



SILMÄASEMA

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

Silmäasema's net sales and profitability continued to develop strongly

April–June 2019 in brief

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

January–June 2019 in brief

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

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

Outlook for 2019 (unchanged)

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

*IFRS 16 affects the comparability of the reported figures

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

Key figures

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

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

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

Impact of IFRS 16 on the key figures

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

CEO Jussi Salminen:

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

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

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

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

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

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

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

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

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

Market environment

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

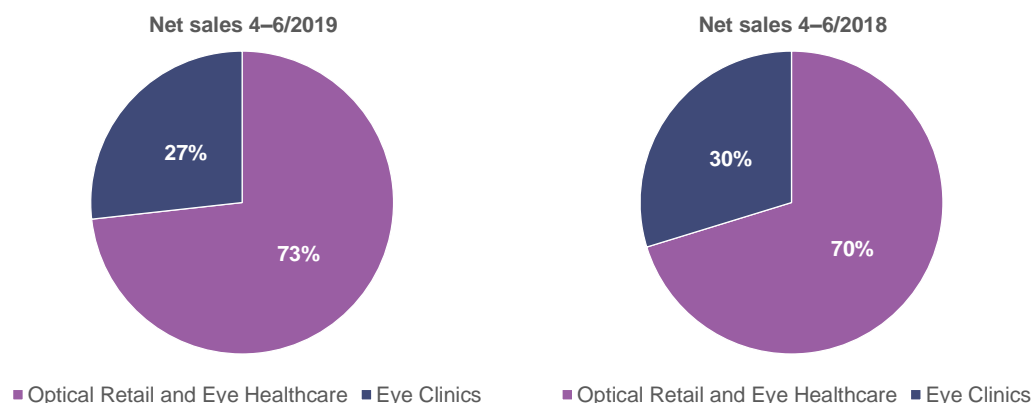
According to the Finnish Association of Vision and Eyecare, 18,000 refractive surgeries, and 18,500 privately-financed cataract surgeries of which 7,000 cataract surgeries were paid by service vouchers. Silmäasema's market share of refractive surgeries was about 48%, and its market share of privately-funded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

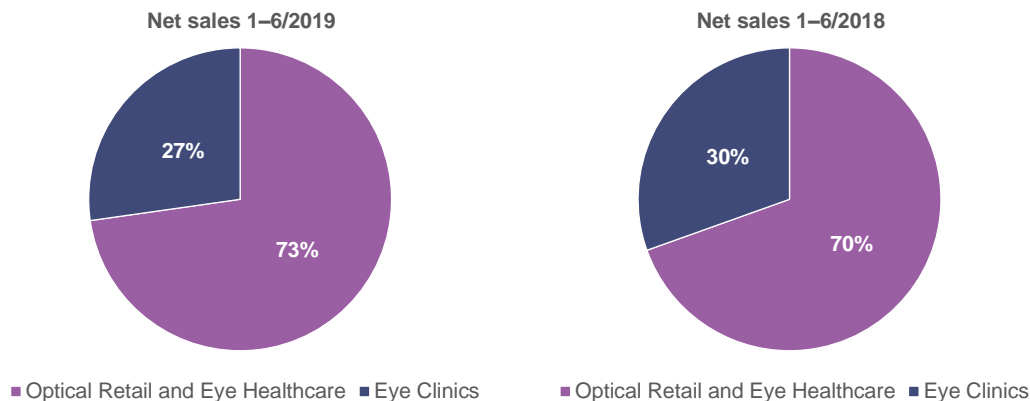
The company expects that the change in the population age structure and the increase in the population's average age will increase demand for optical retail and eye healthcare services. Population ageing is expected to increase the number of cataract surgeries in particular, but it is also expected to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

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

Consolidated net sales and result

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





Adjusted EBITDA* (EUR thousand)	4–6/2019	4–6/2018	Change, %	1–6/2019	1–6/2018	Change, %	1–12/2018
Optical Retail and Eye Healthcare	4,603	1,872	+145.9%	8,503	3,340	+154.6%	7,657
- Share of segment's net sales, %	18.2%	8.1%		17.5%	7.5%		8.7%
Eye Clinics	1,134	1,413	-19.8%	2,482	2,743	-9.5%	4,107
- Share of segment's net sales, %	12.3%	14.5%		13.6%	14.2%		11.8%
Group	5,737	3,286	+74.6%	10,985	6,082	+80.6%	11,765
- Share of net sales, %	16.6%	10.0%		16.5%	9.6%		9.6%

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

Financial development in April–June 2019

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

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

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

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

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

Financial development in January–June 2019

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

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

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

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

Cash flows

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

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

Investments

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

Consolidated balance sheet and financial standing

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

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

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

Optical Retail and Eye Healthcare

Net sales and result in April–June 2019

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

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

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

Net sales and result in January–June 2019

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

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

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

Sales days

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

Store network

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

	Opened before 2016 ¹	Opened/closed in 2016–2017 ¹	2018 Opened/closed ¹	2019 Opened/closed	Total 30 June 2019
Own stores in Finland	87	45/0	8/1	1/9	131
Own stores in Estonia	-	9/0	1/0	0/1	9
Chain stores in Finland	-	-	-	-	18

1) New stores and business and company acquisitions

Eye Clinics

Silmäasema has a nationwide network of 14 eye clinics in Finland. Refractive and cataract surgeries make up around two-thirds of the net sales of the Eye Clinics segment. The rest consists of ophthalmologists' and opticians' appointment services, eye examinations, eyelid surgery and eye procedures.

Net sales and result in April–June 2019

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

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

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

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

Net sales and result in January–June 2019

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

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

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

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

Personnel

In January–June 2019, the average number of personnel at Silmäasema was 727 (720) in full-time equivalents. At the end of June 2019, the personnel under an employment contract with the Group totalled 790 (770), of whom 757 (737) were based in Finland and 33 (33) were based in Estonia. Due to a change in reporting practices, the figures differ from the figures reported earlier.

Salaries and other personnel expenses totalled EUR 17.0 million (17.2) in January–June 2019.

Development programme 2018–2020

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

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

Changes in the Management Team

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

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

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

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

Shares and shareholders

The total number of Silmäasema's registered shares on 30 June 2019 was 14,248,805 and the company's share capital entered in the Trade Register was EUR 80,000. On 30 June 2019, the company held no treasury shares.

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

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

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

Decisions of the 2019 Annual General Meeting

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

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

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

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

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

The AGM authorised the Board to decide on the acquisition of the company's shares in one or more instalments, using funds from the company's unrestricted equity, provided that the maximum quantity of shares purchased is no more than 1,400,000 shares, corresponding to around ten (10) per cent of all the shares in the company.

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

At its meeting held after the AGM, Silmäasema's Board of Directors elected from among its members Kaisa Vikkula as the Chair of the Audit Committee and Jukka Hienonen and Martti Kiuru as its members. At the same meeting, the Board also decided to establish a remuneration committee and elected from among its members Jukka Hienonen as the Chair and Maisa Romanainen and Tuomas Lang as its members.

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

Near-term business risks and uncertainties

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

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

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

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

foundation for the operations of Silmäasema's Eye Clinics segment. Its growth and success depend on the company's ability to recruit and keep the best experts in the field.

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

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

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

Discontinuation of the preparations for the implementation of the regional government, health and social services reform and the so-called Freedom of Choice Act do not have an impact on Silmäasema's operations or outlook. The discontinuation of the preparation of these projects will not have an impact on the service voucher legislation that is in force, and municipalities will still be able to use service vouchers in the provision of their services. In 2018, 24% of the cataract surgeries performed at Silmäasema were paid for by means of service vouchers. More than 90% of Silmäasema's net sales come from operations such as the sales of spectacles, contact lenses and refractive surgeries, which are already provided through free competition.

Board of Directors' authorisations

Silmäasema's Annual General Meeting (AGM), held on 10 April 2019, authorised the Board to decide on the acquisition of the company's shares in one or more instalments using funds belonging to the company's unrestricted equity, provided that the maximum quantity of shares purchased is no more than 1,400,000 shares, which corresponds to around ten (10) per cent of all the shares in the company. The authorisation will remain in force until the next AGM.

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

The authorisations were announced in more detail in a stock exchange release published on 10 April 2019.

Outlook for 2019 (unchanged)

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

Basis for the outlook

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

Silmäasema's strategy implementation in 2019 is focused on developing and optimising its network of locations and business operations, and improving profitability. The competitive situation in optical retail continues to be tight, and Silmäasema seeks to strengthen its market position while also ensuring profitability and renewing the market for eye care services.

Due to the high sales margin, the level of adjusted EBITDA is highly dependent on the performance of net sales. Over the short term, fluctuation in the net sales of the network of well-established stores is the only significant factor affecting the EBITDA

level. Over the longer term, the increase in productivity resulting from changes in operating models will change this level but will not eliminate the fluctuation.

Operating expenses are not expected to increase. The most significant expenses are related to salaries, rents and marketing. These expenses can be predicted relatively accurately for the full year. The development programme initiated in 2018 will generate costs while the programme is ongoing, but the timing of these expenses is difficult to predict at this point. Procurement related to the programme is likely to be recognised as capital expenditure.

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

SILMÄASEMA OYJ

Board of Directors

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THE GROUP'S KEY FIGURES

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

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

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

SEGMENT-SPECIFIC KEY FIGURES

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

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

1–12/2018				
EUR thousand, unless otherwise stated	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Growth of net sales				
Net sales	87,970	34,903		122,873
Growth in net sales, %	6.0 %	-1.1 %		3.8 %
Like-for-like growth in net sales, %	0.1 %	-5.4 %		-1.6 %
Income statement				
EBITDA	7,702	3,928	-188	11,443
<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–June 2019 the impact of the adoption of the IFRS 16 standard on the Optical Retail and Eye Healthcare segment's EBITDA was EUR 3,219 thousand and on the adjusted EBITDA EUR 3,163 thousand, on the operating result it was EUR 113 thousand and on the adjusted operating result EUR 113 thousand. The impact on the Eye Clinics' EBITDA and adjusted EBITDA was EUR 566 thousand and on operating result and adjusted operating result it was EUR 33 thousand.

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED BALANCE SHEET

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

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

CONSOLIDATED CASH FLOW STATEMENT

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

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

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

1 General information

1.1 Basis of preparation

Silmäasema's interim information has been prepared in compliance with IAS 34 *Interim Financial Reporting* and the principles described in Silmäasema's financial statements for 2018, taking into account the amendments that came into effect at the beginning of the financial year 2019. The impact of the amendment to the IFRS 16 Leases standard is described in Note 5.3. In other respects, no changes have occurred in Silmäasema's preparation principles during the review period.

The interim information does not contain all notes presented in the consolidated financial statements for 2018 and should therefore be read in conjunction with the consolidated financial statements for 2018.

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

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

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

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

The significant estimates made by the management in connection with the preparation of this interim information, concerning the Group's preparation principles and key uncertainty factors, are identical to those applied to the consolidated financial statements for 2018. The application of the new IFRS 16 standard has required the significant judgement of the management in defining the factors affecting the size of the asset and debt items to be recognised for the lease contracts. This judgement is described in more detail in Note 5.3.

2 Operating result

2.1 Reported segments

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2 Net sales and other operating income

Silmäasema provides its customers with a full range of products and services related to eyesight: optical products, opticians' services, ophthalmologists' services, eye surgery services and optical laboratory services. The services are available to customers through its extensive chain of stores and eye clinics. On 30 June 2019, the Silmäasema chain operated in 163 locations (30 June 2018: 170), of which 131 (30 June 2018: 138) were own retail stores and 14 (30 June 2018: 14) were eye clinics. The number of franchisee stores was 18 (30 June 2018: 18). In Estonia, Silmäasema had nine optical retail stores (30 June 2018: ten).

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

The group derives the following types of revenue

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

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

Other operating income

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

2.4 Operating expenses

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

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

2.5 Earnings per share

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

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

3 Personnel

At the end of June 2019, a total of 764 people worked at Silmäasema's own retail stores, eye clinics and business support functions, including two self-employed opticians. In addition, there were a total of 281 medical practitioners working within the Silmäasema chain and the Silmäasema Group. The medical practitioners provide services to Silmäasema under an employment relationship or as subcontractors or operate as independent professionals under Silmäasema's operating system. Fees paid to medical practitioners working as independent professionals, as well as rents charged for the premises, are presented under "Materials and services" in the income statement.

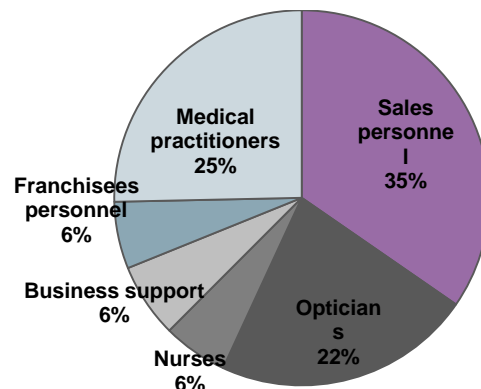
Silmäasema chain and group personnel**	30 Jun 2019	30 Jun 2018	31 Dec 2018
Sales personnel	384	349	341
Opticians	247	251	216
Nurses	62	66	62
Business support	71	66	63
Franchisees personnel	64	64	64
Medical practitioners	281	316	321
Total	1,109	1,112	1,067
Personnel employed*	790	770	723

* Does not include employees on long-term absence.

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

Personnel expenses

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



Share-based bonus system

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

At the end of June 2019, there were a total of 12 participants in the 2017–2019 earning period. The maximum number of shares to be given in the 2017–2019 earning period is 38,978. There were also a total of 12 participants in the 2018–2020 earning period and the maximum number of shares to be given is 55,434. There were a total of 20 participants in the 2019–2021 earning period and the maximum number of shares to be given is 141,791. A total of 156,176 shares has been reserved in the system for the 2019–2021 earning period.

At the end of 2018, total cumulative costs and debt in the financial statements (relating to earning periods 2017–2019 and 2018–2020) were reversed, as it was and still is highly unlikely that the earning criteria defined for those periods would be fulfilled. Situation and conditions are being monitored and costs and debt will be re-recognised in case that fulfilling the criteria should begin to seem likely. The cost of EUR 60 thousand relating to the earning period 2019–2021 has been recognised in the personnel expenses.

4 Working capital

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

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

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

5 Capital structure

5.1 Capital management and net debt

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

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

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

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

Consolidated net debt position

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

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

Events during the period

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

There were no covenant violations during the period.

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

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

5.2 Equity

Changes in the number of shares:

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

Silmäasema has one share class, and each share holds an equal right to a dividend. Each share entitles its holder to one vote at a general meeting. All issued shares have been paid in full and have no nominal value. The Group holds no treasury shares. The Annual General Meeting on 10 April 2019 decided that a dividend of EUR 0.10 per share, EUR 1.4 million in total, be paid for the financial year 1 January – 31 December 2018. The dividend was paid on 23 April 2019 to all shareholders who were entered in the company's shareholders' register maintained by Euroclear Finland on the dividend payment record date 12 April 2019.

5.3 Lease agreements

Silmäasema operates in leased premises, and its lease commitments mainly consist of future lease payments for Silmäasema's business premises and office spaces. The lease contracts are valid either until further notice or for a fixed term. Typical durations of fixed-term leases are 3–5 years for retail stores and 5–20 years for eye clinics. Before 2019 all premises contracts and some of the other lease contracts were classified as operating leases, so the rent expenses were presented in the income statement for the validity period of the lease contract.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 Other items

6.1 Operational investments*

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

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

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

6.2 Related-party information

Shareholding of management and Board of Directors*

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

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

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

Salaries and remuneration of the management and Board of Directors

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

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

6.3 Group companies

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

PRINCIPLES OF CALCULATION OF KEY FIGURES

Alternative key figures

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

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

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

NET SALES

Like-for-like growth in net sales, %

The growth in net sales of business locations opened 12 months ago or earlier. The acceptability of a business location for the like-for-like comparison is determined based on its official month of opening (for example, a location opened in March 2018 is included in the 2019 like-for-like growth calculation for March–December). The acceptability of closed locations and franchising fees from resigned franchisee stores for the like-for-like comparison in the prior year is determined based on the time of closing or terminating the franchising agreement.

INCOME STATEMENT

Sales margin

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

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.