



Silmäasema Oyj
Financial Statement Release
1 January – 31 December 2017

SILMÄASEMA

Silmäasema Oyj's Financial Statement Release for 1 January to 31 December 2017

Silmäasema's strong growth continued

October–December 2017 in brief:

- Net sales increased by 12.8% from October-December 2016, amounting to EUR 30.9 million (27.4).
- Comparable net sales grew by 0.4%.
- The adjusted EBITDA decreased by 31.3% and was EUR 2.8 million (4.0), or 9.0% of net sales (14.8%).
- The adjusted operating result was EUR 1.4 million (2.8).

January–December 2017 in brief:

- Net sales increased by 16.8% from 2016 and amounted to EUR 118.3 million (101.3).
- Comparable net sales grew by 3.5%.
- The adjusted EBITDA decreased by 1.6% and was EUR 11.8 million (12.0), or 9.9% of net sales (11.8%).
- The adjusted operating result decreased by 9.7% to EUR 6.5 million (7.2).
- Silmäasema made 13 company and business acquisitions and invested EUR 6.7 million in them.
- Cash flow from business operations amounted to EUR 5.0 million (4.3).
- The net debt to adjusted EBITDA ratio on 31 December 2017 was 2.9 (4.9).
- Profit for the period includes EUR -4.9 million of special items outside ordinary course of business
- The Board of Directors proposes that no dividend will be paid for the fiscal year 2017.
- Outlook for 2018: Silmäasema's net sales are estimated to grow compared to the previous year.

The figures in parenthesis represent comparable data from 2016, unless otherwise stated.

Key figures

EUR thousand, unless otherwise stated	10–12/2017	10–12/2016	Change, %	1–12/2017	1–12/2016	Change, %
Net sales	30,850	27,359	12.8%	118,322	101,345	16.8%
Comparable net sales growth, %	0.4%			3.5%		
Adjusted EBITDA*	2,783	4,049	-31.3%	11,760	11,951	-1.6%
- Adjusted EBITDA, %	9.0%	14.8%		9.9%	11.8%	
Adjusted operating result*	1,385	2,761	-49.9%	6,472	7,164	-9.7%
- Adjusted operating result, %	4.5%	10.1%		5.5%	7.1%	
Basic earnings per share, EUR	0.06	0.11	-45.5%	-0.05	0.05	-200.0%
Net debt / adjusted EBITDA				2.9	4.9	
Investments – operational				6,058	4,468	35.6%
Investments – acquisitions				6,699	6,664	0.5%
Investments – total				12,757	11,132	14.6%
Number of locations, Silmäasema chain				172	153	12.4%

* Silmäasema presents both its adjusted EBITDA and adjusted operating result, which have been adjusted for significant unusual items. Such items in the review period include for example expenses related to the listing of the company and the changed treatment of value added tax.

CEO Pasi Kohmo:

The year 2017 was a period of significant changes for Silmäasema. The Silmäasema chain grew by 19 stores, and our operations became international, with the acquisition of the Tallinna Optika chain in Estonia in January. In June, Silmäasema was listed on the main list of Nasdaq Helsinki.

During the year, Silmäasema expanded more rapidly than ever before in its history. We expanded our network of locations in line with our long-term growth strategy, and our comparable net sales grew. This rapid growth had a negative effect on our full-year profitability. However, overall, I am pleased with the company's achievements in 2017. According to the results of an extensive consumer survey conducted in early 2018, Silmäasema has become the most widely trusted optician's in Finland. In my opinion, this is an indication of the high-quality work carried out by our employees for our customers.

Our full-year net sales increased by 16.8% to EUR 118 million, and our comparable net sales grew by 3.5%. However, our adjusted EBITDA decreased by 1.6% to EUR 11.8 million. Profitability was burdened by the large number of optical retail stores acquired and opened in 2016 and 2017, with their profitability level developing more slowly than expected. In addition, the fourth quarter in the eye clinics business was clearly weaker than expected. In their early stages of operation, new stores' results are burdened by costs related to the start-up of operations and the achievement of strong market positions, among other factors. On average, new stores reach their normal profitability level in one to two years from start-up. With regard to stores opened in 2016 in particular, the normalisation of the profitability level seems to be taking closer to two years from start-up. With regard to some stores, this development has been slowed down by unfinished infrastructure projects in progress nearby, among other factors.

As a whole, the fourth quarter of the year was disappointing for us, even though our Optical Retail and Eye Healthcare segment continued to increase its net sales significantly, and the profitability of new units improved. In terms of overall profitability, however, we did not reach our target level. In optical retail, net sales and profitability vary significantly between quarters within the year and in comparison with the previous year, depending on the efficiency and effectiveness of Silmäasema's and its competitors' sales promotion measures.

The net sales of the Eye Clinics segment decreased in the fourth quarter in comparison with the corresponding period in the previous year, mainly due to there being fewer refractive surgeries. Apart from normal variation, we have not identified any specific reason for the decrease in the number of surgeries, and the market situation does not seem to have weakened. According to our observations, the number of refractive surgeries has begun to increase again in early 2018.

The Finnish Government is preparing the final proposal for the Freedom of Choice Act for social and health services. The final content and implementation of the act will determine its effects on freedom of choice with regard to cataract surgeries. Silmäasema believes that the increasing freedom of choice supports the development of cost-efficient and equal eye healthcare services. The legislative reform is an opportunity for us if it increases the number of cataract surgeries in the private sector. However, our financial targets are not dependent on or tied to this reform.

Silmäasema works to continuously improve its operations and provide its customers with new products and services more productively. To best meet the productivity requirements and our customers' needs for services in the future, we must continuously evaluate and develop our operations. This year, we are in the process of starting a significant development programme that involves changes to operating models and the renewal of information systems. Over the next two years, we will implement investments and changes that will enable the introduction of entirely new service and operating models in the near future. These investments and changes are related to the company's key systems, such as cash register, patient information and reporting systems.

In 2018, we are continuing our work to implement Silmäasema's growth strategy. During January and February, two stores were added to our chain in Finland and one in Estonia, and a new eye clinic was opened in Oulu. We continue to improve our profitability towards the company's target level. The good general economic situation and the development of private consumption will lay a solid foundation for the optical trade in 2018. The demand for refractive surgeries has picked up, and the demand for cataract surgeries is supported over the short and long terms by population ageing. Based on these aspects and other factors, we expect that Silmäasema's growth and development will continue in 2018.

Market environment

According to a consumer survey published by Statistics Finland in January 2018, Finnish consumers' confidence in the economy has continued to increase, and consumer confidence is at its highest level in recorded history.

The Finnish Association of Vision and Eyecare estimates that the size of the Finnish eyesight and eye healthcare market is EUR 556 million (source: industry report by the Finnish Association of Vision and Eyecare in 2016). Of this total market, the optical retail sector represents EUR 320 million and private eye healthcare services represent EUR 236 million.

According to biannual market share statistics published by the Finnish Association of Vision and Eyecare, the Silmäasema chain's market share in optical retail grew by 2.7 percentage points to 28.4% during the first half of 2017.

According to a market report published by the Finnish Association of Vision and Eyecare in November 2017, the value of optical retail in Finland grew by 0.5% and was EUR 240.5 million in January–September 2017.

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 seeks to participate in all major shopping centre projects, and the stores within its network are increasingly located in shopping centres. In addition, the company has begun to make use of the possibilities created by the deregulation of opening hours to grow its market share and sales. 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 will increasingly concentrate in new shopping centres over the long term, and the significance of evenings, Sundays and public holidays will continue to grow.

The Finnish Government is preparing the final proposal for the Freedom of Choice Act for social and health services. The final content and implementation of the act will determine its effects on freedom of choice with regard to cataract surgeries. The Government is expected to issue its final proposal for the Freedom of Choice Act in March 2018. Silmäasema is committed to the goals of the Government's health and social services reform 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.

Changes in the network of stores and clinics

Two stores were added to Silmäasema's network of stores in Finland in October–December 2017. In addition, a new store was established in Estonia during the fourth quarter.

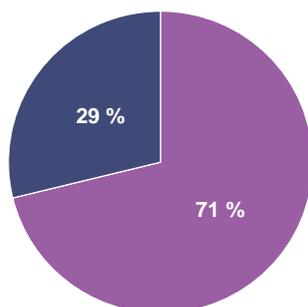
During 2017, a total of 19 stores were added to the Silmäasema chain, which consisted of 159 (140) optical retail stores at the end of the year. Of these stores, 141 (107) were owned by Silmäasema and 18 (33) were franchise stores owned by private business owners. The company acquired the eight stores of the Estonian Tallinna Optika chain at the beginning of 2017 and established a new store in Estonia towards the end of the year. In Finland, Silmäasema established nine stores, as well as acquired six stores through corporate transactions. In addition, ten stores were transferred to Silmäasema's ownership, and five stores left the Silmäasema chain.

The number of eye clinics remained unchanged in 2017. Silmäasema had 13 eye clinics at the end of 2017. After the review period, Silmäasema opened an eye clinic in Oulu in February 2018.

Net sales

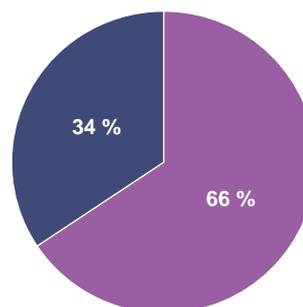
Net sales (EUR thousand)	10–12/2017	10–12/2016	Change, %	1–12/2017	1–12/2016	Change, %
Optical retail and eye healthcare	21,962	17,958	22.3%	83,025	66,511	24.8%
Eye clinics	8,888	9,401	-5.5%	35,297	34,834	1.3%
Group	30,850	27,359	12.8%	118,322	101,345	16.8%

Net sales 10–12/2017



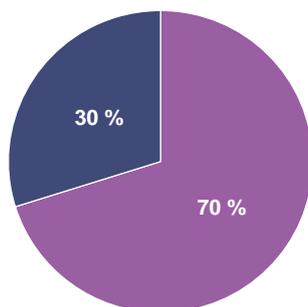
■ Optical retail and eye healthcare ■ Eye clinics

Net sales 10–12/2016



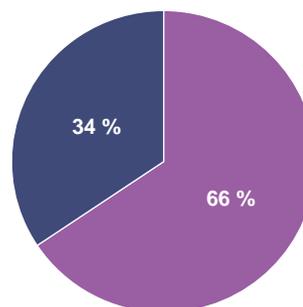
■ Optical retail and eye healthcare ■ Eye clinics

Net sales 1–12/2017



■ Optical retail and eye healthcare ■ Eye clinics

Net sales 1–12/2016



■ Optical retail and eye healthcare ■ Eye clinics

Net sales in October–December 2017

Silmäasema's net sales during the fourth quarter amounted to EUR 30.9 million (27.4), representing an increase of 12.8% on the corresponding period in the previous year. Comparable net sales grew by 0.4%.

The net sales of the Optical Retail and Eye Healthcare segment amounted to EUR 22.0 million (18.0). The segment's net sales increased by 22.3%, and its comparable net sales grew by 3.6%. The increase in net sales was attributable to the expansion of the optical store network and the growth in comparable net sales.

The net sales of the Eye Clinics segment amounted to EUR 8.9 million (9.4), showing a decrease of 5.5% on the corresponding period in the previous year. The segment's comparable net sales decreased by 5.5%, mainly due to the lower number of refractive surgeries. The number of cataract surgeries also decreased from the comparison period.

Net sales in 2017

Silmäasema's net sales in 2017 were EUR 118.3 million (101.3). Its net sales increased by 16.8% on the previous year. Its comparable net sales grew by 3.5%.

The Optical Retail and Eye Healthcare segment's net sales increased by 24.8% to EUR 83.0 million (66.5). The growth was mainly due to the expansion of the network of stores. Comparable net sales in optical retail grew by 5.0%.

The Eye Clinics segment's net sales amounted to EUR 35.3 million (34.8), representing an increase of 1.3% on the previous year. The segment's comparable net sales grew by 0.7%. The increase is attributable to a growth in the volume of cataract surgeries. A total of 7,230 (6,577) cataract surgeries were performed, including 1,918 (1,475) surgeries paid for by means of service vouchers. The volume of refractive surgeries decreased slightly in comparison with the previous year. A total of 8,680 (9,079) refractive surgeries were performed in 2017.

Financial performance

Adjusted EBITDA (EUR thousand)	10–12/2017	10–12/2016	Change, %	1–12/2017	1–12/2016	Change, %
Optical retail and eye healthcare	1,666	2,634	-36.7%	7,159	6,931	3.3%
- Share of segment's net sales, %	7.6%	14.7%		8.6%	10.4%	
Eye clinics	1,116	1,416	-21.2%	4,601	5,020	-8.3%
- Share of segment's net sales, %	12.6%	15.1%		13.0%	14.4%	
Group	2,783	4,049	-31.3%	11,760	11,951	-1.6%
- Share of net sales, %	9.0%	14.8%		9.9%	11.8%	

Result in October–December 2017

Silmäasema presents both its adjusted EBITDA and adjusted operating profit, which have been adjusted for significant unusual items. It is the company's view that adjusted EBITDA best illustrates the profitability development of its business operations. The most significant items in October–December 2017 were related to extraordinary items concerning terminated employment relationships and a change in the treatment of value added tax.

Silmäasema's EBITDA was EUR 2.3 million (3.2). Its adjusted EBITDA was EUR 2.8 million (4.0), showing a decrease of 31.3% from the corresponding period in the previous year. The adjusted EBITDA was 9.0% of net sales (14.8%).

Silmäasema's operating profit was EUR 0.9 million (1.9). Its adjusted operating profit decreased by 49.9% to EUR 1.4 million (2.8).

Optical retail's EBITDA was EUR 1.1 million (2.6). Its adjusted EBITDA decreased by 36.7% to EUR 1.7 million (2.6). The adjusted EBITDA was 7.6% of net sales (14.7%). The adjusted EBITDA was burdened by a weaker sales margin structure, which was due to implemented campaigns, among other factors. In addition, the adjusted EBITDA in the comparison period included a larger amount of refund payments from suppliers, which were concentrated towards the end of the year in 2016. In 2017, these payments were distributed evenly throughout the year. The results of new stores opened in 2016 and 2017, as well as stores acquired through corporate transactions in 2017, developed in the right direction, but had a negative effect on the segment's relative profitability. The company and business acquisitions carried out in 2017 generated EUR 2.3 million in net sales and an adjusted EBITDA of EUR 0.1 million in October–December 2017. New stores opened in 2016 and 2017 generated EUR 2.3 million in net sales and an adjusted EBITDA of EUR 0.1 million.

Optical retail's operating profit was EUR 0.3 million (1.8), and its adjusted operating profit was EUR 0.9 million (1.9).

The Eye Clinics segment's EBITDA was EUR 1.1 million (1.4). Its adjusted EBITDA was EUR 1.1 million (1.4), representing a decrease of 21.2%. The decrease was due to lower net sales in comparison with the corresponding period in the previous year.

The Eye Clinics segment's operating profit was EUR 0.5 million (0.9), and its adjusted operating profit was EUR 0.5 million (0.9).

Result in 2017

Silmäasema presents both its adjusted EBITDA and adjusted operating profit, which have been adjusted for significant unusual items. It is the company's view that adjusted EBITDA best illustrates the profitability development of its business operations. In 2017, the most significant adjustments were related to the public listing of Silmäasema, the tax audit completed in June and the expansion of Silmäasema's network of locations through company and business acquisitions. By the end of the year, around EUR 3.8 million had been recognised in cumulative fees related to the listing, of which EUR 1.6 million was recognised as an expense and EUR 2.2 million as a reduction in equity. The tax audit of Silmäasema Optiikka Oy was completed in June 2017. As a result of the audit, Silmäasema paid around EUR 1.4 million in retrospective value added taxes and around EUR 150,000 in tax increases in July 2017. In addition, EUR 0.6 million was recognised in 2017 in value added taxes related to general fixed costs due to the change in the treatment of value added tax. Silmäasema has appealed against the decision and believes that the impact of the change in the treatment of value added tax is temporary. For this reason, Silmäasema will continue to eliminate the impact of the change in value added tax deduction practice as it reports on the adjusted EBITDA and adjusted operating result.

In 2017, Silmäasema's EBITDA was EUR 6.9 million (10.3). Its adjusted EBITDA decreased by 1.6% on the previous year and was EUR 11.8 million (12.0), or 9.9% of net sales (11.8%).

Silmäasema's operating profit in 2017 was EUR 1.6 million (5.5). Its operating profit includes EUR -1.7 (-0.9) million in items not allocated to the segments. These items are mainly related to the public listing. The adjusted operating profit decreased by 9.7% to EUR 6.5 million (7.2).

Optical retail's EBITDA was EUR 3.8 million (6.4). Optical retail's adjusted EBITDA was EUR 7.2 million (6.9), or 8.6% of net sales (10.4%). The adjusted EBITDA increased as a result of volume growth. However, the sales margin structure towards the end of the year had a negative effect on the adjusted EBITDA, along with the slower-than-expected net sales development of some of the stores opened in 2016 and 2017, as well as costs related to the start-up of operations and the achievement of strong market positions. On average, new stores reach their normal profitability level in one to two years from start-up, meaning that many of the stores opened in 2016 and 2017 have not yet achieved this level.

The results of new stores opened in 2016 and 2017, as well as stores acquired through company and business acquisitions in 2017, developed in the right direction, but had a negative effect on the segment's relative profitability. The company and business acquisitions carried out in 2017 generated EUR 7.7 million in net sales and an adjusted EBITDA of EUR 0.1 million. New stores opened in 2016 and 2017 generated EUR 7.6 million in net sales and an adjusted EBITDA of EUR 0.2 million.

Optical retail's adjusted EBITDA decreased by 79.8% from the previous year and was EUR 0.8 million (3.7), or 0.9% of net sales (5.6%). Its adjusted operating profit decreased by 4.6% to EUR 4.1 million (4.3).

The Eye Clinic segment's EBITDA was EUR 4.8 million (4.8), and its adjusted EBITDA was EUR 4.6 million (5.0), or 13.0% of net sales (14.4%). Its relative EBITDA was burdened by the decrease in refractive surgeries in the fourth quarter, in addition to the growth in cataract surgeries being concentrated in surgeries paid for by means of service vouchers.

The Eye Clinics segment's operating profit was EUR 2.6 million (2.7), and its adjusted operating profit decreased to EUR 2.4 million (2.9).

Cash flows

Cash flow from business operations amounted to EUR 5.0 million (4.3) in 2017.

Cash flow from investing activities was EUR -12.8 million (-11.1). The decrease was mainly due to an increase in store renovations on the comparison period and replacement investments of equipment.

Cash flow from financing activities amounted to EUR 6.4 million (10.7).

Investments

Silmäasema's investments in 2017 totalled EUR 12.8 million (11.1). Of the total, operational investments represented EUR 6.1 million (4.5) and company acquisitions represented EUR 6.7 million (6.7). The most significant operational investments were related to the opening of new stores, renovations carried out in the Kouvola eye clinic and the stores, and the development of digital services.

Consolidated balance sheet and financial standing

At the end of 2017, the Silmäasema Group's balance sheet stood at EUR 97.4 million (88.0), of which equity amounted to EUR 38.8 million (5.9). Its net debt was EUR 33.8 million (58.4).

Silmäasema was listed on the main list of Nasdaq Helsinki in June 2017. In conjunction with this, Silmäasema carried out a share issue, which amounted to around EUR 35 million in gross assets. These assets were used to strengthen the Group's capital structure: shareholder loans were repaid in full, and bank loans were amortised by EUR 24 million.

At the end of the year, Silmäasema's net working capital was EUR -5.7 million (-4.5).

Its equity ratio stood at 40.8% (6.8%) at the end of the review period.

Research and product development

Silmäasema's all operations are developed as part of the business operations development, and its research expenses are included in operating costs. The Group did not carry out any work categorised as actual research and development work during 2017.

Personnel

Silmäasema's average number of employees in 2017 was 630 (516). At the end of 2017, the Group had 639 (580) employees, of whom 605 (580) were based in Finland and 34 (0) were based in Estonia.

Salaries and other personnel expenses totalled EUR 31.0 million (24.8) in 2017.

Changes in the management team

Marketing and Communications Director Kati Räihä left the Silmäasema management team on 26 September 2017. Within the management team, marketing responsibilities were transferred to Commercial Director Anna Seppälä.

Changes in Group structure

During the review period, Silmäasema carried out the following subsidiary mergers: SFG Bidco Oy was merged into Silmäasema Oyj (formerly SFG Holding Oy) on 1 January 2017, Oy Brillo Ab was merged into Silmäasema Optiikka Oy (formerly Silmäasema Fennica Oy) on 1 January 2017, and Vaasan Laserklinikka Oy was merged into Silmäasema Sairaala Oy (formerly Silmäsairaala Fennica Oy) on 1 January 2017.

Other events

Tax audit

On 20 June 2017, the Finnish Tax Administration issued its decision on Silmäasema's value added tax related to the tax audit carried out. According to the decision, a net effect of around EUR 1.4 million in value added taxes from the years 2014–2016 and a tax increase of around EUR 150,000 fell due to be paid by Silmäasema Optiikka Oy. This decision corresponds to the information provided in Silmäasema's listing prospectus in May 2017. In addition, the Finnish Tax Authority imposed penal interest of around EUR 135,000. Silmäasema made all of these payments in July 2017.

Silmäasema has appealed against the decision and believes that the impact of the change in the treatment of value added tax is temporary. For this reason, Silmäasema will continue to eliminate the impact of the change in value added tax deduction practice as it reports on the adjusted EBITDA and adjusted operating result.

Silmäasema issued a stock exchange release concerning the outcome of the tax audit on 20 June 2017.

Shares and shareholders

The total number of Silmäasema's registered shares on 31 December 2017 was 14,248,805 and the company's share capital entered in the Trade Register was EUR 80,000. At the end of year 2017, the company held no treasury shares.

Trading in Silmäasema's shares began on 9 June 2017 on the Nasdaq Helsinki pre-list, with the ticker symbol SILMA. Trading on the main list began on 13 June 2017. In the initial public offering preceding the public listing, Silmäasema issued 5,099,057 new shares. The final subscription price of Silmäasema's share in the initial public offering was EUR 6.90 per share.

The highest quotation in June–December was EUR 8.94, with the lowest being EUR 6.31. The volume weighted average price was EUR 7.91 per share. The closing rate on 31 December 2017 was EUR 6.63, with the market value of Silmäasema's share capital standing at EUR 94.5 million. Total trading for the share in June–December was EUR 58.2 million, and the trading volume was 7.9 million shares in total. These figures include trading related to Silmäasema's initial public offering.

At the end of 2017, Silmäasema had a total of 5,629 registered shareholders. Nominee-registered and direct foreign shareholders represented a holding of 17.59% at the end of the review period.

Flagging notifications

On 16 June 2017, in accordance with the Securities Markets Act, Silmäasema received a notification of Janus Henderson Group plc's ownership and share of votes in Silmäasema Oyj having exceeded the threshold of five per cent. As a result of transactions carried out on 13 June 2017, Janus Henderson Group's holding increased to 838,239 shares, or 5.88% of shares and voting rights in Silmäasema.

Largest shareholders on 31 December 2017

Ranking	Shareholders	Number of	% of shares
1	Intera Fund II Ky	2,375,950	16.67
2	Mandatum Life Insurance Company Limited	834,000	5.85
3	Varma Mutual Pension Insurance Company	651,000	4.57
4	Elo Mutual Pension Insurance Company	629,117	4.42
5	Savings Banks Small Companies Fund	500,000	3.51
6	Pasi Kohmo	385,000	2.70
7	Ilmarinen Mutual Pension Insurance Company	365,000	2.56
8	Aleksi Torsti Sihvola	327,000	2.29
9	Roope Kimmo Kusti Sihvola	298,888	2.10
10	Evli Finnish Small Cap Fund	286,600	2.01
	Ten largest, total	6,652,555	46.69
	Nominee-registered, total	2,493,295	17.50
	All shares, total	14,248,805	100.00

Distribution of ownership by sector on 31 December 2017

Ranking	Shareholders by sector	Number of shares	% of shares
1	Public organisations	2,155,117	15.13
2	Financial and insurance institutions	6,807,531	47.78
3	Households	3,259,720	22.88
4	Companies	1,982,714	13.92
5	Non-profit organisations	31,292	0.22
6	Foreign	12,431	0.09
	Total	14,248,805	100.00
	Nominee-registered	2,493,295	17.50

Distribution of ownership by number of shares, 31 December 2017

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	1,148	20.39	84,364	0.59
101–500	3,726	66.19	712,514	5.00
501–1,000	386	6.86	295,777	2.08
1,001–5,000	270	4.80	567,945	3.99
5,001–10,000	30	0.53	227,327	1.60
10,001–50,000	39	0.69	1,078,304	7.57
50,001–100,000	10	0.18	734,076	5.15
100,001–500,000	14	0.25	3,895,663	27.34
500,001 or more	6	0.11	6,652,835	46.69
Total	5,629	100.00	14,248,805	100.00

The Board of Directors' authorisations

On 22 May 2017, the company's extraordinary general meeting decided to issue a total of 6,862,311 new shares in the company to shareholders without payment in proportion to their existing holdings (split). Three new shares were issued for each existing share. After the share split, the total number of the company's shares was 9,149,748.

On 22 May 2017, the company's extraordinary general meeting decided to authorise the Board of Directors to decide on a share issue, the issue of special rights entitling to shares and the acquisition of own shares for the share incentive plan for key personnel in the Silmäasema Group. The maximum number of shares to be issued is 100,000, and the shares can be issued in one or more instalments. The share issue authorisation is valid until 30 June 2020. The authorisation was not used during the 2017 financial year.

On 22 May 2017, the company's extraordinary general meeting authorised the Board of Directors to decide on issuing a maximum number of 10,000,000 shares in one or more instalments in deviation from the shareholders' pre-emptive subscription right. The share issue authorisation is valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2018. On 8 June 2017, based on the above authorisation, Silmäasema's Board of Directors decided to issue 5,099,057 new shares, increasing the total number of the company's shares to 14,248,805.

Share incentive plans

On 10 May 2017, Silmäasema's Board of Directors decided to establish a share incentive plan for the company. The goals of the 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 share incentive plan has 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. Any rewards for the 2017–2019 performance period will be based on the Group's cumulative earnings per share. Any rewards for the 2017–2019 performance period will be paid in 2020, partly in shares in the company and partly in cash. The cash portion is intended to cover taxes and tax-related costs arising from the rewards to key personnel. 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 the gross annual salary. The shares must be owned for as long as the key person's employment relationship with the company continues.

A total of 21 key persons were selected to participate in the 2017–2019 performance period, including the members of the Silmäasema management team. The maximum total number of shares to be paid as rewards for the 2017–2019 performance period is 77,611 Silmäasema shares.

A total of 20 key persons were selected to participate in the 2018–2020 performance period, including the members of the Silmäasema management team. The maximum total number of shares to be paid as rewards for the 2018–2020 performance period is 106,907 Silmäasema shares.

Management shareholding

On 31 December 2017, the members of Silmäasema's Board of Directors and the company's CEO and other members of its management team and their related parties owned a total of 1,044,261 shares in the company, representing 7.3 per cent of the company's total shares and votes.

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. The code is available at www.cgifinland.fi.

Annual General Meeting on 10 May 2017

On 10 May 2017, Silmäasema's Annual General Meeting adopted the company's financial statements for 2016 and discharged the CEO and the members of the Board of Directors from liability. The meeting also decided that the Board of Directors consists of six members. The following people were elected to the Board of Directors: Juha Saarinen, Tuomas Lang, Maisa Romanainen, Tuomas Sarkola, Torsti Sihvola and Kaisa Vikkula. The Annual General Meeting elected Juha Saarinen as Chair of the Board and Maisa Romanainen as Deputy Chair of the Board.

Extraordinary general meeting on 22 May 2017

On 22 May 2017, in addition to the matters presented under "The Board of Directors' authorisations" in this report, the company's extraordinary general meeting decided to establish a Shareholders' Nomination Committee to annually prepare the proposals concerning the election and remuneration of the members of the Board of Directors for the Annual General Meeting.

Strategy and financial targets

Silmäasema aims to be the market leader in Finland in optical retail and eye clinic operations related to eye healthcare, including cataract and refractive surgeries.

The cornerstones of Silmäasema's long-term growth strategy are:

Development of the store and clinic network

- The goal of Silmäasema's network of locations is that the majority of Finns have access to a store within a reasonable distance and that its eye clinics are located in the catchment areas of the largest cities.

Profitability improvement

- Centralised chain management, the scalability of the business as a result of volume growth, the successful opening of new stores and clinics and the successful integration of acquired businesses have enabled Silmäasema's profitable growth.
- The measures already implemented, the scalability of the business as a result of volume growth and the continuous improvement of productivity are expected to have a favourable impact on profitability.

Growth in comparable net sales

- Silmäasema aims to improve its comparable net sales by making use of its unique business model, by developing its multichannel service and sales concept, store concept and through demand-driven category management.
- Silmäasema's business model enables customers to find all the services they need within the Group, and Silmäasema's experts also actively guide customers to use other services within the Group, when necessary.
- Silmäasema's goal is to develop its operations to maximise the flow of customers between its optical stores and eye clinics, and to ensure its efficiency in terms of good, high-quality and timely responses to customers' needs.
- Silmäasema aims to provide the best comprehensive demand-based offering in Finland in both optical retail and eye clinic products and services.
- Silmäasema continuously strives to renew its store and customer service concept to ensure its market position as the leading operator in the optical retail and eye healthcare markets.

Silmäasema's medium-term financial targets:

- Growth: an average annual increase of 6–9% in net sales, including acquisitions
- Profitability: an adjusted EBITDA of more than 15%
- Balance sheet: a net debt to adjusted EBITDA ratio of less than 2.5
- Dividend distribution: an active dividend policy that is linked to each financial year's financial result and the growth investment opportunities at hand

Events after the review period

Haminan Silmäasema Oy and Jämsän Silmäasema Oy, which are wholly owned subsidiaries of Silmäasema Optiikka Oy, were integrated into their parent company through a subsidiary merger on 1 January 2018.

In February, Silmäasema opened its 14th eye clinic. The clinic is located in Oulu.

At the beginning of the 2018 financial year, optical retail was expanded through a corporate transaction, with Silmäasema Optiikka Oy acquiring the business operations of Optikkopalvelu Heikki Rantasuomela Ky in li. In addition, Silmäasema Optiikka Oy opened a store in Uusikaupunki in early 2018.

The Board of Directors' proposal for the distribution of profits

On 31 December 2017, the parent company's distributable funds totalled EUR 41,097,220.60, including the profit for the period, which is EUR -1,174,200.48.

The Board will propose to the Annual General Meeting on 11 April 2018 that no dividend will be paid for the fiscal year 2017.

Outlook for 2018

Silmäasema's net sales are estimated to grow compared to the previous year.

In 2017, Silmäasema's net sales were EUR 118.3 million.

Basis for the outlook

The competitive situation in optical retail continues to be tough. However, Silmäasema's net sales are expected to increase, mainly due to new optical retail stores to be opened or acquired in 2018, as well as sales growth with regard to stores opened in 2016 and 2017. Silmäasema has identified several possible locations for optical retail stores in different parts of Finland. However, the number of stores to be established or acquired during the year is difficult to predict. It depends on successful business acquisition negotiations, the local market situation and the availability of suitable business properties, among other factors. In addition, the good general economic situation and the favourable development of private consumption are expected to support demand in optical retail.

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. This trend is expected to support the development of the net sales of Silmäasema's Eye Clinics segment in 2018. Its net sales are also expected to increase because of sales growth as a result of opening the eye clinic in Oulu in February 2018.

Near-term business risks and uncertainties

Silmäasema's strong growth strategy increases its business risks. Opening new stores and finding the most suitable business locations, as well as company acquisitions, require careful preparation and strong expertise in integration. The growth strategy will continue to require skilled personnel and investment in organisational development and key persons. 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 will be starting 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. In the early stages, the profitability of new stores is burdened by investments in the start-up of operations and the achievement of a strong market position. New stores typically reach their normal level of profitability in one or two years, but this involves uncertainty.

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 eye surgery 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 Clinic 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 by meticulous project management, among other measures. The company is in the process of starting a development programme to renew most of its information systems over the next two years. The project concerns at least cash register, patient information 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 per cent 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 reform is estimated to impact this portion of net sales only slightly.

SILMÄASEMA OYJ

Board of Directors

For further information, please contact:

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GROUP'S KEY FIGURES

EUR thousand, unless otherwise stated	10-12/2017	10-12/2016	Change %	1-12/2017	1-12/2016	Change %
Growth of net sales						
Net sales	30,850	27,359	12.8%	118,322	101,345	16.8%
Like-for-like growth in net sales, %	0.4%			3.5%		
Income statement						
Sales margin	17,074	15,880	7.5%	66,172	56,637	16.8%
<i>Sales margin %</i>	55.3%	58.0%		55.9%	55.9%	
EBITDA	2,320	3,166	-26.7%	6,894	10,295	-33.0%
<i>EBITDA %</i>	7.5 %	11.6%		5.8%	10.2%	
Adjusted EBITDA	2,783	4,049	-31.3%	11,760	11,951	-1.6%
<i>Adjusted EBITDA %</i>	9.0%	14.8%		9.9%	11.8%	
Operating result	912	1,877	-51.4%	1,589	5,508	-71.2%
<i>Operating result %</i>	3.0%	6.9%		1.3%	5.4%	
Adjusted operating result	1,385	2,761	-49.9%	6,472	7,164	-9.7%
<i>Adjusted operating result %</i>	4.5%	10.1%		5.5%	7.1%	
Profit before taxes	531	1,206	56.0%	-1,218	867	240.5%
<i>Profit before taxes %</i>	1.7%	4.4%		-1.0%	0.9%	
Profit (loss) for the period	898	988	9.1%	-573	470	222.0%
<i>Profit (loss) for the period %</i>	2.9%	3.6%		-0.5%	0.5%	
Basic earnings per share, eur	0.06	0.11		-0.05	0.05	
Financial key figures						
Net debt				33,773	58,432	
Net debt / Adjusted EBITDA (leverage)				2.9	4.9	
Gearing				87.1%	992.8%	
Equity ratio				40.8%	6.8%	
Return on capital employed % (ROCE)				2.1%	8.6%	
Return on equity % (ROE)				-2.6%	8.5%	
Investments						
Operational				6,058	4,468	35.6%
Acquisitions				6,699	6,664	0.5%
Total				12,757	11,132	14.6%
Cash flow from operations				4,954	4,286	
Personnel (end of the review period)						
FTE – own personnel				607	533	14.0%
Stores and clinics (pcs)						
Stores – owned by Silmäasema				141	107	31.8%
Stores – owned by franchisees				18	33	-45.5%
Eye clinics				13	13	0.0%
Chain total				172	153	12.4%
Sales volume (pcs) – own stores						
Eyeglasses	47,428	38,527	23.1 %	173,480	136,699	26.9%
Sunglasses	5,489	4,283	28.2 %	70,121	55,181	27.1%

SEGMENT SPECIFIC KEY FIGURES

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

EUR thousand, unless otherwise stated	10–12/2016				1–12/2016			
	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated
Growth of net sales								
Net sales	27,359	17,958	9,401		101,345	66,511	34,834	
Growth in net sales, %					8.6%	11.6%	3.4%	
Like-for-like growth in net sales, %					-1.1%	-1.1%	-1.2%	
Income statement								
EBITDA	3,166	2,552	1,411	-798	10,295	6,373	4,838	-916
<i>EBITDA %</i>	11.6%	14.2%	15.0%		10.2%	9.6%	13.9%	
Adjusted EBITDA	4,049	2,634	1,416		11,951	6,931	5,020	
<i>Adjusted EBITDA %</i>	14.8%	14.7%	15.1%		11.8%	10.4%	14.4%	
Operating result	1,877	1,818	858	-798	5,508	3,747	2,678	-916
<i>Operating result %</i>	6.9%	10.1%	9.1%		5.4%	5.6%	7.7%	
Adjusted operating result	2,761	1,899	862		7,164	4,305	2,860	
<i>Adjusted operating result %</i>	10.1%	10.6%	9.2%		7.1%	6.5%	8.2%	
Investments								
Operational					4,468	4,138	330	
Acquisitions					6,664	1,608	5,056	
Total					11,132	5,746	5,386	

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Net sales	2.2	30,850	27,359	118,322	101,345
Other operating income	2.2	-8	1	270	41
Materials and services	2.4	-13,768	-11,480	-52,420	-44,748
Personnel expenses	3.0	-8,079	-6,623	-30,956	-24,832
Other operating expenses	2.4	-6,675	-6,091	-28,323	-21,511
EBITDA		2,320	3,166	6,894	10,295
Depreciation and amortisation	2.4	-1,408	-1,288	-5,305	-4,786
Operating result		912	1,877	1,589	5,508
Finance costs, net		-381	-671	-2,807	-4,642
Profit before taxes		531	1,206	-1,218	867
Income tax expense		367	-219	645	-397
Profit (loss) for the period		898	988	-573	470
Total comprehensive income for the period		898	988	-573	470
Profit for the period attributable to: Owners of the parent		898	988	-573	470
Profit (loss) for the period		898	988	-573	470
Total comprehensive income attributable to: Owners of the parent		898	988	-573	470
Total comprehensive income for the period		898	988	-573	470
Earnings per share for profit attributable to the owners of the parent					
Basic earnings per share, EUR	2.5	0.06	0.11	-0.05	0.05
Diluted earnings per share, EUR	2.5	0.06	0.11	-0.05	0.05

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Property, plant and equipment	6.1	12,022	11,260
Other intangible assets	6.1	3,725	3,181
Goodwill	2.3	61,107	55,290
Deferred tax assets		1,631	475
Total non-current assets		78,485	70,206
Current assets			
Inventories	4.1	7,326	5,934
Trade and other receivables	4.2	5,206	4,581
Current income tax receivables		676	114
Cash and cash equivalents		5,706	7,118
Total current assets		18,914	17,747
TOTAL ASSETS		97,399	87,953
EQUITY AND LIABILITIES			
Total equity attributable to owners of the parent			
Share capital	5.2	80	3
Reserve for invested unrestricted equity	5.2	39,025	5,868
Retained earnings		227	-454
Profit (loss) for the period		-573	470
Total equity attributable to owners of the parent		38,759	5,886
Liabilities			
Non-current liabilities			
Non-current borrowings	5.1	37,284	62,828
Interest rate swaps	5.1	144	269
Deferred tax liabilities		574	590
Total non-current liabilities		38,002	63,686
Current liabilities			
Current borrowings	5.1	2,195	2,723
Interest rate swaps	5.1	118	120
Trade and other payables		18,215	15,145
Current income tax liabilities		110	395
Total current liabilities		20,638	18,382
Total liabilities		58,640	82,067
TOTAL EQUITY AND LIABILITIES		97,399	87,953

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
tuhatta euroa					
Equity at 1 Jan 2016		3	5,668	-454	5,216
Profit (loss) for the period				470	470
Total comprehensive income for the period		0	0	470	470
Transactions with owners:					
Share issue			200	0	200
Equity at 31 Dec 2016		3	5,868	16	5,886
Equity at 1 Jan 2017		3	5,868	16	5,886
Profit (loss) for the period				-573	-573
Total comprehensive income for the period		0	0	-573	-573
Transactions with owners:					
Share capital increase		78	-78		0
Share issue	5.2		33,235	183	33,419
Share-based bonus system	3.0			27	27
Equity at 31 Dec 2017		80	39,025	-346	38,759

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Note	1-12/2017	1-12/2016
Cash flows from operating activities			
Profit (loss) for the period		-573	470
Adjustments:			
Depreciation, amortisation and impairments	2.4	5,305	4,786
Other non-cash transactions		-68	-93
Finance cost, net		2,807	4,642
Income tax expense		-645	397
Changes in working capital			
Change in trade and other receivables		-526	-844
Change in inventories		-453	-928
Change in trade and other payables		2,706	2,551
Interest paid		-1,865	-6,662
Other financing items, net		-354	-314
Income taxes paid		-1,381	282
Net cash inflow from operating activities		4,954	4,286
Cash flows from investing activities			
Payments for property, plant and equipment	6.1	-4,420	-2,977
Payments for intangible assets	6.1	-1,637	-1,492
Payments for business acquisitions, net of cash acquired	2.3	-6,699	-6,664
Proceeds from loans receivable		6	47
Net cash (outflow) from investing activities		-12,751	-11,085
Cash flows from financing activities			
Proceeds from issues of shares		33,235	199
Proceeds from non-current loans	5.1	4,775	62,289
Repayments of loans	5.1	-24,000	-36,379
Proceeds from shareholder loans		0	110
Repayments of shareholder loans	5.1	-7,080	-14,704
Finance lease payments		-545	-835
Net cash inflow (outflow) from financing activities		6,386	10,680
Net (decrease) increase in cash and cash equivalents		-1,412	3,881
Cash and cash equivalents at the beginning of the period		7,118	3,237
Cash and cash equivalents at the end of the period		5,706	7,118

NOTES TO THE GROUP'S FINANCIAL STATEMENT RELEASE

1 General information

1.1 Basis of preparation

Silmäasema's interim information has been prepared in compliance with the (IAS) 34 Interim reports standard and the principles described in Silmäasema's financial statements for 2016. No changes have occurred in Silmäasema's preparation principles during the period.

The interim information does not contain all notes presented in the latest confirmed consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for 2016. The financial statements for 2017 will be published latest on 21 March 2018.

Silmäasema's Board of Directors has approved this interim information. This interim information is unaudited.

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

The preparation of interim information requires 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 regularly scrutinized. 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 Group preparation principles and key uncertainty factors, are identical to those applied in the consolidated financial statements for 2016.

2 Operative result

2.1 Reported segments

Silmäasema reports on its operations under to operating segments consistently with the reporting provided to management, the performance measures reported for the segments being net sales, adjusted EBITDA, EBITDA, adjusted operating result and operating result:

Optical retail and eye healthcare segment is responsible for Silmäasema's optical retail business. The segment also includes ophthalmologists' and opticians' appointment services and corporate eye care.

Eye clinics segment is responsible for Silmäasema's eye clinic services, which consist of eye surgery, ophthalmologists' and opticians' appointment services, eye examinations, eye procedures and eyelid surgery.

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

EUR thousand	10–12/2016				1–12/2016			
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Net sales	17,958	9,401		27,359	66,511	34,834		101,345
Adjusted EBITDA	2,634	1,416		4,049	6,931	5,020		11,951
Adjustments	-81	-4	-798	-884	-558	-182	-916	-1,656
EBITDA	2,552	1,411	-798	3,166	6,373	4,838	-916	10,295
Depreciation and amortisation	-735	-554		-1,288	-2,626	-2,160		-4,786
Adjusted operating result	1,899	862		2,761	4,305	2,860		7,164
Adjustments	-81	-4	-798	-884	-558	-182	-916	-1,656
Operating result	1,818	858	-798	1,877	3,747	2,678	-916	5,508

Adjustments in EBITDA and operating result

10–12/2017				
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand				
Adjusted EBITDA	1,666	1,116	0	2,783
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
Change in VAT concerning previous periods	-226		-3	-229
Transaction costs related to business acquisitions	-81			-81
Personnel Offering subscription benefit			0	0
Changes in contingent considerations		0		0
Adjustments	-519	0	56	-463
EBITDA	1,148	1,116	56	2,320
Adjusted operating profit	868	517	0	1,385
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
Change in VAT concerning previous periods	-236		-3	-239
Transaction costs related to business acquisitions	-81			-81
Personnel Offering subscription benefit			0	0
Changes in contingent considerations		0		0
Adjustments	-529	0	56	-472
Operating profit	339	517	56	912

1–12/2017				
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand				
Adjusted EBITDA	7,159	4,601	0	11,760
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
Change in VAT concerning previous periods	-2,242		-3	-2,245
Transaction costs related to business acquisitions	-540			-540
Personnel Offering subscription benefit			-183	-183
Changes in contingent considerations		230		230
Adjustments	-3,333	229	-1,762	-4,866
EBITDA	3,826	4,830	-1,762	6,894
Adjusted operating profit	4,105	2,367	0	6,472
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
Change in VAT concerning previous periods	-2,259		-3	-2,262
Transaction costs related to business acquisitions	-540			-540
Personnel Offering subscription benefit			-183	-183
Changes in contingent considerations		230		230
Adjustments	-3,350	229	-1,762	-4,883
Operating profit	756	2,595	-1,762	1,589

10–12/2016				
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand				
Adjusted EBITDA	2,634	1,416	0	4,049
Exceptional payments for termination benefits	0			0
Costs related to development of the internationalisation concept	-25			-25
Professional fees for group level structuring activities	-1	-4	-798	-804
Transaction costs related to business acquisitions	-55	0		-55
Adjustments	-81	-4	-798	-884
EBITDA	2,552	1,411	-798	3,166
Adjusted operating profit	1,899	862	0	2,761
Exceptional payments for termination benefits	0			0
Costs related to development of the internationalisation concept	-25			-25
Professional fees for group level structuring activities	-1	-4	-798	-804
Transaction costs related to business acquisitions	-55			-55
Adjustments	-81	-4	-798	-884
Operating profit	1,818	858	-798	1,877

1–12/2016				
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand				
Adjusted EBITDA	6,931	5,020	0	11,951
Exceptional payments for termination benefits	-296			-296
Costs related to development of the internationalisation concept	-25			-25
Professional fees for group level structuring activities	-91	-13	-916	-1,021
Transaction costs related to business acquisitions	-145	-169		-314
Adjustments	-558	-182	-916	-1,656
EBITDA	6,373	4,838	-916	10,295
Adjusted operating profit	4,305	2,860	0	7,164
Exceptional payments for termination benefits	-296			-296
Costs related to development of the internationalisation concept	-25			-25
Professional fees for group level structuring activities	-91	-13	-916	-1,021
Transaction costs related to business acquisitions	-145	-169		-314
Adjustments	-558	-182	-916	-1,656
Operating profit	3,747	2,678	-916	5,508

2.2 Net sales and other operating income

Silmäasema provides its customers all the products and services relating to eyesight: optical products, opticians' services, ophthalmologists' services, eye surgery services and optical laboratory services. The services are available to customers through the extensive chain of stores and eye clinics. On 31 December 2017 Silmäasema chain operated in 172 locations (31 December 2016: 153), of which 141 (31 December 2016: 107) were own retail stores and 13 (31 December 2016: 13) were eye clinics. The number of franchise stores was 18 (31 December 2016: 33). In Estonia, Silmäasema had nine optical retail stores on 31 December 2017.

Other operating income is mainly comprised of other rental revenue relating to business locations as well as from a change in provisional purchase price debts in the July-September period.

The group derives the following types of revenue

EUR thousand	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Sale of goods	18,738	14,485	70,307	56,225
Sale of services	11,900	12,601	47,080	43,923
Royalty income	212	273	936	1,197
Total	30,850	27,359	118,322	101,345

Other operating income

EUR thousand	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Insurance		0		36
Changes in contingent considerations	0		230	
Other rental income	-8	1	40	5
Total	-8	1	270	41

2.3 Growth through acquisitions

EUR thousand	Total acquisitions
Purchase consideration	
Consideration paid in cash	6,585
Contingent consideration	290
Consideration paid for control	6,875
Total purchase consideration	6,875
Assets and liabilities recognised as a result of acquisitions (fair value)	
Property, plant and equipment	267
Intangible assets - other	1
Inventories	857
Trade and other receivables	105
Cash and cash equivalents	264
Deferred tax liabilities	-8
Trade and other payables	-427
Net assets acquired excluding non-competition agreement	1,059
Goodwill	5,816
Total assets acquired	6,875

Business acquisitions in the 2017 review period

In the October–December period optical retail business was expanded with two acquisitions. In November Silmäasema acquired the businesses of Kyröskosken Optiikka Oy and Silmälasi Kerttu Oy. In 2017, the optical retail business was expanded in Finland with 12 business acquisitions, comprising 16 stores in total. Of these stores ten were earlier operating in Silmäasema chain. In addition, the share capital of Tallinna Optika Oü was acquired in Estonia. Tallinna Optika had eight optical retail stores in Estonia.

The preliminary combined fair values and acquisition prices of net assets acquired in 2017 are presented in the table above.

The purchase prices paid at the time of acquisition were paid in cash, with the exception of certain conditional purchase price shares to be paid in cash at a later point. The preliminary fair value of the contingent purchase price has been defined at the moment of purchase, and changes in fair value shall be recognized in profit or loss.

The combined purchase price to be paid for the control of acquisitions in 2017 was EUR 6.9 million. In the acquisition cost calculations of these business acquisitions, the preliminary fair net value of specifiable assets was estimated to be EUR 1.1 million.

Trade receivables consist of minor amounts of normal collectable receivables of the acquirees. Goodwill increased by EUR 5.8 million. The goodwill consists of the values of acquired market shares, business expertise and expected synergies. Goodwill relating to the acquisitions of business operations is deductible in taxation. In 2017, inventory value at acquisition date regarding acquisitions made in last 12 months was revaluated. Inventory value was reduced by EUR 0.4 million, which was added to goodwill.

Direct transaction cost arising on the acquisitions in 2017 amounted to EUR 0.3 million. The transactions costs are recognised in profit or loss and presented under other operating expenses. Their cash flow effects will be reported under operating cash flows.

The business acquisitions completed during 2017 were not material to the group, either individually or in the aggregate. The businesses acquired during 2017 created consolidated net sales of EUR 2.3 million in October–December 2017 (January–December 2017: EUR 7.7 million) and net loss of EUR -0.3 million (January–December 2017: EUR -0.9 million) excluding the effect of financing relating to the acquisitions, if any.

Cash outflow from acquisitions in 2017

Consideration paid for acquisitions during the period net of cash acquired is as follows:

EUR thousand	1–12/2017
Consideration paid in cash	6,585
Less: cash and cash equivalents acquired	-264
Amounts of contingent consideration paid in cash during the interim period*	378
Net outflow of cash from acquisitions - investing activities	6,699

*) Related to contingent purchase prices from 2014 and 2016 acquisitions

2.4 Operating expenses

EUR thousand	10–12/2017	Share of net sales	10–12/2016	Share of net sales	1–12/2017	Share of net sales	1–12/2016	Share of net sales
Materials and services								
Purchases during the period	7,456	24.2%	5,427	19.8%	29,371	24.8 %	23,590	23.3 %
Changes in inventories	230	0.7%	252	0.9%	-687	-0.6 %	-1,021	-1.0 %
External services	6,083	19.7%	5,801	21.2%	23,737	20.1 %	22,180	21.9 %
Total	13,768	44.6%	11,480	42.0%	52,420	44.3 %	44,748	44.2 %
Personnel expenses	8,079	26.2%	6,623	24.2%	30,956	26.2 %	24,832	24.5 %
Other operating expenses								
Rent expenses	1,851	6.0%	1,491	5.4%	7,002	5.9 %	5,734	5.7 %
Marketing expenses	1,607	5.2%	1,439	5.3%	6,592	5.6 %	5,543	5.5 %
Maintenance, IT, equipment and furniture expenses	1,667	5.4%	2,267	8.3%	5,953	5.0 %	5,788	5.7 %
Other operative expenses	1,551	5.0%	895	3.3%	8,775	7.4 %	4,446	4.4 %
Total	6,675	21.6%	6,091	22.3%	28,323	23.9 %	21,511	21.2 %
Depreciation and amortisation by asset group								
Property, plant and equipment	1,115	3.6%	988	3.6%	4,227	3.6%	3,696	3.6%
Intangible assets	293	0.9%	300	1.1%	1,079	0.9%	1,090	1.1%
Total	1,408	4.6%	1,288	4.7%	5,305	4.5%	4,786	4.7%

Silmäasema's operating expenses in 2017 have increased mainly as a result of the increase in net sales, which were 16.8% higher than in the comparative period.

The growth of marketing expenses was in line with the growth of the business as planned, and arose from an increased input in marketing, especially relating to advertising for the brand and for eye surgery and IPO marketing.

Operating expenses include EUR 4.9 million in unusual expenses that are not part of the normal business, the majority of which derive from corporate transactions within the Group, the listing of the company, the subscription benefits of the personnel offering and the changed value added tax handling.

Change in value added tax handling

The Finnish Tax Administration issued its decision on Silmäasema's Value Added Tax relating to the tax audit carried out in Silmäasema Optiikka Oy, a subsidiary solely owned by Silmäasema Oyj. According to the Finnish Tax Administration's decision, a net effect of approximately EUR 1.4 million in value added taxes from the years 2014–2016 as well as an approximately EUR 0.2 million tax increase fell to be paid by Silmäasema Optiikka Oy. In addition, the Finnish Tax Administration issued a penal interest of approximately EUR 0.1 million. All aforementioned payments were made in July 2017. The current decision related to value added tax is estimated to deduct the corporate income tax payable by approximately EUR 0.1 million for the years 2014–2016.

Silmäasema believes that the impact of the change in value added tax handling is temporary, and has appealed the decision. Therefore, Silmäasema will eliminate the impact of the change in value added tax deduction practice as it reports on adjusted EBITDA and adjusted operating result.

EUR 1.4 million in value added taxes from the years 2014–2016 are reported in other operating expenses. The effect of 2017 on value added taxes has been EUR 0.6 million, which is shown in the adjustments.

2.5 Earnings per share

	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Basic earnings per share				
Profit (loss) attributable to the owners of the Company (EUR thousand)	898	988	-573	470
Weighted average number of shares outstanding during the period, basic*	14,248,805	9,117,100	12,041,542	9,104,505
Basic earnings per share (EUR)	0.06	0.11	-0.05	0.05
Diluted earnings per share				
Profit (loss) attributable to the owners of the Company (EUR thousand)	898	988	-573	470
Weighted average number of shares outstanding during the period, diluted*	14,248,805	9,117,100	12,041,542	9,104,505
Diluted earnings per share (EUR)	0.06	0.11	-0.05	0.05

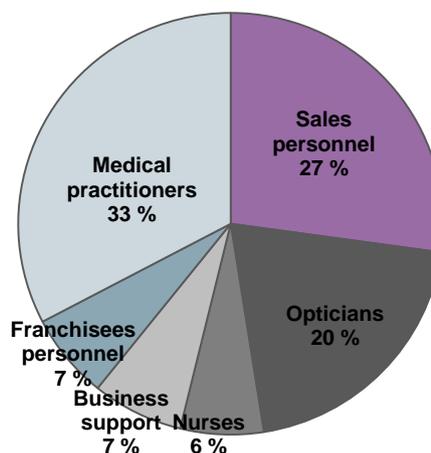
*) The extraordinary general meeting decided on 22 May 2017 to issue shares in a pre-emptive subscription right issue without payment (split), with each shareholder receiving three new shares for each owned share. The share numbers for the periods before the split have been adjusted according to the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

3 Personnel

At the end of the interim period, a total of 641 persons worked at Silmäasema's own retail stores, eye clinics and business support functions, including two self-employed opticians. In addition, there were 320 medical practitioners working within the Silmäasema chain. The medical practitioners provide services to Silmäasema as subcontractors, or operate as entrepreneurs or independent professionals under Silmäasema's operating system. Fees paid to entrepreneur medical practitioners as well as rents charged for the premises are presented under Materials and supplies in the income statement.

Silmäasema chain and group personnel	31 Dec 2017	31 Dec 2016
Sales personnel	266	255
Opticians	199	166
Nurses	62	62
Business support	68	52
Franchisees personnel	64	119
Medical practitioners	320	304
Total	979	958
Personnel employed*	639	580

* Does not include employees on long-term absence.



Personnel expenses

EUR thousand	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Wages and salaries	6,450	5,289	24,580	19,543
Pension costs	1,172	996	4,479	3,673
Share-based bonus system	21		51	
Other personnel expenses	436	339	1,846	1,616
Total	8,079	6,623	30,956	24,832

Share-based bonus system

Silmäasema's Board of Directors decided on 10 May 2017 to establish a share-based bonus system for the Company, and the extraordinary general meeting decided on adopting the share-based bonus system on 22 May 2017. 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 defined by the system for the earning period 2017–2019 is based on the cumulative result per share of Silmäasema Group.

The potential bonus for the earning period 2017–2019 shall be paid in 2020 partly in Silmäasema shares and partly in cash. The purpose of the cash portion is to cover the taxes and tax-like charges resulting from the bonus to key personnel.

Total of 21 key persons were selected to the target group of the system in the earning period 2017–2019, including the members of the Silmäasema management team. The maximum number of shares to be given in the earning period 2017–2019 is 77,611, which based on the allocation rate amounts to EUR 624,750.

Share-based bonus system consists of share part recognised in retained earnings and cash part recognised in deferred liabilities. The expense generated by the share-based bonus system during 2017, EUR 51 thousand, has been entered in personnel expenses.

4 Working capital

Silmäasema ascertains the maintenance of working capital at an optimal level by monitoring the turnover of trade receivables and payables as well as the amount of inventory. Due to the nature of the business, the use of working capital is efficient.

EUR thousand	31 Dec 2017	31 Dec 2016
Inventories	7,326	5,934
Trade and other receivables	5,206	4,581
Trade and other liabilities	18,199	14,986
Total	-5,666	-4,471

*) Trade payables and other payables; accrued interest has been eliminated. The eliminated accrued interest amounted EUR 17 thousand as at 31 December 2017 (EUR 158 thousand at 31 December 2016)

5 Capital structure

5.1 Capital management and net debt

The objective of the management of the Group's capital, consisting of net debt and equity, is to safeguard the ability to continue as going concern and maintain optimal returns for 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, 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 2017	31 Dec 2016
Non-current borrowings		
Bank loans	35,187	51,530
Shareholder loans		7,080
Finance lease liabilities	202	224
Contingent consideration	1,852	3,946
Other borrowings	43	47
Total non-current borrowings	37,284	62,828
Current borrowings		
Bank loans		2,222
Finance lease liabilities	250	452
Contingent consideration	1,926	
Other borrowings	20	49
Total current borrowings	2,195	2,723
Total borrowings	39,479	65,550
Less: Cash and cash equivalents	-5,706	-7,118
Net debt	33,773	58,432
Interest rate swaps		
Non-current	144	269
Current	118	120
Total interest rate swaps	262	388
Financial ratios		
Net debt / Adjusted EBITDA	2.9	4.9
Gearing	87.1%	992.8%

EUR thousand	31 Dec 2017	31 Dec 2016
Borrowings secured by mortgages		
Loans *	0	55 000
Amount of mortgages given as collateral	0	456 000
Borrowing secured by shares		
Loans *	0	55 000
Shares pledged as security	0	91 805
Other collaterals		
Loans secured by a trademarks *	0	55 000
Loans secured by loss-of-profit insurance receivables related to business acquisitions *	0	55 000
Collaterals relating to rental payments		
Deposits in banks as security for rental payments **	334	237
Bank guarantees as security for rental payments	1 383	1 226
Bank guarantee limit for commercial collaterals	1 500	1 500
- portion used	1 383	1 226
* Loans presented as nominal amount		
** Included in other current receivables. The deposit is released for Silmäasema when the rental agreement terminates		

Events during the period

In connection with Silmäasema's public listing, bank loans were repaid to the amount of EUR 24 million and shareholder loans to the amount of EUR 7.1 million, after which the company has no outstanding shareholder loans.

An expense of EUR 0.4 million relating to unamortized transaction expenses from repaid financing debts was entered into financing expenses.

In accordance with the financing agreement, the following significant changes have been made to the terms of the agreement after the completion of Silmäasema's public listing:

- Loan margins decreased
- Loans were converted into bullet loans
- The majority of covenant terms were removed, with net debt/adjusted EBITDA ratio remaining
- Loan collaterals were released

During the January–December period, a new bank loan of EUR 4.8 million was taken out for business acquisitions.

The acquisitions carried out in January–December 2017 generated new contingent purchase price liabilities of EUR 0.3 million. The contingent purchase price liabilities in question will fall due on 31 May 2018 if they materialise as estimated. During the review period, EUR 0.4 million in contingent purchase price was paid in connection with acquisitions carried out in 2014 and 2016.

There were no covenant violations in January–December 2017.

5.2 Equity

Changes in the number of shares during the financial year:

Number of shares	Outstanding shares (pcs)
Number of shares at 1 Jan 2016	2,268,140
Number of shares at 31 Mar 2016	2,268,140
Shares issued in 2016	19,297
Number of shares at 31 Dec 2016	2,287,437
Share issue without payment (split)	6,862,311
Share issue	4,833,122
Personnel offering	265,935
Number of shares at 31 Dec 2017	14,248,805

Silmäasema has one share class and each share holds the same right to a dividend. Each share entitles to one vote in the general meeting. All issued shares have been paid in full and have no nominal value. The Group holds no own shares in the Company.

Based on the decision of the company's extraordinary general meeting on 3 May 2017, share capital was increased by EUR 77,500 from the invested unrestricted equity reserve. On 31 December 2017, the share capital stands at EUR 80,000.

During the year 2017, 6,862,311 new shares have been issued in a share issue without payment (split) and 5,099,057 new shares have been issued in connection with the public listing.

In personnel share issue and the share issue of the IPO the Company raised total EUR 35.0 million which was recognized to the reserve for invested unrestricted equity. EUR 1.8 million was recognized to decrease the reserve for invested unrestricted equity, consisting of EUR 2.2 million costs related to the Initial Public Offering and of EUR 0.4 million change in income tax accruals.

In the personnel offering, 265,395 new shares were subscribed with a subscription price of EUR 6.21, resulting in a total of EUR 1.7 million. In the initial public offering, 4,833,122 shares were subscribed with a subscription price of EUR 6.9, resulting in a total of 33.3 million.

5.3 Lease commitments and other contingent liabilities

EUR thousand	31 Dec 2017	31 Dec 2016
Commitments related to leased premises		
Within one year	6,720	5,414
Later than one year and no later than five years	14,645	14,220
Later than five years	1,858	67
Total	23,223	19,701

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 either until further notice or for a fixed term. Fixed lease terms for retail stores are 3 to 5 years on the average, and for eye clinics 5 to 20 years.

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

6 Other items

6.1 Operational investments*

EUR thousand	31 Dec 2017	31 Dec 2016
Property, plant and equipment	4,420	2,977
Intangible assets	1,637	1,492
Total	6,058	4,468

*) 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 investment during the interim period related to the opening of eight new retail stores, renovations carried out in the stores, and the development of digital services. The investments for comparative period related to the opening of 14 new retail stores, renovations carried out in the stores and the development of digital services.

6.2 Related party information

Until the public listing, control in the Group was exercised by a fund managed by Intera Partners Oy, Intera Fund II Ky (registered in Finland). In the public listing Intera Fund II Ky gave up its controlling interest, retaining however a considerable influence in the company. Intera Fund II Ky's shareholding on 31 December 2017 was 16.7% of the company's outstanding shares (31 December 2016: 67.5%). Related party information for the January–December reporting period concerning the significantly influential Intera Fund II Ky and other related parties is presented below.

All shareholder loans and accumulated interests, EUR 7.5 in total, were repaid in connection with the public listing.

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		
Total	199	0	0

Related party transactions, EUR thousand	Finance costs 1–12/2016	Receivables 31 Dec 2016	Liabilities 31 Dec 2016
Intera Fund II Ky and companies in the group of entities held by it	1,028		5,117
The Board of Directors and management of the Company *	175		881
Total	1,203	0	5,998

*) 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*

Shareholder group	Shareholding 31 Dec 2017	Shareholding 31 Dec 2016
Members of the Board of Directors *)	3.43%	8.70%
CEO	2.70%	4.20%
Key management personnel	1.20%	2.18%
Total	7.33%	15.08%

*) The company's Board of Directors includes the members of the Board and the members of their immediate families as well as the companies controlled by them. The Board's shareholding has no vesting period.

The members of the Board of Directors and management have agreed to not sell their shareholdings for a 12-month lock-up period after the listing.

Salaries and remuneration of the management and Board of Directors

EUR thousand	1–12/2017	1–12/2016
CEO remuneration		
Salary, other remuneration and benefits	300	267
Pension costs - defined contribution plans	18	18
Total	318	285
Management team remuneration (excluding CEO)		
Salary, other remuneration and benefits	781	726
Pension costs - defined contribution plans	45	44
Total	825	770
The Board of Directors remuneration	136	51
Total key management and the Board of Directors	1,279	1,106

6.3 Group companies

Parent company	Share of ownership by the parent company and the group (%)		Principal activity
	31 Dec 2017	31 Dec 2016	
Silmäasema Oyj (SFG Holding Oy until 12 May 2017)			Holding company
Subsidiaries	31 Dec 2017	31 Dec 2016	
Silmäasema Optiikka Oy (Silmäasema Fennica Oy until 12 May 2017)	100%	100%	Optical retail
Silmäasema Sairaala Oy (Silmäsairaala Fennica Oy until 12 May 2017)	100%	100%	Eye clinic operations
Tallinna Optika Oü	100%		Optical retail (subsidiary since 2 January 2017)
Via Healthcare Group Oy	100%	100%	Specialist medical services; administrative and financial services to medical practitioners
Haminan Silmäasema Oy (Rillit avoin yhtiö Hamina until 16 July 2017)	100%		Optical retail (subsidiary since 31 January 2017)
Jämsän Silmäasema Oy	100%		Optical retail (subsidiary since 2 Feb 2017, merged to Silmäasema Optiikka Oy at 1 Jan 2018)
SFG Bidco Oy	merged	100 %	Holding company (merged to SFG Holding Oy at 1 January 2017)
Oy Brillo Ab	merged	100 %	Optical retail (subsidiary since 1 Mar 2016; merged to Silmäasema Fennica Oy at 1 Jan 2017)
Vaasan Laserklinikka Oy	merged	100 %	Eye clinic operations (subsidiary since 1 Mar 2016; merged to Silmäasairaala Fennica Oy at 1 Jan 2017)

PRINCIPLES OF CALCULATION OF KEY FIGURES

Alternative key figures

Silmäasema presents alternative key figures as additional information 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, its 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, from which it has adjusted significant unusual items to improve the like-for-like comparability of different periods. Sales margin, adjusted EBITDA and adjusted operating result are presented in the consolidated income statement prepared in accordance with the IFRS standard as key figures complementing the presented key figures, because according to Silmäasema's view, they increase the understanding concerning 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, because Silmäasema views them as useful indicators of Silmäasema's ability to receive funding and repay its debts. In addition, operational investments, acquisition investments and investments in total give more information on Silmäasema's needs relating to operational cash flow.

The alternative key figures should not be scrutinised as separate from the key figures reported according to the IFRS or as substitutive to the IFRS defined key figures. Not all companies calculate their alternative key figures in a uniform way, and 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, per cent

The growth in net sales of business locations that have been open over 12 months. Acceptability of a business location for the like-for-like comparison is determined from its official month of opening (e.g. a location opened in March 2016 is included in the 2017 LFL growth calculation for March–December). Closed business locations and franchise fees from resigned franchisees are considered like-for-like until the date of closure or resignation.

INCOME STATEMENT

Gross profit

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

EBITDA

Gross profit + Depreciation and amortization

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 of share issue during the period

FINANCIAL RATIOS

Net debt

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

Net debt / Adjusted EBITDA

Net debt / Adjusted EBITDA

Net gearing

Net debt / Equity

Equity ratio

Equity / (Balance sheet total – Advances received)

Return on capital employed, per cent

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

Return on equity, per cent

Profit (loss) for the period / Equity⁽¹⁾

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 translated to full time employees

BUSINESS LOCATIONS (PCS)

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 sold

Eyeglasses sold in own business locations

Sunglasses sold

Sunglasses sold in own business locations

¹⁾ Average of the start date and end date of the period.