostic process of blinding eye-diseases such as rapidly increasing diabetic retinopathy. In its business Optomed focuses on eye-screening devices and software solutions related R&D in Finland and sales through different channels in over 60 countries. The company has an extensive portfolio of 56 international patents protecting the technology. In 2020, Optomed's revenue reached EUR 13 million and in 2019 revenue amounted to EUR 15 million. At the end of 2020, Optomed employed 109 professionals.

Alternative Performance Measures

Optomed uses certain alternative performance measures (APMs) with the purpose to provide a better understanding of how the business develops. These APMs, as defined, cannot be fully compared with other companies' APMs.

Alternative Performance Measures	Definition
Gross profit	Revenue + Other operating income – Materials and services expenses
Gross margin, %	Gross profit / Revenue
EBITDA	Operating result before depreciation, amortisation and impairment losses
EBITDA margin, %	EBITDA / Revenue
Operating result	Profit/loss after depreciation, amortisation and impairment losses
Operating margin, %	Operating result / Revenue
Adjusted operating result	Operating result excluding items affecting comparability
Adjusted operating margin, %	Adjusted operating result / Revenue
Adjusted EBITDA	EBITDA excluding items affecting comparability
Adjusted EBITDA margin %	Adjusted EBITDA / Revenue
Items affecting comparability	Material items outside ordinary course of business including restructuring costs, net gains or losses from sale of business operations or other non-current assets, strategic development projects, external advisory costs related to capital reorganisation, impairment charges on non-current assets incurred in connection with restructurings, compensation for damages and transaction costs related to business acquisitions.
Net Debt	Interest-bearing liabilities (borrowings from financial institutions, government loans and subordinated loans) – cash and cash equivalents (excl. lease liabilities according to IFRS 16)
Net Debt / Adjusted EBITDA (LTM), times	Net Debt / Adjusted EBITDA (for the last twelve months, LTM)
Earnings per share	Net result / Number of outstanding shares (reflecting changes in the number of shares following the resolution of the EGM to split the shares of the company with a ratio of 1:20)
Equity ratio, %	Total equity / Total assets
R&D expenses	Employee benefit expenses for R&D personnel and other operational expenses related to R&D activities
Organic growth, %	Organic growth refers to revenue growth excluding (i) growth attributable to acquisitions and divestments; and (ii) growth attributable to fluctuations in exchange rates. The various components in organic growth are calculated as follows:

Acquisitions and divestments: Show how acquisitions and divestments completed during the relevant period have affected the reported revenues. To estimate the impact of acquisitions on reported revenue, the revenue from the contributions of the acquired units for the current period is subtracted from the total revenue for the same period. To estimate the impact of divestments on reported revenue, the revenue from the contributions from the divested units for the current period is subtracted from the total revenue from the previous respective comparison period.

Currency fluctuations: Shows how the reported revenue has been affected by the translation of revenue generated in other currencies than the euro (which is the Group's accounting currency) when there are exchange rate differences between the current period and the corresponding comparative period. Income in currencies other than euro for the comparative period is recalculated using the applicable exchange rate for the current period to eliminate the effects of exchange rate fluctuations for the relevant period.

Reconciliation of Alternative Performance Measures

In thousands of euro	Q4/2020	Q4/2019	2020	2019
Revenue	4,041	4,329	13,011	14,977
Other operating income	40	11	157	254
Material and services	-1,272	-1,595	-4,213	-5,287
Gross profit	2,809	2,745	8,955	9,944
Operating profit/loss (EBIT)	-594	-33	-2,906	-2,596
Items affecting comparability				
IPO related expenses	0	-760	0	139
Adjusted EBIT	-594	-794	-2,906	-2,457
Depreciation, amortization and impairment losses	533	583	2,173	2,261
Adjusted EBITDA	-62	-211	-733	-196

Organic growth for the Group

	Q4/2020	Q4/2019	2020	2019
Revenue	4,041	4,329	13,010	14,977
Acquisitions (elimination of revenues for comparability)	0	0	0	0
Revenue excluding acquisitions	4,041	4,329	13,010	14,977
Currency effects	0	-14	0	-82
Revenue excluding acquisitions and currency effects	4,041	4,315	13,010	14,895
Organic growth, percent	-6.3 %		-12.7 %	
Organic growth for the Devices segment	Q4/2020	Q4/2019	2020	2019
Revenue	1,738	2,158	5,097	7,309
Acquisitions (elimination of revenues for comparability)	0	0	0	0
Revenue excluding acquisitions	1,738	2,158	5,097	7,309
Currency effects	0	-14	0	-82
Revenue excluding acquisitions and currency effects	1,738	2,144	5,097	7,227
Organic growth, percent	-18.9 %		-29.5 %	
Organic growth for the Software segment	Q4/2020	Q4/2019	2020	2019
Revenue	2,303	2,171	7,913	7,668
Acquisitions (elimination of revenues for comparability)	0	0	0	0
Revenue excluding acquisitions	2,303	2,171	7,913	7,668
Currency effects	0	0	0	0
Revenue excluding acquisitions and currency effects	2,303	2,171	7,913	7,668
Organic growth, percent	6.1 %		3.2 %	

Consolidated income statement

In thousands of euro	Q4/2020	Q4/2019	2020	2019
Revenue	4,041	4,329	13,011	14,977
Other operating income	40	11	157	254
Materials and services	-1,272	-1,595	-4,213	-5,287
Employee benefit expenses	-2,161	-2,143	-7,319	-7,299
Depreciation, amortisation and Impairment losses	-533	-583	-2,173	-2,261
Other operating expenses	-710	-52	-2,369	-2,980
Operating result	-594	-33	-2,906	-2,596
Finance income	197	40	452	8
Finance expenses	-266	-107	-794	-365
Net finance expenses	-69	-67	-341	-356
Profit (loss) before income taxes	-663	-101	-3,247	-2,952
Income tax expense	11	42	70	77
Loss for the period	-652	-58	-3,177	-2,875
Loss for the period attributable to				
Owners of the parent company	-652	-58	-3,177	-2,875
Loss per share attributable to owners of the parent company				
Weighted average number of shares	13,262,766	8,935,654	13,262,766	8,935,654
Basic loss per share (euro)	-0.05	-0.01	-0.24	-0.32

Consolidated condensed comprehensive income statement

In thousands of euro	Q4/2020	Q4/2019	2020	2019
Loss for the period	-652	-58	-3,177	-2,875
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation difference	9	-4	77	14
Other comprehensive income, net of tax	9	-4	77	14
Total comprehensive income for the period	-643	-63	-3,100	-2,862
Total comprehensive loss attributable to Owners of the parent company	-643	-63	-3,100	-2,862

Consolidated balance sheet

In thousands of euro	Dec 31, 2020	Dec 31, 2019
ASSETS		
Non-current assets		
Goodwill	4,256	4,256
Development costs	5,667	5,218
Customer relationships	1,608	1,829
Technology	738	840
Other intangible assets	485	519
Total intangible assets	12,753	12,662
Tangible assets	359	406
Right-of-use assets	1,165	1,075
Deferred tax assets	11	8
Total non-current assets	14,289	14,151
Current assets		
Inventories	2,539	2,468
Trade and other receivables	3,637	4,125
Cash and cash equivalents	10,608	18,866
Total current assets	16,784	25,459
Total assets	31,073	39,611

In thousands of euro	Dec 31, 2020	Dec 31, 2019
EQUITY		
Share capital	80	80
Share premium	504	504
Reserve for invested non-restricted equity	37,470	37,341
Translation differences	166	89
Retained earnings	-14,970	-12,500
Profit (loss) for the financial year	-3,177	-2,875
Total equity	20,073	22,637
LIABILITIES		
Non-current liabilities		
Borrowings from financial institutions	3,520	5,104
Government loans	2,670	2,998
Lease liabilities	782	699
Deferred tax liabilities	540	616
Total Non-current liabilities	7,512	9,416
Current liabilities		
Borrowings from financial institutions	0	1,766
Government loans	328	60
Lease liabilities	425	414
Trade and other payables	2,736	5,318
Total current liabilities	3,489	7,557
Total liabilities	11,001	16,973
Total equity and liabilities	31,073	39,611

Consolidated statement of changes in shareholders' equity

Equity attributable to owners of the parent company

In thousands of euro	Share capital	Share premium	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total
Balance at January 1, 2020	80	504	37,341	89	-15,376	22,637
Comprehensive income						
Loss for the period					-3,177	-3,177
Other comprehensive income						
Translation differences				77		77
Total comprehensive income for the period				77	-3,177	-3,100
Share issue						
Share options			129		406	535
Total transactions with owners of the company			129		406	535
Balance at December 31, 2020	80	504	37,470	166	-18,147	20,073

**Equity attributable to
owners of the parent company**

In thousands of euro	Share capital	Share premium	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total
Balance at January 1, 2019	19	565	18,549	75	-13,656	5,552
Comprehensive income						
Loss for the financial year					-2,875	-2,875
Other comprehensive income						
Translation differences				14		14
Total comprehensive income for the financial year				14	-2,875	-2,862
Share issue	61	-61	18,792		694	19,486
Share options			-		461	461
Total transactions with owners of the company	61	-61	18,792		1,155	19,947
Balance at December 31, 2019	80	504	37,341	89	-15,376	22,637

Consolidated cash flow statement

In thousands of euro	Q4/2020	Q4/2019	2020	2019
Cash flows from operating activities				
Loss for the financial year	-652	-58	-3,177	-2,875
Adjustments:				
Depreciation, amortisation and impairment losses	533	583	2,173	2,261
Finance income and finance expenses	69	61	343	356
Other adjustments	92	166	284	466
Cash flows before change in net working capital	42	752	-377	207
Change in net working capital:				
Change in trade and other receivables (increase (-) / decrease (+))	-80	-468	496	-783
Change in inventories (increase (-) / decrease (+))	259	-135	-2	-1,346
Change in trade and other payables (increase (+) / decrease (-))	350	1,905	-2,483	2,396
Cash flows before finance items	571	2,054	-2,367	475
Interest paid	-17	-55	-75	-202
Other finance expenses paid	-249	-17	-725	-136
Interest received	78	17	366	24
Net cash from operating activities (A)	383	2,000	-2,801	161
Cash flows from investing activities				
Acquisition of intangible assets	-546	-338	-1,553	-1,175
Acquisition of tangible assets	-105	-69	-268	-260
Acquisition of subsidiary, net of cash acquired	0	0	0	0
Net cash used in investing activities (B)	-651	-407	-1,820	-1,434
Cash flows from financing activities				
Proceeds from share subscriptions	57	20,000	92	23,000
Share issue transaction costs	0	-4,208	0	-4,208
Proceeds from loans and borrowings	4	41	-167	176
Repayment of loans and borrowings	0	-186	-3,233	-460
Repayment of lease liabilities	-95	-98	-390	-385
Net cash from financing activities (C)	-34	15,548	-3,698	18,123
Net cash from (used in) operating, investing and financing activities (A+B+C)	-302	17,139	-8,319	16,849

Net increase (decrease) in cash and cash equivalents	-302	17,139	-8,319	16,849
Cash and cash equivalents at beginning of period	10,899	1,721	18,866	2,000
Effect of movements in exchange rate on cash held	11	6	61	17
Cash and cash equivalents at end of period	10,608	18,866	10,608	18,866

Selected notes

Corporate information and basis of accounting

Corporate information

Optomed is a Finnish medical technology group (hereafter 'Optomed' or 'Group') that specialises in handheld fundus cameras and solutions for screening of blinding eye diseases, established in 2004.

The Group's parent company, Optomed Plc. (hereafter the 'company') is a Finnish public limited liability company established under the laws of Finland, and its business ID is 1936446-1. It is domiciled in Oulu, Finland and the Company's registered address is Yrttipellontie 1, 90230 Oulu, Finland.

Basis of accounting

Optomed's consolidated financial statements has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The preparation of this interim report also takes into account the amendments to IFRS standards that have become effective by January 1, 2020.

All presented figures have been rounded. Financial ratios have been calculated using exact figures.

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with Group's last annual consolidated financial statements as at and for the year ended 31 December 2019. This Interim financial statements do not include all of the information required for a complete set of IFRS financial statements: selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

Critical management judgments and related estimates and assumptions

The preparation of financial statements under IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the end of the reporting period as well as the reported amounts of income and expenses during the reporting period. These estimates and assumptions are based on historical experience and other justified assumptions, such as future expectations, that Optomed management believes are reasonable under the circumstances at the end of the reporting period and the time when they were made.

Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis and when preparing financial statements. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or more experience. Such changes are recognized in the period in which the estimate or the assumption is revised.

Use of judgment and estimates

Judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognised in the financial statements, relate to the following areas:

- capitalisation of development costs: determination of development expenditure eligible for capitalisation
- impairment testing of development expenditures

Reportable segments

Q4/2020

In thousands of euro	Devices	Software	Group admin	Total
External revenue	1,738	2,303		4,041
Net operating expenses	-748	-484	0	-1,232
Margin	990	1,819	-	2,809
Depreciation and amortisation	-384	-148	0	-533
Other expenses	-989	-1,184	-697	-2,869
Operating result	-384	487	-697	-593
Finance items	0	0	-69	-69
Loss before tax expense	-384	487	-767	-664

Q4/2019

In thousands of euro	Devices	Software	Group admin	Total
External revenue	2,158	2,171		4,329
Net operating expenses	-1,045	-539		-1,584
Margin	1,113	1,631	-	2,745
Depreciation and amortisation	-370	-213	0	-583
Other expenses	-1,282	-1,155	242	-2,195
Operating result	-539	264	242	-33
Finance items	0	0	-67	-67
Loss before tax expense	-539	264	175	-101

2020

In thousands of euro	Devices	Software	Group Admin	Total
External revenue	5,097	7,913		13,011
Net operating expenses	-2,235	-1,820		-4,055
Margin	2,862	6,093	-	8,955
Depreciation and amortisation	-1,569	-603		-2,173
Other expenses	-3,113	-4,167	-2,408	-9,687
Operating result	-1,820	1,323	-2,408	-2,904
Finance items	0	0	-341	-341
Loss before tax expense	-1,820	1,323	-2,749	-3,247

2019

In thousands of euro	Devices	Software	Group Admin	Group
External revenue	7,309	7,668		14,977
Net operating expenses	-3,109	-1,924		-5,033
Margin	4,200	5,744	-	9,944
Depreciation and amortization	-1,504	-757		-2,261
Other expenses	-4,609	-4,077	-1,593	-10,279
Operating result	-1,913	909	-1,593	-2,596
Finance items	0	0	-356	-356
Loss before tax expense	-1,913	909	-1,949	-2,952

Revenue

In thousands of euro	Q4/2020	Q4/2019	2020		2019	
Finland	2,263	1,945	7,777	59.8 %	7,308	48.8 %
China	1,031	295	2,443	18.8 %	1,795	12.0 %
Other	747	2,087	2,791	21.4 %	5,874	39.2 %
Total	4,041	4,327	13,011	100,0 %	14,977	100,0 %

Tangible assets

In thousands of euro	Machinery and equipment 2020	Machinery and equipment 2019
Cost		
Balance at January 1	1,992	1,729
Business combinations		
Additions	265	262
Disposals	-	-
Effect of movements in exchange rates	-	
Balance at End of Period	2,257	1,992
Accumulated depreciation and impairment losses		
Balance at January 1	-1,585	-990
Depreciation	-313	-595
Impairment losses		-
Effect of movements in exchange rates		
Balance at end of period	-1,898	-1,585
Carrying amount at January 1	406	739
Carrying amount at June 30/ December 31	359	406

Leases

Leased tangible assets

In thousands of euro	2020	2019
Additions to right-of-use assets	90	378
Carrying amount at the end of the reporting period	1,165	1,075

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

Lease liabilities

In thousands of euro	2020	2019
Current	425	414
Non-current	782	669
Total	1,207	1,113

The above liabilities are presented on the line item Lease liabilities (non-current / current) in the consolidated balance sheet, based on their maturity.

Intangible assets and goodwill

At December 31 2020	Goodwill	Development costs	Customer relationships	Technology	Other intangible assets	Total
In thousands of euro						
Cost						
Balance at January 1	4,256	8,246	2,222	1,023	859	16,606
Business combinations						-
Additions		1,463	-	-	86	1,549
Balance at December 31	4,256	9,709	2,222	1,023	945	18,156
Accumulated amortisation and impairment losses						
Balance at January 1	-	-3,029	-392	-184	-340	-3,945
Amortization		-854	-222	-102	-121	-1,298
Impairment losses		-160	-	-	-	-160
Balance at December 31		-4,043	-614	-286	-461	-5,403
Carrying amount at January 1	4,256	5,218	1,829	840	519	12,662
Carrying amount at December 31	4,256	5,667	1,608	738	485	12,753

At December 31 2019	Goodwill	Develop- ment costs	Customer relationships	Technology	Other intangible assets	Total
In thousands of euro						
Cost						
Balance at January 1	4,256	7,353	2,222	1,023	543	15,397
Business combinations						-
Additions		894	-	-	316	1,210
Balance at December 31	4,256	8,246	2,222	1,023	859	16,606
Accumulated amortisation and impairment losses						
Balance at January 1	-	-2,181	-170	-82	-168	-2,601
Amortisation		-848	-222	-102	-172	-1,344
Balance at December 31		-3,029	-392	-184	-340	-3,945
Carrying amount at January 1						
	4,256	5,172	2,051	942	376	12,796
Carrying amount at December 31						
	4,256	5,218	1,829	840	519	12,662

Financial liabilities

In thousands of euro	31.12.2020	31.12.2019
Non-current financial liabilities		
Borrowings from financial institutions	3,192	5,104
Government loans	2,998	2,998
Lease liabilities	782	699
Total	6,972	8,800
Current financial liabilities		
Borrowings from financial institutions	0	1,766
Government loans	328	60
Lease liabilities	425	414
Trade payables	595	1,667
Total	1,348	3,907
Total financial liabilities	8,320	12,707

The financial loans have been restructured during the 2020. Financial loans were paid prematurely 3,173 thousand euros. Within next 12 months there will be no amortization for borrowings from financial institutions.

Fair values - financial liabilities measured at amortised cost

Optomed considers that the carrying amounts of the financial liabilities measured at amortised cost substantially equal to their fair values. This estimate corresponds to the fair value hierarchy Level 3, as the measurement of the said liabilities is based on Optomed management view.

Financial covenant

Optomed's borrowings from financial institutions contain a financial covenant (equity ratio) and Optomed also has to meet certain key operative targets. The borrowings will be repaid in accordance with the new repayment schedule.

Optomed has to comply with the financial covenant terms specified in the loan agreement terms at the financial year-end. Equity ratio is calculated in FAS figures using the agreed formula. The table below summarises the Group's financial covenant term and compliance during 2018 and the reporting period.

	<i>Equity ratio</i>		
	Covenant term	Actual ratio	Applicable level
At December 31, 2019	25 %	57,53 %	Optomed Group
At December 31, 2020	25 %	69,03 %	Optomed Group

Related party transactions

In thousands of euro	Revenues	Trade receivables	Other expenses
Jan 1 - Dec 31 2020	2,685	1,389	-103
Jan 1 - Dec 31 2019	2,200	1,172	-143

Revenue and trade receivables and some of the other expenses relate to the major shareholders of Optomed Ltd considered to be related parties to the parent company.

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