



# SILMÄASEMA

Silmäasema Oyj  
Financial Statements Release  
1 January 2018 – 31 December 2018

### **Silmäasema's profitability improved towards the end of the year; its full-year adjusted EBITDA was at the previous year's level**

#### **October–December 2018 in brief:**

- Net sales increased by 4.9% compared to October–December 2017, amounting to EUR 32.4 million (30.9).
- Like-for-like net sales were at the previous year's level.
- The adjusted EBITDA increased by 27.0% and was EUR 3.5 million (2.8), or 10.9% of net sales (9.0%).
- The adjusted operating result increased by 43.1% to EUR 2.0 million (1.4).
- Earnings per share were EUR 0.08 (0.06).

#### **January–December 2018 in brief:**

- Net sales increased by 3.8% on 2017 and amounted to EUR 122.9 million (118.3).
- Like-for-like net sales decreased by 1.6%.
- The adjusted EBITDA was at the previous year's level, at EUR 11.8 million (11.8), or 9.6% of net sales (9.9%).
- The adjusted operating result decreased by 9.7% to EUR 5.8 million (6.5).
- Cash flow from business operations increased to EUR 13.1 million (5.0).
- The net debt to adjusted EBITDA ratio on 31 December 2018 was 2.4 (2.9).
- Earnings per share were EUR 0.23 (-0.05).

The financial statement figures for 2017 and 2018 are audited. The quarterly figures are unaudited. The figures in parenthesis refer to the comparable period in 2017, and "comparison period" refers to the comparable period in the previous year, unless otherwise mentioned.

#### **Proposed dividend**

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.10 per share be paid for the 2018 financial year.

#### **Outlook for 2019**

Silmäasema expects its full-year like-for-like net sales to be at the previous year's level and its adjusted EBITDA margin to be at the previous year's level or slightly better (2018: 9.6%), excluding the effect of the IFRS 16 standard, which was adopted at the beginning of 2019.

## Key figures

EUR thousand, unless otherwise stated	10-12/2018	10-12/2017	Change %	1-12/2018	1-12/2017	Change %
Net sales	32,353	30,850	4.9 %	122,873	118,322	3.8 %
Like-for-like net sales growth, %	0.0 %	0.4 %		-1.6 %	3.5 %	
EBITDA	3,131	2,320	35.0 %	11,443	6,894	66.0 %
Adjusted EBITDA*	3,535	2,783	27.0 %	11,765	11,760	0.0 %
- adjusted EBITDA, %	10.9 %	9.0 %		9.6 %	9.9 %	
Operating result	1,577	912	72.9 %	5,492	1,589	245.7 %
Adjusted operating result*	1,981	1,385	43.1 %	5,844	6,472	-9.7 %
- adjusted operating result, %	6.1 %	4.5 %		4.8 %	5.5 %	
Basic earnings per share, EUR	0.08	0.06		0.23	-0.05	
Net debt / adjusted EBITDA				2.4	2.9	
Investments – operational				6,716	6,058	10.9 %
Investments – acquisitions				1,775	6,699	-73.5 %
Investments – total				8,491	12,757	-33.4 %
Number of locations, Silmäasema chain				181	172	5.2 %

\* Silmäasema presents both its adjusted EBITDA and adjusted operating result, which have been adjusted for significant extraordinary items. It is the company's view that the adjusted EBITDA best illustrates the profitability development of its business operations.

## CEO Jussi Salminen:

Silmäasema continued its controlled growth in 2018. We opened eight new optical retail stores in Finland and one in Estonia, in addition to a new eye clinic in Oulu. As previously announced, we have shifted our focus from strong network growth towards improving location-specific sales and profitability, as well as network development. With regard to this focus, we are also exploring opportunities to grow and introduce new services and business models related to good eyesight.

Silmäasema's total net sales grew by 4.9% to EUR 32.4 million in the fourth quarter and by 3.8% to EUR 122.9 million in 2018. The Group's adjusted EBITDA developed very favourably during the fourth quarter of 2018, increasing by 27% year-on-year to EUR 3.5 million as a result of highly successful optical retail trade. Consequently, Silmäasema's full-year adjusted EBITDA reached the previous year's level, EUR 11.8 million.

During the fourth quarter of 2018, the strong development of net sales and EBITDA was mainly driven by a good level of commercial success in optical retail, in addition to the positive effect of favourable development of purchase prices on the sales margin. The new eye clinic opened in Oulu in February is off to a strong start, with good net sales development during the year. The full-year adjusted EBITDA was burdened by expenses related to opening new units, in addition to net sales developing more slowly than expected during the first half of the year, particularly for new stores.

Despite the good development during the second half of the year, we cannot be satisfied with our like-for-like net sales decreasing by 1.6% in 2018. The Optical Retail segment's like-for-like net sales decreased year-on-year in January–September, but its full-year like-for-like net sales were at the previous year's level, thanks to strong development in October–December. In the Eye Clinics segment, procedure volumes for units opened before 2018 were lower than in the previous year, and the segment's like-for-like net sales decreased as well. At the annual level, the number of cataract surgeries increased slightly, but the number of refractive surgeries and other procedures decreased year-on-year. We have analysed the factors explaining the weak development of our procedure volumes. To increase our volumes and strengthen our market share, we will actively develop our customer acquisition process and operating model in 2019, to name just two examples. Over the longer term, the market for optical retail and eye clinic services will grow because of the ageing population and increasing demand for health and well-being services. This will also increase demand for Silmäasema's services.

In 2019, we will focus on improving profitability and efficiency and developing new target groups and business models. Our strategic focuses for 2019 include improving our operating conditions, developing network and improving our profitability.

During the review period, we started looking into measures that will enable us to accelerate productivity and profitability improvement in 2019–2020. A study on detailed measures is in progress, and we expect the first measures to have a visible effect on our result towards the end of 2019. We have also continued planning the information system renewals related to Silmäasema's development programme. Our information system acquisition process started at the beginning of 2019.

Silmäasema is a Finnish expert in good eyesight. We are the largest private eye healthcare provider and the second largest chain of optical stores in Finland. We work to be the best partner for consumers and companies, as well as contributing to the development of our sector as a whole. I am inspired by this opportunity to manage Silmäasema as it responds to eye care needs in a customer-focused, innovative and profitable manner.

## Market environment

According to a consumer survey published by Statistics Finland in December 2018, Finnish consumers' confidence in the economy has continued to decline slightly, but is still clearly above the long-term average.

According to a market report published by the Finnish Association of Vision and Eyecare in December, the net sales of optical retail in Finland continued to grow in January–September 2018, increasing by 2.3% to EUR 244 million. The total Finnish eyesight and eye healthcare market in 2017 was EUR 542 million. Of this total market, the optical retail sector represented EUR 324 million and private eye healthcare services represented EUR 218 million.

According to biannual market share statistics published by the Finnish Association of Vision and Eyecare, Silmäasema was Finland's second largest optical retailer in January–June 2018. The Silmäasema chain's market share in optical retail declined by 0.6 percentage points from January–June in the previous year and was 27.8%. The next market share report is expected to be published in March 2019.

The company expects demographic changes and the increase in the average age of the population to increase demand for optical retail and eye healthcare services. Population ageing is expected to increase the number of cataract surgeries in particular, but it is also expected to have an effect on the need to treat eye conditions, as well as on the number of people wearing glasses. According to Statistics Finland, the number of people aged over 65, as well as their proportion of Finland's population, will increase strongly during the 21st century. According to a population forecast published in March 2018, the number of people aged over 65 will increase by around 11% by 2025 and by around 19% by 2030, compared with 2019.

Due to new shopping centre projects, infrastructure construction and the deregulation of opening hours, Silmäasema's operating environment in Finland has changed and will continue to change significantly. In line with its growth strategy, Silmäasema has been involved in all major shopping centre projects, and the stores within its network are increasingly located in shopping centres. Some of the infrastructure surrounding the new shopping centres is still under construction, which is why the customer volumes have not yet reached their normal levels in some centres. However, the company believes that customer streams in shopping centres will reach their target levels over the longer term.

In June, the Finnish Government further specified its proposal for the Freedom of Choice Act for social and health services. The amendments were related to a longer transition period for the implementation of freedom of choice, among other aspects. The final content and implementation of the act will determine its effects on freedom of choice with regard to cataract surgeries. At the beginning of 2019, the proposal was still being processed by the Parliament of Finland. Silmäasema is committed to the goals of the Government's health, social services and regional government reform. The company believes that the increasing freedom of choice will support the development of cost-efficient and equal eye healthcare services.

## Tax audit

In September 2018, the Board of Adjustment partly annulled the Tax Administration's decision of 20 June 2017 regarding the value added taxation of Silmäasema Optiikka Oy, a wholly owned subsidiary of Silmäasema Oyj. In line with the decision, EUR 0.9 million in value added tax and tax increases were returned to Silmäasema for the 2014–2016 financial years.

Silmäasema and the Finnish Tax Administration have had differing views regarding the split between retail operations, which are subject to VAT, and health and medical care services, which are VAT exempt. The main differences in views have been related to eye examinations performed by opticians in connection with eyeglass sales and the work performed by self-employed ophthalmologists at Silmäasema.

The Board of Adjustment accepted Silmäasema's appeal regarding the work performed by self-employed ophthalmologists but rejected the other appeals. Regarding the rejected appeals, Silmäasema has appealed against the decision to the Administrative Court.

As a result of a tax audit conducted in 2017, the Finnish Tax Administration ordered Silmäasema Optiikka Oy to pay around EUR 1.4 million (net impact) of value added tax for the years 2014–2016, and around EUR 0.3 million in tax increases and penal interest. These payments were made in July 2017 and recognised in Silmäasema's income statement.

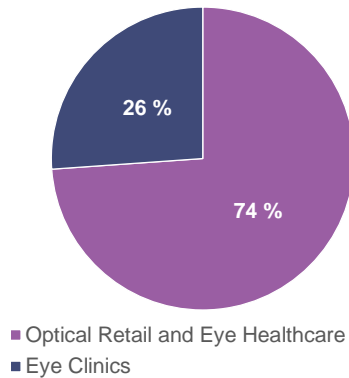
In line with the decision by the Board of Adjustment, Silmäasema has recognised the refund of EUR 0.9 million in its income statement for the third quarter of 2018. In addition, based on the decision, Silmäasema has applied for a refund of around EUR 0.6 million of unduly paid value added tax for the 2017–2018 financial years. This amount has also been recognised in the income statement for the third quarter of 2018.

Silmäasema has eliminated the effect of the change in the value added tax deduction practice and the effect of the value added tax items to be refunded when reporting its adjusted EBITDA and adjusted operating result. However, the return of the value added tax had a clearly positive impact on Silmäasema's result and earnings per share for the 2018 financial year.

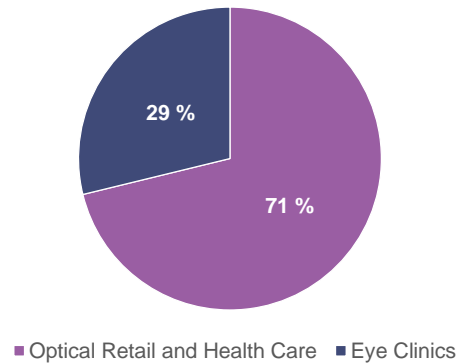
## Consolidated net sales and result

Net sales (EUR thousand)	10-12/2018	10-12/2017	Change %	1-12/2018	1-12/2017	Change %
Optical retail and eye healthcare	23,903	21,962	8.8	87,970	83,025	6.0
Eye clinics	8,450	8,888	-4.9	34,903	35,297	-1.1
Group	32,353	30,850	4.9	122,873	118,322	3.8

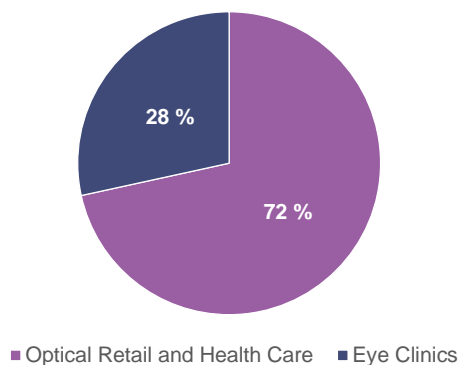
Net sales 10-12/2018



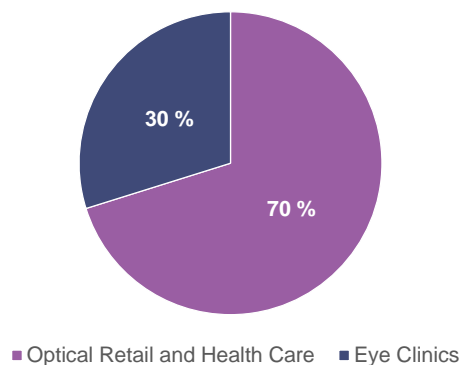
Net sales 10-12/2017



Net sales 1-12/2018



Net sales 1-12/2017



Adjusted EBITDA (EUR thousand)	10-12/2018	10-12/2017	Change %	1-12/2018	1-12/2017	Change %
Optical retail and eye healthcare	2,560	1,666	53.6%	7,657	7,159	7.0%
- share of segment's net sales, %	10.7%	7.6%		8.7%	8.6%	
Eye clinics	976	1,116	-12.6%	4,107	4,601	-10.7%
- share of segment's net sales, %	11.5%	12.6%		11.8%	13.0%	
Group	3,535	2,783	27.0%	11,765	11,760	0.0%
- share of net sales, %	10.9%	9.0%		9.6%	9.9%	

## Financial performance in October–December 2018

Silmäasema's net sales during the fourth quarter amounted to EUR 32.4 million (30.9), representing an increase of 4.9% on the corresponding period in the previous year. Most of the growth came from new optical retail stores opened in 2017–2018 and stores acquired through company and business acquisitions, as well as from the new eye clinic opened in Oulu in February 2018. Like-for-like net sales remained at the same level as in the comparison period.

The Group's sales margin increased by 8.1% and was EUR 18.5 million (17.1), or 57.1% of net sales (55.3%). The new purchase prices implemented at the beginning of the year continued to have a favourable effect on the sales margin.

The adjusted EBITDA was EUR 3.5 million (2.8), or 10.9% of net sales (9.0%). The increase in the adjusted EBITDA was mainly due to increased net sales and higher purchase prices in optical retail compared to the previous year.

Silmäasema's EBITDA in October–December 2018 was EUR 3.1 million (2.3). During the review period, the higher sales margin in optical retail had a particularly favourable effect on the EBITDA, along with the reversal of around 0.2 million of entries related to the share incentive system.

In October–December, the Group's personnel expenses were EUR 8.1 million (8.1). Its rental expenses, as well as its maintenance, IT and furniture expenses, increased from the comparison period due to the expansion of operations. Total operating expenses increased to EUR 7.2 million (6.7).

Silmäasema's operating profit was EUR 1.6 million (0.9). Its adjusted operating profit was EUR 2.0 million (1.4).

## Financial performance in January–December 2018

Silmäasema's net sales in 2018 were EUR 122.9 million (118.3). Its net sales increased by 3.8% year-on-year. Most of the growth came from new optical retail stores opened in 2017–2018 and stores acquired through company and business acquisitions, as well as from the new eye clinic opened in Oulu in February 2018. Like-for-like net sales decreased by 1.6%.

The Group's sales margin increased by 5.1% and was EUR 69.6 million (66.2), or 56.6% of net sales (55.9%). The new purchase prices implemented at the beginning of the year had a favourable effect on the sales margin.

The adjusted EBITDA was EUR 11.8 million (11.8), or 9.6% of net sales (9.9%). It was burdened by the decline in like-for-like net sales and investments in the growth of the network, meaning that fixed costs grew more rapidly than net sales.

In 2018, Silmäasema's EBITDA was EUR 11.4 million (6.9). In the comparison period, its EBITDA was burdened in particular by expenses related to corporate transactions, the listing of the company and changes in the treatment of value added tax. In the review period, tax returns related to VAT treatment had a positive effect on the EBITDA.

In January–December, the Group's personnel expenses increased with the expansion of operations to EUR 32.5 million (31.0). Its rental expenses, as well as its maintenance, IT and furniture expenses, increased for the same reason. As a whole, however, other operating expenses decreased and were EUR 25.6 million (28.3). The difference is explained by the fact that, in the comparison period, total expenses increased as a result of extraordinary items, such as expenses related to corporate transactions, the listing of the company and changes in the treatment of value added tax.

Silmäasema's operating profit in 2018 was EUR 5.5 million (1.6). Its adjusted operating profit decreased by 9.7% to EUR 5.8 million (6.5).

## Cash flows

Silmäasema's cash flow from business operations grew in 2018 to EUR 13.1 million (5.0). The growth arises from the higher profit for the period, smaller financial expenses, higher working capital and changes in income taxes paid.

Cash flow from investing activities in 2018 amounted to EUR -8.5 million (-12.8).

Cash flow from financing activities in 2018 amounted to EUR 1.6 million (6.4). The difference is explained by the fact that EUR 4.8 million was taken out in investment financing in the comparison period. In addition, shares were issued during the comparison period, and most of the funds raised were used to repay old loans and shareholder loans. In the financial year, Silmäasema took out a bank loan of EUR 2.0 million included in an existing financing agreement.

## Investments

Silmäasema's investments in 2018 totalled EUR 8.5 million (12.8). Of the total, operational investments represented EUR 6.7 million (6.1) and company acquisitions represented EUR 1.8 million (6.7). Most of the amount related to company acquisitions is attributable to contingent purchase prices concerning company acquisitions made in previous years. Operational investments include renovation and replacement investments, as well as costs related to the establishment of new stores and the eye clinic in Oulu.

## Consolidated balance sheet and financial standing

At the end of 2018, the Silmäasema Group's balance sheet total stood at EUR 101.4 million (97.4), of which equity amounted to EUR 42.0 million (38.8). Net debt was EUR 28.0 million (33.8).

At the end of the year, Silmäasema's net working capital was EUR -7.5 million (-5.7). Due to the nature of the business, its use of working capital is efficient. Its equity ratio stood at 42.8% (40.8%) at the end of the review period.

## Optical retail and eye healthcare

### Net sales and result in October–December 2018

The Optical Retail and Eye Healthcare segment's net sales increased by 8.8% to EUR 23.9 million (22.0). The growth was mainly due to new stores opened in 2017–2018 and stores acquired through company and business acquisitions. Highly successful campaigns and increased sales volumes across the network had a positive effect on net sales. The like-for-like net sales grew by 4.1%.

The segment's EBITDA was EUR 2.3 million (1.1), and its adjusted EBITDA was EUR 2.6 million (1.7), or 10.7% of net sales (7.6%). Increased net sales and the favourable development of purchase prices improved profitability compared to October–December 2017.

The Optical Retail and Eye Healthcare segment's operating profit was EUR 1.4 million (0.3), and its adjusted operating profit was EUR 1.6 million (0.9).

### Net sales and result in January–December 2018

The Optical Retail and Eye Healthcare segment's net sales increased by 6.0% to EUR 88.0 million (83.0). The growth was mainly due to stores acquired through company and business acquisitions and new stores opened in 2017–2018. Its like-for-like net sales grew by 0.1%.

The segment's EBITDA was EUR 7.7 million (3.8), and its adjusted EBITDA was EUR 7.7 million (7.2), or 8.7% of net sales (8.6%). Its EBITDA in the comparison period was lower due to significant value added tax items.

The Optical Retail and Eye Healthcare segment's operating profit was EUR 4.2 million (0.8), and its adjusted operating profit was EUR 4.1 million (4.1).

### Sales days

	Q1/2018	Q1/2017	Q2/2018	Q2/2017	Q3/2018	Q3/2017	Q4/2018	Q4/2017
<b>Weekdays</b>	63	64	62	61	65	65	63	62
<b>Saturdays</b>	12	12	12	12	13	14	12	12
<b>Sundays</b>	12	12	11	11	14	13	12	13
<b>Public holidays</b>	3	2	6	7	-	-	4	4

## Store network

In 2018, Silmäasema extended its store network in Finland through one business acquisition and by establishing seven new stores. In addition, a new store was established in Estonia. One store was closed down in Finland during the year. At the end of 2018, the chain included a total of 167 (159) optical retail stores. Of these stores, 149 (141) were owned by Silmäasema and 18 (18) were chain stores owned by franchisees.

	Opened before 2016 <sup>1</sup>	Opened in 2016–2017 <sup>1</sup>	Opened in 2018 <sup>1</sup>	Closed in 2018	TOTAL
Own stores in Finland	87	45	8	1	139
Own stores in Estonia	-	9	1	-	10
Chain stores in Finland	-	-	-	-	18

1) New stores and business and company acquisitions

## Eye clinics

Silmäasema has a nationwide network of 14 eye clinics in Finland. The newest clinic was opened in Oulu in February 2018.

### Net sales and result in October–December 2018

The Eye Clinics segment's net sales were EUR 8.5 million (8.9). Its like-for-like net sales – that is, net sales excluding the new eye clinic opened in Oulu – decreased by 10.3%. This was due to the decline in the net sales of the Hospital District of Helsinki and Uusimaa's outsourced ophthalmological services, the decrease in the number of refractive surgeries and the decline in the total volume of doctor's appointments and other services.

Refractive and cataract surgeries make up almost two-thirds of the net sales of the Eye Clinics segment. The rest consists of ophthalmologists' and opticians' appointment services, eye examinations, eyelid surgery and eye procedures. Demand for refractive surgeries in October–December was lower than in the comparison period: a total of 1,937 (2,097) refractive surgeries were performed at Silmäasema eye clinics. The overall volume of cataract surgeries increased from the comparison period. A total of 1,930 (1,865) cataract surgeries were performed, of which surgeries paid for by means of service vouchers represented 26% (23%).

The segment's EBITDA was EUR 1.0 million (1.1), and its adjusted EBITDA was EUR 1.0 million (1.1), or 11.5% of net sales (12.6%). The decrease in profitability was mainly due to the lower sales of surgery products and the increase in fixed costs as a result of the establishment of the Oulu eye clinic.

The Eye Clinics segment's operating result was EUR 0.4 million (0.5), and its adjusted operating result was EUR 0.4 million (0.5).

### Net sales and result in January–December 2018

The Eye Clinics segment's net sales decreased by 1.1% to EUR 34.9 million (35.3). Its like-for-like net sales – that is, net sales excluding the new eye clinic opened in Oulu – decreased by 5.4%.

A total of 8,678 (8,680) refractive surgeries were performed at Silmäasema's eye clinics. A total of 7,611 (7,230) cataract surgeries were performed, of which surgeries paid for by means of service vouchers represented 24% (27%).

The segment's EBITDA was EUR 3.9 million (4.8), and its adjusted EBITDA was EUR 4.1 million (4.6), or 11.8% of net sales (13.0%). The decrease in profitability is due to start-up costs related to the new eye clinic in Oulu and the decrease in the net sales of the other eye clinic network.

The Eye Clinics segment's operating profit was EUR 1.5 million (2.6), and its adjusted operating profit was EUR 1.7 million (2.4), or 4.9% of net sales (6.7%).

## Research and development

Silmäasema's research and development activities are mainly focused on business development, and the costs involved are realized in this respect as business expenses. In 2018, development costs related to eye clinic activities were capitalized at EUR 0.3 million.

## Personnel

In January–December 2018, the average number of personnel at Silmäasema was 618 (575) in full-time equivalents. At the end of 2018, the Group had 723 (706) employees, of whom 688 (672) were based in Finland and 35 (34) were based in Estonia. Due to a change in reporting practices, the figures differ from the figures reported earlier. Salaries and other personnel expenses totalled EUR 32.5 million (31.0) in 2018.

## Development programme 2018–2020

In 2018, Silmäasema launched a development programme that involves changes to operating models and the renewal of information systems. The goal is to be able to meet the service needs of customers and the productivity demands of operations in the future in the best possible way. The programme focuses on improving existing operating models, as well as increasing profitability with new operating methods and information system solutions that support these methods. The programme will generate costs over its duration, but purchases related to the programme are likely to be recognised as capital expenditure.

The planning of information system renewals progressed as intended in October–December. Operational changes were specified and an optimal information system environment was designed for Silmäasema during the second half of 2018. The information system acquisition process began in early 2019. Silmäasema seeks to ensure the optimal implementation of the programme by means of process phases and pilot projects.

## Governance, management and legal proceedings

### Governance and management

Silmäasema operates in accordance with the applicable laws and regulations, its Articles of Association and the rules and regulations issued by Nasdaq Helsinki for listed companies. Silmäasema also complies with the Finnish Corporate Governance Code issued by the Securities Market Association in 2015.

At the end of the review period, Silmäasema's Management Team consisted of Anu Kankkunen (CFO, acting CEO), Sirkkaliisa Kulmala (HR Director, acting Business Director) and Anna Seppälä (Commercial Director).

### Changes in the Management Team

CEO Pasi Kohmo announced on 23 August 2018 that he was resigning from his position to join another company. Kohmo left Silmäasema on 7 September 2018, which was his last day with the company.

Silmäasema's Board of Directors appointed Jussi Salminen, M.Sc. (Tech.), as the company's CEO on 27 November 2018. Salminen started as the CEO of Silmäasema after the review period on 21 January 2019.

CFO Anu Kankkunen served as the company's acting CEO from 7 September 2018 to 21 January 2019.

Sirkkaliisa Kulmala was appointed as Silmäasema's HR Director and Management Team member as of 1 November 2018.

Business Director Sami Määttä announced on 29 November 2018 that he was leaving the company. His last day with the company was 21 December 2018. HR Director Sirkkaliisa Kulmala has served as acting Business Director since 22 December 2018.

Commercial Director Anna Seppälä announced on 19 December 2018 that she was leaving the company. She will continue to serve as Commercial Director and a member of the Management Team until 31 March 2019.

Director of Administration Rauno Tenhunen resigned from the Management Team on 21 December 2018. He continues to work for the company.

## Decisions of the 2018 Annual General Meeting

On 11 April 2018, the Annual General Meeting (AGM) of Silmäasema Oyj adopted the company's financial statements and consolidated financial statements for the 2017 financial year, discharged the members of the Board of Directors and CEO from liability, and decided that no dividend would be paid for the 2017 financial year.

The AGM confirmed that the Board of Directors will consist of six (6) members. Tuomas Lang, Maisa Romanainen, Juha Saarinen, Torsti Sihvola and Kaisa Vikkula were re-elected and Jukka Hienonen was elected as a new member to the Board of Directors. The AGM elected Jukka Hienonen as Chair of the Board and Juha Saarinen as Vice-Chair of the Board.

The AGM selected the auditing firm KPMG Oy Ab as the company's auditor, with Virpi Halonen (APA) as principal auditor.

The AGM authorised the Board to decide on the acquisition of the company's shares in one or more instalments using funds belonging to the company's unrestricted equity so that the maximum quantity of shares purchased is 1,400,000 shares, which corresponds to around ten (10) per cent of all the shares in the company.

The AGM also authorised the Board of Directors to decide on the issue of a maximum of 2,000,000 shares through a share issue or by granting option rights or other special rights entitling their holders to shares in one or more instalments. The maximum number of shares to be issued based on this authorisation (2,000,000) corresponds to around fourteen (14) per cent of all shares in the company.

At its meeting held after the AGM, Silmäasema's Board of Directors elected from among its members Kaisa Vikkula as the Chair of the Audit Committee and Jukka Hienonen and Juha Saarinen as its members.

The decisions of the AGM were announced in more detail in a stock exchange release published on 11 April 2018.

## Changes in Group structure

During the review period, Silmäasema carried out the following subsidiary mergers: Haminan Silmäasema Oy and Jämsän Silmäasema Oy were merged into Silmäasema Optiikka Oy on 1 January 2018.

## Legal proceedings

In 2018, Silmäasema Optiikka Oy was a party in arbitration proceedings in which a former partner company of Silmäasema Optiikka Oy had made an allegation that Silmäasema Optiikka Oy had violated their cooperation agreement, and demanded damages for breach of contract. According to the decision issued by the arbitrator in December 2018, there was no breach of contract, and the former partner company was required to compensate for Silmäasema Optiikka Oy's legal expenses in full. As this former partner company has since filed for bankruptcy, receiving the compensation is uncertain and, for that reason Silmäasema has recognised the legal expenses as adjustment items in its operating result and EBITDA.

## Near-term business risks and uncertainties

The risks related to Silmäasema's growth strategy are expected to reduce with the shift of focus in its operations towards the development of its existing network of locations and business operations. Regardless of this, opening new stores and finding the most suitable business locations, as well as any company acquisitions, include risks that are managed by means of careful preparation and strong expertise in integration. Learning new things and managing profitable growth require special attention to motivating and target-oriented leadership, and to the development and controlled implementation of new operating models. In 2018, the company launched a significant development programme that involves changes to operating models and the renewal of information systems. The development programme involves uncertainty in terms of the amount and timing of costs and investments. The project will tie up resources, which may have temporary effects on the company's business operations.

Silmäasema has strongly expanded its network of stores in recent years. The early stages of operations of new and acquired stores involve normal start-up risks, and their profitability is also burdened by investments in starting operations and achieving a strong market position. Previously, new stores have reached their normal level of profitability in one or two years, but this involves uncertainty. For example, it will take some of the stores that were opened in 2016 more than 2 years to reach their normal level of profitability.

The profitability level of optical retail may vary between quarters within the year and in relation to the comparison period, due to variations in the structure of sales. The factors affecting the structure of sales, such as the effectiveness of Silmäasema's and its competitors' sales promotion measures, may be difficult to predict.

The competition in healthcare has moved closer to regular consumer markets. Silmäasema must be able to adapt its business models in a more demand- and consumer-oriented direction. Silmäasema monitors the changes in the market and continuously observes its competition, among other measures. Highly competent healthcare professionals lay the foundation for the operations of Silmäasema's Eye Clinics segment. Its growth and success depend on the company's ability to recruit and keep the best experts in the field.

Silmäasema participates in competitive bidding processes organised by public hospital districts looking to partner with private service providers in the treatment of eye diseases. The competitive bidding processes and their results always involve uncertainty. However, the results of individual bidding processes are not expected to have a significant effect on the Group as a whole.

Silmäasema uses various information systems in its business operations. The critical role of the systems is analysed, and risks are minimised as part of risk management. In addition, Silmäasema is currently carrying out and planning several significant information system projects. The risks involved in information system projects are minimised through meticulous project management, among other measures. During the development programme launched in 2018, most of the company's information systems will be renewed within a period of two years. The renewals are likely to concern at least cash register and reporting systems, as well as category management and digital services for customers.

Healthcare involves patient liabilities, which are mainly borne by doctors. The company has prepared for these risks with appropriate liability insurance policies. The company protects itself against other damage risks with statutory insurance policies and with optional insurance policies related to property, disruption of business and certain responsibilities, among other aspects.

Structural changes in the public sector and changes in healthcare regulation may impact Silmäasema's business operations. The total impact of the planned health and social services reform and other changes in the organisation of social and healthcare services in Finland are difficult to predict. Policy alignments may affect Silmäasema's profitability and growth prospects. However, more than 90% of Silmäasema's net sales come from operations such as the sales of spectacles, contact lenses and refractive surgeries, which are already provided through free competition. These activities are not directly dependent on the health and social services reform that is currently being planned. The social and healthcare service solution is estimated to impact this portion of net sales only slightly.

## Shares and shareholders

### Shares

The total number of Silmäasema's registered shares on 31 December 2018 was 14,248,805 and the company's share capital entered in the Trade Register was EUR 80,000. On 31 December 2018, the company held no treasury shares.

Silmäasema's share is listed on the Nasdaq Helsinki's main list in the small cap company group within the Health Care sector, with the ticker symbol SILMA. Trading on the main list began on 13 June 2017.

The highest quotation in January–December 2018 was EUR 7.54 and the lowest was EUR 4.25. The volume-weighted average price was EUR 5.14 per share. The closing rate on 31 December 2018 was EUR 4.35, with the market value of Silmäasema's share capital standing at EUR 62.0 million. Total trading for the share in January–December was EUR 30.8 million, and the trading volume was 6.0 million shares in total.

### Shareholders and flagging notifications

At the end of 2018, Silmäasema had a total of 5,389 registered shareholders. Nominee-registered and direct foreign shareholders represented a holding of 8.54% of the share capital at the end of the review period.

During the year, Silmäasema Oyj received the following flagging notifications issued by Coronaria Oy:

- Flagging notification on 4 October 2018 – Coronaria Oy's ownership in Silmäasema had increased to 12.28% on 3 October 2018.
- Flagging notification on 15 October 2018 – Coronaria Oy's ownership in Silmäasema had increased to 19.72% on 12 October 2018.
- Flagging notification on 1 November 2018 – Coronaria Oy's ownership in Silmäasema had increased to 20.00% on 31 October 2018.
- Flagging notification on 31 December 2018 – Coronaria Oy's ownership in Silmäasema had increased to 22.09% on 28 December 2018.

On 15 October 2018, Silmäasema received a notification issued by Janus Henderson Group plc, whose ownership in Silmäasema had fallen below 5% on 12 October 2018.

## Largest shareholders on 31 December 2018

Shareholders	Number of shares	% of shares
1 Coronaria Oy	2,849,762	20.00
2 Intera Fund II Ky	2,375,950	16.67
3 Mandatum Life Insurance Company Limited	1,017,644	7.14
4 Varma Mutual Pension Insurance Company	651,000	4.57
5 Ilmarinen Mutual Pension Insurance Company	650,000	4.56
6 Elo Pension Company	629,117	4.42
7 Säästöpankki Pienyhtiöt	500,000	3.51
8 Sihvola Torsti Aleksi	327,000	2.29
9 Kaleva Mutual Insurance Company	200,000	1.40
10 Callardo Capital Oy	185,465	1.30
<b>Total</b>	<b>9,385,938</b>	<b>65.87</b>
<b>100 largest shareholders total</b>	<b>11,214,798</b>	<b>78.71</b>
<b>Nominee registered total</b>	<b>1,217,417</b>	<b>8.54</b>
<b>Number of shares total</b>	<b>14,248,805</b>	<b>100.00</b>

The increase in Coronaria Oy's ownership in Silmäasema to 22.09% on 28 February 2018 was entered into the shareholder register maintained by Euroclear Finland Oy after 31 December 2018.

## Distribution of ownership by sector, 31 December 2018

Share owners by sector	Number of shares	% of shares
Public sector	1,930,117	14.81
Financial and insurance corporations	3,777,027	28.98
Households	2,866,927	22.00
Non-financial corporations	4,403,482	33.79
Non-profit institutions	28,289	0.22
Rest of the world	25,546	0.20
<b>Total</b>	<b>13,031,388</b>	<b>100.00</b>
<b>Nominee registered total</b>	<b>1,217,417</b>	<b>8.54</b>

## Distribution of ownership by number of shares, 31 December 2018

Number of shares	Number of shareholders	% of shareholders
1-100	1,216	22.56
101-500	3,251	60.33
501-1,000	491	9.11
1,001-5,000	339	6.29
5,001-10,000	33	0.61
10,001-50,000	38	0.71
50,001-100,000	7	0.13
100,001-500,000	8	0.15
500,001-	6	0.11
<b>Total</b>	<b>5,389</b>	<b>100.00</b>

## Share incentive plans

The goals of Silmäasema's share incentive plan include guiding Silmäasema's key persons in achieving the company's long-term strategic targets, stressing the importance of developing shareholder value and increasing key persons' commitment to the company. The target group consists of the CEO, the members of the Management Team and other key managers.

At the end of 2018, the share incentive plan had three three-year performance periods: 2017–2019, 2018–2020 and 2019–2021. Silmäasema's Board of Directors decides on the plan's performance criteria at the beginning of each performance period. The reception of any rewards requires the continuation of the employment relationship, with the exception of retirement, incapacity for work, death or corporate reorganisation. A key person must own 50 per cent of the shares received through the share incentive plan until the holding in the company is equivalent to their gross annual salary. The shares must be owned for as long as the key person's employment relationship with the company continues. The potential reward will be paid during the calendar year immediately following the end of the performance period. The reward will be paid partly in Silmäasema shares and partly in cash. The cash portion is intended to cover taxes and tax-related costs arising from the rewards to key personnel.

At the end of the review period, the target group for the 2017–2019 performance period consisted of 12 people, with the maximum total number of shares to be paid as rewards being 38,978; the target group for the 2018–2020 performance period consisted of 12 people, with the maximum total number of shares to be paid as rewards being 55,434; and the target group for the 2019–2021 performance period consisted of 19 people, with the maximum total number of shares to be paid as rewards being 125,352. A total of 156,176 Silmäasema shares have been reserved for the 2019–2021 performance period.

## The Board of Directors' authorisations

Silmäasema's Annual General Meeting (AGM), held on 11 April 2018, authorised the Board to decide on the acquisition of the company's shares in one or more instalments using funds belonging to the company's unrestricted equity so that the maximum quantity of shares purchased is 1,400,000 shares, which corresponds to around ten (10) per cent of all the shares in the company. The authorisation will remain in force until the next AGM.

The AGM also authorised the Board of Directors to decide on the issue of a maximum of 2,000,000 shares through a share issue or by granting option rights or other special rights entitling their holders to shares in one or more instalments. The maximum number of shares to be issued based on this authorisation (2,000,000) corresponds to around fourteen (14) per cent of all shares in the company. The authorisation will remain in force until the next AGM.

The authorisations were announced in more detail in a stock exchange release published on 11 April 2018.

## Outlook for 2019

Silmäasema expects its full-year like-for-like net sales to be at the previous year's level and its adjusted EBITDA margin to be at the previous year's level or slightly better (2018: 9.6%), excluding the effect of the IFRS 16 standard, which was adopted at the beginning of 2019.

## Basis for the outlook

In the long run, the ageing population and Finns' increased investment in health and well-being are factors that are expected to increase the demand for optical retail and eye healthcare services. The good general economic situation and the favourable development of private consumption are also expected to support demand in optical retail. These factors are expected to contribute to the development of Silmäasema's net sales in 2019.

The implementation of Silmäasema's strategy in 2019 focuses on the development of its network of locations and business operations, as well as on profitability improvement, including the optimisation of the network of locations. The competitive situation in optical retail continues to be tight, and Silmäasema seeks to strengthen its market position while also ensuring profitability and renewing the market for eye care services.

Due to the high sales margin, the level of adjusted EBITDA is highly dependent on the performance of net sales. Over the short term, fluctuation in the net sales of the network of well-established stores is the only significant factor affecting the EBITDA level. Over the longer term, the increase in productivity resulting from changes in operating models will change this level but will not eliminate the fluctuation.

Operating expenses are not expected to increase. The most significant expenses are related to salaries, rents and marketing. These expenses can be predicted relatively accurately for the full year. The development programme initiated in 2018 will generate costs over its duration, but the timing of these expenses is difficult to predict at this point. Purchases related to the programme are likely to be recognised as investments. Silmäasema adopted IFRS 16 *Leases* as of the financial period beginning 1 January 2019. Silmäasema estimates that the effect of the adoption of the standard on its EBITDA in 2019 will be around EUR 7 million, and the amount of right-of-use assets and lease liabilities to be recognised on the balance sheet will be around EUR 29 million. These amounts will be further specified during the first quarter of 2019. In the outlook for 2019, the effect of the IFRS 16 standard is excluded.

## The Board of Directors' proposal for the distribution of profits

On 31 December 2018, the parent company's distributable funds totalled EUR 42,580,664.52, including the profit for the period, which is EUR 1,483,443.92.

The Board of Directors proposes to the Annual General Meeting, on 10 April 2019, that a dividend of EUR 0.10 per share be paid on the basis of the balance sheet to be adopted for the financial year 1 January – 31 December 2018. The Board of Directors proposes that a total of EUR 1,424,880.50 of the distributable funds be distributed as dividend and that remaining EUR 41,155,784.02 be left in equity.

No significant changes have taken place in the company's financial standing after the end of the financial year. The company's liquidity is good, and it is the Board of Directors view that the proposed dividend will not jeopardise the company's solvency.

## Annual General Meeting

Silmäasema's Annual General Meeting will be held at the Finlandia Hall in Helsinki on 10 April 2019 at 1 p.m. The Board of Directors will convene the meeting by means of a separate stock exchange release.

SILMÄASEMA OYJ

Board of Directors

For further information, please contact:

CEO **Jussi Salminen**, tel. +358 40 834 5818, [jussi.m.salminen@silmaasema.fi](mailto:jussi.m.salminen@silmaasema.fi)

CFO **Anu Kankkunen**, tel. +358 50 669 69, [anu.kankkunen@silmaasema.fi](mailto:anu.kankkunen@silmaasema.fi)

Acting Head of Communications and Investor Relations **Mikko Merisaari**, tel. +358 50 521 4055, [mikko.merisaari@silmaasema.fi](mailto:mikko.merisaari@silmaasema.fi)

## THE GROUP'S KEY FIGURES

EUR thousand, unless otherwise stated	10-12/ 2018	10-12/ 2017	Change, %	1-12/ 2018	1-12/ 2017	Change, %
<b>Growth of net sales</b>						
Net sales	32,353	30,850	4.9 %	122,873	118,322	3.8 %
Like-for-like growth in net sales, %	0.0 %	0.4 %		-1.6 %	3.5 %	
<b>Income statement</b>						
Gross profit	18,459	17,074	8.1 %	69,554	66,172	5.1 %
<i>Gross profit %</i>	57.1 %	55.3 %		56.6 %	55.9 %	
EBITDA	3,131	2,320	35.0 %	11,443	6,894	66.0 %
<i>EBITDA %</i>	9.7 %	7.5 %		9.3 %	5.8 %	
Adjusted EBITDA	3,535	2,783	27.0 %	11,765	11,760	0.0 %
<i>Adjusted EBITDA %</i>	10.9 %	9.0 %		9.6 %	9.9 %	
Operating result	1,577	912	72.9 %	5,492	1,589	245.7 %
<i>Operating result %</i>	4.9 %	3.0 %		4.5 %	1.3 %	
Adjusted operating result	1,981	1,385	43.1 %	5,844	6,472	-9.7 %
<i>Adjusted operating result %</i>	6.1 %	4.5 %		4.8 %	5.5 %	
Profit before taxes	1,199	531	125.7 %	4,123	-1,218	438.5 %
<i>Profit before taxes %</i>	3.7 %	1.7 %		3.4 %	-1.0 %	
Profit (loss) for the period	1,190	898	32.6 %	3,254	-573	668.0 %
<i>Profit (loss) for the period %</i>	3.7 %	2.9 %		2.6 %	-0.5 %	
Basic earnings per share, eur	0.08	0.06		0.23	-0.05	
<b>Financial key figures *</b>						
Net debt				27,957	33,773	
Net debt / Adjusted EBITDA (leverage)				2.4	2.9	
Gearing				66.6 %	87.1 %	
Equity ratio				42.8 %	40.8 %	
Return on capital employed % (ROCE)				6.9 %	2.1 %	
Return on equity % (ROE)				8.1 %	-2.6 %	
<b>Investments</b>						
Operational				6,716	6,058	10.9 %
Acquisitions				1,775	6,699	-73.5 %
Total				8,491	12,757	-33.4 %
<b>Cash flow from operations</b>						
				13,092	4,954	
<b>Personnel (end of the review period)*</b>						
FTE – own personnel				615	600	2.5 %
<b>Stores and clinics (pcs)</b>						
Stores – owned by Silmäasema				149	141	5.7 %
Stores – owned by franchisees				18	18	0.0 %
Eye clinics				14	13	7.7 %
Chain total				181	172	5.2 %
<b>Sales volume (pcs) – own stores</b>						
Eyeglasses	54,174	47,428	14.2 %	181,792	173,480	4.8 %
Sunglasses	8,036	5,489	46.4 %	81,601	70,121	16.4 %

## SEGMENT-SPECIFIC KEY FIGURES

EUR thousand, unless otherwise stated	10-12/2018				1-12/2018			
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
<b>Growth of net sales</b>								
Net sales	23,903	8,450		32,353	87,970	34,903		122,873
Growth in net sales, %	8.8 %	-4.9 %		4.9 %	6.0 %	-1.1 %		3.8 %
Like-for-like growth in net sales, %	4.1 %	-10.3 %		0.0 %	0.1 %	-5.4 %		-1.6 %
<b>Income statement</b>								
EBITDA	2,314	997	-181	3,131	7,702	3,928	-188	11,443
EBITDA %	9.7 %	11.8 %		9.7 %	8.8 %	11.3 %		9.3 %
Adjusted EBITDA	2,560	976		3,535	7,657	4,107		11,765
Adjusted EBITDA %	10.7 %	11.5 %		10.9 %	8.7 %	11.8 %		9.6 %
Operating result	1,381	377	-181	1,577	4,162	1,518	-188	5,492
Operating result %	5.8 %	4.5 %		4.9 %	4.7 %	4.3 %		4.5 %
Adjusted operating result	1,625	355		1,981	4,147	1,697		5,844
Adjusted operating result %	6.8 %	4.2 %		6.1 %	4.7 %	4.9 %		4.8 %
<b>Investments</b>								
Operational					3,802	2,914		6,716
Acquisitions					395	1,380		1,775
Total					4,197	4,294		8,491

EUR thousand, unless otherwise stated	10-12/2017				1-12/2017			
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
<b>Growth of net sales</b>								
Net sales	21,962	8,888		30,850	83,025	35,297		118,322
Growth in net sales, %	22.3 %	-5.5 %		12.8 %	24.8 %	1.3 %		16.8 %
Like-for-like growth in net sales, %	3.6 %	-5.5 %		0.4 %	5.0 %	0.7 %		3.5 %
<b>Income statement</b>								
EBITDA	1,148	1,116	56	2,320	3,826	4,830	-1,762	6,894
EBITDA %	5.2 %	12.6 %		7.5 %	4.6 %	13.7 %		5.8 %
Adjusted EBITDA	1,666	1,116		2,783	7,159	4,601		11,760
Adjusted EBITDA %	7.6 %	12.6 %		9.0 %	8.6 %	13.0 %		9.9 %
Operating result	339	517	56	912	756	2,595	-1,762	1,589
Operating result %	1.5 %	5.8 %		3.0 %	0.9 %	7.4 %		1.3 %
Adjusted operating result	868	517		1,385	4,105	2,367		6,472
Adjusted operating result %	4.0 %	5.8 %		4.5 %	4.9 %	6.7 %		5.5 %
<b>Investments</b>								
Operational					4,137	1,920		6,058
Acquisitions					6,321	378		6,699
Total					10,459	2,298		12,757

## CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	10–12/2018	10–12/2017	1–12/2018	1–12/2017
<b>Net sales</b>	2.2	<b>32,353</b>	<b>30,850</b>	<b>122,873</b>	<b>118,322</b>
Other operating income	2.2	8	-8	38	270
Materials and services	2.4	-13,902	-13,768	-53,357	-52,420
Personnel expenses	3.0	-8,137	-8,079	-32,474	-30,956
Other operating expenses	2.4	-7,191	-6,675	-25,638	-28,323
<b>EBITDA</b>		<b>3,131</b>	<b>2,320</b>	<b>11,443</b>	<b>6,894</b>
Depreciation and amortisation	2.4	-1,554	-1,408	-5,951	-5,305
<b>Operating result</b>		<b>1,577</b>	<b>912</b>	<b>5,492</b>	<b>1,589</b>
Finance costs, net		-378	-381	-1,368	-2,807
<b>Profit before taxes</b>		<b>1,199</b>	<b>531</b>	<b>4,123</b>	<b>-1,218</b>
Income tax expense		-9	367	-869	645
<b>Profit (loss) for the period</b>		<b>1,190</b>	<b>898</b>	<b>3,254</b>	<b>-573</b>
<b>Total comprehensive income for the period</b>		<b>1,190</b>	<b>898</b>	<b>3,254</b>	<b>-573</b>
Profit for the period attributable to:					
Owners of the parent		1,190	898	3,254	-573
<b>Profit (loss) for the period</b>		<b>1,190</b>	<b>898</b>	<b>3,254</b>	<b>-573</b>
Total comprehensive income attributable to:					
Owners of the parent		1,190	898	3,254	-573
<b>Total comprehensive income for the period</b>		<b>1,190</b>	<b>898</b>	<b>3,254</b>	<b>-573</b>
Earnings per share for profit attributable to the owners of the parent					
Basic earnings per share, EUR	2.5	0.08	0.06	0.23	-0.05
Diluted earnings per share, EUR	2.5	0.08	0.06	0.23	-0.05

## CONSOLIDATED BALANCE SHEET

EUR thousand	Note	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6.1	12,460	12,022
Other intangible assets	6.1	3,705	3,725
Goodwill	2.3	61,169	61,107
Deferred tax assets		1,346	1,631
<b>Total non-current assets</b>		<b>78,679</b>	<b>78,485</b>
<b>Current assets</b>			
Inventories		7,419	7,326
Trade and other receivables		3,319	5,206
Current income tax receivables		0	676
Cash and cash equivalents		11,937	5,706
<b>Total current assets</b>		<b>22,675</b>	<b>18,914</b>
<b>TOTAL ASSETS</b>		<b>101,354</b>	<b>97,399</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	5.2	80	80
Reserve for invested unrestricted equity	5.2	39,025	39,025
Retained earnings		-374	227
Profit (loss) for the period		3,254	-573
<b>Total equity attributable to owners of the parent</b>		<b>41,986</b>	<b>38,759</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current borrowings	5.1	37,982	37,284
Interest rate swaps	5.1	79	144
Deferred tax liabilities		717	574
<b>Total non-current liabilities</b>		<b>38,778</b>	<b>38,002</b>
<b>Current liabilities</b>			
Current borrowings	5.1	1,913	2,195
Interest rate swaps	5.1	119	118
Trade and other payables		18,230	18,215
Current income tax liabilities		329	110
<b>Total current liabilities</b>		<b>20,590</b>	<b>20,638</b>
<b>Total liabilities</b>		<b>59,368</b>	<b>58,640</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>101,354</b>	<b>97,399</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
<b>Equity at 1 Jan 2017</b>		<b>3</b>	<b>5,868</b>	<b>16</b>	<b>5,886</b>
Profit (loss) for the period				-573	-573
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>-573</b>	<b>-573</b>
Transactions with owners:					
Share capital increase	5.2	78	-78		0
Share issue	5.2		33,235	183	33,419
Share-based bonus system	3.0			27	27
<b>Equity at 31 Dec 2017</b>		<b>80</b>	<b>39,025</b>	<b>-346</b>	<b>38,759</b>
<b>Equity at 1 Jan 2018</b>		<b>80</b>	<b>39,025</b>	<b>-346</b>	<b>38,759</b>
Amendment to IFRS 2	3.0			24	24
<b>Equity at 1 Jan 2018</b>		<b>80</b>	<b>39,025</b>	<b>-323</b>	<b>38,783</b>
Profit (loss) for the period				3,254	3,254
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>3,254</b>	<b>3,254</b>
Transactions with owners:					
Share-based bonus system	3.0			-51	-51
<b>Equity at 31 Dec 2018</b>		<b>80</b>	<b>39,025</b>	<b>2,880</b>	<b>41,986</b>

## CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Note	1-12/2018	1-12/2017
<b>Cash flows from operating activities</b>			
Profit (loss) for the period		3,254	-573
Adjustments:			
Depreciation, amortisation and impairments	2.4	5,951	5,305
Other non-cash transactions		-49	-68
Finance cost, net		1,368	2,807
Income tax expense		869	-645
Changes in working capital			
Change in trade and other receivables	4.0	1,879	-526
Change in inventories	4.0	-66	-453
Change in trade and other payables	4.0	585	2,706
Interest paid		-822	-1,865
Other financing items, net		-331	-354
Income taxes paid		454	-1,381
<b>Net cash inflow from operating activities</b>		<b>13,092</b>	<b>4,954</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	6.1	-5,484	-4,420
Payments for intangible assets	6.1	-1,232	-1,637
Payments for business acquisitions, net of cash acquired	2.3	-1,775	-6,699
Proceeds from loans receivable		30	6
<b>Net cash (outflow) from investing activities</b>		<b>-8,461</b>	<b>-12,751</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		0	33,235
Proceeds from non-current loans	5.1	1,950	4,775
Repayments of loans	5.1	0	-24,000
Repayments of shareholder loans	5.1	0	-7,080
Finance lease payments		-350	-545
<b>Net cash inflow (outflow) from financing activities</b>		<b>1,600</b>	<b>6,386</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>6,231</b>	<b>-1,412</b>
Cash and cash equivalents at the beginning of the period		5,706	7,118
<b>Cash and cash equivalents at the end of the period</b>		<b>11,937</b>	<b>5,706</b>

## NOTES TO THE GROUP'S FINANCIAL STATEMENTS BULLETIN 1–9/2018

### 1 General information

#### 1.1 Basis of preparation

Silmäasema's interim information has been prepared in compliance with IAS 34 *Interim Financial Reporting* and the principles described in Silmäasema's financial statements for 2017, taking into account the following amendments that came into effect at the beginning of the financial year 2018. As described in the financial statements, the IFRS 15 and IFRS 9 standards have not had a significant impact on Silmäasema's reported figures. The impact of the amendment to the IFRS 2 standard is described in Note 3. In other respects, no changes have occurred in Silmäasema's preparation principles during the review period.

The interim information does not contain all notes presented in the consolidated financial statements for 2017 and should therefore be read in conjunction with the consolidated financial statements for 2017. The consolidated financial statements for 2018 will be released by 20 March 2019.

Silmäasema's Board of Directors has approved this interim information. The interim information for October-December period is unaudited.

#### **Accounting estimates and judgements made in the preparation of the interim information**

The preparation of interim information requires the management to make accounting estimates and considered judgements as well as assumptions that affect the application of the preparation principles and the accounting estimates on assets, liabilities, income and expenses. Actual results may differ from these estimates and judgements.

Estimates and judgements are reviewed regularly. Changes in estimates are presented in the period during which the change occurs, if the change only affects one period. If it affects both the period under review and following periods, the changes are presented in the period under review and following periods.

The significant estimates made by the management in connection with the preparation of this interim information, concerning the Group's preparation principles and key uncertainty factors, are identical to those applied to the consolidated financial statements for 2017.

## 2 Operating result

### 2.1 Reported segments

Silmäasema reports on its operations under two operating segments, which are consistent with the reporting provided to the management. The performance measures reported for the segments are net sales, the adjusted EBITDA, EBITDA, the adjusted operating result and the operating result.

The **Optical Retail and Eye Healthcare** segment is responsible for Silmääsema's optical retail business. The segment also includes ophthalmologists' and opticians' appointment services and corporate eye care.

The **Eye Clinics** segment is responsible for Silmääsema's eye clinic services, which consist of eye surgery, ophthalmologists' and opticians' appointment services, eye examinations, eyelid surgery and minor procedures in the eye region.

EUR thousand	10–12/2018				1–12/2018			
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
<b>Net sales</b>	<b>23,903</b>	<b>8,450</b>		<b>32,353</b>	<b>87,970</b>	<b>34,903</b>		<b>122,873</b>
<b>Adjusted EBITDA</b>	<b>2,560</b>	<b>976</b>		<b>3,535</b>	<b>7,657</b>	<b>4,107</b>		<b>11,765</b>
Adjustments	-245	21	-181	-404	45	-179	-188	-322
<b>EBITDA</b>	<b>2,314</b>	<b>997</b>	<b>-181</b>	<b>3,131</b>	<b>7,702</b>	<b>3,928</b>	<b>-188</b>	<b>11,443</b>
Depreciation and amortisation	-933	-620		-1,554	-3,541	-2,410		-5,951
<b>Adjusted operating result</b>	<b>1,625</b>	<b>355</b>		<b>1,981</b>	<b>4,147</b>	<b>1,697</b>		<b>5,844</b>
Adjustments	-244	21	-181	-403	15	-179	-188	-352
<b>Operating result</b>	<b>1,381</b>	<b>377</b>	<b>-181</b>	<b>1,577</b>	<b>4,162</b>	<b>1,518</b>	<b>-188</b>	<b>5,492</b>

EUR thousand	10–12/2017				1–12/2017			
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
<b>Net sales</b>	<b>21,962</b>	<b>8,888</b>		<b>30,850</b>	<b>83,025</b>	<b>35,297</b>		<b>118,322</b>
<b>Adjusted EBITDA</b>	<b>1,666</b>	<b>1,116</b>		<b>2,783</b>	<b>7,159</b>	<b>4,601</b>		<b>11,760</b>
Adjustments	-519	0	56	-463	-3,333	229	-1,762	-4,866
<b>EBITDA</b>	<b>1,148</b>	<b>1,116</b>	<b>56</b>	<b>2,320</b>	<b>3,826</b>	<b>4,830</b>	<b>-1,762</b>	<b>6,894</b>
Depreciation and amortisation	-808	-599		-1,408	-3,071	-2,234		-5,305
<b>Adjusted operating result</b>	<b>868</b>	<b>517</b>		<b>1,385</b>	<b>4,105</b>	<b>2,367</b>		<b>6,472</b>
Adjustments	-529	0	56	-472	-3,350	229	-1,762	-4,883
<b>Operating result</b>	<b>339</b>	<b>517</b>	<b>56</b>	<b>912</b>	<b>756</b>	<b>2,595</b>	<b>-1,762</b>	<b>1,589</b>

Adjustments to EBITDA and operating result are presented in the tables below.

10–12/2018				
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
<b>Adjusted EBITDA</b>	<b>2,560</b>	<b>976</b>	<b>0</b>	<b>3,535</b>
Exceptional payments for termination benefits	-107	24		-83
Professional fees for group level structuring activities	-2	-3	-173	-177
Adjustments concerning changes in VAT treatment	-66		-8	-74
Adjustments concerning business acquisitions	-4			-4
Exceptional professional fees	-65			-65
<b>Adjustments</b>	<b>-245</b>	<b>21</b>	<b>-181</b>	<b>-404</b>
<b>EBITDA</b>	<b>2,314</b>	<b>997</b>	<b>-181</b>	<b>3,131</b>
<b>Adjusted operating profit</b>	<b>1,625</b>	<b>355</b>	<b>0</b>	<b>1,981</b>
Exceptional payments for termination benefits	-107	24		-83
Professional fees for group level structuring activities	-2	-3	-173	-177
Adjustments concerning changes in VAT treatment	-65		-8	-73
Adjustments concerning business acquisitions	-4			-4
Exceptional professional fees	-65			-65
<b>Adjustments</b>	<b>-244</b>	<b>21</b>	<b>-181</b>	<b>-403</b>
<b>Operating profit</b>	<b>1,381</b>	<b>377</b>	<b>-181</b>	<b>1,577</b>

1–12/2018				
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
<b>Adjusted EBITDA</b>	<b>7,657</b>	<b>4,107</b>	<b>0</b>	<b>11,765</b>
Exceptional payments for termination benefits	-518	-177		-694
Costs related to development of the internationalisation concept	-64			-64
Professional fees for group level structuring activities	-2	-3	-174	-179
Adjustments concerning changes in VAT treatment	846		-14	832
Adjustments concerning business acquisitions	-63			-63
Exceptional professional fees	-154			-154
<b>Adjustments</b>	<b>45</b>	<b>-179</b>	<b>-188</b>	<b>-322</b>
<b>EBITDA</b>	<b>7,702</b>	<b>3,928</b>	<b>-188</b>	<b>11,443</b>
<b>Adjusted operating profit</b>	<b>4,147</b>	<b>1,697</b>	<b>0</b>	<b>5,844</b>
Exceptional payments for termination benefits	-518	-177		-694
Costs related to development of the internationalisation concept	-64			-64
Professional fees for group level structuring activities	-2	-3	-174	-179
Adjustments concerning changes in VAT treatment	816		-14	803
Adjustments concerning business acquisitions	-63			-63
Exceptional professional fees	-154			-154
<b>Adjustments</b>	<b>15</b>	<b>-179</b>	<b>-188</b>	<b>-352</b>
<b>Operating profit</b>	<b>4,162</b>	<b>1,518</b>	<b>-188</b>	<b>5,492</b>

10–12/2017				
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand				
<b>Adjusted EBITDA</b>	<b>1,666</b>	<b>1,116</b>	<b>0</b>	<b>2,783</b>
Exceptional payments for termination benefits	-183		-3	-185
Costs related to development of the internationalisation concept	-29			-29
Professional fees for group level structuring activities	0		62	62
Adjustments concerning changes in VAT treatment	-226		-3	-229
Adjustments concerning business acquisitions	-81			-81
<b>Adjustments</b>	<b>-519</b>	<b>0</b>	<b>56</b>	<b>-463</b>
<b>EBITDA</b>	<b>1,148</b>	<b>1,116</b>	<b>56</b>	<b>2,320</b>
<b>Adjusted operating profit</b>	<b>868</b>	<b>517</b>	<b>0</b>	<b>1,385</b>
Exceptional payments for termination benefits	-183		-3	-185
Costs related to development of the internationalisation concept	-29			-29
Professional fees for group level structuring activities	0		62	62
Adjustments concerning changes in VAT treatment	-236		-3	-239
Adjustments concerning business acquisitions	-81			-81
<b>Adjustments</b>	<b>-529</b>	<b>0</b>	<b>56</b>	<b>-472</b>
<b>Operating profit</b>	<b>339</b>	<b>517</b>	<b>56</b>	<b>912</b>

1–12/2017				
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand				
<b>Adjusted EBITDA</b>	<b>7,159</b>	<b>4,601</b>	<b>0</b>	<b>11,760</b>
Exceptional payments for termination benefits	-283		-5	-287
Costs related to development of the internationalisation concept	-251			-251
Professional fees for group level structuring activities	-17	-1	-1,571	-1,590
Adjustments concerning changes in VAT treatment	-2,242		-3	-2,245
Transaction costs related to business acquisitions	-325			-325
Fair value adjustments on acquired inventory	-215			-215
Adjustments concerning business acquisitions	-540			-540
Personnel Offering subscription benefit			-183	-183
Changes in contingent considerations		230		230
<b>Adjustments</b>	<b>-3,333</b>	<b>229</b>	<b>-1,762</b>	<b>-4,866</b>
<b>EBITDA</b>	<b>3,826</b>	<b>4,830</b>	<b>-1,762</b>	<b>6,894</b>
<b>Adjusted operating profit</b>	<b>4,105</b>	<b>2,367</b>	<b>0</b>	<b>6,472</b>
Exceptional payments for termination benefits	-283		-5	-287
Costs related to development of the internationalisation concept	-251			-251
Professional fees for group level structuring activities	-17	-1	-1,571	-1,590
Adjustments concerning changes in VAT treatment	-2,259		-3	-2,262
Transaction costs related to business acquisitions	-325			-325
Fair value adjustments on acquired inventory	-215			-215
Adjustments concerning business acquisitions	-540			-540
Personnel Offering subscription benefit			-183	-183
Changes in contingent considerations		230		230
<b>Adjustments</b>	<b>-3,350</b>	<b>229</b>	<b>-1,762</b>	<b>-4,883</b>
<b>Operating profit</b>	<b>756</b>	<b>2,595</b>	<b>-1,762</b>	<b>1,589</b>

## 2.2 Net sales and other operating income

Silmäasema provides its customers with a full range of products and services related to eyesight: optical products, opticians' services, ophthalmologists' services, eye surgery services and optical laboratory services. The services are available to customers through its extensive chain of stores and eye clinics. On 31 December 2018, the Silmäasema chain operated in 181 locations (31 December 2017: 172), of which 149 (31 December 2017: 141) were own retail stores and 14 (31 December 2017: 13) were eye clinics. The number of franchisee stores was 18 (31 December 2017: 18). In Estonia, Silmäasema had ten optical retail stores (31 December 2017: nine).

Other operating income mainly consists of other rental revenue related to business locations, as well as of a change in provisional purchase price debts in the comparison periods.

### The group derives the following types of revenue

EUR thousand	10–12/2018			10–12/2017		
	Optical retail and eye healthcare	Eye clinics	Group	Optical retail and eye healthcare	Eye clinics	Group
Sale of goods	20,332		20,332	18,738		18,738
Sale of services	3,384	8,450	11,835	3,012	8,888	11,900
Royalty income	186		186	212		212
<b>Total</b>	<b>23,903</b>	<b>8,450</b>	<b>32,353</b>	<b>21,962</b>	<b>8,888</b>	<b>30,850</b>

EUR thousand	1–12/2018			1–12/2017		
	Optical retail and eye healthcare	Eye clinics	Group	Optical retail and eye healthcare	Eye clinics	Group
Sale of goods	74,218		74,218	70,307		70,307
Sale of services	12,892	34,903	47,794	11,783	35,297	47,080
Royalty income	861		861	936		936
<b>Total</b>	<b>87,970</b>	<b>34,903</b>	<b>122,873</b>	<b>83,025</b>	<b>35,297</b>	<b>118,322</b>

### Other operating income

EUR thousand	10–12/2018	10–12/2017	1–12/2018	1–12/2017
Changes in contingent considerations	0	0	0	230
Other rental income	8	-8	38	40
<b>Total</b>	<b>8</b>	<b>-8</b>	<b>38</b>	<b>270</b>

## 2.3 Growth through acquisitions

### Business acquisitions in the review period

Silmäasema did not carry out business acquisitions in October–December 2018. In January–September, optical retail was expanded by acquiring the business of Optikkopalvelu Heikki Rantasuomela Ky. The consideration at the time of acquisition was paid in cash. From the Group's perspective, the acquisition was not significant in terms of size.

Of the shares of contingent consideration related to business acquisitions carried out in 2016 and 2017, EUR 1.7 million was paid in 2018. Of this total, EUR 0.1 million was paid in October–December.

In 2018, growth has focused on the opening of own units.

## 2.4 Operating expenses

EUR thousand	10–12/2018	Share of net sales	10–12/2017	Share of net sales	1–12/2018	Share of net sales	1–12/2017	Share of net sales
<b>Materials and services</b>								
Purchases during the period	7,363	22.8 %	7,456	24.2 %	29,089	23.7 %	29,371	24.8 %
Changes in inventories	368	1.1 %	230	0.7 %	-36	0.0 %	-687	-0.6 %
External services	6,171	19.1 %	6,083	19.7 %	24,303	19.8 %	23,737	20.1 %
<b>Total</b>	<b>13,902</b>	<b>43.0 %</b>	<b>13,768</b>	<b>44.6 %</b>	<b>53,357</b>	<b>43.4 %</b>	<b>52,420</b>	<b>44.3 %</b>
<b>Personnel expenses</b>	<b>8,137</b>	<b>25.2 %</b>	<b>8,079</b>	<b>26.2 %</b>	<b>32,474</b>	<b>26.4 %</b>	<b>30,956</b>	<b>26.2 %</b>
<b>Other operating expenses</b>								
Rent expenses	1,955	6.0 %	1,851	6.0 %	7,657	6.2 %	7,002	5.9 %
Marketing expenses	1,583	4.9 %	1,607	5.2 %	6,289	5.1 %	6,592	5.6 %
Maintenance, IT, equipment and furniture expenses	1,853	5.7 %	1,667	5.4 %	6,749	5.5 %	5,953	5.0 %
Other operative expenses	1,800	5.6 %	1,551	5.0 %	4,943	4.0 %	8,775	7.4 %
<b>Total</b>	<b>7,191</b>	<b>22.2 %</b>	<b>6,675</b>	<b>21.6 %</b>	<b>25,638</b>	<b>20.9 %</b>	<b>28,323</b>	<b>23.9 %</b>
<b>Depreciation and amortisation by asset group</b>								
Property, plant and equipment	1,252	3.9 %	1,115	3.6 %	4,765	3.9 %	4,227	3.6 %
Intangible assets	302	0.9 %	293	0.9 %	1,185	1.0 %	1,079	0.9 %
<b>Total</b>	<b>1,554</b>	<b>4.8 %</b>	<b>1,408</b>	<b>4.6 %</b>	<b>5,951</b>	<b>4.8 %</b>	<b>5,305</b>	<b>4.5 %</b>

Silmäasema's personnel expenses increased in 2018, mainly as a result of the expansion of chain network: net sales were 3.8% higher than in the corresponding period in the previous year. In the comparison period, operating expenses included EUR 4.9 million in extraordinary expenses, mainly related to corporate transactions within the Group, the listing of the company, the subscription benefits of the personnel offering and the change in the treatment of value added tax.

In 2018, the expenses included EUR 1.8 million in extraordinary expenses but also EUR 1.5 million in extraordinary returns resulting from the Board of Adjustment partially accepting the appeal for adjustment relating to the handling of value added tax. Regarding the rejected appeals, Silmäasema has appealed against the decision to the Administrative Court and, in this respect, will continue to present the items related to the handling of value added tax as adjustments.

## 2.5 Earnings per share

	10–12/2018	10–12/2017	1–12/2018	1–12/2017
<b>Basic earning per share</b>				
Profit (loss) attributable to the owners of the Company (EUR thousand)	1,190	898	3,254	-573
Weighted average number of shares outstanding during the period, basic*	14,248,805	14,248,805	14,248,805	12,041,542
<b>Basic earnings per share (EUR)</b>	<b>0.08</b>	<b>0.06</b>	<b>0.23</b>	<b>-0.05</b>
<b>Diluted earnings per share</b>				
Profit (loss) attributable to the owners of the Company (EUR thousand)	1,190	898	3,254	-573
Weighted average number of shares outstanding during the period, diluted*	14,248,805	14,248,805	14,248,805	12,041,542
<b>Diluted earnings per share (EUR)</b>	<b>0.08</b>	<b>0.06</b>	<b>0.23</b>	<b>-0.05</b>

\*) The extraordinary general meeting held on 22 May 2017 decided to issue shares in a pre-emptive subscription right issue without payment (split), with each shareholder receiving three new shares for each owned share. The share numbers for the periods before the split have been adjusted according to the ratio of the split (multiplied by four) in order to make them comparable.

## 3 Personnel

At the end of December 2018, a total of 682 people worked at Silmäasema's own retail stores, eye clinics and business support functions, including two self-employed opticians. In addition, there were a total of 321 medical practitioners working within the Silmäasema chain and the Silmäasema Group. The medical practitioners provide services to Silmäasema under an employment relationship or as subcontractors or operate as independent professionals under Silmäasema's operating system. Fees paid to medical practitioners working as independent professionals, as well as rents charged for the premises, are presented under "Materials and services" in the income statement.

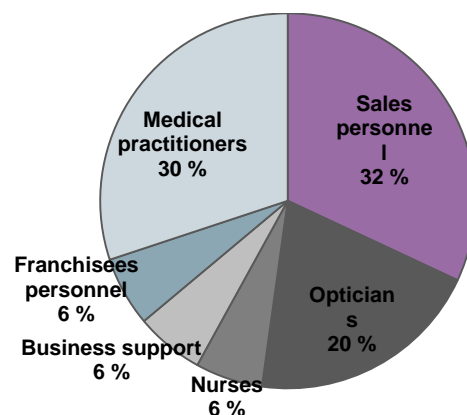
Silmäasema chain and group personnel**	31 Dec 2018	31 Dec 2017
Sales personnel	341	305
Opticians	216	226
Nurses	62	63
Business support	63	68
Franchisees personnel	64	64
Medical practitioners	321	320
<b>Total</b>	<b>1,067</b>	<b>1,046</b>
<b>Personnel employed*</b>	<b>723</b>	<b>706</b>

\* Does not include employees on long-term absence.

\*\* Due to change in reporting, number of personnel differs from numbers presented in prior periods.

### Personnel expenses

EUR thousand	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Wages and salaries	6,840	6,450	26,063	24,580
Pension costs	1,129	1,172	4,685	4,479
Share-based bonus system	-178	21	-51	51
Other personnel expenses	346	436	1,776	1,846
<b>Total</b>	<b>8,137</b>	<b>8,079</b>	<b>32,474</b>	<b>30,956</b>



### Share-based bonus system

The goal of the share-based bonus system is to strengthen the commitment of key personnel to implement the company's long-term strategic goals.

The share-based bonus system includes three three-year earning periods, the calendar years 2017–2019, 2018–2020 and 2019–2021. Silmäasema's Board of Directors will decide on the earning criteria and the targets to be set for each criterion at the beginning of each earning period. The potential bonus for each earning period will be paid during the year immediately following the end of the earning period. The bonus will be paid partly in Silmäasema shares and partly in cash. The cash portion is intended to cover taxes and tax-related costs arising from the rewards to key personnel.

At the end of 2018, there were a total of 12 participants in the 2017–2019 earning period. The maximum number of shares to be given in the 2017–2019 earning period is 38,978. There were also a total of 12 participants in the 2018–2020 earning period and the maximum number of shares to be given is 55,434.

With the amendment to IFRS 2 *Share-based Payment*, share-based bonus systems in which a share-based payment transaction is settled as a net amount after taxes and in which the employer is required to settle the withholding tax due on the value of the benefit received, are treated in full as equity-settled arrangements, and the employment expense is recognised based on the gross number of shares issued, irrespective of whether the employee eventually receives only the net number of shares and the Group then settles the amount to cover its withholding obligations as cash to the tax authorities. The withholding tax paid by the Group to the tax authorities is entered directly in equity. In accordance with the previous standard, the total bonus was divided into a share-based amount recognised as retained earnings and a cash-settled amount presented as accrued expenses. The consolidated financial statements for 2017 included EUR 24,000 in current liabilities related to the cash-settled amount. As a result of the amendment to the standard, this amount has been adjusted on the opening balance sheet and transferred from liabilities to retained earnings under equity. At the end of 2018, total cumulative costs and debt in the financial statements (relating to earning periods 2017-2019 and 2018-2020) have been reversed, as it is highly unlikely that the earning criteria defined for those periods would be fulfilled. Situation and conditions are being monitored and costs and debt will be re-recognised in case that fulfilling the criteria should begin to seem likely.

## 4 Working capital

Silmäasema ensures optimal working capital by monitoring the turnover of trade receivables and payables, as well as inventories. Due to the nature of the business, its use of working capital is efficient.

EUR thousand	31 Dec 2018	31 Dec 2017
Inventories	7,419	7,326
Trade and other receivables	3,319	5,206
Trade and other liabilities*	18,216	18,199
<b>Total</b>	<b>-7,478</b>	<b>-5,666</b>

\* Trade payables and other payables; accrued interest has been eliminated. Eliminated interest expenses totalled EUR 14,000 on 31 December 2018 (31 December 2017: EUR 17,000).

## 5 Capital structure

### 5.1 Capital management and net debt

The objective of the management of the Group's capital, which consists of net debt and equity, is to ensure the continuity of operations and maintain an optimal level of returns to shareholders. The management aims to maintain an optimal capital and financing structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The Group monitors capital on the basis of key financial measures and ratios, such as the amount of net debt and the net debt to adjusted EBITDA ratio, as well as gearing.

- Net debt = current and non-current borrowings less cash and cash equivalents
- Net debt to adjusted EBITDA ratio = Net debt / adjusted EBITDA
- Adjusted EBITDA = EBITDA less adjustments
- Gearing = Net debt / total equity

#### Consolidated net debt position

EUR thousand	31 Dec 2018	31 Dec 2017
<b>Non-current borrowings</b>		
Bank loans	37,283	35,187
Finance lease liabilities	150	202
Contingent consideration	549	1,852
Other borrowings	0	43
<b>Total non-current borrowings</b>	<b>37,982</b>	<b>37,284</b>
<b>Current borrowings</b>		
Bank loans		
Finance lease liabilities	224	250
Contingent consideration	1,684	1,926
Other borrowings	4	20
<b>Total current borrowings</b>	<b>1,913</b>	<b>2,195</b>
<b>Total borrowings</b>	<b>39,895</b>	<b>39,479</b>
Less: Cash and cash equivalents	-11,937	-5,706
<b>Net debt</b>	<b>27,957</b>	<b>33,773</b>
<b>Interest rate swaps</b>		
Non-current	79	144
Current	119	118
<b>Total interest rate swaps</b>	<b>198</b>	<b>262</b>
<b>Financial ratios</b>		
Net debt / Adjusted EBITDA*	2.4	2.9
Gearing	66.6 %	87.1 %

EUR thousand	31 Dec 2018	31 Dec 2017
<b>Collaterals relating to rental payments</b>		
Deposits in banks as security for rental payments *	408	334
Bank guarantees as security for rental payments	1,458	1,383
Bank guarantee limit for commercial collaterals	1,500	1,500
- portion used	1,458	1,383
* Included in other current receivables. The deposit is released for Silmäasema when the rental agreement terminates		

Silmäasema did not have, in the situation on 31 December 2018 or in comparison periods, any borrowings secured by mortgages, shares or other collateral.

## Events during the period

A bank loan of EUR 2.0 million was taken out during the review period.

There were no covenant violations during the period.

## 5.2 Equity

### Changes in the number of shares:

Number of shares	Outstanding shares (pcs)
<b>Number of shares at 1 Jan 2017</b>	<b>2,287,437</b>
Share issue without payment (split)	6,862,311
Share issue	4,833,122
Personnel offering	265,935
<b>Number of shares at 31 Dec 2017</b>	<b>14,248,805</b>
<b>Number of shares at 31 Dec 2018</b>	<b>14,248,805</b>

Silmäasema has one share class, and each share holds an equal right to a dividend. Each share entitles its holder to one vote at a general meeting. All issued shares have been paid in full and have no nominal value. The Group holds no treasury shares.

## 5.3 Lease commitments and other contingent liabilities

EUR thousand	31 Dec 2018	31 Dec 2017
<b>Commitments related to leased premises</b>		
Within one year	6,699	6,720
Later than one year and no later than five years	10,961	14,645
Later than five years	1,235	1,858
<b>Total</b>	<b>18,895</b>	<b>23,223</b>

Silmäasema operates in leased premises, and its lease commitments mainly consist of future lease payments for Silmäasema's business premises and office spaces. The lease contracts are valid either until further notice or for a fixed term. Typical durations of fixed-term leases are 3–5 years for retail stores and 5–20 years for eye clinics.

As the agreements do not involve a transfer of ownership or bargain purchase options, all of the lease contracts for premises are classified as operating leases. The agreements usually include an option to extend the lease term after the end of the original term. As the agreements are regarded as operating leases, the rents are recognised in the income statement over the contractual period of the lease.

Silmäasema will adopt IFRS 16 *Leases* as of the financial period beginning 1 January 2019. The standard will primarily affect lessees' accounting, and Silmäasema will recognise nearly all rental agreements in equity in the future. The standard no longer differentiates between operating leases and finance leases, and it requires an asset item (right to use the leased asset) to be recognised on the balance sheet for nearly all leases, as well as a financial liability against future lease obligations. The standard allows short-term leases, as well as leases of minor value, to be excluded from this type of treatment.

The amendment will affect Silmäasema's income statement, as the total expense arising from a lease is typically higher during the first years of the lease and lower during later years. In addition, the rental expense recognised in other operating expenses will be replaced with an interest expense and depreciation, so key figures, such as EBITDA, will change. Cash flow from business operations will increase due to the fact that the proportion related to the financial liability arising from rental payments will be classified as part of cash flow from financing activities. Only the share of interest of rental payments will continue to be included in cash flow from business operations.

Silmäasema estimates that adopting the new standard will affect EBITDA by ca. EUR 7 million. The right-of-use asset and lease liability are estimated to amount to ca. EUR 29 million. The amounts will be revised in the first quarter of 2019.

## 6 Other items

### 6.1 Operational investments\*

EUR thousand	31 Dec 2018	31 Dec 2017
Property, plant and equipment	5,484	4,420
Intangible assets	1,232	1,637
<b>Total</b>	<b>6,716</b>	<b>6,058</b>

\*) Operational investments consist of the amounts shown in the consolidated statement of cash flows for payments for property plant and equipment and intangible assets.

Silmäasema's most significant investments during the review period were related to the opening of a new eye clinic and eight stores, in addition to renovations carried out in stores. The investments in the comparison period were related to the opening of nine new stores, in addition to renovations carried out in stores and the development of digital services.

### 6.2 Related-party information

Until the public listing (9 June 2017), control within the Group was exercised by Intera Fund II Ky (registered in Finland), a fund managed by Intera Partners Oy. In the public listing, Intera Fund II Ky gave up its controlling interest, but it retained considerable influence in the company until the Annual General Meeting on 11 April 2018. Intera Fund II Ky's shareholding on 31 December 2018 was 16.7% of the company's outstanding shares (31 December 2017: 16.7%). Related-party information concerning Intera Fund II Ky and other related parties is presented below.

Related party transactions, EUR thousand	Finance costs 1–12/2018	Receivables 31 Dec 2018	Liabilities 31 Dec 2018
Intera Fund II Ky and companies in the group of entities held by it			
The Board of Directors and management of the Company *			
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

Related party transactions, EUR thousand	Finance costs 1–12/2017	Receivables 31 Dec 2017	Liabilities 31 Dec 2017
Intera Fund II Ky and companies in the group of entities held by it	175		
The Board of Directors and management of the Company *	24		
<b>Total</b>	<b>199</b>	<b>0</b>	<b>0</b>

\*) Includes the family members, as well as companies controlled by members of the Board of Directors or management or their family members.

### Shareholding of management and Board of Directors\*

Group of owners	Ownership 31 Dec 2018	Ownership 31 Dec 2017
Members of the Board of Directors *)	3.89 %	3.43 %
CEO **)	0.09 %	2.70 %
Key management personnel *)	0.15 %	1.20 %
<b>Total</b>	<b>4.13 %</b>	<b>7.33 %</b>

\*) Includes the family members, as well as companies controlled by members of the Board of Directors or management or their family members. The Board's shareholding has no vesting period.

\*\*\*) On 31 December 2017 the CEO was Pasi Kohmo; on 31 December 2018 the Interim CEO was Anu Kankkunen.

## Salaries and remuneration of the management and Board of Directors

EUR thousand	1–12/2018	1–12/2017
<b>CEOs remuneration</b>		
Salary, other remuneration and benefits	252	300
Pension costs - defined contribution plans	20	18
<b>Total</b>	<b>272</b>	<b>318</b>
<b>Management team remuneration (excluding CEOs)</b>		
Salary, other remuneration and benefits	600	780
Pension costs - defined contribution plans	50	45
<b>Total</b>	<b>649</b>	<b>825</b>
<b>The Board of Directors remuneration</b>	<b>171</b>	<b>136</b>
<b>Total key management and the Board of Directors</b>	<b>1,093</b>	<b>1,279</b>

In addition, one board member has been paid medical practitioner fees with ordinary terms.

## 6.3 Group companies

Parent company	Share of ownership by the parent company and the group (%)		Principal activity
	31 Dec 2018	31 Dec 2018	
Silmäasema Oyj			Holding company
<b>Subsidiaries</b>	<b>31 Dec 2018</b>	<b>31 Dec 2018</b>	
Silmäasema Optiikka Oy	100 %	100 %	Optical retail
Silmäasema Sairaala Oy	100 %	100 %	Eye clinic operations
Via Healthcare Group Oy	100 %	100 %	Specialist medical services; administrative and financial services to medical practitioners
Tallinna Optika Oü	100 %	100 %	Optical retail
Haminan Silmäasema Oy	merged	100 %	Optical retail (merged to Silmäasema Optiikka Oy at 1 Jan 2018)
Jämsän Silmäasema Oy	merged	100 %	Optical retail (merged to Silmäasema Optiikka Oy at 1 Jan 2018)

## PRINCIPLES OF CALCULATION OF KEY FIGURES

### Alternative key figures

Silmäasema presents alternative key figures in addition to the key figures presented in the consolidated income statements, consolidated balance sheets and consolidated cash flow calculations prepared in accordance with IFRS standards. According to Silmäasema's view, the alternative key figures provide significant additional information concerning the results of Silmäasema's operations, financial standing and cash flows, and they are often used by analysts, investors and other parties.

Silmäasema presents both its adjusted EBITDA and adjusted operating result, which has been adjusted for significant extraordinary items to improve the like-for-like comparability of different periods. The sales margin, adjusted EBITDA and adjusted operating result are presented in the consolidated income statement prepared in accordance with the IFRS as key figures complementing the key figures presented, because, according to Silmäasema's view, they increase an understanding of Silmäasema's results. Net debt, net debt/adjusted EBITDA, net gearing, equity ratio, return on capital employed and return on equity are presented as complementary key figures, as Silmäasema views them as useful indicators of its ability to receive funding and repay its debts. In addition, operational investments, acquisition investments and investments in total provide more information about Silmäasema's needs related to operational cash flow.

The alternative key figures should not be examined separately from the key figures reported according to the IFRS, nor are they intended to substitute the key figures based on the IFRS. Not all companies calculate their alternative key figures in a uniform way. Therefore, Silmäasema's alternative key figures are not necessarily comparable to identically named key figures presented by other companies.

### NET SALES

#### Like-for-like growth in net sales, %

The growth in net sales of business locations opened 12 months ago or earlier. The acceptability of a business location for the like-for-like comparison is determined based on its official month of opening (for example, a location opened in March 2017 is included in the 2018 like-for-like growth calculation for March–December). The acceptability of closed locations and franchising fees from resigned franchisee stores for the like-for-like comparison in the prior year is determined based on the time of closing or terminating the franchising agreement.

### INCOME STATEMENT

#### Sales margin

(Net sales + Other operating income – Materials and services) / Net sales

#### EBITDA

Gross profit + Depreciation and amortisation

#### Adjusted EBITDA

EBITDA – Adjustments

#### Adjusted operating result

Operating result – Adjustments

#### Earnings per share

Profit (loss) for the period attributable to shareholders / Weighted average number of outstanding shares adjusted for share issues during the period

### FINANCIAL RATIOS

#### Net debt

Non-current borrowings + Current borrowings – Cash and cash equivalents

#### Net debt / Adjusted EBITDA

Net debt / Adjusted EBITDA

#### Gearing

Net debt / Equity

#### Equity ratio

Equity / (Balance sheet total – Advances received)

#### Return on capital employed, %

(Profit (loss) for the period + Finance costs + Income tax expense) / (Equity<sup>1</sup> + Non-current and current borrowings<sup>1</sup>)

#### Return on equity, %

Profit (loss) for the period / Equity<sup>1</sup>

### INVESTMENTS

#### Operational

The payments for property, plant and equipment and intangible assets as presented in the consolidated statement of cash flows

#### Acquisitions

The payments for business acquisitions, net of cash acquired as presented in the consolidated statement of cash flows

### PERSONNEL AT THE END OF THE PERIOD

#### FTE – own employees

The number of Silmäasema's own employees at the end of the period as full-time equivalents

### BUSINESS LOCATIONS (NUMBER)

#### Business locations – own

The number of Silmäasema's own stores at the end of the period

#### Business locations – franchised

The number of franchised Silmäasema stores at the end of the period

#### Eye clinics

The number of Silmäasema's own eye clinics at the end of the period

### SALES VOLUME (PCS) – OWN BUSINESS LOCATIONS

#### Eyeglasses

Eyeglasses sold in own business locations

#### Sunglasses

Sunglasses sold in own business locations

### SHARE

#### Dividend per share, €

Dividend per share approved by the Annual General Meeting. With respect to the most recent year, the Board's proposal to the AGM

#### Dividend / earnings, €

Dividend per share / Earnings per share

#### Effective dividend yield, %

Dividend per share / Closing share price at 31 Dec

<sup>1)</sup> Average of the start date and end date of the period.