

SUPPLEMENT DOCUMENT TO CORONARIA OY'S TENDER OFFER DOCUMENT DATED SEPTEMBER 4, 2019 RELATING TO THE MANDATORY PUBLIC TENDER OFFER FOR ALL ISSUED AND OUTSTANDING SHARES IN SILMÄASEMA OYJ

November 11, 2019

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Coronaria Oy (the “**Offeror**” or “**Coronaria**”) supplements the tender offer document dated September 4, 2019 (the “**Tender Offer Document**”) in accordance with Chapter 11, Section 11, Subsection 4 of the Finnish Securities Markets Act (746/2012, *fi: arvopaperimarkkinalaki*) with the following information of this document (the “**Supplement Document**”):

Silmäasema Oyj published its unaudited interim report for the nine months ended September 30, 2019 (the “**Interim Report**”) on November 8, 2019. The Offeror supplements Section 4.10 of the Tender Offer Document with the Interim Report, which is added as Annex H to the Tender Offer Document.

The Tender Offer Document with the aforementioned supplement is available from November 11, 2019.

The Finnish Financial Supervisory Authority has approved the Finnish language version of this supplement but is not responsible for the accuracy of the information presented therein. The decision number of such approval is FIVA 29/02.05.05/2019.



SILMÄASEMA

Silmäasema Oyj
Interim Report

1 January 2019 – 30 September 2019

Strong net sales and profitability performance for Silmäasema in both segments

July–September 2019 in brief:

- Net sales increased by 9.7% compared to July–September 2018, amounting to EUR 29.5 million (26.9). The like-for-like net sales grew by 11.2%.
- The adjusted EBITDA* increased by 114.4% and was EUR 4.6 million (2.1), or 15.6% of net sales (8.0%). Without the impact of IFRS 16, the adjusted EBITDA would have been 9.3% (8.0%) of net sales.
- The adjusted operating result* increased by 115.9% to EUR 1.4 million (0.6).

January–September 2019 in brief:

- Net sales increased by 6.3% compared to January–September 2018, amounting to EUR 96.2 million (90.5). The like-for-like net sales grew by 5.7%.
- The adjusted EBITDA* increased by 89.4% and was EUR 15.6 million (8.2), or 16.2% of net sales (9.1%). Without the impact of IFRS 16, the adjusted EBITDA would have been 10.4% (9.1%) of net sales.
- The adjusted operating result* increased by 48.3% to EUR 5.7 million (3.9).
- Cash flows from operating activities* developed strongly and amounted to EUR 13.9 million (6.2).
- Net debt* was EUR 48.7 million (33.9) at the end of the period.
- The net debt to adjusted EBITDA ratio* on 31 September 2019 was 2.5 (3.1).
- Basic earnings per share improved to EUR 0.17 (0.14).

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 (updated 18 Sep 2019)

In September Silmäasema issued a positive profit warning to announce an improved outlook for 2019. Silmäasema expects its full-year, like-for-like net sales to increase slightly from the previous year and its adjusted EBITDA margin to be slightly better than in the last year (2018: 9.6%), excluding the effect of the IFRS 16 standard, which was adopted at the beginning of 2019. Previously Silmäasema expected 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.

The improved outlook for like-for-like net sales is based on both actual sales by Optical Retail and the expected positive performance of both Optical Retail and Eye Clinics in the remaining part of the year. The relative profitability of the group is also expected to improve as development of the network and the programme to boost efficiency, announced earlier this year, are making faster than expected progress. The company has almost achieved the previously set annual efficiency target of EUR 2 million and is now raising this target to EUR 3 million.

*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 July–September and January–September 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 interim report on pages 34–35.

Key figures

EUR thousand, unless otherwise stated	7-9/2019	7-9/2018	Change, %	1-9/2019	1-9/2018	Change, %	1-12/2018
Net sales	29,504	26,892	9.7%	96,236	90,520	6.3%	122,873
Comparable net sales growth, %	11.2%	-3.2%		5.7%	-2.1%		-1.6%
EBITDA*	4,142	3,039	36.3%	14,912	8,312	79.4%	11,443
Adjusted EBITDA*,**	4,604	2,147	114.4%	15,589	8,230	89.4%	11,765
- Adjusted EBITDA*, %	15.6%	8.0%		16.2%	9.1%		9.6%
Operating result	760	1,520	-50.0%	4,804	3,914	22.7%	5,492
Adjusted operating result*,**	1,381	639	115.9%	5,730	3,863	48.3%	5,844
- adjusted operating result*, %	4.7%	2.4%		6.0%	4.3%		4.8%
Basic earnings per share, EUR*	0.01	0.06		0.17	0.14		0.23
Net debt / Adjusted EBITDA*				2.5	3.1		2.4
Investments – operational				1,029	5,933	-82.6%	6,716
Investments – acquisitions				1,467	1,683	-12.8%	1,775
Investments – total				2,497	7,616	-67.2%	8,491
Number of locations, Silmäasema chain				169	182	-7.1%	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 7-9/2019	Without IFRS 16 7-9/2019	IFRS 16 change	Reported 7-9/2018	Reported 1-9/2019	Without IFRS 16 1-9/2019	IFRS 16 change	Reported 1-9/2018
EBITDA	4,142	2,132	2,010	3,039	14,912	9,116	5,796	8,312
Adjusted EBITDA	4,604	2,735	1,869	2,147	15,589	9,990	5,599	8,230
Adjusted EBITDA, %	15.6%	9.3%	6.3pp	8.0%	16.2%	10.4%	5.8pp	9.1%
Operating result	760	689	71	1,520	4,804	4,587	217	3,914
Adjusted operating result	1,381	1,309	71	639	5,730	5,512	217	3,863
Profit before taxes	426	523	-97	1,241	3,440	3,737	-297	2,924
Profit (loss) for the period	186	263	-78	901	2,380	2,617	-238	2,064
Basic earnings per share, EUR	0.01	0.02	-0.01	0.06	0.17	0.18	-0.02	0.14
Cash flow from operating activities					13,909	8,825	5,084	6,235
Net debt					48,729	21,939	26,790	33,940
Net debt / Adjusted EBITDA (leverage)					2.5	1.6	0.9	3.1
Gearing, %					113.2%	51.0%	62.3pp	82.8%
Equity ratio					35.5%	44.0%	-8.5pp	42.6%
Return on capital employed, % (ROCE)					4.5%	5.0%	-0.5pp	4.9%
Return on equity, % (ROE)					5.6%	6.2%	-0.6pp	5.2%

CEO Jussi Salminen:

“Silmäasema had a very strong third quarter both in terms of net sales and profitability. In fact, this was the fourth consecutive quarter that the adjusted EBITDA improved on the comparison period. Net sales improved by almost 10% in July-September and cash flow from operating activities improved very strongly. The positive performance was based on the comprehensive and continued improvement of the performance of Optical Retail against the comparison period as well as further improved net sales growth and EBITDA in Eye Clinics.

I am especially pleased with Eye Clinics' 6.2% net sales improvement and its remarkable 121% adjusted EBITDA improvement in the third quarter on the comparison period. We have focused on improving customer acquisition, developing cross-sales in our stores and on our cooperation with doctors. As we have earlier noted, the effect of these measures will start to become apparent toward the end of the year. We can already see the first fruits of our efforts in the 9.2% like-for-like growth of the Eye Clinics net sales - the first time it has grown since first quarter of 2018.

The net sales of Optical Retail also grew strongly, improving 11.0% against a strong comparison period – this is the highest growth percentage since 2017. The growth is founded on successful marketing measures, which have led to increased customer flow, as well as excellent customer service in the stores. One important growth enabler is active sales management, which we have actively worked to improve in the past months. Increasing the management resources has made it possible to monitor and manage sales performance in greater detail on a day-to-day basis. In accordance with our strategy, we have started to expand our sales channel mix – in this quarter we have continued to strengthen the role of our online store and boosted the role of our call centre as a booking and customer service channel.

The programme to boost efficiency, which we announced earlier this year, is making faster-than-expected progress and we have already almost attained the entire EUR 2 million annual cost savings target. Yet despite meeting the initial target, our work is not finished. We believe we can achieve EUR 1 million in additional annual savings by the end of 2020. The efficiency boosting programme concerns all expense items, including financing items, with the exception of personnel expenses. The largest savings are from customer financing, IT and other administrative services. Thanks to the savings achieved by the efficiency programme we will be able to invest in strategic improvements, including management work and new sales channels.

All in all, Silmäasema's business operations have made excellent progress both operatively and in terms of financial performance. Moreover, we have a clear, new direction, an updated strategy and financial targets for the 2020-2022 period. In line with the strategy, the company's growth and profitability are based on becoming the customers' preferred choice and the leading expert in eye healthcare, renewing and growing the eyesight market, and improving performance and profitability. We presented our new strategy to the market at our Capital Markets Day on 18 September 2019. The presentations given at the Capital Markets Day event are available on Silmäasema's website at <http://company.silmaasema.fi/fi/CMD2019>.

According to the latest public information, Coronaria's holding of Silmäasema was about 89,5% on November 7, 2019. We are very positive about the cooperation with Coronaria. Together we will have a much stronger position for developing operations and identifying best practices especially with regard to the eye clinic business.

The past nine months have been very exciting and we have made great progress in many areas. I want to thank our personnel and doctors for the results we have achieved so far and our customers for their trust. We are now very well positioned to continue profitable growth in accordance with our new strategy.”

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–June grew by 4.1% to EUR 170.9 million (165.0). Based on its market share of 29.1% (27.8%) in January–June 2019, Silmäasema is the second largest optical retail chain in Finland. 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).

According to the Finnish Association of Vision and Eyecare, 18,000 refractive surgeries and 18,500 cataract surgeries were performed in the private sector in 2018, of which 7,000 were paid for by means of service vouchers. Silmäasema's market share of refractive surgeries was about 48%, and its market share of privately-funded cataract surgeries was about 50%.

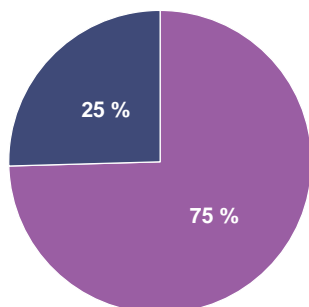
The company expects that the change in the population age structure and the increase in the population's average age will increase demand for optical retail and eye healthcare services. Population ageing is expected to increase the number of cataract surgeries in particular, but it is also expected to 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 reform 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.

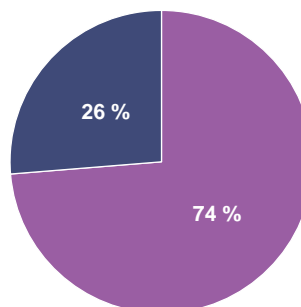
Consolidated net sales and result

Net sales (EUR thousand)	7–9/2019	7-9/2018	Change	1-9/2019	1-9/2018	Change	1–12/2018
Optical Retail and Eye Healthcare	21,999	19,823	+11.0%	70,549	64,067	+10.1%	87,970
Eye Clinics	7,505	7,069	+6.2%	25,687	26,452	-2.9%	34,903
Group	29,504	26,892	+9.7%	96,236	90,520	+6.3%	122,873

Net sales 7–9/2019

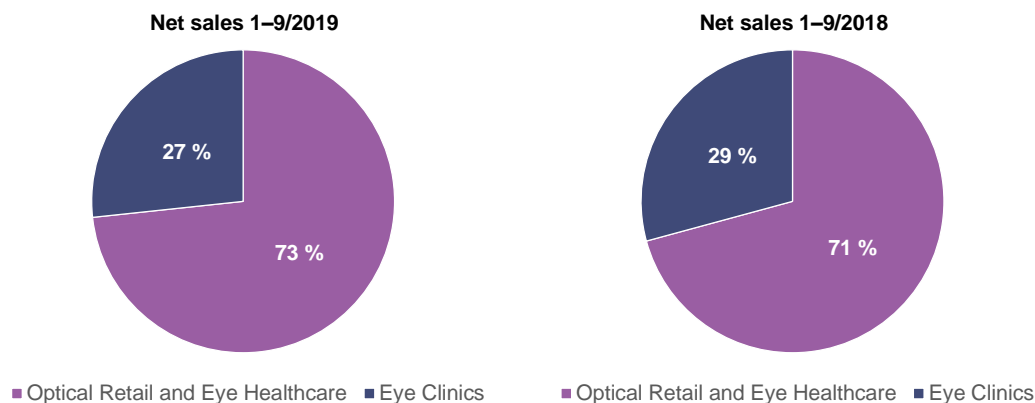


Net sales 7–9/2018



■ Optical Retail and Eye Healthcare ■ Eye Clinics

■ Optical Retail and Eye Healthcare ■ Eye Clinics



Adjusted EBITDA* (EUR thousand)	7-9/ 2019	7-9/ 2018	Change,%	1-9/ 2019	1-9/ 2018	Change, %	1-12/ 2018
Optical Retail and Eye Healthcare	3,744	1,758	+113.0%	12,247	5,098	+140.2%	7,657
- share of segment's net sales, %	17.0%	8.9%		17.4%	8.0%		8.7%
Eye Clinics	860	389	121.0%	3,342	3,132	6.7%	4,107
- share of segment's net sales, %	11.5%	5.5%		13.0%	11.8%		11.8%
Group	4,604	2,147	114.4%	15,589	8,230	89.4%	11,765
- share of net sales, %	15.6%	8.0%		16.2%	9.1%		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 July–September of the adoption of the IFRS 16 standard on the adjusted EBITDA is EUR 1,869 million at the Group level, EUR 1,589 million in the Optical Retail and Eye Healthcare segment and EUR 281,000 in the Eye Clinics segment. The impact in January–September of the adoption of the IFRS 16 standard on the adjusted EBITDA is EUR 5,599 million at the Group level, EUR 4,752 million in the Optical Retail and Eye Healthcare segment and EUR 847,000 in the Eye Clinics segment.

Financial performance in July–September 2019

Silmäasema's net sales increased by 9.7% during the third quarter and amounted to EUR 29.5 million (26.9). Its like-for-like net sales grew by 11.2% on the comparison period. Net sales grew in both Optical Retail and Eye Healthcare and the Eye Clinics segments on the comparison period. On the optical side, the growth was the result of higher customer visit numbers and sales volumes and in Eye Clinics by a 9.6% increase in cataract surgery.

The Group's sales margin increased by 11.5% and was EUR 16.8 million (15.1). The relative sales margin increased by 0.9 percentage points and was 57.1% (56.2%).

Due to the increase in net sales, the EBITDA improved year-on-year. The adjusted EBITDA was EUR 4.6 million (2.1), or 15.6% of net sales (8.0%). Silmäasema's EBITDA in July–September was EUR 4.1 million (3.0). In the comparison period, EBITDA was increased by tax returns, with a net effect of about EUR 1.1 million, related to VAT treatment. 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 third quarter of 2019, this had a positive impact of EUR 1.9 million on the adjusted EBITDA and EUR 2.0 million on EBITDA in the comparison period.

The Group's personnel expenses were EUR 8.0 million (7.1) in July–September. Their contribution to net sales decreased slightly, to 27.2% (26.5%). The increase in personnel expenses is mostly due to a change in target-related incentive provisions and the higher volume of working hours in stores and hospitals. Maintenance, IT and equipment and furniture expenses were at the comparison period's level, amounting to EUR 1.8 million (1.7). Their share of net sales decreased to 6.0% (6.3%). As a whole, however, other operating expenses decreased and were EUR 4.7 million (5.0). The adoption of the IFRS 16 standard lowered rent expenses by EUR -2.0 million.

Silmäasema's operating result was EUR 0.8 million (1.5). In the comparison period, operating results was increased by tax returns related to VAT treatment, with a net effect of about EUR 1.1 million. The adjusted operating result was EUR 1.4 million (0.6). 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 performance in January–September 2019

Silmäasema's net sales in January–September 2019 amounted to EUR 96.2 million (90.5), representing an increase of 6.3% on the comparison period in the previous year. Its like-for-like net sales grew by 5.7%.

The Group's sales margin increased by 6.3% and was EUR 54.3 million (51.1), or 56.5% of net sales (56.4%).

The adjusted EBITDA was EUR 15.6 million (8.2), or 16.2% of net sales (9.1%). Silmäasema's EBITDA in January–September 2019 was EUR 14.9 million (8.3). 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–September 2019, this had a positive impact of EUR 5.8 million on the Group's EBITDA and a positive impact of EUR 5.6 million on its adjusted EBITDA in comparison with the corresponding period in the previous year.

In January–September, the Group's personnel expenses amounted to EUR 25.0 million (24.3), and their share of net sales decreased to 26.0% (26.9%). Maintenance, IT, equipment and furniture expenses increased slightly year-on-year and were EUR 5.1 million (4.9). Their relative share of net sales was 5.3% (5.4%). As a whole, however, other operating expenses decreased significantly, to EUR 14.4 million (18.4). The impact of adoption of the IFRS 16 standard on rent expenses was EUR -5.8 million.

Silmäasema's operating result was EUR 4.8 million (3.9). Its adjusted operating result increased by 48.3% to EUR 5.7 million (3.9). The impact of the adoption of the IFRS 16 standard on the reporting period's operating result and adjusted operating result was EUR 0.2 million.

Cash flows

Silmäasema's cash flows from operating activities were strong and grew to EUR 13.9 million (6.2) in January–September 2019. The very strong growth resulted from the higher profit for the period and from effectiveness of the net working capital. In January-September, the adoption of the IFRS 16 standard had a EUR 5.1 million impact on cash flows from operating activities.

Cash flows from investing activities in January–September amounted to EUR -2.5 million (-7.6). Silmäasema's cash flows from financing activities in January–September 2019 were EUR -11.7 million (+1.7). In the reporting period, the cash flows included EUR 5.0 million in commercial papers issued within a commercial paper programme, EUR 10.0 million in repayments of loans and EUR 5.3 million in repayments of lease liabilities. The impact of the adoption of the IFRS 16 standard on the repayment of lease liabilities was EUR -5.1 million.

Investments

Silmäasema's investments in January–September totalled EUR 2.5 million (7.6). Of the total, operational investments represented EUR 1.0 million (5.9) and acquisitions represented EUR 1.5 million (1.7). Silmäasema's largest investments in January–September were mainly related to the modernisation of and furniture acquisitions at stores. The investments in the comparison period were related to the opening of a new eye clinic and seven new stores, and modernisation carried out in stores.

Consolidated balance sheet and financial standing

At the end of September 2019, the Silmäasema Group's balance sheet stood at EUR 125.4 million (99.7), of which equity amounted to EUR 43.0 million (41.0). Net debt was EUR 48.7 million (33.9) at the end of the period. Regarding the situation on 30 September 2019, the adoption of the IFRS 16 standard increased non-current borrowings by EUR 20.3 million and current borrowings by EUR 6.5 million.

At the end of the review period, Silmäasema's net working capital was EUR -8.3 million (-4.2). Due to the nature of the business, its use of capital is efficient. Its equity ratio stood at 35.5% (42.6%) 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.

Silmäasema's current liabilities stood at EUR 60.9 million on 30 September 2019 when the company reclassified EUR 27 million in non-current bank loans as current liabilities. Company has been engaged in financing negotiations to refinance the bank loans with a non-current loan. The financing negotiations with banks were started on the basis of a term in the bank loan agreement concerning changes in controlling interest as a result of the increase in Coronaria's holding of Silmäasema. The negotiations must be concluded by 15 December 2019, on the basis of which the bank loans are temporarily classified as non-current. The financing negotiations have proceeded according to plan. At its meeting on November 7, 2019, the Board of Directors of Silmäasema has approved one of the loan offers received. The company will complete the process with the selected bank in the coming weeks. The new loan has the same maturity as the old one.

Coronaria's public tender offer for all shares in Silmäasema

On 16 August 2019 Coronaria announced it had acquired a total of 1,420,031 shares in Silmäasema Oyj. As a result of this acquisition Coronaria's holding in Silmäasema increased to 32.4% of Silmäasema's entire stock and the associated votes. Consequently, Coronaria's holding in Silmäasema surpassed 30% of all votes in Silmäasema and it became obliged to launch a mandatory public tender offer for all other shares in Silmäasema and securities entitling their holders to shares in Silmäasema.

On 5 September 2019, Coronaria launched a tender offer under which it offered a cash consideration of EUR 6.00 per share to Silmäasema's shareholders. The tender offer corresponded to a premium of around 7.5% compared with the closing price (EUR 5.58) of Silmäasema's share on Nasdaq Helsinki on 15 August 2019 or the final trading day before the establishment of the obligation to make a tender offer, a premium of around 9.4% compared with the volume-weighted average price of the Silmäasema share on the Nasdaq Helsinki during the three-month period preceding the establishment of the obligation to launch an offer and a roughly 10.4% premium compared with the volume-weighted average price of the Silmäasema share on the Nasdaq Helsinki during the six-month period preceding the establishment of an obligation to launch an offer. Coronaria announced it is reserving the right to acquire shares in Silmäasema before the beginning of the offer period, during the offer period and/or after the offer period through public trading at Nasdaq Helsinki or otherwise. According to Coronaria's estimate, the implementation of the tender offer does not require approval from competition authorities.

On 11 September 2019, Silmäasema Oyj issued a statement by its Board of Directors concerning Coronaria Oy's mandatory public tender offer. According to its statement, the opinion of the Silmäasema Board of Directors was that the offered consideration is low from a financial point of view. The members of Silmäasema's Board of Directors who participated in the decision-making process unanimously decided not to recommend approval of the tender offer by Silmäasema's shareholders.

On 30 September 2019 Coronaria announced that the shares offered during the offer period from 5 September to 26 September 2019 represented roughly 41.7% of all shares issued by Silmäasema and of the outstanding shares and of the associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented a total of roughly 82.5% of all Silmäasema shares.

In order to provide the remaining shareholders an opportunity to accept the tender offer, Coronaria started an subsequent offer period that ended 17 October 2019. On 21 October 2019 Coronaria announced that the shares offered during this additional period represented roughly 4.4% of all shares issued by Silmäasema and of the outstanding shares and of the associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented a total of

roughly 88.8% of all Silmäasema shares.

On 21 October 2019, Coronaria announced that its subsequent offer period will continue in accordance with what had been announced on 18 October 2019 and that it will end on 7 November 2019. On 5 November 2019 Coronaria announced that the shares offered by 31 October 2019 represented roughly 4.5% of all shares issued by Silmäasema and of the outstanding shares and of the associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented a total of roughly 89.3% of all Silmäasema shares.

On November 4 2019, Silmäasema published the comments of the Board of Directors on the situation of Coronaria's tender offer. In particular, the announcement stated that Coronaria's increased holding would enable it to exercise significant control in Silmäasema and that Coronaria's holding is likely to exceed 90% at some point, at which time it is likely to initiate a squeeze-out procedure of the remaining shares. In addition, it was noted that Coronaria's increased holding has substantially reduced the liquidity of Silmäasema's share. Shareholders should be aware that selling shares at a later time on a favourable schedule or at a favourable price may therefore be difficult.

On 7 November 2019, Coronaria supplemented the tender offer document with Silmäasema's release containing the observations of the Board of Directors of Silmäasema regarding the situation of Coronaria's mandatory tender offer. On 7 November 2019 Coronaria announced that the shares offered by 7 November 2019 represented roughly 4.57% of all shares issued by Silmäasema and of the outstanding shares and of the associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented a total of roughly 89.47% of all Silmäasema shares. In addition, Coronaria announced it has decided to extend the subsequent offer period of the tender offer to end on November 21, 2019 at 4:00 p.m.

Optical Retail and Eye Healthcare

Net sales and result in July–September 2019

The Optical Retail and Eye Healthcare segment's net sales increased by 11.0% to EUR 22.0 million (19.8). The year-on-year increase in net sales was supported by higher customer visit numbers and sales volumes, successful campaigns and an increase in vision tests by opticians and appointments with ophthalmologists. We also made our lens categories more customer-oriented. The like-for-like net sales grew by 11.9%.

Due to the strong increase in net sales, the adjusted EBITDA and the EBITDA improved year-on-year. The segment's EBITDA was EUR 3.5 million (2.7), and its adjusted EBITDA was EUR 3.7 million (1.8), or 17.0% of net sales (8.9%). EBITDA adjustment items were EUR -0.3 (+1.0) million, including a positive item of EUR 1.2 million related to changes in VAT treatment during the period. 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 third quarter of 2019, this had a positive impact of EUR 1.7 million on the EBITDA and EUR 1.6 million on the 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 would have been EUR 1.7 million and the adjusted EBITDA EUR 2.2 million.

The Optical Retail and Eye Healthcare segment's operating result was EUR 0.9 million (1.8), and its adjusted operating result was EUR 1.3 million (0.9). 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–September 2019

The Optical Retail and Eye Healthcare segment's net sales increased by 10.1% to EUR 70.5 million (64.1). Net sales grew due to an increase in volumes. The like-for-like net sales grew by 8.8%.

Due to the strong increase in net sales, the EBITDA improved year-on-year. The segment's EBITDA was EUR 11.8 million (5.4), and its adjusted EBITDA was EUR 12.2 million (5.1), or 17.4% of net sales (8.0%). The adoption of the IFRS 16 standard had a positive effect of EUR 4.9 million on the EBITDA and EUR 4.8 million on the adjusted EBITDA. Without the impact of the adoption of the IFRS 16 standard, the adjusted EBITDA would have been EUR 7.5 million and the EBITDA EUR 6.8 million.

The Optical Retail and Eye Healthcare segment's operating result was EUR 4.3 million (2.8), and its adjusted operating result was EUR 5.0 million (2.5). The impact of the adoption of the IFRS 16 standard on the operating result and adjusted operating result was EUR 0.2 million.

Sales days

	Q1/2019	Q1/2018	Q2/2019	Q2/2018	Q3/2019	Q3/2018	Q4/2019	Q4/2018
Weekdays	63	63	60	62	66	65	62	62
Saturdays	13	12	12	12	13	13	12	12
Sundays	12	12	12	11	13	14	13	13
Public holidays	2	3	7	6	-	-	5	5

Store network

At the end of September 2019, the chain included a total of 156 (168) optical retail stores. Of these stores, 138 (150) were owned by Silmäasema and 18 (18) were chain stores owned by franchisees. During Q3 2019, Silmäasema closed one store in Finland and one store in Estonia.

	Opened before 2016 ¹	Opened/closed in 2016–2017 ¹	2018 Opened/closed ¹	2019 Opened/closed	Total 30 September 2019
Own stores in Finland	87	45/0	8/1	1/10	130
Own stores in Estonia	-	9/0	1/0	0/2	8
Chain stores in Finland	-	-	-	-	18

1) New stores and business and company acquisitions

Eye Clinics

Silmäasema has a nationwide network of 13 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.

In the third quarter the Vantaa Silmäsaaraala eye clinic was closed as a part of network development and its surgery operations were merged to the Helsinki and Espoo Eye Clinics. In addition, the store located in the eye clinic property moved to another premises in Vantaa, at the beginning of November.

Net sales and result in July–September 2019

The Eye Clinics segment's net sales decreased by 6.2% and were EUR 7.5 million (7.1) in July–September. The like-for-like net sales grew by 9.2%. Net sales increased on the comparison period due to a 9.6% increase in the volume of cataract operations, with the private sector driving the growth. The number of eye specialists' appointments was also markedly higher than in the comparison period. The value of the sales of cataract and refractive surgeries increased year-on-year, while the volumes of outsourced ophthalmological services to the Hospital District of Helsinki and Uusimaa were lower than in the comparison period.

The amount of refractive surgeries in July–September was at the same level as in the comparison period and a total of 2,045 (2,049) refractive surgeries were carried out at Silmäasema eye clinics. The total volume of cataract surgeries increased by 9.6% on the comparison period as a significant result in private cataract surgeries. 1,572 (1,434) cataract surgeries were performed, of which 26% (34%) were surgeries paid for by means of service vouchers.

Growth in segment volumes on the comparison period improved profitability. The segment's EBITDA was EUR 0.8 million (0.3), and its adjusted EBITDA was EUR 0.9 million (0.4), or 11.5% of net sales (5.5%). 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 third 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 adjusted EBITDA would have been EUR 0.6 million and the EBITDA EUR 0.5 million.

The Eye Clinics segment's operating result was EUR -0.0 million (-0.3), and its adjusted operating result was EUR 0.0 million (-0.2). 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–September 2019

The Eye Clinics segment's net sales decreased by 2.9% and were EUR 25.7 million (26.5) in January–September. Its like-for-like net sales decreased by 1.9%. The value of cataract surgery sales increased and the value of refractive surgery sales decreased from the comparison period. The change in turnover for both types of surgery is explained by changes in volume. The number of eye specialists' appointments was markedly higher than in the comparison period. The sales of outsourced ophthalmological services to the Hospital District of Helsinki and Uusimaa were lower than in the comparison period.

The amount of refractive surgeries in January–September was lower than in the comparison period: altogether 6,492 (6,741) refractive surgeries were performed at Silmäasema eye clinics. The overall volume of cataract surgeries was higher than in the comparison period. 6,053 (5,878) cataract surgeries were performed, of which 28% (27%) were surgeries paid for by means of service vouchers.

The segment's EBITDA was EUR 3.3 million (2.9), and its adjusted EBITDA was EUR 3.3 million (3.1), or 13.0% of net sales (11.8%). The adoption of the IFRS 16 standard had a positive effect of EUR 0.8 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 2.5 million and the EBITDA EUR 2.4 million.

The Eye Clinics segment's operating result was EUR 0.7 million (1.1), and its adjusted operating result was EUR 0.7 million (1.3). 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–September 2019, the average number of personnel at Silmäasema was 698 (678) converted into full-time employees. At the end of September 2019, the personnel under an employment contract with the Group totalled 797 (768), of whom 765 (734) were based in Finland and 32 (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 25.0 million (24.3) in January–September 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 costs generated by the development programme have been expensed through the income statement, but purchases related to the information systems will mainly be recognised as capital expenditure as of the choice of system.

In July-September we adopted a broader view in preparing for the renewal of the information system and we surveyed alternatives for the entire IT ecosystem. The supplier and system will be selected during early 2020. The timetable of the development programme has not changed and Silmäasema seeks to ensure the optimal implementation of the programme by means of process phases and pilot projects.

Flagging notifications

During the review period, Silmäasema has received the following flagging notifications:

- Flagging notification 16 August 2019 - The holding by Coronaria Oy, a subsidiary of Cor Group Oy, has surpassed 30% on 16 August 2019
- Flagging notification 16 August 2019 - The holding by Mandatum Life Insurance in Silmäasema has fallen below 5% on 16 August 2019

In addition, details of flagging notifications Silmäasema has received after the review period are provided in the section “Events after the review period”.

Events after the review period

After the end of the review period, Silmäasema has received the following flagging notifications:

- Flagging notification 2 October 2019 - The holding by Coronaria Oy, a subsidiary of Cor Group Oy, has surpassed two thirds on 2 October 2019
- Flagging notification 3 October 2019 - The holding by Intera Fund II LP has fallen below 5% on 2 October 2019

Refinancing negotiations concerning Silmäasema’s bank loans started after the end of the review period when Coronaria’s increased holding triggered a term in Silmäasema’s loan agreements. The company has been engaged in financing negotiations to re-finance the bank loans with a non-current loan. The financing negotiations have proceeded according to plan. At its meeting on November 7, 2019, the Board of Directors of Silmäasema has approved one of the loan offers received. The company will complete the process with the selected bank in the coming weeks. The new loan has the same maturity as the old one.

On 18 October 2019, Coronaria proposed to continue its subsequent offer period until 7 November 2019. At the same time Coronaria announced the preliminary number of approvals it had received by 17 October 2019. On 21 October 2019 Coronaria announced the final number of approvals it had received by 17 October 2019. On 5 November 2019 Coronaria announced the final number of approvals it had received by 31 October 2019. Coronaria announced on 7 November 2019 a supplementation to the tender offer document by adding Silmäasema’s release containing the observations of the Board of Directors of Silmäasema regarding the situation of Coronaria’s mandatory tender offer. On 7 November Coronaria announced the preliminary number of approvals it had received by 7 November 2019 and informed it will continue its subsequent offer period until 21 November 2019. Details on the stages of the tender offer are provided in section “Coronaria’s public tender offer for all shares in Silmäasema” on pages 8-9.

On 25 October 2019 Silmäasema announced the composition of the Shareholders’ Nomination Committee. On 23 October 2019, the following were appointed to the Shareholders’ Nomination Committee on the basis of the shareholders’ register: Antti Kummumäki (representing Coronaria), Torsti Sihvola, Rauno Tenhunen and Jukka Hienonen, Chairman of the Silmäasema Oyj Board of Directors.

On 5 November 2019 Silmäasema announced the Shareholders' Nomination Committee's proposal for the composition of the Board of Directors to the extraordinary general meeting. The following are proposed as members: Harri Halonen, Martti Kiuru, Antti Kummu, Teppo Linden, Juho Lipsanen, Ulla Näpänkangas and Torsti Sihvola. Antti Kummu is proposed for the chair of the Board and Teppo Linden for the vice-chair.

On 5 November 2019, Silmäasema convened an extraordinary general meeting to be held on 26 November 2019 at 2 p.m. The invitation, presentation materials and registration details are available on the company's website at <https://company.silmaasema.fi/en/annual-general-meeting/egm-2019>.

Changes in the Management Team

Roope Sihvola (M.D., ophthalmologist) was appointed as a member of the Management Team on 17 September 2019.

At the end of September 2019, Silmäasema's Management Team consisted of Jussi Salminen (CEO), Sari Nordblad (CFO), Sirkkaliisa Kulmala (HR Director), Tapani Kyrki (Business Director), Jyrki Alamäki (Sales Director) and Roope Sihvola (Chief Medical Officer, M.D., ophthalmologist).

Shares and shareholders

The total number of Silmäasema's registered shares on 30 September 2019 was 14,248,805 and the company's share capital entered in the Trade Register was EUR 80,000. On 30 September 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–September 2019 was EUR 6.12 (7.54) and the lowest was EUR 4.33 (4.52). The volume-weighted average price was EUR 5.81 (5.32) per share. The closing rate on 30 September 2019 was EUR 6.00 (4.56), with the market value of Silmäasema's share capital standing at EUR 85.5 million (65.0). Total trading for the share in January–September was EUR 21.3 million (16.3), and the trading volume was 3.7 (3.1) million shares in total.

At the end of September 2019, Silmäasema had a total of 4,776 (5,744) registered shareholders. Nominee-registered shareholders represented a holding of 2.87% (17.88%) of the share capital at the end of the review period.

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.

Based on the Offer Document, Coronaria's tender offer is not expected to have a significant immediate effect on Silmäasema's operations, locations or assets or on the number of jobs with Silmäasema. In cooperation with Silmäasema's other shareholders, Coronaria seeks to contribute to any restructuring in the future, if this is necessary for business operations. As presented in the Offer Document, Coronaria's intention is for Silmäasema to continue to operate as a separate unit, but in cooperation with other eye healthcare business operations of the Coronaria Group as far as possible. As presented in the Offer Document, the tender offer will not have any immediate effects on Silmäasema's management. However, Coronaria will seek to affect the composition of Silmäasema's Board of Directors in line with its shareholding after the implementation of the tender offer. (Source: Coronaria's Tender Offer Document, 4 September 2019)

Outlook for 2019 (updated 18 September 2019)

Silmäasema expects its full-year like-for-like net sales to increase slightly from the previous year and its adjusted EBITDA margin to be slightly better than in the previous year (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 to be recognised on the opening balance sheet will be around EUR 29 million. The outlook for 2019 is presented without the impact of the IFRS 16 standard.

In September 2019, Silmäasema announced an improved estimate of the development of its 2019 like-for-like net sales and adjusted EBITDA.

The improved outlook regarding like-for-like net sales is based on Optical Retail's actual sales and expected positive sales development in the remaining part of the year. In addition, the measures to improve sales launched at Eye Clinics at the beginning of the year are expected to support the positive performance of like-for-like net sales in the fourth quarter.

The relative profitability of the group's business operations is estimated to improve on the previous year. The measures of the efficiency improvement programme announced this year are taking effect sooner than had been expected, as are the measures taken to enhance the efficiency and profitability of the network.

SILMÄASEMA OYJ

Board of Directors

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THE GROUP'S KEY FIGURES

EUR thousand, unless otherwise stated	7-9/ 2019	7-9/ 2018	Change %	1-9/ 2019	1-9/ 2018	Change %	1-12/ 2018
Growth of net sales							
Net sales	29,504	26,892	9.7 %	96,236	90,520	6.3 %	122,873
Like-for-like growth in net sales, %	11.2 %	-3.2 %		5.7 %	-2.1 %		-1.6 %
Income statement							
Gross profit	16,845	15,111	11.5 %	54,335	51,095	6.3 %	69,554
Gross profit %	57.1 %	56.2 %		56.5 %	56.4 %		56.6 %
EBITDA	4,142	3,039	36.3 %	14,912	8,312	79.4 %	11,443
EBITDA %	14.0 %	11.3 %		15.5 %	9.2 %		9.3 %
Adjusted EBITDA	4,604	2,147	114.4 %	15,589	8,230	89.4 %	11,765
Adjusted EBITDA %	15.6 %	8.0 %		16.2 %	9.1 %		9.6 %
Operating result	760	1,520	-50.0 %	4,804	3,914	22.7 %	5,492
Operating result %	2.6 %	5.7 %		5.0 %	4.3 %		4.5 %
Adjusted operating result	1,381	639	115.9 %	5,730	3,863	48.3 %	5,844
Adjusted operating result %	4.7 %	2.4 %		6.0 %	4.3 %		4.8 %
Profit before taxes	426	1,241	-65.6 %	3,440	2,924	17.6 %	4,123
Profit before taxes %	1.4 %	4.6 %		3.6 %	3.2 %		3.4 %
Profit (loss) for the period	186	901	-79.4 %	2,380	2,064	15.3 %	3,254
Profit (loss) for the period %	0.6 %	3.4 %		2.5 %	2.3 %		2.6 %
Basic earnings per share, eur	0.01	0.06		0.17	0.14		0.23
Financial key figures *							
Net debt				48,729	33,940		27,957
Net debt / Adjusted EBITDA (leverage)				2.5	3.1		2.4
Gearing				113.2 %	82.8 %		66.6 %
Equity ratio				35.5 %	42.6 %		42.8 %
Return on capital employed % (ROCE)				4.5 %	4.9 %		6.9 %
Return on equity % (ROE)				5.6 %	5.2 %		8.1 %
Investments							
Operational				1,029	5,933	-82.6 %	6,716
Acquisitions				1,467	1,683	-12.8 %	1,775
Total				2,497	7,616	-67.2 %	8,491
Cash flow from operations							
				13,909	6,235		13,092
Personnel (end of the review period) **							
FTE – own personnel				698	678	3.0 %	666
Stores and clinics (pcs)							
Stores – owned by Silmäasema				138	150	-8.0 %	149
Stores – owned by franchisees				18	18	0.0 %	18
Eye clinics				13	14	-7.1 %	14
Chain total				169	182	-7.1 %	181
Sales volume (pcs) – own stores							
Eyeglasses	45,075	41,970	7.4 %	139,539	127,618	9.3 %	181,792
Sunglasses	20,006	21,273	-6.0 %	79,761	73,565	8.4 %	81,601

* In January–September 2019 the impact of the adoption of the IFRS 16 standard on the EBITDA was EUR 5,796 thousand and adjusted EBITDA was EUR 5,599 thousand, on the operating result and adjusted operating result it was EUR 217 thousand, on the profit before taxes it was EUR -297 thousand and on the profit for the period it was EUR -238 thousand. In addition, the impact on the earnings per share was EUR -0.02, on net debt it was EUR 26,790 thousand and on cash flows from operating activities it was EUR 5,084 thousand.

** Due to a change in reporting practices, the personnel figures differ from the figures reported earlier.

SEGMENT-SPECIFIC KEY FIGURES

EUR thousand, unless otherwise stated	7–9/2019				1–9/2019			
	Optical retail and eye healthcare	Eye clinics	Un-allocated	Group	Optical retail and eye healthcare	Eye clinics	Un-allocated	Group
Growth of net sales								
Net sales	21,999	7,505		29,504	70,549	25,687		96,236
Growth in net sales, %	11.0 %	6.2 %		9.7 %	10.1 %	-2.9 %		6.3 %
Like-for-like growth in net sales, %	11.9 %	9.2 %		11.2 %	8.8 %	-1.9 %		5.7 %
Income statement								
EBITDA	3,476	798	-132	4,142	11,764	3,280	-132	14,912
<i>EBITDA %</i>	15.8 %	10.6 %		14.0 %	16.7 %	12.8 %		15.5 %
Adjusted EBITDA	3,744	860		4,604	12,247	3,342		15,589
<i>Adjusted EBITDA %</i>	17.0 %	11.5 %		15.6 %	17.4 %	13.0 %		16.2 %
Operating result	913	-21	-132	760	4,264	672	-132	4,804
<i>Operating result %</i>	4.1 %	-0.3 %		2.6 %	6.0 %	2.6 %		5.0 %
Adjusted operating result	1,340	41		1,381	4,995	734		5,730
<i>Adjusted operating result %</i>	6.1 %	0.5 %		4.7 %	7.1 %	2.9 %		6.0 %
Investments								
Operational					686	343		1,029
Acquisitions					400	1,067		1,467
Total					1,086	1,411		2,497

EUR thousand, unless otherwise stated	7–9/2018				1–9/2018			
	Optical retail and eye healthcare	Eye clinics	Un-allocated	Group	Optical retail and eye healthcare	Eye clinics	Un-allocated	Group
Growth of net sales								
Net sales	19,823	7,069		26,892	64,067	26,452		90,520
Growth in net sales, %	2.6 %	0.0 %		1.9 %	4.9 %	0.2 %		3.5 %
Like-for-like growth in net sales, %	-2.4 %	-5.3 %		-3.2 %	-1.4 %	-3.7 %		-2.1 %
Income statement								
EBITDA	2,743	296		3,039	5,388	2,931	-8	8,312
<i>EBITDA %</i>	13.8 %	4.2 %		11.3 %	8.4 %	11.1 %		9.2 %
Adjusted EBITDA	1,758	389		2,147	5,098	3,132		8,230
<i>Adjusted EBITDA %</i>	8.9 %	5.5 %		8.0 %	8.0 %	11.8 %		9.1 %
Operating result	1,845	-325		1,520	2,781	1,141	-8	3,914
<i>Operating result %</i>	9.3 %	-4.6 %		5.7 %	4.3 %	4.3 %		4.3 %
Adjusted operating result	872	-232		639	2,521	1,342		3,863
<i>Adjusted operating result %</i>	4.4 %	-3.3 %		2.4 %	3.9 %	5.1 %		4.3 %
Investments								
Operational					3,146	2,787		5,933
Acquisitions					395	1,288		1,683
Total					3,541	4,075		7,616

	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
<i>EBITDA %</i>	8.8 %	11.3 %		9.3 %
Adjusted EBITDA	7,657	4,107		11,765
<i>Adjusted EBITDA %</i>	8.7 %	11.8 %		9.6 %
Operating result	4,162	1,518	-188	5,492
<i>Operating result %</i>	4.7 %	4.3 %		4.5 %
Adjusted operating result	4,147	1,697		5,844
<i>Adjusted operating result %</i>	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–September 2019 the impact of the adoption of the IFRS 16 standard on the Optical Retail and Eye Healthcare segment's EBITDA was EUR 4,949 thousand and on the adjusted EBITDA EUR 4,752 thousand, on the operating result and on the adjusted operating result it was EUR 168 thousand. The impact on the Eye Clinics' EBITDA and adjusted EBITDA was EUR 847 thousand and on operating result and adjusted operating result it was EUR 49 thousand.

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	7–9/2019	7–9/2018	1–9/2019	1–9/2018	1–12/2018
Net sales	2.2	29,504	26,892	96,236	90,520	122,873
Other operating income	2.2	4	1	16	30	38
Materials and services	2.3	-12,663	-11,782	-41,917	-39,454	-53,357
Personnel expenses	3.0	-8,026	-7,121	-25,022	-24,336	-32,474
Other operating expenses	2.3	-4,676	-4,951	-14,400	-18,447	-25,638
EBITDA		4,142	3,039	14,912	8,312	11,443
Depreciation and amortisation	2.3	-3,382	-1,519	-10,108	-4,397	-5,951
Operating result		760	1,520	4,804	3,914	5,492
Finance costs, net		-334	-279	-1,365	-990	-1,368
Profit before taxes		426	1,241	3,440	2,924	4,123
Income tax expense		-241	-340	-1,060	-861	-869
Profit (loss) for the period		186	901	2,380	2,064	3,254
Total comprehensive income for the period		186	901	2,380	2,064	3,254
Profit for the period attributable to:						
Owners of the parent		186	901	2,380	2,064	3,254
Profit (loss) for the period		186	901	2,380	2,064	3,254
Total comprehensive income attributable to:						
Owners of the parent		186	901	2,380	2,064	3,254
Total comprehensive income for the period		186	901	2,380	2,064	3,254
Earnings per share for profit attributable to the owners of the parent						
Basic earnings per share, EUR	2.4	0.01	0.06	0.17	0.14	0.23
Diluted earnings per share, EUR	2.4	0.01	0.06	0.17	0.14	0.23

In January–September 2019 the impact of the adoption of the IFRS 16 standard on the other operating expenses was EUR 5,796 thousand, on depreciation it was EUR -5,579 thousand, on financial expenses it was EUR -514 thousand and on income tax it was EUR 59 thousand. In addition, the impact on the earnings per share was EUR -0.02.

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS				
Non-current assets				
Property, plant and equipment	6.1	36,672	13,144	12,460
Other intangible assets	6.1	2,860	3,889	3,705
Goodwill		61,169	61,169	61,169
Deferred tax assets		1,554	1,723	1,346
Total non-current assets		102,255	79,926	78,679
Current assets				
Inventories		7,632	7,817	7,419
Trade and other receivables		3,817	4,949	3,319
Current income tax receivables		0	977	0
Cash and cash equivalents		11,666	6,056	11,937
Total current assets		23,115	19,798	22,675
TOTAL ASSETS		125,370	99,724	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		1,553	-195	-374
Profit (loss) for the period		2,380	2,064	3,254
Total equity attributable to owners of the parent		43,038	40,974	41,986
Liabilities				
Non-current liabilities				
Non-current borrowings	5.1	20,638	38,300	37,982
Interest rate swaps	5.1	0	82	79
Deferred tax liabilities		787	603	717
Total non-current liabilities		21,425	38,986	38,778
Current liabilities				
Current borrowings	5.1	39,757	1,696	1,913
Interest rate swaps	5.1	138	123	119
Trade and other payables		19,722	17,000	18,230
Current income tax liabilities		1,289	946	329
Total current liabilities		60,907	19,765	20,590
Total liabilities		82,332	58,750	59,368
TOTAL EQUITY AND LIABILITIES		125,370	99,724	101,354

Regarding the situation on 30 September 2019, the adoption of the IFRS 16 standard increased property, plant and equipment by EUR 26,493 thousand, deferred tax assets by EUR 59 thousand, non-current borrowings by EUR 20,290 thousand and current borrowings by EUR 6,500 thousand. In addition, the impact on profit for the period was EUR -238 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				2,064	2,064
Total comprehensive income for the period				2,064	2,064
Transactions with owners:					
Share-based bonus system	3.0			127	127
Equity at 30 Sep 2018		80	39,025	1,868	40,974
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				2,380	2,380
Total comprehensive income for the period				2,380	2,380
Transactions with owners:					
Share-based bonus system	3.0			97	97
Dividends paid	5.2			-1,425	-1,425
Equity at 30 Sep 2019		80	39,025	3,932	43,038

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Note	1–9/2019	1–9/2018	1–12/2018
Cash flows from operating activities				
Profit (loss) for the period		2,380	2,064	3,254
Adjustments:				
Depreciation, amortisation and impairments	2.3	10,108	4,397	5,951
Other non-cash transactions		91	151	-49
Finance cost, net		1,365	990	1,368
Income tax expense		1,060	861	869
Changes in working capital				
Change in trade and other receivables	4.0	-495	231	1,879
Change in inventories	4.0	-213	-464	-66
Change in trade and other payables	4.0	1,056	-785	585
Interest paid		-1,059	-592	-822
Other financing items, net		-146	-230	-331
Income taxes paid		-238	-388	454
Net cash inflow from operating activities		13,908	6,235	13,092
Cash flows from investing activities				
Payments for property, plant and equipment	6.1	-763	-4,820	-5,484
Payments for intangible assets	6.1	-266	-1,113	-1,232
Payments for business acquisitions, net of cash acquired		-1,467	-1,683	-1,775
Proceeds from loans receivable		3	27	30
Net cash (outflow) from investing activities		-2,492	-7,589	-8,461
Cash flows from financing activities				
Proceeds from non-current loans	5.1	0	1,950	1,950
Proceeds from current loans	5.1	7,000	0	0
Repayments of loans	5.1	-12,000	0	0
Repayments of lease liabilities		-5,262	-246	-350
Dividends paid		-1,425	0	0
Net cash inflow (outflow) from financing activities		-11,687	1,704	1,600
Net (decrease) increase in cash and cash equivalents		-271	350	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		11,666	6,056	11,937

In January–September 2019 the impact of the adoption of the IFRS 16 standard on cash flows from operating activities was EUR 5,084 thousand and on cash flows from financing activities it was EUR -5,084 thousand.

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 on 7 November. 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.

	7–9/2019				1–9/2019			
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand								
Net sales	21,999	7,505		29,504	70,549	25,687		96,236
Adjusted EBITDA	3,744	860		4,604	12,247	3,342		15,589
Adjustments	-269	-62	-132	-462	-483	-62	-132	-677
EBITDA	3,476	798	-132	4,142	11,764	3,280	-132	14,912
Depreciation and amortisation	-2,563	-819		-3,382	-7,500	-2,608		-10,108
Adjusted operating result	1,340	41		1,381	4,995	734		5,730
Adjustments	-427	-62	-132	-621	-732	-62	-132	-925
Operating result	913	-21	-132	760	4,264	672	-132	4,804

	7–9/2018				1–9/2018			
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand								
Net sales	19,823	7,069		26,892	64,067	26,452		90,520
Adjusted EBITDA	1,758	389		2,147	5,098	3,132		8,230
Adjustments	985	-93		892	290	-201	-8	82
EBITDA	2,743	296		3,039	5,388	2,931	-8	8,312
Depreciation and amortisation	-898	-621		-1,519	-2,607	-1,790		-4,397
Adjusted operating result	872	-232		639	2,521	1,342		3,863
Adjustments	973	-93		880	259	-201	-8	51
Operating result	1,845	-325		1,520	2,781	1,141	-8	3,914

	1–12/2018			
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand				
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–September 2019 the impact of the adoption of the IFRS 16 standard on the Optical Retail and Eye Healthcare segment's EBITDA was EUR 4,949 thousand and on the adjusted EBITDA EUR 4,752 thousand, on the operating result and on the adjusted operating result it was EUR 168 thousand. The impact on the Eye Clinics' EBITDA and adjusted EBITDA was EUR 847 thousand and on operating result and adjusted operating result it was EUR 49 thousand.

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

7–9/2019				
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand				
Adjusted EBITDA	3,744	860	0	4,604
Exceptional payments for termination benefits	-116	-62		-178
Adjustments concerning closed locations	-91			-91
Adjustments concerning changes in VAT treatment	-62			-62
Exceptional professional fees			-132	-132
Adjustments	-269	-62	-132	-462
EBITDA	3,476	798	-132	4,142
Adjusted operating profit	1,340	41	0	1,381
Exceptional payments for termination benefits	-116	-62		-178
Adjustments concerning closed locations	-220			-220
Adjustments concerning changes in VAT treatment	-92			-92
Exceptional professional fees			-132	-132
Adjustments	-427	-62	-132	-621
Operating profit	913	-21	-132	760

1–9/2019				
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand				
Adjusted EBITDA	12,247	3,342	0	15,589
Exceptional payments for termination benefits	-225	-62		-287
Adjustments concerning closed locations	-91			-91
Adjustments concerning changes in VAT treatment	-190			-190
Exceptional professional fees	22		-132	-109
Adjustments	-483	-62	-132	-677
EBITDA	11,764	3,280	-132	14,912
Adjusted operating profit	4,995	734	0	5,730
Exceptional payments for termination benefits	-225	-62		-287
Adjustments concerning closed locations	-288			-288
Adjustments concerning changes in VAT treatment	-241			-241
Exceptional professional fees	22		-132	-109
Adjustments	-732	-62	-132	-925
Operating profit	4,264	672	-132	4,804

7–9/2018				
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Adjusted EBITDA	1,758	389	0	2,147
Exceptional payments for termination benefits	-247	-93		-340
Adjustments concerning changes in VAT treatment	1,256			1,256
Adjustments concerning business acquisitions	-7			-7
Exceptional professional fees	-16			-16
Adjustments	985	-93	0	892
EBITDA	2,743	296	0	3,039
Adjusted operating profit	872	-232	0	639
Exceptional payments for termination benefits	-247	-93		-340
Adjustments concerning changes in VAT treatment	1,244			1,244
Adjustments concerning business acquisitions	-7			-7
Exceptional professional fees	-16			-16
Adjustments	973	-93	0	880
Operating profit	1,845	-325	0	1,520

1–9/2018				
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Adjusted EBITDA	5,098	3,132	0	8,230
Exceptional payments for termination benefits	-411	-201		-611
Costs related to development of the internationalisation concept	-64			-64
Adjustments concerning changes in VAT treatment	913		-6	907
Adjustments concerning business acquisitions	-59			-59
Exceptional professional fees	-89		-2	-91
Adjustments	290	-201	-8	82
EBITDA	5,388	2,931	-8	8,312
Adjusted operating profit	2,521	1,342	0	3,863
Exceptional payments for termination benefits	-411	-201		-611
Costs related to development of the internationalisation concept	-64			-64
Adjustments concerning changes in VAT treatment	882		-6	876
Adjustments concerning business acquisitions	-59			-59
Exceptional professional fees	-89		-2	-91
Adjustments	259	-201	-8	51
Operating profit	2,781	1,141	-8	3,914

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 September 2019, the Silmäasema chain operated in 161 locations (30 September 2018: 172), of which 130 (30 September 2018: 140) were own retail stores and 13 (30 September 2018: 14) were eye clinics. The number of franchisee stores was 18 (30 September 2018: 18). In Estonia, Silmäasema had eight optical retail stores (30 September 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

	7-9/2019			7-9/2018		
	Optical retail and eye healthcare	Eye clinics	Group	Optical retail and eye healthcare	Eye clinics	Group
EUR thousand						
Sale of goods	18,578		18,578	16,714		16,714
Sale of services	3,160	7,505	10,664	2,852	7,069	9,921
Royalty income	262		262	258		258
Total	21,999	7,505	29,504	19,823	7,069	26,892

	1-9/2019			1-9/2018			1-12/2018		
	Optical retail and eye healthcare	Eye clinics	Group	Optical retail and eye healthcare	Eye clinics	Group	Optical retail and eye healthcare	Eye clinics	Group
EUR thousand									
Sale of goods	59,618		59,618	53,886		53,886	74,218		74,218
Sale of services	10,217	25,687	35,904	9,507	26,452	35,959	12,892	34,903	47,794
Royalty income	714		714	674		674	861		861
Total	70,549	25,687	96,236	64,067	26,452	90,520	87,970	34,903	122,873

Other operating income

EUR thousand	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Insurance compensation	0	0	7	0	0
Other rental income	4	1	9	30	38
Total	4	1	16	30	38

2.3 Operating expenses

EUR thousand	7-9/ 2019	Share of net sales	7-9/ 2018	Share of net sales	1-9/ 2019	Share of net sales	1-9/ 2018	Share of net sales	1-12/ 2018	Share of net sales
Materials and services										
Purchases during the period	7,112	24.1 %	6,257	23.3 %	23,642	24.6 %	21,726	24.0 %	29,089	23.7 %
Changes in inventories	6	0.0 %	378	1.4 %	-196	-0.2 %	-404	-0.4 %	-36	0.0 %
External services	5,546	18.8 %	5,147	19.1 %	18,471	19.2 %	18,132	20.0 %	24,303	19.8 %
Total	12,663	42.9 %	11,782	43.8 %	41,917	43.6 %	39,454	43.6 %	53,357	43.4 %
Personnel expenses										
	8,026	27.2 %	7,121	26.5 %	25,022	26.0 %	24,336	26.9 %	32,474	26.4 %
Other operating expenses										
Rent expenses	108	0.4 %	1,921	7.1 %	330	0.3 %	5,702	6.3 %	7,657	6.2 %
Marketing expenses	1,407	4.8 %	1,390	5.2 %	4,809	5.0 %	4,706	5.2 %	6,289	5.1 %
Maintenance, IT, equipment and furniture expenses	1,764	6.0 %	1,704	6.3 %	5,139	5.3 %	4,896	5.4 %	6,749	5.5 %
Other operative expenses	1,397	4.7 %	-63	-0.2 %	4,123	4.3 %	3,143	3.5 %	4,943	4.0 %
Total	4,676	15.9 %	4,951	18.4 %	14,400	15.0 %	18,447	20.4 %	25,638	20.9 %
Depreciation and amortisation by asset group										
Property, plant and equipment	3,002	10.2 %	1,211	4.5 %	9,015	9.4 %	3,513	3.9 %	4,765	3.9 %
Intangible assets	380	1.3 %	308	1.1 %	1,092	1.1 %	884	1.0 %	1,185	1.0 %
Total	3,382	11.5 %	1,519	5.6 %	10,108	10.5 %	4,397	4.9 %	5,951	4.8 %

Silmäasema's personnel expenses increased slightly in January–September period, however the share of net sales decreased from prior year. 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–September 2019 was EUR 5.8 million. In the comparison period, operating expenses included EUR 1.3 million in extraordinary expenses, but also EUR 1.2 of extraordinary income related to the change in the treatment of value added tax and exceptional payments for termination benefits. In January–September 2019, the expenses included EUR 0.9 million in extraordinary expenses mainly related to the change in the treatment of value added tax, closed business locations and exceptional payments for termination benefits.

2.4 Earnings per share

	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Basic earnings per share					
Profit (loss) attributable to the owners of the Company (EUR thousand)	186	901	2,380	2,064	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)	0.01	0.06	0.17	0.14	0.23
Diluted earnings per share					
Profit (loss) attributable to the owners of the Company (EUR thousand)	186	901	2,380	2,064	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)	0.01	0.06	0.17	0.14	0.23

In January–September 2019, the impact of the adoption of the IFRS 16 standard on earnings per share was EUR -0.02.

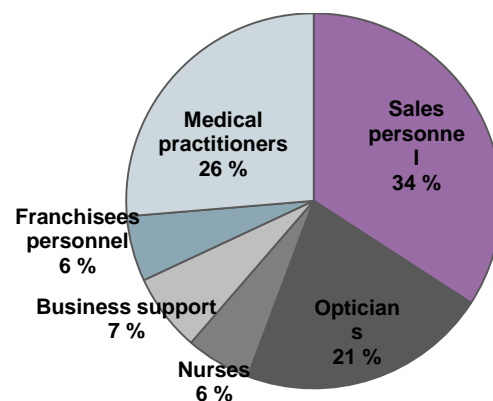
3 Personnel

At the end of September 2019, a total of 773 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 299 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 Sep 2019	30 Sep 2018	31 Dec 2018
Sales personnel	388	354	341
Opticians	245	236	216
Nurses	64	68	62
Business support	76	72	63
Franchisees personnel	64	64	64
Medical practitioners	299	316	321
Total	1,136	1,110	1,067
Personnel employed*	797	768	723

* Does not include employees on long-term absence.

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



Personnel expenses

EUR thousand	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Wages and salaries	6,447	5,665	20,187	19,223	26,063
Pension costs	1,087	1,058	3,450	3,556	4,685
Share-based bonus system	37	35	97	127	-51
Other personnel expenses	455	362	1,288	1,430	1,776
Total	8,026	7,121	25,022	24,336	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 September 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 21 participants in the 2019–2021 earning period and the maximum number of shares to be given is 145,901. 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 97 thousand relating to the earning period 2019–2021 in January–September 2019 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	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
Inventories		7,632	7,817	7,419
Trade and other receivables		3,817	4,949	3,319
Trade and other liabilities*		19,708	16,981	18,216
Total		-8,259	-4,216	-7,478

Trade payables and other payables; accrued interest has been eliminated. Eliminated interest expenses totalled EUR 14,000 on 30 September 2019 (30 September 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 Sep 2019	30 Sep 2018	31 Dec 2018
Non-current borrowings			
Bank loans	0	37,244	37,283
Lease liabilities	20,416	169	150
Contingent consideration	223	845	549
Other borrowings	0	43	0
Total non-current borrowings	20,638	38,300	37,982
Current borrowings			
Bank loans	27,485		
Commercial papers	5,000		
Lease liabilities	6,712	227	224
Contingent consideration	561	1,462	1,684
Other borrowings	0	7	4
Total current borrowings	39,757	1,696	1,913
Total borrowings	60,396	39,996	39,895
Less: Cash and cash equivalents	-11,666	-6,056	-11,937
Net debt	48,729	33,940	27,957
Interest rate swaps			
Non-current	0	82	79
Current	138	123	119
Total interest rate swaps	138	205	198
Financial ratios			
Net debt / Adjusted EBITDA*	2.5	3.1	2.4
Gearing	113.2 %	82.8 %	66.6 %

*) Adjusted EBITDA Q3-2019 is calculated as 12 months value including Q1-Q3 / 2019 and Q4 / 2018 actual.
Adjusted EBITDA Q3-2018 is calculated as 12 months value including Q1-Q3 / 2018 and Q4 / 2017 actual.

Regarding the situation on 30 September 2019, the adoption of the IFRS 16 standard increased non-current borrowings by EUR 20,290 thousand and current borrowings by EUR 6,500 thousand.

Events during the period

A bank loan of EUR 10.0 million was repaid during January-September 2019 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, of which EUR 2.0 million was repaid in September.

There were no covenant violations during the review period.

EUR thousand	30 Sep 2019	30 Sep 2018	31 Dec 2018
Collaterals relating to rental payments			
Deposits in banks as security for rental payments **	471	367	408
Bank guarantees as security for rental payments	1,528	1,442	1,458
Bank guarantee limit for commercial collaterals	1,800	1,500	1,500
- portion used	1,528	1,442	1,458
* Loans presented as nominal amount			
** 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 September 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 Sep 2018	14,248,805
Number of shares at 31 Dec 2018	14,248,805
Number of shares at 30 Sep 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 September 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–September reporting period by EUR 5.8 million and increases depreciation by EUR 5.6 million. The key figures as at 30 September 2019 with the impact of the standard removed are presented below.

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

EUR thousand	IFRS 16 included	IFRS 16 excluded
EBITDA	14,912	9,116
Adjusted EBITDA	15,589	9,990
Operating result	4,804	4,587
Adjusted operating result	5,730	5,512
Profit before taxes	3,440	3,737
Profit (loss) for the period	2,380	2,617
Basic earnings per share, eur	0.17	0.18
Net debt	48,729	21,939
Net debt / Adjusted EBITDA (leverage)	2.5	1.6
Gearing	113.2 %	51.0 %
Equity ratio	35.5 %	44.0 %
Return on capital employed % (ROCE)	4.5 %	5.0 %
Return on equity % (ROE)	5.6 %	6.2 %

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

EUR thousand	30 Sep 2019	30 Sep 2018*	31 Dec 2018*
Right of use asset - business premises and warehouses	26,061		
Right of use asset - IT equipment	243	331	316
Right of use asset - others**	325	82	73
Total non-current borrowings	26,630	413	389
Total deferred tax assets	100	1	1
Non-current lease liability	20,416	169	150
Current lease liability	6,712	227	224
Total current borrowings	27,127	396	374
Total deferred tax liabilities	0	4	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 Sep 2019	30 Sep 2018	31 Dec 2018
Commitments related to leased premises			
Within one year	0	6,739	6,699
Later than one year and no later than five years	0	12,054	10,961
Later than five years	0	1,392	1,235
Total	0	20,185	18,895

6 Other items

6.1 Operational investments*

EUR thousand	30 Sep 2019	30 Sep 2018	31 Dec 2018
Property, plant and equipment	763	4,820	5,484
Intangible assets	266	1,113	1,232
Total	1,029	5,933	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–September are mainly related to renovations and furniture acquisitions at stores. The investments in the comparison period were related to the opening of a new eye clinic and seven 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 Sep 2019	Ownership 30 Sep 2018
Members of the Board of Directors *)	3.16 %	3.71 %
CEO **)	0.12 %	0.09 %
Key management personnel *)	1.44 %	0.95 %
Total	4.72 %	4.75 %

*) 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 September 2019 the CEO was Jussi Salminen; on 30 September 2018 the CEO was Anu Kankkunen.

Salaries and remuneration of the management and Board of Directors

EUR thousand	1–9/2019	1–9/2018	1–12/2018
CEO remuneration			
Salary, other remuneration and benefits	185	192	252
Pension costs - defined contribution plans	0	20	20
Total	185	212	272
Management team remuneration (excluding CEO)			
Salary, other remuneration and benefits	414	489	600
Pension costs - defined contribution plans	52	50	50
Total	466	539	649
The Board of Directors remuneration	124	131	171
Total key management and the Board of Directors	776	883	1,093

In addition, one board member has been paid medical practitioner fees with ordinary terms. In addition, in January–September 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
	30 Sep 2019	30 Sep 2018	31 Dec 2018	
Silmäasema Oyj				Holding company
Subsidiaries	30 Sep 2019	30 Sep 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

$(\text{Net sales} + \text{Other operating income} - \text{Materials and services}) / \text{Net sales}$

EBITDA

Gross profit + Depreciation and amortisation

Adjusted EBITDA

EBITDA – Adjustments

Adjusted operating result

Operating result – Adjustments

Earnings per share

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, %

$(\text{Profit (loss) for the period} + \text{Finance costs} + \text{Income tax expense}) / (\text{Equity}^1 + \text{Non-current and current borrowings}^1)$

Return on equity, %

Profit (loss) for the period / Equity¹

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.