



Half-year financial report

January – June 2020



Optomed Plc: Half-year financial report, January – June 2020

April – June 2020

- Revenue decreased by 32.7 percent to EUR 2,597 (3,858) thousand
- Adjusted EBITDA amounted to EUR -325 (85) thousand corresponding to -12.5 (2.2) percent of revenue
- The COVID-19 pandemic has negatively affected the Devices segment revenue, whereas the Software segment remains mostly unaffected
- Deliveries to our major Chinese customer, which have been on hold since autumn 2019, resumed again in June, and they are expected to continue also in the second half of the year
- Optomed received a Chinese medical device regulatory approval (CFDA) for a new camera product, Optomed Smartscope EY80 in June. The camera is designed for newborn eye screening
- The outlook for 2020 announced on 19 March 2020 remains as is

January – June 2020

- Revenue decreased by 20.7 percent to EUR 5,631 (7,097) thousand
- Adjusted EBITDA amounted to EUR -900 (177) thousand corresponding to -16.0 (2.5) percent of revenue
- The COVID-19 pandemic has negatively affected the Devices segment mainly during the second quarter whereas the Software segment remains mostly unaffected
- Market expansion to the USA has started with the establishment of a US subsidiary and recruitment of a US-based Executive President

Key figures

EUR, thousand	Q2/2020	Q2/2019	Change, %	H1/2020	H1/2019	Change, %	2019
Revenue	2,597	3,858	-32.7%	5,631	7,097	-20.7%	14,977
Gross profit *	1,907	2,647	-28.0%	3,884	5,165	-24.8%	9,944
Gross margin % *	73.4%	68.6%		69.0%	72.8%		66.4%
EBITDA	-325	-225	-44.2%	-900	-339	-165.8%	-335
EBITDA margin *, %	-12.5%	-5.8%		-16.0%	-4.8%		-2.2%
Adjusted EBITDA *	-325	85	-483.7%	-900	177	-607.6%	-196
Adjusted EBITDA margin *, %	-12.5%	2.2%		-16.0%	2.5%		-1.3%
Operating result(EBIT)	-973	-789	-23.3%	-2,034	-1,453	-40.0%	-2,596
Operating margit (EBIT) *, %	-37.5%	-20.5%		-36.1%	-20.5%		-17.3%
Adjusted operating result(EBIT) *	-973	-479	-103.0%	-2,034	-937	-117.0%	-2,457
Adjusted operating margin (EBIT margin) *, %	-37.5%	-12.4%		-36.1%	-13.2%		-16.4%
Net profit/ loss	-976	-987	1.1%	-2,226	-1,561	-42.5%	-2,875
Earnings per share	-0.08	-0.11	24.4%	-0.19	-0.17	-8.9%	-0.32
Cash flow from operating activities	107	-770	113.9%	-2,814	-1,309	-115.0%	161
Net Debt	-5,165	7,411	-169.7%	-5,165	7,411	-169.7%	-8,940
Net debt/ Adjusted EBITDA (LTM)	4.1	5.7		4.1	5.7		45.6
Equity ratio *	66.0%	31.2%		66.0%	31.2%		57.2%
R&D expenses personnel	338	401	-15.7%	763	755	1.0%	1,540
R&D expenses other costs	31	79	-61.0%	121	89	36.0%	234
Total R&D expenses	369	480	-23.1%	884	844	4.7%	1,774

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

CEO comments

During the second quarter of the year the impact of the COVID-19 pandemic on the fundus camera and the related software market was significant as expected. Healthcare units around the world have postponed their non-urgent procedures, such as diabetic eye screenings and the associated equipment and software purchases to the end of 2020 or even further to 2021. This has had a temporary effect on Optomed's devices revenue and to a lesser extent also on software sales.

Devices segment revenue decreased due to the COVID-19 pandemic, and especially since deliveries to our OEM-customers have been postponed as they have reacted to this unusual market situation by reducing their own inventories. Also, sales via our distribution network decreased from the previous year but we have already started to see signs of a recovery in several countries. Devices sales in China were lower during the first half of the year as compared to the previous year, but the market started to recover at the end of the second quarter and shows signs of strengthening demand towards the end of the year. Particularly positive news for the quarter was that deliveries to our major Chinese customer resumed in June and their previously postponed significant orders are expected to continue as planned earlier in the second half of the year. We also received a medical devices regulatory approval in China (CFDA) for a new camera product, Smartscope EY80 which is designed for retinal screening of newborn babies and small children. Sales are expected to start during the second half of the year.

Our Software segment business remained stable despite the pandemic. Long-term contracts with major customers as well as our continuous revenue stream model have shown to be particularly strong, even in the current generally challenging market situation. The segment's revenue was on par with the revenue during the first half of 2019 despite several healthcare sector customers postponing their scheduled patient appointments and procedures to later 2020 or even further to 2021.

All of our strategic projects are progressing on schedule despite the pandemic. New product development projects and clinical trials are continuing as planned and our business development measures in the US have been launched in line with targets. The company's flexible operating model and the measures implemented to support cash flow during the quarter have proven to work. Together with the software business, which continues to perform well, this has enabled the company's cash flow and cash resources to remain at a good level even in the current challenging operating environment.

During the first half of 2020, our focus was on the safety and well-being of our staff and partners in the midst of the global COVID-19 crisis. The transfer process to remote work, digital sales, marketing and training was very successful, and I want to thank all our employees for their flexibility and adaptability in this challenging situation.

Overall, we are very pleased with the performance of our Software segment, especially in the current market environment, and we also believe that the main challenges in our Devices segment business have been tackled by the end of 2020. The cost saving measures that were launched during the second quarter will support the company's operating cash flow and cash reserves. The medium- and long-term outlook thus remain positive.

CEO

Seppo Kopsala

Outlook 2020

We continue to progress our expansion towards the US market and grow our international distributor network. Additionally, we are currently investing in the development of our first fully integrated AI camera with expected commercial launch during 2020.

Optomed expects its revenue to decline during 2020.

The COVID-19 pandemic has a negative effect on Optomed's growth and business in 2020.

Telephone conference

A telephone conference for analysts, investors and media will be arranged on 27 August 2020 at 11.00 EEST. The event will be held in English. The presentation material will be available at www.optomed.com/investors 10.00 EEST at the latest.

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

Please see the call-in numbers below:

FI +358 9 85626300

SE +46 8 505 218 52

UK +44 20 3321 5273

US +1 646 838 1719

FR +33 1 70 99 53 92

The conference id is 497 407 650#.

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

Group performance

April – June 2020

Group revenue decreased by 32.7 percent to EUR 2,597 (3,858) thousand in the second quarter. The Software segment performed relatively well considering the ongoing COVID-19 situation, and its revenue decreased only by 1.8 percent mainly due to postponed diabetic retinopathy screenings and other examinations. The Devices segment's revenue decreased by 59.2 percent, as a result of the COVID-19 pandemic that converted the face-to-face sales efforts that are typical to the market into virtual form, and especially since deliveries to our OEM-customers have been postponed as they have reacted to this unusual market situation by reducing their own inventories. The gross margin increased to 73.4 from 68.6 percent last year. The company received a governmental grant of EUR 87 (189) thousand, which increased the gross margin of both periods. The gross margin for the second quarter of 2020 adjusted for the total amount of the grants would have been 70.0 percent compared to 63.7 percent in 2019. The increase is due to a more favorable and improved customer and product mix.

EBITDA amounted to EUR -325 (-225) thousand and adjusted EBITDA totaled EUR -325 (85) thousand. The second quarter of 2019 was affected by EUR 310 thousand of IPO expenses classified as items affecting comparability. The main reasons for the adjusted EBITDA variance versus 2019 were lower revenue and lower absolute gross profit, which were partly compensated by the company's swift response to the pandemic and the related cost reduction actions. The company has cut travelling, postponed external events and commenced part time temporary layoffs. The second quarter of 2020 is also affected by an impairment loss related to a cancelled R&D program of EUR 150 thousand. EBIT was EUR -973 (-789) thousand and adjusted EBIT was EUR -973 (-479) thousand.

Net financial items amounted to EUR -22 (-217) thousand and consisted mainly of interest payments to financial institutions and the translation effect of Chinese RMB to EUR. Second quarter of 2020 was also affected by an increase in investments in low risk money market funds.

January – June 2020

Group revenue decreased by 20.7 percent to EUR 5,631 (7,097) thousand in the first half of the year. The Software segment performed well considering the ongoing COVID-19 situation, and revenue was in line with the first half of 2019 driven by stable recurring business from existing customers. The Devices segment's revenue decreased by 44.6 percent. The decrease was a result of the COVID-19 pandemic which halted personal sales work to clinics and hospitals, and deliveries to our OEM-customers have been postponed as they have reacted to this unusual market situation by reducing their own inventories. The gross margin decreased to 69.0 percent from 72.8 percent in last year. The company received a governmental grant of EUR 89 (478) thousand in the first half of 2020 and 2019, which increased the gross margin of both periods. The gross margin for the first half of 2020 adjusted for the total amount of the grants would have been 67.4 percent compared to 66.0 percent in 2019. The remaining increase was due to a more favorable and improved customer and product mix. The effect of the strategic new sourcing agreement to secure supply of key components for Devices segment was lower in the second quarter compared to the first quarter of 2020.

EBITDA amounted to EUR -900 (-339) thousand and adjusted EBITDA totaled EUR -900 (177) thousand. The first half of 2019 was affected by EUR 516 thousand of IPO expenses classified as items affecting comparability. The main reasons for the adjusted EBITDA variance versus 2019 were lower revenue and lower gross margin which were partly compensated by lower operating expenses attributable to layoffs carried out in May and June, 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 -2,034 (-1,453) thousand and adjusted EBIT was EUR -2,034 (-937) thousand.

Net financial items amounted to EUR -231 (-147) thousand and consisted mainly of interest payments to financial institutions and the translation effect of Chinese RMB to EUR.

Cash flow and financial position

In the second quarter of 2020, the cash flow from operating activities amounted to EUR 107 (-770) thousand. Net cash used in investing activities was EUR -411 (-301) thousand and relates to capitalized development expenses. Net cash from financing activities amounted to EUR -92 (2,629). Second quarter of 2019 includes proceeds from share subscription of EUR 3.0 million.

Consolidated cash and cash equivalents at the end of the period amounted to EUR 11,742 (2,607) thousand. Interest-bearing net debt totalled EUR -5,165 (7,411) thousand at the end of the period.

Net working capital was EUR 3,218 (2,684) thousand at the end of the period.

Devices segment

Optomed has two synergistic business segments: Devices and Software.

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

EUR, thousand	Q2/2020	Q2/2019	Change,%	H1/2020	H1/2019	Change,%	2019
Revenue	848	2,078	-59.2 %	1,822	3,288	-44.6 %	7,309
Gross profit *	543	1,324	-58.9 %	940	2,319	-59.5 %	4,200
Gross margin% *	64.1 %	63.7 %		51.6 %	70.5 %		57.5%
EBITDA	-121	148	-181.6 %	-542	-85	-534.1 %	-408
EBITDA margin *,%	-14.2 %	7.1 %		-29.7 %	-2.6 %		-5.6%
Operating result (EBIT)	-617	-171	-260.5 %	-1,375	-811	-69.6 %	-1,913
Operating margin (EBIT) *,%	-72.7 %	-8.2 %		-75.4 %	-24.7 %		-26.2%

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

April-June 2020

The Devices segment revenue decreased by 59.2 percent in the second quarter, mainly caused by the COVID-19 pandemic outbreak affecting the world economy. The decrease was caused by the coronavirus affecting personal sales work to hospitals and clinics, as well as deliveries to our OEM-customers have been postponed as they have reacted to this unusual market situation by reducing their own inventories. First signs of recovery were seen first in China and later in the APAC area during the quarter. Demand increased also in some European countries at the end of the quarter. The sales of the company's OEM customers are focused on North and South America where the effects of the pandemic are continuing to affect the market strongly. In China, the sales were lower than last year, however, the sales are expected to pick up as the market show signs of recovery from the pandemic. Furthermore, the company's Chinese key customer has started purchases again and purchases are expected to continue in the second half of the year.

The gross margin increased to 64.1 percent from 63.7 percent in the previous year. The company received governmental grants of EUR 71 (189) thousand in the second quarter of 2020, which increased the gross margin of both periods. In the second quarter of 2020 the gross margin adjusted for the total amount of the grants would have been 55.7 percent compared to 54.6 percent in 2019. The remaining variance is related to a more favourable and improved product and customer mix.

EBITDA was EUR -121 (148) thousand or -14.2 (7.1) percent of revenue. The key driver for the decrease in EBITDA was the decreased revenue and gross margin which were partly compensated by lower operating expenses related to lower employee related expenses due to layoffs and COVID-19 outbreak affecting corporate traveling and external events and the reallocation of certain costs to group wide expenses.

January-June 2020

The Devices segment revenue decreased by 44.6 percent in the first half of the year, mainly caused by the COVID-19 pandemic.

The gross margin decreased to 51.6 percent from 70.5 percent in the previous year. The company received governmental grants of EUR 73 (413) thousand in 2020. In 2020, the first half gross margin adjusted for the total amount of the grants would have been 47.6 percent compared to 58.0 percent in 2019. The first quarter of 2020 was affected by sourcing arrangements and purchases of certain key components, which were carried out to secure our manufacturing capability in the current COVID-19 situation. This arrangement combined with a more favourable and improved product and customer mix explains the variance.

EBITDA was EUR -542 (-85) thousand or -29.7 (-2.6) percent of revenue. The key driver for the decrease in EBITDA was the decreased revenue and gross margin, which were partly compensated by lower operating expenses.

Software segment

Optomed has two synergistic business segments: Devices and Software.

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

EUR, thousand	Q2/2020	Q2/2019	Change,%	H1/2020	H1/2019	Change,%	2019
Revenue	1,749	1,780	-1.8 %	3,809	3,809	0.0 %	7,668
Gross profit *	1,363	1,323	3.0 %	2,944	2,846	3.5 %	5,744
Gross margin % *	78.0 %	74.3 %		77.3 %	74.7 %		74.9%
EBITDA	366	250	46.1 %	847	764	10.9 %	1,667
EBITDA margin *, %	20.9 %	14.1 %		22.2 %	20.1 %		21.7%
Operating result (EBIT)	213	5	3936.3 %	546	375	45,7 %	909
Operating margin (EBIT) *, %	12.2 %	0.3 %		14.3 %	9.9 %		11.9%

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

April – June 2020

The Software segment had a fairly stable second quarter and the revenue decreased only slightly and came in at EUR 1,749 (1,780) thousand in spite of the COVID 19 pandemic due to its stable recurring business with the current customer base, even though some hospitals postponed diabetic retinopathy screenings and some other examinations. Deliveries of new eye screening solutions to hospitals are currently on hold. This is expected to change towards end of the year when the pandemic eases in some markets. The gross margin included governmental grants of EUR 16 thousand in 2020. EBITDA stood at EUR 366 (250) thousand or 20.9 (14.1) percent of revenue, respectively.

January – June 2020

The Software segment revenue was in line with the first half of 2019 and was EUR 3,809 (3,809) thousand. The gross margin included governmental grants of EUR 16 thousand in 2020 compared to EUR 65 thousand in 2019. EBITDA was EUR 847 (764) thousand or 22.2 (20.1) percent of revenue.

Organic growth

The following table shows the organic growth of the group and the segments. The adjusted elements are related to the acquisition of Commit; Oy executed in the first quarter of 2018 and exchange rate variances between EUR and Chinese RMB and USD. Commit; Oy forms the foundation of the Software segment today.

Organic growth, percentage	Q2/2020	H1/2020	2019
Devices segment*	-58.3%	-43.8%	-2.4%
Software segment*	-1.7%	0.0%	6.9%
Group*	-31.9%	-20.2%	1.5%

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

Group-wide expenses

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

April – June 2020

Group-wide operating expenses amounted to EUR 570 (623). The second quarter of 2019 includes IPO expenses of EUR 310 thousand. The increase excluding the IPO expenses was EUR 257 thousand and is related to strengthened management functions and transfer of marketing from Devices segment to group-wide expenses.

January – June 2020

Group-wide operating expenses amounted to EUR 1,205 (1,018). The first half of 2019 includes IPO expenses of EUR 516 thousand. The increase excluding the IPO expenses was EUR 703 thousand and is related to the same reasons as for the second quarter, i.e. strengthened management functions and transfer of marketing from Devices segment to group-wide expenses.

Personnel

Number of personnel at the end of the reporting period.

	6/2020	6/2019	12/2019
Devices	47	56	54
Software	41	42	40
Group common	15	8	14
Total	103	106	108

The increase in group common functions is mainly related to the transfer of staff from Devices and Software segments to group common functions as a consequence of establishing an operating segment in accordance with IFRS 8, which was concluded in late 2019 in conjunction with the listing of the company on the Nasdaq Helsinki main list. This transfer also explains the corresponding decline in number of personnel in Devices and Software segments.

Corporate Governance

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

Annual General Meeting

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

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

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

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

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

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

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

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

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

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

Audit Committee:

Reijo Tauriainen (chairman)

Seppo Mäkinen

Anna Tenstam

Remuneration Committee:

Seppo Mäkinen (chairman)

Reijo Tauriainen

Anna Tenstam

Shares and shareholders

The company has one share series with all shares having the same rights. At the end of the review period Optomed Plc's share capital consisted of 14,003,144 shares and the company held 811,000 shares in the treasury which corresponds approximately 5.8 percent of the total amount of the shares and votes. Additional information with respect to the shares, shareholding and trading can be found on the company's website www.optomed.com/investors/.

Risks and uncertainties

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

The COVID-19 coronavirus risk as disclosed in the Q1-2020 report has been updated as follows:

COVID-19 coronavirus

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

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

Currently, it seems like the PRC and the APAC have overcome the pandemic and demand is picking up again in these regions. However, Europe, South America and especially the US are still largely affected which may have a negative effect on Optomed's US operations that are in the ramp-up phase. Further, Optomed recognizes the risk of a second wave of the pandemic which may cause additional restrictions and other negative effects globally. The company has taken precautions to protect its currently strong cash position by executing temporary lay offs and various other cost cuts and continues to monitor the situation.

Other events

The Chinese subsidiary Shanghai Optomed Medical Technology Ltd was closed in early 2020.

On 14 April 2020, Optomed announced that it commenced co-operation negotiations due to the COVID-19. Approximately 50 employees were laid off part time and only a few employees full time, both for a maximum of 90 days. The part time layoffs apply also to the Group Leadership Team.

On 3 June 2020, Optomed announced that the company has received a medical devices regulatory approval in China for a new camera product. This new product, Optomed Smartscope EY80, has a wider field-of-view, 80-degrees and it is designed for retinal screening of newborn babies and small children. Optomed believes that this is the first non-contact fundus camera approved in China for newborn imaging. This approval from the Chinese Food and Drug Administration (CFDA) allows Optomed to start commercial operation of this new product in China.

Events after the review period

Optomed has been negotiating with an international AI partner regarding commencement of a clinical trial leading to a possible FDA approval of the combined solution. Provided that the clinical trials are commenced and completed successfully, the combined solution will include Optomed's handheld fundus camera and advanced machine learning technologies for screening and analysis of the retina.

Audit review

This financial report has not been audited by the company's auditors.

Financial reporting in 2020

25 November 2020 Interim Report for 1 January – 30 September 2020

For more information, contact

Lars Lindqvist, CFO

Tel: +46 702 59 57 89

E-mail: lars.lindqvist@optomed.com

Seppo Kopsala, CEO

Tel.: +358 40 555 1050

E-mail: seppo.kopsala@optomed.com

About Optomed

Optomed is a Finnish medical technology company and one of the leading providers of handheld fundus cameras. Optomed combines handheld 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 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 55 international patents protecting the technology. In 2019, Optomed's revenue reached EUR 15 million and pro forma revenue amounted to EUR 14.5 million. At the end of 2019, Optomed employed 108 professionals.

Alternative Performance Measures

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

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

Organic growth, %

Organic growth refers to revenue growth excluding (i) growth attributable to acquisitions and divestments; and (ii) growth attributable to fluctuations in exchange rates. The various components in organic growth are calculated as follows:

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

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

Reconciliation of Alternative Performance Measures and Organic growth

In thousands of euro	Q2/2020	Q2/2019	H1/2020	H1/2019	2019
Revenue	2,597	3,858	5,631	7,097	14,977
Other operating income	87	189	89	478	254
Material and services	-777	-1,400	-1,836	-2,410	-5,287
Gross profit	1,907	2,647	3,884	5,165	9,944
Operating profit/loss (EBIT)	-973	-789	-2,034	-1,453	-2,596
Items affecting comparability					
IPO related expenses	0	310	0	516	139
Adjusted EBIT	-973	-479	-2,034	-937	-2,457
Depreciation, amortization and impairment losses	648	564	1,134	1,115	2,261
Adjusted EBITDA	-325	85	-900	177	-196

Organic growth for the Group	Q2/2020	Q2/2019	H1/2020	H1/2019	2019
Revenue	2,597	3,858	5,631	7,097	14,977
Acquisitions (elimination of revenues for comparability)	0	0	0	0	-2,029
Revenue excluding acquisitions	2,597	3,858	5,631	7,097	12,948
Currency effects	0	-46	0	-43	0
Revenue excluding acquisitions and currency effects	2,597	3,812	5,631	7,054	12,948
Organic growth, percent	-31.9%		-20.2%		1.5%

Organic growth for the Devices segment	Q2/2020	Q2/2019	H1/2020	H1/2019	2019
Revenue	848	2,078	1,822	3,288	7,309
Acquisitions (elimination of revenues for comparability)	0	0	0	0	0
Revenue excluding acquisitions	848	2,078	1,822	3,288	7,309
Currency effects	0	-46	0	-43	0
Revenue excluding acquisitions and currency effects	848	2,032	1,822	3,245	7,309
Organic growth, percent	-58.3%		-43.8%		-2.4%

Organic growth for the Software segment	Q2/2020	Q2/2019	H1/2020	H1/2019	2019
Revenue	1,749	1,780	3,809	3,809	7,668
Acquisitions (elimination of revenues for comparability)	0	0	0	0	-2,029
Revenue excluding acquisitions	1,749	1,780	3,809	3,809	5,639
Currency effects	0	0	0	0	0
Revenue excluding acquisitions and currency effects	1,749	1,780	3,809	3,809	5,639
Organic growth, percent	-1.7%		0.0%		6.9%

Consolidated income statement

The principles for describing events after the interim period are the same as for events after the balance sheet date (IAS 10).

In thousands of euro	Q2/2020	Q2/2019	H1/2020	H1/2019	2019
Revenue	2,597	3,858	5,631	7,097	14,977
Other operating income	87	189	89	478	254
Materials and services	-777	-1,400	-1,836	-2,410	-5,287
Employee benefit expenses	-1,758	-1,824	-3,674	-3,565	-7,299
Depreciation, amortisation and Impairment losses	-648	-564	-1,134	-1,115	-2,261
Other operating expenses	-474	-1,048	-1,110	-1,939	-2,980
Operating result	-973	-789	-2,034	-1,453	-2,596
Finance income	79	-127	154	17	8
Finance expenses	-102	-90	-386	-163	-365
Net finance expenses	-22	-217	-231	-147	-356
Profit (loss) before income taxes	-996	-1,006	-2,265	-1,600	-2,952
Income tax expense	20	19	39	39	76
Loss for the period	-976	-987	-2,226	-1,561	-2,875
Loss for the period attributable to					
Owners of the parent company	-976	-987	-2,226	-1,561	-2,875
Loss per share attributable to owners of the parent company					
Weighted average number of shares	11,696,476	8,935,654	11,696,476	8,935,654	8,935,654
Basic loss per share (euro)	-0.08	-0.11	-0.19	-0.17	-0.32

Consolidated condensed comprehensive income statement

In thousands of euro	Q2/2020	Q1/2019	H1/2020	H1/2019	2019
Loss for the period	-976	-987	-2,226	-1,561	-2,875
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Foreign currency translation difference	31	82	40	4	14
Other comprehensive income, net of tax	31	82	40	4	14
Total comprehensive income for the period	-945	-905	-2,186	-1,557	-2,862
Total comprehensive loss attributable to Owners of the parent company	-945	-905	-2,186	-1,562	-2,862

Consolidated balance sheet

In thousands of euro	June 30, 2020	Dec 31, 2019
ASSETS		
Non-current assets		
Goodwill	4,256	4,256
Development costs	5,273	5,218
Customer relationships	1,719	1,829
Technology	789	840
Other intangible assets	491	519
Total intangible assets	12,528	12,662
Tangible assets	377	406
Right-of-use assets	873	1,075
Deferred tax assets	9	8
Total non-current assets	13,787	14,151
Current assets		
Inventories	2,850	2,468
Trade and other receivables	2,970	4,125
Cash and cash equivalents	11,742	18,866
Total current assets	17,562	25,459
Total assets	31,349	39,611

In thousands of euro	June 30, 2020	Dec 31, 2019
EQUITY		
Share capital	80	80
Share premium	504	504
Reserve for invested non-restricted equity	37,341	37,341
Translation differences	128	89
Retained earnings	-15,151	-12,500
Profit (loss) for the financial year	-2,226	-2,875
Total equity	20,676	22,637
LIABILITIES		
Non-current liabilities		
Borrowings from financial institutions	3,293	5,104
Government loans	3,057	2,998
Lease liabilities	547	699
Deferred tax liabilities	578	616
Total Non-current liabilities	7,476	9,416
Current liabilities		
Borrowings from financial institutions	(0)	1,766
Government loans	226	60
Lease liabilities	369	414
Trade and other payables	2,602	5,318
Total current liabilities	3,197	7,557
Total liabilities	10,673	16,973
Total equity and liabilities	31,349	39,611

Consolidated statement of changes in shareholders' equity

Equity attributable to owners of the parent company

In thousands of euro	Share capital	Share premium	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total
Balance at January 1, 2020	80	504	37,341	89	-15,376	22,637
Comprehensive income						
Loss for the period					-2,226	-2,226
Other comprehensive income						
- Translation differences				40		40
Total comprehensive income for the period				40	-2,226	-2,186
Share issue						
Share options					225	225
Total transactions with owners of the company			0		225	225
Balance at June 30, 2020	80	504	37,341	128	-17,377	20,676

In thousands of euro	Share capital	Share premium	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total
Balance at January 1, 2019	19	565	18,549	75	-13,656	5,552
Comprehensive income						
Loss for the financial year					-1,561	-1,561
Other comprehensive income – translation differences				4		4
Total comprehensive income for the financial year				4	-1,561	-1,561
Share issue			3,000		-	3,000
Share options			-		219	219
Total transactions with owners of the company			3,000		219	3,219
Balance at June 30, 2019	19	565	21,549	79	-14,998	7,213

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

Consolidated cash flow statement

In thousands of euro	Q2/2020	Q2/2019	H1/2020	H1/2019	2019
Cash flows from operating activities					
Loss for the financial year	-976	-987	-2,226	-1,561	-2,875
Adjustments:					
Depreciation, amortisation and impairment losses	648	564	1,134	1,115	2,261
Finance income and finance expenses	22	210	231	134	356
Other adjustments	51	179	98	256	466
Cash flows before change in net working capital	-254	-33	-763	-57	207
Change in net working capital:					
Change in trade and other receivables (increase (-) / decrease (+))	704	-838	1,237	-951	-783
Change in inventories (increase (-) / decrease (+))	-86	-379	-389	-864	-1,346
Change in trade and other payables (increase (+) / decrease (-))	-226	552	-2,668	704	2,396
Cash flows before finance items	139	-698	-2,582	-1,168	475
Interest paid	-11	-46	-39	-84	-202
Other finance expenses paid	-88	-32	-347	-64	-136
Interest received	67	6	154	7	24
Net cash from operating activities (A)	107	-770	-2,814	-1,309	161
Cash flows from investing activities					
Acquisition of intangible assets	-346	-248	-654	-587	-1,175
Acquisition of tangible assets	-65	-53	-112	-127	-261
Acquisition of subsidiary, net of cash acquired	0	0	0	0	1
Net cash used in investing activities (B)	-411	-301	-766	-713	-1,434
Cash flows from financing activities					
Proceeds from share subscriptions	0	3,000	0	3,000	23,000
Share issue transaction costs	0	0	0	0	-4,208
Proceeds from loans and borrowings	6	-175	-174	-3	176
Repayment of loans and borrowings	0	-107	-3,173	-190	-460
Repayment of lease liabilities	-98	-95	-197	-191	-385
Net cash from financing activities (C)	-92	2,629	-3,544	2,628	18,123
Net cash from (used in) operating, investing and financing activities (A+B+C)	-397	1,546	-7,124	606	16,849
Net increase (decrease) in cash and cash equivalents	-397	1,546	-7,124	606	16,849
Cash and cash equivalents at beginning of period	12,145	1,066	18,866	2,000	2,000
Effect of movements in exchange rate on cash held	-6	-5	-0	1	17
Cash and cash equivalents at end of period	11,742	2,607	11,742	2,607	18,866

Selected notes

Corporate information and basis of accounting

Corporate information

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

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

Basis of accounting

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

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

This report has been authorised for issue by the company's board of directors.

Critical management judgments and related estimates and assumptions

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

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

Use of judgment and estimates

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

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

Reportable segments

Q2/2020

In thousands of euro	Devices	Software	Group admin	Group total
External revenue	848	1,749		2,597
Net operating expenses	-305	-385	0	-690
Margin	543	1,363	-	1,907
Depreciation and amortisation	-496	-153	0	-648
Other expenses	-664	-997	-570	-2,232
Operating result	-617	213	-570	-973
Finance items	0	0	-22	-22
Loss before tax expense	-617	213	-593	-996

Q2/2019

In thousands of euro	Devices	Software	Group admin	Group total
External revenue	2,078	1,780		3,858
Net operating expenses	-754	-457	0	-1,211
Margin	1,324	1,323	-	2,647
Depreciation and amortisation	-319	-245	0	-564
Other expenses	-1,176	-1,073	-623	-2,872
Operating result	-171	5	-623	-789
Finance items	0	0	-217	-217
Loss before tax expense	-171	5	-840	-1,006

H1/2020

In thousands of euro	Devices	Software	Group Admin	Total
External revenue	1,822	3,809		5,631
Net operating expenses	-883	-864		-1,747
Margin	940	2,944	-	3,884
Depreciation and amortisation	-833	-300		-1,134
Other expenses	-1,481	-2,097	-1,205	-4,784
Operating result	-1,375	546	-1,205	-2,034
Finance items	0	0	-231	-231
Loss before tax expense	-1,375	546	-1,437	-2,265

H1/2019

In thousands of euro	Devices	Software	Group Admin	Total
External revenue	3,288	3,809		7,097
Net operating expenses	-969	-963		-1,932
Margin	2,319	2,846	-	5,165
Depreciation and amortisation	-725	-389		-1,115
Other expenses	-2,405	-2,082	-1,018	-5,504
Operating result	-811	375	-1,018	-1,453
Finance items	0	0	-147	-147
Loss before tax expense	-811	375	-1,164	-1,600

2019

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

Revenue

Disaggregation of revenue

In thousands of euro	Q2/2020	Q2/2019	H1/2020	H1/2019	2019
Finland	1,727	1,680	3,743	3,701	7,308
China	355	599	440	1,015	1,795
Other	515	1,579	1,448	2,381	5,874
Total	2,597	3,858	5,631	7,097	14,977

Other operating income

In thousands of euro	Q2/2020	Q2/2019	H1/2020	H1/2019	2019
Other operating income	87	189	89	478	254
Total	87	189	89	478	254

Other operating income consist of received grants and profit from sales of fixed assets. During the financial years 2019-2020 Optomed has received government grants from various organisations, such as Business Finland (previously Tekes). The grants were deducted from the carrying amount of related capitalised development costs, as applicable.

Tangible assets

In thousands of euro	Machinery and equipment 30.6 .2020	Machinery and equipment 31.12.2019
Cost		
Balance at January 1	1,992	1,729
Business combinations		
Additions	111	262
Disposals	-	-
Effect of movements in exchange rates	-	-
Balance at End of Period	2,103	1,992
Accumulated depreciation and impairment losses		
Balance at January 1	-1,585	-990
Depreciation	-141	-595
Impairment losses		-
Effect of movements in exchange rates		-
Balance at end of period	-1,726	-1,585
Carrying amount at January 1	406	739
Carrying amount at June 30/ December 31	377	406

Leases

Leased tangible assets

In thousands of euro	30.6.2020	31.12.2019
Additions to right-of-use assets	0	378
Carrying amount at the end of the reporting period	873	1,075

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

Lease liabilities

In thousands of euro	30.6.2020	31.12.2019
Current	547	414
Non-current	369	669
Total	916	1,113

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

Intangible assets and goodwill

At June 30 2020	Goodwill	Develop- ment costs	Customer relationships	Technology	Other intangible assets	Total
In thousands of euro						
Cost						
Balance at January 1	4,256	8,246	2,222	1,023	859	16,606
Business combinations						-
Additions		617	-	-	32	650
Balance at June 30	4,256	8,864	2,222	1,023	891	17,256
Accumulated amortisation and impairment losses						
Balance at January 1	-	-3,029	-392	-184	-340	-3,945
Amortization		-411	-111	-51	-61	-634
Impairment losses		-150	-	-	-	-150
Balance at June 30		-3,590	-503	-235	-401	-4,729
Carrying amount at January 1						
	4,256	5,218	1,829	840	519	12,662
Carrying amount at June 30						
	4,256	5,273	1,719	789	491	12,528

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

Financial assets Carrying amounts - at amortised cost

Current financial assets

In thousands of euro	30.6.2020	2019
Trade receivables		
Recourse factoring	461	1,242
Other trade receivables	1,255	1,655
Total trade receivables	1,715	2,897
Cash and cash equivalents	11,742	18,866
Total	13,457	21,763

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

Financial liabilities

In thousands of euro	30.6.2020	31.12.2019
Non-current financial liabilities		
Borrowings from financial institutions	3,293	5,104
Government loans	2,831	2,998
Lease liabilities	547	699
Total	6,672	8,800
Current financial liabilities		
Borrowings from financial institutions	0	1,766
Government loans	226	60
Lease liabilities	369	414
Trade payables	446	1,667
Total	1,040	3,907
Total financial liabilities	7,712	12,707

The financial loans have been restructured during the 2020. Financial loans were paid prematurely 3,173 thousand euros.

Fair values - financial liabilities measured at amortised cost

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

Financial covenant

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

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

	<i>Equity ratio</i>		
	Covenant term	Actual ratio	Applicable level
At June 30, 2020	25 %	70.18 %	Optomed Group

Related party transactions

In thousands of euro	Revenues	Trade receivables	Other expenses
Jan 1 - Jun 30 2020	773	467	-30
Jan 1 - Dec 31 2019	2,200	1,172	-143

Revenues and trade receivables relate to the major shareholders of Optomed Plc considered to be related parties to the parent company. Other expenses consist of consulting fees and travel expenses paid to the Chairman of the Board of Directors.