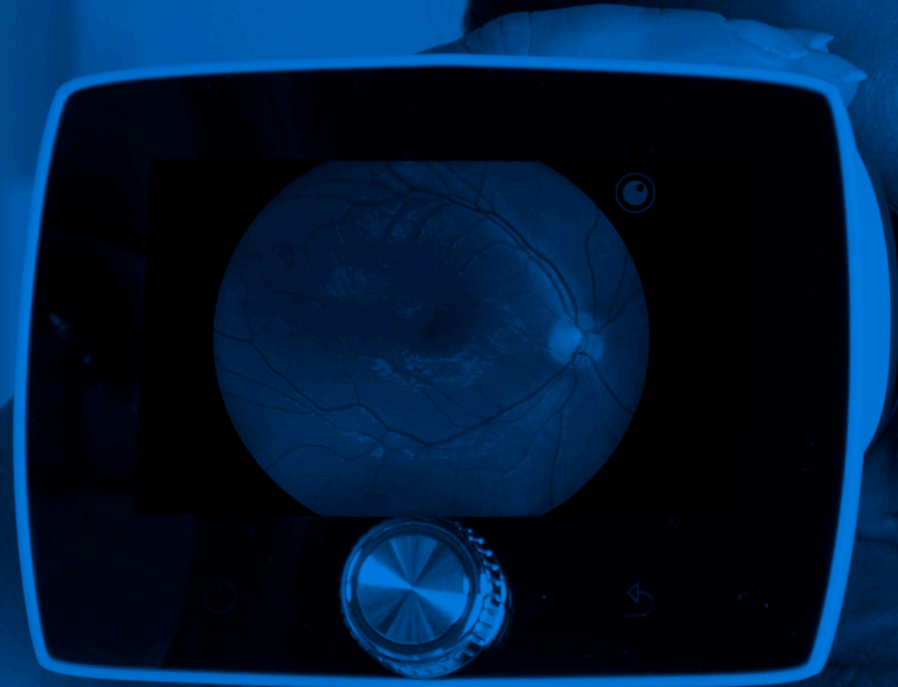


Annual report 2020



OPTO MED

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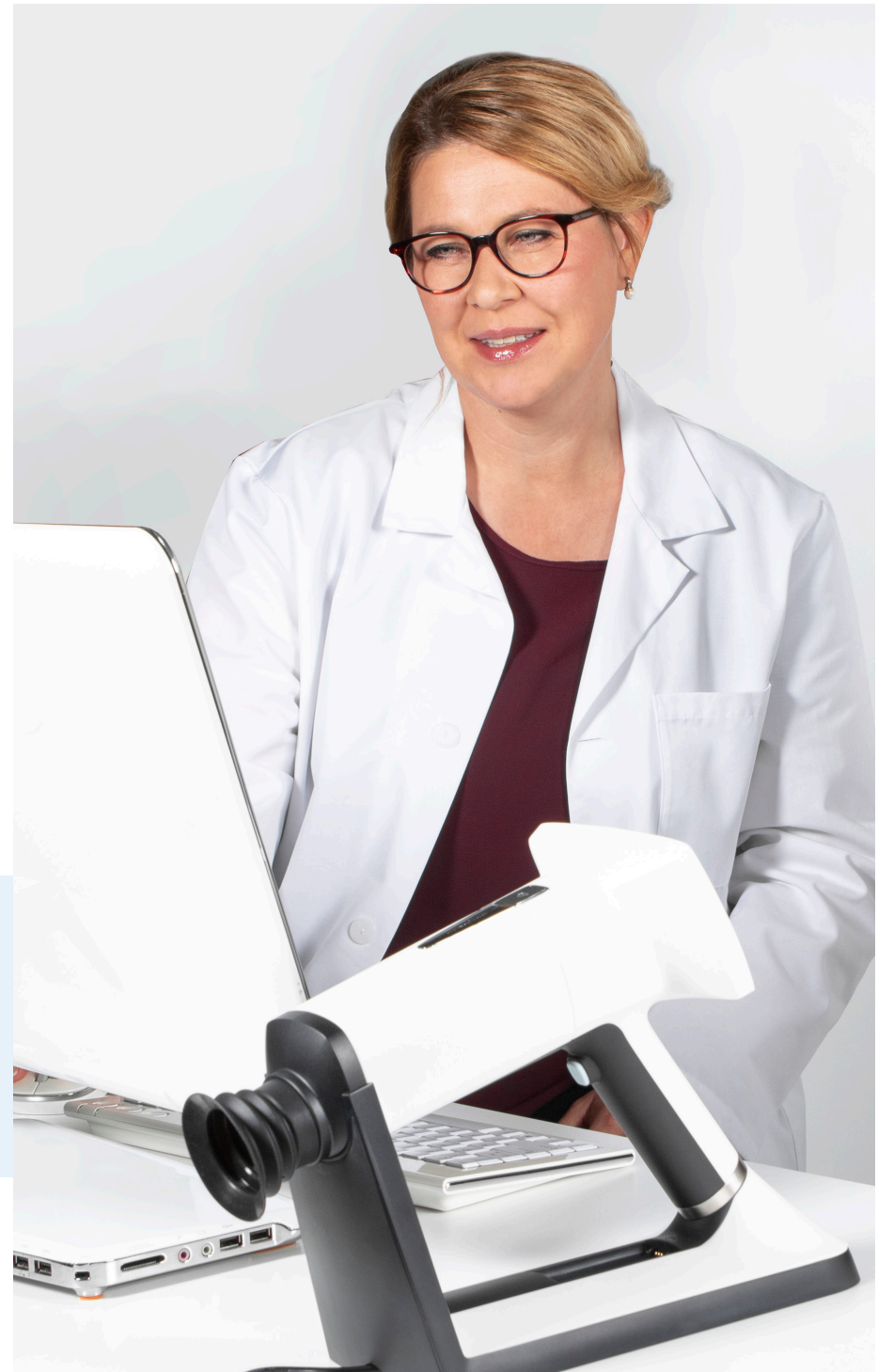
YEAR 2020

Optomed in brief

Optomed is a Finnish medical technology company and one of the leading providers of handheld fundus cameras and screening software.

Optomed combines handheld fundus cameras with software and artificial intelligence, with the aim to transform the diagnostic process of blinding eye diseases such as rapidly increasing diabetic retinopathy. In its business, Optomed focuses on fundus cameras and software solutions related to R&D in Finland and sells its products globally in over 60 countries with various sales channels. The company has an extensive portfolio of 56 international patents protecting the technology. In 2020, Optomed's revenue reached EUR 13 million and at the end of the year the company employed 109 professionals.

// Optomed combines handheld fundus cameras with software and artificial intelligence



YEAR 2020

Key figures 2020

EUR, thousand	2020	2019	Change, %
Revenue	13,011	14,977	-13.1%
Gross profit *	8,955	9,944	-9.9%
Gross margin % *	68.8%	66.4%	
EBITDA	-733	-335	-118.8%
EBITDA margin *, %	-5.6%	-2.2%	
Adjusted EBITDA *	-733	-196	-274.6%
Adjusted EBITDA margin *, %	-5.6%	-1.3%	
Operating result (EBIT)	-2,906	-2,596	-11.9%
Operating margin (EBIT) *, %	-22.3%	-17.3%	
Adjusted operating result (EBIT) *	-2,906	-2,457	-18.3%
Adjusted operating margin (EBIT margin) *, %	-22.3%	-16.4%	
Net profit/ loss	-3,177	-2,875	-10.5%
Earnings per share	-0.24	-0.32	29.5%
Cash flow from operating activities	-2,801	161	-1839.7%
Net Debt	-4,090	-8,940	-54.3%
Net debt/ Adjusted EBITDA (LTM)	5.6	45.7	
Equity ratio *	64.6%	57.2%	
R&D expenses personnel	1,406	1,540	-8.7%
R&D expenses other costs	253	234	8.1%
Total R&D expenses	1,659	1,774	-6.5%

Sales in countries globally

60

International patents

56

Professionals

109

CEO REVIEW

Exceptional year 2020

The year 2020 was a very exceptional year, which Optomed survived well considering the circumstances.

Our journey as a publicly listed company started with challenges, as the COVID-19 pandemic seized our fundus camera sales first in China and then expanding to all our main markets. All traditional sales and marketing activities, such as exhibitions and personal sales work to hospitals were cancelled from the second quarter onwards and continued throughout the year.

We reacted to these market challenges by starting significant cost saving activities in sales and marketing, in our Devices-segment and administration. In addition to these, we adapted our operations to the changed market situation by creating new alternative ways to promote, sell and deliver our products and support our customers by using Internet-based electronic tools and new sales channels. These measures proved to be effective. Both net sales and gross margins started to improve rapidly from the sharp drop in the second quarter, with EBITDA and cash flow remaining at our targets throughout the second half of the year.

The market started to recover in the third quarter of the year, first in China, followed by a gradual recovery in demand in other markets as well. During the last quarter, the number of cameras sold under Optomed's own brand was already at a higher level than in the corresponding period in 2019. Our business to our OEM customers declined significantly during 2020.

Our Software business unit proved to be particularly strong during the pandemic. The segment's net sales, gross margin and EBITDA remained at a good



// We are now shifting our focus forward and implementing our long-term strategy.

level throughout the pandemic, and growth accelerated especially in the last quarter of the year. The main drivers for the segment's growth and sustainability are the business model for existing customers based on continuous revenue, and the new deliveries of complete diabetic retinopathy screening solutions in the Middle East and Asia made during the last quarter.

The most significant events of the year were the establishment of our US subsidiary, the introduction of new product registrations in the Chinese market and the launch of the Aurora IQ camera using artificial intelligence. In addition, we started a clinical trial in the United States to obtain FDA approval for a new artificial intelligence solution for the identification of diabetic retinopathy.

These events, combined with the recovery of our key growth markets such as the United States and China, give us a promising starting point for 2021 and beyond. We are currently growing and relaunching numerous sales and marketing activities, that were postponed in 2020 due to pandemic.

Despite the challenging year, Optomed maintained its strong financial position and the ability to meet the demands of the recovering market. The implementation of our strategy progressed, and we reached numerous important milestones. Our camera sales channel structure changed from OEM-driven to being more focused on Optomed branded products via our direct sales teams and distribution network. In addition, our international solution sales, and new, alternative sales channels, such as online selling, have been successfully launched in many of our key markets.

We are now shifting our focus forward and implementing our long-term strategy. The awareness of handheld fundus cameras is increasing, and the demand will continue to grow faster than the market for traditional desktop cameras. The pandemic has further accelerated the demand for telemedicine solutions, and screening for diabetic retinopathy and other eye diseases is rapidly moving from eye clinics to rotating screening operators as well as to primary care. At the same time, the use of artificial intelligence (AI) is growing in several of our key markets. In addition to screening for diabetic retinopathy, new indications for handheld fundus cameras have emerged for example in emergency care, pediatric clinics, neurology, and primary care. We believe that these expansion areas will continue to increase the demand for our products for years and decades to come.

As travel restrictions are lifted, build-up demand begins to dissolve, and the market returns to a "new normal," we expect the demand for our products and solutions to reach another phase of rapid growth. In the long term, eye screening is expected to become more of a primary care function. Handheld fundus cameras combined with artificial intelligence solutions will, over time, replace traditional desktop-based fundus cameras in this work. Optomed has highly skilled professionals, a good position in the value chain and a clear technical and commercial competitive advantage in these solutions, and we believe that with these advantages, we will achieve a significant position in this growing market.

I would like to warmly thank our customers, staff, partners, and owners for your support during this exceptional year. Without your commitment, we would not have been able to complete all the milestones that are relevant to our strategy.

We are starting 2021 with confidence.

Seppo Kopsala
CEO

2020

Optomed highlights

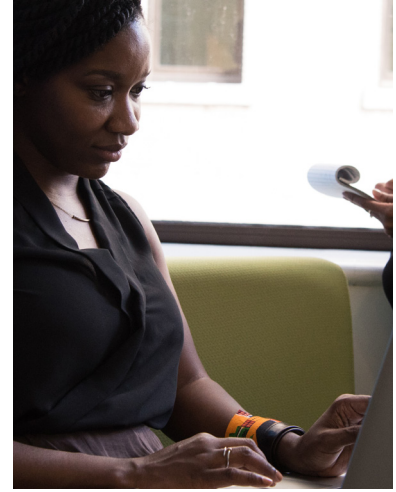
Creating our Scientific Advisory Board



Medical device approvals (CFDA) in China for EY80 aimed for newborn screening and Optomed Aurora



Complete DR screening solutions sold and delivered to the Middle East and Africa



US subsidiary established and team recruited



Clinical study with AEYE Health started aiming for FDA clearance of Aurora with AI



Aurora IQ launched successfully



MARKETS

Visual Impairment is a Global Challenge

Sight is our most precious sense. Most of what we learn is through our eyes and we fear losing our vision more than any other sense. Studies have shown that vision impairment is often associated with various negative health outcomes and poor quality of life.¹⁻²

1) J.Zaba. *Journal of Behavioral Optometry*, Volume 22, 2011.

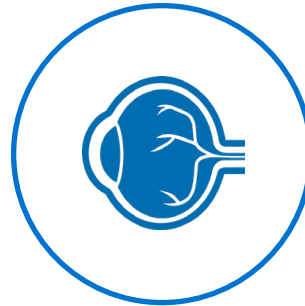
2) *Making Eye Health a Population Health Imperative: Vision for Tomorrow*. National Academies of Sciences, Engineering, and Medicine. National Academies Press (US); 2016 Sep 1

Global Megatrends Increasing Demand for Eye Examinations



Aging population

Prevalence of serious eye diseases (causing vision loss) increase strongly with age¹



Diabetes growing

Diabetic Retinopathy (causing vision loss) affects ~35% of all diabetics but can be prevented by laser treatment²



Artificial Intelligence (AI)

Technological advances in artificial intelligence enable faster diagnostics³

Fundus Screening & Diagnostis

Sources: 1) National Eye Institute 2) International Diabetes Federation, IDF Diabetes Atlas 9th Edition (2019) 3) Du Li & Hu Application of artificial intelligence in ophthalmology (2018)

MARKETS

Diabetes Globally

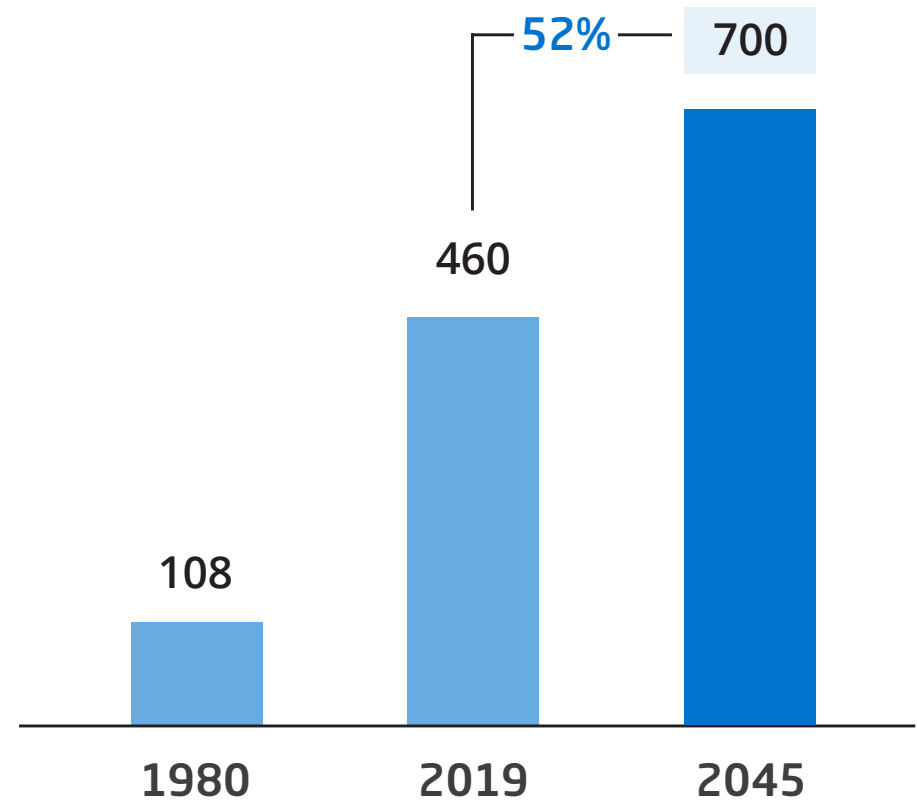
All diagnosed with diabetic retinopathy should be screened regularly.

Diabetics
in 2045

700_M

Have DR, 12%
severe DR

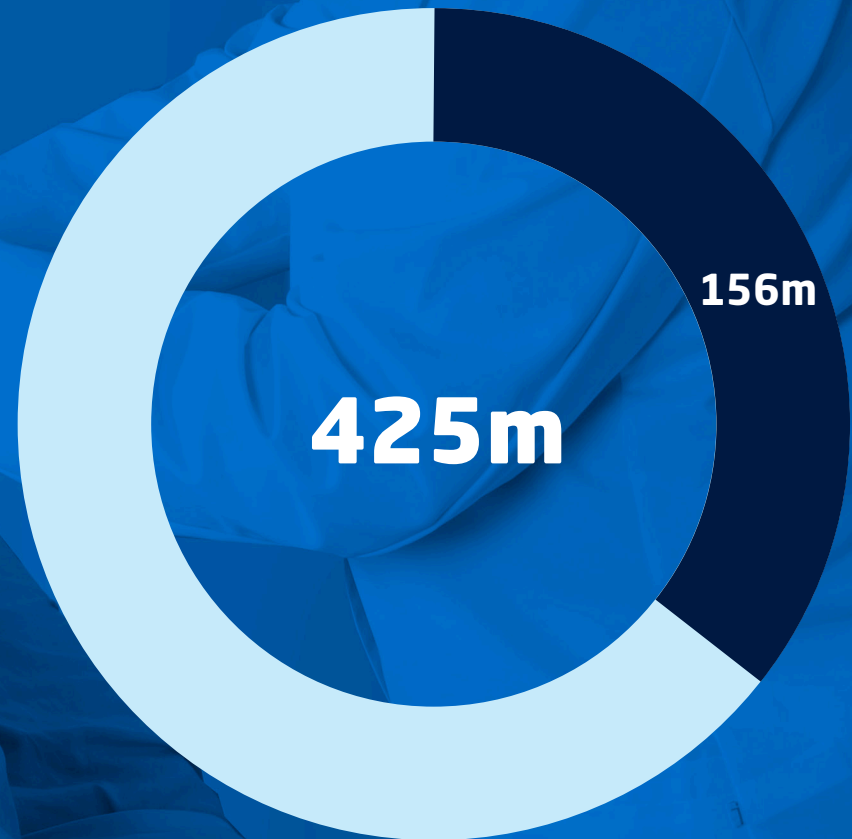
1/3



Source: International Diabetes Federation, www.idf.org

Need for portable solutions

156 million diabetics expected to live in rural areas by 2045¹



1) Source: IDF Diabetes Atlas 8th Edition

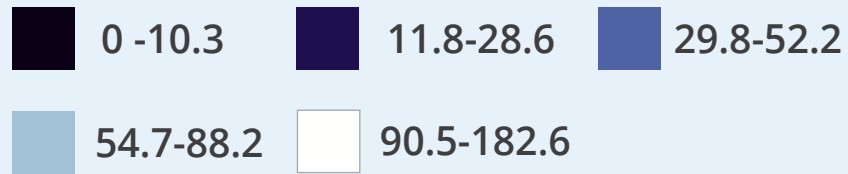
A woman in a white lab coat and glasses is using a handheld medical device on a man's eye. The man has a beard and is looking towards the camera. The entire image has a blue tint.

There is a lack of resources and solving the mismatch requires creative solutions

There are ~ 250 000 ophthalmologists globally and they are not evenly distributed and not focusing on diabetics only. The lack of resources is enormous and solving the mismatch requires creative solutions.¹⁻²

Source: 1-2) World Diabetes Federation, www.idf.org, Resnikoff S, Lansingh VC, Washburn L, et al British Journal of Ophthalmology 2020;104:588-592.

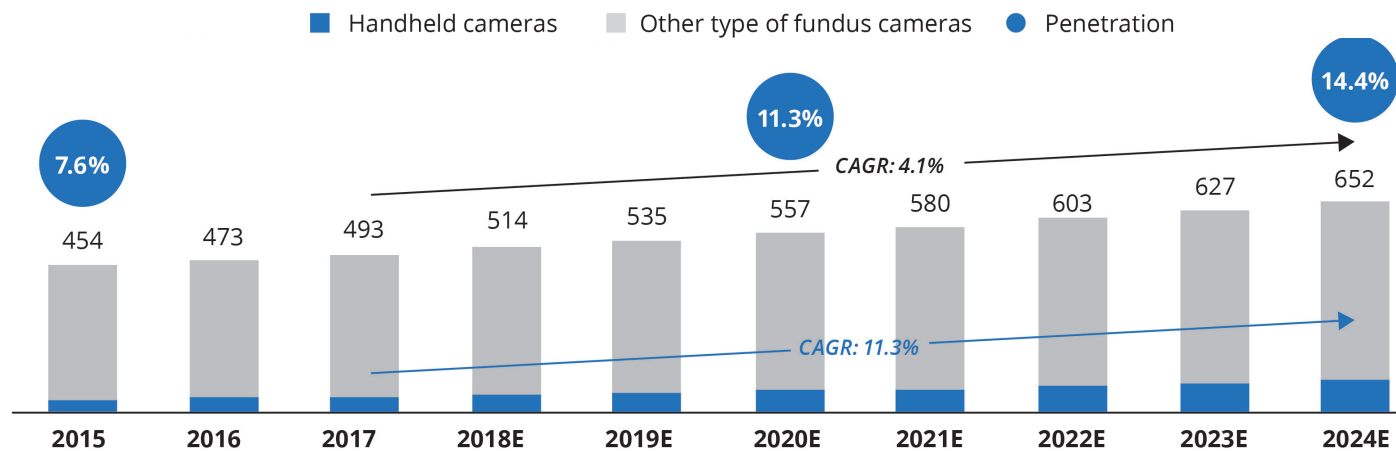
The number of Ophthalmologists per million



Resnikoff S, Lansingh VC, Washburn L, et al British Journal of Ophthalmology 2020; 104: 588 -592



Handheld cameras are the fastest growing product category in the fundus camera market ¹



Source:1) Zion Market Research (2018)

ABOUT US

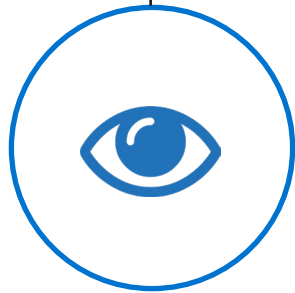
Optomed's mission is to prevent blindness by improving access to eye screening globally

Our vision is to take eye screenings to primary care

ABOUT US

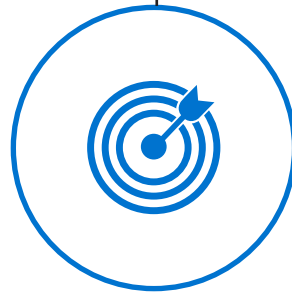
**Our employees are at the core of everything we do.
In 2020 we employed 109 skilled professionals globally.**

Optomed values



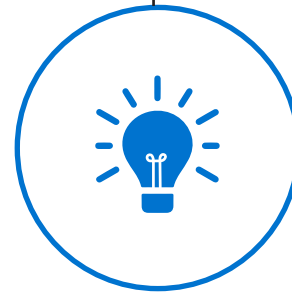
Meaningfulness

We want to enable more affordable and accessible eye screening for everyone despite of location.



Ambition

Our vision is to take eye screening and AI to primary care.



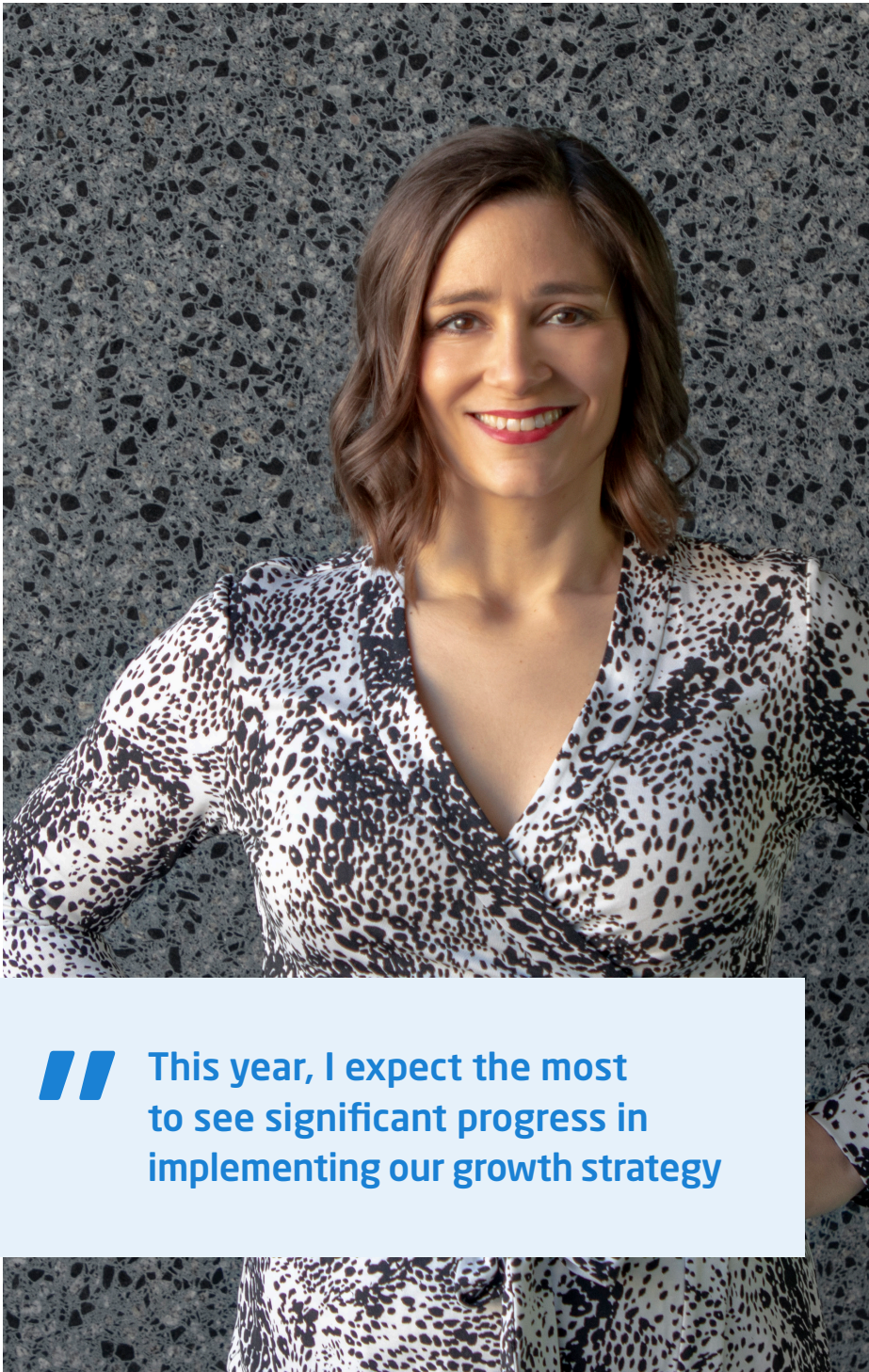
Innovation

Traditional solutions rarely enable great progress. We value true innovations.



Expertise

As an organisation, we are not settling for mediocrity in any aspect of our business.



// This year, I expect the most to see significant progress in implementing our growth strategy

ABOUT US

Our employees

Optomed has two synergic business segments, Devices and Software. We are introducing the leaders of these business segments, Ms **Laura Piila**, Vice President Devices and Mr. **Markku Myllylä**, Vice President Software

Laura Piila

Vice President, Devices

Would you tell us about your background and role at Optomed Plc?

I am a graduate engineer and a mother of two girls. I graduated from the University of Oulu with a Master of Science degree in Industrial Engineering and Management in 2006. After graduating, I worked in Beijing, China on Nokia's mobile phone product development from 2007 to 2010. From 2010 onwards, I have been working at Optomed in various positions from quality to business development and sales leadership. During this time, we have grown from a start-up company of ten people to a publicly listed company of more than a hundred people.

In my role as head of the Devices-segment, I lead an organisation of 56 people with experts to cover the entire product lifecycle. Our Research and Development and Production Support functions are located in Finland, and we also handle sales via our distribution network to Europe, the Middle East, Africa and Southeast Asia from Finland.

The Devices-segment also includes subsidiaries in China and the United States. The best part of my work is the variety and scale of things I get to plan and do. I get to plan our global sales strategy, the needs for clinical trials, plan our future product road map, plan how to control the production costs and pretty much everything that fits between the top and bottom line of the income statement.

Describe yourself as a person and a leader?

As a person I am energetic, productive, and positive. I am action-oriented and not afraid to step outside of my comfort zone. My strengths are structuring and understanding the big picture and communicating these to others. My long work experience at Optomed in the commercial and technical interface provides a good ability to serve as a leader for our unit.

The most important thing for me in leadership is to ensure and enable team performance. I make decisions based on what actions will secure our place as the market leader in eye screening solutions. My focus is strongly on communicating and implementing the company's strategy and clarifying short- and long-term goals. Our unit's three different country organisations and eight different teams work seamlessly together to enable our vision of taking eye screenings to primary care.

What do you value most in your team?

My team is an incredible group of talented individuals. I value their expertise and dedication the most. Our team has deep respect for colleagues and effective and straightforward communication. We are also proud of the work we do to prevent blindness and improve people's quality of life. Several members of my team have been with Optomed for a long time and with their innovations have added 56 patents to our company's patent portfolio. Our team has strong and unique expertise in the development and commercialisation of handheld fundus cameras globally.

What do you expect most from this year?

This year, I expect the most to see significant progress in implementing our growth strategy, especially with our US subsidiary established in 2020. In November, we launched Aurora IQ, our handheld fundus camera with artificial

intelligence service for the screening of diabetic retinopathy. I look forward to hearing feedback from our customers on how the Aurora IQ has made their operations more efficient.

Markku Myllylä

Vice President, Software

Would you tell us about your background and role at Optomed Plc?

I am a graduate engineer and a programmer, and I have worked as a software developer in various Finnish and international companies my entire career. I was one of the founders and the CEO of the software company, that was merged with Optomed in 2018. When the acquisition took place, we were the leading company in digitalizing imaging in Finnish hospitals with over 20-years of expertise in this area. It was a very natural step to unite forces with Optomed and start doing the same on a global scale.

Describe yourself as a person and a leader?

I try to be reliable and keep the basics, such as organising the best possible working conditions for my team, in order. I have full trust in my team and focus on giving them a flexible working environment, but I expect motivation and performance in return.

I am results-oriented in a good way, which means that I get excited when things get resolved or completed. I am very driven by continuous improvement, but sometimes in the excitement of developing, I forget to reward the team. Hopefully, they still feel highly respected and valued and are ready to proceed together with me to solve the next task.

What do you value most in your team?

My team is a true group of "Optomed" people considering our values, meaningfulness, expertise, innovation, and ambition. Over the years, the team members have developed to be extremely skilled and self-motivated experts. They are innovative and able to adapt to changing situations. They are also very persistent

in their pursuit of success in their projects. We work well as a team and we have found our own ways to communicate. The COVID-19 pandemic and remote work have brought some challenges mainly to communication and this year we have decided to focus on improving information flow and togetherness in remote work.

What do you expect most from this year?

This year, the synergy between Optomed's Devices- and Software segments will materialise. We are delivering new software products and complete screening solutions to our customers. I am excited to see how these major deliveries progress. For large customers, we are further developing our overall service. In our product development, we are developing new features to our current software offering and this year we are also developing completely new software products for the ophthalmology segment. There is plenty of room for improvement and development in many areas. All this creates a very solid foundation for future growth.

// This year, the synergy between Optomed's Devices- and Software segments will materialise.



ABOUT US

Optomed at a glance



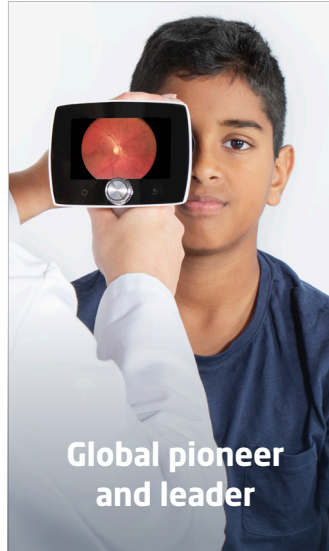
Optomed was established

Optomed was established 2004 in Finland with the aim of bringing eye examinations to primary care.

OEM-partnerships with leading global ophthalmic instrument companies, Topcon, Carl Zeiss, Volk, Optical, Haag-Streit.



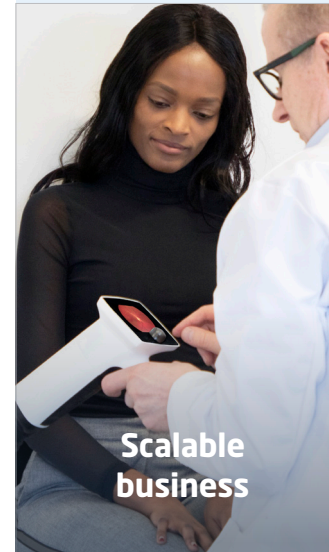
OEM-partnerships



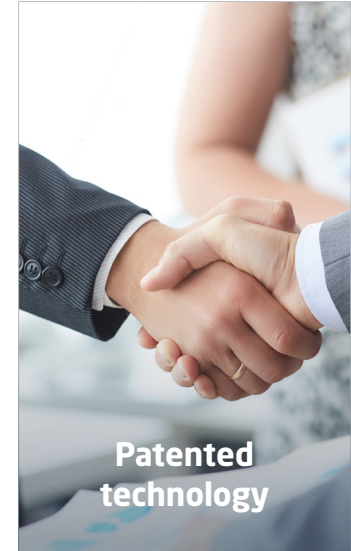
Global pioneer and leader

Global pioneer and market leader in handheld fundus cameras. Northern Europe market leader in screening software.

Scalable business with outsourced manufacturing with a global EMS-partner



Scalable business

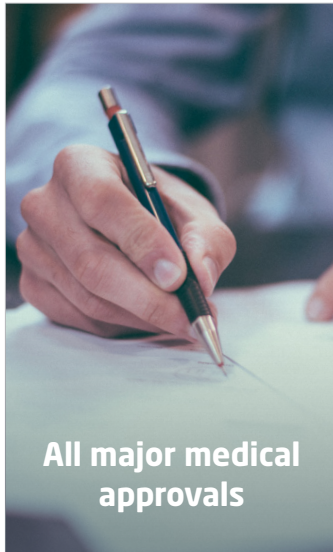


Patented technology

Well patented technology, 56 international patents and 9 in pending.

ABOUT US

Optomed at a glance



All major medical approvals

Medical approvals in all major markets including CE (Europe), FDA (USA), CFDA (China).

Offices in Finland, Oulu, Espoo, Tampere. In China, Shanghai and in USA, San Francisco.
109 employees.



Offices in Finland, China and USA



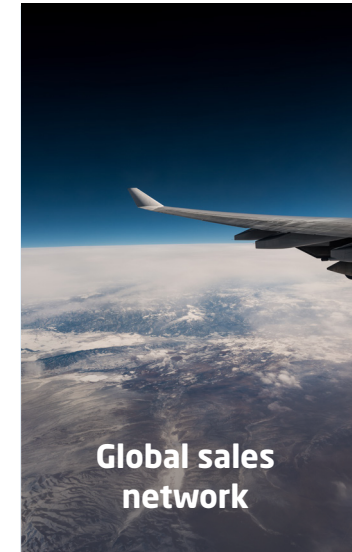
Listed company since 2019

Optomed was listed on Nasdaq Helsinki main list in December 2019.

Two complementary business segments: Devices and Software



Optomed Device and Software



Global sales network

Sales in over 60 countries globally. Distribution network of over 55 distributors.

BUSINESS MODEL

Complete solutions for eye screening

Optomed combines handheld fundus cameras with software and artificial intelligence for image analysis and we sell our products and solutions via three sales channels globally.

Our sales channels include our direct sales teams for cameras, software and complete eye screening solutions, our global distribution network of around 55 partners and our OEM customers.



Our end-customers are health care units, including hospitals, eye clinics, optician shops, pharmacies, primary care centres and private and national screening operators world-wide.

In recent years AI has taken a step from research to clinical practice in several countries. For example, UK and USA have created reimbursement models for AI-based eye screening services and Singapore has incorporated AI as a part of their national eye screening program for diabetic retinopathy, AMD and glaucoma. We believe that AI will be an essential part of eye screening programs globally in the near future.

Optomed operates in the health care market, where changes to processes and existing treatment guidelines are slow. In 2021, in accordance with our strategy, we will focus on expanding our business by focusing on the sales excellence of our Aurora IQ camera, expanding to new customer segments, growing our distribution network, and enforcing our sales and marketing team. These expansion activities support our goal of extending eye screenings to primary care and they will accelerate our revenue growth in the coming years.



// We will focus on expanding our business by investing in sales excellence.

OUR PRODUCTS

Devices and software

Optomed Aurora IQ



Smartscope PRO



Volk Pictor Plus & Prestige



Topcon Signal



Zeiss Visuscout 100

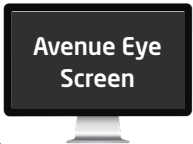


Haag-Streit Fundus Module 300



Optomed devices and software form complete solutions

Avenue Eye Screen



Holistic solution designed to meet the requirements of DR screening programmes.

Avenue Telemedicine



Telemedicine solution enabling remote image analysis.

Avenue Viewer



Complete Patient Data Management solution for viewing, reporting and archiving of fundus images.

Avenue Sync



Easy solution to integrate Aurora IQ to hospital system.

Avenue AI



Automated diabetic retinopathy screening.



OUR PRODUCTS

Optomed Aurora IQ

Now with seamless integration to AI for faster access to eye screening. The results can be read from the camera screen in seconds, which speeds up the screening process and reduces costs.

OUR PRODUCTS

We are partnering with the best

Optomed's strategy is to partner with leading AI algorithm companies and research teams globally to create cost-effective and fully integrated fundus camera and AI products with strong clinical validation.



OUR PRODUCTS

Future of AI in ophthalmology

Within next years

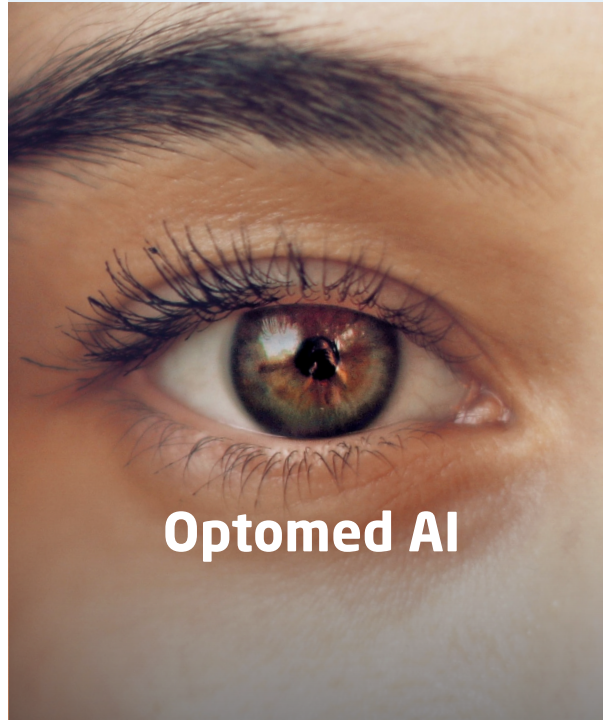
Majority of eye disorders.



Optomed fundus cameras

Near term future

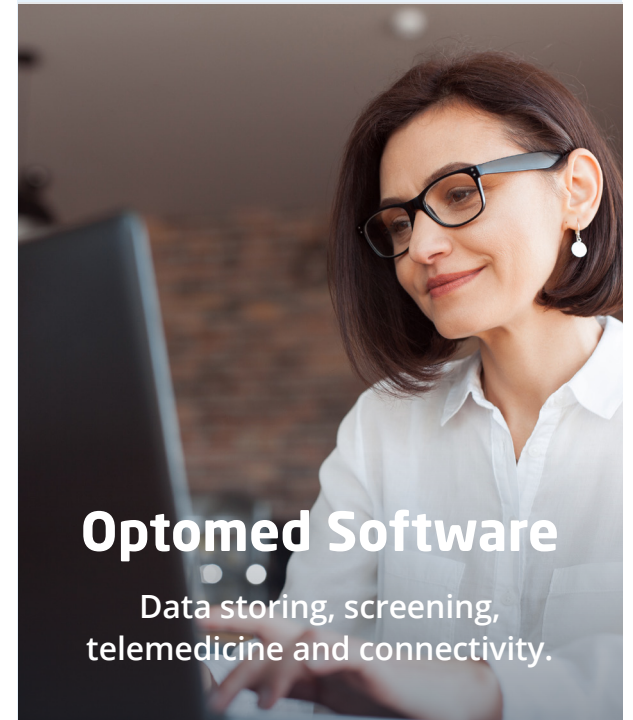
Expansion to other diseases such as neurological disorders and cardiovascular risk.



Optomed AI

Future opportunities

Preventive health check in primary care. Eye disease, neurological disorders, Alzheimer's disease, cardiovascular disease, kidney disease, pulmonary disease.



Optomed Software

Data storing, screening, telemedicine and connectivity.



Corporate Governance Statement 2020

OPT  MED

Corporate Governance Statement

I. Introduction

Optomed Plc (“Optomed” or the “Company”) follows the Finnish Corporate Governance Code 2020 issued by the Finnish Securities Market Association (the “Code”). The Code is available at <http://www.cgfinland.fi/>. Additionally, the company follows, among others, the Finnish Limited Liability Companies Act and other laws and regulations applicable to publicly listed companies in Finland, the company’s Articles of Association, Board and committee charters, corporate policies and rules, as well as rules and guidelines issued by the European Securities and Markets Authority, the Finnish Financial Supervisory Authority and the Nasdaq Helsinki stock exchange.

This Corporate Governance Statement of Optomed has been prepared in accordance with recommendations of the Code. The corporate governance statement has been prepared as a separate report distinct from the Report of the Board of Directors and it is available on the Company’s website www.optomed.com. Optomed’s Board of Directors has reviewed this corporate governance statement. The Company’s external auditor has reviewed that the statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with the financial statements.

Departures from Individual Recommendations

Optomed has not made any departures from the recommendations of the Code.

II. Descriptions Concerning Corporate Governance

Optomed is a Finnish limited liability company with headquarters in Oulu, Finland. Optomed and its subsidiaries have in total 100+ employees and global operations. The group’s business is managed by the two reportable segments supported by group functions. Optomed is listed on the Nasdaq Helsinki stock exchange.

Optomed uses a single-tier governance model. The responsibility of Optomed’s management lies with Shareholders’ General Meeting, the Board of Directors and the CEO. Their duties are mainly defined in the Finnish Companies Act. The General Meeting elects the Board of Directors and the Company’s auditor. The Board of Directors appoints the CEO, appoints the Leadership Team members based on the CEO’s proposal, and is responsible for strategic management of the Company. The CEO is responsible for the management of the Company’s operations and governance in accordance with the instructions given by the Board. The CEO is assisted in his work by Optomed Leadership Team.

1. General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision-making body of Optomed. The General Meeting of Shareholders handles the matters required by the Finnish Companies Act or the Articles of Association or presented to it by the Board of Directors. These matters include confirming the Company’s financial statements and deciding on the distribution of profit, electing the Board of Directors and the auditor and determining their remuneration.

The Annual General Meeting of Shareholders of a company shall be held annually within six months from the end of the financial period. Additionally, extraordinary General Meetings may be held during the year, if required. Optomed publishes the meeting invitations as a stock exchange release and on its website www.optomed.com.

Shareholders have the right to place issues falling within the scope of the Annual General Meeting on the agenda of the Annual General Meeting. The request to place an issue on the agenda must be submitted to the Board of Directors in advance. Optomed publishes the details of how and when to submit the requests to the Board on its website.

General Meetings in 2020

Optomed's Annual General Meeting was held in Espoo, Finland on 11 June 2020. No other general meetings were held in 2020. In order to prevent the spread of the COVID-19 pandemic, the Annual General Meeting was held without Board of directors, shareholders' or their proxy representatives' presence at the venue of the meeting.

2. Shareholders' Nomination Board

The Extraordinary General Meeting of Shareholders of the Company held on 14 November 2019 resolved to establish a Shareholders' Nomination Board (the "Nomination Board") in the connection of the listing of the Company.

The Nomination Board prepares the proposals for the General Meeting of Shareholders regarding the election of the Board members and their remuneration. The proposal of the Nomination Board is communicated to the market as a stock exchange release and included in the notice of the Annual General Meeting.

The Nomination Board consists of three natural persons nominated by the shareholders annually. The members of the Nomination Board shall represent the Company's three largest shareholders who (i) represent the largest number of votes out of all shares in the Company on the first banking day of September each year (the "Assessment Day") as determined on the basis of the shareholder register of the Company maintained by Euroclear Finland Oy, and (ii) wish to nominate a member to the Nomination Board. If two or more shareholders

have the same number of shares and cannot all have the right to nominate one of the members of the Nomination Board, the right to nominate is determined by the drawing of lots among such shareholders by the Chairman of the Board of Directors. If a shareholder who would have the obligation to notify the Company of certain changes in shareholding under the Finnish Securities Markets Act (flagging obligation), presents a written request directed to the Board of Directors at the latest on the Assessment Day, the holdings of a corporation or a foundation controlled by such shareholder or such shareholder's holdings in several funds or registers will be combined when calculating the nomination right. A holder of nominee-registered shares will be taken into account when determining the composition of the Nomination Board if the holder of nominee-registered shares presents a written request concerning the issue directed to the Board of Directors at the latest on the Assessment Day. The Nomination Board has a written charter governing its work available at www.optomed.com.

In spite the Company has a Shareholders' Nomination Board, shareholders are entitled to make separate proposals concerning the composition or remuneration of the Board.

Nomination Board in 2020

The shareholders represented in the shareholders' Nomination Board for the purposes of Annual General Meeting 2021 are Cenova Capital's controlled entities (Alnair Investments, Cenova China Healthcare Fund IV and Shanghai Cenova Innovation Venture Fund (Limited Partnership)), Robert Bosch Venture Capital GmbH and Aura Capital Oy. These shareholders have appointed the following persons to the Nomination Board:

- Hai Wu, Cenova Capital
- Ingo Ramesohl, Robert Bosch Venture Capital GmbH
- Jarmo Malin, Aura Capital Oy

Petri Salonen, Chairman of Optomed's Board of Directors, will serve as the Nomination Board's expert member.

3. Board of Directors

The Board of Directors is vested with powers and duties to manage and supervise

the operations of the Company as set forth in the Finnish Companies Act, the Articles of Association of the Company and other applicable regulations. The Board of Directors of Optomed is one-tier Board. Optomed Board consists of a minimum of 5 and a maximum of 8 members. The members of the Board of Directors are elected by the Annual General Meeting of Shareholders and the term of office of the members of the Board of Directors expires at the closing of the Annual General Meeting following their election.

The Board of Directors has general competence to decide and act in all matters not reserved for other corporate governing bodies by law or under the provisions of the Company's Articles of Association. The Board of Directors is responsible for the Company's administration and the appropriate organisation of its operations. The Board of Directors decides on Company and Group wide significant matters of principal importance. The Board of Directors appoints and dismisses the CEO, supervises his or her actions and decides on his or her remuneration and other terms and conditions of employment. The Board of Directors also makes decisions on the strategy, key investments, organisation and financial affairs of the Company. In addition, the Board of Directors monitors and assesses the Company's financial performance and position and reviews and approves the Company's interim reports and financial statements. In all situations, the Board of Directors must act in accordance with the best interest of the Company. The Board of Directors constitutes a quorum when more than half of the elected members are present. When this proportion is calculated, disqualified members are excluded.

The Board of Directors has established and approved a written charter for its work to complement the Articles of Association and applicable laws and regulations. The charter of the Board of Directors describes the composition of the Board of Directors and the selection of directors, the responsibilities of the Board of Directors, meeting practices and division of tasks within the Board of Directors.

The Board of Directors conducts an annual evaluation of its and its Committees' performance and working methods.

The Board of Directors convenes regularly and at least six times per financial year and as required. The Board of Directors receives current information on the operations, financial situation, market and competitive situation and risks of the Group in its meetings. Meetings of the Board of Directors are attended

by the CEO, the Chief Financial Officer and the Chief Legal Officer (who acts as secretary to the Board of Directors).

Diversity Principles

The election and composition of the Board of Directors is guided by the principle of diversity to ensure that the Company has a skilled, competent, experienced and effective Board of Directors. A diverse composition of the Board of Directors supports and caters to the current and future needs in the successful development and growth of the Company.

A diverse composition of the Board of Directors includes complementary education, competence and experience of its members in different professional fields and management of business in different development phases as well as the personal qualities of each Board member, all of which add to the diversity of the Board of Directors.

The Company aims to have, where possible, representatives of different genders in the Board of Directors. As means to achieve a balanced gender distribution in the Board of Directors, the search and evaluation process for Board candidates should include representatives of different genders. The status of diversity and progress in achieving the aforesaid objective will be monitored and reported in the corporate governance statement.

In 2020, Optomed added a female Board member and consequently had different genders represented in the Board.

Board of Directors in 2020

During 2020, the Board of Directors held 8 meetings and comprised of the following members at the end of the year:

Name	Citizenship	Independence	Appointed to the Board	Meeting Attendance 2020
Petri Salonen	Finnish	Dependent of the Company	2006	100%
Seppo Mäkinen	Finnish	Independent	2019	100%
Reijo Tauriainen	Finnish	Independent	2019	100%
Anna Tenstam	Swedish	Independent	2020	100%
Jun Wu	USA	Dependent of a major shareholder	2014	88%

Petri Salonen

born 1958

serves as the Chairman of the Board of Directors of Delfoi Ltd and as a member of the Board of Directors of AW-Energy Oy. In addition, he serves as Sales Director at JAS Partners Oy. Previously, Mr. Salonen was the Chairman and a member of the Board of Directors of Commit; Oy (presently Optomed Software Oy), a member of the Boards of Directors of Aura Capital Oy, Chip-Man Technologies Ltd, IonPhase Ltd and Silicon Laboratories Finland Inc, the Chief Executive Officer of Atbusiness Communications Oyj and Bluegiga Technologies Inc. and the Investment Director of Aura Capital Oy. He holds a Master of Science degree in Shipbuilding Technology, Naval Architecture and Marine Engineering from Aalto University. Petri Salonen is dependent of the Company as he has had consultancy agreement with the Company and receives salary. Further, he has been a member of the Board for more than 10 years.

Seppo Mäkinen

born 1952

serves as a member of the Boards of Directors of Bittium Corporation, AegirBio AB and Videovisit Ltd. Previously, Mr. Mäkinen was the Chairman of the Boards of Directors of Taikon Advisor Oy and ValiFinn Ltd, and a member of the Board of Directors of Neurotar Ltd, ArcDia International Oy Ltd, Coimbra Genomics SA, Evondos Ltd, Ginolis Oy, Magnasense Technologies Oy, Med Group Oy, Med Group Holding Oy and Valirx Oy. In addition, he has been Partner at Ventac Partners, partner at Pathena SGPS, and Regional Partner at Mérieux Développement SAS, Founding and Managing Partner at BioFund Ventures and Director of Life Sciences at Sitra. He holds a Master of Science degree in Physical Chemistry from the University of Jyväskylä. He is independent of both Optomed and its major shareholders.

Reijo Tauriainen

born 1956

serves as the Chairman of the Boards of Directors of Arvo Invest Nordic Oy, Meka Pro Oy, Pohjanmaan Arvo Sijoitusosuuskunta, Temotek Oy and Unipro Oy Ltd, as a member of the Boards of Directors of, Hoivatilat Plc, Nordic Option Oy, Propria Oy and Temotek Palvelut Oy. Previously, Mr. Tauriainen was the Chairman of the Boards of Directors of Nordic Option Oy, Oulun Ydinkeskustan Parkki Oy, Sanerall Group Oy, Technopolis Kiinteistöt Pääkaupunkiseutu Oy, Technopolis Kiinteistöt Oulu Oy and Technopolis Kiinteistöt Tampere Oy, the Chief Executive Officer of Pohjanmaan Arvo Sijoitusosuuskunta, and a member of the Board of Directors and the Chief Financial Officer of Uros Ltd and as the Deputy Chief Executive Officer and Chief Financial Officer of Technopolis Plc. In addition, he has served as a member of the Board of Directors of Champion Door Oy, Lapwall Oy, Technopolis Kuopio Oy, as a deputy member of the Board of Directors and the Chief Executive Officer of Technopolis Hitech Oy. He holds a Master of Science degree in Economics from the University of Oulu. He is independent of both Optomed and its major shareholders.

Anna Tenstam

born 1964

serves as the Chairman of Board of Directors of Sue Ellen Investments AB, the co-founder and Chairman of Board of Directors of Agamé Beauty AB and Estelle Medical AB, the Chairman of Board of Directors and partner of Expomind AB. Previously, Ms Tenstam has been the Chairman of the Board of Directors of Betagenon Ab, Patients Pending Ltd as well as the CEO and the Chairman of the Board of Eternogen LLC. She holds a Master of Science from the Uppsala University, a Master of Business Administration from IMD Business School and EMP from Stockholm School of Business. She is independent of both Optomed and its major shareholders.

Jun Wu

born 1966

is the founder, Chairman and Managing Partner of Cenova Capital and serves as a member of the Boards of Directors of Aslan Pharmaceuticals Ltd, Cheng Heng Health Science and Technology Holdings Ltd, Choice Technology Inc, Etononline Shanghai Medical Consulting Co. Ltd, HK Doctorlink Internet Tech Co. Ltd, Jing Medicine Technology (Shanghai) Ltd, Luqa Ventures Co. Ltd, Shanghai Aohua Photoelectricity Endoscope Co., Shanghai EnsurLink Ltd, Shanghai Lianji Biotechnology Co. Ltd, Shanghai Yao Shi Quan Cloud Health Technology Development Ltd, Start (Shanghai) Pharmaceutical Technology Ltd, Suzhou SceneRay Corporation Ltd, Virtuoso Therapeutics Inc and Vivace Therapeutics Inc. In addition, he serves as a Director at Alnair Investment, Cenova China Healthcare GP IV Ltd, Cenova Management Advisors Ltd, Novoasis Investment Ltd and Ruikang Investment Ltd. Furthermore, Mr. Wu is the co-founder of Shanghai Genomics, Inc. and he has previously served as the Chief Executive Officer, as a member of the Board of Directors and held various managerial positions at Shanghai Genomics, Inc., as well as various managerial positions at GNI Ltd. He holds a Doctor of Philosophy degree in Microbiology and Immunology from the University of California at San Francisco and a Bachelor of Science degree in Biology from San Jose State University. He is dependent of a major shareholder of the Company due to him controlling a major shareholder.

Board shareholding

Name	Position	Own and controlled shares	Options
Petri Salonen	Chairman of the Board of Directors	3,474	
Seppo Mäkinen	Member of the Board of Directors	1,491	
Reijo Tauriainen	Member of the Board of Directors	1,491	
Anna Tenstam	Member of the Board of Directors	6,657	
Jun Wu	Member of the Board of Directors	2,248,280 ¹	

1) Includes shares owned by Alnair Investments, Cenova China Healthcare Fund IV and Shanghai Cenova Innovation Venture Fund (Limited Partnership), which are controlled by Cenova Capital (China), an entity controlled by Jun Wu.

4. Committees of the Board of Directors

The Board of Directors may establish specific committees to assist the Board of Directors in the preparation and performance of the Board of Directors' duties and responsibilities and determine their sizes, compositions and tasks.

The Board of Directors has established the following two committees: the Audit Committee and the Remuneration Committee. The Board of Directors has adopted written charters for each committee setting forth the purposes, composition, operations and duties of each committee as well as the qualifications for committee membership. The Board elects the members and the chairman of the committees from among its members. In addition to the Audit Committee and Remuneration Committee, the Board of Directors may appoint ad hoc committees for the preparation of specific matters.

Audit Committee

In accordance with its charter, the Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities of the Company's financial reporting process and in monitoring the statutory audit of the Company and to assist the Board of Directors in its oversight of matters pertaining to financial reporting, internal control, internal audit, risk management and related party transactions, and by making proposals on such matters to the Board of Directors. In addition, the duties of the Audit Committee include, among other things, preparing the election of the auditor, the evaluation of the independence of the auditor and, in particular, the provision of non-audit services they offer to the Company and carrying out other tasks assigned to it by the Board of Directors. Among its other duties, the Audit Committee monitors the efficiency of internal control, internal audit and risk management, and monitors the audit process.

The Audit committee consists of at least three members. The members of the Audit Committee may not take part in the daily management of the Company or the Group and a majority of the Committee members must be independent of the Company, and at least one Committee member must be independent of the Company's significant shareholders.

The Audit Committee as a whole must have the expertise and experience required for the performance of the duties and responsibilities of the Audit Committee. Without limiting the applicable requirements, desirable qualifications for Audit Committee members include appropriate understanding of accounting practices and financial reporting, gained through education or experience in performing or overseeing related functions. At least one Audit Committee member must have competence in accounting or auditing, and the Audit Committee members as a whole must have competence relevant to one or several of the sectors in which the Company operates.

Remuneration Committee

In accordance with its charter, the Remuneration Committee assists the Board of Directors with its responsibilities relating to the evaluation and monitoring of the remuneration of the CEO and other members of the Leadership Team and the preparation of the remuneration policy and remuneration report of the Company's corporate bodies as well as monitors the Company's remuneration policies, schemes and plans. It also assists the Board of Directors in connection with possible major management reorganisations based on preparation and proposals by the CEO. The Remuneration Committee also identifies individuals qualified to serve as the CEO and other members of the Leadership Team of the Company and prepares the appointments and plans the successions related thereto.

The Remuneration Committee consists of at least three members appointed by the Board of Directors. The majority of the members of the Remuneration Committee shall be independent of the Company and the CEO or any executive director of the Company shall not be appointed to the Remuneration Committee.

Committees in 2020:

During 2020 the Audit Committee held 4 meetings and comprised of the following members at the end of the year:

Member	Attendance/ meetings	Independence
Reijo Tauriainen (chair)	100%	Independent
Seppo Mäkinen	100%	Independent
Anna Tenstam	100%	Independent

During 2020 the Remuneration Committee held 3 meetings and comprised of the following members at the end of the year:

Member	Attendance/ meetings	Independence
Seppo Mäkinen (chair)	100%	Independent
Reijo Tauriainen	100%	Independent
Anna Tenstam	100%	Independent

5. CEO and his duties

The Board of Directors appoints the Chief Executive Officer (“CEO”). The CEO is responsible for the management of the Company’s operations and governance in accordance with the Articles of Association, the Finnish Companies Act, other applicable legislation and in accordance with the instructions given by the Board of Directors. The CEO’s service terms are specified in writing in his written service contract.

Seppo Kopsala (born 1978) has served as the CEO for Optomed since 2005.

6. Optomed Leadership Team

Optomed Leadership Team assists the CEO in his duties in the management of the group. The members of the Optomed Leadership Team are appointed by Board of Directors.

At the end of 2020, the Leadership Team comprised the following 6 members:

Name	Position	Appointed	Employee since
Seppo Kopsala	Chief Executive Officer	2005	2005
Niina Huikuri	Vice President, Marketing	2018	2018
Sakari Knuutti	Chief Legal Officer	2019	2019
Lars Lindqvist	Chief Financial Officer	2019	2019
Markku Myllylä	Vice President, Software	2018	2018 ¹⁾
Laura Piila	Vice President, Devices	2015	2010

¹⁾One of the founders of Commit; Oy (today: Optomed Software Oy) in 1989 and the CEO since 2009.



Seppo Kopsala

(born 1978) has been the CEO of Optomed and a member of the Leadership Team since 2005. He founded Optomed in 2004. Previously, Mr. Kopsala was a member of the Board of Directors of Medigo Oy. He holds a Master of Science degree in Industrial Engineering from the University of Oulu. He is a Finnish citizen.



Niina Huikuri

(born 1977) has been the Vice President, Marketing of Optomed and a member of the Leadership Team since 2018. She joined Optomed in 2018. Previously, Ms. Huikuri has held the positions as Sales Manager (Nordic) and Account Manager and Business Development Manager Finland at Johnson & Johnson and Territory Manager at Boehringer Ingelheim Finland Ky. She holds a Master of Science degree in Business Administration with a Major in Marketing from Oulu University Business School. She is a Finnish citizen.



Sakari Knuutti

(born 1984) has been the Chief Legal Officer of Optomed and a member of the Leadership Team since 2019. He joined Optomed in 2019. Mr. Knuutti serves as a member of the Securities Market Association's Market Practice Board. Previously, Mr. Knuutti has held the positions of Senior Legal Counsel at CGI Inc, Head of Legal and IR at Affecto Plc, and various positions at Ruukki Group Plc. He holds a Master of Laws degree from the University of Helsinki. He is a Finnish citizen.



Lars Lindqvist

(born 1957) has been the Chief Financial Officer and a member of the Leadership Team since 2019. He joined Optomed in 2019. Previously, Mr. Lindqvist was a member of the Board of Directors of Neonode Inc.. In addition, he has served as the Chief Financial Officer of Neonode Inc., Microcell Ltd and Ericsson Mobile Phones AB. He holds a Master of Science degree in Finance from Uppsala University. He is a Swedish citizen.



Markku Myllylä

(born 1961) has been the Vice President, Software of Optomed and a member of the Leadership Team since 2018. He joined Optomed in 2018 through the acquisition of Commit; Oy. Mr. Myllylä is the co-founder of Commit; Oy (presently Optomed Software Oy) and has been the Chief Executive Officer of Optomed Software Oy since 2009. He holds a Master of Science degree in Computer Sciences and Economics from the Technical University of Helsinki. He is a Finnish citizen.



Laura Piila

(born 1983) has been the Vice President, Devices of Optomed since 2019 and a member of the Leadership Team since 2015. She joined Optomed in 2010. Prior to becoming the Vice President of Devices of Optomed, Ms. Piila has held several managerial positions at Optomed, including Quality Manager and Business Development Director, as well as the position of Build Manager at Nokia Corporation. She holds a Master of Science degree in Industrial Engineering and Management from the University of Oulu. She is a Finnish citizen.

Management shareholding at the end of 2020:

Name	Position	Own and controlled shares	Options
Seppo Kopsala	CEO	637,080	60,000 ¹
Niina Huikuri	Vice President, Marketing		40,000 ²
Sakari Knuutti	Chief Legal Officer		40,000 ³
Lars Lindqvist	Chief Financial Officer		100,000 ⁴
Markku Myllylä	Vice President, Software		180,000 ⁵
Laura Piila	Vice President, Devices		70,000 ⁶
Total		637,080	490,000

¹⁾ Of which 40,000 under the 2015 option program and 20,000 under the 2017 option program.

²⁾ Of which 8,000 under the 2018C option program, 26,000 under the 2019D option program and 6,000 under option program 2020A.

³⁾ Of which 20,000 under the 2019C option program, 14,000 under the 2019D option program and 6,000 under option program 2020A.

⁴⁾ Of which 100,000 under the 2019B option program.

⁵⁾ Of which 60,000 under the 2018C option program, 60,000 under the 2019A option program and 60,000 under option program 2020A.

⁶⁾ Of which 20,000 under the 2015 option program, 10,000 under the 2017 option program, 20,000 options under the 2017B option program and 20,000 under the 2019D option program.

III. Descriptions of Internal Control Procedures and the Main Features of Risk Management Systems

Optomed prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards, as adopted by the EU, the Finnish Securities Markets Acts as well as the appropriate Finnish Financial Supervision Authority Standards and Nasdaq Helsinki Ltd's rules. The Report of the Board of Directors of Optomed and parent company financial statements are prepared in accordance with Finnish Accounting Act and the recommendations and guidelines of the Finnish Accounting Board.

Optomed's financial reporting process are mainly managed internally with minor support from an external accounting service provider. Internal control and risk management systems and practices as described below are designed to ensure that the financial reports as disclosed by the company give correct information about the company finances in all material respect.

Optomed group has reporting manual which includes an overview of financial reporting process, key outputs, and roles and responsibilities within the process. Essential group policies are part of the guidelines. The up-to-date versions of reporting manual and other internal guidelines for financial reporting can be found at group intranet.

Optomed's subsidiaries in each country have separate finance organization and also business activities are local. Proper arrangement and monitoring of internal control is the responsibility of the local management in accordance with the group framework.

Optomed group uses a common chart of account and consolidation and reporting application. Subsidiaries submit external financial reporting to the group finance on a monthly basis.

Optomed's Group Finance and Control function has defined the significant processes relevant to internal control over financial reporting, e.g. revenue, purchasing, payroll expenses, project management, finance, and related IT systems. Within this process framework, financial reporting risks and control objectives have

been defined and group wide common control points have been designed to mitigate financial reporting risks. Common control points include for example authorizations, key accounting reconciliations, project management procedures, segregation of key financial duties and analysis of financial performance and figures in order to identify any irregularities or errors.

Group Finance and Control supports subsidiaries by regular monitoring and by providing additional guidance. The subsidiaries together with the Global Finance and Control conduct annually a self-evaluation of the internal control points, which is then presented to the Audit committee.

Financial reports prepared by the subsidiaries are analyzed by Optomed group finance. Group management and operative segment management have monthly meetings including a review of business operations and financial position for which the segment management prepares a report.

Group and segment-based financial reports are prepared for the Optomed Board on a monthly basis. According its charter, the Board reviews and approves quarterly interim financial reports, financial statement releases and the financial statements.

The Group Finance and Control functions and finance managers of the subsidiaries meet semi-annually to evaluate and adjust the procedures related to financial reporting and internal controls.

1. Overview of the risk management systems

Optomed has a defined risk management policy in place. The objective of Optomed risk management policy is to ensure the implementation of Optomed strategy and to support in achieving company strategic, operational and financial targets. The objective set for risk management is achieved when Optomed has systematically identified the uncertainties, risks and opportunities related to the targets and is able to effectively assess and manage the identified risks. Therefore, risk management is an integral part of Optomed management system. In order to be able to assess its total risk exposure, Optomed upholds a comprehensive risk portfolio including all business areas and functions. Optomed recognizes that controlled risk taking can have a positive effect on achievement of the set targets.

Each segment is accountable for owning and managing its risk according to

Optomed policies. The CFO is accountable of the risks with respect to financial reporting. Risk identification is performed in all business areas and operative functions of each segment and common functions. Risk identification is conducted by gathering risk data from all business areas and functions by appropriate actions. Risks are assessed and prioritized in terms of severity/impact and probability. Overall risk score is calculated by multiplying these two factors. Each mitigating activity must have a designated owner stated in the risk analysis summary. Risk responses (e.g. control methods, mitigation plans, continuity plans) are systematically defined for all major risks included in the risk portfolio as well as to less significant risks where the cost of measures is in a reasonable proportion to the significance of the risk. Risks are identified constantly and when appropriate necessary changes in the risk portfolio shall be made in order to ensure an up-to-date risk profile of the company.

The group level risk profile is reviewed by the Optomed Leadership team once per quarter. The risk summary prepared by the Leadership Team is then reviewed and approved by the Audit Committee and, as applicable, the Board. This is done as part of the quarterly financial reporting. The Board informs the market about the most significant risks and uncertainties in the financial statements and in the interim reports.

2. Overview of the internal control and internal audit

Internal control aims to ensure that Optomed's business activities are efficient and proficient, financial reporting is reliable and that applicable laws, regulations and company's internal policies are followed.

The Board of Directors and the Audit Committee, which is appointed by the Board, supervise internal control and the risk management pertaining to the financial reporting. The Group CEO and CFO are together responsible for implementing the internal control and risk management together with the Leadership Team, subsidiary management teams and finance directors. Optomed does not have separate internal audit function, it is an outsourced service. The function is generally coordinated by the Group Finance and Control function together with the Audit Committee. Any audit results are reported by the CFO to the Board's Audit Committee and to the CEO. If necessary, reports can also be addressed directly to the entire Board of Directors.

IV. Other Information

1. Related party transactions

The Board of Directors of the Company has defined the principles regarding the monitoring and evaluation of related party transactions. The Company keeps a list of related parties. Optomed has set related party principles and related party transaction policy.

Transactions with any related parties are entered into on market terms and relevant decisions are taken in compliance with the Company's approval policy and established decision-making limits. The Company's finance and control function monitors related party transactions as a part of the Company's normal reporting and control procedures and reports related party transactions on a quarterly basis to the Audit Committee. The Company's Board of Directors decides on related party transactions that are not part of the ordinary course of business of the Company or are not concluded on market terms. Information on transactions concluded between the Company and its related parties is disclosed annually in the notes to the Company's consolidated financial statements. In addition, the Company publishes such related party transactions to the extent required pursuant to the applicable legislation and the rules of Nasdaq Helsinki Ltd.

2. Insider administration

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

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

PDMR Declarations

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

Trading Restrictions

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

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

3. External Auditor

The Annual General Meeting of shareholders elects the auditor for a period of one year until the next subsequent Annual General Meeting. The auditor needs to an Authorised Public Accountants firm approved by the Finnish Patent and Registration Office. The auditor is responsible for auditing the consolidated and parent company financial statements and the administration of the parent company.

External Auditor in 2020

In 2020, Optomed's statutory auditor was KPMG Oy Ab, Authorised Public Accountants, with Authorised Public Accountant Tapio Raappana as the auditor with principal responsibility since 2016. Tapio Raappana is a member of the Finnish Association of Auditor.

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

In EUR thousand	FY 2020	FY 2019	FY 2018
Audit fees	77	61	6
Consulting ¹	52	516	119

1) Including IPO related expenses of EUR 492 thousand in 2019 and EUR 114 thousand in

Remuneration Report for Governing Bodies

OPTO MED

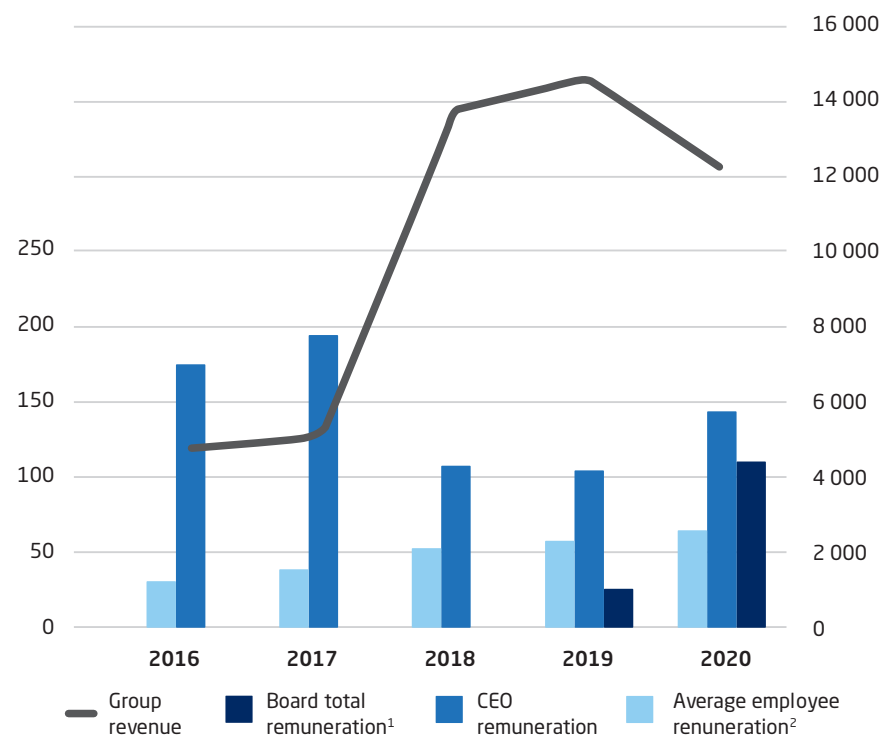
Remuneration Report for Governing Bodies

This remuneration report for the financial year 2020 has been prepared according to the remuneration reporting section of the Finnish Corporate Governance Code 2020 as well as the provisions of the Finnish Securities Market Act and Limited Liability Companies Act.

The Annual General Meeting of Optomed Plc (“Optomed” or the “Company”) approved Optomed’s remuneration policy on 11 June 2020. The remuneration policy is available on the Company’s website on <https://www.optomed.com/investors/>. Optomed intends to comply with the presented remuneration policy over a period of four years, unless a revised policy is presented to the general meeting before that.

Optomed’s management remuneration, including the CEO, currently consists of base salary, short term incentive scheme and long-term incentive scheme in the form of option programs. The aim of the long-term incentive schemes is to align the objectives of the shareholders and the management in order to increase the value of the Company in the long term, to commit the key employees, and to offer them competitive remuneration schemes based on their earning and accumulating the Company’s shares. The alignment promotes the Company’s long-term financial success.

The following table presents the development of the remuneration of the board of directors and the CEO compared to the development of the average remuneration of employees and to the group’s financial development over the preceding five financial years.



1) Does not include the consultancy fees of Petri Salonen. 2) Optomed’s annual reported personnel costs divided by the number of employees.

In EUR thousand	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Board total remuneration ¹	111	26			
CEO remuneration	144	105	108	195	175
Average employee remuneration ²	65	58	53	39	31
Group revenue	13,010	14,977	12,733	6,899	6,609
Group EBITDA	-733	-335	1,062	-1,784	-1,865

Name	Position	Yearly fees	Meeting fees	Consulting fees	Total
Petri Salonen	Chairman	36	0	85	121
Seppo Mäkinen	Remuneration Committee Chairman	18	0	0	18
Reijo Tauriainen	Audit Committee Chairman	18	2	0	20
Anna Tenstam	Board member	18	0	0	18
Jun Wu ¹	Board member	0	0	0	0

1. Remuneration of the Board of Directors

The General Meeting of Shareholders determines the remuneration payable to the members of the Board of Directors. Save for what is mentioned below for Petri Salonen, no remuneration was paid to the members of the Board of Directors for the financial years 2018, 2017 and 2016. The Annual General Meeting held of 2020 approved the following Board remuneration:

- EUR 36,000 for the Chairman of the Board of Directors, and
- EUR 18,000 for each member of the Board of Directors.

Further, the Annual General Meeting approved that a meeting fee in the amount of EUR 500 is paid to the Chairman of the Audit Committee for each Audit Committee meeting. 40 percent of the Board of Directors remuneration is paid in Optimed shares and 60 percent in cash.

All in EUR thousand.

¹) Jun Wu waived his Board remuneration for the year

In addition to his duties as Board chairman, Petri Salonen also supports the company as consultant with various matters. In this capacity since September 2020 Petri Salonen has been paid a consultancy fee of EUR 8,000 a month in addition to his Board fees. Previously, Petri Salonen has acted as a consultant supporting the Company with, inter alia, listing process, M&A, financing, company processes and sales development, for which he has received a monthly consultancy fee of EUR 1,500 between 1 January 2017 and 17 August 2017, after which the remuneration was increased to EUR 5,000 until November of 2018 and to EUR 7,000 in November 2018. In 2019, the fees paid to Petri Salonen amounted to EUR 84 thousand. In addition, he has been paid EUR 5 thousand as reimbursement for travel and other expenses in 2020.

The members of the Board of Directors are not included in the incentive schemes of the Company and no shares, option rights or other special rights have been given or granted as remuneration to the members of the Board of the Directors.

No pension benefits have been granted in favor of the members of the Board of Directors. However, Petri Salonen is entitled to the statutory Finnish TyEL pension with respect to his capacity as a consultant until 31 August 2020.

2. Remuneration of the CEO

The remuneration of the CEO of the Company consists of a monthly fixed salary of EUR 10,000 from March 2020 onwards and EUR 8,250 between January and February 2020, customary fringe benefits and options granted as long-term incentive. The CEO Seppo Kopsala is also a large owner of the Company and therefore the interests of the CEO and the Company are efficiently aligned in terms of the Company's share price development.

The remuneration and benefits paid to the CEO for the financial year 2020 are presented in the following table:

	Fixed Salary	Short Term Incentive	Share-based payments	Total
CEO	114	30	0	144

All in EUR thousand.

1) Includes benefits

Optomed offers the CEO only the statutory Finnish TyEL pension. The current retirement age for the CEO follows the Finnish Employee's Pension Act. The CEO's contract may be terminated by either the CEO or Optomed with six months' notice. If the Company terminates the CEO's contract, the CEO is entitled to receive a severance pay corresponding to six month's salary. The severance pay is not payable in case of a material breach by the CEO or when the contract is terminated on grounds equal to those under Chapter 7 Section 2 or Chapter 8 Section 1 or 3 of the Finnish Employment Contracts Act (55/2001, as amended).

Short Term Incentive

The short-term incentive paid in 2020 consisted of a one-time separate bonus in connection with the successful listing process. The bonus was EUR 30,000 and it was 21 percent of the total remuneration of the CEO, it was and it was paid in accordance with section 6 of the remuneration policy.

The short-term incentive performance criteria for 2020 were set by the Board in the beginning of the financial year, with a focus on growth and profitability. Based on the achieved performance, no bonus will be paid for year 2020.

Long Term Incentive

For the financial period 2020, the salaries and benefits have completely consisted short term incentive scheme and fixed remuneration and no separate long term incentive was paid.

In addition, at the end of the year Seppo Kopsala has a total of 60,000 options of which 40,000 under the 2015 option program and 20,000 under the 2017 option program. The subscription prices of the options are EUR 3.50, and the exercise periods are 1 July 2020–1 July 2024 for both programs. The options are forfeited and automatically transferred to the Company without consideration if the employment or service relationship to the Group is terminated, for any reason whatsoever, or if the consultancy agreement with the Group is terminated, for any reason whatsoever, unless the Board of Directors decides to deviate from the rule.

Board of Directors' Report and Financial Statements 2020

OPT**MED**

Board of Directors' Report

Optomed in brief

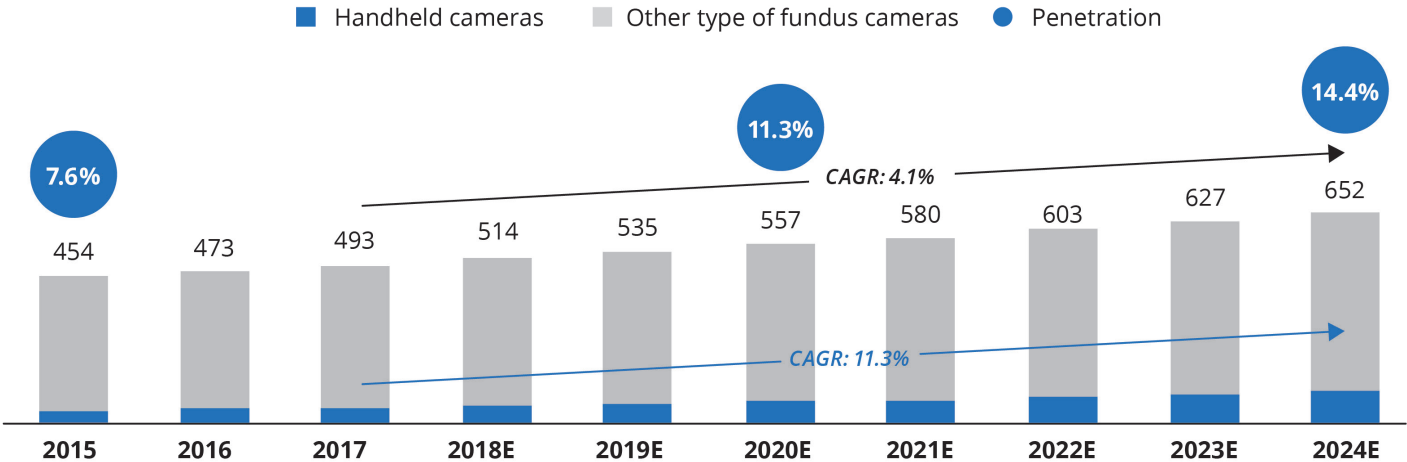
Optomed is a Finnish medical technology company and one of the leading providers of handheld fundus cameras. Optomed combines handheld screening devices with software and artificial intelligence with the aim to transform the diagnostic process of blinding eye-diseases such as rapidly increasing diabetic 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.

Operating Environment

The figure below illustrates the global fundus camera market measured by revenue (USD million)¹

The global handheld fundus camera market was estimated to amount to USD 44 million in 2017, corresponding to a penetration of approximately 9 percent. This penetration is expected to increase to approximately 12,8 percent in 2022 and to further increase to 14.4 percent in 2024. The handheld fundus camera market can be split between non-mydratiac and mydratiac handheld cameras, with non-mydratiac cameras accounting for approximately 91 percent of the total market.

The figure below illustrates the global fundus camera market measured by revenue (USD million)¹



In 2020, the largest geographical region in the handheld fundus camera segment was estimated to be the North America region with a share of approximately 44 percent, followed by the Asia-Pacific region with a share of 27 percent, Europe with a share of 24 percent, Latin America with a share of three percent and Middle East & Africa with a share of one percent².

In the handheld fundus camera segment, the highest growth is estimated to stem from the Asia-Pacific region, where the annual market growth is expected to be approximately 17 percent between 2017 and 2024³. The Company's management believes that the increasing number of people suffering from diabetes and the increasing awareness of the complications and costs resulting from blindness are among the most important drivers for growth in the handheld camera market. Additionally, management also believes that the relatively small installed base of desktop fundus cameras results in increased use of new technology and in particular handheld cameras⁴. High growth rates are also expected in the Latin America and Middle East & Africa regions, mainly due to increasing economic growth and growing healthcare expenditure⁵. The European market is estimated to grow at a rate of approximately 11.8 percent per year, and the growth is driven

by the adoption of the device amongst general practitioners and healthcare professionals other than those specializing in eye diseases. Handheld fundus cameras have traditionally been used by ophthalmologists offering remote consultation, however, as handheld fundus cameras have become more common, other medical professionals have also begun to consider them as space-saving and cost-effective alternatives to desktop fundus cameras⁶. The figure below illustrates the regional market sizes and growth rates.

¹Zion Market Research (2018).

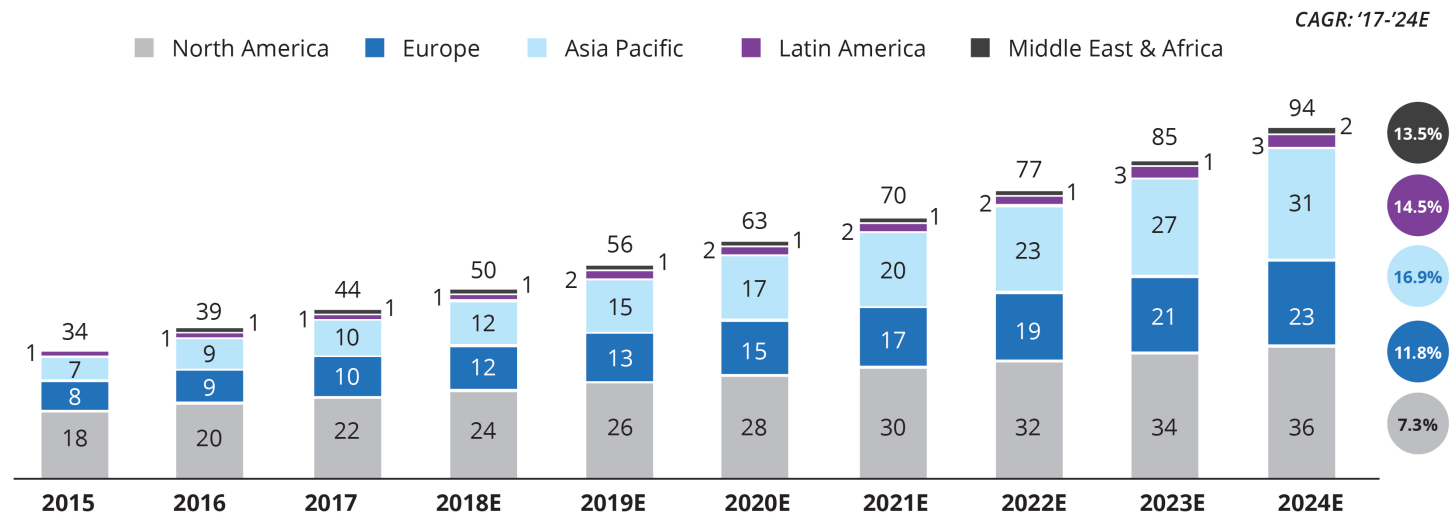
²Zion Market Research (2018).

³Zion Market Research (2018).

⁴Company estimate.

⁵Zion Market Research (2018).

⁶Data Research: European Market Report for Fundus Cameras (2016).



The adaptation of artificial intelligence took a major leap forward in 2020 as the new reimbursement code for diabetic retinopathy screening with AI was approved to be opened in the beginning of 2021 in the USA. This new CPT-code 92229 retinal imaging with automated point-of-care, will enable the use of AI within the US market as payment for the service is more straightforward with the new coding. The exact reimbursement sum of the code is still undetermined, but it is expected to be communicated in the first half of 2021. The FDA has now cleared two AI companies' diabetic retinopathy algorithm to be sold with dedicated retinal cameras in the US market.

Revenue, Profitability and Result

Group summary - Key figures and APM's

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

EUR, thousand	2020	2019	Change, %	Proforma 2018
Revenue	13,011	14,977	-13.1%	14,463
Gross profit *	8,955	9,944	-9.9%	10,398
Gross margin % *	68.8%	66.4%		71.4%
EBITDA	-733	-335	-118.8%	1,188
EBITDA margin *, %	-5.6%	-2.2%		8.4%
Adjusted EBITDA *	-733	-196	-274.6%	1,661
Adjusted EBITDA margin *, %	-5.6%	-1.3%		11.5%
Operating result (EBIT)	-2,906	-2,596	-11.9%	-664
Operating margin (EBIT) *, %	-22.3%	-17.3%		-4.6%
Adjusted operating result (EBIT) *	-2,906	-2,457	-18.3%	-338
Adjusted operating margin (EBIT margin) *, %	-22.3%	-16.4%		-2.3%
Net profit/ loss	-3,177	-2,875	-10.5%	-1,327
Earnings per share	-0.24	-0.32	29.5%	-0.17
Cash flow from operating activities	-2,801	161	-1839.7%	-76
Net Debt	-4,090	-8,940	-54.3%	8,207
Net debt/ Adjusted EBITDA (LTM)	5.6	45.7		4.9
Equity ratio *	64.6%	57.2%		24.0%
R&D expenses personnel	1,406	1,540	-8.7%	1,369
R&D expenses other costs	253	234	8.1%	188
Total R&D expenses	1,659	1,774	-6.5%	1,557

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

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.

Financial summary per segment

Devices segment

Optomed has two synergistic business segments: Devices and Software. The Devices segment develops, commercializes and manufactures easy-to-use and affordable handheld fundus cameras, that are suitable for any clinic for screening of various eye diseases, such as diabetic retinopathy, glaucoma and AMD (Age Related Macular De-generation).

EUR, thousand	2020	2019	Change, %
Revenues Gross	5,097	7,309	-30.3 %
profit * Gross	2,862	4,200	-31.9 %
margin % *	56.1 %	57.5 %	
EBITDA	-251	-408	38.5 %
EBITDA margin *, %	-4.9 %	-5.6 %	
Operating result (EBIT)	-1,820	-1,913	4.8 %
Operating margin (EBIT) *, %	-35.7 %	-26.2 %	

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

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.

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

EUR, thousand	2020	2019	Change, %
Revenues	7,913	7,668	3.2 %
Gross profit *	6,093	5,744	6.1 %
Gross margin % *	77.0 %	74.9%	
EBITDA	1,927	1,667	15.6 %
EBITDA margin *, %	24.4 %	21.7%	
Operating result (EBIT)	1,324	909	45.6 %
Operating margin (EBIT) *, %	16.7 %	11.9 %	

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

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.

Group-wide expenses

Group-wide expenses consist of functions supporting the entire group such as treasury, group accounting, marketing, legal, HR and IT as well as public listing expenses.

Group-wide operating expenses amounted to EUR 2,408 (1,593) thousand. Group-wide expenses include EUR 139 thousand of IPO related expenses for the full year 2019. The IPO related expenses are classified as items affecting comparability.

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, USD and Chinese RMB.

Organic Growth, percent	2020	2019
Devices segment *	-29.5%	-2.5%
Software segment *	3.2%	6.9%
Group *	-12.7%	1.5%

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

Balance sheet, financial position and investments

The consolidated balance sheet total amounted to EUR 31,073 (39,611) thousand on December 31, 2020.

Consolidated shareholders' equity amounted to EUR 20,073 (22,637) thousand. The consolidated equity ratio was 64.6 (57.1) percent. The consolidated goodwill recorded on the balance sheet on December 31, 2020 was EUR 4,256 (4,256) thousand. Cash flow from operating activities amounted to EUR -2,801 (161) thousand for the year. The decrease is mainly related to payment of IPO related expenses in the first quarter of 2020. 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 cash used in investing activities was EUR -1,820 (-1,434) and relates mainly to capitalized development expenses.

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

Research and development

Optomed is a research and development driven healthcare technology company, employing 60 full-time equivalent ("FTE") employees within its research and development function, divided between the Devices and Software segments. The strong focus on research and development has been the core of the operations since the foundation of the company in 2004 and has resulted in a strong international patent portfolio comprising 56 international patents and 9 pending patents. Additionally, Optomed has nine registered as well as 40 registered and 3 pending trademarks.

Optomed's management believes that the strong patent portfolio and continuous development of new camera and software solutions are the most important competitive advantages of the company. Optomed's proprietary and patented technology have resulted in Optomed being able to develop and construct handheld fundus cameras that are able to provide high- quality fundus images. The quality of the images is higher or on the same level as most traditional desktop fundus cameras.

The research and development expenditure totaled EUR 3,108 thousand, representing 23.9 percent of revenue in 2020, compared to EUR 2,659 thousand or 17.8 percent of revenue in 2019. The research and development expenditure increased 16.9 percent compared to 2019.

EUR, thousand	2020	2019
R&D expenditure	3,108	2,659
As percentage of revenue	23.9%	17,8%

Non-financial information

Environment, Social and Governance (ESG) related matters are an integral part of Optomed's operations. The company is still rather small which enables the management to take ESG matters into consideration efficiently.

Optomed has identified manufacturing as one of its key ESG elements and the key ESG related risks are within the scope of manufacturing. Therefore, the ESG matters are taken into account when making resolutions with regards to manufacturing. Currently, Optomed's devices are manufactured by an ESM partner that is a NYSE listed entity with its own strict sustainability requirements and reporting. This gives Optomed visibility and assurance that ESG matters are taken into account with regards to its device manufacturing.

Optomed has implemented a governance structure required for the Nasdaq Helsinki main list and implemented significant amount of policies, including the code of conduct and whistleblowing that all employees are expected to follow. The code of conduct also highlights Anti-Bribery and Corruption (ABC) matters as they have been assessed to be extremely important due to the global nature of Optomed's operations. The governance function has been strengthened significantly and new expertise has been brought to the board and audit committee. The governance structure is described in detail in Optomed's Corporate Governance Statement.

Health technology is a regulated sector which also contributes to the company's ESG approach. Optomed complies with RoHS, REACH, conflict mineral regulations and all applicable privacy, consumer protection and product safety regulations. Optomed's compliance with respect to various medical devices related regulations is also audited by third parties regularly.

Personnel, management and legal structure

Personnel

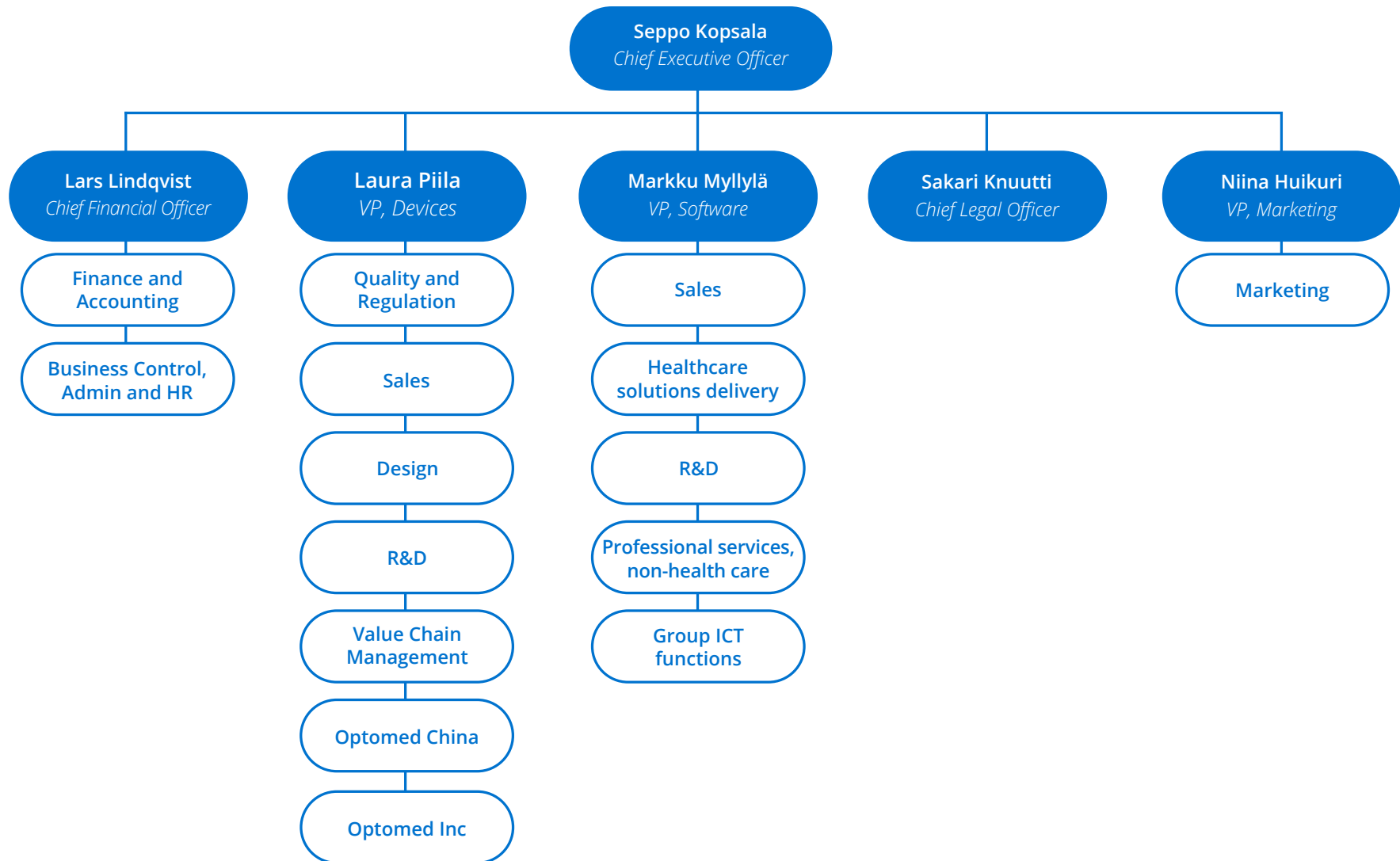
On 31 December 2020, Optomed had a total of 109 employees, of which a significant number worked in expert roles. The employee contracts are mostly permanent contracts.

Number of employees	2020	2019
Average number of employees	105	106
Number of employees at the end of the period	109	108

Graphical distribution of employees	2020	2019
Finland	96	95
China	12	13
United States	1	0
Total	109	108

Management

The Group CEO is responsible for the management of the company's operations and governance in accordance with the instructions of the Board of Directors. The CFO is responsible for the company's finance function, which includes accounting and reporting, business controlling, treasury, tax, human resources, investor relations and internal controls. The Vice President, Devices is responsible for the company's Devices segment, which also includes a sales team, and the Vice President also acts as the Operating Director of Optomed China. The Vice President, Software is responsible for the company's Software segment, in addition the Vice President acts as the Managing Director of Optomed Software Oy and is responsible for the group's IT function. The Vice President, Marketing is responsible for brand and marketing strategy for new and existing product, product management and training, as well as management of marketing campaigns and events. The Chief Legal Officer's responsibilities include legal matters, M&A, compliance, corporate governance, corporate responsibility and risk management. The Chief Legal Officer also acts as the secretary to the Board of Directors of the company.



Legal structure

Optomed group consists of the parent company Optomed Plc and five subsidiaries in Finland, China, the USA and Hong Kong. In addition, Optomed Plc has a branch in Sweden, Optomed Sweden Filial. The parent company of the group, Optomed Plc, is responsible for, among other things, the management of the group as well as finance and accounting functions, human resources, legal affairs and corporate communication. The parent company is responsible for the Devices segment operations, while the Software segment operations are carried out through Optomed Software Oy. In addition to Finland, Optomed operates in China and the USA through its subsidiaries. The main responsibilities of the foreign subsidiaries are local sales and distribution channel management, product registration as well as the launching of new products, brand building, marketing, aftersales services, and repair services.

The following table presents the subsidiaries of the company along with respective ownership shares on 31 December 2020.

Subsidiaries of the company	Consolidated shareholding and voting right, %	Country of incorporation
Optomed Software Oy	100.0%	Finland
Optomed Hong Kong Ltd	100.0%	Hong Kong
Optomed China LimitedCo.,Ltd	100.0%	China
Shanghai Optomed Medical Technology Co., Ltd	100.0%	China
Optomed USA Inc.	100.0%	United States

The USA subsidiary Optomed USA Inc. was established in early 2020. The China subsidiary Shanghai Optomed Medical Consulting Ltd was closed in early 2020.

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 to approximately 5.3 percent of the total amount of the shares and votes. Optomed's market capitalization was EUR 95.8 million at the of the review period.

Optomed's shareholder structure was as follows at the year-end:

Sector	Number of shareholders	% of shareholders	Number of shares	% of shares
Private companies	129	3.31	1,237,674	8.84
Financial and insurance institutions	12	0.31	3,587,689	25.62
Public sector organizations	2	0.05	731,080	5.22
Households	3,738	95.87	2,131,325	15.22
Non-profit instit serving households	4	0.1	42,370	0.3
Foreigners	6	0.15	4,372	0.03
Total	3,891	99.79	7,734,510	55.23
Nominee registered	8	0.21	6,268,634	44.77
Total shares			14,003,144	100
Number of shares	Shareholders	%	Shares	%
1 - 100	1,284	32.93	62,204	0.44
101 - 1,000	2,333	59.84	817,409	5.84
1,001 - 10,000	258	6.62	675,673	4.83
10,001 - 100,000	9	0.23	482,868	3.45
100,001 - 1,000,000	13	0.33	5,798,137	41.41
> 1,000,000	2	0.05	6,166,853	44.04
Total	3,899	100	14,003,144	100.00
Nominee registered	8	21	6,268,634	44.77
Number of shares issued			14,003,144	100

	Shareholder	Shares	% of shares
1	* Skandinaviska Enskilda Banken Ab (publ) Helsingin Sivukonttori	4,487,601	32.05
2	* Nordea Bank Abp	1,679,252	11.99
3	Optomed Oyj	740,378	5.29
4	Aura Capital Oy	691,756	4.94
5	Kopsala Seppo Henrik	637,080	4.55
6	Mandatum Henkivakuutusosakeyhtiö	635,000	4.53
7	Suomen Teollisuussijoitus Oy	601,080	4.29
8	Keskinäinen Vakuutusyhtiö Kaleva	490,000	3.5
9	Sr Nordea Nordic Small Cap	434,578	3.1
10	Sr Aktia Capital	400,000	2.86
	10 largest shareholders total	10,796,725	77.10
	on which nominee registered	6,166,853	44.04
	Others	3,206,419	22.90
	In total	14 003 144	100

*Nominee register

At the end of the review period, Optomed's Chairman and Members of the Board of Directors controlled 2,451,393 shares, representing approximately 17.5 percent of the total number of all shares and 18.5 percent of all shares excluding shares in treasury. The CEO and management team owned 637,080 shares and 490,000 options. Additional information with regards to the shareholding of the board and the management is available at the company's corporate governance statement.

Flagging notifications

Under the provisions of the Finnish Securities Markets Act, shareholders of listed companies have an obligation to notify both the Finnish Financial Supervision Authority and the listed company of changes in their holdings when crossing predefined thresholds.

In 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 October 2020.

The company is not aware of the existence of any Shareholders' agreements and it is not controlled by anyone. Additional information with respect to the shares, shareholding and trading can be found on the company's website www.optomed.com.

Authorizations

On 11 June 2020, the Annual 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.

Further, 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.

Group Share Indicators	2020	2019	2018
Earnings per share	-0.24	-0.32	-0,17
Equity per share	1.51	1.72	0,71
Dividend per share	-	-	
Dividend % of earnings	-	-	
effective dividend yield %	-	-	
P/E ratio	-31.05	-19.70	
Share price performance, share issue adjusted *			
Lowest share price	2.92	4.53	
Highest share price	7.57	7.52	
Average share price	5.33	6.13	
Closing share price	7.22	6.34	
Market value of shares at end of period	101,103	88,780	
Weighted average adjusted number of shares during the financial period	13,262,766	8,935,654	7,775,473
Weighted average adjusted number of shares in the end of financial year	13,262,766	13,262,766	8,147,700

Optomed's shares were listed on Nasdaq Helsinki stock exchange on 5.12.2019

Calculation of share indicators

Earnings per share	$\text{Net result} / \text{Number of outstanding shares (reflecting changes in the number of shares following the resolution of the EGM to split the shares of the company with a ratio of 1:20)}$
Equity per share	$\text{Shareholders' equity} / \text{adjusted number of shares at the end of the financial period} - \text{own shares}$
Dividend per share	$\text{Total dividend} / \text{adjusted number of shares at the end of the financial period} - \text{own shares}$
Dividend, % of earnings	$\text{Dividends per share} / \text{earnings per share} \times 100$
Effective dividend yield, %	$\text{Dividend per share} \times 100 / \text{adjusted share price at the end of the financial period}$
P/E ratio	$\text{Earnings per share} / \text{market value per share}$

Option programs

Optomed has established several option programs as incentive programs covering employees, managing directors and consultants of the group.

Optomed's amended option programs are described below.

Each option entitles its owner to subscribe for one (1) new, or if the company's Board of Directors so decides, existing A share in the company or if the company would only have one class of shares, as is the case following the Listing, such shares. The share subscription prices and the exercise periods are set out in the terms and conditions of the options.

The dividend right of the new shares and other shareholder rights will commence after the shares upon exercise of the relevant option are recorded into the Trade

Register, or if existing shares of the company are being issued, upon completion of the transfer of the share provided that the transfer has been fully paid.

The options are forfeited and automatically transferred to the company without consideration if the employment or service relationship to the group is terminated, for any reason whatsoever, or if the consulting agreement regarding the option holder's work performed for the group is terminated for any reason whatsoever, unless the Board of Directors decides to deviate from the main rule.

Program	Subscription price (EUR)	Exercise Period	Outstanding options
2009A	0.7	1 July 2020 – 1 July 2021	34,000
2015	3.5	1 July 2020 – 1 July 2024	246,000
2017	3.5	1 July 2020 – 1 July 2024	210,000
2017B	3.5	1 July 2020 – 1 July 2022	52,000
2018C	3.5	(50%) 1 July 2020 – 31 December 2024 (50%) 1 July 2021 – 31 December 2024	251,000
2019A	3.5	1 July 2021 – 31 December 2024	84,000
2019B	3.5	(40%) 1 July 2020 – 31 December 2024 (20%) 1 September 2020 – 31 December 2024 (40%) 1 September 2021 – 31 December 2024	100,000
2019C	3.5	(50%) 1 July 2020 – 31 December 2024 (50%) 1 September 2020 – 31 December 2024	20,000
2019D	5	1 January 2023 – 31 December 2023	72,000
2020A	3.5	1 January 2023 – 31 December 2023	98,000
Total			1,167,000

Decisions of the 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.

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

Risks and uncertainties

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.

High quality products

The quality and safety of the Company's products are extremely important for competitiveness.

The company may be adversely affected if it fails to continuously develop and update its fundus cameras and software solutions or to identify or integrate new products and product platforms into its offering.

Strategy and M&A

The company may be unsuccessful in fulfilling its strategy or the strategy itself may be unsuccessful.

The successful implementation of the company's strategy depends upon several factors, some of which are completely or partially outside the company's control. The company has an appropriate risk management function in the context of the size of the company's operations, however, it may not be able to identify or monitor all relevant risks and determine efficient risk management procedures and responsible persons that may again affect the strategy. The company is also dependent on its ability to develop and manage varying routes-to-market for its products, the efficiency of its sales channels and its customer and distributor relationships. Further, the company has an opportunistic view on M&A which by nature include inherent risks. Failure of strategy may force the company to record write-downs on its goodwill.

Market and competition

The company operates in a market that is highly competitive.

Optomed operates in the fundus camera market that is developing fast and the competition is sometimes fierce. The market acceptance of the company's products and solutions is important for its future growth. Optomed recognizes a possibility of new market changing products entering the market. Further, in certain key geographies Optomed's client base is limited and, therefore, a loss of a key customer in a key market may adversely affect the Company's revenue streams.

External economic and political risks and natural disasters

Optomed operates globally and is thus exposed to various external risks.

The company is exposed to natural disasters taking place in countries where it operates. In addition to these, the company is also exposed to general and country specific, economic, political and regulatory risks, which could entail volatile sales in key markets.

Supply chain

Optomed's business is dependent on the effectiveness of purchasing materials, manufacturing and timely distribution.

The company is dependent on contract manufacturers for functioning, efficient and effective production and product assembly. Further, the company is dependent on suppliers which may affect the company's ability to supply its customers in a timely manner.

Systems and information

Optomed's operations are increasingly dependent on IT systems.

Disruption of the company's IT systems could inhibit the business operations in a number of ways, including disruption to financial reporting, sales, production and cash flows.

Litigation

Optomed operates globally and pursues double digit annual organic growth in medium term.

Optomed may not always be able to reach the best contractual terms with stakeholders. The company may be negatively affected by legal or administrative proceedings directed at the company or third parties due to back-to-back liability, or other disputes and claims including product liability, especially in terms of medical devices, and intellectual property rights related items.

Trade secrets and patents

The technological capabilities are a competitive advantage that the company must be able to protect.

The company may not be able to protect its trade secrets and know-how which could lead to losing the competitive advantage the company has. At the same time, the company may be forced to take actions against parties that violate Optomed's IPRs.

Talent & organisation

A skilled workforce and agile organisation are essential for the continued success of the business.

The company may be adversely affected if it would lose its key personnel or fails to attract the right talent.

Finance

The company needs external financing to operate and is not currently profitable.

The company is dependent on external financing and the company may have difficulties accessing additional financing on competitive terms or at all which may again contribute the company's liquidity risks. The company is also subject to credit and counterparty risks through its trade receivables.

Forex

Optomed operates globally and is thus exposed to currency exchange risks.

The company is exposed to foreign exchange rate risks arising from fluctuations in currency exchange rates, especially with regards to USD, EUR and RMB. Currency rates, along with demand cycles, can result in significant swings in the prices of the raw materials needed to produce the Company's goods, sales prices and OPEX.

Legal and regulatory

Compliance with laws and regulations is an essential part of Optomed's business operations.

Optomed and its' suppliers and distributors operate globally and are subject to various national and regional regulations in the areas of medical devices, product safety, product claims, data protection, intellectual property rights, health and safety, competition, employment, taxes and anti-money laundering and anti-bribery & corruption (AML & ABC). Furthermore, many of the company's devices are subject to various medical related assessment (including clinical trials), clearance and approval processes that are required to introduce the Company's products on the markets.

Failure to comply with the regulations might lead to loss of sales permits in different markets, product recalls, reputational issues, civil and criminal actions leading to various direct and indirect damages to Optomed and its employees that are not completely covered by Optomed's insurance coverage. Especially, failures with respect to compliance with certain medical devices related regulations and processes may hinder the company's devices market access.

DISPUTES

The company is not currently involved in any disputes or trials that would have a significant impact on the group's financial position.

Major events after the review period

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.

Outlook 2021

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

Alternative performance measures definitions

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 is calculated as follows:

Acquisitions and divestments: Shows 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

EUR, thousand	2020	2019	Pro forma, 2018
Revenues	13,011	14,977	14,463
Other operating income	157	254	889
Material and services	-4,213	-5,287	-4,954
Gross profit	8,955	9,944	10,398
Operating profit/loss (EBIT)	-2,906	-2,596	-664
Items affecting comparability			
PO related expenses	0	139	135
Acquisition related expenses	0	0	191
Adjusted EBIT	-2,906	-2,457	-338
Depreciation, amortization and impairment losses	2,173	2,261	1,997
Adjusted EBITDA	-733	-196	1,661

Organic growth for the Group	2020	2019
Revenue	13,010	14,977
Acquisitions (elimination of revenues for comparability)	0	0
Revenue excluding acquisitions	13,010	14,977
Currency effects	0	-82
Revenue excluding acquisitions and currency effects	13,010	14,895
Organic growth, percent	-12.7 %	

Organic growth for the Devices segment	2020	2019
Revenue	5,097	7,309
Acquisitions (elimination of revenues for comparability)	0	0
Revenue excluding acquisitions	5,097	7,309
Currency effects	0	-82
Revenue excluding acquisitions and currency effects	5,097	7,227
Organic growth, percent	-29.5 %	

Organic growth for the Devices segment	2020	2019
Revenue	7913	7668
Acquisitions (elimination of revenues for comparability)	0	0
Revenue excluding acquisitions	7913	7668
Currency effects	0	0
Revenue excluding acquisitions and currency effects	7913	7668
Organic growth, percent	3.2 %	

Consolidated income statement

In thousand of euro	Note	Jan 1 - Dec 31, 2020	Jan 1 - Dec 31, 2019
Revenue	2, 3	13,011	14,977
Other operating income	4	157	254
Materials and services	5	-4,213	-5,287
Employee benefit expenses	6	-7,319	-7,299
Depreciation, amortisation and impairment losses	8	-2,173	-2,261
Other operating expenses	7	-2,369	-2,980
Operating result		-2,906	-2,596
Finance income	8	452	8
Finance expenses	8	-794	-365
Net finance expenses		-341	-356
Loss before income taxes		-3,247	-2,952
Income tax expense	10	70	77
Loss for the financial year		-3,177	-2,875
Loss for the financial year attributable to			
Owners of the parent company		-3,177	-2,875
Loss per share attributable to owners of the parent company			
Basic loss per share (euro)	11	-0.24	-0.32

Consolidated comprehensive income statement

In thousand of euro	Jan 1 - Dec 31, 2020	Jan 1 - Dec 31, 2019
Loss for the financial year	-3,177	-2,875
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation difference	77	14
Other comprehensive income for the financial year, net of tax	77	14
Total comprehensive income for the financial year	-3,100	-2,861
Total comprehensive loss attributable to		
Owners of the parent company	-3,100	-2,861

Consolidated balance sheet

In thousand of euro	Note	Jan 1 - Dec 31, 2020	Jan 1 - 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	12,753	12,662
Tangible assets	13	359	406
Right-of-use assets	14	1,165	1,075
Deferred tax assets	10	11	8
Total non-current assets		14,289	14,151
Current assets			
Inventories	15	2,539	2,468
Trade receivables	16.21	2,639	2,897
Other receivables	17	998	1,228
Cash and cash equivalents	16	10,608	18,866
Total current assets		16,784	25,459
Total assets		31,073	39,611

In thousand of euro	Note	Jan 1 - Dec 31, 2020	Jan 1 - 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	18	20,073	22,637
LIABILITIES			
Non-current liabilities			
Borrowings from financial institutions	19.21	3,520	5,104
Government loans	19.21	2,670	2,998
Lease liabilities	14.19	782	699
Deferred tax liabilities	10	540	616
Total non-current liabilities		7,512	9,416
Current liabilities			
Borrowings from financial institutions	19.21	0	1,766
Government loans	19.21	328	60
Lease liabilities	14.19	425	414
Trade payables	19	595	1,667
Other payables	20	2,141	3,650
Total current liabilities		3,489	7,557
Total liabilities		11,001	16,973
Total equity and liabilities		31,073	39,611

Consolidated cash flow statement

In thousand of euro	Note	Jan 1 - Dec 31, 2020	Jan 1 - Dec 31, 2019
Cash flows from operating activities			
Loss for the financial year		-3,177	-2,875
Adjustments:			
Depreciation, amortisation and impairment losses	7	2,173	2,261
Finance income and finance expenses	9	343	356
Other adjustments		284	466
Cash flows before change in net working capital		-377	207
Change in net working capital:			
Change in trade and other receivables (increase (-) / decrease (+))		496	-783
Change in inventories (increase (-) / decrease (+))		-83	-1,346
Change in trade and other payables (increase (+) / decrease (-))		-2,402	2,396
Cash flows before finance items		-2,367	475
Interest paid		-75	-202
Other finance expenses paid		-725	-136
Interest received		366	24
Net cash from operating activities (A)		-2,801	161
Cash flows from investing activities			
Acquisition of intangible assets	12	-1,553	-1,175
Acquisition of tangible assets	13	-268	-260

Net cash used in investing activities (B)		-1,820	-1,434
Cash flows from financing activities			
Proceeds from share subscriptions	18	92	23,000
Share issue transaction costs		0	-4,208
Proceeds from loans and borrowings	19	-167	176
Repayment of loans and borrowings	19	-3,233	-460
Repayment of lease liabilities	14.19	-390	-385
Net cash from financing activities (C)		-3,698	18,123
Net cash from (used in) operating, investing and financing activities (A+B+C)		-8,319	16,849
Net increase (decrease) in cash and cash equivalents		-8,319	16,849
Cash and cash equivalents at January 1		18,866	2,000
Effect of movements in exchange rate on cash held		61	17
Cash and cash equivalents at December 31	16	10,608	18,866

Consolidated statement of changes in equity

Equity attributable to owners of the parent company

In thousand of euro	Note	Share Capital	Share Premium	Reserve for invested non-restricted	Translation differences	Retained earnings	Total
Balance at January 1, 2020		80	504	37,341	89	-15,376	22,637
Comprehensive income							
Loss for the financial year		-	-	-	-	-3,177	-3,177
- translation differences		-	-	-	77		77
Total comprehensive income for the financial year		-	-	-	77	-3,177	-3,100
Transactions with owners of the company							
Share issue	18	-	-	-	-	-	-
Share options	6	-	-	129	-	406	535
Total transactions with owners of the company		-	0	129	-	406	535
Balance at December 31, 2020	18	80	504	37,470	166	-18,147	20,073

Equity attributable to owners of the parent company

In thousand of euro	Note	Share Capital	Share Premium	Reserve for invested non-restricted	Translation differences	Retained earnings	Total
Balance at January 1, 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
Transactions with owners of the company							
		-	-	-	14	-2,875	-2,862
Total comprehensive income for the financial year							
Share issue	18	61	-61	18,792	-	694	19,486
Share options	6	-	-	-	-	461	461
Total transactions with owners of the company		61	-61	18,792	-	1,155	19,947
Balance at December 31, 2019	18	80	504	37,341	89	-15,376	22,637

Notes to the consolidated financial statements

1. Corporate information and basis of accounting

1.1 Corporate information

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

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

The Board of Directors of Optomed Plc approved these consolidated financial statements for issue. According to the Finnish Limited Liability Companies' Act, the shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. Furthermore, the Annual General Meeting can decide on modifications to be made to the financial statements.

1.2 Basis of accounting

General policies applied that relate to the consolidated financial statements as a whole are described in this section 1.2. Accounting policies that are specific to a component of the financial statements, together with descriptions of management judgements, related estimates and assumptions, have been incorporated into the relevant note.

The consolidated financial statements are prepared on a historical cost basis, except for the following that are measured at fair value (refer to 1.2.3 Measurement of fair values below):

— share-based payments

The financial year of Optomed is the calendar year. The figures in the financial statements are mainly presented in thousands of euro. All figures presented have been rounded, and consequently the sum of individual figures may deviate from the presented aggregate figure. Key figures are computed using exact figures.

1.2.1 Consolidation

The consolidated financial statements incorporate the financial statements of the parent company Optomed Plc. and of all those subsidiaries over which the parent company has control at the end of the reporting period. Optomed controls an entity when Optomed is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Acquired subsidiaries are consolidated from the date on which control is transferred to Optomed until control ceases. Refer to Note 23. Related party transactions for disclosures on the Group structure.

Intra-group transactions, receivables, liabilities and unrealized margins, as well as distribution of profits within the Group, are eliminated in preparing the consolidated financial statements. Optomed had no non-controlling interests (NCI) during the financial years in the report

Acquired or established subsidiaries are accounted for by using the acquisition method.

1.2.2 Foreign currency transactions and balances

Items included in the financial statements of each subsidiary are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is the functional and presentation currency of the parent company.

For those subsidiaries with non-Euro functional and presentation currency, the income and expenses for the income statement and comprehensive income statement, and the items for cash flow statement, are translated into Euro using the average exchange rates of the reporting period. The assets and liabilities for the balance sheet are translated using the exchange rates prevailing at the reporting date. The translation differences arising from the use of different exchange rates explained above are recognized in consolidated other comprehensive income.

Any goodwill arising on the acquisition of foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of those foreign operations are treated as assets and liabilities of those foreign operations. They are translated into Euro using the exchange rates prevailing at the reporting date. When a foreign operation is sold, or is otherwise partially or completely disposed of, the translation differences accumulated in equity are reclassified in profit or loss as part of the gain or loss on the transaction.

1.2.3 Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Specific valuation techniques used in fair value measurement include:

— Share-based payments – Black-Scholes option pricing model (Note 6.4 Share-based payment plans)

— Intangible assets identified in the Commit acquisition - multi-period excess earnings method and relief-from-royalty method.

1.2.4 Operating result

Optomed has determined operating result to be a relevant subtotal in understanding the Group's financial performance. However, IFRS does not define the concept of operating result. The Group has defined it as follows: operating result is the net amount attained when revenues are added by other operating income, less:

— purchase expenses, adjusted with change in inventories

— employee benefit expenses

— depreciation, amortisation and any impairment losses, and

— other operating expenses.

All other items are presented below operating result in the income statement.

1.2.5 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale, if their carrying amounts are to be recovered principally through a sale transaction rather than through continuing use. From the date of classification, these assets (or disposal groups) are measured at the lower of their carrying amounts and fair value less the costs to sell, and the recognition of depreciation or amortisation is discontinued.

1.2.6 Critical management judgments and related estimates and assumptions

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

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

Use of judgment and estimates

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

— capitalisation of development costs: determination of development expen-

diture eligible for capitalisation (Note 12. Intangible assets)

— leases: determination of lease term (Note 14. Leases)

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the following:

— goodwill impairment testing (Note 12. Intangible assets)

— capitalisation of development expenditures

(Note 12. Intangible assets)

— Development expenditures impairment testing

(Note 12. Intangible assets)

1.2.7 Adoption of new and amended standards in future financial years

Optomed has not yet adopted the following amended standards and interpretations already issued by the IASB. The Group will adopt these pronouncements as of the effective date of each of the pronouncements, or if the effective date is not the first day of the financial year, as of the beginning of the next financial year following the effective date. Currently Optomed believes that the adoption of these pronouncements will not have a significant effect on the future consolidated financial statements.

Effective for financial years beginning on or after

January 1, 2020:

Amendments to References to Conceptual Framework in IFRS Standards : The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations

Committee in interpreting them. It does not override the requirements of individual IFRSs.

Amendments to IAS 1 Financial Statements: Presentation and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material : The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS standards. In addition, the explanations accompanying the definition have been improved. Other amendments and interpretations are not expected to have an impact on the consolidated financial statements when adopted.

2. Segment reporting

2.1 Accounting policy

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. Optomed has two reportable segments, Devices and Software.

Software segment offers products for optimal management of various screening operations as well as IT solutions and services for storing, viewing and working with medical images. Also professional IT consulting services for government institutions are included in this segment. Currently it comprises own screening solution products for diabetic retinopathy and breast, cervical and bowel cancer screening management as well as Sectra software solutions and artificial intelligence algorithms.

Devices segment consists of handheld fundus camera products, which are used in ophthalmology, pediatric care, endocrinology, neurology and primary care. Currently it comprises all Optomed branded camera products, such as Optomed Smartscope Pro and Optomed Aurora cameras. Also the OEM cameras are included in this segment Pictor Plus, Pictor Prestige (Volk), Visuscout 100 (Zeiss), Fundus Module 300 (Haag-Streit) and Signal (Topcon).

In Optomed Group the CEO has been identified as being the chief operating decision maker responsible for assessing performance of the segments and

making resource allocating decisions. The segment disclosures presented are based on the internal management reporting. Optomed has not aggregated operating segments into reportable segments.

2.2 Reportable segments

2020

In thousand of euro	Devices	Software	Group Admin	Group, Total
External revenue	5,097	7,913	0	13,011
Net operating expenses	-2,235	-1,820	0	-4,055
Margin	2,862	6,093	0	8,955
Depreciation and amortisation	-1,569	-603	0	-2,173
Other expenses	-3,112	-4,167	-2,408	-9,688
Operating result	-1,820	1,323	-2,408	-2,906
	0	0	-341	-341
Loss before tax expense	-1,820	1,323	-2,749	-3,247
Segment assets	10,205	7,836	221	18,263
Capital expenditure	1,510	291	21	1,822
Segment liabilities	452	232	89	774

2019

In thousand of euro	Devices	Software	Group Admin	Group, Total
External revenue	7,310	7,668	0	14,977
Net operating expenses	-3,109	-1,924	0	-5,033
Margin	4,200	5,744	0	9,944
Depreciation and amortisation	-1,504	-757	0	-2,261
Other expenses	-4,609	-4,077	-1,593	-10,279
Operating result	-1,913	909	-1,593	-2,596
	0	0	-356	-356
Loss before tax expense	-1,913	909	-1,949	-2,952
Segment assets	10,351	7,864	193	18,408
Capital expenditure	1,172	177	0	1,349
Segment liabilities	1,582	272	73	1,927

2.3 Geographic information

In presenting the geographic information, segment assets were based on the geographic location of the assets. Segment assets are measured in the same way as in the IFRS financial statements.

In thousands of euro	Non-current assets ¹	
	2020	2019
Finland	14,011	13,778
China	267	365
Total	14,278	14,143

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

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

2.4 Major customers

The Group's revenues from two major customers in the financial years 2020-2019 were approximately as follows: from one customer EUR 2,1 million (2020), and EUR 1.9 million (2019), and from another customer EUR 2,1 million (2020) and EUR 0,8 million (2019).

3. Revenue

3.1 Accounting policy

Optomed recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Optomed expects to be entitled in exchange for those goods or services.

Devices segment sells medical imaging tools and solutions to distributors. The agreements with distributors are frame agreements. An enforceable contract is created based on each purchase order combined with the frame agreement. Typical sales agreements for the Software segment include maintenance service agreements, resource hiring agreements, service portal agreements and software package agreements.

For medical imaging tools and solutions each product in a purchase order forms a separate performance obligation as:

- the distributor can benefit from the good on its own, and
- the promise to transfer the good to the customer is separately identifiable from other promises in the contract.

Extended warranty may be sold separately, it is also a separate performance obligation.

For Software segment:

— A maintenance contract has one performance obligation containing overall service for the period agreed upon.

— A resource hiring contract is based on hourly fee. Each hour of consulting service is a separate performance obligation.

— A service portal agreement includes following separate performance obligations: implementation, additions for new service providers, reconfigurations and continuous service provided.

— A software package agreement includes following separate performance obligations: licences, implementation and continuous maintenance service.

Transaction prices in the contracts are mostly fixed. Some contracts may, however, include a minimum amount for transactions in a certain period, for example. The variable fee is constrained to the amount for which it is highly probable that a significant reversal will not occur subsequently. The terms of payment applied vary to some extent geographically and in different business areas, but the term of payment provided is nonetheless always clearly less than a year. Consequently, contracts do not include a significant financing component.

Optomed allocates the transaction price for medical imaging tools and solutions to performance obligations based their stand-alone selling prices using price lists. For service portal and software package contracts the transaction price is allocated based on costs incurred plus margin.

For Devices segment the revenues from sales of medical imaging tools and solutions are recognised when the performance obligation is satisfied by transferring a promised good to the distributor, i.e. at a point in time. The control is transferred when Optomed has present right to payment, significant risks and rewards of ownership have transferred to the distributor as well as the legal title and physical possession of the products.

In respect of Software segment:

— Service revenues are recognised over time as the customer simultaneously receives and consumes the benefits provided by Optomed's performance.

— Revenues from implementation projects are recognised at a point in time when the customer gets control and is able to start using the end product.

— Licence revenues are recognised at the point in time when the customer gets control. This is based on the nature of licences, being to provide a right to use intellectual property of the Software segment as that intellectual property

3.2 Disaggregation of revenue

In the following tables, consolidated revenue is disaggregated by geographical market¹ and timing of revenue recognition.

In thousands of euro	2020		2019	
Finland	7,777	60 %	7,308	49 %
China	2,443	19 %	1,795	12 %
Other	2,791	21 %	5,874	39 %
Total	13,011	100 %	14,977	100 %

	2020		2019	
Products and services transferred at a point in time	9,934	76 %	9,884	66 %
Services transferred over time	3,077	24 %	5,094	34 %
Total	13,011	100 %	14,977	100 %

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

4. Business combination

4.1 Accounting policy

Other operating income comprises income from activities outside the ordinary business of Optomed. Examples include government grants, rental income and gains from disposals of tangible and intangible assets.

The Group recognises a government grant only when:

- there is reasonable assurance that Optomed will comply with the conditions attached to the grant, and
- the grant will be received.

Income-related grants are recognised in profit or loss over the periods necessary to match them with the related costs that they are intended to compensate. They are presented under the line item Other operating income. Asset-related grants, such as government grants received for development purposes, are deducted in arriving at the carrying amount of the assets. The grant is recognised over the life of the asset as a reduced depreciation expense.

4.2 Assumptions and estimation uncertainties

During the financial years 2020-2019 Optomed has received government grants from various organisations, such as Business Finland (previously Tekes). The

In thousands of euro	2020	2019
Other operating income	157	254
Total	157	254

most significant grants for the year 2020 Optomed received from Business Finland. In 2019 Optomed most significant received grant was from the EU Horizon

2020 funding programme for research and innovation. The Horizon grants were deducted from the carrying amount of related capitalised development costs, as applicable.

5. Materials and services

5.1 Breakdown of materials and services expense

In thousands of euro	2020	2019
Purchase expenses	-2,964	-4,768
External services	-967	-259
	-282	-259
	-4,213	-5,287

6. Employee benefits

6.1 Accounting policy

Employee benefits include the following:

- a) short-term employee benefits
- b) post-employment benefits
- c) other long-term employee benefits (no such benefits were provided during the financial years 2018-2019)
- d) termination benefits, i.e. benefits provided in exchange for the termination of an employment (no such benefits were provided during the financial years 2018-2019)
- e) share-based payments (refer to Note 6.4 Share-based payment plans below).

a) Wages, salaries, fringe benefits, annual leave and bonuses are included in short-term employee benefits. They are recognised in the period in which the work is performed.

b) Post-employment benefits are payable to employees after the completion of employment. In Optomed, these benefits are related to pensions. Pension coverage of the Group is arranged through external pension insurance companies. Pension plans are classified as either defined contribution or defined benefit plans. Optomed only has defined contribution plans. A defined contribution plan is a pension plan under which Optomed pays fixed contributions into a separate entity. Optomed has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the related benefits. All other plans are classified as defined benefit plans. The contributions for defined contribution plans are recognized as employee benefit expense in those periods to which they relate. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

c) Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits. Examples include long-term paid absences such as sabbatical leave.

d) Termination benefits are not based on work performance but on the termination of employment. These benefits consist of severance payments. Termination benefits result either from the Group's decision to terminate the employment or the employee's decision to accept the benefits offered by Optomed in exchange for the termination of employment. Such benefits are recognised at the earlier of: when Optomed can no longer withdraw the offer of the benefits, and when the Group recognises costs for a restructuring that involves the payment of termination benefits.

e) The Group has five share-based incentive plans for the Group key personnel, which are share option plans. The purpose of the plans is to encourage the employees to work on a long-term basis in order to increase shareholder value, and to commit the key employees to the company. The payments for the incentives are made with equity instruments.

Share-based compensation is measured at the grant date and expensed using the straight-line method in the income statement over the vesting period. The expense determined at grant date is based on Optomed's estimate of the number of share options to which it is assumed that rights will vest by the end of the vesting period. The fair value is determined using the Black-Scholes pricing model. The Group updates its estimate of the final number of the share options that will vest at each reporting date. Changes in this estimate are recognised in the income statement. The options will be returned to Optomed in case the employee leaves the Group before the subscription period has commenced. There are no other vesting conditions.

When the option rights are exercised, the proceeds received are recognised in accordance with the terms of the plan under Reserve for invested non-restricted equity, net of any transaction costs.

6.2 Expenses recognised in profit or loss

In thousands of euro	2020	2019
Wages and salaries	-5,827	-5,677
Contributions to defined contribution post-employment plans	-842	-894
Other social security expenses	-245	-267
Share-based payment plans	-406	-461
Total	-7,319	-7,299

6.3 Number of personnel

	2020	2019
Average number of employees for the financial year	105	106

6.4 Share-based payment plans

The figures presented below reflect the changes in the number of options following from the share split carried out in November 2019

2009 plan

At May 29, 2009 the extraordinary general meeting decided on the issuance of a maximum of 120,000 option rights that entitle their owners to subscribe for a total of 120,000 A shares in the company, to the Group's key persons. The Board of Directors issued a total of 100,000 option rights, for which 20,000 were used to share subscriptions prior to January 1, 2016. The share subscription period for remaining options rights commenced at July 1, 2020 and it expired at July 1, 2021. This option program was updated in EGM meeting 13.9.2019

2015 - 2017 plan

At August 14, 2015 the meeting of shareholders decided on the issuance of a maximum of 640,000 option rights that entitle their owners to subscribe for a total of 640,000 A shares in the company, to the Group's key persons. During the years 2015-2018 the Board of Directors issued a total of 657,000 option rights, for which 89,000 were returned to the company, resulting in 568,000 option rights issued on a net basis. The numbers and share subscription periods are as follows:

- 460,000 pcs: July 1, 2020 - July 1, 2024
- 60,000 pcs: January 1, 2020 - December 31, 2021
- 24,000 pcs: July 1, 2020 - December 31, 2024
- 24,000 pcs: July 1, 2021 - December 31, 2024.

This option program was updated in EGM meeting 13.9.2019

2018 plan

The annual general meeting held at February 1, 2018 decided on the issuance of a maximum of 440,000 option rights that entitle their owners to subscribe for a total of 440,000 A shares in the company, to the Group's key persons. During the year 2018 the Board of Directors issued a total of 424,000 option rights, for which 4,000 were returned to the company, resulting in 420,000 option rights issued on a net basis.

The numbers and share subscription periods are as follows:

- 110,000 pcs: July 1, 2020 - December 31, 2024
- 106,000 pcs: July 1, 2021 - December 31, 2024.
- 84,000 pcs July 1,2021 - December 31, 2024.
- 100,000 Pcs September 1 - 2020-December 31 2024
- 20,000 pcs July 1 2020 - December 31, 2024.

This option program was updated in EGM meeting 13.9.2019

2019D plan

The general meeting of 13.9. amended 14.11.2019 decided on the issuance of a maximum of 72,000 option rights that entitle their owners to subscribe for a total of 72,000 A shares in the company, to the Group's key persons. During the year 2019 the Board of Directors issued a total of 72,000 option rights The numbers and share subscription periods are as follows:

-72,000 Pcs January, 1,2023-December 31, 2023

2020A plan

The general meeting of 11.6.2020 decided on the issuance of a maximum of 150,000 option rights that entitle their owners to subscribe for a total of 150,000 A shares in the company, to the Group's key persons. During the year 2020 the Board of Directors issued a total of 98,000 option rights The numbers and share subscription periods are as follows:

-98,000 Pcs January, 1,2023-December 31, 2023

Key terms and measurement of option plans

Plan	2009	2015	2017	2017B	2018C
Maximum number of options	80,000	250,000	210,000	58,000	266,000
Number of options issued	80,000	250,000	210,000	58,000	266,000
Issued	2009	2015-2018	2017	2017	2018
Vesting period	2009 - 2020	2015 - 2020	2017 - 2020	2017 - 2020	2018 - 2021
Vesting condition	Employment	Employment	Employment	Employment	Employment
Option subscription price	0.7	3.50	3.50	3.50	3.50
Fair value at grant date	-1)	2.25	2.17	2.09	2.09
Total fair value (1,000 EUR)	-1)	562	455	121	556
Plan	2019A	2019B	2019C	2019D	2020A
Maximum number of options	84,000	100,000	20,000	72,000	150,000
Number of options issued	84,000	100,000	20,000	72,000	98,000
Issued	2019	2019	2019	2019	2020
Vesting period	2019 - 2021	2019 - 2020	2019 - 2020	2019 - 2023	2020 - 2023
Vesting condition	Employment	Employment	Employment	Employment	Employment
Option subscription price	3.50	3.50	3.50	5.00	3.50
Fair value at grant date	2.09	2,02-2,09	2.02	1.69	2.97
Total fair value (1,000 EUR)	175	205	40	122	446

The grant-date fair value of options is determined using the Black Scholes option pricing model that takes into account the following key inputs:

- expected fair value of the underlying share EUR 5.0 - 6.5
- expected volatility 30 - 60 %
- the term of the option 1.3 - 3.7 years

1) No fair value was determined for the 2009 plan, since the vesting period closed in 2011. These options had no impact on the 2019-2020 consolidated financial statements.

Changes in outstanding share options

Pieces	2020	2019
Outstanding at January 1	1,140,000	870,000
Granted during the year	98,000	272,000
Forfeited during the year		-2,000
Exercised during the year	-71,000	-
Expired during the year	-	-
Outstanding at December 31	1,167,000	1,140,000
Exercisable at December 31	740,000	0

In case the share options issued are fully exercised, the number of outstanding A shares will increase by 9.2 %. The subscription prices will be recorded in the Reserve for invested non-restricted equity.

Expenses from share-based payment plans

Total expenses arising from share-based payment plans recognised as part of employee benefits were as follows:

In thousands of euro	2020	2019
Equity-settled share-based payments	-406	-461

7. Other operating expenses

7.1 Accounting policy

Optomed's other operating expenses include:

- expenses other than the cost of goods sold, such as travel, marketing, IT and office expenses.
- losses on the disposal of tangible and intangible assets.

7.2 Breakdown of other operating expenses

In thousands of euro	2020	2019
Travel expenses	-222	-651
Marketing expenses	-422	-489
IT expenses	-353	-385
Office expenses	-168	-189
Other administrative expenses	-714	-504
Research and development expenses	-276	-356
Other fixed expenses	-212	-407
Total	-2,367	-2,980

Other operating expenses also comprise changes in expected credit losses and realised credit losses.

7.3 Auditor's fees

In thousands of euro	2020	2019
Audit fees	-77	-85
Tax advisory services	-23	-24
Other services	-29	-510
Total	-129	-618

8. Depreciation, amortisation and impairment losses

8.1 Accounting policy

Depreciation and amortisation is the systematic allocation of the depreciable amount of a tangible / an intangible asset over its useful life. Optomed generally applies the straight-line method. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. Refer to Notes 12. Intangible assets and 13. Tangible assets.

8.2 Depreciation, amortisation and impairment losses by asset category

In thousands of euro	2020	2019
Intangible assets		
Development costs	-1,014	-848
Customer relationships	-222	-222
Technology	-102	-136
Other intangible assets	-129	-74
Total	-1,467	-1,280

In thousands of euro	2020	2019
Tangible assets		
Machinery and equipment	-313	-595
Total	-313	-595
Total depreciation and amortisation / owned assets	-1,779	-1,875

8.3 Impairment losses

The Group recognised impairment losses on intangible assets during financial year 2020 of 160 thousand euros and 0 in 2019

There were no recognised impairment losses on tangible assets during years 2020,2019.

9. Finance income and expenses

The accounting policies for financial assets and financial liabilities are presented in Note 17. Financial assets and 20. Financial liabilities.

Recognised through profit or loss

9.1 Finance income

In thousands of euro	2020	2019
Foreign exchange gains	364	23
Interest income	8	3
Other finance income	81	-18
Total	452	8

9.2 Finance expenses

In thousands of euro	2020	2019
Foreign exchange losses	-466	-3
Interest expenses	-171	-371
Other finance expenses	-157	9
Total	-794	-365
Net finance expenses	-341	-356

9.3 Borrowing costs - government loans

Optomed has capitalised under Development costs those borrowing costs incurred from the government loans (Business Finland) granted for development activities, refer also to Note 19. Financial liabilities. The capitalisation rate used to determine the amount of borrowing costs to be capitalised was 1 % for the years 2020-2019, being the interest rate applicable to those loans during the said annual periods. The capitalised costs amounted to EUR 14 thousand (2020) and EUR 8 thousand (2019), which were recorded as a deduction to interest expenses.

10. Income taxes

10.1 Accounting policy

The income tax expense for the period consists of:

- current tax, and
- change in deferred tax assets and deferred tax liabilities.

Income tax is recognized in the income statement, except that the income tax effects of items recognized in other comprehensive income or directly in equity are similarly recognized in other comprehensive income or equity.

The current income tax charge is calculated on the basis of the taxable income determined in accordance with the tax rates and laws enacted (or substantively enacted) in the countries where Optomed operates and generates taxable income. Income taxes are adjusted with any taxes relating to previous financial years. Other taxes not based on income are included within other operating expenses. Current taxes are calculated using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Taxable profit differs from the profit reported in the consolidated income statement, since:

- some income or expense items are taxable or deductible in other years, and/or
- certain income items are not taxable or certain expense items are non-deductible for taxation purposes.

Generally deferred tax is provided using the liability method on:

- temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and
- unused tax losses or unused tax credits.

Deferred tax assets are recognised for deductible temporary differences only to the extent that it is probable that future taxable profits will be available, against which Optomed can utilise deductible temporary differences. The amount and the probability of the utilisation of deferred tax assets are reviewed at the end of each reporting period. A valuation allowance is recognized against the deferred tax asset, if the utilisation of the related tax benefit is no more considered probable.

Deferred tax liabilities are usually recognized in full. However, deferred tax liability is not accounted for, if it arises from:

- the initial recognition of goodwill, or
- the initial recognition of an asset or a liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for investments in subsidiaries, except to the extent that Optomed is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are determined using tax rates (and laws) that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. The applied tax rate is the rate enacted or substantively enacted by the balance sheet date in the respective countries.

10.2 Current tax

In thousands of euro	2020	2019
Current tax for the reporting year	-	-
Current tax adjustments for prior years	-9	-
Change in deferred taxes	80	77
	70	77

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

	2020	2019
Profit before income tax	-3,247	-2,952
Tax using the Finnish corporate tax rate (20 %)	649	590
Effect of tax rate in foreign jurisdictions	12	14
Unrecognised deferred tax assets on taxable losses	-261	-255
Non-deductible expenses	7	-14
Share option expense	-107	-92
Depreciation and amortisation not deducted for tax purposes	-249	-240
Consolidation-related adjustments	20	73
Taxes in the income statement	70	77

10.4 Income taxes recognised in other comprehensive income

During the years 2019-2020 the Group did not recognise any income taxes in other comprehensive income.

10.5 Movements in deferred tax asset and deferred tax liability balances

2020

In thousands of euro	At Jan 1, 2020	Business combinations	Recognised through profit or loss	Recognised in equity	Exchange differences and other changes	At Dec 31, 2020
Deferred tax assets						
Right-of-use assets	8	-	3	-	-	11
Total	8		3	-	-	11
Deferred tax liabilities						
PPA Intangible assets	-534	-	65	-	-	-469
Development costs	-82	-	12	-	-	-70
Total	-616	-	76	-	-	-540
Total deferred tax assets and deferred tax liabilities	-608	-	76	-	-	-529

2019

In thousands of euro	At Jan 1, 2019	Business combinations	Recognised through profit or loss	Recognised in equity	Exchange differences and other changes	At Dec 31, 2019
Deferred tax assets						
Right-of-use assets	8	-	-	-	-	8
Total				-	-	8
Deferred tax liabilities						
PPA Intangible assets	-534	-	65	-	-	-534
Development costs	-82	-	12	-	-	-82
Total	-616	-	77	-	-	-616
Total deferred tax assets and deferred tax liabilities	-608	-	77	-	-	-608

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

In thousands of euro	Dec 31, 2020	Dec 31, 2019
Tax losses approved by tax authorities	10,409	6,129
Depreciation and amortisation not deducted for tax purposes	4,702	3,455

These tax losses relate to Optomed Plc and its Chinese subsidiaries. The Group has not recognised any deferred tax asset on these losses as at the time of preparation of these financial statements it is unlikely that these entities will generate taxable income against which the losses could be utilised before their expiration dates. The losses will expire in the years 2019-2029.

The depreciation and amortisation not deducted for tax purposes relate to Optomed Plc.

11. Loss per share

11.1 Accounting policy

Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing:

- the profit (loss) attributable to owners of the parent company
- by the weighted average number of ordinary shares (A and C shares) outstanding during the financial year.

In calculating the diluted earnings (loss) per share, the dilutive effect of all dilutive potential ordinary shares is taken into account in the weighted average number of outstanding shares. The Group's dilutive potential ordinary shares comprise the share-based incentive plans payable in shares.

11.2 Loss per share

	2020	2019
Loss attributable to owners of the parent company (in thousands of euro)	-3,177	6,129
Weighted average number of shares outstanding during the financial year (pcs)	13,262,766	8,935,654
Basic loss per share (EUR/share)	-0.24	-0.32

The table presented above reflects changes in the number of shares following the resolution of the Extraordinary General Meeting on 14 November 2019 to split the shares of the company with a ratio 1:20.

Diluted loss per share is not presented, as the results for the financial years 2019 and 2020 were negative and thus the dilutive instruments would have an undilutive effect on loss per share.

12. Intangible assets

13.1 Accounting policy

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

a) Goodwill: The excess of the

- consideration transferred
- amount of any non-controlling interest in the acquired entity, measured at fair value, and
- acquisition-date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill reflects e.g. expected future synergies resulting from acquisitions. Goodwill is not subject to amortisation but is tested annually for impairment, or more frequently if there is any indication that it might be impaired, refer to Note 12.3 below. Goodwill is carried at historical cost less accumulated impairment losses.

b) Development costs: Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Optomed capitalises such costs when all the following criteria are met:

- Optomed can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Optomed intends to complete the intangible asset and use or sell it.
- Optomed is able to use or sell the intangible asset.
- Optomed is able to demonstrate how the intangible asset will generate probable future economic benefits.
- The Group has adequate technical, financial and other resources available to complete the development and

to use or sell the intangible asset

- Optomed is able to measure reliably the expenditure attributable to the intangible asset during its development. Capitalised development costs comprise all directly attributable costs (mainly labour) necessary to prepare the asset to be capable of operating in the manner intended. Optomed has also:

- capitalised borrowing costs arisen from government loans granted for development purposes, and
- deducted an applicable amount of major government grants received for development activities from the carrying amount.

Development expenditure that was initially expensed is not capitalised at a later date. The estimated useful life for development costs is 10 years.

Research is original and planned investigation Optomed undertakes with the prospect of gaining new scientific or technical knowledge and understanding. Such costs are expensed as incurred.

c) Customer relationships and technology: these assets were measured at fair value at the acquisition date using the multi-period excess earnings method and the relief-from-royalty method. Their estimated remaining useful lives are 10 years.

d) Other intangible assets: An intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to Optomed, and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred. Group's other intangible assets mainly comprise patents and trademark rights, which are amortised on a straight-line basis over their estimated useful lives (10 years).

Optomed reviews the amortisation periods and the amortisation methods applied at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. The changes of useful lives can be due to e.g. technical development, changes in demand or competition, for example.

The Group assesses, at each reporting date, whether there is an indication that an intangible asset other than goodwill may be impaired. If any indication exists, Optomed estimates the asset's recoverable amount. An impairment loss is recognised in the income statement when the carrying amount of an asset exceeds its recoverable amount.

12.2 Assumptions and estimation uncertainties – development costs

Optomed capitalises development expenditure as an intangible asset where the related criteria are met (refer to 12.1 Accounting policy above). This requires management to make judgement on when all of the criteria for capitalisation are met and when to cease capitalisation and start amortising the asset. The point at which development costs meet the criteria for capitalisation is dependent on Optomed management's judgement of, for example, the point at which technical feasibility is demonstrable.

In impairment testing the recoverable amount of development costs are determined based on value-in-use calculations. The calculations use cash flow projections approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using the estimated steady growth rate of 1.8 %. The cash flow projections exclude expansion investments. The discount rate is defined as WACC (weighted average cost of capital), which reflects the total cost of equity and debt while considering the asset-specific risks. The pre-tax discount rate was 13.6% (13.6%) and the post-tax discount rate 11.2% (11.2%)

The sensitivity analysis is prepared in respect of the discount rate and the termi-

nal growth rate applied beyond the four-year projection period. The changes in these key assumptions - holding other assumptions constant - would result in the recoverable amount of the tested assets to equal their carrying amount as at December 31, 2020.

12.3 Reconciliation of carrying amounts

At December 31, 2020

In thousands of euro	Goodwill	Develop- ment costs	Customer relationships	Technology	Other intangible assets	Total
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
Amortisation	-	-854	-222	-102	-121	-1,298
Impairment losses	-	-160	-	-	-	-160
Effect of movements in exchange rates	-	-	-	-	-	-
Balance at December 31	-	-4,043	-614	-286	-461	-5,403
Carrying amount at Jan 1	4,256	5,218	1,829	840	519	12,662
Carrying amount at Dec 31	4,256	5,667	1,608	738	485	12,753

At December 31, 2019

In thousands of euro	Goodwill	Develop- ment costs	Customer relationships	Technology	Other intangible assets	Total
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 Jan 1	4,256	5,172	2,051	942	376	12,796
Carrying amount at Dec 31	4,256	5,218	1,829	840	519	12,662

The research and development costs expensed amounted to EUR 1,659 thousand (2020) and EUR 1,774 thousand (2019), mainly comprising personnel expenses.

12.4 Impairment testing of goodwill

12.4.1 Accounting policy

For the purposes of impairment testing goodwill is allocated to the cash-generating units (CGUs) or the groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. A cash-generating unit is the smallest identifiable group of assets in Optomed that generates inflows that are largely independent from the cash inflows from other assets or groups of assets. A cash-generating unit is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is:

- the higher of the asset's or CGU's fair value less costs of disposal, and
- its value in use.

Optomed determines recoverable amounts based on value-in-use calculations prepared using discounted future net cash flows.

12.4.2 Assumptions and estimation uncertainties

At each balance sheet date Optomed management assesses if there is any indication of impairment of goodwill (or other intangible, tangible asset or right-of-use asset). Review is based on indicators that measure economic performance, such as Group's management reporting as well as economic environment and market follow-up.

Such indications may include, among others:

- unexpected changes in significant factors underlying impairment tests (revenues, profitability levels and changes in prevailing interest rates), and
- changes in market conditions.

The recoverable amount determined in the testing process is based on assumptions and estimates made by management on future sales, production costs, sales growth rate and discount rate, among others.

Optomed has allocated the goodwill arisen from the Commit acquisition to the Software operating segment. This segment establishes a single cash-generating unit. The carrying amount of the assets amounted to EUR 7,864 thousand as at December 31, 2020, including the goodwill of EUR 4,256 thousand.

In impairment testing the recoverable amount of the Software segment is determined based on value-in-use calculations. The calculations use cash flow projections approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated steady growth rate of 1.8 %. The cash flow projections exclude expansion investments. The discount rate is defined as WACC (weighted average cost of capital), which reflects the total cost of equity and debt while considering the asset-specific risks. The pre-tax discount rate was 13.6% (13.6%) and the post-tax discount rate 11.2% (11.2%).

The sensitivity analysis is prepared in respect of the discount rate and the terminal growth rate applied beyond the five-year projection period. The changes in these key assumptions - holding other assumptions constant - would result in the recoverable amount of the tested assets to equal their carrying amount as at December 31, 2020:

- The pre-tax discount rate should increase by 3.8 percentage point.
- The terminal growth rate should decrease by 7.7 percentage point.

Based on the impairment test carried out as at December 31, 2020 the goodwill was not impaired.

13. Tangible assets

13.1 Accounting policy

Tangible assets acquired by Optomed held for use are stated in the balance sheet at their cost. The cost comprises directly attributable incremental costs incurred in their acquisition and installation. Subsequently tangible assets are carried at cost, less any accumulated depreciation and any accumulated impairment losses. Ordinary repairs and maintenance costs are expensed during the reporting period in which they are incurred. Government grants are accounted for by reducing the carrying amount of the asset. The grant is then recognised in profit or loss over the useful life of the asset by way of a reduced depreciation charge.

Depreciation is charged so as to write off the cost of assets using the straight-line method, over their estimated useful lives, as follows:

- Production machinery and equipment: six years
- Other machinery and equipment: three years
- Office furniture: three years
- Cars: three years

Expected useful lives and residual values are reviewed at least at each financial year-end and if they differ significantly from previous estimates, the useful lives are revised accordingly. Recognition of depreciation is discontinued when a tangible asset is classified as held for sale. The Group assesses, at each reporting date, whether there is an indication that a tangible asset may be impaired. If any indication exists, Optomed estimates the asset's recoverable amount. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

The gain or loss arising on the disposal or retirement of a tangible asset is determined as the difference between any net sale proceeds and the carrying amount of the asset and is recognised in other operating income or other operating expenses.

13.2 Reconciliation of carrying amounts

	Machinery and equipment	
	2020	2019
Cost		
Balance at January 1		
Business combinations	1,992	1,729
Additions	265	262
Balance at December 31	2,257	1,992
Accumulated depreciation and impairment losses		
Balance at January 1	-1,585	-990
Depreciation	-313	-595
Balance at December 31	-1,898	-1,585
Carrying amount at January 1	406	739
Carrying amount at December 31	359	406

Refer to Note 14. Leases for disclosures on Group's tangible assets acquired under lease agreements.

14. Leases

14.1 Accounting policy

The Group acts as a lessee leasing mainly business premises, IT equipment as well as other machinery and equipment. As a general rule, Optomed recognises a leased asset (right-of-use asset) and a lease liability for all leases, except for short-term leases and leases of low-value items (the accounting treatment is described below). The Group assesses whether a contract is or contains a lease at inception of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives (e.g. lease-free months)
- any initial direct costs incurred by Optomed, and
- an estimate of restoration costs to be incurred by Optomed.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight-line method, from the commencement date to the earlier of the end of the useful life of the right-of-use asset, or the end of the lease term. The estimated useful life for the business premises applied by Optomed is three years. The right-of-use asset is tested for impairment where necessary and any impairment loss identified is recorded in profit or loss.

Initially the lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The discount rate used by the Group is Optomed's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date of the contract

- amounts expected to be payable under a residual value guarantee, and
- the exercise price under a purchase option that the Group is reasonably certain to exercise.

Subsequently the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Optomed has elected not to recognise right-of-use assets and lease liability for:

- short-term leases (that have a lease term of 12 months or less)
- leases of low-value assets (each asset with a value of approximately EUR 5,000 or less when new).

Such assets include IT equipment as well as other machinery and equipment. The Group recognises the lease payments associated with above-mentioned leases as an expense on a straight-line basis over the lease term.

14.2 Management judgements

Some business facility leases of the Group include termination options. Optomed uses such terms in its contract management to maximise operational flexibility for its business. Termination options are considered on a case-by-case basis following a regular management assessment. The factors considered include, for example, contractual terms and conditions for optional periods compared with market rates, the importance of the underlying asset to Optomed's operations as well as termination and replacement costs.

14.3 Amounts recognised in income statement

In thousands of euro	2020	2019
Expense relating to leases of low-value assets ¹ (that are not short-term leases)	-6	-6
Depreciation charge for right-of-use assets by class of underlying asset (business premises) (included in Depreciation, amortisation and impairment losses in the income statement)	-394	-386
Interest expense on lease liabilities (included in Finance expenses)	-32	-30

14.4 Amounts presented in cash flow statement

Total cash outflow for leases	-390	-385
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14.5 Leased tangible assets

In thousands of euro	2020	2019
Additions to right-of-use assets	484	378
Depreciation charge for right-of-use assets	-394	-386
Carrying amount at the end of the financial year	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.

14.6 Lease liabilities

In thousands of euro	2020	2019
Current	425	414
Non-current	782	699
Total	1,207	1,113

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

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

15. Inventories

15.1 Accounting policy

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

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

In thousands of euro	2020	2019
Raw materials and consumables	2,539	2,468
Total	2,539	2,468

Optomed has not recognised any impairment losses on inventories in the financial years 2019-2020.

16. Financial assets

16.1 Accounting policy

Optomed classifies financial assets as follows:

- financial assets measured at fair value through profit or loss (FVTPL)
- financial assets measured at amortised cost, and
- financial assets measured at fair value through other comprehensive income (FVOCI).

Classification of financial assets is made based on their purpose of use upon

initial recognition. Classification relies on the objectives of Optomed's business model and the contractual cash flows from financial assets, or by applying the fair value option upon initial recognition. Optomed recognises all its financial assets at amortised cost.

All purchases and sales of financial assets are recognised at the trade date. For financial assets not carried at fair value through profit or loss, transaction costs are included in the initial carrying amount. Financial assets are derecognised when the Group loses the rights to receive the contractual cash flows on the financial asset or it has transferred substantially all the risks and rewards of ownership outside the Group.

Financial assets measured at amortised cost

Optomed recognises all trade receivables that are non-derivative assets at amortised cost. In the Group trade receivables are held within a business model whose objective is to collect the contractual cash flows, and those cash flows that are solely payments of principal and interest. Trade receivables are current assets that Optomed has the intention to hold for less than 12 months from the end of reporting period. Assets classified in this category are measured at amortised cost using the effective interest (EIR) method. The carrying amounts of current trade receivables are expected to substantially equal their fair values.

Optomed recognizes a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The expected credit losses on trade receivables are recorded based on Optomed's historical knowledge on trade receivables at default and payment delays due to financial difficulties. The loss allowance is assessed both on an individual basis and collectively. The expected loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate. This adjustment is recognised in other operating expenses and as a deduction to the carrying amount of the receivable.

All realised credit losses are recognised in profit or loss. A credit loss is reversed in a subsequent period, if the reversal can be related objectively to an event occurring after the impairment was recognised. Optomed did not recognise credit losses during the financial years 2019-2020.

Cash and cash equivalents

The Group's cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments. Items qualifying as cash equivalent have a maturity of three months or less from the date of acquisition.

16.2 Carrying amounts - at amortised cost

Current financial assets

In thousands of euro	Note	2020	2019
Trade receivables			
Recourse factoring	21	131	1,242
Other trade receivables	21	2,509	1,655
Total trade receivables		2,641	2,897
Cash and cash equivalents		10,608	18,866
Total		13,249	21,763

The Group had no non-current financial assets at the end of the financial years 2019-2020.

16.3 Cash and cash equivalents

In thousands of euro	2020	2019
Cash and bank accounts	10,608	18,866
Total	10,608	18,866

17. Other receivables

In thousands of euro	2020	2019
Prepayments and accrued income	762	924
Other	236	304
Total	998	1,228

18. Capital and reserves

18.1 Accounting policy

The Group classifies the instruments it has issued either as equity instruments or financial liabilities based on their nature.

— An equity instrument is any contract that evidences a residual interest in the assets of Optomed after deducting all of

its liabilities.

— A financial liability is an instrument that obligates Optomed to de

liver cash or another financial asset, or the holder has a right to demand cash or another financial asset.

Optomed evaluates the terms of an issued compound instrument to determine whether it contains both a liability and an equity component. Such components are classified separately as financial liabilities, financial assets or equity instruments in accordance with the substance of the contractual arrangement.

18.2 Share capital and share series

18.2.1 Accounting policy

The share capital consists of the parent company's ordinary shares classified as equity. The subscription price of a share received by the company in connection with share issues is credited to the share capital, unless it is provided in the share issue decision that a part of the subscription price is to be recorded in the Reserve for invested non-restricted equity. Transaction costs directly attributable to the issue of new shares are recorded in equity as a deduction, net of tax, from the proceeds.

The share capital of Optomed Plc amounted to EUR 80 thousand at December 31, 2020 and 80 thousand at December 31.12.2019 . The share capital consists of one share class.

The shares have no nominal value. All issued shares have been fully paid. Each share carries one vote.

The company had three share series at the beginning of 2019 A, B and C series. Each B share and C share were converted into A shares by using a conversion ratio of 1:1 upon the closing of an Initial Public Offering (IPO) in December 5th 2019.

18.2.2 Movements in share numbers and Group's equity

The table below discloses changes in the number of shares and respective changes in Group's equity (A and C share classes).

2020

	Pieces				In thousands of euro	
	A series	B series (liability)	C series	Total	Share capital	Reserve for invested non- restricted equity
At January 1, 2020	14,003,144	-	-	14,003,144	80	37,341
Additions to Reserve for Invested non-equity based on option subscription		-	-			129
		-	-			
		-	-			
At Dec 31, 2020	14,003,144	-	-	14,003,144	80	37,470

2019

	Pieces				In thousands of euro	
	A series	B series (liability)	C series	Total	Share capital	Reserve for invested non- restricted equity
At January 1, 2019	7,421,640	280,560	445,500	8,147,700	19	18,549
Share issue: registered June 5, 2019	600,000	-	-	600,000	-	3,000
Combination of share series December 5, 2019	726,060	-280,560	-445,500	-		
Share issue: registered December, 2019	5,255,444			5,255,444	61	15,792
At Dec 31, 2019	14,003,144	-	-	14,003,144	80	37,341

The Extraordinary General Meeting resolved on 14 November 2019 to split the shares of the company with a ratio 1:20. The tables presented above reflect this change in the number of shares.

18.3 Treasury shares

18.3.1 Accounting policy

The consideration paid for treasury shares, including any directly attributable transaction costs (net of taxes), is deducted from equity, until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and net of taxes, is directly recognised in equity.

The total amount of treasury shares was 740 378 shares in the end of the financial year.

18.4 Dividends

18.4.1 Accounting policy

Dividend distribution to the parent company's shareholders is recognised as a liability in the consolidated balance sheet in the period in which the dividends are approved by the company's Annual General Meeting.

Under the Finnish Limited Liability Companies Act the amount of capitalised development costs (accounted for in accordance with the Finnish Accounting Act) is deducted from unrestricted equity in calculating distributable funds.

Optomed Plc has distributed dividends on cumulative preference shares (B share series) at the combination of share series on December 5, 2019 and the preference share liability is fully paid.

18.5 Reserves

Reserve for invested non-restricted equity

The reserve for invested non-restricted equity comprises other equity investments and that part of the share subscription price that has not specifically been allocated to share capital.

Share premium

The share premium accrued under the previous Finnish Limited Liability Companies Act. Under the current Act the share premium is classified as restricted equity and may no longer increase. The share premium may be reduced in accordance with the rules applying to decreasing share capital and can be used to increase the share capital as a reserve increase.

Translation differences

The reserve includes translation differences arisen from the IFRS post-transition date (January 1, 2016) translation of the financial statements of foreign operations into euro.

Retained earnings

Retained earnings are earnings accrued over the previous financial years that have not been transferred to equity reserves or issued as dividends to owners.

18.6 Capital management

Optomed's objective in capital management is to maintain optimum capital structure in order to secure normal operating conditions and to optimise cost of capital to create value to shareholders. For capital management purposes, Optomed manages equity as indicated in the consolidated balance sheet. The equity is mainly influenced through share issues and restructuring of loans and borrowings. The Group is not subject to externally imposed capital requirements. Group management and the Board of Directors of the parent company monitor Group's capital structure and liquidity development. The objective of this monitoring is to ensure Group's liquidity and flexibility of capital structure in order to fulfil the growth strategy.

Optomed monitors the development of capital structure based on equity ratio, which was:

— 69.03 % (at December 31, 2020, Group)

— 57.53 % (at December 31, 2019, Group)

Equity ratio is also the financial covenant of Optomed's borrowing facilities (line item Borrowings from financial institutions). For covenant accounting purposes equity ratio is calculated following FAS (Finnish Accounting Standards), based on the related terms of the borrowings.

19. Financial liabilities

19.1 Accounting policy

Optomed classifies financial liabilities as follows:

— financial liabilities measured at amortised cost, and

— financial liabilities measured at fair value through profit or loss (FVTPL).

Optomed did not use derivative instruments during the years 2019-2020, and the Group had no other financial liabilities at fair value through profit or loss at the end of financial years 2019-2020.

Financial liabilities at amortised cost

Financial liabilities are initially recognised at fair value. Transaction costs are included in the original carrying amount. Subsequently these financial liabilities are measured at amortised cost using the effective interest rate (EIR) method. A financial liability is classified as current if Optomed does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. In respect of loans and borrowings current financial liabilities comprise the portion falling due within less than 12 months and repayments in accordance with the repayment plans.

Financial liabilities may be interest-bearing or non-interest-bearing. The Group's all financial liabilities carry interest.

A financial liability (or part of the liability) is not derecognised until the liability has ceased to exist, that is, when the obligation identified in a contract has been

fulfilled, cancelled or is no longer effective.

Borrowing costs

Optomed capitalises borrowing costs that are directly attributable to creation of a qualifying asset as an addition to the cost of that asset.

— Borrowing costs are interest and other costs that Optomed incurs in connection with the borrowing of funds.

— A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

Optomed considers capitalised development costs to be a qualifying asset. Consequently, the Group recognises those borrowing costs incurred from the government loans (from Business Finland), granted for development activities, as an addition to the carrying amount of the development cost. The capitalised borrowing costs are recorded as a deduction to interest expenses. Other borrowing costs are expensed in the period in which Optomed incurs them. Optomed ceases capitalising borrowing costs when the development project is substantially complete.

For cash flow statement purposes Optomed classifies cash flows related to capitalised borrowing costs as operating activities.

19.2 Financial liabilities measured at amortised cost

In thousands of euro	2020	2019
Non-current financial liabilities		
Borrowings from financial institutions	3,520	5,104
Government loans	2,670	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 company mortgages related to the borrowings from financial institutions are disclosed in Note 22. Contingent assets, contingent liabilities and commitments.

19.3 Changes in financial liabilities

In the financial year 2020 the Group adjusted the repayment schedule for borrowings from financial institutions, however, the repayment dates remained unchanged.

19.4 Financial covenant

Optomed's borrowings from financial institutions contain a financial covenant (equity ratio) and Optomed also has to meet certain key operative targets. The related liabilities amounted to EUR 3,524 thousand (at December 31, 2020) and EUR 6,698 thousand (at December 31, 2019). The borrowings will be repaid in accordance with the repayment schedule.

Optomed has to comply with the financial covenant terms specified in the loan agreement terms at the financial year-end. Equity ratio is calculated using the agreed formula. The table below summarises the Group's financial covenant term and compliance over the financial years 2019-2020.

	Covenant term	Actual ratio	Applicable level
At December 31, 2020	25 %	69.03 %	Optomed Group
At December 31, 2019	25 %	57.53 %	Optomed Group

For covenant accounting purposes equity ratio is calculated following FAS (Finnish Accounting Standards), based on the related terms of the borrowings.

Optomed was in compliance with the covenant as at December 31, 2020 and as at December 31, 2019.

19.5 Government loans - borrowings costs

Optomed has capitalised borrowing costs incurred from the government loans granted for development activities in the balance sheet under Development costs. Details are disclosed in Note 9.3 Borrowing costs - government loans.

19.6 Fair values - financial liabilities measured at 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. The fair value hierarchy is presented in Note 1.2.3 Fair value measurement.

20. Other payables

In thousands of euro	2020	2019
Accrued expenses and prepaid income	1,494	2,911
Other	646	739
Total	2,141	3,650

21. Financial risk management

21.1 Principles of financial risk management

Optomed's financial risks consist of liquidity risk, interest rate risk, foreign exchange transaction risk, foreign The Group manages centrally loan negotiations for the parent company and the subsidiaries, for example, and projects the financing requirements for the next 12 months on a rolling basis, in order to ensure long-term liquidity. The Group also handles negotiations in respect of letters of credit and recourse factoring on a centralised basis.

The objective is to ensure that the Group has liquidity for outgoing commitments at all times and that the financing portfolio is well diversified. The financing portfolio should also be flexible in case of changes in Optomed's business operations. The Board of Directors of the parent company has the following responsibilities:

- reviewing and approving the Group's risk management policy and the Group's strategy concerning external financing and financial risk management on an annual basis
- evaluating and approving new financial instruments and arrangements
- delegating the authority to undertake financial risk management and financing activities to the CEO and CFO
- reviewing the Group's risk exposures on a monthly basis, and
- reviewing any policy breaches.

Currently letters of credit, recourse factoring agreements as well as non-current loans and borrowings from financial institutions are the only approved financial instruments.

Subsidiaries should maximise their long-term performance by optimising their working capital structure. Basic financial management operations are delegated to the subsidiaries, such as payment transactions and debt collection.

21.2 Foreign exchange transaction risk and foreign exchange translation risk

Due to its international operations, Optomed is exposed to transaction risks arising from foreign currency positions and risks from investments denominated in foreign currencies translated into the functional currency of the parent company.

The Group's foreign exchange translation risk is defined as the negative effect of movements in exchange rates on the value of a foreign subsidiary's assets when those values are translated into the reporting currency of the parent company. The Group has subsidiaries in China. So far, the translation difference has not been a significant item, and thus the Group has not hedged this risk by using currency derivative instruments.

Optomed's trade receivables and trade payables may be denominated in foreign currencies and thus prone to foreign exchange transaction risk. Foreign exchange transaction risk may also arise from tangible assets subject to price changes due to volatility in exchange rates.

The Group has foreign currency positions denominated in Chinese Renminbi (CNY) and US Dollar (USD). Transaction is managed by actively monitoring currency positions, i.e. absolute amounts. Should the absolute amounts for currency positions increase significantly, Optomed may consider using currency derivative instruments for hedging purposes, where necessary.

21.2.1 Currency risk exposure

In thousands of euro	USD	CNY
At December 31, 2020		
Gross trade receivables	15	1,352
Trade payables	163	0
Total	178	1,352
At December 31, 2019		
Gross trade receivables	104	640
Trade payables	689	0
Total	793	640

21.2.2 Sensitivity analysis on exchange rate movements

In thousands of euro	Income statement	
	strengthening	weakening
At December 31, 2020		
Gross trade receivables		
+/- 10 % change in USD	2	-2
+/- 10 % change in CNY	135	-135
Trade payables		
+/- 10 % change in USD	-16	16
+/- 10 % change in CNY	0	0
Total net effect	121	-121
In thousands of euro	strengthening	weakening
At December 31, 2019		
Gross trade receivables		
+/- 10 % change in USD	10	-10
+/- 10 % change in CNY	64	-64
Trade payables		
+/- 10 % change in USD	-69	69
+/- 10 % change in CNY	0	0
Total net effect	6	-6

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

	Average rate	Closing rate	Average rate	Closing rate
	2020	2020	2019	2019
EUR/USD	0.86	0.81	0.89	0.90
EUR/CNY	0.13	0.12	0.13	0.13

21.3 Interest rate risk

Optomed's interest rate risk is primarily derived from outstanding floating-rate borrowings from financial institutions. Interest rate risk is not significant. The Group's revenues and operational cash flows are to a large extent independent of fluctuations in interest rates.

Optomed's loans and borrowings carry variable interest. The Group had interest-bearing financial liabilities totaling EUR 6,518 thousand (at December 31, 2020) and EUR 9,927 thousand (at December 31, 2019). Those liabilities are linked to Euribor rates (0 to 12 months). The weighted average interest rate was 0.50 % (2020) and 0.50 % (2019).

Optomed manages interest rate risk by projecting its outstanding net debt for the next 12 months on a rolling basis. In addition, the Group uses likely interest rate scenarios to identify the effect interest rate risk could have on Optomed's result and key figures. As the interest rate risk is not significant for the Group, Optomed has not used derivative instruments to hedge financial liabilities against changes in market interest rates.

The following interest rate sensitivity analysis presents how Optomed's interest expenses on borrowings from financial institutions would increase following a change of 1 percentage point (100 basis points) in reference interest rates. In respect of the government loans a change of 3 percentage points was applied since only a change of at least 3 percentage points would increase the Group's

interest expenses, based on the loan terms. The effect of decrease in interest expenses – either by 1 (one) or 3 (three) percentage points – is excluded from the sensitivity analysis, as the reference rate cannot be negative.

21.3.1 Cash flow sensitivity due to interest rates

In thousands of euro	Income Statement	
	100 bps increase	300 bps increase
At December 31, 2020		
Borrowings from financial institutions	45	
Government loans		99
At December 31, 2019		
Borrowings from financial institutions	66	
Government loans		95

21.4. Credit risk and counterparty risk

Credit and counterparty risk arise from a counterparty not being able to fulfil its contractual requirements, and thus resulting in a loss to the creditor. Trade receivables are the main driver of credit and counterparty credit risk. Counterparty risk results from receivables from companies with which the Group provides credit.

Optomed considers it has no significant credit risk concentrations. Credit risk is actively managed, in order to avoid such concentrations.

Optomed manages counterparty credit risk by using credit limits approved by the Board of Directors and only dealing with authorized counterparties when it comes to financing activities such as letters of credit. Optomed has policies in place to ensure that products are sold and services provided only to those clients with appropriate credit history. Client credit data is reviewed prior to the signing of the agreement. Receivable collection and follow up are performed actively and streamlined by the recourse factoring agreement with a Finnish financial institution. In the recourse factoring arrangement the financial institution manages collection activities and partly guarantees receivables but the final risk remains with Optomed. The arrangement reduces the Group's credit risk and improves liquidity. The Group also manages counterparty credit risk with advance payments and letters of credit. The maximum exposure to credit risk at the end of the financial year is the carrying amount of financial assets.

The following tables disclose credit exposure per geographical area, aging analysis for trade receivables and related expected credit losses (ECL). The loss allowance has been recorded in accordance with the tables presented below.

21.4.1 Credit exposure per geographical area

In thousands of euro	Carrying amount	
	2020	2019
Gross trade receivables from companies		
Finland	912	814
China	1,352	892
Other	377	1,191
Total	2,641	2,897

21.4.2 Exposure to credit risk and loss allowance

In thousands of euro	Gross carrying amount	Weighted av. loss rate %	Loss allowance
At December 31, 2020			
Current (not past due)	2,290	0.5 %	11
Past due			
1-30 days	181	1.5 %	3
31-60 days	48	4 %	2
61-90 days	3	9 %	0
More than 90 days past due	3	12 %	0
Total	2,525		17
At December 31, 2019			
Current (not past due)	921	0.5 %	5
Past due			
1-30 days	220	1.5 %	3
31-60 days	4	4 %	0
61-90 days	8	9 %	1
More than 90 days past due	600	12 %	72
Total	1,752		81

21.4.3 Reconciliation of loss allowance

In thousands of euro	2020	2019
Balance at January 1	81	64
Amounts written off	-9	0
Net remeasurement of loss allowance	-56	16
Balance at December 31	16	81

Changes in expected credit losses and realised credit losses are recognised in the income statement under Other operating expenses.

21.4.4 Recourse factoring (insured receivables)

In thousands of euro	2020	2019
Carrying amount at December 31		
Trade receivables, recourse factoring	131	1,242
Total	131	1,242

In the recourse factoring arrangement, Optomed transfers trade receivables to be collected by a financial institution and thereby receives credit insurance covering a large part of the carrying amount of trade receivables. Owing to the nature of the arrangement and the extent of the insurance, receivables do not include significant credit risk and consequently those trade receivables are excluded from expected credit losses (ECL) accounting.

21.5 Liquidity risk

Liquidity risk is incurred from a potential mismatch between Optomed's liquid assets and financing requirements. The company adheres to careful liquidity risk management and aims to ensure sufficient liquidity even in difficult circumstances. The Group manages liquidity risk by ensuring that non-current liabilities have different maturities and by limiting individual receivables. Optomed also aims at ensuring liquidity through credit instruments. The liquidity of the company is monitored and forecasted over a 12-month period and, if necessary, short-term liquidity is monitored. Liquidity is followed up on a rolling basis and any changes are addressed promptly.

The liquidity reserve comprises highly liquid assets that can be used without delay to cover financial obligations at all times. Optomed aims at ensuring that it always has the amount of liquid funds available to fund operations. The liquidity reserve includes the following components: cash and cash equivalents, liquid investments and credit limits.

The table below analyses financial liabilities based on their contractual maturities. The amounts disclosed are undiscounted, comprising both interest payments and repayments of capital.

21.5.1 Contractual maturities of financial liabilities

In thousands of euro	Total	0-3 months	3-12 months	2-3 years	4-5 years	Over 5 years
At December 31, 2020						
Borrowings from financial institutions	3,524	-	-	1,762	1,762	-
Government loans	2,998	166	161	991	948	732
Lease liabilities	1,207	106	319	782	-	-
Trade payables	595	595	-	-	-	-
Total	8,324	868	479	3,535	2,710	732
In thousands of euro	Total	0-3 months	3-12 months	2-3 years	4-5 years	Over 5 years
At December 31, 2019						
Borrowings from financial institutions	6,698	397	1,190	3,333	1,778	-
Government loans	3,057	-	335	1,075	865	783
Lease liabilities	1,113	175	524	414	-	-
Trade payables	1,667	1,667	-	-	-	-
Total	12,535	2,239	2,049	4,822	2,642	783

The Covenant equity ratio must be at least 25% until the end of 2020 and 35% thereafter. If the covenants are breached, the financial institution has the right to immediately terminate the contracts or require repayment and/or alternatively the right to increase the marginal for the borrowings and obligations by 2 percentage points. The covenant agreement is in force as long as Optomed Plc has unpaid debt, obligations or other commitments. The Group carried out a share issue in spring 2019, and autumn 2019.

In 2020 Optomed changed repayment programs and the changes affect the future payments. The loan periods were not extended but repayment amounts were modified to be better aligned with Optomed's liquidity.

It is not possible to repay the borrowings at an earlier date than agreed in the related terms. The lender has no right to demand for repayment, except in the event of a breach of the covenant (refer to Note 19.4 Financial covenant). The borrowings can be renegotiated.

22. Contingent liabilities, contingent assets and commitments

22.1 Accounting policy

A contingent liability arises when:

- there is a possible obligation that arises from past events and whose existence will be confirmed by a future event that is outside the control of Optomed
- there is a present obligation that arises from past events, but probably will not require an outflow of resources, or
- Optomed cannot make a sufficiently reliable estimate of the amount of a present obligation.

Contingent liabilities are not recognised, but require disclosure unless the possibility of outflow is remote.

A contingent asset arises when:

- the inflow of economic benefits to Optomed is probable, but not virtually certain, and
 - occurrence depends on an event outside the control of Optomed.
- Contingent assets require disclosure only. If the realisation of income is virtually certain, the income item is recognised.

22.2 Collaterals

In thousands of euro	2020	2019
Liabilities secured under company mortgages given by Optomed¹		
Borrowings from financial institutions, current	328	7,826
Borrowings from financial institutions, non-current	6,194	2,100
Total	6,522	9,927
Collaterals given by collateral type		
Borrowings from financial institutions, company mortgages given	8,700	8,700
Other collaterals given	800	800
Total	9,500	9,500

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

22.3 Guarantees

Delivery guarantee, Fabrinet Pte Ltd. USD 800 thousand

2019:

Delivery guarantee, Fabrinet Pte Ltd. USD 800 thousand

22.4 Legal proceedings and disputes

Optomed was not involved in any legal proceedings nor had any disputes during the financial years 2019-2020.

22.5 Contingencies attaching to government grants

Non-compliance with the conditions attached to the EU Horizon 2020 funding programme may result in, for example, the rejection of ineligible costs or reduction of the grant. Refer to Note 4. Other operating income for more detailed information on the grant.

23. Related party disclosures

23.1 Accounting policy

The parent company Optomed Plc's related parties include the following:

- its subsidiaries
- key management personnel, comprising the members of the Board of Directors, CEO and the Group Management Team members
- entities, over which the above-mentioned persons have control, joint control or significant influence
- close family members of the above-mentioned persons

The related party transactions disclosed consist of transactions carried out with related parties that are not eliminated in the consolidated financial statements.

23.2 Key management personnel compensation

The amounts disclosed in the tables below represent the expenses recognised in those financial years. Salary amounts include any fringe benefits. The CEO and the Group Management Team members are entitled to the statutory pension, and the retirement age is determined by the Finnish statutory pension system.

In thousands of euro	2020	2019
CEO Seppo Kopsala		
Salaries and other short-term employee benefits	-144	-105
Pension benefits (defined contribution plans)	-28	-22
Share-based payments	-	-
Total	-172	-127
In thousands of euro	2020	2019
Group Management Team		
Salaries and other short-term employee benefits	-731	-615
Pension benefits (defined contribution plans)	-157	-125
Share-based payments	-249	-163
Total	-1,137	-902
In thousands of euro	2020	2019
Key management personnel		
Salaries and other short-term employee benefits	-876	-720
Pension benefits (defined contribution plans)	-185	-147
Share-based payments	-249	-163
Total	-1,310	-1,029

23.3 Transactions with other related parties and outstanding balances

Revenues and trade receivables relate to the major shareholders of Optomed Plc considered to be related parties to the parent company. Refer also to Note 2.4 Major customers.

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

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

23.4 Group structure

At December 31, 2020 the Group comprised the following companies: The Chinese subsidiary Optomed Medical Consulting (Shanghai) Co. Ltd was closed in early 2020. Optomed Usa Inc was founded early 2020.

Subsidiary	Domicile	Ownership interest, %
Optomed Software Oy	Finland	100
Optomed Hong Kong Ltd.	Hong Kong	100
Optomed China Ltd	China	100
Shanghai Optomed Medical Technology Ltd	China	100
Optomed USA Inc	USA	100

24. Events after the end of the reporting 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.

Parent Company's Financial Statements

Profit and loss account

		1 Jan - 31 Dec 2020		1 Jan - 31 Dec 2019
NET TURNOVER		4,228,777.54		6,432,200.99
Other operating income		160,731.26		312,947.83
Materials and supplies				
Raw materials and consumables				
Purchases during the financial year	-2,163,549.24		-3,184,890.04	
Change in stocks	-22,069.61		-18,390.16	
External services	0.00	-2,185,618.85	-8,104.39	-3,211,384.59
Personnel expenses				
Wages and salaries	-2,352,188.27		-2,341,781.32	
Social security expenses				
Pension expenses	-392,853.96		-404,968.55	
Other social security expenses	-103,472.20	-2,848,514.43	-57,275.34	-2,804,025.21
Depreciation, amortisation and impairment				
Depreciation and amortisation according to plan	-1,246,801.50	-1,246,801.50	-1,201,913.95	-1,201,913.95
Other operating expenses		-1,724,644.28		-1,914,680.45
OPERATING PROFIT (LOSS)		-3,616,070.26		-2,386,855.38
Financial income and expenses				
From others	7,439.81		2,030.28	
Interest expense and other financial expenses				
To group undertakings (-)	-12,980.16		-27,647.01	
To others (-)	-220,621.64	-226,161.99	-4,253,538.78	-4,279,155.51
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		-3,842,232.25		-6,666,010.89
Appropriations				
Group contribution	1,699,561.34	1,699,561.34	1,175,474.55	1,175,474.55
PROFIT (LOSS) FOR THE FINANCIAL YEAR		-2,142,670.91		-5,490,536.34

Balance sheet

	31 Dec 2020		31 Dec 2019	
Assets				
NON-CURRENT ASSETS				
Intangible assets				
Development expenditure	5,378,568.98		5,098,409.81	
Intangible rights	298,350.18		249,653.92	
Other capitalised long-term expenditure	130,135.98	5,807,055.14	173,426.31	5,521,490.04
Tangible assets				
Machinery and equipment	397,895.02		393,534.26	
Other tangible assets	950.00	398,845.02	950.00	394,484.26
Investments				
Holdings in group undertakings	9,266,906.46		9,082,863.03	
Receivables from group undertakings	1,003,875.27	10,270,781.73	1,033,582.47	10,116,445.50
TOTAL NON-CURRENT ASSETS		16,476,681.89		16,032,419.80
CURRENT ASSETS				
Stocks				
Raw materials and consumables	1,186,165.07		968,727.28	
Finished products / goods for resale	1,132,020.27	2,318,185.34	1,274,559.21	2,243,286.49
Long-term receivables				
Amounts owed by group undertakings	81,492.95	81,492.95	0.00	
Short-term receivables				
Trade debtors	5,083,426.44		5,414,257.04	
Amounts owed by group undertakings	730,117.05		449,534.95	
Other receivables	201,783.07		231,726.10	
Prepayments and accrued income	342,625.71	6,357,952.27	275,994.16	6,371,512.25
Cash at bank and in hand		7,985,918.68		17,943,853.21
TOTAL CURRENT ASSETS		16,743,549.24		26,558,651.95
Total assets		33,220,231.13		42,591,071.75

Balance sheet

	31 Dec 2020		31 Dec 2019	
Capital, reserves and liabilities				
CAPITAL AND RESERVES				
Share capital		80,000.00		80,000.00
Share premium account		503,699.60		503,699.60
Reserve for invested free own capital		41,384,281.85		41,255,042.75
Retained earnings (Cumulative loss)		-14,420,142.63		-8,929,606.29
Profit (loss) for the financial year		-2,142,670.91		-5,490,536.34
TOTAL CAPITAL AND RESERVES		25,405,167.91		27,418,599.72
LIABILITIES				
Non-current				
Loans from credit institutions	6,194,905.28		7,833,823.28	
Amounts owed to group undertakings	0.00	6,194,905.28	1,374,060.40	9,207,883.68
Current				
Loans from credit institutions	327,583.21		2,100,381.77	
Advances received	39,386.50		66,649.30	
Trade creditors	444,594.45		1,528,295.26	
Amounts owed to group undertakings	0.00		31,938.68	
Other liabilities	86,498.53		84,635.83	
Accruals and deferred income	722,095.25	1,620,157.94	2,152,687.51	5,964,588.35
TOTAL LIABILITIES		7,815,063.22		15,172,472.03
Total capital, reserves and liabilities		33,220,231.13		42,591,071.75

Cash flow statement - indirect

	1 Jan 2020–31 Dec 2020	1 Jan 2019–31 Dec 2019
Cash flow from operating activities:		
Profit(loss) (+/-)	-2,142,670.91	-5,490,536.34
Adjustments to operating profit (+/-) for:		
Depreciation according to plan	1,246,801.50	1,201,913.95
Unrealised foreign exchange gains and losses	49,178.43	-25.65
Financial income and expenses	176,983.56	4,279,155.51
Other adjustments, share benefit - members of the board	37,564.74	0.00
Cash flow before working capital changes	-632,142.68	-9,492.53
Working capital changes:		
Increase/decrease in trade and other short-term interest-free receivables	-67,932.97	-1,000,911.91
Increase/decrease in stocks	-74,898.85	-1,352,419.77
Increase/decrease in short-term interest-free liabilities	-2,556,530.08	2,372,738.78
Operating cash flow before financing items and taxes	-3,331,504.58	9,914.57
Interest and other financial expenses paid relating to operating activities (-)	-216,764.89	-4,247,380.81
Interest received relating to operating activities	7,439.81	507.78
Cash flow from operating activities:	-3,540,829.66	-4,236,958.46
Cash flow from investing activities:		
Purchase of tangible and intangible items (-)	-1,536,727.35	-1,135,267.88
Purchase of investments (-)	-184,043.43	0.00
Proceeds from repayment of loans	29,707.20	0.00
Cash flow from investing activities	-1,691,063.58	-1,135,267.88
Cash flow from financing activities		
Proceeds from issuance of share capital	91,700.00	22,706,043.36
Proceeds from short-term borrowings	0.00	753,144.82
Repayment of short-term borrowings (-)	-1,529,857.24	-460,387.04
Repayment of long-term borrowings (-)	-3,287,858.40	0.00
Cash flow from financing activities	-4,726,015.64	22,998,801.14
Net increase (+)/ decrease (-) in cash and cash equivalents	-9,957,908.88	17,626,574.80
Cash and cash equivalents at beginning of period	17,943,827.56	317,252.76
Cash and cash equivalents at end of period	7,985,918.68	17,943,827.56

Accounting policies

Optomed Oyj financial statements have been prepared in accordance with the Finnish Accounting Act (FAS)

Valuation principles and methods

Valuation principles and methods of non-current assets

Tangible and intangible assets are recognised in the balance sheet at cost less depreciation according to plan. Cost includes variable expenditure relating to the acquisition and production of the assets. Grants received are deducted from the cost. Depreciation according to plan is calculated using the straight-line method based on the useful life of the assets. Depreciation is started at the month when the asset is taken into use.

The depreciation periods are as follows: Intangible assets 5-10 years
Machinery and equipment 3-6 years

The cost of tangible and intangible assets whose probable useful life is less than 3 years or whose value is low (less than 850.00 €) is recognised as an expense as incurred expense.

Valuation of stocks

Stocks are recognised by using the FIFO method at cost, reacquisition cost, or probable selling price, whichever lower. Cost includes, in addition to variable costs, an appropriate portion of fixed costs attributable to the purchase and production or construction of the asset.

Recognition of development costs and long-term expenditure

Company has capitalized R&D costs relating to new product development according to Finnish Accounting Act (KPL 5:8§). Capitalized costs include personnel and other costs that directly relate to developing the product to its intended use. Capitalized R&D costs are depreciated during their estimated useful life that is 10 year straight line depreciation.

Change in the presentation of the profit and loss account or balance sheet

Increase or decrease in stocks is partly included in the purchases during financial year. This accounting principle has no material effect to the assessment of the company's performance and financial position.

Preparation of the cash flow statement

The cash flow statement was drawn up in accordance with the Accounting Board's general guideline (30 Jan 2007). Cash flow from operating activities is indicated on indirect method.

Notes to the profit and loss account

	1 Jan 2020–31 Dec 2020	1 Jan 2019–31 Dec 2019
Net turnover		
Net turnover by geographical markets		
Finland	16,000.00	8,273.00
EU	550,488.95	2,270,868.40
Outside the EU	3,662,288.59	4,153,059.59
	4,228,777.54	6,432,200.99
Other operating income		
Contributions received	100,000.00	165,603.50
Management fee from group companies	59,086.23	138,366.29
Other income	1,645.03	8,978.04
	160,731.26	312,947.83
Other operating income includes an contribution of 100.000 euros received from Business Finland.		
Materials and services		
Materials and supplies		
Purchases during the financial year	-2,163,549.24	-3,184,890.04
Variation in stocks	-22,069.61	-18,390.16
External services	0.00	-8,104.39
	-2,185,618.85	-3,211,384.59
Notes relating to personnel		
Average number of personnel during the financial year	53.08	49.00
	53.08	49.00
Wages, salaries and pension expenses		
Wages and salaries	-2,352,188.27	-2,341,781.32
Pension expenses	-392,853.96	-404,968.55
Other staff expenses	-103,472.20	-57,275.34
	-2,848,514.43	-2,804,025.21
Wages, salaries and other remuneration of directors and management		
CEO and Board members compensation	-316,942.80	-218,138.20
Depreciation, amortisation and impairment		
Depreciation according to plan	1,246,801.50	-1,201,913.95
	1,246,801.50	-1,201,913.95

	1 Jan 2020–31 Dec 2020	1 Jan 2019–31 Dec 2019
Other operating expenses		
Administrative expenses	-366,962.37	-200,132.15
Marketing expenses	-115,252.30	-171,357.61
Travelling expenses	-82,386.98	-327,136.60
Representation expenses	-1,380.93	-17,718.27
Other operating expenses	-1,158,661.70	-1,198,335.82
	-1,724,644.28	-1,914,680.45
Auditor's fees		
Audit of financial statements	-55,961.00	-60,599.89
Tax consulting	-21,500.00	-23,900.00
Other fees	-90,735.00	-491,615.65
	-168,196.00	-576,115.54
Financial income and expenses		
Other interest income		
From others	7,439.81	2,030.28
Total interest income	7,439.81	2,030.28
Total financial income	7,439.81	2,030.28
Interest and financial expenses		
Group undertakings	-12,980.16	-27,647.01
Others	-220,621.66	-4,253,538.78
Total interest and financial expenses	-233,601.82	-4,281,185.79
Other financial expenses of financial year 2019 include costs related to listing total of 3 917 991,86 euros.		
Total financial expenses	-233,601.82	-4,281,185.79
Total financial income and expenses	-226,162.01	-4,279,155.51

Notes to assets

Amortisation period for capitalised development expenditure

Development costs: Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Optomed capitalises such costs when all the following criteria are met:

- Optomed can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale.
 - Optomed intends to complete the intangible asset and use or sell it.
 - Optomed is able to use or sell the intangible asset.
 - Optomed is able to demonstrate how the intangible asset will generate probable future economic benefits.
 - The Group has adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset
 - Optomed is able to measure reliably the expenditure attributable to the intangible asset during its development.
- Capitalised development costs comprise all directly attributable costs (mainly labour) necessary to prepare the asset to be capable of operating in the manner intended. Optomed has also:
- capitalised borrowing costs arisen from government loans granted for development purposes, and
 - deducted an applicable amount of major government grants received for development activities from the carrying amount.

Development expenditure that was initially expensed is not capitalised at a later date. The estimated useful life for development costs is 10 years.

Amortisation period for capitalised intangible rights and other long-term expenditure

An intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to Optomed, and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred. Depreciation times and methods of other intangible assets are:

License fees and computer software	5 year straight-line
Patents	10 year straight-line
Trademarks	10 year straight-line

Stocks	31 Dec 2020	31 Dec 2019
Raw materials and consumables	1,186,165.07	968,727.28
Finished products / goods for resale	1,132,020.27	1,274,559.21
	2,318,185.34	2,243,286.49

Non-current assets

	Development expenditure	Intangible rights	Other longterm expenditure	Total
Acquisition cost at 1 Jan 2020	8,125,449.23	360,015.82	228,141.63	8,713,606.68
Additions	1,279,244.60	95,000.99	1,500.00	1,375,745.59
Disposals	-160,033.09	0.00	0.00	-160,033.09
Acquisition cost at 31 Dec 2020	9,244,660.74	455,016.81	229,641.63	9,929,319.18
Accumulated amortisation and reduction in value at 1 Jan 2020	3,027,039.42	110,361.90	54,715.32	3,192,116.64
Amortisation for the financial year	839,052.34	46,304.73	44,790.33	930,147.40
Accumulated amortisation and reduction in value at 31 Dec 2020	3,866,091.76	156,666.63	99,505.65	4,122,264.04
Book value at 31 Dec 2020	5,378,568.98	298,350.18	130,135.98	5,807,055.14
Book value at 31 Dec 2019	5,098,409.81	249,653.92	173,426.31	5,521,490.04

Tangible assets	Machinery and equipment	Total
Acquisition cost at 1 Jan 2020	1,193,923.81	1,193,923.81
Additions	160,981.76	160,981.76
Acquisition cost at 31 Dec 2020	1,354,905.57	1,354,905.57
Accumulated amortisation and reduction in value at 1 Jan 2020	800,389.55	800,389.55
Amortisation for the financial year	156,621.01	156,621.01
Accumulated amortisation and reduction in value at 31 Dec 2020	957,010.56	957,010.56
Book value 31 Dec 2020	397,895.01	397,895.01
Book value 31 Dec 2019	393,534.26	393,534.26
Book value of machinery and equipment used for production at 31 Dec 2020	315,271.71	
Book value of machinery and equipment used for production at 31 Dec 2019	319,202.12	

Investments	Shares in group companies	Receivables from group companies	Total
Acquisition cost at 1 Jan 2020	9,082,863.03	1,033,582.47	10,116,445.50
Additions	184,043.43	51,785.75	235,829.18
Acquisition cost at 31 Dec 2020	9,266,906.46	1,085,368.22	10,352,274.68
Book value 31 Dec 2020	9,266,906.46	1,085,368.22	10,352,274.68
Book value 31 Dec 2019	9,082,863.03	1,033,582.47	10,116,445.50

Holdings in other undertakings

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

Group company Optomed Medical Consulting (Shanghai) Co. Ltd , has been shut down in early 2020. Group company Optomed Inc, USA was founded early 2020.

Analysis of receivables

Long-term receivables	31 Dec 2020	31 Dec 2019
From group undertakings		
Loans receivable	681,212.49	602,295.25
Other receivables	404,155.73	431,287.22
Total	1,085,368.22	1,033,582.47
Total long-term receivables	1,085,368.22	1,033,582.47
Short-term receivables		
From group undertakings		
Trade debtors	4,681,323.60	3,793,558.29
Other receivables	811,610.00	449,534.95
Total	5,492,933.60	4,243,093.24
From others		
Trade debtors	402,102.84	1,620,698.75
Other receivables	201,783.07	231,726.10
Prepayments and accrued income	342,625.71	275,994.16
Total	946,511.62	2,128,419.01
Total short-term receivables	6,439,445.22	6,371,512.25

Capital and reserves

Restricted equity	31 Dec 2020	31 Dec 2019
Subscribed capital at 1 January	80,000.00	18,501.20
Share issue	0.00	61,498.80
Subscribed capital at 31 December	80,000.00	80,000.00
Share premium account at 1 January	503,699.60	565,198.40
Reduction of share premium account	0.00	-61,498.80
Share premium account at 31 December	503,699.60	503,699.60
Total restricted equity	583,699.60	583,699.60
Unrestricted equity		
Reserve for invested unrestricted equity at 1 January	41,255,042.75	18,548,999.39
Share issue	129,239.10	22,706,043.36
Reserve for invested unrestricted equity at 31 December	41,384,281.85	41,255,042.75
Retained earnings from previous financial years at 1 January	-14,420,142.63	-8,929,606.29
Retained earnings from previous financial years 31 December	-14,420,142.63	-8,929,606.29
Profit for the financial year	-2,142,670.91	-5,490,536.34
Total unrestricted equity	24,821,468.31	26,834,900.12
Total capital and reserves	25,405,167.91	27,418,599.72

	31 Dec 2020	31 Dec 2019
Distributable equity		
Calculation regarding distributable equity		
Profit from previous financial years	-14,420,142.63	-8,929,606.29
Profit of the financial year	-2,142,670.91	-5,490,536.34
Reserve for invested unrestricted equity	41,384,281.85	41,255,042.75
Capitalised development expenditure	-5,378,568.98	-5,098,409.81
	19,442,899.33	21,736,490.31

Optomed's share treasury

Optomed has conveyed 7,622 treasury shares to the members of the Board of Directors as a part of the Board members' annual remuneration in accordance with the decision of the Annual General Meeting 2020.

The number of shares is based on the monthly remuneration of the Board of Directors decided by the Annual General Meeting and the weighted average price of the Optomed share on the exercise date.

In addition total of 35,500 of shares have been subscribed for under the Company's stock option plans 2009A, 2015, 2017B and 2018C and Optomed has used treasury shares for the share subscriptions.

The total amount of treasury shares was 740 378 shares in the end of the financial year.

Liabilities

Appropriations	31 Dec 2020	31 Dec 2019
Non-current liabilities		
Loans from financial institutions	6,194,905.28	7,833,823.28
Other non-current liabilities	0.00	1,374,060.40
	6,194,905.28	9,207,883.68
Liabilities falling due later than in five years		
Loans from financial institutions	527,882.00	686,729.00
	527,882.00	686,729.00
Current liabilities		
Amounts owed to group undertakings		
Trade creditors	0.00	20,459.75
Other liabilities	0.00	31,938.68
	0.00	52,398.43
Amounts owed to others		
Loans from financial institutions	327,583.21	1 825,501.77
Advances received	39,386.50	66,649.30
Trade creditors	444,594.47	1,507 835.51
Other liabilities	86,498.53	84,635.83
Accruals and deferred income	722,095.25	2,152,687.51
	1,620,157.96	5,689,708.35
Material items included in accruals and deferred income		
Wages and salaries including social security costs	636,192.64	570,844.10
Interest	14,085.72	14,488.56
Other	71,816.89	1,567,354.85
	722,095.25	2,152,687.51

Related party transactions

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

	31 Dec 2020	31 Dec 2019
Sale of goods, group companies	1,655,184.00	892,720.00
Other operating income, group companies	59,086.23	138,366.29
Purchases, group companies	-841,351.56	-219,519.91
Interests of loans, group companies	-12,980.16	-27,647.01
Total	859,938.51	783,919.37

The transactions between group companies are carried out with regular terms. Parent company has also received a group contribution of 1.699.561,34€.

Guarantees and contingent liabilities

Liabilities in balance sheet secured by enterprise mortgages	31 Dec 2020	31 Dec 2019
Loans from financial institution	3,524,445.28	6,697,777.28
Enterprise mortgages	3,524,445.28	8,700,000.00
Enterprise mortgages, total	8,700,000.00	8,700,000.00

Pension obligations

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

Other commitments	31 Dec 2020	31 Dec 2019
Rental commitments (Inc. VAT)		
Payable during the following financial year	105,999.60	82,960.32
Payable in later years	0.00	0.00
Total	105,999.60	102,870.79
Amounts payable based on lease contracts (Inc.VAT)		
Payable during the following financial year	935.95	1,008.00
Payable in later years	0.00	924.00
	935.95	1,932.00

Other off-balance-sheet financial commitments

Company has off-balance sheet commitment to enterprice resource planning system licence fees total of 31,321.32 euros.

Company has delivery guarantee to Fabrinet Pte Ltd, 800.000,00 USD

Collateralised loans include covenants. The specific terms relate to the company's solvency and liquidity. Breaching the covenants may increase the cost of financing or result in termination of the loans. The management of the company states that the covenants are met and they are being monitored.

Signatures to the Financial Statements and Board of Director's Report

Espoo, February 17, 2021

Petri Salonen
Chairman of the Board

Anna Tenstam
Board Member

Seppo Mäkinen
Board Member

Jun Wu
Board Member

Reijo Tauriainen
Board Member

Seppo Kopsala
CEO

The Auditor's Note

A report on the audit performed has been issued today. Oulu, February 18, 2021

KPMG Oy Ab

Tapio Raappana
Authorised Public Accountant, KHT

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