TENDER OFFER DOCUMENT **September 4, 2019**

Mandatory Public Tender Offer by Coronaria Oy

for All Issued and Outstanding Shares in Silmäasema Oyj

Coronaria Oy (the "**Offeror**" or "**Coronaria**") hereby offers to acquire through a mandatory public tender offer in accordance with Chapter 11 of the Finnish Securities Market Act (746/2012, as amended, "**SMA**") and the terms and conditions of this tender offer document (the "**Tender Offer Document**"), all of the issued and outstanding shares (the "**Shares**" or, individually, a "**Share**") and securities entitling to Shares in Silmäasema Oyj (the "**Company**" or "**Silmäasema**") that are not held by the Offeror, the Company or any of its subsidiaries (the "**Tender Offer**").

The Offeror is a private limited company incorporated under the laws of Finland, which through share purchases made on August 15 and 16, 2019, acquired a total of 1,420,031 shares in the Company. The highest price paid for the shares has been EUR 6.00 per share, which is also the highest price paid by Coronaria for the shares in Silmäasema. As a result of the share purchases, Coronaria's shareholding in Silmäasema increased to a total of 4,615,443 shares, corresponding to 32.4 per cent of all shares and voting rights in the Company, respectively. Prior to the share purchases, Coronaria held 3,195,412 shares in Silmäasema, representing 22.43 per cent of all outstanding shares in Silmäasema. Coronaria is Silmäasema's largest shareholder.

Coronaria's holding in Silmäasema exceeds 30 per cent of the shares and voting rights carried by Silmäasema's shares and Coronaria is thereby obligated to launch a mandatory public tender offer for all shares and securities entitling to shares in Silmäasema in accordance with Chapter 11 Section 19 of the SMA. The Tender Offer concerns all those Shares in Silmäasema, which are not held by Coronaria. Silmäasema does not hold any treasury shares.

Silmäasema is a public limited company incorporated under the laws of Finland with its Shares listed on the official list of Nasdaq Helsinki Ltd. ("**Nasdaq Helsinki**").

The price offered for each Share validly tendered in the Tender Offer is EUR 6.00 in cash (the "**Offer Price**"). The Offer Price corresponds to the highest price paid by Coronaria for the shares in Silmäasema for a period of six months prior to the triggering of the obligation to launch the Tender Offer.

The Offer Price represents a premium of approximately 17.8 per cent compared to the volume-weighted average trading price during the 6-month period preceding the triggering of the obligation to launch the Tender Offer and a premium of approximately 9.4 per cent compared to the volume-weighted average trading price during the 3-month period preceding the triggering of the obligation to launch the Tender Offer, and a premium of approximately 7.5 per cent compared to the closing price of the Shares on Nasdaq Helsinki on August 15, 2019, the last trading day before the triggering of the obligation to launch the Tender Offer.

The acceptance period for the Tender Offer (the "**Offer Period**") will commence on September 5, 2019 at 9:30 am (Finnish time) and expire on September 26, 2019 at 4:00 pm (Finnish time) unless the Offer Period is extended. For details please see "*Terms and Conditions of the Tender Offer*".

In accordance with the Chapter 11, Section 13 of the SMA the Board of Directors of the Company shall issue a statement concerning the Tender Offer. The statement on the Tender Offer shall be issued no later than five banking days prior to the earliest possible expiration of the Offer Period. On the date of this Tender Offer Document, the Board of Directors of Silmäasema has not issued its statement on the Tender Offer.

The information on this front page should be read in conjunction with, and is qualified in its entirety by, the more detailed information in this Tender Offer Document, in particular in the section "*Terms and Conditions of the Tender Offer*".

THE TENDER OFFER IS NOT BEING MADE DIRECTLY OR INDIRECTLY IN ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW AND THIS TENDER OFFER DOCUMENT AND RELATED ACCEPTANCE FORMS ARE NOT AND MAY NOT BE DISTRIBUTED, FORWARDED OR TRANSMITTED INTO OR FROM ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW BY ANY MEANS WHATSOEVER INCLUDING, WITHOUT LIMITATION, MAIL, FACSIMILE TRANSMISSION, E-MAIL OR TELEPHONE. IN PARTICULAR, THE TENDER OFFER IS NOT MADE IN AND THIS TENDER OFFER DOCUMENT MUST UNDER NO CIRCUMSTANCES BE DISTRIBUTED INTO THE UNITED STATES, CANADA, JAPAN, AUSTRALIA, SOUTH AFRICA OR HONG KONG OR ANY OTHER JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW.

Financial Advisor to the Offeror and Arranger of the Tender Offer

Carnegie Investment Bank AB, Finland branch

Issuer Agent

Evli Bank Plc

IMPORTANT INFORMATION

This Tender Offer Document has been prepared in accordance with Finnish law, including SMA, Decree 1022/2012 of the Ministry of Finance and regulations and guidelines 9/2013 (FSA 10/01.00/2013) issued by the Finnish Financial Supervisory Authority ("**FIN-FSA**"). The Tender Offer Document and the Tender Offer are governed by Finnish law and any disputes related thereto shall be exclusively settled by Finnish courts of competent jurisdiction.

The Offeror has undertaken to follow the Helsinki Takeover Code issued by the Securities Market Association referred to in Chapter 11, Section 28 of the SMA.

This Tender Offer Document is available in Finnish and English. In the event of any discrepancy between the two language versions of the Tender Offer Document, the Finnish language version shall prevail.

The FIN-FSA has approved the Finnish language version of the Tender Offer Document but is not responsible for the accuracy of the information presented therein. The decision number of such approval is FIN-FSA 19/02.05.05/2019.

The Tender Offer Document will be available in Finnish from September 5, 2019 onwards at the headquarters of Coronaria, Saaristonkatu 22, 3rd floor, FI-90100 Oulu, Finland, at Carnegie Investment Bank AB, Finland branch, Eteläesplanadi 22 A, 7th floor, FI-00130 Helsinki, Finland and at Nasdaq Helsinki, Fabianinkatu 14, FI-00100 Helsinki, Finland. The electronic version of the Tender Offer Document will be available in Finnish from September 5, 2019 onwards online at www.coronaria.fi/ostotarjous and www.carnegie.se/ostotarjous and in English from September 5, 2019 onwards online at www.coronaria.fi/tender-offer and www.carnegie.se/tenderoffer.

As permitted under Finnish law and other applicable law or regulation, the Offeror may purchase Shares in the Company also outside the Tender Offer on Nasdaq Helsinki or otherwise prior to the expiry of the Offer Period or any extended Offer Period or Subsequent Offer Period (as defined below) at a price that does not exceed the Offer Price EUR 6.00 per Share, as the case may be.

The Tender Offer is not being made directly or indirectly in any jurisdiction where prohibited by applicable law and this Tender Offer Document and related acceptance forms are not and may not be distributed, forwarded or transmitted into or from any jurisdiction where prohibited by applicable law by any means whatsoever including, without limitation, mail, facsimile transmission, e-mail or telephone. In particular, the Tender Offer is not made in and this Tender Offer Document must under no circumstances be distributed into the United States, Canada, Japan, Australia, South Africa or Hong Kong or any other jurisdiction where prohibited by applicable law.

All financial and other information presented in this Tender Offer Document concerning the Company are exclusively based on the unaudited half-year financial report for the six months ended June 30, 2019, the Board of Directors' report and audited consolidated financial statements published by the Company for the financial year ended December 31, 2018, stock exchange releases published by the Company, entries in the Finnish Trade Register, the shareholders' register of the Company dated August 31, 2019 and other information publicly available. Consequently, the Offeror does not accept any responsibility for such information except for the accurate restatement of such information herein.

Save to the extent required by mandatory law, this Tender Offer Document will not be supplemented or updated with any financial information or other stock exchange releases published by the Company after the date of this Tender Offer Document nor will the Offeror otherwise separately inform the shareholders about the publishing of such financial information or other stock exchange releases, unless so required by compulsory legislation.

Carnegie Investment Bank AB, Finland branch, serving as the Arranger of the Tender Offer, will not regard any other person than the Offeror as a client in relation to the Tender Offer and will not be responsible to anyone other than the Offeror for providing the protections afforded to its clients of nor for providing advice to any such other person.

Certain Key Dates

The following timetable sets forth certain key dates relating to the Tender Offer, provided that the Offer Period has not been extended or discontinued in accordance with the terms and conditions of the Tender Offer:

• August 16, 2019	Notice of the obligation to launch a Tender Offer
• August 27, 2019	Announcement of the Tender Offer
• September 5, 2019	Offer Period commences
• September 26, 2019 (preliminary)	Offer Period expires
• September 27, 2019 (preliminary)	Announcement of the preliminary result of the Tender Offer
• October 1, 2019 (preliminary)	Announcement of the final result of the Tender Offer
• October 2, 2019 (preliminary)	Payment of the Offer Price

PERSONS RESPONSIBLE FOR THE TENDER OFFER DOCUMENT

Offeror

Coronaria Oy
Address: Saaristonkatu 22, FI-90100 Oulu, Finland
Domicile: Oulu, Finland

The Board of Directors of the Offeror

Stefan Björkman (Chairman)
Antti Kummu
Teppo Lindén
Juho Lipsanen

CEO of the Offeror

Teppo Lindén

Statement by the Offeror

This Tender Offer Document has been prepared by the Offeror pursuant to Chapter 11, Section 11 of the SMA for purposes of the Tender Offer set out herein.

The persons responsible for the Tender Offer Document represent that to their best understanding the information contained in this Tender Offer Document is accurate and no information has been omitted that is likely to affect the assessment of the merits of the Tender Offer.

All information concerning the Company presented in this Tender Offer Document has been extracted from, and has been provided exclusively based upon, publicly available information. The Offeror confirms that this information has been accurately reproduced and that as far as the Offeror is aware and is able to ascertain from information published by the Company, no facts have been omitted which would render the reproduced information incorrect or misleading.

In Oulu, September 4, 2019

Coronaria Oy

ADVISORS TO THE OFFEROR

Financial advisor to the Offeror and Arranger of the Tender Offer

Carnegie Investment Bank AB, Finland Branch
Eteläesplanadi 22 A
FI-00130 Helsinki
Finland

Legal advisor to the Offeror in connection with the Tender Offer

Roschier, Attorneys Ltd.
Kasarmikatu 21 A
FI-00130 Helsinki
Finland

Issuer Agent

Evli Bank Plc
Aleksanterinkatu 19 A
FI-00100 Helsinki
Finland

TABLE OF CONTENTS

1. BACKGROUND AND OBJECTIVES

1.1 Background to the Tender Offer

Coronaria is a Finnish limited liability company specialized in healthcare, which is part of Cor Group. The Offeror's main business is various health and rehabilitation services. The business operations of Coronaria Group (as defined below) are divided into three business areas: Specialised nursing care, other services related to the healthcare, and rehabilitation services. Specialised nursing care consists of several specialization areas, of which the eye diseases has the largest revenue. The Offeror operates primarily as a partner of the public health care, with municipalities and hospital districts. Coronaria Group's revenue for the financial year ended December 31, 2018 was EUR 158.5 million. At the time of the Tender Offer, Coronaria Group employs approximately 1,600 persons.

Silmäasema is a public limited company incorporated under the laws of Finland with its shares listed on the official list of Nasdaq Helsinki in the small cap company group within the Health Care sector with the trading code SILMA. Silmäasema offers all products and services for optical retail and eye healthcare nationwide. Silmäasema is the largest private eye clinic provider offering eye surgeries and the second largest optical retail chain in Finland. At the end of June 2019, the chain included 158 optical retail stores, out of which 140 were Silmäasema's own retail stores and 18 were retail chain stores owned by entrepreneurs. At the end of June 2019, Silmäasema Group employed 790 persons, out of which 757 were based in Finland and 33 in Estonia. In the financial year 2018, the net sales of Silmäasema Group amounted to EUR 122.9 million.

The Offeror is a private limited company incorporated under the laws of Finland, which through share purchases made on August 15 and 16, 2019, acquired a total of 1,420,031 shares in the Company. The highest price paid for the shares has been EUR 6.00 per share, which is also the highest price paid by Coronaria for the shares in Silmäasema. As a result of the share purchases, Coronaria's shareholding in Silmäasema increased to a total of 4,615,443 shares, corresponding to 32.4 per cent of all shares and voting rights in the Company, respectively. Prior to the share purchases, Coronaria held 3,195,412 shares in Silmäasema, representing 22.43 per cent of all outstanding shares in Silmäasema. Coronaria is Silmäasema's largest shareholder.

Coronaria's holding in Silmäasema exceeds 30 per cent of the shares and voting rights carried by Silmäasema's shares and Coronaria is thereby obligated to launch a mandatory public tender offer for all shares and securities entitling to shares in Silmäasema in accordance with Chapter 11 Section 19 of the SMA. The Tender Offer concerns all those Shares in Silmäasema, which are not held by Coronaria. Silmäasema does not hold any treasury shares.

1.2 Effect of the Tender Offer on Silmäasema's Operations and Assets and Position of Management and Employees

The Tender Offer is not expected to have any immediate material effects on Silmäasema's operations, business locations, number of employees, or assets. However, Coronaria aims to contribute to possible structural reforms in the future, together with other shareholders of Silmäasema, in case it is necessary for the business operations. The Offeror believes that the commitment of the largest shareholder of Silmäasema to the Company has a positive impact on the business of the Company.

The Offeror's intention is that Silmäasema will continue to operate as a separate business unit, however, acting in cooperation with Coronaria Group's eye healthcare business operations to the extent possible.

The Tender Offer is not expected to have any immediate effects on the management of Silmäasema. Employees and members of senior management of Silmäasema will play an important role in Silmäasema's organization also following the completion of the Tender Offer. The Offeror aims to contribute to the Company offering engagement arrangements to these parties also after the completion of the Tender Offer. The Offeror intends to influence the composition of the Board of Directors of Silmäasema based on its shareholding after the completion of the Tender Offer. The Offeror has not entered into any agreements providing of any compensation or other remuneration granted to the management or the members of the Board of Directors of Silmäasema payable in return for the completion of the Tender Offer.

1.3 Offeror’s Strategic Plans

Silmäasema is an important player in the growing optical and private eye healthcare sector in Finland. Eye healthcare is one of the core business areas of Coronaria and its strategy is to provide the public sector, clients directed through the public sector as well as private clients with a full range of solutions for eye healthcare, the treatment of eye diseases and eyesight. Coronaria's leading position in the market of eye healthcare and eyesight in Finland provides an opportunity to both develop operations by the means of traditional and digital healthcare and potentially expand the business concept beyond the domestic market. The Offeror's strategic plans are not expected to have any material effects on the employment and business locations of the Offeror.

1.4 Financing of the Tender Offer

The Offeror plans to finance the Tender Offer by a combination of existing cash positions and unutilized committed credit facilities. The Offeror’s obligation to complete the Tender Offer is not conditional upon availability of financing, and no third party consents are required by the Offeror for the financing of the Tender Offer. The financing arrangements for the Tender Offer do not have any impact on the operations or obligations of Silmäasema. The financing arrangements are based on the assumption that a maximum of 9,482,818 Shares are subject to the Tender Offer.

In addition, the Offeror may raise further financing on junior-loan terms from its parent company, Cor Group Oy, as well as from institutional junior lenders, including possibly Varma Mutual Pension Insurance Company, if after the completion of the Tender Offer, the Offeror holds more than 90 per cent of the shares and votes in Silmäasema. The offeror has negotiated such junior financing for the purpose of providing the Offeror further financial flexibility.

1.5 Offeror’s Future Plans with respect to Silmäasema Shares

The Offeror’s intention is to acquire all the Shares in the Company that are not held by Offeror, Company or any of its subsidiaries.

Obligation to Make a Mandatory Offer

According to Chapter 11, Section 19 of the SMA, a shareholder holding more than thirty (30) per cent or fifty (50) per cent of the voting rights attached to shares in a company, the shares of which are subject to public trading on a regulated market, is obligated to make a public tender offer (mandatory offer) for all the remaining shares and securities entitling to shares in the company.

Redemption under the Finnish Companies Act

Under Chapter 18, Section 1 of the Finnish Companies Act (624/2006, as amended, “**Finnish Companies Act**”) a shareholder holding more than ninety (90) per cent of the total number of shares and voting rights in a limited liability company shall have the right and obligation to redeem the remainder of the issued and outstanding shares in the company.

Should the Offeror obtain more than ninety (90) per cent of the Shares of the Company and of the voting rights attached to the Shares, the Offeror will initiate compulsory redemption proceedings under the above provisions of the Finnish Companies Act in order to acquire title to all the Shares in the Company.

Delisting from Nasdaq Helsinki

In case the Offeror's holding of the Shares and votes in the Company will not exceed 90 per cent following the completion of the Tender Offer, the Tender Offer does not have immediate effect on the public trading of the shares on the main list of Nasdaq Helsinki stock exchange.

In case the Offeror's holding of the Shares and votes in the Company will exceed 90 per cent following the completion of the Tender Offer, the Offeror shall, as soon as permitted and reasonably practicable following the initiation of the compulsory acquisition proceedings under the Finnish Companies Act, cause the Company to apply for the delisting of its Shares from the main list of Nasdaq Helsinki.

1.6 Statement by the Board of Directors of Silmäasema

The statement by the Board of Silmäasema in accordance with Chapter 11, Section 13 of the SMA will be published after its issuance and will be attached to this Tender Offer Document as a supplement. In accordance with the Chapter 11, Section 13 of the SMA the Board of Directors of the Company shall issue a statement concerning the Tender Offer. The statement on the Tender Offer shall be issued no later than five (5) banking days prior to the earliest possible expiration of the Offer Period. On the date of this Tender Offer Document the Board of Directors of Silmäasema has not issued its statement on the Tender Offer.

1.7 Fees to Advisors

Carnegie Investment Bank AB, Finland branch serves as the financial advisor to the Offeror and as the arranger of the Tender Offer and Evli Bank Plc serves as the issuer agent in connection with the Tender Offer. Roschier, Attorneys Ltd. serves as the legal advisor to the Offeror. The Offeror has not undertaken to pay fees to its advisors that are dependent on the completion of the Tender Offer.

1.8 Applicable Law

The Tender Offer and this Tender Offer Document shall be governed by Finnish law and all disputes relating thereto shall be finally settled by a competent court in Finland.

2. INFORMATION ON GROUNDS FOR PRICING OF THE TENDER OFFER

2.1 Grounds for determining the Offer Price

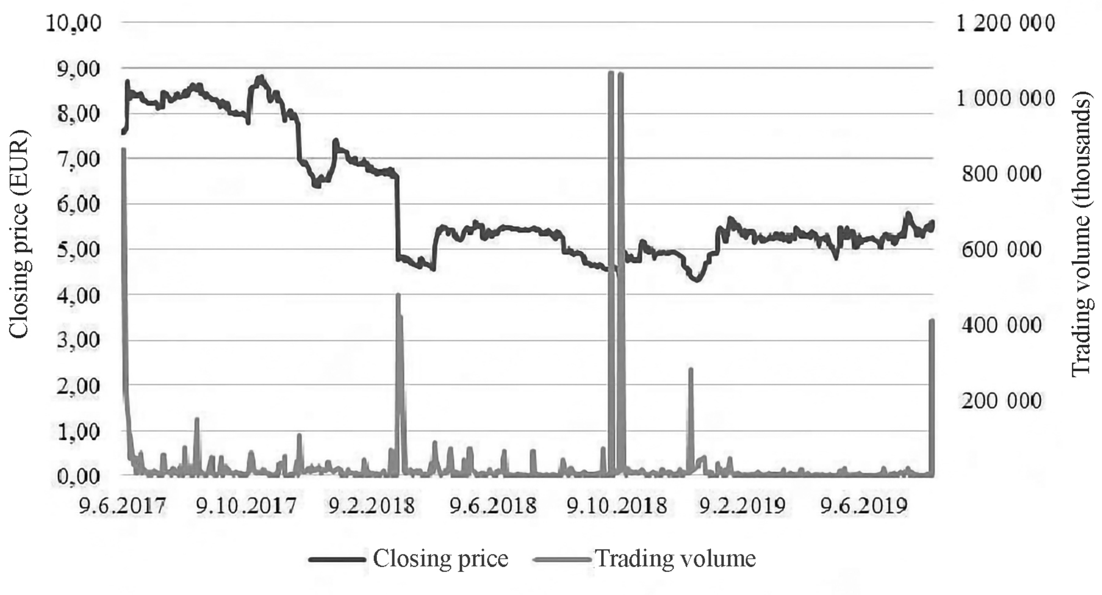
According to Chapter 11, Section 23 of the SMA, the consideration to be offered in a mandatory tender offer for all shares and other securities entitling to shares in the target company shall be the market price. The starting point in determining the market price shall be the highest price paid for the securities subject to the tender offer by the offeror or by a person related to the offeror as stipulated in Chapter 11, Section 5 of the SMA, during a period of six (6) months preceding the triggering of the obligation to launch the tender offer.

Under the Tender Offer, the Offeror is offering a cash consideration of EUR 6.00 for each Share validly tendered.

The Offeror acquired a total of 1,470,511 shares in Silmäasema on August15 and 16, 2019, together with market purchases, as a result of which, Coronaria's holding of shares and voting rights in Silmäasema increased to a total of 4,665,923 shares, corresponding to 32.75 per cent of all shares and voting rights in the Company, respectively. Prior to the above-mentioned share purchases, Coronaria held 3,195,412 shares in Silmäasema. In addition to the shares acquired on August15 and 16, 2019, the Offeror has not during the 6-month period preceding the triggering of the obligation to launch the Tender Offer acquired any Shares in the Company. After the triggering of the obligation to launch the Tender Offer and by the announcement of the Tender Offer August 27, 2019 ("**Announcement**"), the Offeror has purchased a total of 115,673 Shares, representing approximately 0.81 per cent of all of the Shares. The highest price paid for Shares was EUR 6.00 per Share and the lowest price paid for Shares was EUR 6.00 per Share. No other party referred to in Chapter 11, Section 5 of the SMA holds any Shares in the Company.

2.2 Trading Prices of Silmäasema's Shares

The chart below shows the price development of the Shares on Nasdaq Helsinki and the trading volumes of the Shares during a period preceding the triggering of the obligation to launch the Tender Offer between June 9, 2017 and August 15, 2019, i.e. from the whole time Silmäasema's share has been subject to trading until the triggering of the obligation to launch the Tender Offer.[1] The ISIN code of the Shares is FI4000243399.



The volume-weighted average trading price of the Shares on Nasdaq Helsinki over a six (6) month period preceding the triggering of the obligation to launch the Tender Offer, i.e. between February 16, 2019 and August 15, 2019, was EUR 5.09. Correspondingly, the volume-weighted average trading price during the three (3) months

[1] Source: Nasdaq Helsinki.

i.e. between May 16, 2019 and August 15, 2019, was EUR 5.48 preceding the triggering of the obligation to launch the Tender Offer. The closing price of the Share on Nasdaq Helsinki August 15, 2019 i.e. the last trading day prior to the triggering of the obligation to launch the Tender Offer was EUR 5.58.

The Offer Price of EUR 6.00 for each Share corresponds to a premium of approximately 17.8 per cent to the volume-weighted average trading price of the Shares of the Company on Nasdaq Helsinki during the 6-month period preceding the triggering of the obligation to launch the Tender Offer as well as a premium of approximately 9.4 per cent compared to the volume-weighted average trading price during the last three (3) months preceding the triggering of the obligation to launch the Tender Offer. The Offer Price per Share corresponds to a premium of approximately 7.5 per cent to the closing price of the Share in the Company (EUR 5.58) on Nasdaq Helsinki August 15, 2019 i.e. the last trading day prior to the triggering of the obligation to launch the Tender Offer.

The table below shows the quarterly trading prices and trading volumes of the Shares on Nasdaq Helsinki preceding the triggering of the obligation to launch the Tender Offer between the period from June 9, 2019 to August 15, 2019.[2]

	Share price during the period (€)			**Trading volume during the period**	
Time period	***Average***	***High***	***Low***	***Shares***	***Euros***
June 9, 2017 - June 30, 2017	7.85	8.94	7.20	1,821,355	14,296,761
July 1, 2017 - September 30, 2017	8.45	8.67	8.12	605,128	5,113,358
October 1, 2017 - December 31, 2017	7.69	8.84	6.31	1,159,451	8,916,992
January 1, 2018 - March 31, 2018	5.41	7.54	4.55	1,757,285	9,505,730
April 1, 2018 - June 30, 2018	5.29	5.70	4.52	902,665	4,773,516
July 1, 2018 - September 30, 2018	5.00	5.50	4.53	403,954	2,018,606
October 1, 2018 - December 31, 2018	4.94	5.20	4.25	2,935,065	14,508,092
January 1, 2019 - March 31, 2019	5.23	5.70	4.33	419,409	2,193,974
April 1, 2019 - June 30, 2019	5.26	5.50	4.74	163,516	860,548
July 1, 2019 - August 15, 2019	5.52	5.80	4.96	521,415	2,880,742

2.3 Other Tender Offers

To the Offeror's knowledge, no public tender offer for the Shares or securities entitling holders to shares of Silmäasema has been made by any third party during the twelve (12) months preceding the triggering of the obligation to launch the Tender Offer.

[2] Source: Nasdaq Helsinki.

3. TERMS AND CONDITIONS OF THE TENDER OFFER

3.1 Object of the Tender Offer

Through a mandatory public cash tender offer in accordance with Chapter 11 of the Finnish Securities Market Act (746/2012, as amended, the "**SMA**") and subject to the terms and conditions set forth herein, Coronaria offers to acquire all of the issued and outstanding Shares and securities entitling to Shares in Silmäasema that are not held by the Offeror, the Company or any of its subsidiaries. On the date of this Tender Offer Document, Silmäasema has issued total of 14,248,805 Shares, out of which Coronaria holds 4,765,987 Shares based on the situation at the end of trading September 3, 2019. Thus, the Tender Offer is made of 9,482,818 Shares in Silmäasema.

3.2 Offer Price

The Offer Price for each Share validly tendered in accordance with the terms and conditions of the Tender Offer is EUR 6.00 in cash. The Offeror will not increase the Offer Price of the Tender Offer during the Offer Period.

Should the Company decide to pay any dividend, extra dividend or other kind of distribution, in any form, and such distribution is paid to the Company shareholders before the Settlement Date (as defined below) or if a record date with respect to any of the foregoing occurs prior to the Settlement Date, the Offeror reserves the right to reduce the Offer Price accordingly on a euro-for-euro basis. If between the date of the Announcement of the Tender Offer and the Settlement Date, the Outstanding Shares shall have been changed into a different number of shares or a different class by reason of any stock dividend, reclassification, split, reverse split, combination or exchange of shares, as a result of a new share issue or any other similar transaction with dilutive effect, the Offeror reserves the right to revise the Offer Price accordingly to take the action in question into consideration.

3.3 Offer Period

The Offer Period for the Tender Offer shall commence on September 5, 2019 at 9:30 a.m. (Finnish time) and expire on September 26, 2019 at 4:00 p.m. (Finnish time), unless the Offer Period is extended as set forth below.

The Offer Period may be extended by the Offeror (i) from time to time until such time when all of the Closing Conditions (as defined below) have been satisfied and (ii) with a Subsequent Offer Period (as defined below) in connection with the announcement of the final result of the Tender Offer whereby the Offeror also declares the Tender Offer unconditional, all as set forth below.

The Offeror will announce a possible extension of the Offer Period through a stock exchange release at the latest on September 26, 2019. The Offeror will announce a possible extension of an already extended Offer Period at the latest on the first (1st) Finnish banking day following the expiry of the extended Offer Period. The duration of any possible extension of the Offer Period or an already extended Offer Period shall be at least two (2) weeks from the date of the announcement by the Offeror concerning such extension.

If the Offeror extends the Offer Period, the Offer Period will expire on the date and at the time until which the Offeror extends the Offer Period unless the extended Offer Period is discontinued as set forth below. The maximum duration of the Offer Period (including any extension of the Offer Period) is ten (10) weeks. However, if the Closing Conditions (as defined below) have not been fulfilled due to a particular obstacle as referred to in the Regulations and Guidelines 9/2013 (as amended) issued by the FIN-FSA such as, for example, pending approval by a competition or other regulatory authority, the Offeror may extend the Offer Period beyond ten (10) weeks until such obstacle has been removed and the Offeror has had a reasonable time to respond to the situation. The Offer Period may also be extended as required by applicable law (e.g. in event of a change in the Offer Price). The date of the expiry of the extended Offer Period will in such case be published at least two (2) weeks before such expiry. Further, any Subsequent Offer Period (as defined below) may extend beyond ten (10) weeks.

The Offeror may discontinue any extended Offer Period should all the Closing Conditions (as defined below) be fulfilled before the expiry of the extended Offer Period, and execute the sale and purchase of the Shares validly tendered and not properly withdrawn in accordance with section "*Terms of Payment and Settlement of Shares*" below. Should the Offeror discontinue the extended Offer Period, the Offeror will announce its decision thereon through a stock exchange release as soon as possible after such decision has been made and, in any case, at least two (2) weeks before the expiry of the extended Offer Period to be discontinued. If the Offeror discontinues the extended Offer Period, the extended Offer Period will expire on such earlier date and at the time indicated in such announcement made by the Offeror.

The Offeror also reserves the right to extend the Offer Period in connection with the announcement of the final result of the Tender Offer as set forth in section "*Announcement of the Result of the Tender Offer*" (such extended Offer Period shall be referred to as the "**Subsequent Offer Period**"). In the event of such Subsequent Offer Period, the Subsequent Offer Period will expire on the date and at the time determined by the Offeror in the announcement concerning the final result of the Tender Offer. The expiration of a Subsequent Offer Period will be announced at least two (2) weeks before the expiry of such Subsequent Offer Period.

3.4 Conditions to Completion of the Tender Offer

In accordance with Chapter 11, Section 15 of the SMA, a mandatory tender offer may only be subject to obtaining the necessary regulatory decisions. The obligation of the Offeror to accept for payment the tendered Shares and to complete the Tender Offer shall be subject to the receipt of all necessary regulatory approvals, permits and consents, including without limitation possible competition clearances ("**Closing Conditions**") on or prior to the date of the Offeror's announcement of the final result of the Tender Offer in accordance with Chapter 11, Section 18 of the SMA (date of such announcement of the final result, the "**Result Announcement Date**"). According to Coronaria's assessment, the completion of the Tender Offer does not require the approval of competition authorities.

3.5 Obligation to increase the Offer Price to pay compensation

The Offeror reserves the right, to the extent permitted by applicable law and regulation, to acquire Shares also in public trading on Nasdaq Helsinki or otherwise during and after the Offer Period (including any extension thereof) and any Subsequent Offer Period or otherwise outside the Tender Offer.

If the Offeror or any party acting in concert with it as referred to in Chapter 11, Section 5 of the SMA acquires, after the Announcement and before the expiry of the Offer Period, Shares at a higher price than the Offer Price or otherwise on terms that are more favourable than those of the Tender Offer, the Offeror must according to Chapter 11, Section 25 of the SMA amend the terms and conditions of the Tender Offer to correspond to such acquisition on more favourable terms (*obligation to increase the offer*). The Offeror shall then, without delay, make public the triggering of the obligation to increase the offer and pay, in connection with the completion of the Tender Offer, the difference between the more favourable acquisition terms and the consideration offered in the Tender Offer to the holders of securities who have accepted the Tender Offer, or if the Offer Price has already been paid, without delay.

If the Offeror or any party acting in concert with it as referred to in Chapter 11, Section 5 of the SMA acquires, during the nine (9) months following the expiry of the Offer Period, Shares at a higher price than the Offer Price or otherwise on terms that are more favorable than those of the Tender Offer, the Offeror must according to Chapter 11, Section 25 of the SMA, compensate those holders of securities who have accepted the Tender Offer for the amount equal to the difference between the more favorable acquisition terms and the consideration offered in the Tender Offer (*obligation to compensate*). The Offeror shall then, without delay, make public the triggering of the obligation to compensate and pay the difference between the more favorable acquisition terms and the consideration offered in the Tender Offer within one (1) month after the triggering of the obligation to compensate to the holders of securities who have accepted the Tender Offer.

According to Chapter 11, Section 25, Subsection 5 of the SMA, the obligation to compensate shall, however, not be triggered in case the payment of a higher price than the Offer Price is based on an arbitral award pursuant to the Finnish Companies Act, provided that the Offeror or any party acting in concert with it as referred to in Chapter 11, Section 5 of the SMA has not offered to acquire Shares on terms that are more favorable than those of the Tender Offer before or during the arbitral proceedings.

3.6 Acceptance Procedure of the Tender Offer

The Tender Offer must be accepted separately for each book-entry account. A shareholder of the Company giving the acceptance must have a cash account with a financial institution operating in Finland or abroad (see also sections "*Terms of Payment and Settlement of Shares*" and "*Important Information*"). A shareholder may only accept the Tender Offer unconditionally and with respect to all Shares on the book-entry account mentioned in the acceptance form on the date and time of the execution of the sale and purchase of the Shares. An acceptance given during the Offer Period is effective also until the end of any extended Offer Period.

Most of the Finnish book-entry account operators are expected to send a notification of the Tender Offer, including instructions and the relevant acceptance form to their customers who are registered as shareholders in the shareholders' register of the Company maintained by Euroclear Finland Ltd. ("**Euroclear**"). Shareholders who do not receive such notification from their account operator or asset manager can contact Evli Bank Plc ("**Evli Bank**") by telephone +358 9 4766 9573 (weekdays between 9 am and 16 pm) or by email operations@evli.com in order to receive the necessary information and submit their acceptance of the Tender Offer.

A shareholder in the Company whose shareholdings are registered in the name of a nominee and who wishes to accept the Tender Offer shall effect such acceptance in accordance with the nominee's instructions. The Offeror will not send acceptance forms or other documents related to the Tender Offer to such shareholders in the Company.

A shareholder in the Company who is registered as a shareholder in the shareholders' register of the Company and who wishes to accept the Tender Offer shall submit a properly completed and duly executed acceptance form to the account operator managing the shareholder's book-entry account in accordance with its instructions and within the time limit set by the account operator or, in the case such account operator does not accept acceptance forms, such shareholder shall contact Evli Bank to give his/her acceptance to tender the Shares. The acceptance form shall be submitted so that it is received during the Offer Period or, if the Offer Period has been extended, during such extended Offer Period, however, always in accordance with the instructions of the account operator. In the event of a Subsequent Offer Period, the acceptance form shall be submitted so that it is received during the Subsequent Offer Period, however, always in accordance with the instructions of the account operator.

Pledged Shares may only be tendered with the consent of the relevant pledgee. The obtaining of such consent shall be the responsibility of the relevant shareholder in the Company. The consent by the pledgee shall be delivered to the account operator in writing.

The method of delivery of acceptance forms is at the shareholder's option and risk, and the delivery will be deemed made only when actually received by the relevant account operator or Evli Bank. The Offeror reserves the right to reject any acceptance given in an incorrect or incomplete manner. The Offeror may also reject any partial tender of the Shares per book-entry account.

By accepting the Tender Offer, the shareholder of the Company authorizes Evli Bank or a party authorized by Evli Bank or the account operator managing the shareholder's book-entry account to enter a transfer restriction or a sales reservation on the shareholder's book-entry account after the shareholder has delivered its acceptance of the Tender Offer. In addition, the shareholder who has accepted the Tender Offer authorizes Evli Bank or a party authorized by Evli Bank or the account operator managing the shareholder's book-entry account to perform the necessary entries and to take all other actions required to technically execute the Tender Offer and to sell all the Shares held on such book-entry account at the time of the execution of trades under the Tender Offer to the Offeror in accordance with the terms and conditions of the Tender Offer.

A shareholder that has validly accepted the Tender Offer and that has not properly withdrawn its acceptance in accordance with the terms and conditions of the Tender Offer may not sell or otherwise dispose of its tendered Shares. A transfer restriction in respect of the Shares will be registered in the relevant book-entry account after a shareholder has submitted the acceptance for the Tender Offer. If the Tender Offer is not completed or if the acceptance is properly withdrawn by the shareholder in accordance with the terms and conditions of the Tender Offer, the transfer restriction registered on the tendered Shares in the relevant book-entry account will be removed as soon as possible and within approximately three (3) Finnish banking days following the receipt of a notice of withdrawal in accordance with the terms and conditions of the Tender Offer.

A shareholder that is a legal person must have a valid LEI code (Legal Entity Identifier) when accepting the Tender Offer.

Processing of Personal Data

To be able to administer the Tender Offers, the Financial Advisor and the Issuer Agent must collect and process personal data on (i) those natural persons who accept the Tender Offer (such as name, address and personal identity number), and (ii) the representative(s) of the companies accepting the Tender Offers (such as name, position and contact details). Financial Advisor and Issuer Agent are both independently controllers for the personal data they process for this purpose. Personal data may be obtained directly from the person accepting the Tender Offer or from other sources (for example, addressed details may be obtained through Euroclear). Personal data may be processed by third party service providers on behalf of the Financial Advisor and/or the Issuer Agent, and the Financial Advisor and/or the Issuer Agent may also share personal data to their cooperation partners on a need-to-know basis for the purpose of administering the Tender Offers. Additional information on processing of personal data by the Financial Advisor and the Issuer Agent, including details on how to exercise data subjects' rights, may be found at www.carnegie.se/en/page-footer/group-privacy-policy/ and www.evli.com/en/footer/use-of-personal-data.

3.7 Withdrawal Rights

The acceptance of the Tender Offer shall be binding and cannot be withdrawn, unless otherwise provided under applicable law.

In accordance with Chapter 11, Section 16 of the SMA, the holders of the Shares validly tendered may also withdraw their acceptance during the Offer Period if the Offer Period has lasted over ten (10) weeks and the Tender Offer has not been completed. Withdrawing the acceptance during the time the Tender Offer is valid is also possible in the event that a third party announces a competing public tender offer for the Shares before the execution of the sale and purchase of the Shares in accordance with section "*Terms of Payment and Settlement of Shares*" below.

In such case where the right of withdrawal exists, the proper withdrawal of the acceptance for the Shares validly tendered requires that a written notice of withdrawal is submitted to the same account operator to whom the acceptance form with respect to such Shares was submitted. In case the acceptance form with respect to Shares was submitted to Evli Bank, the notice of withdrawal must be submitted to Evli Bank. In case of holdings that are registered in the name of a nominee, the holders of Shares shall instruct the nominee to submit the notice of withdrawal.

If a holder of Shares registered in the Finnish book-entry securities system withdraws his/her acceptance of the Tender Offer in accordance with the terms and conditions of the Tender Offer, the transfer restriction registered on the tendered Shares in the relevant book-entry account will be removed as soon as possible and within approximately three (3) Finnish banking days following the receipt of a notice of withdrawal in accordance with the terms and conditions of the Tender Offer.

Shares for which an acceptance is withdrawn may be re-tendered by following the acceptance procedures described in section "*Acceptance Procedure of the Tender Offer*" above at any time prior to the expiry of the Offer Period or, if the Offer Period has been extended, prior to the expiry of such extended Offer Period or during the Subsequent Offer Period, if any.

The account operator managing the relevant book-entry account or the nominee may charge a fee for withdrawals in accordance with its price list.

3.8 Announcement of the Result of the Tender Offer and the Acceptances

The Offeror will announce the preliminary result of the Tender Offer on or about the first (1st) Finnish banking day following the expiry of the Offer Period or, if applicable, the extended or discontinued Offer Period. The Offeror will announce the final result on or about the third (3rd) Finnish banking day following the expiry of the

Offer Period or, if applicable, the extended or discontinued Offer Period. The announcement of the final result will confirm the percentage of the Shares that have been validly tendered and not properly withdrawn.

The Offeror will announce material changes in the number of valid acceptances it has received in accordance with the terms and conditions of the Tender Offer weekly.

3.9 Terms of Payment and Settlement of Shares

The sale and purchase of the Shares validly tendered and not properly withdrawn in accordance with the terms and conditions of the Tender Offer will be executed on or about the fourth (4th) Finnish banking day following the expiry of the Offer Period, or if the Offer Period has been extended or discontinued, the expiry of the extended or discontinued Offer Period (the "**Execution Date**"). The sale and purchase of the Shares will take place on Nasdaq Helsinki if permitted by the rules applicable to securities trading on Nasdaq Helsinki. Otherwise, the sale and purchase of the Shares will take place outside of Nasdaq Helsinki.

The date for settlement of the above completion of trades (the "**Settlement Date**") will be the Execution Date or the first (1^{st}) Finnish banking day following the Execution Date. The payment of the Offer Price will be made on the Settlement Date into the bank account connected to the shareholder's book-entry account or, in the case of shareholders whose holdings are registered in the name of a nominee, into the bank account specified by the custodian or nominee. The Offer Price will not be paid to a bank account situated in the United States, Canada, Japan, Australia, South Africa or Hong Kong, or any other jurisdiction where the Tender Offer is not to be made (see section "*Important information*"). All guidance from custodians or nominees specifying bank accounts in such jurisdictions will be rejected. Actual time of receipt for the payment by the shareholder will depend on the schedules of money transactions between financial institutions and agreements between the holder and account operator, custodian or nominee in each case.

In the event of a possible Subsequent Offer Period, the Offeror shall, in connection with the announcement thereof, announce the terms of payment and settlement for the Shares tendered during the Subsequent Offer Period. The completion trades of the Shares validly tendered in accordance with the terms and conditions of the Tender Offer during the Subsequent Offer Period shall, however, be executed at least within two (2) week intervals.

The Offeror reserves the right to postpone the payment of the Offer Price if payment is prevented or suspended due to a *force majeure* event, but shall immediately effect such payment once the *force majeure* event preventing or suspending payment is resolved.

3.10 Transfer of Ownership

Title to the Shares validly tendered in the Tender Offer will pass to the Offeror against the payment of the Offer Price by the Offeror to the Company's shareholder who has accepted the Tender Offer.

3.11 Transfer Tax and Other Payments

The Offeror will pay the transfer taxes, if any, relating to the sale and purchase of the Shares in connection with the completion of the Tender Offer.

Fees charged by account operators, asset managers, nominees or any other person for registering the release of any pledges or other possible restrictions preventing a sale of the relevant Shares, as well as fees relating to a withdrawal of the tender by a shareholder in accordance with section "*Withdrawal Rights*" above, will be borne by each shareholder. The Offeror shall be responsible for other customary fees relating to book-entry registrations required for the purposes of the Tender Offer, the sale and purchase of the Shares tendered under the Tender Offer or the payment of the Offer Price.

4. PRESENTATION OF SILMÄASEMA

All financial and other information presented in this Tender Offer Document regarding Silmäasema is extracted from and exclusively based on the unaudited half-year financial report published by Silmäasema for the six months ended on June 30, 2019, the Board of Directors' report and audited financial statements published by Silmäasema as at and for the financial period ended on December 31, 2018, the stock exchange releases published by Silmäasema, Trade Register entries, the shareholders' register of the Company dated August 31, 2019 as well as other publicly available information. Consequently, the Offeror does not accept any responsibility for such information, except for the accurate restatement of such information herein.

4.1 General

Silmäasema is a Finnish company, which offers products and services for optical retail and eye healthcare nationwide. Silmäasema is the largest private eye clinic provider offering eye surgeries and the second largest optical retail chain in Finland. Silmäasema provides its customers with a full range of eyesight and eye healthcare services, including both optical retail and eye clinic services. Its range of products and services covers spectacles, contact lenses, sunglasses, appointments with opticians and eye specialists, research on and treatment of eye diseases, and a broad range of eye surgeries, such as refractive and cataract surgeries. The Company's business operations are divided into segments: Optical Retail and Eye Healthcare, and Eye Clinics. At the end of June 2019 Silmäasema Group had a total of 790 employees, of whom 757 were based in Finland and 33 in Estonia.

Silmäasema Group's net sales in 2018 were EUR 122.9 million. Its net sales increased by 3.8 per cent 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. At the end of June 2019, Silmäasema chain included 158 optical retail stores, out of which 140 were Silmäasema's own retail stores and 18 were chain retail stores owned by entrepreneurs.

Silmäasema aims to be the market leader in Finland in optical retail and hospital operations related to eye healthcare, including cataract and refractive surgeries. Silmäasema's strengths include operations in structurally attractive and growing eyesight and eye healthcare markets, a strong market position, a highly functional business model that covers all services related to eyesight and eye healthcare, clear strategic vision, as well as experienced and highly competent management and highly professional employees. The Company has a long-term growth strategy which focuses on the development of the store and clinic network, profitability improvement and like-for-like growth in net sales.

Silmäasema is a public limited liability company incorporated in Finland, and its shares have been in public trading on the main list of Nasdaq Helsinki in the small cap company group within the Health Care sector with the trading code SILMA since 2017. Silmäasema's business identity code is 2627773-7, it is domiciled in Helsinki and its registered address is Atomitie 5 A, FI-00370 Helsinki, Finland.

4.2 Shares and share capital

On the date of this Tender Offer Document, Silmäasema's registered share capital is EUR 80,000 and the number of registered shares in Silmäasema is 14,248,805. Silmäasema's articles of association do not include any provisions on the minimum or maximum amount of share capital or number of shares.

Silmäasema has one class of shares. The shares are registered in the Finnish book-entry system maintained by Euroclear. Each share entitles its holder to one (1) vote at the general meeting of shareholders of Silmäasema. All shares give equal rights to dividends and in other distributions of funds or assets by Silmäasema. The articles of association of Silmäasema do not contain provisions or restrictions on voting rights which would deviate from the Finnish Companies Act.

4.3 Ownership structure

The following table sets forth the ten largest shareholders of Silmäasema and their holdings of all issued and outstanding shares and voting rights in Silmäasema according to the shareholder register maintained by Euroclear as at August 31, 2019:

	August 31, 2019	
	Shares in total	**Percentage of shares and voting right**
Coronaria Oy	4,731,967	33.21
Intera Fund II Ky	2,375,950	16.68
Varma Mutual Pension Insurance Company	651,000	4.57
Ilmarinen Mutual Pension Insurance Company	650,000	4.56
Elo Pension Company	629,117	4.42
Säästöpankki Pienyhtiöt	500,000	3.51
Sihvola Torsti Aleksi	327,000	2.30
Kaleva Mutual Insurance Company	200,000	1.40
Callardo Capital Oy	185,465	1.30
Thomasset Oy	103,949	0.73
Ten largest shareholders in total	**10,354,448**	**72.67**
Other shares	**3,894,357**	**27.33**
In total	**14,248,805**	**100**

4.4 Treasury shares

To the knowledge of the Offeror, neither Silmäasema nor its subsidiaries hold any treasury shares.

4.5 Option rights and special rights entitling to shares

To the knowledge of the Offeror, Silmäasema has not issued any option rights or special rights entitling to shares. No information regarding such rights has been registered with the Finnish Trade Register.

The Company has a share incentive plan for Silmäasema's key persons. At the end of 2018, the share incentive plan had three three-year performance periods: 2017–2019, 2018–2020 and 2019–2021. At the end of the review period, the target group for the 2017–2019 performance period consists of 12 people, with the maximum total number of shares to be paid as rewards being 38,978, which corresponds to approximately 0.27 per cent of all issued shares and votes in Silmäasema; the target group for the 2018–2020 performance period consists of 12 people, with the maximum total number of shares to be paid as rewards being 55,434, which corresponds to approximately 0.39 per cent of all issued shares and votes in Silmäasema; and the target group for the 2019–2021 performance period consists of 19 people, with the maximum total number of shares to be paid as rewards being 125,352, which corresponds to approximately 0.88 per cent of all issued shares and votes in Silmäasema. A total of 156,176 Silmäasema shares, corresponding to approximately 1.10 per cent of all issued shares and votes in Silmäasema, have been reserved for the 2019–2021 performance period.

4.6 Authorizations

Authorization concerning purchases of the Company's own shares

The annual general meeting of Silmäasema held on April 10, 2019 authorized the Board of Directors to decide on the acquisition of the Company's own shares in one or several instalments using funds belonging to the unrestricted equity of the Company, such that the maximum quantity of shares purchased would be 1,400,000 shares, which equates to approximately ten (10) per cent of all the shares in the Company. The shares shall be acquired through public trading organized by Nasdaq Helsinki in accordance with its rules or using other methods. The consideration paid for the acquired shares should be based on the market price. The authorization shall also entitle the Board of Directors to resolve on an acquisition of shares otherwise than in proportion to the shares owned by the shareholders (directed purchase). In such event, there must exist weighty financial reasons for the Company for the purchase of its own shares. Shares may be acquired to implement arrangements linked to the Company's business operations, to implement the Company's share-based incentive programmes or to be otherwise transferred or be cancelled. The acquired shares can also be held by the Company itself. The Board of Directors is authorized to resolve on all other conditions and matters pertaining to the acquisition of its own shares. The acquisition of the Company's own shares will reduce the unrestricted equity of the Company. The authorization remains in force until the next annual general meeting. The authorization shall replace the Company's previous authorizations regarding the purchase of the Company's own shares. According to the knowledge of the Offeror, the Board of Directors of the Company has not exercised the aforementioned authorization on the date of the Tender Offer Document.

Authorization concerning share issue, issuance of options and other special rights entitling to shares, as well as the conveying of own shares

The Annual general meeting of Silmäasema held on April 10, 2019 authorized 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 to shares in one or several instalments. A maximum of 2,000,000 shares equates to approximately 14 per cent of all the shares in the Company. The authorization shall include the right to issue either new shares or the Company's own shares held by the Company either against payment or without consideration. Contrary to the shareholder's pre-emptive rights, new shares may be issued through a directed issue if there exists a weighty financial reason for the Company to implement such directed share issue or, in the case of an issue without consideration, an especially weighty financial reason for it both for the Company and with regard to the interests of all shareholders. The Board of Directors is authorized to resolve on all other terms and matters pertaining to the share issue, the issuance of options and to the granting of special rights entitling to shares, and to the disposal of shares. The authorization may be used, inter alia, to develop the capital structure, to expand the ownership base, for the payment of consideration in transactions, when acquiring assets linked to the operations of the Company and to implement incentive programmes. The authorization is remains in force until the next annual general meeting. The authorization shall replace the previous authorizations regarding share issue and option rights. According to the knowledge of the Offeror, the Board of Directors has not exercised the aforementioned authorization on the date of the Tender Offer Document.

4.7 Shareholders' Agreements and Certain Other Agreements

The Offeror is not aware of any shareholders' agreements, agreements between the Company and its shareholders, or other agreements or arrangements that would concern share ownership or the use of voting rights in Silmäasema, or that would otherwise materially affect the assessment of the benefits of the Tender Offer.

4.8 The Board of Directors, the CEO and auditors

In accordance with the Finnish Companies Act and Silmäasema's articles of association, the Board of Directors, which, according to the decision of the Annual General Meeting, consisting of at least three (3) and at most nine (9) ordinary members, is responsible for arranging the administration of Silmäasema and the proper organization of its operations. The number of deputy members may not exceed three (3). The term of the members of the Board of Directors shall be until the conclusion of the first Annual General Meeting following the election. As at the date of this Tender Offer Document, the Board of Directors of the Company consists of the following ordinary members: Jukka Hienonen (Chairman), Martti Kiuru, Tuomas Lang, Maisa Romanainen, Torsti Sihvola and Kaisa Vikkula.

Silmäasema's articles of association further provide that the Company may have a CEO, who is appointed and dismissed by the Board of Directors. As at the date of this Tender Offer Document, Silmäasema's CEO is Jussi Salminen.

The auditor of Silmäasema is KPMG Oy Ab, Authorized Public Accountants, with Authorized Public Accountant Virpi Halonen as the auditor with principal responsibility.

4.9 Silmäasema's ownership in the Offeror

According to the knowledge of the Offeror, Silmäasema does not own any shares or securities entitling to shares in the Offeror.

4.10 Financial Information

The audited consolidated financial statements of the Company for the financial year ended on December 31, 2018 are appended to this Tender Offer Document. The consolidated financial statements include the Board of Directors' report. See "*Annex A: Financial Statements of Silmäasema Oyj*".

The unaudited half-year financial report of the Company for the six months ended on June 30, 2019 is appended to this Tender Offer Document. See "*Annex B: Unaudited Half-year Financial Report of Silmäasema Oyj*".

4.11 Future prospects published by Silmäasema

The future prospects of the Company have been described in the Board of Directors' report included in the audited consolidated financial statements of the Company for the financial year ended on December 31, 2018, as well as in the unaudited half-year financial report of the Company for the six months ended on June 30, 2019, which are both appended to this Tender Offer Document. See "*Annex A: Financial Statements of Silmäasema Oyj*" and "*Annex B: Unaudited Half-year Financial Report of Silmäasema Oyj*".

4.12 Articles of Association

The Company's articles of association are appended to this Tender Offer Document. See "*Annex C: Articles of Association of Silmäasema Oyj*".

5. PRESENTATION OF THE OFFEROR

5.1 Offeror in Brief

The Offeror is a Finnish private limited company Coronaria Oy (Business ID 1752598-9), which is incorporated under the laws of Finland. The Offeror's principal operations are located in Finland and the headquarters are in Oulu. The Offeror's registered address is Saaristonkatu 22, FI-90100 Oulu, Finland. The Offeror's main business is various health and rehabilitation services.

Coronaria Group's (as defined below) revenue for the financial year ended December 31, 2018 was EUR 158.5 million. At the time of the Tender Offer, Coronaria Group employs approximately 1,600 persons. The business operations of Coronaria Group are divided into three business areas: Specialised nursing care, other services related to the healthcare, and Rehabilitation services.

Specialised nursing care consists of several specialization areas, of which the eye diseases is revenue-wise the largest. The Offeror operates primarily as a partner of the public health care, with municipalities and hospital districts. Revenue from the private sector amounts to approximately 20 per cent. The revenue of Coronaria Group's Specialised nursing care business area was EUR 41.7 million for the fiscal year ended December 31, 2018, of which approximately 25 million came from optical health care services.

The Offeror's other healthcare services include oral health care, social and healthcare outsourcing services and basic and occupational healthcare medical services. For the fiscal year ended December 31, 2018 revenue of this entity was EUR 33 million.

The Offeror is revenue-wise the largest and services-wise the most versatile rehabilitation and therapy services provider in Finland. Different forms of therapy are offered to self-paying clients and for the clients of The Social Insurance Institution of Finland, municipalities, health care districts and insurance companies. The revenue of the Rehabilitation services for the fiscal year ended December 31, 2018 was approximately EUR 33 million.

The largest shareholders of the Offeror are family-owned and Oulu-based company Cor Group Oy (63.20%), CapMan Growth fund (12.32%), Mandatum Life Insurance Company Limited (11.33%), Suomen Teollisuussijoitus Oy (4.50%), and the Offeror's personnel and management (4.99%).

The Offeror is a Finnish private limited company belonging to Cor Group. Cor Group consists of several companies related to health and well-being, of which Coronaria Group is the largest. Health City Finland is a wellbeing and housing operator that builds combinations of housing and services. Mectalent is a pioneer in demanding equipment manufacturing and precision mechanics, which portfolio includes also global certifications. Fitness center Liikku, consisting of 22 units, is a rapidly expanding, nationwide, self-service fitness center, which already has 20,000 members. Terve Media is a digital service provider that delivers high-quality health information for healthcare management, professionals and consumers.

5.2 Persons related to the Offeror as stipulated in Chapter 11, Section 5 of the SMA

Coronaria Group consists of the Offeror and of 35 companies directly or indirectly controlled by the Company ("**Coronaria Group**"). The Offeror is the parent company of the Coronaria Group, Coronaria Oy, which owns, based on the closing situation of September 3, 2019, 33.4 per cent of Silmäasema's shares. Besides the companies belonging to the Coronaria Group there are no other parties in concert with the Offeror as referred to in Chapter 11, Section 5 of the SMA. Besides the Offeror, no party referred to in Chapter 11, Section 5 of the SMA has during the 6-month period preceding the Announcement acquired any Shares of Silmäasema in public trading or otherwise. The Offeror has not during 6-month period preceding the triggering of the obligation to launch the Tender Offer acquired any Shares in the Company in addition to the shares acquired on August15 and 16, 2019. After the triggering of the obligation to launch the Tender Offer and by September 3, 2019, the Offeror has purchased a total of 150,544 Shares, representing approximately 1.1 per cent of all the Shares. The highest price paid for the Shares was EUR 6.00 per share and the lowest price paid for the Shares was EUR 6.00 per share. None of the other parties referred to in the Chapter 11, Section 5 of the SMA holds any Shares.

5.3 Company's Ownership in the Offeror

To the best knowledge of the Offeror, the Company or any of its group companies do not as at the date of this Tender Offer Document hold any shares or securities entitling to shares in the Offeror or in the entities referred to in Chapter 11, Section 5 of the SMA.

TABLE OF CONTENTS FOR ANNEXES

REPORT BY THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS 2018

SILMÄASEMA

CONTENTS

BOARD OF DIRECTORS' REPORT 2018

Silmäasema provides its customers with a full range of eyesight and eye healthcare services, including both optical retail and eye clinic services. Its range of products and services covers spectacles, contact lenses, sunglasses, appointments with opticians and eye specialists, research on and treatment of eye diseases, and a broad range of eye surgeries, such as refractive and cataract surgeries. The company's business operations are divided into two segments: Optical Retail and Eye Healthcare, and Eye Clinics. At the end of 2018, Silmäasema had 157 stores and 14 eye clinics in Finland and 10 stores in Estonia.

The figures in parentheses refer to 2017.

STRATEGY

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

Silmäasema's strengths include operations in structurally attractive and growing eyesight and eye healthcare markets, a strong market position, a highly functional business model that covers all services related to eyesight and eye healthcare, as well as experienced and highly competent management and highly professional employees.

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.

CHANGES IN THE NETWORK OF STORES AND HOSPITALS

During 2018, Silmäasema expanded its optical retail store network in Finland with 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.

During the year, the network of eye clinics was expanded by opening an eye clinic in Oulu in February. Silmäasema had 14 eye clinics in Finland at the end of year.

FINANCIAL DEVELOPMENT IN 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.

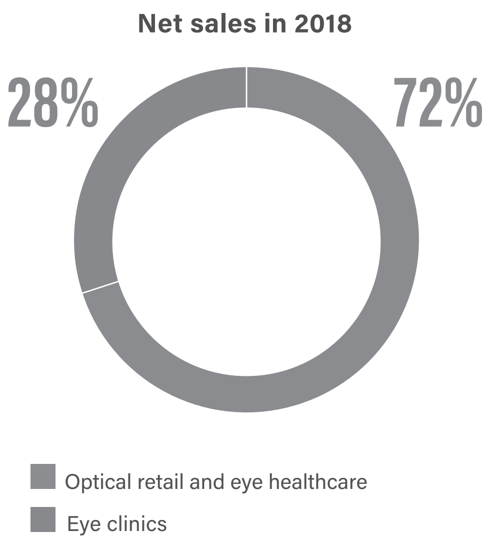
The adjusted EBITDA was EUR 11.8 million (11.8), or 9.6% of net sales (9.9%). It was burdened by the decline in like-for-like net sales and investments in the growth of the network, meaning that fixed costs grew more rapidly than net sales.

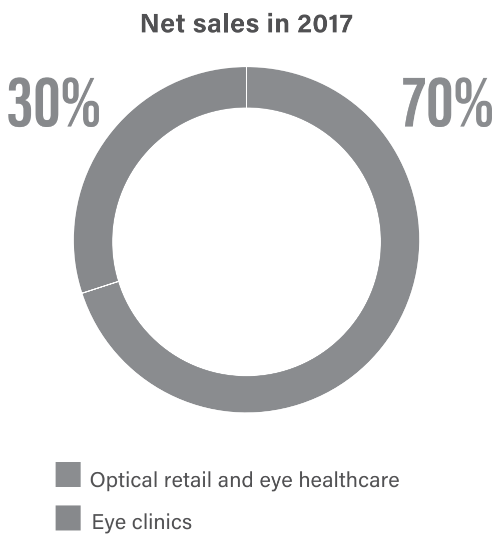
In 2018, Silmäasema's EBITDA was EUR 11.4 million (6.9). In the comparison period, its EBITDA was burdened in particular by expenses related to corporate transactions, the listing of the company and changes in the treatment of value added tax. In the review period, tax returns related to VAT treatment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

Net sales

Net sales (EUR thousand)	2018	2017	Change, %
Optical retail and eye healthcare	87,970	83,025	6.0
Eye clinics	34,903	35,297	–1.1
Group	122,873	118,322	3.8





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.

BUSINESS REVIEWS

Optical retail and eye healthcare

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).

Eye clinics

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

Personnel issues are described in more detail in Note 3 to the consolidated financial statements.

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, MSc (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 interim CEO from 7 September 2018 to 21 January 2019.

Sirkkaliisa Kulmala, MSc (Agriculture and Forestry), was appointed as Silmäasema's HR Director and member of the Management Team 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 interim 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 Annual General Meeting 2018

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.

Corporate Governance Statement

Silmäasema will issue a separate Corporate Governance Statement on its website at https://company.silmaasema.fi/en/corporate-governance. The Corporate Governance Statement is not included in the Board of Directors' report.

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.

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 [1]
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
	Total	9,385,938	65.87
	100 largest shareholders total	11,214,798	78.71
	Nominee registered total	1,217,417	8.54
	Number of shares total	14,248,805	100.00

[1] 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 on 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
Total	**13,031,388**	**100.00**
Nominee registered total	**1,217,417**	**8.54**

Distribution of ownership by number of shares on 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
Total	**5,389**	**100.00**

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.

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.

Management shareholding

On 31 December 2018, 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 588,781 shares in the company, representing 4.1% of the company's total shares and votes.

Board members' holdings on 31 December 2018

Name	Number of shares
Jukka Hienonen	20,000
Maisa Romanainen	1,461
Tuomas Lang	0
Juha Saarinen	126,000
Torsti Sihvola[1]	403,000
Kaisa Vikkula	4,000

[1] Torsti Sihvola's holding also includes shares owned through ETS-Holding Oy, a wholly owned company of Torsti Sihvola, as well as the holdings of his related parties.

Management shareholding on 31 December 2018

Name	Duty	Number of shares
Anu Kankkunen	Interim CEO, CFO	12,400
Sirkkaliisa Kulmala	HR Director, interim Business Director	20
Anna Seppälä	Commercial Director	21,900

NON-FINANCIAL REPORTING

In accordance with the Accounting Act (chapter 3a), Silmäasema issues a non-financial report as part of its Board of Directors' report included in its financial statements for 2018.

Silmäasema's business model

Silmäasema provides its customers with a full range of products and services related to eyesight, eye healthcare and the treatment of eye diseases through its nationwide network of stores and eye clinics in accordance with its consistent operating model. Its extensive range of products and services covers spectacles, contact lenses, sunglasses, appointments with opticians and eye specialists, research on and treatment of eye diseases, and a broad range of eye surgeries, such as refractive and cataract surgeries. Silmäasema operates in a growing market, as the need for products and services related to eyesight and eye healthcare is expected to increase with the ageing of the population.

Silmäasema reports its business operations under the following two business segments:

The **Optical Retail and Eye Healthcare** segment is responsible for Silmäasema's optical retail business. It also includes vision tests carried out by eye specialists and opticians and occupational vision services, as well as eye examinations carried out by eye specialists, opticians and optometrists.

The **Eye Clinics** segment is responsible for the optometric and optical services, eye disease specialist and eye surgery services and eye laboratory services provided by Silmäasema's eye hospitals. Its eye hospital services consist of eye specialists' appointment services, eye examinations, eye procedures, eye surgeries and eyelid surgeries.

Silmäasema's optical stores operate in line with two business principles. Most of the stores are owned directly by Silmäasema, which is responsible for their business operations. The rest of the stores in the Silmäasema chain are run by private business owners.

On 31 December 2018, Silmäasema had a total of 14 (13) eye clinics in Finland, as well as 167 (159) stores, of which 157 (150) were located in Finland and 10 (9) in Estonia. Of the stores, 149 (141) were run by Silmäasema and 18 (18) by private business owners. During 2018, Silmäasema expanded its store network in Finland with 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. Silmäasema's network of eye clinics was expanded by opening a location in Oulu in February. In 2018, Silmäasema's net sales were EUR 122.9 million (118.3), and its adjusted EBITDA was EUR 11.8 million (11.8).

Environment

Silmäasema protects the environment in accordance with the applicable laws and statutory requirements. The company has sought to identify the environmental effects of its operations, and it seeks to minimise its environmental loading. The environmental effects of Silmäasema's operations are mainly related to the energy consumption of its locations and the waste generated by them.

The waste generated by Silmäasema's locations is sorted and recycled or disposed of in accordance with the regulations. Silmäasema mainly operates in rental facilities. For this reason, its opportunities to sort and recycle waste depend on how the lessor has arranged waste management in the property. With regard to the construction of locations, the company takes the applicable regulations into account and pays attention to energy efficiency in their design and implementation.

Social and personnel aspects

Silmäasema works to be a company where all employees have personal goals and equal opportunities to succeed and develop in their work. It also works to create workplace communities where employees treat one another respectfully, fairly and equally. The company seeks to improve safety at work and ensure healthy work environments. Silmäasema's personnel practices are in line with current laws and collective agreements.

The Group regularly prepares an equality plan intended to promote equality and prevent discrimination in the workplace. Silmäasema's management reviews the equality plan on a regular basis and commits to its implementation. In addition, the equality plan is regularly reviewed by the occupational health and safety (OHS) committee, which also updates the plan according to need. No suspected discrimination cases or other equality violations were reported within the company in 2018.

An advisory board consisting of employer and employee representatives convenes regularly to discuss current affairs. In addition, the OHS committee discusses matters related to employees' physical and emotional safety and well-being. The advisory board met two times and the OHS committee met four times in 2018.

These operating methods are intended to prevent the risk of unequal treatment. The company ensures that its employees and its supervisors in particular are familiar with key aspects related to equality. This is ensured by sharing information during coaching sessions for supervisors and other training events and by providing information about the equality plan within the company, among other ways.

Silmäasema seeks to ensure a healthy work environment for all of its employees through regular workplace surveys. A total of 23 surveys were carried out in 2018. The company seeks to identify situations and places related to its employees' day-to-day work that involve potential risks. The goal is to reduce occupational accidents by identifying risks. A total of 18 occupational accidents took place within the company in 2018 (20 in 2017).

Silmäasema supports its employees' opportunities for maintaining their professional competence. Professional development is important in every job. During 2018, employees were provided with training through internal and external events.

Human rights

Silmäasema complies with current laws and regulations in all of its operations. In addition, its operations are guided by the Code of Conduct adopted by its Board of Directors in 2017. According to its Code of Conduct, the company is committed to providing its employees with a safe and equal work environment, among other aspects. Silmäasema does not condone discrimination based on skin colour, nationality, race, age, gender, sexual orientation, religion, political views or any other factors.

Silmäasema also complies with its non-discrimination commitment with regard to its customers and other stakeholders. Through agreements, the company obligates all of its supplier partners to comply with its key principles of responsible procurement, which also include respecting human rights. In addition, the company regularly carries out supplier sustainability assessments.

With regard to processing customer and patient information, Silmäasema complies with the applicable laws and regulations. Patient safety and high-quality treatment are important for the company. The person in charge of quality at Silmäasema monitors feedback, notifications and complaints, with the help of two patient ombudsmen. The feedback comes from customers via the website or direct contact or from Silmäasema's employees and supervisors. Silmäasema also monitors incidents through reports by its employees. With regard to any issues related to quality and patient safety, as well as complaints, the company cooperates with the authorities, if necessary. The company's quality and patient safety situation is reported regularly to its management team.

No issues related to respecting human rights were identified within the company in 2018. In addition, no violations or incidents related to human rights were reported with regard to the operations of Silmäasema's partners during the year.

The company seeks to minimise the risk of incidents related to human rights by ensuring that its employees are familiar with its Code of Conduct and by ensuring through agreements that partners commit to respecting human rights in their operations, among other means.

Prevention of corruption and bribery

Silmäasema complies with current laws and regulations in all of its operations. In addition, its operations are guided by the Code of Conduct adopted by its Board of Directors in 2017. Among other principles, the company's Code of Conduct only allows employees to give and receive reasonable gifts that cannot be considered to affect individual business transactions.

If Silmäasema's suppliers or other business partners have not adopted a set of ethical principles, the company requires them to comply with its key principles of responsible procurement through agreements. These include compliance with laws and regulations, as well as fairness and transparency, to name just a few examples.

No suspected cases of corruption or bribery were reported to Silmäasema in 2018. The company adopted its Code of Conduct and communicated it to employees during 2017.

The company seeks to minimise the risk of corruption and bribery by ensuring through training and effective communication that its employees are familiar with its Code of Conduct and by ensuring through agreements that its partners commit to their own or Silmäasema's ethical principles, among other ways.

Strategy

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

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 hospital 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.

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.

The financial risks are described in Note 5.3 to the financial statements.

OTHER EVENTS

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.

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.

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.

KEY FIGURES

EUR thousand, unless otherwise stated	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Growth of net sales				
Net sales	122,873	118,322	101,345	93,314
Like-for-like growth in net sales, %	–1.6%	3.5%	–1.1%	
Net sales – chain total	**134,147**	**131,521**	**120,575**	**114,230**
Income statement				
Sales margin	69,554	66,172	56,637	51,511
Sales margin %	56.6%	55.9%	55.9%	55.2%
EBITDA	11,443	6,894	10,295	10,454
EBITDA %	9.3%	5.8%	10.2%	11.2%
Adjusted EBITDA	11,765	11,760	11,951	10,753
Adjusted EBITDA %	9.6%	9.9%	11.8%	11.5%
Operating result	5,492	1,589	5,508	6,632
Operating result %	4.5%	1.3%	5.4%	7.1%
Adjusted operating result	5,844	6,472	7,164	6,930
Adjusted operating result %	4.8%	5.5%	7.1%	7.4%
Profit before taxes	4,123	–1,218	867	2,543
Profit before taxes %	3.4%	–1.0%	0.9%	2.7%
Profit (loss) for the period	3,254	–573	470	1,669
Profit (loss) for the period %	2.6%	–0.5%	0.5%	1.8%
Basic earnings per share, eur	0.23	–0.05	0.05	0.18
Financial key figures				
Net debt	27,957	33,773	58,432	48,554
Net debt / Adjusted EBITDA (leverage)	2.4	2.9	4.9	4.5
Gearing	66.6%	87.1%	992.8%	930.8%
Equity ratio	42.8%	40.8%	6.8%	7.3%
Return on capital employed % (ROCE)	6.9%	2.1%	8.6%	11.3%
Return on equity % (ROE)	8.1%	–2.6%	8.5%	38.0%
Investments				
Operational	6,716	6,058	4,468	5,531
Acquisitions	1,775	6,699	6,664	202
Total	8,491	12,757	11,132	5,733
Cash flow from operations	13,092	4,954	4,286	7,226
Personnel (end of the review period)				
FTE – own personnel	615	607	533	475
Personnel – chain total	1,067	979	958	953
Stores and clinics (pcs)				
Stores – owned by Silmäasema	149	141	107	89
Stores – owned by franchisees	18	18	33	39
Eye clinics	14	13	13	12
Chain total	181	172	153	140
Sales volume (pcs) – own stores				
Eye examinations	404,034	384,423	334,565	282,099
Refractive surgeries	8,678	8,680	9,079	7,964
Cataract surgeries	7,611	7,230	6,577	6,506
Other surgeries	3,088	3,033	2,938	2,164
Eyeglasses	181,792	173,480	136,699	123,445
Sunglasses	81,601	70,121	55,181	51,684
Sales volume (1,000 pcs) – chain				
Eyeglasses (chain)	206	202	177	168
Sunglasses (chain)	88	78	66	64

SHARE-SPECIFIC KEY FIGURES

	2018	2017	2016	2015
Basic earnings per share, eur	0.23	–0.05	0.05	0.18
Diluted earnings per share, eur	0.23	–0.05	0.05	0.18
Equity per share, eur	2.95	3.22	0.65	0.57
Dividend per share, eur*	0.10			
Payout ratio, %*	43.8			
Effective dividend yield, %*	2.3			
Price per earnings ratio (P/E)	19.0	–139.3		
Share performance				
Closing price at 31 Dec	4.35	6.63		
Lowest price, eur	4.25	6.31		
Highest price, eur	7.54	8.94		
Mean price, eur	5.14	7.91		
Market capitalisation, eur million	62.0	94.5		
Share turnover, pcs	5,998,969	7,915,792		
Relative turnover rate, %	42.1%	65.7%		
Average number of shares outstanding during the period	14,248,805	12,041,542	9,104,505	9,072,560
Number of shares outstanding at end of period	14,248,805	14,248,805	9,149,748	9,072,560

* Based on the dividend of EUR 0.10 per share proposed by the Board of Directors to the Annual General Meeting

FORMULAS FOR CALCULATING 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	=	$\frac{\text{(Net sales + Other operating income – Materials and services)}}{\text{Net sales}}$
EBITDA	=	Gross profit + Depreciation and amortisation
Adjusted EBITDA	=	EBITDA – Adjustments
Adjusted operating result	=	Operating result – Adjustments
Earnings per share	=	$\frac{\text{Profit (loss) for the period attributable to shareholders}}{\text{Weighted average number of outstanding shares adjusted for share issues during the period}}$

FINANCIAL RATIOS

Net debt	=	Non-current borrowings + Current borrowings – Cash and cash equivalents
Net debt / Adjusted EBITDA	=	$\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$
Gearing	=	$\frac{\text{Net debt}}{\text{Equity}}$
Equity ratio	=	$\frac{\text{Equity}}{\text{(Balance sheet total – Advances received)}}$
Return on capital employed, %	=	$\frac{\text{(Profit (loss) for the period + Finance costs + Income tax expense)}}{\text{(Equity}^{1}\text{ + Non-current and current borrowings}^{1}\text{)}}$
Return on equity, %	=	$\frac{\text{Profit (loss) for the period}}{\text{Equity}^{1}}$

[1] Average of the start date and end date of the period.

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

Payout ratio, % = $\frac{\text{Dividend per share}}{\text{Earnings per share}}$

Effective dividend yield, % = $\frac{\text{Dividend per share}}{\text{Closing share price at 31 Dec}}$

Equity per share = $\frac{\text{Equity of the owners of the company}}{\text{Number of shares at the end of the period}}$

Price / earnings ratio (P/E) = $\frac{\text{Closing quotation of the period}}{\text{Earnings per share}}$

CONSOLIDATED IFRS FINANCIAL STATEMENTS 31 DEC 2018

CONTENTS

PRIMARY CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	31 Dec 2018	31 Dec 2017
Net sales	2.2	**122,873**	**118,322**
Other operating income	2.2	38	270
Materials and services	2.3	–53,357	–52,420
Personnel expenses	3.0	–32,474	–30,956
Other operating expenses	2.3	–25,638	–28,323
EBITDA	2.1	**11,443**	**6,894**
Depreciation and amortisation	2.3	–5,951	–5,305
Operating result		**5,492**	**1,589**
Finance costs, net	5.6	–1,368	–2,807
Profit before taxes		**4,123**	**–1,218**
Income tax expense	2.4	–869	645
Profit (loss) for the period		**3,254**	**–573**
Total comprehensive income for the period		**3,254**	**–573**
Profit for the period attributable to:			
Owners of the parent		3,254	–573
Profit (loss) for the period		**3,254**	**–573**
Total comprehensive income attributable to:			
Owners of the parent		3,254	–573
Total comprehensive income for the period		**3,254**	**–573**
Earnings per share for profit attributable to the owners of the parent			
Basic earnings per share, EUR	2.5	0.23	–0.05
Diluted earnings per share, EUR	2.5	0.23	–0.05

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment	6.1	12,460	12,022
Other intangible assets	6.2	3,705	3,725
Goodwill	6.2	61,169	61,107
Deferred tax assets	6.5	1,346	1,631
Total non-current assets		**78,679**	**78,485**
Current assets			
Inventories	4.1	7,419	7,326
Trade and other receivables	4.2	3,319	5,206
Current income tax receivables		0	676
Cash and cash equivalents		11,937	5,706
Total current assets		**22,675**	**18,914**
TOTAL ASSETS		**101,354**	**97,399**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	5.5	80	80
Reserve for invested unrestricted equity	5.5	39,025	39,025
Retained earnings		–374	227
Profit (loss) for the period		3,254	–573
Total equity attributable to owners of the parent		**41,986**	**38,759**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	5.1	37,982	37,284
Interest rate swaps	5.1	79	144
Deferred tax liabilities	6.5	717	574
Total non-current liabilities		**38,778**	**38,002**
Current liabilities			
Current borrowings	5.1	1,913	2,195
Interest rate swaps	5.1	119	118
Trade and other payables	4.3	18,230	18,215
Current income tax liabilities		329	110
Total current liabilities		**20,590**	**20,638**
TOTAL LIABILITIES		**59,368**	**58,640**
TOTAL EQUITY AND LIABILITIES		**101,354**	**97,399**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
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	5.5	78	–78		0
Share issue	5.5		33,235	183	33,419
Share-based bonus system	3.0			27	27
Equity at 31 Dec 2017		**80**	**39,025**	**–346**	**38,759**
Equity at 1 Jan 2018		**80**	**39,025**	**–346**	**38,759**
Amendment to IFRS 2	3.0			24	24
Equity at 1 Jan 2018		**80**	**39,025**	**–323**	**38,783**
Profit (loss) for the period				3,254	3,254
Total comprehensive income for the period		**0**	**0**	**3,254**	**3,254**
Transactions with owners:					
Share-based bonus system	3.0			–51	–51
Equity at 31 Dec 2018		**80**	**39,025**	**2,880**	**41,986**

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Cash flows from operating activities			
Profit (loss) for the period		3,254	–573
Adjustments:			
Depreciation, amortisation and impairments	2.3	5,951	5,305
Other non-cash transactions		–49	–68
Finance cost, net	5.6	1,368	2,807
Income tax expense	2.4	869	–645
Changes in working capital			
Change in trade and other receivables	4.2	1,879	–526
Change in inventories	4.1	–66	–453
Change in trade and other payables	4.3	585	2,706
Interest paid		–822	–1,865
Other financing items, net		–331	–354
Income taxes paid		454	–1,381
Net cash inflow from operating activities		**13,092**	**4,954**
Cash flows from investing activities			
Payments for property, plant and equipment	6.1	–5,484	–4,420
Payments for intangible assets	6.2	–1,232	–1,637
Payments for business acquisitions, net of cash acquired		–1,775	–6,699
Proceeds from loans receivable		30	6
Net cash (outflow) from investing activities		**–8,461**	**–12,751**
Cash flows from financing activities			
Proceeds from issues of shares	5.5	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	5.4	–350	–545
Net cash inflow (outflow) from financing activities		**1,600**	**6,386**
Net (decrease) increase in cash and cash equivalents		6,231	–1,412
Cash and cash equivalents at the beginning of the period		5,706	7,118
Cash and cash equivalents at the end of the period		**11,937**	**5,706**

1 GENERAL INFORMATION

1.1 BASIS OF PREPARATION

These are the consolidated financial statements of Silmäasema Oyj (Company) and its subsidiaries (together referred to as 'Silmäasema' or 'Group'). The Company's subsidiaries are listed in note 6.4.

The Company's business identity code is 2627773–7, it is domiciled in Helsinki, and the registered office of its headquarters is Atomitie 5 A, 00370 Helsinki, Finland.

The Board of Directors of the Company has approved these consolidated financial statements for issue in their meeting on 6 March 2019. The financial statements are available at the Company's website at www.silmaasema.fi.

Under the Finnish Limited Liability Companies Act, shareholders can approve or disapprove the financial statements in the Annual General Meeting to be held after the release. The Annual General Meeting is also entitled to amend the financial statements.

Basis of preparation

The consolidated financial statements of Silmäasema have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with IAS and IFRS standards as well as SIC and IFRIC interpretations applicable as per 31 December 2018 ("IFRS Standards"). The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

The revised IFRS 9 and IFRS 15 standards and an amendment to the IFRS 2 standard were adopted during the financial year. More information about these is presented in Notes 2.2 (IFRS 15), 3.0 (IFRS 2) and 4.2 (IFRS 9) to the financial statements.

The consolidated financial statements are presented in thousands of euros and the figures are rounded to the nearest thousand, and therefore the sum of individual figures may deviate from the total presented. Assets and liabilities are measured at cost except for interest rate swaps, which are measured at fair value through profit and loss.

The Company's functional currency is euro, which is also the presentation currency of the financial statements of the Company and the Group.

The notes to consolidated financial statements include, in addition to the primary statements, six sections: Basis of preparation and Introduction to Silmäasema, Performance, Personnel, Working capital, Capital structure and Other items. All sections include the related calculations, significant accounting policies and information on any significant estimates and management judgment.

Accounting estimates and judgements made in the preparation of the financial statements

The preparation of financial statements under IFRS standards requires the use of accounting estimates, judgements and assumption by the management that affect the application of accounting policies and the recognised amounts of assets, liabilities, income and expenses. Actual results may differ from estimates and judgements made.

Estimates and judgements are reviewed regularly. Changes in estimates are recognised in the period of change, where the change has an impact in one period only. If it impacts both the current period and future periods, the changes are recognised in the current period and in future periods.

The assumptions underlying the estimates made by the management can be found in the following notes:

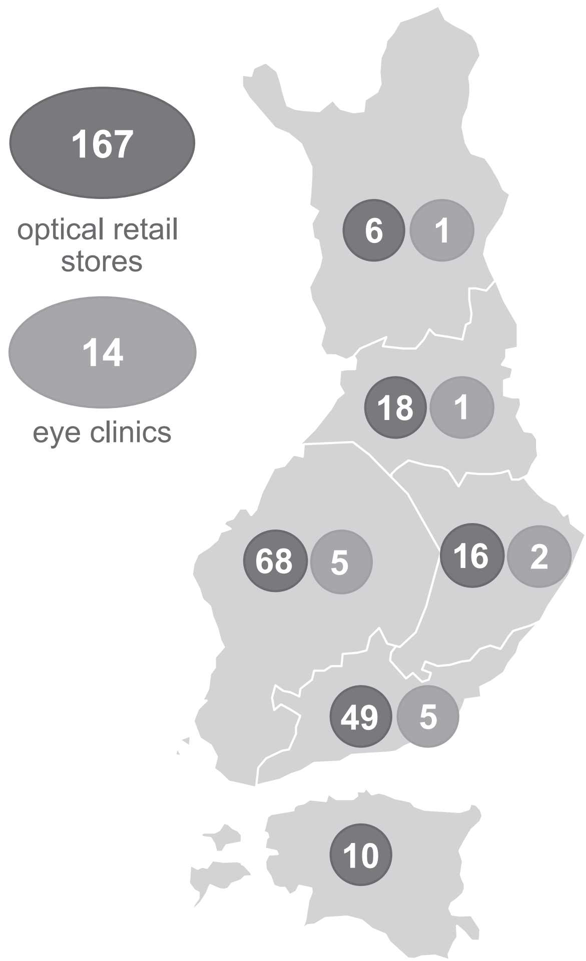
Significant estimate and management judgement	Note
Revenue recognition, principal or agent – presentation on a gross or net basis	2.2
Useful lives of property, plant and equipment	6.1
Fair value of contingent consideration and net assets acquired in business combinations	6.2.1
Key assumptions used in goodwill impairment testing	6.2.1
Fair value of separately acquired intangible assets	6.2.2
Useful life of other intangible assets	6.2.2

1.2 A BRIEF INTRODUCTION TO THE COMPANY

Silmäasema is the largest vision and eye healthcare provider in Finland. It offers all vision and eye healthcare services through its nationwide optical retail and eye clinic network as well as through a web shop.

On 31 December 2018, Silmäasema chain included 157 optical retail stores and 14 eye clinics in Finland. There are approximately one thousand professionals working in Silmäasema chain. They provide optical products, optician's services, ophthalmologist's services, eye surgical services and eye laboratory services to private individuals, corporate customers as well as to the public sector. In addition Silmäasema group included ten optical retail stores in Estonia.

The services of ophthalmologists and opticians are available in all Silmäasema chain stores. In each store there is also available the services of an optician specialised in corporate eyecare. Where needed, each Silmäasema store may provide a gateway to the services of ophthalmologists and other eye healthcare professionals of Silmäasema, or to operations in the eye clinics.



2 PERFORMANCE

2.1 REPORTABLE 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.

1 Jan–31 Dec 2018 EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Net sales	**87,970**	**34,903**		**122,873**
Adjusted EBITDA	**7,657**	**4,107**		**11,765**
Adjustments	45	–179	–188	–322
EBITDA	**7,702**	**3,928**	**–188**	**11,443**
Depreciation and amortisation	–3,541	–2,410		–5,951
Adjusted operating result	**4,147**	**1,697**		**5,844**
Adjustments	15	–179	–188	–352
Operating result	**4,162**	**1,518**	**–188**	**5,492**

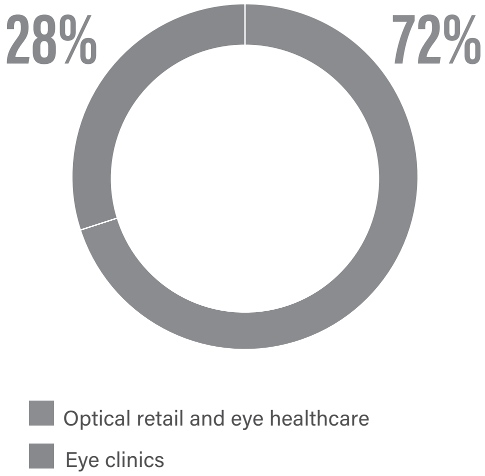
1 Jan–31 Dec 2017 EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Net sales	**83,025**	**35,297**		**118,322**
Adjusted EBITDA	**7,159**	**4,601**		**11,760**
Adjustments	–3,333	229	–1,762	–4,866
EBITDA	**3,826**	**4,830**	**–1,762**	**6,894**
Depreciation and amortisation	–3,071	–2,234		–5,305
Adjusted operating result	**4,105**	**2,367**		**6,472**
Adjustments	–3,350	229	–1,762	–4,883
Operating result	**756**	**2,595**	**–1,762**	**1,589**

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

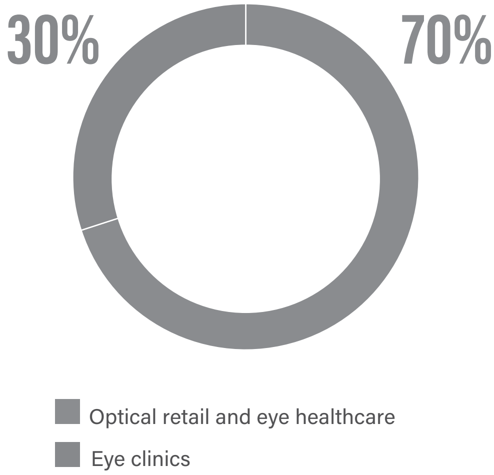
1 Jan–31 Dec 2018 EUR thousand	Optical retail and eye healthcare	Eye clinics	Un-allocated	Group
Adjusted EBITDA	**7,657**	**4,107**	**0**	**11,765**
Exceptional payments for termination benefits	–518	–177		–694
Costs related to development of the internationalisation concept	–64			–64
Professional fees 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
Adjustments	**45**	**–179**	**–188**	**–322**
EBITDA	**7,702**	**3,928**	**–188**	**11,443**
Adjusted operating profit	**4,147**	**1,697**	**0**	**5,844**
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
Adjustments	**15**	**–179**	**–188**	**–354**
Operating profit	**4,162**	**1,518**	**–188**	**5,492**

1 Jan–31 Dec 2017 EUR thousand	Optical retail and eye healthcare	Eye clinics	Un-allocated	Group
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
Adjustments concerning changes in VAT treatment	–2,242		–3	–2,245
Adjustments concerning 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
Adjustments concerning changes in VAT treatment	–2,259		–3	–2,262
Adjustments concerning 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**

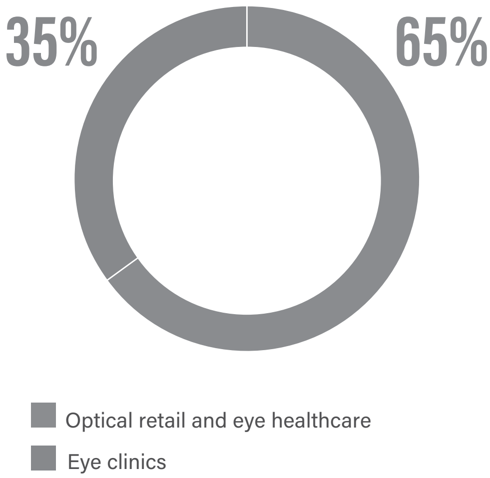
Net sales 1 Jan–31 Dec 2018



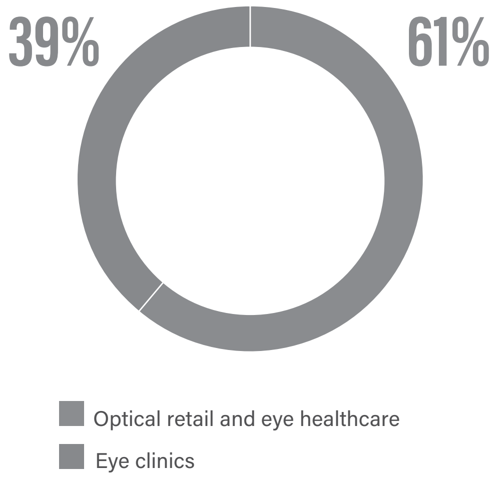
Net sales 1 Jan–31 Dec 2017



Adjusted EBITDA 1 Jan–31 Dec 2018



Adjusted EBITDA 1 Jan–31 Dec 2017



ACCOUNTING PRINCIPLES: REPORTING SEGMENTS

A segment's income and expenses are items allocated directly to that segment. Expenses related to centralised business operations are allocated to segments in the management's reporting on reliable grounds. Silmäasema's CEO is the chief operative decision-maker, who bears the ultimate responsibility for allocating resources to operating segments and assessing their results. The accounting principles applied to the management's internal reporting are the same as those applied to the consolidated financial statements.

Calculation formulas:
EBITDA = operating profit + depreciation and amortisation
Adjusted EBITDA = EBITDA less adjustments
Adjusted operating profit = operating profit less adjustments

Adjustments to the EBITDA are material items deviating from normal business operations and are related to exceptional payments concerning terminated employment relationships, expenses arising from the development of the internationalisation concept, professional fees for group level structuring activities, VAT penalties concerning previous periods, expert fees related to company acquisitions, fair value adjustments concerning inventories in conjunction with company acquisitions, exceptional expert fees, subscription benefits received during a personnel offering in the comparison period and changes in contingent considerations. Adjustments not allocated to segments are mainly related to professional fees for group level structuring activities. Adjustments to the operating profit are related to VAT penalties concerning previous periods.

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 contingent considerations in the comparison periods.

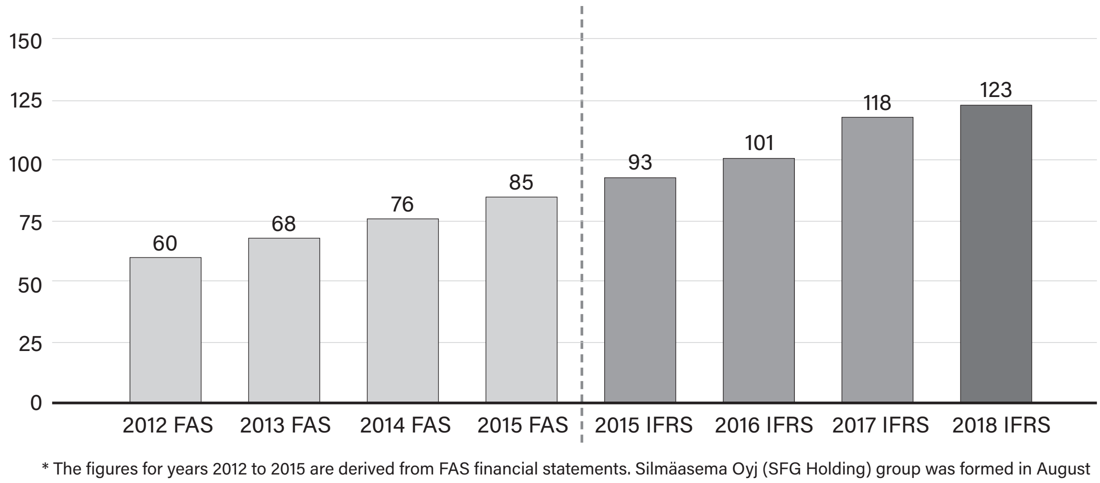
The group derives the following types of revenue

	1 Jan–31 Dec 2018			1 Jan–31 Dec 2017		
EUR thousand	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
Total	**87,970**	**34,903**	**122,873**	**83,025**	**35,297**	**118,322**

Other operating income

EUR thousand	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Changes in contingent considerations	0	230
Other rental income	38	40
Total	**38**	**270**

Net sales development*



* The figures for years 2012 to 2015 are derived from FAS financial statements. Silmäasema Oyj (SFG Holding) group was formed in August 2014, and therefore the net sales presented for years 2012 to 2014 reflect the sales of Silmäasema Optiikka (Silmäasema Fennica) Group. The net sales figures for years 2012 to 2014 have been retroactively adjusted for an error in the reported ophthalmologists' fees. In 2015, the company revised its principle for recognising products paid in advance as income. As the adjustments are not considered to have a material effect on previous periods, the net sales figures for 2012–2014 have not been adjusted accordingly.

ACCOUNTING PRINCIPLES: RECOGNITION OF SALES AS INCOME

Silmäasema has adopted the IFRS 15 standard retrospectively. The adoption of the standard has not caused changes to Silmäasema's principle for recognising sales income. In addition, changes have not been made to the classification of sales income (product sales, service sales and royalties). The relationship between the division into segments and the classification of sales income has been presented in a table as new information. Optical retail, the sale of services related to eyesight and eye healthcare and the sale of hospital operations mainly consist of cash or card transactions.

Eyeglasses (frames and lenses) are primarily ordered directly from suppliers' warehouses and collected by customers at stores. Store products and ordered products are recognised as income once control over the goods has been transferred to the customer. This transfer takes place at the time of delivery. Sales income from products that have been paid for in advance but have not been delivered by the balance sheet date is recognised in current liabilities (advances received) on the balance sheet and, consequently, in net sales once the product has been delivered to the customer. Direct expenses related to products paid for in advance are allocated in prepayments and accrued income (allocation related to purchases) on the balance sheet, based on the actual store-specific sales margin for ordered products and the actual average time of completion.

Services related to eye healthcare, for both private and corporate customers, are recognised as income once the service has been performed. The sale of medical services is presented as the gross amount, including the doctor's fee, as Silmäasema serves as the principal towards the customer.

Net sales are recognised according to the amount Silmäasema expects to be entitled to against handing over the promised goods to the customer, excluding amounts collected on behalf of third parties, such as indirect taxes.

Silmäasema offers its customers a wide range of campaign benefits and discount coupons. Silmäasema is one of S Group's bonus partners, meaning that customers using an S-Card are entitled to bonus rewards based on their purchases in accordance with the cooperative's customer loyalty system. Silmäasema pays a monthly fee to S Group based on sales included in the bonus system and has no other obligations towards S-Card holders. The customer benefits offered by Silmäasema are discounts, which are taken into account when determining the corresponding amount in conjunction with the recognition of sales, in addition to estimated returns.

Silmäasema offers its customers a voluntary Eyeglass Guarantee, which covers damage to eyeglasses or sunglasses against an excess over a period of two years. The price of the Eyeglass Guarantee for the customer is determined in accordance with the current price list as it stands at any given time. The amount paid in advance for the Eyeglass Guarantee is entered into unrecognised sales on the balance sheet and is recognised as income over the validity period of the Eyeglass Guarantee.

Indirect taxes, discounts granted and estimated returns, as well as S-Card fees paid to S Group based on sales, are deducted from net sales.

Silmäasema's customers may opt for the Silmäasema Account, a financing solution provided by an external partner that allows for longer payment times. In that case, Silmäasema sells the receivable to the financing company at the time of the transaction, and the financial risk related to the receivable is transferred to the financial company. Silmäasema recognises the product or service as income at the time of delivery or once the service has been performed. The commissions paid to the external partner are recognised in financial expenses.

SIGNIFICANT JUDGEMENT

Revenue recognition: principal or agent – presentation on a gross or net basis

When Silmäasema is acting as a principal, the revenue received as well as payments made to the suppliers and service providers are presented as gross amounts under net sales and operating expenses. Whether the Company is regarded as a principal or agent is determined based on an analysis made by the management regarding the legal form and substance of the contracts between the Company and its business partners. Such judgements have an impact on the net sales and operating expenses presented in the financial statements, but they do not affect net profit or loss or cash flows.

Features indicating that Silmäasema is acting as a principal when bearing the primary responsibility for the fulfilment the contractual performance obligation towards the customer include, among others, the following: the Company has control over and responsibility for the provision of ophthalmologists' services in accordance with the Company's quality standards, it incurs the investments relating to the

business, maintains the shared appointment scheduling system and patient record management system, and maintains the contractual relationship with the customer and is thereby exposed to business risk relating to the provision of the service.

Silmäasema is acting as an agent where the Company's responsibility is limited to having another party to provide the good or service to the customer. Features indicating to this include, among others, the following: the Company would not be exposed to significant risks and rewards relating to the sale of the services, or the amount to be received by it would be predetermined, either as a fixed fee per transaction or a stated percentage of the amount invoiced to the customer. Silmäasema does not have any operations where it would act as an agent.

2.3 OPERATING EXPENSES

EUR thousand	1 Jan–31 Dec 2018	Share of net sales	1 Jan–31 Dec 2017	Share of net sales
Materials and services				
Purchases during the period	29,089	23.7%	29,371	24.8%
Changes in inventories	–36	0.0%	–687	–0.6%
External services	24,303	19.8%	23,737	20.1%
Total	**53,357**	**43.4%**	**52,420**	**44.3%**
Personnel expenses	**32,474**	**26.4%**	**30,956**	**26.2%**
Other operating expenses				
Rent expenses	7,657	6.2%	7,002	5.9%
Marketing expenses	6,289	5.1%	6,592	5.6%
Maintenance, IT, equipment and furniture expenses	6,749	5.5%	5,953	5.0%
Other operative expenses	4,943	4.0%	8,775	7.4%
Total	**25,638**	**20.9%**	**28,323**	**23.9%**
Depreciation and amortisation by asset group				
Property, plant and equipment	4,765	3.9%	4,227	3.6%
Intangible assets	1,185	1.0%	1,079	0.9%
Total	**5,951**	**4.8%**	**5,305**	**4.5%**

Silmäasema's personnel expenses increased in 2018 mainly as a result of the expansion of operations and the increase in net sales. Silmäasema's net sales grew 3.8% year-on-year.

Maintenance, IT, equipment and furniture expenses increased as planned, due to the launch of a systems project, for example.

Operating expenses include EUR 1.8 million in expenses deviating from normal business operations and EUR 1.5 million in income deviating from normal business operations. In the comparison period, expenses deviating from normal business operations totalled EUR 4.9 million. More detailed information about adjustment items is provided in section 2.1.

Materials and services

Silmäasema's purchases during the financial year include the acquisition cost of products for optical retail as well as supplies relating to eye surgery. External services consist mainly of fees charged by ophthalmologists operating at Silmäasema.

Personnel expenses are disclosed in note 3.

Rents

Rents include the rental expenses for Silmäasema's business locations and offices. The contracts are entered into either until further notice or for a fixed term. The fixed terms are 3 to 5 years for retail stores and 5 to 20 years for eye clinics.

Other operative expenses

Other operative expenses include general expenses relating to the business operations (such as auditors' fees, professional fees, financial administration services and postal expenses). Fees paid to the audit firm KPMG Oy Ab (2018) and PricewaterhouseCoopers Oy (2017), included in other operative expenses, are as follows:

EUR thousand	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Auditors' fees		
Statutory audit	52	153
Tax services	0	102
Other services	1	834
Total	**54**	**1,088**

Change in the treatment of valued added tax

The Board of Adjustment has partially annulled the Finnish Tax Administration's decision issued on 20 June 2017 regarding the value added taxation of Silmäasema Optiikka Oy, a fully owned subsidiary of Silmäasema Oyj, and ordered a total of EUR 0.7 million to be paid to Silmäasema as a VAT tax return for the financial years 2014–2016.

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 partially accepted Silmäasema's appeal regarding the work performed by self-employed ophthalmologists but rejected the other appeals. Regarding the rejected appeals, Silmäasema intends to appeal against the decision to the Administrative Court.

In accordance with the decision by the Board of Adjustment, Silmäasema has recognised EUR 0.7 million in its income statement for 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 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.

In addition, the Finnish Tax Administration has issued a favourable decision concerning Silmäasema Oyj's report on its right to deduct value added tax related to listing expenses. However, the Unit for the Supervision of the Rights of Tax Recipients has appealed against the decision. The appeal will be processed by the Board of Adjustment. Silmäasema Oyj has deducted the value added tax related to the listing in full. The potential maximum effect on the EBITDA is estimated at EUR 0.2 million. A decision to limit the right to deduct value added tax related to listing expenses would also have an effect on the company's income taxes.

2.4 INCOME TAX EXPENSE

EUR thousand	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Current tax on profit for the period	190	574
Adjustments for current tax of prior periods	251	–146
Total current income tax expense	**441**	**428**
Deferred income tax		
Change in deferred tax assets	286	–1,049
Change in deferred tax liabilities	143	–24
Total deferred tax expense	**428**	**–1,074**
Income tax expense	**869**	**–645**

Reconciliation between the tax expense and tax calculated at domestic tax rate:

EUR thousand	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Profit before taxes	4,123	–1,218
Tax calculated at Finnish tax rate 20%	825	–244
Income not subject to tax	–49	–118
Expenses not deductible for tax purposes	13	455
Unrecognised deferred tax assets on tax losses	27	16
Taxes for prior periods	45	–209
Adjustments of prior periods	0	–545
Other items	9	0
Income tax expense	**869**	**–645**

For information on deferred taxes, also see note 6.5.

ACCOUNTING POLICY – INCOME TAX EXPENSE

The tax expense reported includes the income tax payable on the financial year's taxable income based on the income tax rate in Finland, adjusted for the change in deferred tax assets and liabilities relating to temporary differences.

The calculation of current income tax is based on the tax laws that are in effect. Current income tax also includes adjustments relating to prior periods.

Deferred taxes are recognised for temporary differences between the tax base and carrying amount of assets and liabilities.

2.5 EARNINGS PER SHARE

	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Basic earnings per share		
Profit (loss) attributable to the owners of the Company (EUR thousand)	3,254	–573
Weighted average number of shares outstanding during the period, basic*	14,248,805	12,041,542
Basic earnings per share (EUR)	**0.23**	**–0.05**
Diluted earnings per share		
Profit (loss) attributable to the owners of the Company (EUR thousand)	3,254	–573
Weighted average number of shares outstanding during the period, diluted*	14,248,805	12,041,542
Diluted earnings per share (EUR)	**0.23**	**–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.

ACCOUNTING POLICY – EARNINGS PER SHARE

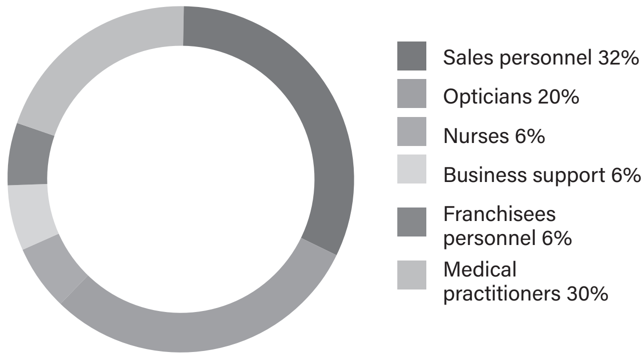
Basic earnings per share are calculated by dividing the earnings attributable to owners of Silmäasema by the average number of shares outstanding during the year excluding treasury shares.

Diluted earnings per share are calculated on the same basis as basic earnings per share, except that they reflect the impact of any potential commitments the Group has to issue shares in the future.

Silmäasema has not issued any dilutive instruments during the periods presented.

3 PERSONNEL

At the end of 2018, a total of 682 persons worked at Silmäasema's own retail stores, eye clinics and business support functions, including two self-employed opticians. In addition, there were 321 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.



Personnel

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
Total	**1,067**	**1,046**
Personnel employed*	**723**	**706**

* Does not include employees on long-term absence.
** Due to change is reporting, number of personnel differs from numbers presented in prior periods.

Personnel expenses

EUR thousand	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Wages and salaries	26,063	24,580
Pension costs	4,685	4,479
Share-based bonus system	–51	51
Other personnel expenses	1,776	1,846
Total	**32,474**	**30,956**

Remuneration of personnel

Wages and salaries paid to the employees are based on a fixed monthly salary or hourly wage plus a target-based or performance-based reward. The key measures used in the bonus arrangements are the growth in sales, productivity and consolidated EBITDA. The personnel has access to extensive employee health care services. Furthermore, all employees are covered by a working capacity insurance issued by an insurance company. Part of the employees are entitled to a car or a phone as a benefit.

The rewards and other benefits as well as their contents are reviewed annually and adjusted where needed, they may be terminated or new benefits may be established. The assessment takes into consideration the effect of the benefits in relation to the targets of the benefit or reward in question and the company's overall targets.

Other personnel expenses include, in addition to statutory social security costs, expenses relating to employee healthcare, workplace health promotion, recreation, training, and leisure activities

Share incentive plan

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.

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 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.

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, all cumulative costs and liabilities arising from the share incentive plan (with regard to the 2017–2019 and 2018–2020 performance periods) were reversed in accounting, as the payment of rewards based on the specified criteria seems highly unlikely. The situation is being monitored, and liabilities and costs will be recognised again, if necessary, if the fulfilment of the criteria begins to seem probable.

Pension arrangements

Silmäasema's pension arrangements are classified as defined contribution plans. The employees' pensions are based on the Employees Pensions Act (TyEL). The amount of pension depends on the duration of the employment and the salary level. The retirement age under TyEL is 63 to 68 years. Part of the employees are covered by an additional defined-contribution pension insurance issued by an insurance company.

In a defined contribution plan, insurance premiums are paid to the insurance company and recognised as an expense in the period that the charge relates to. There are no further obligations relating to a defined contribution plan.

Remuneration of management is disclosed in note 6.3 Related parties.

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
Total	**–7,478**	**–5,666**

* 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).

4.1 INVENTORIES

In optical retail, Silmäasema uses an efficient order and delivery process, which has enabled the Company to enhance its operations and improve profitability. The inventories in optical retail consist mainly of frame models kept in the stores. Eyeglasses are mainly ordered directly from the supplier based on an order by the customer, and so the customers will receive glasses that exactly meet their needs.

The inventories in the eye clinics include supplies and products used in the treatment, examination and surgery activities. Purchases to the inventory in the eye clinics are based on consumption, and therefore the inventory turnover is efficient.

EUR thousand	31 Dec 2018	31 Dec 2017
Materials and supplies	655	528
Finished goods	6,764	6,798
Total	**7,419**	**7,326**

ACCOUNTING POLICY – INVENTORIES

Inventories are carried at the lower of cost or selling price. The cost of goods in inventory includes all costs relating to the purchase. Discounts and rebates are reflected in the determination of cost. Where the estimated selling price of the goods is lower than cost, the carrying amount is written down. The Company continuously monitors its inventory values.

4.2 TRADE AND OTHER RECEIVABLES

EUR thousand	31 Dec 2018	31 Dec 2017
Trade and other receivables		
Trade receivables	1,459	2,713
Prepaid expenses and accrued income	964	984
Loans receivable	14	45
Other current receivables	881	1,464
Total	**3,319**	**5,206**
Material items under prepaid expenses and accrued income		
Items relating to purchases	627	660
Compensations receivable from Social Security Institute	157	155
Prepaid rents	20	15
Other items	160	154
Total	**964**	**984**
Material items under other current receivables		
Amounts receivable from suppliers	453	655
Rental security deposits	425	334
Other current receivables	3	476
Total	**881**	**1,464**

Trade receivables and the credit risk

Silmäasema's customers are mainly private persons, and they pay for the products and services in cash or by debit or credit card, or by using financing granted by an external partner. Therefore, the amount of trade receivables is low in relation to the Company's net sales.

In accordance with IFRS 9, the company uses the simplified credit loss model to assess the risk of impairment related to trade receivables. This means assessing the amount of expected credit losses over the life cycle of the trade receivables. For this purpose, the company has classified trade receivables based on their maturity as follows:

Expected credit losses 31 Dec 2018

EUR thousand	Current and less than 90 days past due	90 days or more past due	Other*	Total
Expected credit loss rate,%	0%	50%	100%	
Trade receivables gross carrying amount	1,453	13	72	1,537
Loss allowance provision	**0**	**7**	**72**	**78**

* Other credit loss provisions include receivables from a bankrupt partner. When preparing its financial statements, Silmäasema had not yet received any information about possible bankruptcy dividends. For this reason, a credit loss provision for the receivables from the partner on the balance sheet date was recognised on the balance sheet for their full (100%) value.

The maximum amount of trade receivables exposed to the credit risk is EUR 1,537,000.

As a rule, the company's business operations are cash transactions by nature, and most of its receivables consist of bank and credit card receivables, as well as receivables from the partner providing financing options. For this reason, the amount of actual credit losses has traditionally been small, and this situation is not expected to change in the near future. It is the company's view that the credit risk has not yet increased significantly when a delay related to trade receivables exceeds 30 days, as such delays are often related to reports required for insurance purposes, for example. An impairment is considered to have occurred when the delay exceeds 90 days.

In individual cases (e.g. bankruptcy situations), exceptions to this may be made as follows: the credit risk provision is recognised at an earlier stage or a higher provision is recognised than would be required in accordance with the principles mentioned above. The receivable will be recognised as a final credit loss if the company's debt collection partner so recommends or, for example, in accordance with a debt adjustment arrangement that the company is informed about.

In 2018, the impairment losses recognised in the income statement totalled EUR 85,000, which includes a bankruptcy receivable of EUR 72,000 in accordance with the table presented above.

Loans receivable

Loans receivable include an interest-bearing loan granted to a company belonging to Silmäasema chain but not included in the Group.

Fair values of trade receivables and other receivables

The carrying amounts of current receivables are considered to be the same as their fair values, due to their short-time nature.

4.3 TRADE AND OTHER PAYABLES

EUR thousand	31 Dec 2018	31 Dec 2017
Trade and other payables		
Trade payables	6,905	8,761
Accruals	5,225	4,711
Other current liabilities	2,788	2,421
Advance payments (deferred revenue)	3,311	2,323
Total	**18,230**	**18,215**
Elimination of accrued interest	–14	–17
Trade and other payables in working capital	**18,216**	**18,199**
Material items under accruals		
Accrued personnel expenses	5,121	4,442
Accrued interest	14	17
Other accruals	90	253
Total	**5,225**	**4,711**
Total excluding accrued interest	**5,212**	**4,694**
Material items under current liabilities		
Value added tax	1,543	1,259
Withholding tax	515	504
Opthalmologists' fees	548	551
Other current liabilities	183	107
Total	**2,788**	**2,421**

Trade payables are non-interest-bearing and are usually paid within 14 to 90 days.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Advances received include deferred sales relating to optical products and an extended warranty (Silmälasiturva).

5 CAPITAL STRUCTURE

5.1 CAPITAL MANAGEMENT

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

Note 5.5 includes further information on equity.

5.2 FINANCIAL LIABILITIES

The Group's borrowings consist of bank loans from financial institutions and bank overdrafts. The bank loans have a variable interest rate, and the group uses interest rate swaps to mitigate the interest rate risk arising from variable-rate borrowings. The Group's borrowings also include finance lease liabilities and contingent consideration obligations.

Bank loans

The Group's bank loans on 31st December 2018 were EUR 37.3 million. In addition, the Group had a facility of EUR 5.0 million at its disposal. The 5.0 million euro facility consists of a 3.5 million euro overdraft facility and a 1.5 million euro facility for rental security, of which 1.5 million was utilized. In addition, the Group has an unutilized 3.2 million Capex facility at its disposal. Transaction costs relating to loans are recognised in profit or loss and amortised over the term of the loan using the effective interest rate method.

The average interest rate of the bank loans was 1.75% on 31 December 2018 (31 December 2017: 1.50%). The margin is determined according to the covenant "Ratio of the Interest bearing liabilities to the Adjusted EBITDA" varying between 1.0–2.5%. Other financial covenants are not used. The bank loans are single-payment loans maturing on 30 September 2021. The bank loans are unsecured.

ACCOUNTING POLICY – BORROWINGS

Bank loans and shareholder loans are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost. Related interest costs and transaction costs are recognized as interest expense over the loan period using the effective interest rate method. The borrowings are derecognised when the loans are repaid or extinguished, for example in the case of refinancing. The shareholder loan repaid during the financial year ended 31 December 2017 was accounted for in accordance with a similar policy. In connection with the refinancing, any unamortised transaction costs are expensed in the consolidated income statement under financing items.

Credit facility

The company has access to a variable-rate credit facility. More detailed information of the Company's unused and used facilities is disclosed in note 5.3 regarding liquidity risk.

Contingent consideration

Contingent consideration obligations at 31 December 2018 were EUR 2.2 million, measured in the consolidated balance sheet at fair value. No additional contingent consideration obligations were recognised in 2018. EUR 1.7 million of obligations related to acquisitions carried out in 2016 and 2017 were settled during 2018.

Other liabilities

Other liabilities included a liability towards the lessor in relation to the construction of an operating site on 31 December 2017. The debt was repaid during the 2018 financial year.

Determination of fair values

The fair values of Silmäasema's borrowings are determined by discounting the estimated cash outflows using the market rates at the balance sheet adjusted by a risk premium. The specific circumstances relating to the borrowings, as well as their terms and conditions (maturity, subordination, collateral) are reflected in the measurement. Bank loans are classified at level 2 of the fair value hierarchy, because the fair values are mainly determined using an interest-rate curve obtainable at the market.

The terms and conditions of the Group's financial liabilities (bank loan, contingent consideration and other liabilities) vary, which has an impact on the determination of their fair values. The bank loans have the highest seniority status, and, according to the Company's estimate as of 31 December 2018, their fair values and carrying amounts do not differ significantly. For other loans, the fair value and carrying amount as of 31 December, 2018 are estimated to be similar.

Contingent purchase price liabilities are classified as belonging to level 3, as the information to be entered is based on agreements between Silmäasema and the seller party, meaning that it is not observable market information. The value of contingent purchase price liabilities did not change in 2018, except for payments to seller parties in accordance with the agreements.

The Group's derivatives comprise interest rate swaps classified at level 2, because their fair value is calculated as the present value of estimated future cash flows based on observable yield curves.

EUR thousand	31 Dec 2018	31 Dec 2017
Collaterals relating to rental payments		
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

Borrowings reconciliation

EUR thousand	Non-current borrowings	Current borrowings	Total
Borrowings 31 Dec 2017	**35,432**	**270**	**35,701**
Bank loans	1,950	0	1,950
Other borrowings	–43	–15	–58
Changes with no cash effect			
Effective Interest	146	0	146
Finance lease liabilities change	–52	–26	–78
Borrowings 31 Dec 2018	**37,433**	**228**	**37,661**

5.3 FINANCIAL RISKS

Liquidity risk

The objective of the liquidity risk management is to ensure that the level of financial assets is always sufficient to cover the needs of business operations and financing activities. Silmäasema's financing requirements are covered by optimising the working capital and using external financing arrangements to ensure that Silmäasema always has sufficient liquidity or has access to undrawn committed credit facilities. Operative monitoring and management of the liquidity risk is centralised in the Group's finance department where the availability of financing is managed based on a rolling forecast.

The maturities of financial liabilities are monitored regularly. As at 31 December 2018, Silmäasema's cash and cash equivalents totalled EUR 11.9 million Furthermore, Silmäasema had at 31 December 2018 a credit facility with an undrawn credit of EUR 3.5 million. In addition, the Group has a 1.5 million euro facility for rental security at its disposal.

EUR thousand	Under 1 year	1–2 years	2–5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Dec 2018						
Non-derivatives						
Bank loans – repayments	0	0	37,725		37,725	0
Bank loans – interests	669	671	501		1,841	0
Bank loans	669	671	38,226		39,566	37,283
Contingent consideration	1,798	1,248	900		3,945	2,233
Trade payables	6,905				6,905	6,905
Other borrowings	4				4	4
Total	**9,376**	**1,919**	**39,126**	**0**	**50,421**	**46,425**
Derivatives						
Interest rate swaps	81	250	0		331	198

EUR thousand	Under 1 year	1–2 years	2–5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Dec 2017						
Non-derivatives						
Bank loans – repayments	0	0	35,775		35,775	0
Bank loans – interests	635	635	1,111		2,381	0
Bank loans	635	635	36,886		38,156	35,187
Contingent consideration	1,798	1,248	900		3,945	3,778
Trade payables	8,761				8,761	8,761
Other borrowings	37	29			66	62
Total	**11,230**	**1,912**	**37,786**	**0**	**50,928**	**47,788**
Derivatives						
Interest rate swaps	92	92	322		506	262

Finance lease liabilities are disclosed in note 5.4.

Loan covenants

Bank loans have a covenant based on the ratio of the interest bearing liabilities to the adjusted pro-forma EBITDA. The covenant is reported to the bank quarterly. The management monitors and reports to the Board of Directors the level of the covenant regularly.

The maximum value of the covenant is 3.5. The margin of the loan increases when the value of the covenant increases. The covenants have not been breached and at the end of the fiscal year the value of the covenant was 2.2.

The loans from financial institutions are unsecured.

According to the special terms and conditions of the bank loan agreements, most significant transactions are subject to a prior written approval by the financial institution, including ordinary creditor protection clauses.

Interest rate risk

The Group's bank loans comprise non-current borrowing with variable rates, as well as credit facilities. Because the loans are linked to EURIBOR, Silmäasema is exposed to cash flow risk arising from variable rate borrowings.

In order to manage the interest rate risk, Silmäasema uses interest rate swaps to mitigate the cash flow risk arising from variable rate bank loans. At the balance sheet date 31 December 2018, the Group had one outstanding interest rate swap hedging EUR 12 million of the loan capital against cash flow risk. According to the swap contract, the Company receives a variable 3-month EURIBOR interest rate and pays a fixed coupon

interest rate of 0.662%. The swap will mature in 2020. At the end of the year 2018, 32.2% of the variable interest rate position was hedged, and, taking this into consideration, 32.2% of Silmäasema's total debt position was at fixed rates and 67.8% at variable rates. By using interest rate swaps, Silmäasema aims to limit the impact of changes in interest rate levels on the Group's finance costs to an acceptable level.

Credit risk and counterparty risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss for Silmäasema. Silmäasema considers all of its material counterparties as reliable, as they represent large and well-established financial institutions. Silmäasema's exposure to the credit risk is continuously monitored, in particular when there are delays in agreed payments.

Note 4.2 includes further information on credit risk relating to trade receivables and other receivables.

Credit risk relating to cash and cash equivalents is low, because the counterparties are banks that have been given a high rating by international credit rating agencies.

Currency risk

Silmäasema operates in the euro zone and purchases nominated in other currencies that euro are minimal. Consequently, Silmäasema does not bear a significant currency risk.

ACCOUNTING PRINCIPLES – DERIVATIVES

Financial assets and liabilities recognised at fair value through profit or loss consist of derivatives. Derivatives are recognised on the balance sheet at fair value on the transaction date, and changes in fair value are recognised directly in financial income and expenses in the Group's result. The Group's derivatives consist of interests rate swaps used for hedging against the interest rate risk. Hedge accounting is not applied to interest rate swaps.

5.4 FINANCE LEASE LIABILITIES

Silmäasema has leased machines, examination appliances and surgery equipment, and furniture for stores and clinics, as well as cars with non-cancellable lease contracts. Some of the leases for machinery and equipment, furniture and cars have transferred substantially all the risks and rewards incidental to ownership to Silmäasema, and they qualify as finance leases.

EUR thousand	31 Dec 2018	31 Dec 2017
Gross finance lease commitments – minimum lease payments		
Within one year	231	258
Later than one year and no later than five years	152	217
Later than five years	0	0
	383	**475**
Future finance charges	–9	–11
Minimum lease payments	**374**	**464**
Present value of finance lease liabilities		
Within one year	224	250
Later than one year and no later than five years	150	214
Later than five years	0	0
Recognised as liability	**374**	**464**

ACCOUNTING POLICY – FINANCE LEASES

The leased asset is recognised in the balance sheet at the fair value determined at the inception of the lease or, if lower, the present value of the minimum future lease payments. The corresponding lease obligations are recognised as financial liability.

Assets acquired by a finance lease are depreciated over their useful lives or the lease term, if shorter. Leases paid are recognized as finance charge and reduction of outstanding liability. The finance charge is recognised in the income statement so as to produce a constant periodic rate on interest on the remaining balance of the liability.

More information about the changes to be made to the treatment of rental expenses in accordance with IFRS 16 Leases is provided in Note 6.6.

5.5 EQUITY

Changes in the number of shares during the financial years:

Number of shares	Outstanding shares (pcs)
Number of shares at 1 Jan 2017	**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**
Number of shares at 31 Dec 2018	**14,248,805**

The Company has one share class, and each share has equal right to dividend. Each share carries one vote at the General Meeting. All shares issued are fully paid, and they have no nominal value. The Group is not holding any treasury shares. At 31 December 2018, the Company's share capital is EUR 80.000.

Dividends

No dividends were paid during fiscal year 2018.

Distributable funds of the parent company Silmäasema Oyj

EUR	2018	2017
Reserve for invested unrestricted equity	40,790,019	40,790,019
Retained earnings	307,201	1,481,402
Profit for the period	1,483,444	–1,174,200
Distributable funds as at 31 December	**42,580,665**	**41,097,221**

5.6 FINANCE INCOME AND COSTS

EUR thousand	31 Dec 2018	31 Dec 2017
Interest expenses on borrowings	–897	–2,181
Costs from extinguishement of borrowing	–358	–354
Commision paid for customer financing	–11	–14
Interest expenses on finance leases	–121	–120
Change in the fair value of derivatives	–8	–147
Other interest and financial expenses	**–1,395**	**–2,817**
Total finance costs	27	10
Finance income	**–1,368**	**–2,807**
Finance cost, net		

ACCOUNTING POLICY – FINANCE COSTS

Finance costs comprise the interest cost of bank loans, credit facilities and shareholder loans, as well as the realised and unrealised changes in the interest rate swaps. Finance costs also include the commission paid in connection of the sale of trade receivables to the financing company relating to customer financing (Silmäasematili).

Transaction costs relating to loans are recognised in profit or loss using the effective interest rate method. Effective interest rate is the rate that discounts estimated future cash flows through the expected term of the loan to the net carrying amount of the financial liability. All fees and transaction costs paid by the counterparties are included in the calculation.

5.7 LEASE COMMITMENTS AND OTHER CONTINGENT LIABILITIES

EUR thousand	31 Dec 2018	31 Dec 2017
Commitments related to leased premises		
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
Total	**18,895**	**23,223**

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.

More information about rental expenses is provided in Note 2.4.

More information about the changes to be made to the treatment of rental expenses in accordance with IFRS 16 Leases is provided in Note 6.6.

6 OTHER ITEMS

6.1 PROPERTY, PLANT AND EQUIPMENT

EUR thousand	Premises	Machinery and equipment	Total
1 Jan–31 Dec 2018			
Cost at 1 Jan	7,738	23,492	31,230
Business combinations	0	6	6
Additions	1,414	3,783	5,197
Disposals	0	0	0
Cost at 31 Dec	**9,152**	**27,281**	**36,433**
Accumulated depreciation and impairment at 1 Jan	–4,836	–14,372	–19,208
Depreciation	–1,777	–2,988	–4,765
Accumulated depreciation and impairment at 30 Sep	**–6,614**	**–17,360**	**–23,973**
Net book amount at 1 Jan	**2,902**	**9,120**	**12,022**
Net carrying amount at 31 Dec	**2,538**	**9,922**	**12,460**

Property, plant and equipment include assets acquired with finance lease contracts as follows:

EUR thousand	Premises	Machinery and equipment	Total
1 Jan–31 Dec 2018			
Cost at 1 Jan		7,002	7,002
Additions		214	214
Accumulated depreciation and impairment		–6,826	–6,826
Net carrying amount at 31 Dec		**389**	**389**

EUR thousand	Premises	Machinery and equipment	Total
1 Jan–31 Dec 2017			
Cost at 1 Jan	6,500	19,742	26,241
Business combinations		267	267
Additions	1,238	3,592	4,831
Disposals		–109	–109
Cost at 31 Dec	**7,738**	**23,492**	**31,230**
Accumulated depreciation and impairment at 1 Jan	–3,714	–11,268	–14,982
Depreciation	–1,123	–3,104	–4,227
Accumulated depreciation and impairment at 30 Sep	**–4,836**	**–14,372**	**–19,208**
Net carrying amount at 1 Jan	**2,786**	**8,474**	**11,260**
Net carrying amount at 31 Dec	**2,902**	**9,120**	**12,022**

Property, plant and equipment include assets acquired with finance lease contracts as follows:

EUR thousand	Premises	Machinery and equipment	Total
1 Jan–31 Dec 2017			
Cost at 1 Jan		6,604	6,604
Additions		397	397
Accumulated depreciation and impairment		–6,554	–6,554
Net carrying amount at 31 Dec		**448**	**448**

Under property, plant and equipment in the balance sheet, Silmäasema has capitalised construction costs relating to leasehold improvements as well as the acquisition cost of machinery, equipment and appliances for new stores and clinics. Furthermore, acquisitions relating to surgery and examinations are recognised in the balance sheet.

Silmäasema's most significant investments during the review period related to the opening of a new eye clinic and seven new retail stores and renovations carried out in the stores. The investments for comparative period related to the opening of nine new retail stores and renovations carried out in the stores.

ACCOUNTING POLICY – PROPERTY, PLANT AND EQUIPMENT

Silmäasema's property, plant and equipment consist mainly of machinery, equipment and devices relating to retail stores, surgery and examination (machinery and equipment) as well as the capitalized cost of leasehold improvements and renovation (premises). Property, plant and equipment are measured at cost less accumulated depreciation.

Depreciation is calculated by using the straight-line method to allocate the cost, net of residual value, over the assets' estimated useful lives or, in the case of leasehold improvements and certain leased machinery and equipment, the shorter lease term as follows:

- Furniture and equipment in stores: 5 years
- Surgery equipment 10 years
- Examination machinery, devices and equipment 5 years
- Other machinery and equipment: 5–10 years
- Leasehold improvements: 3–10 years

Cost comprises expenditure directly attributable to the acquisition of the assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Where the carrying amount of an asset exceed its recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount.

Gains and losses from disposal are determined by comparing the sales proceeds to the carrying amount, and they are recognized in the income statement under other operating income or expenses.

SIGNIFICANT ESTIMATE – USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

Depreciation is based on the management's estimates on the residual value of assets, depreciation methods and the useful life of assets. The estimates may change due to technological development, the competitive situation, changes in market conditions and other factors, and this may lead to changes in the estimated useful life and the amount of depreciation recognised in the income statement.

The useful lives of property, plant and equipment are reviewed at least annually considering the factors mentioned above and all other relevant important factors. A change in estimated useful life is a change in an accounting estimate and the depreciation plan is adjusted prospectively.

6.2 INTANGIBLE ASSETS

EUR thousand	Goodwill	Develop-ment costs	IT software	Trade marks	Non-competition agreements	Other intangible assets
1 Jan–31 Dec 2018						
Cost at 1 Jan	61,107	0	6,751	142	1,145	8,037
Business combinations	62		0			0
Additions		249	1,130			1,379
Disposals			–214			–214
Cost at 31 Dec	**61,169**	**249**	**7,667**	**142**	**1,145**	**9,202**
Accumulated amortisation and impairment at 1 Jan			–3,841	–50	–421	–4,312
Amortisation			–928	–28	–229	–1,185
Accumulated amortisation and impairment at 31 Dec	**0**	**0**	**–4,769**	**–78**	**–650**	**–5,498**
Net carrying amount at 1 Jan	**61,107**	**0**	**2,910**	**92**	**723**	**3,725**
Net carrying amount at 31 Dec	**61,169**	**249**	**2,898**	**64**	**494**	**3,705**

EUR thousand	Goodwill	Develop-ment costs	IT software	Trade marks	Non-competition agreements	Other intangible assets
1 Jan–31 Dec 2017						
Cost at 1 Jan	55,290		5,128	142	1,145	6,415
Business combinations	5,816		1			1
Additions			1,622			1,622
Cost at 31 Dec	**61,107**	**0**	**6,751**	**142**	**1,145**	**8,037**
Accumulated amortisation and impairment at 1 Jan			–3,020	–21	–192	–3,234
Amortisation			–821	–28	–229	–1,079
Accumulated amortisation and impairment at 30 Sep	**0**	**0**	**–3,841**	**–50**	**–421**	**–4,312**
Net carrying amount at 1 Jan	**55,290**	**0**	**2,108**	**121**	**952**	**3,181**
Net carrying amount at 31 Dec	**61,107**	**0**	**2,910**	**92**	**723**	**3,725**

Silmäasema's most significant investment during the review and comparative period related to the development of digital services. The capitalised development expenses are related to the development of a new type of operating model for processes in hospital operations.

6.2.1 GOODWILL AND IMPAIRMENT TESTING

Silmäasema's goodwill has mainly arisen in 2014, when the Company acquired the Silmäasema Fennica group, and subsequently in connection with several minor acquisitions. As at 31 December 2018, the amount of goodwill was EUR 61.2 million and at 31 December 2017, EUR 61.1 million.

At the date of transition 1 January 2015, goodwill was allocated to the Company's reportable segments, which are Optical retail and eye healthcare and Eye clinics, based upon their relative EBITDA estimated for the year 2015. The additional goodwill arising from acquisitions in 2016–2018 has been allocated to segments on the basis of the acquisitions carried out.

EUR thousand	31 Dec 2018	31 Dec 2017
Optical retail and eye healthcare	39,135	39,073
Eye clinics	22,034	22,034
Total	**61,169**	**61,107**

In 2018, 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. Goodwill increased by EUR 0.1 million as a result of the transaction. Goodwill consists of the value of the acquired market share, business expertise and expected synergies. Goodwill related to the acquisitions of business operations is deductible in taxation.

Key assumptions used in goodwill impairment testing

Goodwill is tested for impairment annually. The recoverable amounts of goodwill allocated to each reportable segment are based on recoverable amounts determined using a discounted cash flows model. Key estimates used in the determination include the short-term and long-term growth rate for sales, replacement investment capital expenditure, cost development, net working capital and changes in it, as well as post-tax discount rate. Management also reviews general market information in respect of optical trade and demographic development of eye diseases. The calculations are based on budgets approved by management for the following year, and beyond that on forecasts, covering a five-year period in total.

The discount rate used in the calculation is based on weighted average cost of capital, reflecting both the market data for peer companies in the market and the company-specific risks relating to Silmäasema.

The long-term growth rate is estimated as 2% for both segments. The pre-tax discount rate determined as at 31 December 2018 was 11.3% and as at 31 December 2017 was 10.8%. The growth in sales is, for both segments, based on increasing consumer demand and development of consumer behavior. Silmäasema's market share is expected to grow further. The increase in costs is expected to be more moderate and thereby improve the relative profitability. The table below presents a summary of these factors.

As a part of performance reviews, management has performed sensitivity analysis regarding the key factors. The parameters used in impairment tests for financial periods 2018 and 2017 to which the calculations used in impairment testing were most sensitive were the following:

- decrease in EBITDA margin
- increase in pre-tax discount rate a (WACC)

The sensitivity analysis shows that reasonable changes in the parameters used in the calculations will not result in carrying amounts of assets being in excess of their recoverable amounts.

The table below shows the percentage change in the key parameters used in the forecasts that would result in the fair value being equal to the carrying amount (keeping other parameters constant). The carrying amount of the assets tested in 2018 exceeds their recoverable amount EUR 39.1 million for Optical retail and eye healthcare, and by EUR 15.0 million for Eye clinics.

31 December 2018	Optical retail and eye healthcare	Eye clinics
Parameters:		
Average net sales growth% in the testing period	2.4	2.5
Long-term growth%	2.0	2.0
Average EBITDA margin in the testing period	10.3	14.9
Pre-tax discount rate%	11.3	11.3
Sensitivity analysis		
Average EBITDA margin	−4.0	−3.9
Pre-tax discount rate%	7.9	4.5

31 December 2017	Optical retail and eye healthcare	Eye clinics
Parameters:		
Average net sales growth% in the testing period	2.0	2.1
Long-term growth%	2.0	2.0
Average EBITDA margin in the testing period	11.8	16.9
Pre-tax discount rate%	10.8	10.8
Sensitivity analysis		
Average EBITDA margin	−2.0	−2.3
Pre-tax discount rate%	2.2	2.4

ACCOUNTING PRINCIPLES – GOODWILL

Goodwill is an unlimited intangible asset in terms of its useful life, and depreciation is not recognised on goodwill. Instead, goodwill is tested for impairment at least annually or when there are signs that the amount corresponding to the book value of goodwill is not recoverable. Silmäasema's management monitors both internal and external signs, which include negative market development in relation to forecasts, EBITDA development and changes in the regulatory environment that have adverse effects, for example. Silmäasema's goodwill is tested for impairment at the level of the Group's reporting segments.

SIGNIFICANT ESTIMATE – KEY ASSUMPTIONS USED IN GOODWILL IMPAIRMENT TESTING

The management makes significant estimates and judgements in determining the level at which the goodwill is tested and whether there are any indications of impairment. Cash flow forecasts are based on the Group's actual results and the management's best estimates on future sales, cost development, general market conditions and applicable tax rates. Cash flow forecasts include budgets and rolling

estimates for a period of five years, and cash flows for the periods after five years are extrapolated using the estimated growth rates mentioned in this note. The growth rates are based on the management's estimates on future growth in the segments.

Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses as described above in this note.

ACCOUNTING PRINCIPLES – COMPANY ACQUISITIONS

All company acquisitions are recognised using the acquisition cost method. The purchase price consists of the fair values of the cash consideration paid and the contingent purchase price. Silmäasema's contingent purchase prices are paid in cash.

In conjunction with company acquisitions, the acquired identifiable assets and the liabilities adopted are originally measured at fair value at the time of acquisition. Any non-controlling interest in the acquired company is recognised on a case-by-case basis at either fair value or the amount corresponding to the share of non-controlling interest of the net assets of the acquired company.

Goodwill is recognised to the degree that the purchase price exceeds the fair value of the acquired net assets. Changes in fair value are recognised through profit or loss. Expenses related to the acquisition, such as expert fees and transfer tax, are recognised as an expense when they arise and are presented in other operating expenses in the consolidated statement of comprehensive income.

SIGNIFICANT ESTIMATE – FAIR VALUES OF NET ASSETS ACQUIRED IN COMPANY ACQUISITIONS

The purchase price paid and the net assets acquired in conjunction with company acquisitions are measured at fair value.

The fair value of the acquired net assets is determined based on the fair value of similar asset items (tangible asset items), estimated expected cash flows (intangible assets, such as trademarks) or an estimate concerning the payments needed to fulfil the obligation.

For acquired net assets, there are seldom functional markets with fair values available for assets and liabilities. For this reason, determining a value based on replacement value, expected cash flows or estimated payments requires judgements and assumptions to be made by the management. It is the management's view that the estimates and assumptions used are sufficiently reliable in terms of measuring value.

6.2.2 OTHER INTANGIBLE ASSETS

Other intangible assets in the balance sheet include separately acquired non-competition agreements, the FemtoLasik trademark, and costs relating to the ERM and patient record management systems, as well as to the development of digital services. The carrying amount of these assets was EUR 3.7 million at the end of the year 2018, and EUR 3.7 million at the end of the year 2017.

ACCOUNTING POLICY – OTHER INTANGIBLE ASSETS

Intangible assets separately acquired from third parties, such as non-competition agreements, are recognised at fair value at the acquisition date. Non-competition agreements are amortised on a straight-line basis over the agreement term, which is five years on the average. Intangible assets acquired in business combinations, such as trademarks, are measured at fair value at the date of acquisition and amortised over their useful life of five years on a straight-line basis. Other intangible assets that are separately identifiable and saleable comprise developments costs relating to various IT systems, such as ERM and patient records management systems and digital services, as well as intangible rights. The cost capitalised consists of invoices from external service provides and fees paid for licenses.

During 2018, Silmäasema had development expenses related to eye clinic operations that met the criteria for capitalisation. These expenses were capitalised on the balance sheet.

Other intangible assets are amortised on a straight-line basis over their estimated useful life of five years.

Costs relating to the maintenance of information systems and software are expensed as incurred.

SIGNIFICANT ESTIMATE – FAIR VALUE OF SEPARATELY ACQUIRED INTANGIBLE ASSETS

Non-competition agreements acquired separately are recognised in the balance sheet as intangible assets at fair values at the date of acquisition. Fair value is determined based on expected cash flows or estimated cash payments and requires judgment and assumptions of management. The management believes that the estimates and assumptions used are sufficiently reliable for determination of fair value.

SIGNIFICANT ESTIMATE – USEFUL LIFE OF OTHER INTANGIBLE ASSETS

The useful life of information systems and software is estimated to be five years based on expected technical obsolescence. The actual useful life may, however, be shorter of longer, depending on technical innovations.

6.3 RELATED PARTIES

Until the public listing, control in the Group was exercised by a fund managed by Intera, 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 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 for the year 2017concerning 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 Jan–31 Dec 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 *			
Total	**0**	**0**	**0**

Related party transactions, EUR thousand	Finance costs 1 Jan–31 Dec 2017	Receivables 31 Dec 207	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**

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

Shares owned by key 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%
Total	**4.13%**	**7.33%**

* 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.

Remuneration of key management and the Board

EUR thousand	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
CEO remuneration		
Salary, other remuneration and benefits	252	300
Pension costs – defined contribution plans	20	18
Total	**272**	**318**
Management team remuneration (excluding CEO)		
Salary, other remuneration and benefits	600	780
Pension costs – defined contribution plans	50	45
Total	**649**	**825**
The Board of Directors remuneration		
Jukka Hienonen, Chairman (from 11 Apr 2018)	31	
Juha Kalliokoski (until 28 Feb 2017)		2
Tuomas Lang	24	15
Stiina Piirainen (until 28 Feb 2017)		2
Maisa Romanainen (from 1 Apr 2017)	24	17
Juha Saarinen	33	42
Tuomas Sarkola (1 Mar 2017–10 Apr 2018)	8	15
Torsti Sihvola	24	23
Kaisa Vikkula (from 1 Mar 2017)	26	20
Total	**171**	**136**
Total key management and the Board of Directors	**1,093**	**1,279**

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

The Board of Directors decides on the amount of and basis for the remuneration of the CEO and the members of the management team. The remuneration of the CEO and the members of the management team consists of a monthly salary plus a performance-based bonus. The terms and conditions relating to the bonus are decided annually by the Board of Directors.

The bonus to the CEO and the members of the management team is paid based on the achievement of objectives relating to profitability for the financial year. In 2018 the maximum performance-based bonus was 40% of the annual salary of the person concerned.

The CEO's retirement age is determined in accordance with the current pension legislation as it stands at any given time. In addition, the company has taken out a defined contribution plan for the CEO. Any pension contributions are paid at the beginning of the year, based on the previous year's work with the company.

The term of notice for the CEO has been specified as six (6) months in case the CEO decides to withdraw. In that case, the Company would pay the CEO, in addition to the salary for the term of notice, a compensation over the duration of the possible non-competition period. The non-competition period is six (6) months after the termination of employment. The amount of the compensation equals the amount of total remuneration over the corresponding period of time.

The contract of the CEO may also be terminated by the Company on a twelve-month notice. In this case, the non-competition agreement will remain effective until the termination of the contract of the CEO, irrespective of whether the CEO has an obligation to perform.
The CEO has a six-month notice period, during which they will be entitled to salary in accordance with their contract. During the first year of their contract, the CEO is entitled to 12 months' salary in accordance with their contract.

6.4 GROUP COMPANIES

Parent company	Share of ownership by the parent company and the group (%)		Principal activity
Silmäasema Oyj			Holding company
Subsidiaries	**31 Dec 2018**	**31 Dec 2018**	
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)

ACCOUNTING POLICY – SUBSIDIARIES

Subsidiaries are companies controlled by Silmäasema Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee through its power over the investee. Subsidiaries are consolidated from the date of acquisition, which is the date when the Group gains control, or where the subsidiaries are initially established by Silmäasema, the date when the subsidiary was established. The consolidation ceases when the Group loses control.

The profit for the period attributable to the owners of the parent and to non-controlling interests is disclosed in connection with the income statement, and total comprehensive income attributable to the owners of the parent and to non-controlling interests is disclosed in connection with the statement of comprehensive income. Equity attributable to non-controlling interests is presented separately in the

balance sheet as part of equity. Transactions with non-controlling interests are presented as equity transactions.

Intercompany income and expenses, receivables and liabilities, gains and losses on transactions between group companies as well as internal distributions of dividends are eliminated in consolidation in full. Silmäasema's subsidiaries apply the Group's accounting policies in their reporting for the Group.

6.5 DEFERRED TAXES

EUR thousand	1 Jan 2018	Recognised to profit or loss	Classification changes	Business combinations	31 Dec 2018
Deferred tax assets					
Tax losses carried forward	702	–356			346
Nondeductable interests	571	0			571
Property, plant and equipment	127	75			202
Inventories	68	0			68
Interest rate swap	52	0			52
Deferred sales	107	0			107
Share-based bonus system	5	–5			0
Total	**1,631**	**–286**	**0**	**0**	**1,346**
Deferred tax liabilities					
Intangible assets	370	182			552
Property, plant and equipment	146	27			173
Inventories	–34	–11			–45
Borrowings	92	–55			37
Total	**574**	**143**	**0**	**0**	**717**

EUR thousand	1 Jan 2017	Recognised to profit or loss	Classification changes	Business combinations	31 Dec 2017
Deferred tax assets					
Tax losses carried forward	304	398			702
Nondeductable interests	0	571			571
Property, plant and equipment	7	120			127
Inventories	87	–19			68
Interest rate swap	77	–25			52
Deferred sales			107		107
Share-based bonus system		5			5
Total	**475**	**1,050**	**107**	**0**	**1,631**
Deferred tax liabilities					
Intangible assets	219	151		0	370
Property, plant and equipment	109	37		0	146
Inventories	3	–43		6	–34
Borrowings	259	–169		2	92
Total	**590**	**–24**	**0**	**8**	**574**

On 31 December 2017, the Group had EUR 0.7 million in deferred tax assets related to confirmed losses. Of this amount, EUR 0.4 million will be used in taxation for 2018. On 31 December 2018, deferred tax assets related to losses for previous periods totalled EUR 0.3 million. Recognition of deferred tax assets to balance sheet is arguable because the Group is likely to accumulate taxable income for loss utilisation before the losses expire. The losses in question expire in years 2026–2027.

The Group has EUR 0.6 million (0.6) in deferred tax assets related to non-deductible interest expenses from 2017. Recognition of deferred tax assets to balance sheet is arguable because in the coming years the Group is likely to accumulate taxable income, which permits the utilization of nondeductible net interests considering the interest deduction limits. The losses in question do not expire.

ACCOUNTING POLICY – DEFERRED TAXES

Deferred taxes are recognised by using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences in full, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences only to the extent that it is probable that the temporary difference will be reversed in the future and taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are offset, where the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities, when there is an intention to realise the assets and settle the liabilities on a net basis.

6.6 NEW AND FORTHCOMING STANDARDS

IFRS 16 Leases

The standard is effective for financial periods beginning on or after 1 January 2019. Silmäasema adopted the standard as of 1 January 2019. The standard will affect primarily the accounting by lessees, and in the future Silmäasema will recognise almost all leases in the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The standard includes an optional exemption for short-term and low-value leases.

The income statement of Silmäasema will be affected because under the new approach, the total expense from the lease is typically higher in the earlier years of a lease and lower in later years. Furthermore, rental costs included in other operating expenses will be replaced with interest expense and depreciation, and therefore some key performance measures, such as EBITDA, will change. Operating cash flows will be higher, as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest continues to be presented as operating cash flows.

Silmäasema has leased several premises and offices from third parties with contracts covering periods longer than one year, as well as with cancellable leases, and therefore the standard will have a significant effect on Silmäasema's consolidated financial statements. Silmäasema estimates that the amount of right-of-use assets and lease liabilities to be recognised on the balance sheet on 1 January 2019 will be around EUR 29 million. In addition, the rental expenses related to these will be classified as depreciation and financial expenses, which will have an estimated positive effect of EUR 7 million on the EBITDA and adjusted EBITDA. These amounts will be further specified during the first quarter of 2019.

This determination requires judgement by the management regarding the expected term of lease contracts that are valid until further notice, as well as the use of extension options included in some contracts. These estimates will be reviewed at regular intervals, and the judgements will be amended, if necessary.

IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial periods beginning on or after 1 January 2019)

The interpretation concerns the determination of taxable income (tax losses), tax treatment values and unused tax losses and credits, as well as tax rates, when there is uncertainty over income tax treatment in accordance with IAS 12. The interpretation further clarifies accounting practices in situations where tax solutions are pending approval from the tax authorities. Key issues include estimating whether the tax authorities will approve the chosen solution. When assessing this, it is assumed that the tax authorities have access to all relevant information. It is Silmäasema's view that the standard will not have an effect on its consolidated financial statements, as solutions pending approval from the tax authorities and their probability have already been assessed and taken into account comprehensively.

6.7 EVENTS AFTER THE REPORTING PERIOD

No events after the reporting period.

SILMÄASEMA OYJ
FINANCIAL STATEMENTS
1 JAN 2018–31 DEC 2018

Table of contents

INCOME STATEMENT

EUR thousand	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
NET SALES	**355**	**354**
Personnel expenses		
Wages and salaries	–752	–708
Social security expenses		
Pension expenses	–144	–117
Other social security expenses	–14	–19
Total personnel expenses	–910	–844
Depreciations, amortisations and impairments		
Depreciation according to plan	–21	–13
Other operating expenses	–819	–4,056
OPERATING PROFIT (LOSS)	**–1,396**	**–4,559**
Finance income and costs		
Interest and other finance income		
Income from group undertakings	0	80
Other interest income and other financial income	4	0
Interest expenses and other finance costs		
Expenses to group undertakings	0	–53
Other interest and financial expenses	–556	–1,186
Finance cost, net	–551	–1,158
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	**–1,947**	**–5,718**
Appropriations		
Group contribution	3,800	3,600
Income taxes		
Current tax on profit for the period	–14	0
Deferred tax	–356	943
PROFIT (LOSS) FOR THE PERIOD	**1,483**	**–1,174**

BALANCE SHEET

EUR thousand	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets		
Intangible assets		
Intangible rights	66	88
Total intangible assets	66	88
Shares and holdings		
Holdings in group companies	60,923	60,923
Total shares and holdings	60,923	60,923
Total non-current assets	**60,989**	**61,010**
Current assets		
Non-current receivables		
Deferred tax assets	969	1,325
Total non-current receivables	969	1,325
Current receivables		
Current receivables from group companies	10,468	7,688
Other receivables	3	463
Prepaid expenses and accrued income	105	741
Total current receivables	10,576	8,892
Cash and cash equivalents	0	1
Total current assets	**11,545**	**10,218**
TOTAL ASSETS	**72,535**	**71,228**

BALANCE SHEET

EUR thousand	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES		
Equity		
Share capital	80	80
Reserve for invested unrestricted equity	40,790	40,790
Retained earnings (loss)	307	1,481
Profit (loss) for the period	1,483	–1,174
Total equity	**42,661**	**41,177**
Liabilities		
Non-current liabilities		
Loans from financial institutions	29,236	29,301
Other loans	0	124
Total non-current liabilities	29,236	29,425
Current liabilities		
Loans from financial institutions	119	118
Trade payables	190	319
Liabilities to group companies	48	32
Other payables	147	26
Accrued expenses and deferred income	134	130
Total current liabilities	638	626
Total liabilities	**29,874**	**30,051**
TOTAL EQUITY AND LIABILITIES	**72,535**	**71,228**

CASH FLOW STATEMENT

EUR thousand	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit (loss)	–1,396	–4,559
Depreciation according to plan	21	13
Change in net working capital	285	–556
Finance cost, net	–554	–1,295
Income taxes paid	666	–1,058
CASH FLOW FROM OPERATING ACTIVITIES	**–978**	**–7,455**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible items	0	–94
Loans granted	0	0
Proceeds from repayments of loans	0	0
CASH FLOW FROM INVESTING ACTIVITIES	**0**	**–94**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	0	35,000
Proceeds from long-term borrowings	0	0
Proceeds from short-term borrowings	16	0
Repayment of short-term borrowings	–2,638	–9,626
Repayment of long-term borrowings	0	–25,312
Proceeds from group contributions	3,600	6,550
CASH FLOW FROM FINANCING ACTIVITIES	**977**	**6,612**
CHANGE IN CASH AND CASH EQUIVALENTS	**–1**	**–938**
Cash and cash equivalents at beginning of period	1	0
Cash and cash equivalents from merger	0	939
Change in cash and cash equivalents	**–1**	**–938**
Cash and cash equivalents at end of period	0	1

NOTES AND ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Finnish accounting legislation. Measurement and recognition principles and methods used in the preparation of the financial statements

Measurement of the non-current assets

Recognition principles and methods
The acquisition cost of the intangible rights is amortised and that of the tangible assets is depreciated according to the predefined plan. Depreciation and amortisation plan has been defined based on experience.

Depreciation and amortisation periods and percentages:

Intangible rights 5 years straight-line basis

Investments and holdings

Investments and holdings are valued at the original acquisition cost or lower, if the value is permanently or substantially lower.

Foreign currency balances

Receivables and liabilities denominated in foreign currency have been translated into euros using the exchange rate prevailing at the balance sheet date quoted by European Central Bank.

Measurement of loans receivebles

Loan receivables have been measures at their nominal values or lower, if the value is impaired.

Measurement of financial assets

Financial instruments are recognized at fair value in accordance with Chapter 5, Section 2a of the Accounting Act.

Pensions

Pension provisions for the employees of the parent company and its subsidiaries have been covered through pension insurance companies.

Deferred taxes

Deferred tax liabilities and assets have been recognised for temporary differences between the tax base and carrying amounts of assets and liabilities using the tax rate enacted for the following year at the balance sheet date.

Events after the end of the financial year

No material events have occurred since the end of the financial year.

NOTES TO THE INCOME STATEMENT

EUR thousand	2018	2017
Personnel		
Average number of personnel	4	3
Wages, salaries and other remuneration of management		
Members of the Board of Directors and CEO	589	316
Other operating expenses		
Other personnel expenses	155	39
Rent expenses	11	9
Property expenses	4	32
Vehicle costs	48	32
Travel expences	16	10
Marketing expenses	43	457
Other operative expenses	542	3,477
Total	**819**	**4,056**
Depreciations and amortisations according to plan		
Intangible rights	21	13
Total	**21**	**13**
Auditors' fees		
Statutory audit	76	38
Tax services	6	22
Other services	0	757
Total	**81**	**817**
In 2018, KPMG has charged EUR 20 thousand for auditing. Audit fees are included in other operating expenses.		
Finance income and costs		
Interest income		
Interest and other finance income		
from group companies	0	80
from others	4	0
Total interest income	**4**	**81**
Interest costs		
to group companies	0	53
to others	556	1,186
Total interest costs	556	1,239
Finance costs, net	**551**	**1,158**
Appropriations		
Group contribution receivables	3,800	3,600
Total	**3,800**	**3,600**
Income tax expense		
Income taxes	–14	0
Change in deferred tax liabilities	–356	943
Total income tax expense	**–370**	**943**

Notes regarding related party information can be found in the consolidated financial statements.

NOTES TO THE BALANCE SHEET

EUR thousand	2018	2017
Changes in non-current assets		
Intangible assets		
Acquisition cost at the beginning of the period	101	0
Additions	0	101
Acquisition cost at the end of the period	101	101
Accumulated depreciation at the beginning of the period	13	0
Depreciation for the period	21	13
Carrying amount at the end of the period	**66**	**88**
Receivables		
Deferred tax receivables		
KVS, change of market value	52	52
Bidco Oy, profit for period 1 Jan–31 Dec 2016	346	702
Oyj, nondeductible interests concerning previous periods	571	571
Total	**969**	**1,325**
Receivables from group companies		
Trade receivables	35	59
Loan receivables	6,632	4,029
Other receivables	3,800	3,600
Total	**10,468**	**7,688**
Other receivables		
VAT receivables	3	463
Material items under prepaid expenses and accrued income		
Tax receivables	0	666
Compensations receivables from Social Security institute	72	69
Prepaid expenses	28	3
Other items	6	4
Total	**105**	**741**

INFORMATION ON THE PARENT COMPANY AND GROUP FINANCIAL STATEMENTS

Group companies	Silmäasema Oyj's shareholding	Silmäasema Oyj's shareholding
Silmäasema Oyj, parent company		
Silmäasema Optiikka Oy	100 %	
Silmäasema Sairaala Oy		100 %
Via Healthcare Group Oy		100 %
Tallinna Optika Oü		100 %
Haminan Silmäasema Oy (merged to Silmäasema Optiikka Oy on 1 January 2018)		merged
Jämsän Silmäasema Oy (merged to Silmäasema Optiikka Oy on 1 January 2018)		merged

Via Healthcare Group Oy:n fuusioprosessi Silmäasema Sairaala Oy:öön on vireillä.

Information on the parent company and group financial statements

Silmäasema Oyj is the parent company of Silmäasema Group.

Group financial statements are available from the company premises at,
Atomitie 5 A, 00370 Helsinki, Finland

NOTES TO THE BALANCE SHEET

EUR thousand	2018	2017
Equity		
Share capital		
At the beginning of the period	80	3
Share capital increase	0	78
At the end of the period	80	80
Reserve for invested unrestricted equity		
At the beginning of the period	40,790	5,868
Share capital increase	0	–78
Share issue	0	35,000
At the end of the period	40,790	40,790
Retained earnings (loss)		
At the beginning of the period	307	1,481
Profit (loss) for the period	1,483	–1,174
At the end of the period	1,791	307
Total equity	**42,661**	**41,177**
Distributable funds	**42,581**	**41,097**

NOTES TO THE BALANCE SHEET

EUR thousand	2018	2017
Liabilities		
Non-current liabilities		
Loans from financial institutions	29,236	29,301
Other loans	0	124
Total	**29,236**	**29,425**
The company has no loans maturing over five years.		
Current liabilities		
Loans from financial institutions	119	118
Trade payables	190	319
Liabilities to group companies	48	32
Other liabilities	147	26
Accrued expenses and deferred income	134	130
Total	**638**	**626**
Liabilities to group companies		
Trade payables	48	14
Other liabilities	0	18
Total	**48**	**32**
Material items under accrued expenses and deferred income		
Accrued personnel costs	108	115
Accrued interests	12	15
Accrued taxes	14	0
Other accruals and deferred income	0	1
Total	**134**	**130**

COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	2018	2017
Loans secured by collaterals		
The collaterals on loans were removed in connection with the Company's listing in June 2017.		
Lease commitments related to leased premises		
Expire during next financial year	11	18
Expire beyond next financial year	2	13
Total	**13**	**31**

Other financial commitments not in balance sheet

Bank loans have a covenant based on the ratio of the interest bearing liabilities to the adjusted pro-forma EBITDA. The covenant is reported to the bank quarterly. The management monitors and reports to the Board of Directors the level of the covenant regularly.

The maximum value of the covenant is 3.5. The margin of the loan increases when the value of the covenant increases.

The covenants have not been breached and at the end of the fiscal year the value of the covenant was 2.2.

SIGNATURES TO THE FINANCIAL STATEMENTS

Helsinki 6 March 2019

Jukka Hienonen
Chairman of the Board of Directors

Tuomas Lang	Maisa Romanainen	Juha Saarinen
Torsti Sihvola	Kaisa Vikkula	

Jussi Salminen
CEO

Auditor’s note

A report on the audit performed has been issued today.

Helsinki 6 March 2019

KPMG Oy Ab

Virpi Halonen
Authorised Public Accountant, KHT

KPMG

KPMG Oy Ab
Töölönlahdenkatu 3 A
PO Box 1037
00101 Helsinki, FINLAND

Telephone +358 20 760 3000
www.kpmg.fi

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Silmäasema Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Silmäasema Oyj (business identity code 2627773-7) for the year ended 31 December, 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.3 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition – Note 2.2 to the consolidated financial statements	
The consolidated net sales, EUR 122.9 million, consist of full range of services and sales of products related to eyesight through the extensive chain of stores and eye clinics as well as web shop. Store products and ordered products are recognised as income when control over the goods has been transferred to the customer. This transfer takes place at the time of delivery. Sales income from products that have been paid for in advance but have not been delivered by the reporting date is recognised in current liabilities as advances received on the balance sheet and, consequently, in net sales when the product has been delivered to the customer. Services related to eye healthcare are recognised as income when the service has been performed. Due to the extensive chain of stores and eye clinics the number of sales transaction is large and, therefore, the revenue recognition is considered a key audit matter.	Our audit procedures included evaluation of the internal control environment related to sales process as well as testing the effectiveness of the key controls. We have also performed substantive audit procedures. — We have tested processes to record sales transactions as well as the sales pricing and invoicing processes. We have also tested that the revenue is recognized to the correct accounting period. — We have tested controls and reconciliation routines over cash transactions. — We have visited to selected stores to assess and test controls related to sales. — In addition, we have considered the appropriateness of the disclosures provided for net sales in the consolidated financial statements.

Valuation of goodwill – Note 6.2.1 to the consolidated financial statements

Goodwill as at December 31, 2018 totals EUR 61.2 million which represents 60.4 percent of the consolidated balance sheet and 145.7 percent of the total consolidated equity. Goodwill is the most significant individual item in the consolidated balance sheet.

Goodwill is tested for impairment annually, and more frequently if there is any indication of impairment.

Preparation of impairment tests requires significant amount of management judgement and assumptions on future particularly in respect of growth in net sales, profitability and discount rates.

— We have assessed critically management's basis and assumptions used for the cash flow projections for the coming years as well as reviewed key assumptions in the calculations such as profitability levels, discount rate and long-term growth estimates. In addition, the estimates used in the calculations have been compared to the estimates approved by the Board.

— We have involved KPMG valuation specialists in our audit of goodwill impairment tests. We have assessed the appropriateness of the discount rate and the technical correctness of the calculations, as well as compared the assumptions used to market and industry specific information.

— We have compared the assumptions used in previous year's impairment tests, especially in respect of net sales and profitability, to actual performance in 2018, to assess the accuracy of estimation process.

— At year-end audit, we have considered the adequacy of the sensitivity analyses and the appropriateness of the disclosures for goodwill impairment tests in the consolidated financial statements.

Holdings in group companies in the parent company's financial statements – refer to Accounting principles of the parent company's financial statements and Note group companies

The parent company's holdings in group companies comprise a significant part of the parent company's assets. The amount of holdings totaled EUR 60.9 million as at December 31, 2018 which represents 84.0 percent of the consolidated balance sheet.

The valuation of holdings in group companies is dependent on the subsidiaries' financial performance. The valuation of holdings in group companies may also impact the distributable funds of the parent company.

— We have assessed critically management's basis and assumptions used for the cash flow projections for the coming years as well as reviewed key assumptions in the calculations such as profitability levels, discount rate and long-term growth estimates. In addition, the estimates used in the calculations have been compared to the estimates approved by the Board.

— We have involved KPMG valuation specialists in our audit of impairment tests. We have assessed the appropriateness of

Holdings in group companies are tested for impairment using the same method as for goodwill impairment tests. Thus, any indication or need for impairment of goodwill or other assets may impact also to value of the parent company's holdings in group companies.

the discount rate and the technical correctness of the calculations, as well as compared the assumptions used to market and industry specific information.

Responsibilities of the Board of Directors and the CEO for the Financial Statements

The Board of Directors and the CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 11.4.2018, and our appointment represents a total period of uninterrupted engagement.

Other Information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the CEO be discharged from liability for the financial period audited by us.

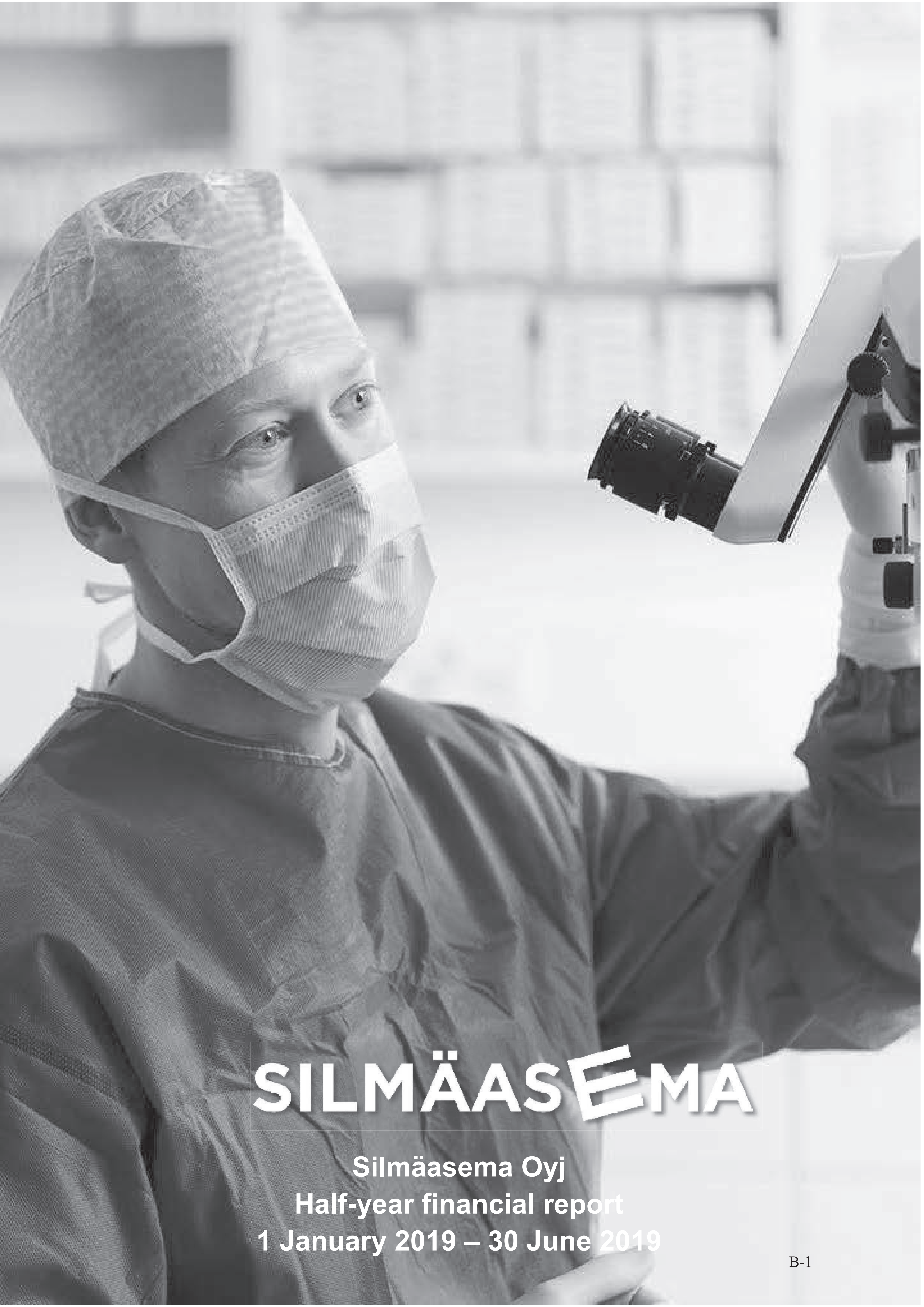
Helsinki 6 March 2019

KPMG OY AB

VIRPI HALONEN
Authorised Public Accountant, KHT

Silmäasema Oyj
Business ID 2627773–7
Atomitie 5 A, 3rd floor
FI–00370 Helsinki
tel. +358 10 301 6000

SILMÄASEMA



SILMÄASEMA

Silmäasema Oyj
Half-year financial report
1 January 2019 – 30 June 2019

SILMÄASEMA

Silmäasema Oyj's half-year financial report 1 January – 30 June 2019

Silmäasema's net sales and profitability continued to develop strongly

April–June 2019 in brief

- Net sales increased by 5.4% compared with April–June 2018, amounting to EUR 34.5 million (32.8). The like-for-like net sales grew by 5.3%.
- The adjusted EBITDA* increased by 74.6% and was EUR 5.7 million (3.3), or 16.6% of net sales (10.0%). Without the impact of IFRS 16, the adjusted EBITDA would have been 11.2% of net sales (10.0%).
- The adjusted operating result* increased by 32.6% to EUR 2.4 million (1.8).

January–June 2019 in brief

- Net sales increased by 4.9% compared with January–June 2018, amounting to EUR 66.7 million (63.6). The like-for-like net sales grew by 3.6%.
- The adjusted EBITDA* increased by 80.6% and was EUR 11.0 million (6.1), or 16.5% of net sales (9.6%). Without the impact of IFRS 16, the adjusted EBITDA would have been 10.9% of net sales (9.6%).
- The adjusted operating result* increased by 34.9% to EUR 4.3 million (3.2).
- Cash flows from operating activities* developed strongly and amounted to EUR 9.5 million (4.0).
- Net debt* was EUR 51.5 million (35.0) at the end of the period.
- The net debt to adjusted EBITDA ratio* on 30 June 2019 was 3.1 (3.2).
- Basic earnings per share improved to EUR 0.15 (0.08).

The figures for 2018 are from the audited financial statements. The quarterly figures are unaudited. Figures in parentheses refer to the comparable period in 2018, and "comparison period" refers to the comparable period in the previous year, unless otherwise mentioned.

Outlook for 2019 (unchanged)

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.

***IFRS 16 affects the comparability of the reported figures**

At the beginning of the year, Silmäasema adopted the IFRS 16 Leases standard, which entered into force on 1 January 2019. The figures reported for April–June and January–June 2019 are not comparable with the previous year's figures, as they include items based on the adoption of the IFRS 16 standard. The impact of the adoption of the IFRS 16 standard on the key figures is presented in the "Impact of IFRS 16 on the key figures" table. The data in parentheses for the comparison period have not been adjusted for the IFRS 16 standard. There is more information on the adoption of the standard in Note 5.3 to the half year financial report on pages 32-33.

SILMÄASEMA

Key figures

EUR thousand, unless otherwise stated	4–6/2019	4–6/2018	Change, %	1–6/2019	1–6/2018	Change, %	1–12/2018
Net sales	34,542	32,757	5.4%	66,732	63,627	4.9%	122,873
Comparable net sales growth, %	5.3%	-0.9%		3.6%	-1.6%		-1.6%
EBITDA*	5,583	2,752	102.8%	10,770	5,273	104.3%	11,443
Adjusted EBITDA*,**	5,737	3,286	74.6%	10,985	6,082	80.6%	11,765
- Adjusted EBITDA*, %	*16.6%*	*10.0%*		*16.5%*	*9.6%*		*9.6%*
Operating result	2,170	1,277	69.9%	4,044	2,395	68.9%	5,492
Adjusted operating result*,**	2,410	1,818	32.6%	4,349	3,224	34.9%	5,844
- Adjusted operating result*, %	*7.0%*	*5.5%*		*6.5%*	*5.1%*		*4.8%*
Basic earnings per share, EUR*	0.08	0.05		0.15	0.08		0.23
Net debt / Adjusted EBITDA*				3.1	3.2		2.4
Investments – operational				611	4,947	-87.7%	6,716
Investments – acquisitions				1,024	1,053	-2.7%	1,775
Investments – total				1,635	6,000	-72.7%	8,491
Number of locations, Silmäasema chain				172	180	-4.4%	181

* The key figure is not comparable due to the adoption of the IFRS 16 standard at the beginning of 2019.
** 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.

Impact of IFRS 16 on the key figures

EUR thousand, unless otherwise stated	**Reported 4–6/2019**	Without IFRS 16 4–6/2019	IFRS 16 change	Reported 4–6/2018	**Reported 1–6/2019**	Without IFRS 16 1–6/2019	IFRS 16 change	Reported 1–6/2018
EBITDA	5,583	3,659	1,924	2,752	10,770	6,985	3,786	5,273
Adjusted EBITDA	5,737	3,870	1,867	3,286	10,985	7,256	3,729	6,082
Adjusted EBITDA, %	16.6%	11.2%	5.4% points	10.0%	16.5%	10.9%	5.6% points	9.6%
Operating result	2,170	2,097	73	1,277	4,044	3,899	146	2,395
Adjusted operating result	2,410	2,337	73	1,818	4,349	4,203	146	3,224
Profit before taxes	1,632	1,730	-98	909	3,013	3,213	-200	1,684
Profit (loss) for the period	1,185	1,263	-78	646	2,194	2,354	-160	1,163
Basic earnings per share, EUR	0.08	0.09	-0.01	0.05	0.15	0.17	-0.01	0.08
Cash flow from operating activities					9,466	6,082	3,384	4,005
Net debt					51,463	24,149	27,314	35,047
Net debt / Adjusted EBITDA (leverage)					3.1	1.9	1.2	3.2
Gearing, %					120.2%	56.1%	64.1% points	87.5%
Equity ratio					34.4%	44.2%	-9.8% points	42.0%
Return on capital employed, % (ROCE)					3.7%	5.6%	-1.9% points	3.1%
Return on equity, % (ROE)					5.2%	5.5%	-0.4% points	3.0%

CEO Jussi Salminen:

"During the first half of the year, we continued to focus on the cornerstones of our chain-based business, as launched last year: building the operating conditions, developing our network of sites and profitable growth. Reviewing the first half of the year, we are delighted to see that our profitability has continued to develop in the right direction. This was the third consecutive quarter in which Silmäasema's adjusted EBITDA has improved year-on-year.

In January–June 2019, Silmäasema's net sales and adjusted EBITDA improved strongly during both the first and second quarters. In addition, the cashflow from operations developed strongly. The favourable development is based on an overall improvement in the performance of optical retail, which plays a decisive role with regard to the Group's net sales. With regard to the eye clinics, we still have work to do.

In line with what we announced earlier, we have identified opportunities outside our personnel expenses to streamline our operations and optimise our cost structure. We are seeking to reduce costs gradually by around EUR 2 million by the end of 2020. The implementation of these measures has progressed faster than planned during the first half of the year.

The Optical Retail and Eye Healthcare segment improved its net sales and result significantly. The number of customers visiting our stores increased and we succeeded in providing them high-quality service profitably. We will continue to actively develop our network, and we will systematically revise our store locations, opening times and the services they offer. The continuous improvement of the knowledge and skills of our experts and customer service personnel is at the core of our development efforts.

I am not satisfied with the performance of the Eye Clinics segment. Net sales and EBITDA were especially burdened by the lower sales of other services than refractive and cataract surgeries. In addition, the adjusted EBITDA was burdened by the measures implemented to increase volumes. These measures have an immediate effect on expenses, but their impact on the result typically becomes visible only over the longer term.

We have today published Silmäasema's updated strategy and financial targets for the period 2020-2022. Silmäasema's goal is to renew the eyesight market and grow profitably. We seek to develop into customers' preferred good eyesight partner that comprehensively responds to their changing needs and offers the most suitable solutions for good eyesight for people of different ages, in various environments and situations and for all eye healthcare issues.

Company's growth and profitability will be based on becoming customers' preferred choice and the leading expert in eye healthcare, renewing and growing the eyesight market, and improving performance and profitability.

We will present the strategy and its implementation towards the end of the year, both at our Capital Markets Day on 18 September 2019, and at other investor meetings and private investor events.

I started as CEO at the beginning of 2019. Now that the first half-year has passed, I would like to take this opportunity to thank our employees for the results we have achieved together so far and our customers for their trust Silmäasema was selected as the most widely trusted optician store in Finland for the second consecutive time. Overall, we are satisfied with our first-half result and our progress in terms of our priorities for 2019."

SILMÄASEMA

Market environment

According to a recent market report published by the Finnish Association of Vision and Eyecare, the net sales of optical retail in Finland in January–March grew by 4.8% to EUR 87.7 million (83.7). The total Finnish eyesight and eye healthcare market in 2018 was EUR 555 million (542). Of this total market, the optical retail sector accounted for EUR 330 million (324) and private eye healthcare services for EUR 225 million (218). Based on its market share of 27.6% in 2018, Silmäasema is the second largest optical retail chain in Finland. The Finnish Association of Vision and Eyecare is expected to publish its market report for January–June 2019 in August or September.

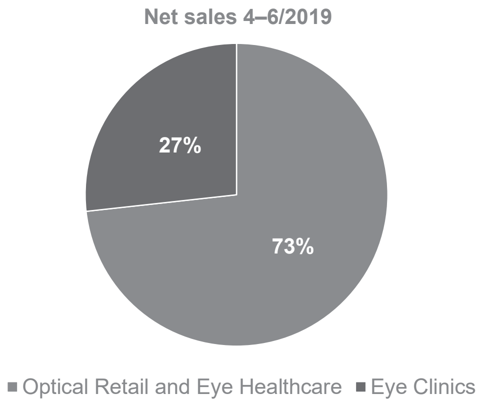
According to the Finnish Association of Vision and Eyecare, 18,000 refractive surgeries, and 18,500 privately-financed cataract surgeries of which 7,000 cataract surgeries were paid by service vouchers. Silmäasema's market share of refractive surgeries was about 48%, and its market share of privately-funded cataract surgeries was about 50%.

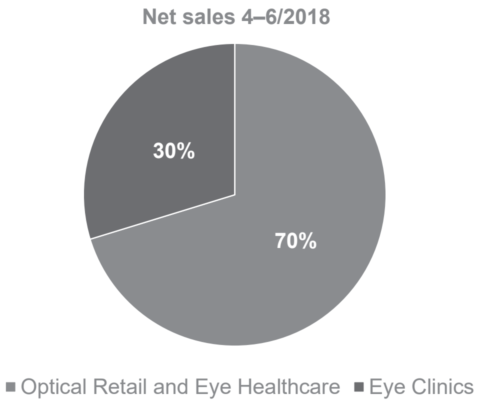
The company expects that the change in the population age structure and the increase in the population's average age will increase demand for optical retail and eye healthcare services. Population ageing is expected to increase the number of cataract surgeries in particular, but it is also expected to 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 rise sharply during the 21st century. According to a population forecast published by Statistics Finland in November 2018, the number of people aged over 65 will increase by around 11% by 2025 and by around 19% by 2030, compared with 2019.

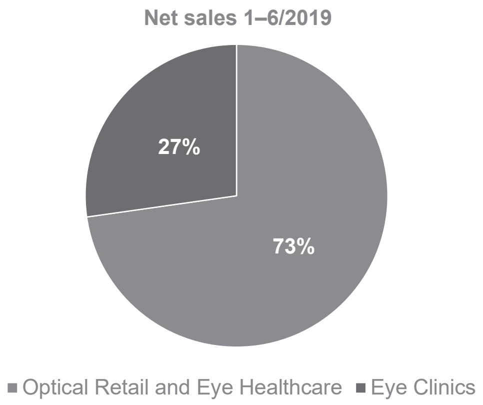
Preparations for the implementation of the regional government, health and social services reform were discontinued in March by a decision of the Finnish Government. A project to reform the Freedom of Choice Act, aimed at increasing customers' freedom of choice, was also discontinued at the same time. Prime Minister Antti Rinne's Government will continue the parliamentary preparation of the health and social services reform in line with the new Government Programme, which was published at the beginning of June. The discontinuation of the previous government's health and social services projects will not have an impact on the service voucher legislation that is in force, and municipalities can still use service vouchers in their provision of services. In 2018, 24% of the cataract surgeries performed at Silmäasema were paid for by means of service vouchers.

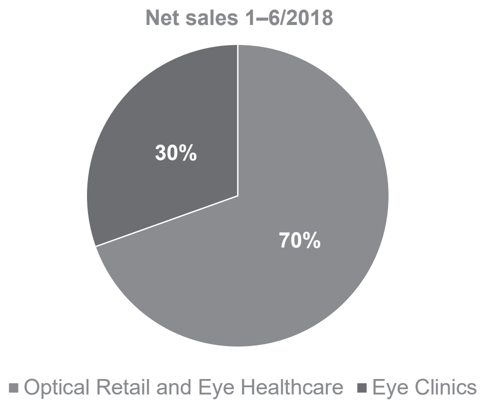
Consolidated net sales and result

Net sales (EUR thousand)	4–6/2019	4–6/2018	Change	1–6/2019	1–6/2018	Change	1–12/2018
Optical Retail and Eye Healthcare	25,302	23,013	+9.9%	48,550	44,244	+9.7%	87,970
Eye Clinics	9,240	9,744	-5.2%	18,183	19,383	-6.2%	34,903
Group	34,542	32,757	+5.4%	66,732	63,627	+4.9%	122,873









Adjusted EBITDA* (EUR thousand)	4–6/2019	4–6/2018	Change, %	1–6/2019	1–6/2018	Change, %	1–12/2018
Optical Retail and Eye Healthcare	4,603	1,872	+145.9%	8,503	3,340	+154.6%	7,657
- Share of segment’s net sales, %	18.2%	8.1%		17,5%	7.5%		8.7%
Eye Clinics	1,134	1,413	-19.8%	2,482	2,743	-9.5%	4,107
- Share of segment’s net sales, %	12.3%	14.5%		13.6%	14.2%		11.8%
Group	5,737	3,286	+74.6%	10,985	6,082	+80.6%	11,765
- Share of net sales, %	16.6%	10.0%		16.5%	9.6%		9.6%

* The key figures in the table are not comparable due to the adoption of the IFRS 16 standard at the beginning of 2019. The impact in April–June of the adoption of the IFRS 16 standard on the adjusted EBITDA is EUR 1.867 million at the Group level, EUR 1.584 million in the Optical Retail and Eye Healthcare segment and EUR 283,000 in the Eye Clinics segment. The impact in January–June of the adoption of the IFRS 16 standard on the adjusted EBITDA is EUR 3.729 million at the Group level, EUR 3.163 million in the Optical Retail and Eye Healthcare segment and EUR 566,000 in the Eye Clinics segment.

Financial development in April–June 2019

Silmäasema’s net sales increased by 5.4% during the second quarter and amounted to EUR 34.5 million (32.8). Its like-for-like net sales grew by 5.3% year-on-year.

The Group’s sales margin increased by 5.3% and was EUR 19.3 million (18.3). Its relative sales margin remained at the comparison period’s level and was 55.8% of net sales (55.8%).

Due to the increase in net sales, the EBITDA improved year-on-year. The adjusted EBITDA was EUR 5.7 million (3.3), or 16.6% of net sales (10.0%). Silmäasema’s EBITDA in April–June was EUR 5.6 million (2.8). The fixed costs included in the EBITDA for the reporting period do not include rent expenses classified in accordance with the IFRS 16 -standard. During the second quarter of 2019, this had a positive impact of EUR 1.9 million on the Group’s EBITDA and adjusted EBITDA in comparison with the corresponding period in the previous year.

The Group's personnel expenses were EUR 8.7 million (8.8) in April–June. Their contribution to net sales decreased slightly, to 25.3% (26.8%). Maintenance, IT, equipment and furniture expenses were at the comparison period's level, amounting to EUR 1.7 million (1.7). Their share of net sales decreased to 4.9% (5.0%). As a whole, operating expenses were EUR 4.9 million (6.8). Due to adoption of the IFRS 16 standard, the amount of lease expenses recognized decreased by EUR 1.9 million compared to prior year.

Silmäasema's operating result was EUR 2.2 million (1.3). Its adjusted operating result was EUR 2.4 million (1.8). The impact of the adoption of the IFRS 16 standard on the reporting period's operating result and adjusted operating result was EUR 0.1 million.

Financial development in January–June 2019

Silmäasema's net sales in January–June 2019 amounted to EUR 66.7 million (63.6), representing an increase of 4.9% year-on-year. Its like-for-like net sales grew by 3.6%.

The Group's sales margin increased by 4.2% and was EUR 37.5 million (36.0), or 56.2% of net sales (56.6%).

Due to the increase in net sales, the EBITDA improved year-on-year. The adjusted EBITDA was EUR 11.0 million (6.1), or 16.5% of net sales (9.6%). Silmäasema's EBITDA in January–June 2019 was EUR 10.8 million (5.3). The fixed costs included in the EBITDA for the reporting period do not include rent expenses classified in accordance with the IFRS 16 -standard. In January–June 2019, this had a positive impact of EUR 3.8 million on the Group's EBITDA and a positive impact of EUR 3.7 million on its adjusted EBITDA in comparison with the corresponding period in the previous year.

In January–June, the Group's personnel expenses amounted to EUR 17.0 million (17.2), and their share of net sales decreased to 25.5% (27.1%). Maintenance, IT, equipment and furniture expenses increased slightly year-on-year and were EUR 3.4 million (3.2). Their relative share of net sales was 5.1% (5.0%). As a whole, however, other operating expenses decreased significantly, to EUR 9.7 million (13.5). Due to adoption of the IFRS 16 standard, the amount of lease expenses recognized decreased by EUR 3.8 million compared to prior year. Silmäasema's operating result was EUR 4.0 million (2.4). Its adjusted operating result increased by 34.9% to EUR 4.3 million (3.2). The impact of the adoption of the IFRS 16 standard on the reporting period's operating result and adjusted operating result was EUR 0.1 million.

Cash flows

Silmäasema's cash flows from operating activities were strong and grew to EUR 9.5 million (4.0) in January–June 2019. The very strong growth resulted from the higher profit for the period and the change in the method of presentation related to the adoption of the IFRS 16 standard. Due to the adoption of the IFRS 16 standard, the cash flows from operating activities for January–June 2019 have been adjusted by EUR 3.6 million (-) through depreciation of right-of-use assets, and this includes EUR 0.3 million (-) in interest expenses arising from the lease liabilities related to these items.

Cash flows from investing activities in January–June amounted to EUR -1.6 million (-6.0). Silmäasema's cash flows from financing activities in January–June 2019 were EUR -7.9 million (-0.2). In the reporting period, the cash flows included a dividend payment of EUR -1.4 million, EUR -10.0 million in repayments of non-current loans, EUR -3.4 million in repayments of lease liabilities, and EUR 7.0 million in commercial papers issued within a commercial paper programme.

Investments

Silmäasema's investments in January–June totalled EUR 1.6 million (6.0). Of the total, operational investments represented EUR 0.6 million (4.9) and company acquisitions represented EUR 1.0 million (1.1). The acquisition investments in the reporting period are related to contingent purchase prices concerning company acquisitions made in previous years. Operational investments in the comparison period include the investments related to the establishment of the eye clinic in Oulu.

Consolidated balance sheet and financial standing

At the end of June 2019, the Silmäasema Group's balance sheet stood at EUR 127.7 million (98.0), of which equity amounted to EUR 42.8 million (40.0). The net debt at the end of the period was EUR 51.5 million (35.0), including EUR 27.3 million (-) in lease liabilities resulting from the adoption of the IFRS 16 standard.

At the end of the review period, Silmäasema's net working capital was EUR -7.3 million (-4.9). Due to the nature of the business, its use of capital is efficient. Its equity ratio stood at 34.4% (42.0%) at the end of the review period. The equity ratio is reduced by the recognition of lease liabilities arising from the adoption of the IFRS 16 standard.

On 17 April 2019, Silmäasema signed an agreement to set up a EUR 100 million domestic commercial paper programme with OP Corporate Bank plc. The commercial papers issued within the programme during the period totalled EUR 7.0 million.

Optical Retail and Eye Healthcare

Net sales and result in April–June 2019

The Optical Retail and Eye Healthcare segment's net sales increased by 9.9% to EUR 25.3 million (23.0). Its net sales increased throughout the store network. The year-on-year increase in net sales was supported by higher customer visit numbers and sales volumes, as well as successful campaigns. The like-for-like net sales grew by 9.2%.

Due to the strong increase in net sales, the EBITDA improved year-on-year. The segment's EBITDA was EUR 4.4 million (1.4), and its adjusted EBITDA was EUR 4.6 million (1.9), or 18.2% of net sales (8.1%). The fixed costs included in the EBITDA for the reporting period do not include rent expenses classified in accordance with the IFRS 16 -standard. During the second quarter of 2019, this had a positive impact of EUR 1.6 million on the EBITDA and adjusted EBITDA in comparison with the corresponding period in the previous year. Without the impact of the adoption of the IFRS 16 standard, the adjusted EBITDA would have been EUR 3.0 million and the EBITDA EUR 2.9 million.

The Optical Retail and Eye Healthcare segment's operating result was EUR 1.9 million (0.6), and its adjusted operating result was EUR 2.2 million (1.0). The impact of the adoption of the IFRS 16 standard on the segment's operating result and adjusted operating result in the reporting period was EUR 0.1 million.

Net sales and result in January–June 2019

The Optical Retail and Eye Healthcare segment's net sales increased by 9.7% to EUR 48.6 million (44.2). Its net sales increased throughout the store network. The like-for-like net sales grew by 7.7%.

Due to the strong increase in net sales, the EBITDA improved year-on-year. The segment's EBITDA was EUR 8.3 million (2.6), and its adjusted EBITDA was EUR 8.5 million (3.3), or 17.5% of net sales (7.5%). The adoption of the IFRS 16 standard had a positive effect of EUR 3.2 million on the EBITDA and adjusted EBITDA. Without the impact of the adoption of the IFRS 16 standard, the adjusted EBITDA would have been EUR 5.3 million and the EBITDA EUR 5.1 million.

The Optical Retail and Eye Healthcare segment's operating result was EUR 3.4 million (0.9), and its adjusted operating result was EUR 3.7 million (1.7). The impact of the adoption of the IFRS 16 standard on the operating result and adjusted operating result was EUR 0.1 million.

Sales days

	Q1/2019	Q1/2018	Q2/2019	Q2/2018	Q3/2019	Q3/2018	Q4/2019	Q4/2018
Weekdays	63	63	60	62	67	65	63	63
Saturdays	13	12	12	12	13	13	12	12
Sundays	12	12	12	11	13	14	13	12
Public holidays	2	3	7	6	-	-	5	4

Store network

At the end of June 2019, the chain included a total of 158 (166) optical retail stores. Of these stores, 140 (148) were owned by Silmäasema and 18 (18) were chain stores owned by franchisees.

	Opened before 2016[1]	Opened/closed in 2016–2017[1]	2018 Opened/closed [1]	2019 Opened/closed	Total 30 June 2019
Own stores in Finland	87	45/0	8/1	1/9	**131**
Own stores in Estonia	-	9/0	1/0	0/1	**9**
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. Refractive and cataract surgeries make up around 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.

Net sales and result in April–June 2019

The Eye Clinics segment's net sales decreased by 5.2% and were EUR 9.2 million (9.7) in April–June. Its like-for-like net sales decreased by 4.0%. The value of the sales of cataract and refractive surgeries increased year-on-year, while there was a decrease in the sales of other services, such as doctor's appointments and eye examinations. In addition, the sales of outsourced ophthalmological services to the Hospital District of Helsinki and Uusimaa were lower than in the comparison period.

Demand for refractive surgeries in April–June was lower than in the comparison period: a total of 2,197 (2,406) refractive surgeries were carried out at Silmäasema eye clinics. The overall volume of cataract surgeries was at the comparison period's level. A total of 2,289 (2,204) cataract surgeries were performed, of which 26% (25%) were surgeries paid for by means of service vouchers.

Profitability was burdened by a decrease in the segment's volumes, particularly in the sales of products other than refractive and cataract surgeries. In addition, investments in increasing the volumes of business operations were made during the period. If these measures are successful, their effects will become visible over the longer term. The segment's EBITDA was EUR 1.1 million (1.3), and its adjusted EBITDA was EUR 1.1 million (1.4), or 12.3% of net sales (14.5%). The fixed costs included in the EBITDA for the reporting period do not include rent expenses classified in accordance with the IFRS 16 -standard. During the second quarter of 2019, this had a positive impact of EUR 0.3 million on the EBITDA and adjusted EBITDA in comparison with the corresponding period in the previous year. Without the impact of the adoption of the IFRS 16 standard, the EBITDA and adjusted EBITDA would have been EUR 0.9 million.

The Eye Clinics segment's operating result was EUR 0.2 million (0.7), and its adjusted operating result was EUR 0.2 million (0.8), or 2.5% of net sales (8.2%). The impact of the adoption of the IFRS 16 standard on the segment's operating result and adjusted operating result in the reporting period was EUR 0.0 million.

Net sales and result in January–June 2019

The Eye Clinics segment's net sales decreased by 6.2% and were EUR 18.2 million (19.4) in January–June. Its like-for-like net sales decreased by 5.8%. This was mainly due to a decrease in the number of refractive surgeries and in the total volume of doctor's appointments and other services. In addition, the sales of outsourced ophthalmological services to the Hospital District of Helsinki and Uusimaa were lower than in the comparison period.

Demand for refractive surgeries in January–June was lower than in the comparison period: altogether 4,447 (4,692) refractive surgeries were performed at Silmäasema eye clinics. The overall volume of cataract surgeries was at the comparison period's level. 4,481 (4,444) cataract surgeries were performed, of which 28% (24%) were surgeries paid for by means of service vouchers.

The segment's EBITDA was EUR 2.5 million (2.6), and its adjusted EBITDA was EUR 2.5 million (2.7), or 13.6% of net sales (14.2%). The adoption of the IFRS 16 standard had a positive effect of EUR 0.6 million on the EBITDA and adjusted EBITDA. Without the impact of the adoption of the IFRS 16 standard, the EBITDA and adjusted EBITDA would have been EUR 1.9 million.

The Eye Clinics segment's operating result was EUR 0.7 million (1.5), and its adjusted operating result was EUR 0.7 million (1.6), or 3.8% of net sales (8.1%). The impact of the adoption of the IFRS 16 standard on the segment's operating result and adjusted operating result in the reporting period was EUR 0.0 million.

Personnel

In January–June 2019, the average number of personnel at Silmäasema was 727 (720) in full-time equivalents. At the end of June 2019, the personnel under an employment contract with the Group totalled 790 (770), of whom 757 (737) were based in Finland and 33 (33) 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 17.0 million (17.2) in January–June 2019.

Development programme 2018–2020

In 2018, Silmäasema launched a development programme involving 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, however purchases related to the information systems will mainly be recognised as capital expenditure starting from the final selection of the systems.

The preparation of information system renewals progressed as planned in January–June, and the project transitioned to the first supplier selection stage during the first half of 2019. Silmäasema seeks to ensure the optimal implementation of the programme by means of process phases and pilot projects.

Changes in the Management Team

Sari Nordblad, MSc (Econ.), started as the CFO on 18 May 2019, after her predecessor, Anu Kankkunen, left the company in accordance with what had been announced earlier. The appointment of Sari Nordblad was announced on 26 March 2019. She started onboarding and familiarising herself with the company by serving as interim Commercial Director.

Tapani Kyrki, MSc (Econ.), started as Silmäasema's Business Director and a member of its Management Team on 3 June 2019. Silmäasema announced Kyrki's appointment on 18 April 2019.

Jyrki Alamäki, MSc (Educ.), started as Silmäasema's Sales Director and a member of its Management Team on 10 June 2019. Silmäasema announced Alamäki's appointment on 20 March 2019.

At the end of June 2019, Silmäasema's Management Team consisted of Jussi Salminen (CEO), Sari Nordblad (CFO), Sirkkaliisa Kulmala (HR Director), Tapani Kyrki (Business Director) and Jyrki Alamäki (Sales Director). In addition, opthamologist, MD Roope Sihvola, Silmäasema's Chief Medical Officer, participates in the work of the Management Team.

Shares and shareholders

The total number of Silmäasema's registered shares on 30 June 2019 was 14,248,805 and the company's share capital entered in the Trade Register was EUR 80,000. On 30 June 2019, 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–June 2019 was EUR 5.70 (7.54) and the lowest was EUR 4.33 (4.52). The volume-weighted average price was EUR 5.24 (5.37) per share. The closing rate on 30 June 2019 was EUR 5.30 (5.45), with the market value of Silmäasema's share capital standing at EUR 75.5 million (77.7). Total trading for the share in January–June was EUR 3.1 million (14.3), and the trading volume was 0.6 (2.7) million shares in total.

At the end of June 2019, Silmäasema had a total of 5,253 (5,859) registered shareholders. Nominee-registered and direct foreign shareholders represented a holding of 6.88% (17.76%) of the share capital at the end of the review period.

Decisions of the 2019 Annual General Meeting

On 10 April 2019, the Annual General Meeting (AGM) of Silmäasema Oyj adopted the company's financial statements and consolidated financial statements for the 2018 financial year, discharged the members of the Board of Directors and CEOs from liability, and approved all of the proposals made to the AGM by the Board and the Shareholders' Nomination Committee.

The AGM decided that a dividend of EUR 0.10 per share be distributed for the 2018 financial year (1 January – 31 December 2018). The dividend was paid on 23 April 2019 to all shareholders who were entered in the company's shareholders' register maintained by Euroclear Finland on the dividend payment record date 12 April 2019.

The AGM decided to retain the annual fees of the Board of Directors unchanged. The annual fee of the Chair of the Board shall be EUR 40,000 per year, and the annual fees of the Vice Chairman and the other members of the Board shall be EUR 22,000 per year. A meeting fee of EUR 400 for Audit Committee meetings was also confirmed.

The AGM confirmed that the Board of Directors will consist of six (6) members for the term that lasts until the close of the Annual General Meeting in 2020. Jukka Hienonen, Tuomas Lang, Maisa Romanainen, Torsti Sihvola and Kaisa Vikkula were re-elected and Martti Kiuru was elected as a new member of the Board of Directors. The AGM elected Jukka Hienonen as Chair of the Board and Kaisa Vikkula 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 the principal auditor.

The AGM authorised the Board to decide on the acquisition of the company's shares in one or more instalments, using funds from the company's unrestricted equity, provided that the maximum quantity of shares purchased is no more than 1,400,000 shares, corresponding 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 Martti Kiuru as its members. At the same meeting, the Board also decided to establish a remuneration committee and elected from among its members Jukka Hienonen as the Chair and Maisa Romanainen and Tuomas Lang as its members.

The decisions of the AGM were announced in more detail in a stock exchange release published on 10 April 2019.

Near-term business risks and uncertainties

The risks related to Silmäasema's growth strategy are expected to decrease as the company shifts its focus towards the development of its existing network of locations and business operations. Nevertheless, the process of opening new stores, finding suitable business locations and acquiring companies involves risks that are managed by careful preparation and solid integration expertise. Fostering the ability to learn new skills and manage profitable growth requires that special attention is paid to motivational and target-oriented leadership, and to the development and controlled implementation of new operating models. In 2018, the company launched a major development programme that involves changes to operating models and the renewal of information systems. It includes uncertainties related to the amount and timing of costs and investments and will tie up the company's resources, which may have temporary effects on business operations.

Silmäasema has actively expanded its network of stores in recent years. The early operations of newly established and acquired stores are affected by normal start-up risks, and their profitability is also burdened by the investments required to start operations and achieve a strong market position. New stores typically reach their normal level of profitability in one to three years, but this involves uncertainty.

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

Competition in the healthcare sector has become more similar to that found in ordinary consumer markets. Silmäasema must be able to adapt its business models so as to become more demand and consumer-oriented. The company monitors changes in the market, including the continuous observation of its competitors. 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.

Discontinuation of the preparations for the implementation of the regional government, health and social services reform and the so-called Freedom of Choice Act do not have an impact on Silmäasema's operations or outlook. The discontinuation of the preparation of these projects will not have an impact on the service voucher legislation that is in force, and municipalities will still be able to use service vouchers in the provision of their services. In 2018, 24% of the cataract surgeries performed at Silmäasema were paid for by means of service vouchers. 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.

Board of Directors' authorisations

Silmäasema's Annual General Meeting (AGM), held on 10 April 2019, 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, provided that the maximum quantity of shares purchased is no more than 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 10 April 2019.

Outlook for 2019 (unchanged)

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

Over the long term, the ageing population and Finns' increased investment in health and well-being are factors that are expected to increase 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.

Silmäasema's strategy implementation in 2019 is focused on developing and optimising its network of locations and business operations, and improving profitability. 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 while the programme is ongoing, but the timing of these expenses is difficult to predict at this point. Procurement related to the programme is likely to be recognised as capital expenditure.

Silmäasema adopted IFRS 16 Leases as of the financial period beginning 1 January 2019. The impact of the adoption on the EBITDA in 2019 will be around EUR 7 million, and the amount of right-of-use assets and lease liabilities recognised on the opening balance sheet amounted to EUR 29 million. The outlook for 2019 is presented without the impact of the IFRS 16 standard.

SILMÄASEMA OYJ

Board of Directors

For further information, please contact:

CEO **Jussi Salminen**, tel. +358 40 834 5818, jussi.m.salminen(a)silmaasema.fi
CFO **Sari Nordblad**, tel. +358 50 552 7247, sari.nordblad(a)silmaasema.fi

Head of Communications and Investor Relations **Mikko Merisaari**, tel. +358 50 521 4055, mikko.merisaari(a)silmaasema.fi

THE GROUP'S KEY FIGURES

EUR thousand, unless otherwise stated	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	1–12/2018
Growth of net sales							
Net sales	34,542	32,757	5.4 %	66,732	63,627	4.9 %	122,873
Like-for-like growth in net sales, %	5.3 %	-0.9 %		3.6 %	-1.6 %		-1.6 %
Income statement							
Gross profit	19,261	18,295	5.3 %	37,491	35,984	4.2 %	69,554
Gross profit %	*55.8 %*	*55.8 %*		*56.2 %*	*56.6 %*		*56.6 %*
EBITDA	5,583	2,752	102.8 %	10,770	5,273	104.3 %	11,443
EBITDA %	*16.2 %*	*8.4 %*		*16.1 %*	*8.3 %*		*9.3 %*
Adjusted EBITDA	5,737	3,286	74.6 %	10,985	6,082	80.6 %	11,765
Adjusted EBITDA %	*16.6 %*	*10.0 %*		*16.5 %*	*9.6 %*		*9.6 %*
Operating result	2,170	1,277	69.9 %	4,044	2,395	68.9 %	5,492
Operating result %	*6.3 %*	*3.9 %*		*6.1 %*	*3.8 %*		*4.5 %*
Adjusted operating result	2,410	1,818	32.6 %	4,349	3,224	34.9 %	5,844
Adjusted operating result %	*7.0 %*	*5.5 %*		*6.5 %*	*5.1 %*		*4.8 %*
Profit before taxes	1,632	909	79.6 %	3,013	1,684	79.0 %	4,123
Profit before taxes %	*4.7 %*	*2.8 %*		*4.5 %*	*2.6 %*		*3.4 %*
Profit (loss) for the period	1,185	646	83.3 %	2,194	1,163	88.7 %	3,254
Profit (loss) for the period %	*3.4 %*	*2.0 %*		*3.3 %*	*1.8 %*		*2.6 %*
Basic earnings per share, eur	0.08	0.05		0.15	0.08		0.23
Financial key figures *							
Net debt				51,463	35,047		27,957
Net debt / Adjusted EBITDA (leverage)				3.1	3.2		2.4
Gearing				120.2 %	87.5 %		66.6 %
Equity ratio				34.4 %	42.0 %		42.8 %
Return on capital employed % (ROCE)				3.7 %	3.1 %		6.9 %
Return on equity % (ROE)				5.2 %	3.0 %		8.1 %
Investments							
Operational				611	4,947	-87.7 %	6,716
Acquisitions				1,024	1,053	-2.7 %	1,775
Total				1,635	6,000	-72.7 %	8,491
Cash flow from operations				9,466	4,005		13,092
Personnel (end of the review period)*							
FTE – own personnel				727	720	1.0 %	666
Stores and clinics (pcs)							
Stores – owned by Silmäasema				140	148	-5.4 %	149
Stores – owned by franchisees				18	18	0.0 %	18
Eye clinics				14	14	0.0 %	14
Chain total				172	180	-4.4 %	181
Sales volume (pcs) – own stores							
Eyeglasses	43,385	38,987	11.3 %	94,464	85,648	10.3 %	181,792
Sunglasses	37,606	31,277	20.2 %	59,755	52,292	14.3 %	81,601

* In January–June 2019 the impact of the adoption of the IFRS 16 standard on the EBITDA was EUR 3,786 thousand and adjusted EBITDA was EUR 3,729 thousand, on the operating result it was EUR 146 thousand and on the adjusted operating result EUR 146 thousand, on the profit before taxes it was EUR -200 thousand and on the profit for the period it was EUR -160 thousand. In addition, the impact on the earnings per share was EUR -0.01, on net debt it was EUR 27,314 thousand and on cash flows from operating activities it was EUR 3,384 thousand.
** Due to a change in reporting practices, the personnel figures differ from the figures reported earlier.

SEGMENT-SPECIFIC KEY FIGURES

	4–6/2019				1–6/2019			
EUR thousand, unless otherwise stated	**Optical retail and eye healthcare**	**Eye clinics**	**Unallocated**	**Group**	**Optical retail and eye healthcare**	**Eye clinics**	**Unallocated**	**Group**
Growth of net sales								
Net sales	25,302	9,240		34,542	48,550	18,183		66,732
Growth in net sales, %	9.9 %	-5.2 %		5.4 %	9.7 %	-6.2 %		4.9 %
Like-for-like growth in net sales, %	9.2 %	-4.0 %		5.3 %	7.7 %	-5.8 %		3.6 %
Income statement								
EBITDA	4,449	1,134		5,583	8,288	2,482		10,770
EBITDA %	*17.6 %*	*12.3 %*		*16.2 %*	*17.1 %*	*13.6 %*		*16.1 %*
Adjusted EBITDA	4,603	1,134		5,737	8,503	2,482		10,985
Adjusted EBITDA %	*18.2 %*	*12.3 %*		*16.6 %*	*17.5 %*	*13.6 %*		*16.5 %*
Operating result	1,935	235		2,170	3,351	693		4,044
Operating result %	*7.6 %*	*2.5 %*		*6.3 %*	*6.9 %*	*3.8 %*		*6.1 %*
Adjusted operating result	2,175	235		2,410	3,656	693		4,349
Adjusted operating result %	*8.6 %*	*2.5 %*		*7.0 %*	*7.5 %*	*3.8 %*		*6.5 %*
Investments								
Operational					533	77		611
Acquisitions					400	624		1,024
Total					933	702		1,635

	4–6/2018				1–6/2018			
EUR thousand, unless otherwise stated	**Optical retail and eye healthcare**	**Eye clinics**	**Unallocated**	**Group**	**Optical retail and eye healthcare**	**Eye clinics**	**Unallocated**	**Group**
Growth of net sales								
Net sales	23,013	9,744		32,757	44,244	19,383		63,627
Growth in net sales, %	6.6 %	-1.1 %		4.2 %	6.0 %	0.2 %		4.2 %
Like-for-like growth in net sales, %	1.5 %	-6.2 %		-0.9 %	-0.9 %	-3.1 %		-1.6 %
Income statement								
EBITDA	1,438	1,315		2,752	2,645	2,635	-8	5,273
EBITDA %	*6.2 %*	*13.5 %*		*8.4 %*	*6.0 %*	*13.6 %*		*8.3 %*
Adjusted EBITDA	1,872	1,413		3,286	3,340	2,743		6,082
Adjusted EBITDA %	*8.1 %*	*14.5 %*		*10.0 %*	*7.5 %*	*14.2 %*		*9.6 %*
Operating result	573	704		1,277	936	1,467	-8	2,395
Operating result %	*2.5 %*	*7.2 %*		*3.9 %*	*2.1 %*	*7.6 %*		*3.8 %*
Adjusted operating result	1,015	803		1,818	1,650	1,574		3,224
Adjusted operating result %	*4.4 %*	*8.2 %*		*5.5 %*	*3.7 %*	*8.1 %*		*5.1 %*
Investments								
Operational					2,320	2,627		4,947
Acquisitions					95	958		1,053
Total					2,415	3,585		6,000

	1–12/2018			
EUR thousand, unless otherwise stated	**Optical retail and eye healthcare**	**Eye clinics**	**Unallocated**	**Group**
Growth of net sales				
Net sales	87,970	34,903		122,873
Growth in net sales, %	6.0 %	-1.1 %		3.8 %
Like-for-like growth in net sales, %	0.1 %	-5.4 %		-1.6 %
Income statement				
EBITDA	7,702	3,928	-188	11,443
EBITDA %	*8.8 %*	*11.3 %*		*9.3 %*
Adjusted EBITDA	7,657	4,107		11,765
Adjusted EBITDA %	*8.7 %*	*11.8 %*		*9.6 %*
Operating result	4,162	1,518	-188	5,492
Operating result %	*4.7 %*	*4.3 %*		*4.5 %*
Adjusted operating result	4,147	1,697		5,844
Adjusted operating result %	*4.7 %*	*4.9 %*		*4.8 %*
Investments				
Operational	3,802	2,914		6,716
Acquisitions	395	1,380		1,775
Total	4,197	4,294		8,491

* In January–June 2019 the impact of the adoption of the IFRS 16 standard on the Optical Retail and Eye Healthcare segment's EBITDA was EUR 3,219 thousand and on the adjusted EBITDA EUR 3,163 thousand, on the operating result it was EUR 113 thousand and on the adjusted operating result EUR 113 thousand. The impact on the Eye Clinics' EBITDA and adjusted EBITDA was EUR 566 thousand and on operating result and adjusted operating result it was EUR 33 thousand.

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Net sales	2.2	**34,542**	**32,757**	**66,732**	**63,627**	**122,873**
Other operating income	2.2	6	28	12	29	38
Materials and services	2.3	-15,286	-14,490	-29,254	-27,672	-53,357
Personnel expenses	3.0	-8,737	-8,790	-16,996	-17,216	-32,474
Other operating expenses	2.3	-4,941	-6,752	-9,724	-13,496	-25,638
EBITDA		**5,583**	**2,752**	**10,770**	**5,273**	**11,443**
Depreciation and amortisation	2.3	-3,413	-1,475	-6,726	-2,878	-5,951
Operating result		**2,170**	**1,277**	**4,044**	**2,395**	**5,492**
Finance costs, net		-538	-369	-1,031	-711	-1,368
Profit before taxes		**1,632**	**909**	**3,013**	**1,684**	**4,123**
Income tax expense		-447	-263	-819	-521	-869
Profit (loss) for the period		**1,185**	**646**	**2,194**	**1,163**	**3,254**
Total comprehensive income for the period		**1,185**	**646**	**2,194**	**1,163**	**3,254**
Profit for the period attributable to:						
Owners of the parent		1,185	646	2,194	1,163	3,254
Profit (loss) for the period		**1,185**	**646**	**2,194**	**1,163**	**3,254**
Total comprehensive income attributable to:						
Owners of the parent		1,185	646	2,194	1,163	3,254
Total comprehensive income for the period		**1,185**	**646**	**2,194**	**1,163**	**3,254**
Earnings per share for profit attributable to the owners of the parent						
Basic earnings per share, EUR	2.4	0.08	0.05	0.15	0.08	0.23
Diluted earnings per share, EUR	2.4	0.08	0.05	0.15	0.08	0.23

* In January–June 2019 the impact of the adoption of the IFRS 16 standard on the other operating expenses was EUR 3,786 thousand, on depreciation it was EUR -3,639 thousand, on financial expenses it was EUR -346 thousand and on income tax it was EUR 40 thousand. In addition, the impact on the earnings per share was EUR -0.01.

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS				
Non-current assets				
Property, plant and equipment	6.1	37,656	13,599	12,460
Other intangible assets	6.1	3,238	4,091	3,705
Goodwill		61,169	61,169	61,169
Deferred tax assets		1,465	1,694	1,346
Total non-current assets		**103,528**	**80,553**	**78,679**
Current assets				
Inventories		7,636	8,228	7,419
Trade and other receivables		4,677	4,789	3,319
Current income tax receivables		0	864	0
Cash and cash equivalents		11,899	3,555	11,937
Total current assets		**24,212**	**17,435**	**22,675**
TOTAL ASSETS		**127,740**	**97,989**	**101,354**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	5.2	80	80	80
Reserve for invested unrestricted equity	5.2	39,025	39,025	39,025
Retained earnings		1,516	-231	-374
Profit (loss) for the period		2,194	1,163	3,254
Total equity attributable to owners of the parent		**42,815**	**40,037**	**41,986**
Liabilities				
Non-current liabilities				
Non-current borrowings	5.1	48,685	36,415	37,982
Interest rate swaps	5.1	46	120	79
Deferred tax liabilities		756	598	717
Total non-current liabilities		**49,487**	**37,133**	**38,778**
Current liabilities				
Current borrowings	5.1	14,678	2,188	1,913
Interest rate swaps	5.1	122	121	119
Trade and other payables		19,604	17,886	18,230
Current income tax liabilities		1,034	624	329
Total current liabilities		**35,438**	**20,818**	**20,590**
Total liabilities		**84,925**	**57,951**	**59,368**
TOTAL EQUITY AND LIABILITIES		**127,740**	**97,989**	**101,354**

* Regarding the situation on 30 June 2019, the adoption of the IFRS 16 standard increased property, plant and equipment by EUR 27,057 thousand, deferred tax assets by EUR 51 thousand, non-current borrowings by EUR 20,739 thousand and current borrowings by EUR 6,575 thousand. In addition, the impact on profit for the period was EUR -160 thousand.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	**Total equity**
Equity at 1 Jan 2018		**80**	**39,025**	**-346**	**38,759**
Amendment to IFRS 2				24	**24**
Equity at 1 Jan 2018		**80**	**39,025**	**-323**	**38,783**
Profit (loss) for the period				1,163	**1,163**
Total comprehensive income for the period				**1,163**	**1,163**
Transactions with owners:					
Share-based bonus system	3.0			92	**92**
Equity at 30 Jun 2018		**80**	**39,025**	**932**	**40,037**
Equity at 1 Jan 2018		**80**	**39,025**	**-346**	**38,759**
Amendment to IFRS 2				**24**	**24**
Equity at 1 Jan 2018		**80**	**39,025**	**-323**	**38,783**
Profit (loss) for the period				3,254	**3,254**
Total comprehensive income for the period				**3,254**	**3,254**
Transactions with owners:					
Share-based bonus system	3.0			-51	**-51**
Equity at 31 Dec 2018		**80**	**39,025**	**2,880**	**41,986**
Equity at 1 Jan 2019		**80**	**39,025**	**2,880**	**41,986**
Profit (loss) for the period				2,194	**2,194**
Total comprehensive income for the period				**2,194**	**2,194**
Transactions with owners:					
Share-based bonus system	3.0			60	**60**
Dividends paid	5.2			-1,425	**-1,425**
Equity at 30 Jun 2019		**80**	**39,025**	**3,709**	**42,815**

SILMÄASEMA

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Note	1–6/2019	1–6/2018	1–12/2018
Cash flows from operating activities				
Profit (loss) for the period		2,194	1,163	3,254
Adjustments:				
Depreciation, amortisation and impairments	2.3	6,726	2,878	5,951
Other non-cash transactions		58	115	-49
Finance cost, net		1,031	711	1,368
Income tax expense		819	521	869
Changes in working capital				
Change in trade and other receivables	4.0	-1,359	393	1,879
Change in inventories	4.0	-217	-875	-66
Change in trade and other payables	4.0	1,278	-98	585
Interest paid		-727	-407	-822
Other financing items, net		-144	-163	-331
Income taxes paid		-193	-234	454
Net cash inflow from operating activities		**9,466**	**4,005**	**13,092**
Cash flows from investing activities				
Payments for property, plant and equipment	6.1	-416	-3,977	-5,484
Payments for intangible assets	6.1	-195	-970	-1,232
Payments for business acquisitions, net of cash acquired		-1,024	-1,053	-1,775
Proceeds from loans receivable		3	25	30
Net cash (outflow) from investing activities		**-1,632**	**-5,975**	**-8,461**
Cash flows from financing activities				
Proceeds from non-current loans	5.1	0	0	1,950
Proceeds from current loans	5.1	7,000	0	0
Repayments of loans	5.1	-10,000	0	0
Repayments of lease liabilities		-3,448	-181	-350
Dividends paid		-1,425	0	0
Net cash inflow (outflow) from financing activities		**-7,873**	**-181**	**1,600**
Net (decrease) increase in cash and cash equivalents		-38	-2,151	6,231
Cash and cash equivalents at the beginning of the period		11,937	5,706	5,706
Cash and cash equivalents at the end of the period		**11,899**	**3,555**	**11,937**

* In January–June 2019 the impact of the adoption of the IFRS 16 standard on cash flows from operating activities was EUR 3,384 thousand, on cash flows from investing activities it was EUR -56 thousand and on cash flows from financing activities it was EUR -3,327 thousand.

NOTES TO THE GROUP'S FINANCIAL STATEMENTS BULLETIN 1–3/2019

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 2018, taking into account the amendments that came into effect at the beginning of the financial year 2019. The impact of the amendment to the IFRS 16 Leases standard is described in Note 5.3 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 2018 and should therefore be read in conjunction with the consolidated financial statements for 2018.

Silmäasema's Board of Directors has approved this interim information. The interim information 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 2018. The application of the new IFRS 16 standard has required the significant judgement of the management in defining the factors affecting the size of the asset and debt items to be recognised for the lease contracts. This judgement is described in more detail in Note 5.3.

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 Silmäasema's optical retail business. The segment also includes ophthalmologists' and opticians' appointment services and corporate eye care.

The **Eye Clinics** segment is responsible for Silmäasema'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.

	4–6/2019				1–6/2019			
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Net sales	**25,302**	**9,240**		**34,542**	**48,550**	**18,183**		**66,732**
Adjusted EBITDA	**4,603**	**1,134**		**5,737**	**8,503**	**2,482**		**10,985**
Adjustments	-154	0	0	-154	-215	0	0	-215
EBITDA	**4,449**	**1,134**	**0**	**5,583**	**8,288**	**2,482**	**0**	**10,770**
Depreciation and amortisation	-2,514	-899		-3,413	-4,937	-1,789		-6,726
Adjusted operating result	**2,175**	**235**		**2,410**	**3,656**	**693**		**4,349**
Adjustments	-240	0	0	-240	-304	0	0	-304
Operating result	**1,935**	**235**	**0**	**2,170**	**3,351**	**693**	**0**	**4,044**

	4–6/2018				1–6/2018			
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Net sales	**23,013**	**9,744**		**32,757**	**44,244**	**19,383**		**63,627**
Adjusted EBITDA	**1,872**	**1,413**		**3,286**	**3,340**	**2,743**		**6,082**
Adjustments	-435	-99	0	-533	-695	-107	-8	-810
EBITDA	**1,438**	**1,315**	**0**	**2,752**	**2,645**	**2,635**	**-8**	**5,273**
Depreciation and amortisation	-865	-610		-1,475	-1,709	-1,169		-2,878
Adjusted operating result	**1,015**	**803**		**1,818**	**1,650**	**1,574**		**3,224**
Adjustments	-441	-99	0	-540	-714	-107	-8	-829
Operating result	**573**	**704**	**0**	**1,277**	**936**	**1,467**	**-8**	**2,395**

	1–12/2018			
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Net sales	**87,970**	**34,903**		**122,873**
Adjusted EBITDA	**7,657**	**4,107**		**11,765**
Adjustments	45	-179	-188	-322
EBITDA	**7,702**	**3,928**	**-188**	**11,443**
Depreciation and amortisation	-3,541	-2,410		-5,951
Adjusted operating result	**4,147**	**1,697**		**5,844**
Adjustments	15	-179	-188	-352
Operating result	**4,162**	**1,518**	**-188**	**5,492**

* In January–June 2019 the impact of the adoption of the IFRS 16 standard on the Optical Retail and Eye Healthcare segment's EBITDA was EUR 3,219 thousand and on the adjusted EBITDA EUR 3,163 thousand, on the operating result it was EUR 113 thousand and on the adjusted operating result EUR 113 thousand. The impact on the Eye Clinics' EBITDA and adjusted EBITDA was EUR 566 thousand and on operating result and adjusted operating result it was EUR 33 thousand.

.

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

4–6/2019				
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Adjusted EBITDA	**4,603**	**1,134**	**0**	**5,737**
Exceptional payments for termination benefits	-89			-89
Adjustments concerning changes in VAT treatment	-65			-65
Adjustments	**-154**	**0**	**0**	**-154**
EBITDA	**4,449**	**1,134**	**0**	**5,583**
Adjusted operating profit	**2,175**	**235**	**0**	**2,410**
Exceptional payments for termination benefits	-89			-89
Adjustments concerning closed locations	-68			-68
Adjustments concerning changes in VAT treatment	-82			-82
Adjustments	**-240**	**0**	**0**	**-240**
Operating profit	**1,935**	**235**	**0**	**2,170**

1–6/2019				
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Adjusted EBITDA	**8,503**	**2,482**	**0**	**10,985**
Exceptional payments for termination benefits	-109			-109
Adjustments concerning changes in VAT treatment	-128			-128
Exceptional professional fees	22			22
Adjustments	**-215**	**0**	**0**	**-215**
EBITDA	**8,288**	**2,482**	**0**	**10,770**
Adjusted operating profit	**3,656**	**693**	**0**	**4,349**
Exceptional payments for termination benefits	-109			-109
Adjustments concerning changes in VAT treatment	-149			-149
Adjustments concerning closed locations	-68			-68
Exceptional professional fees	22			22
Adjustments	**-304**	**0**	**0**	**-304**
Operating profit	**3,351**	**693**	**0**	**4,044**

4–6/2018				
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Adjusted EBITDA	**1,872**	**1,413**	**0**	**3,286**
Exceptional payments for termination benefits	-164	-99		-263
Costs related to development of the internationalisation concept	-16			-16
Adjustments concerning changes in VAT treatment	-175			-175
Adjustments concerning business acquisitions	-9			-9
Personnel Offering subscription benefit	-70			-70
Adjustments	**-435**	**-99**	**0**	**-533**
EBITDA	**1,438**	**1,315**	**0**	**2,752**
Adjusted operating profit	**1,015**	**803**	**0**	**1,818**
Exceptional payments for termination benefits	-164	-99		-263
Costs related to development of the internationalisation concept	-16			-16
Adjustments concerning changes in VAT treatment	-182			-182
Adjustments concerning business acquisitions	-9			-9
Personnel Offering subscription benefit	-70			-70
Adjustments	**-441**	**-99**	**0**	**-540**
Operating profit	**573**	**704**	**0**	**1,277**

1–6/2018				
EUR thousand	**Optical retail and eye healthcare**	**Eye clinics**	**Unallocated**	**Group**
Adjusted EBITDA	**3,340**	**2,743**	**0**	**6,082**
Exceptional payments for termination benefits	-164	-107		-271
Costs related to development of the internationalisation concept	-64			-64
Adjustments concerning changes in VAT treatment	-343		-6	-349
Adjustments concerning business acquisitions	-52			-52
Personnel Offering subscription benefit	-73		-2	-74
Adjustments	**-695**	**-107**	**-8**	**-810**
EBITDA	**2,645**	**2,635**	**-8**	**5,273**
Adjusted operating profit	**1,650**	**1,574**	**0**	**3,224**
Exceptional payments for termination benefits	-164	-107		-271
Costs related to development of the internationalisation concept	-64			-64
Adjustments concerning changes in VAT treatment	-362		-6	-368
Adjustments concerning business acquisitions	-52			-52
Personnel Offering subscription benefit	-73		-2	-74
Adjustments	**-714**	**-107**	**-8**	**-829**
Operating profit	**936**	**1,467**	**-8**	**2,395**

1–12/2018				
EUR thousand	**Optical retail and eye healthcare**	**Eye clinics**	**Unallocated**	**Group**
Adjusted EBITDA	**7,657**	**4,107**	**0**	**11,765**
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
Adjustments	**45**	**-179**	**-188**	**-322**
EBITDA	**7,702**	**3,928**	**-188**	**11,443**
Adjusted operating profit	**4,147**	**1,697**	**0**	**5,844**
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
Adjustments	**15**	**-179**	**-188**	**-352**
Operating profit	**4,162**	**1,518**	**-188**	**5,492**

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 30 June 2019, the Silmäasema chain operated in 163 locations (30 June 2018: 170), of which 131 (30 June 2018: 138) were own retail stores and 14 (30 June 2018: 14) were eye clinics. The number of franchisee stores was 18 (30 June 2018: 18). In Estonia, Silmäasema had nine optical retail stores (30 June 2018: ten).

Other operating income mainly consists of received insurance compensation and other rental revenue related to business locations.

The group derives the following types of revenue

	4–6/2019			4–6/2018		
EUR thousand	Optical retail and eye healthcare	Eye clinics	Group	Optical retail and eye healthcare	Eye clinics	Group
Sale of goods	21,670		21,670	19,591		19,591
Sale of services	3,410	9,240	12,650	3,201	9,744	12,945
Royalty income	222		222	221		221
Total	**25,302**	**9,240**	**34,542**	**23,013**	**9,744**	**32,757**

	1–6/2019			1–6/2018			1–12/2018		
EUR thousand	Optical retail and eye healthcare	Eye clinics	Group	Optical retail and eye healthcare	Eye clinics	Group	Optical retail and eye healthcare	Eye clinics	Group
Sale of goods	41,040		41,040	37,172		37,172	74,218		74,218
Sale of services	7,057	18,183	25,240	6,656	19,383	26,039	12,892	34,903	47,794
Royalty income	453		453	417		417	861		861
Total	**48,550**	**18,183**	**66,732**	**44,244**	**19,383**	**63,627**	**87,970**	**34,903**	**122,873**

Other operating income

EUR thousand	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Insurance compensation	7	0	7	0	0
Other rental income	-1	28	5	29	38
Total	**6**	**28**	**12**	**29**	**38**

2.4 Operating expenses

EUR thousand	4–6/ 2019	Share of net sales	4–6/ 2018	Share of net sales	1-6/ 2019	Share of net sales	1–6/ 2018	Share of net sales	1–12/ 2018	Share of net sales
Materials and services										
Purchases during the period	8,524	24.7 %	7,953	24.3 %	16,530	24.8 %	15,469	24.3 %	29,089	23.7 %
Changes in inventories	390	1.1 %	161	0.5 %	-201	-0.3 %	-782	-1.2 %	-36	0.0 %
External services	6,372	18.4 %	6,376	19.5 %	12,925	19.4 %	12,985	20.4 %	24,303	19.8 %
Total	**15,286**	**44.3 %**	**14,490**	**44.2 %**	**29,254**	**43.8 %**	**27,672**	**43.5 %**	**53,357**	**43.4 %**
Personnel expenses	**8,737**	**25.3 %**	**8,790**	**26.8 %**	**16,996**	**25.5 %**	**17,216**	**27.1 %**	**32,474**	**26.4 %**
Other operating expenses										
Rent expenses	116	0.3 %	1,926	5.9 %	222	0.3 %	3,781	5.9 %	7,657	6.2 %
Marketing expenses	1,818	5.3 %	1,550	4.7 %	3,402	5.1 %	3,316	5.2 %	6,289	5.1 %
Maintenance, IT, equipment and furniture expenses	1,695	4.9 %	1,653	5.0 %	3,375	5.1 %	3,192	5.0 %	6,749	5.5 %
Other operative expenses	1,312	3.8 %	1,623	5.0 %	2,725	4.1 %	3,207	5.0 %	4,943	4.0 %
Total	**4,941**	**14.3 %**	**6,752**	**20.6 %**	**9,724**	**14.6 %**	**13,496**	**21.2 %**	**25,638**	**20.9 %**
Depreciation and amortisation by asset group										
Property, plant and equipment	3,015	8.7 %	1,181	3.6 %	6,013	9.0 %	2,302	3.6 %	4,765	3.9 %
Intangible assets	398	1.2 %	294	0.9 %	713	1.1 %	576	0.9 %	1,185	1.0 %
Total	**3,413**	**9.9 %**	**1,475**	**4.5 %**	**6,726**	**10.1 %**	**2,878**	**4.5 %**	**5,951**	**4.8 %**

Silmäasema's personnel expenses declined slightly in January–June period. The reduction in rent expenses is due to the reporting practice according to the new IFRS 16 standard and the impact of this on rent expenses in January–June 2019 was EUR 3.8 million. In the comparison period, operating expenses included EUR 0.8 million in extraordinary expenses, mainly related to the change in the treatment of value added tax and exceptional payments for termination benefits. In January–June 2019, the expenses included EUR 0.2 million in extraordinary expenses mainly related to the change in the treatment of value added tax and exceptional payments for termination benefits.

2.5 Earnings per share

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Basic earnings per share					
Profit (loss) attributable to the owners of the Company (EUR thousand)	1,185	646	2,194	1,163	3,254
Weighted average number of shares outstanding during the period, basic	14,248,805	14,248,805	14,248,805	14,248,805	14,248,805
Basic earnings per share (EUR)	**0.08**	**0.05**	**0.15**	**0.08**	**0.23**
Diluted earnings per share					
Profit (loss) attributable to the owners of the Company (EUR thousand)	1,185	646	2,194	1,163	3,254
Weighted average number of shares outstanding during the period, diluted	14,248,805	14,248,805	14,248,805	14,248,805	14,248,805
Diluted earnings per share (EUR)	**0.08**	**0.05**	**0.15**	**0.08**	**0.23**

* In January–June 2019, the impact of the adoption of the IFRS 16 standard on earnings per share was EUR -0.01.

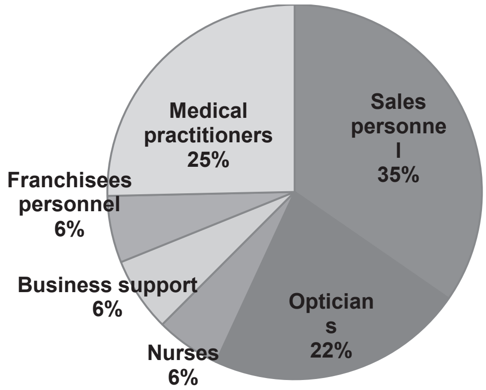
3 Personnel

At the end of June 2019, a total of 764 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 281 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**	30 Jun 2019	30 Jun 2018	31 Dec 2018
Sales personnel	384	349	341
Opticians	247	251	216
Nurses	62	66	62
Business support	71	66	63
Franchisees personnel	64	64	64
Medical practitioners	281	316	321
Total	**1,109**	**1,112**	**1,067**
Personnel employed*	**790**	**770**	**723**

* Does not include employees on long-term absence.

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



Personnel expenses

EUR thousand	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Wages and salaries	7,030	6,869	13,740	13,558	26,063
Pension costs	1,239	1,279	2,363	2,498	4,685
Share-based bonus system	30	53	60	92	-51
Other personnel expenses	438	589	833	1,068	1,776
Total	**8,737**	**8,790**	**16,996**	**17,216**	**32,474**

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 June 2019, 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. There were a total of 20 participants in the 2019-2021 earning period and the maximum number of shares to be given is 141 791. A total of 156,176 shares has been reserved in the system for the 2019-2021 earning period.

At the end of 2018, total cumulative costs and debt in the financial statements (relating to earning periods 2017-2019 and 2018-2020) were reversed, as it was and still 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. The cost of EUR 60 thousand relating to the earning period 2019-2021 has been recognised in the personnel expenses.

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	30 Jun 2019	30 Jun 2018	31 Dec 2018
Inventories	7,636	8,228	7,419
Trade and other receivables	4,677	4,789	3,319
Trade and other liabilities*	19,590	17,868	18,216
Total	**-7,277**	**-4,852**	**-7,478**

* Trade payables and other payables; accrued interest has been eliminated. Eliminated interest expenses totalled EUR 15,000 on 30 June 2019 (30 June 2018: EUR 18,000 and 31 December 2018: EUR 14,000).

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	30 Jun 2019	30 Jun 2018	31 Dec 2018
Non-current borrowings			
Bank loans	27,451	35,262	37,283
Lease liabilities	20,902	161	150
Contingent consideration	332	949	549
Other borrowings	0	43	0
Total non-current borrowings	**48,685**	**36,415**	**37,982**
Current borrowings			
Commercial papers	7,000	0	0
Lease liabilities	6,778	221	224
Contingent consideration	899	1,957	1,684
Other borrowings	0	10	4
Total current borrowings	**14,678**	**2,188**	**1,913**
Total borrowings	**63,362**	**38,603**	**39,895**
Less: Cash and cash equivalents	-11,899	-3,555	-11,937
Net debt	**51,463**	**35,047**	**27,957**
Interest rate swaps			
Non-current	46	120	79
Current	122	121	119
Total interest rate swaps	**167**	**241**	**198**
Financial ratios			
Net debt / Adjusted EBITDA*	3.1	3.2	2.4
Gearing	120.2 %	87.5 %	66.6 %

* Regarding the situation on 30 June 2019, the adoption of the IFRS 16 standard increased non-current borrowings by EUR 20,739 thousand and current borrowings by EUR 6,575 thousand.

Events during the period

A bank loan of EUR 10.0 million was repaid during the review period. On 17 April 2019, Silmäasema signed an agreement on a Finnish commercial paper programme of EUR 100 million. Commercial papers with a maturity of less than 1 year may be issued within the programme. Commercial papers with a total value of EUR 7.0 million were issued within the programme in June.

There were no covenant violations during the period.

EUR thousand	31 Mar 2019	31 Mar 2018	31 Dec 2018
Collaterals relating to rental payments			
Deposits in banks as security for rental payments*	418	340	408
Bank guarantees as security for rental payments	1,466	1,400	1,458
Bank guarantee limit for commercial collaterals	1,500	1,500	1,500
- portion used	1,466	1,400	1,458
* Included in other current receivables. The deposit is released for Silmäasema when the rental agreement terminates			

Silmäasema did not have, in the situation on 30 June 2019 or in comparison periods, any borrowings secured by mortgages, shares or other collateral.

5.2 Equity

Changes in the number of shares:

Number of shares	Outstanding shares (pcs)
Number of shares at 1 Jan 2018	**14,248,805**
Number of shares at 30 Jun 2018	**14,248,805**
Number of shares at 31 Dec 2018	**14,248,805**
Number of shares at 30 Jun 2019	**14,248,805**

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. The Annual General Meeting on 10 April 2019 decided that a dividend of EUR 0.10 per share, EUR 1.4 million in total, be paid for the financial year 1 January – 31 December 2018. The dividend was paid on 23 April 2019 to all shareholders who were entered in the company’s shareholders’ register maintained by Euroclear Finland on the dividend payment record date 12 April 2019.

5.3 Lease agreements

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. Before 2019 all premises contracts and some of the other lease contracts were classified as operating leases, so the rent expenses were presented in the income statement for the validity period of the lease contract.

With the adoption of the IFRS 16 Leases standard as of 1 January 2019 leased assets are presented as right-of-use assets and the corresponding lease liability starting from the moment that the leased asset is in the company's use. Rents paid are allocated as amortisation of lease liabilities and finance costs. Right-of-use assets are depreciated during the validity of the lease contract as straight-line depreciation.

Silmäasema has adopted the IFRS 16 Leases standard as of 1 January 2019 retrospectively so that the comparable data have not been adjusted and the impact of starting the application of the standard has instead been recognised as an adjustment on the opening balance sheet of 1 January 2019. The basis for calculating the right-of-use asset item and the corresponding lease liability has been an estimate of the duration of the lease contracts and use of any continuation options using hindsight based on the company's valid lease contracts.

The size of the right-of-use asset item corresponds to the current value of future lease payments. The incremental borrowing rate calculated by the company has been used as the discount rate because the leases' internal rate of return has not been easy to determine. The company has also applied the practical expedients allowed by the standard and has used the same discount rate for leases with similar features. The weighted average of the applied discount rates on 30 June 2019 is 2.5%.

The leases contain terms that allow the agreements to be continued after the current agreement period or to be terminated before the end of the agreement period. The management uses significant judgement in defining the duration of the leases and the utilisation of these options. The judgement decisions regarding the leases are based on, among other things, the current and historic profitability of the location, the future outlook, location, condition and the availability of personnel. The management will examine the situation of the leases as necessary and the evaluation will be changed if there are any significant changes in conditions.

The company has a small number of leases for locations where the amount of the rent is based on the location's net sales. For these leases the rents are recorded on the income statement as expenses, excluding the minimum rent obligation, for which a right-of-use asset and the lease liability are recorded in a corresponding way as with other contracts.

The company has committed to one lease contract that has not yet started concerning store premises that will be opened in the future.

A list of all the adjustments recognised in the opening balance sheet of 1 January 2019 has been compiled below:

EUR thousand	
Tangible assets	
Right of use asset - business premises and warehouses	28,659
Right of use asset - others*	196
Total non-current borrowings	**28,855**
Non-current borrowings	
Lease liability	22,207
Current borrowings	
Lease liability	6,648
Total current borrowings	**28,855**

*Other right-of-use assets include vehicles, parking spaces and illuminated advertisements.

The change to the calculation principles as a result of the adoption of the IFRS 16 standard has a considerable impact on many key figures. For example, the new calculation method reduces the amount of rent expenses in the January–June reporting period by EUR 3.8 million and increases depreciation by EUR 3.6 million. The key figures as at 30 June 2019 with the impact of the standard removed are presented below.

The effect of IFRS 16 on key figures as at 30 Jun 2019

EUR thousand	**IFRS 16 included**	**IFRS 16 excluded**
EBITDA	10,770	6,985
Adjusted EBITDA	10,985	7,256
Operating result	4,044	3,899
Adjusted operating result	4,349	4,203
Profit before taxes	3,013	3,213
Profit (loss) for the period	2,194	2,354
Basic earnings per share, eur	0.15	0.17
Net debt	51,463	24,149
Net debt / Adjusted EBITDA (leverage)	3.1	1.9
Gearing	120.2 %	56.1 %
Equity ratio	34.4 %	44.2 %
Return on capital employed % (ROCE)	3.7 %	5.6 %
Return on equity % (ROE)	5.2 %	5.5 %

Balance sheet items include lease agreement related assets and liabilities as follows:

EUR thousand	**30 Jun 2019**	**30 Jun 2018***	**31 Dec 2018***
Right of use asset - business premises and warehouses	26,879		
Right of use asset - IT equipment	277	310	316
Right of use asset - others**	278	92	73
Total non-current borrowings	**27,434**	**402**	**389**
Total deferred tax assets	**52**	**1**	**1**
Non-current lease liability	20,902	161	150
Current lease liability	6,778	221	224
Total current borrowings	**27,680**	**382**	**374**
Total deferred tax liabilities	**3**	**5**	**4**

* The data on the finance lease reported according to IAS 17 are presented for the comparison periods.

** Other right-of-use assets include vehicles, parking spaces and illuminated advertisements.

Off-balance sheet liabilities related to lease agreements are presented below:

EUR thousand	**30 Jun 2019**	**30 Jun 2018**	**31 Dec 2018**
Commitments related to leased premises			
Within one year	0	6,780	6,699
Later than one year and no later than five years	0	12,856	10,961
Later than five years	0	1,540	1,235
Total	**0**	**21,176**	**18,895**

6 Other items

6.1 Operational investments*

EUR thousand	30 Jun 2019	30 Jun 2018	31 Dec 2018
Property, plant and equipment	416	3,977	5,484
Intangible assets	195	970	1,232
Total	**611**	**4,947**	**6,716**

*) 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 largest investments in January–June are mainly related to the furniture acquisitions at stores. The investments in the comparison period were related to the opening of a new eye clinic and five new stores, in addition to renovations carried out in stores.

6.2 Related-party information

Shareholding of management and Board of Directors*

Group of owners	Ownership 30 Jun 2019	Ownership 30 Jun 2018
Members of the Board of Directors *)	3.16 %	3.57 %
CEO	0.09 %	2.70 %
Key management personnel *)	0.01 %	1.04 %
Total	**3.27 %**	**7.31 %**

*) 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 30 June 2019 the CEO was Jussi Salminen; on 30 June 2018 the CEO was Pasi Kohmo.

Salaries and remuneration of the management and Board of Directors

EUR thousand	1–6/2019	1–6/2018	1–12/2018
CEOs remuneration			
Salary, other remuneration and benefits	124	131	252
Pension costs - defined contribution plans	0	20	20
Total	**124**	**151**	**272**
Management team remuneration (excluding CEOs)			
Salary, other remuneration and benefits	266	368	600
Pension costs - defined contribution plans	52	50	50
Total	**318**	**417**	**649**
The Board of Directors remuneration	**81**	**94**	**171**
Total key management and the Board of Directors	**524**	**663**	**1,093**

In addition, one board member has been paid medical practitioner fees with ordinary terms. In addition, in April–June 2019, consultation services were purchased from a company partly owned by a Board member. These services were purchased under customary terms and conditions, and their total value is insignificant.

6.3 Group companies

Parent company	Share of ownership by the parent company and the group (%)			Principal activity
Silmäasema Oyj				Holding company
Subsidiaries	**30 Jun 2019**	**30 Jun 2018**	**31 Dec 2018**	
Silmäasema Optiikka Oy	100 %	100 %	100 %	Optical retail
Silmäasema Sairaala Oy	100 %	100 %	100 %	Eye clinic operations
Via Healthcare Group Oy	merged	100 %	100 %	Specialist medical services; administrative and financial services to medical practitioners (merged to Silmäasema Sairaala Oy at 1 Mar 2019)
Tallinna Optika Oü	100 %	100 %	100 %	Optical retail

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 2018 is included in the 2019 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[1] + Non-current and current borrowings[1])

Return on equity, %
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 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

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

ARTICLES OF ASSOCIATION OF SILMÄASEMA OYJ

1 § Name of the company
The name of the company is Silmäasema Oyj.

2 § Domicile of the company
The domicile of the company is Helsinki.

3 § Company's field of business
The company's field of business is the purchase, marketing, retail and wholesale of optical goods, the production, sale and supply of services and operations related to eye healthcare and eye clinic operations as well as the production of training and consultation services related to these fields and other research and development. The company may engage in the manufacture, import, purchase, sale and leasing of machinery, equipment and products related to eye healthcare and eye clinic operations, and the development, purchase, sale, leasing and licensing of information technology related solutions related to the field as well as the provision of related professional services. The company can operate through subsidiaries and holding companies. In addition, the company's field of business is to manage and own securities and shares, real estate and other assets in Finland and abroad through itself or through its own companies. The company's field of business is also to provide administrative, financial and other Group services to its Group companies as well as to provide securities and guarantees on behalf of its Group companies.

4 § Book-entry system
The shares of the company shall belong to the book-entry system after the expiry of the registration period.

5 § Board of Directors
The governance of the company and the appropriate organization of the company's operations shall be managed by the Board of Directors, which, according to the decision of the Annual General Meeting, includes at least three (3) and a maximum of nine (9) ordinary members. The number of deputy members may not exceed three (3). The term of the members of the Board of Directors shall be until the conclusion of the first Annual General Meeting following the election.

6 § Managing Director
The company may have a Managing Director. The Board of Directors shall decide on the appointment and dismissal of the Managing Director.

7 § Representation
In addition to the Board of Directors, the company is represented by the Chairman of the Board of Directors and the Managing Director, each alone, and two Board members together.

8 § Financial year
The financial year of the company shall be a calendar year.

9 § Auditors
The company's auditor shall be an auditing firm approved by the Finnish Patent and Registration Office. The term of the auditor shall be until the conclusion of the first Annual General Meeting following the election.

10 § Notice to General Meeting and registration
The Annual General Meeting shall be held annually within six (6) months from the termination of the financial year.

The notice convening the General Meeting shall be delivered to the shareholders no earlier than three (3) months and no later than three (3) weeks prior to the Meeting, but no later than nine (9) days before the record date of the General Meeting. The notice shall be delivered to the shareholders by means of a notice published on the company's website or at least in one national daily newspaper designated by the Board of Directors.

To be entitled to attend the General Meeting, a shareholder must notify the company of its attendance by the date specified in the notice convening the Meeting, which date may not be earlier than ten (10) days prior to the Meeting.

11 § Annual General Meeting
At the Annual General Meeting the following shall be

presented:
1. the Annual Accounts and the Management Report, as well as
2. the Auditor's Report,

decided:
3. the adoption of the Annual Accounts, which, in parent company, also includes the adoption of the consolidated Annual Accounts,
4. the use of the profit shown on the Balance Sheet,
5. the discharge from liability for the members of the Board of Directors and the Managing Director,
6. the remuneration for the members of the Board of Directors and for the auditor, as well as
7. the number of members of the Board of Directors,

elected:
8. the Chairman, the deputy Chairman and the members of the Board of Directors, as well as
9. the auditor,

handled:
10. any other matters possibly contained in the notice to the Meeting.