

A woman with blonde hair, wearing a purple short-sleeved shirt and a purple beaded necklace, is looking intently at the back of another person's head. Her right hand is raised, with fingers slightly spread, as if she is examining or styling the hair. The background is a plain, light grey wall.

SILMÄASEMA

Silmäasema Oyj

Financial statements bulletin

1 January 2019 – 31 December 2019

Excellent fourth quarter for Silmäasema – full-year adjusted EBITDA increased clearly year-on-year

October–December 2019 in brief

- Net sales increased by 7.7% compared with October–December 2018, amounting to EUR 34.8 million (32.4). The like-for-like net sales grew by 10.0%.
- The adjusted EBITDA* increased by 66.9% and was EUR 5.9 million (3.5), or 16.9% of net sales (10.9%). Without the impact of IFRS 16, the adjusted EBITDA would have been 11.9% of net sales (10.9%).
- The adjusted operating result* increased by 29.9% to EUR 2.6 million (2.0).

January–December 2019 in brief

- Net sales increased by 6.7% compared with January–December 2018, amounting to EUR 131.1 million (122.9). The like-for-like net sales grew by 6.8%.
- The adjusted EBITDA* increased by 82.7% and was EUR 21.5 million (11.8), or 16.4% of net sales (9.6%). Without the impact of IFRS 16, the adjusted EBITDA would have been 10.8% (9.6%) of net sales.
- The adjusted operating result* increased by 42.1% to EUR 8.3 million (5.8).
- Cash flows from operating activities* developed strongly and amounted to EUR 18.5 million (13.1).
- Net debt* was EUR 46.1 million (28.0) at the end of the period.
- The net debt to adjusted EBITDA ratio* was 2.1 (2.4) on 31 December 2019.
- Basic earnings per share improved to EUR 0.28 (0.23).

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

Proposed dividend

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2019 financial year.

Outlook for 2020

Silmäasema is not issuing an outlook for 2020, as it is impossible to assess the business impact of the coronavirus in sufficient detail at this stage.

* IFRS 16 affects the comparability of the reported figures

On 1 January 2019, Silmäasema adopted the IFRS 16 Leases standard, which entered into force at the beginning of the year. The figures reported for October–December and January–December 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. More information about the adoption of the standard is provided on pages 33–34 of Note 5.3 to the interim report.

Key figures

EUR thousand, unless otherwise stated	10–12/ 2019	10–12/ 2018	Change, %	1–12/ 2019	1–12/ 2018	Change, %
Net sales	34,828	32,353	7.7%	131,065	122,873	6.7%
Comparable net sales growth, %	10.0%	0.0%		6.8%	-1.6%	
EBITDA*	5,356	3,131	71.1%	20,268	11,443	77.1%
Adjusted EBITDA**,**	5,901	3,535	66.9%	21,490	11,765	82.7%
- Adjusted EBITDA*, %	16.9%	10.9%		16.4%	9.6%	
Operating result	1,978	1,577	25.4%	6,783	5,492	23.5%
Adjusted operating result**,**	2,573	1,981	29.9%	8,303	5,844	42.1%
- Adjusted operating result*, %	7.4%	6.1%		6.3%	4.8%	
Basic earnings per share, EUR*	0.11	0.08		0.28	0.23	
Net debt / adjusted EBITDA*				2.1	2.4	
Investments – operational				2,739	6,716	-59.2%
Investments – acquisitions				1,588	1,775	-10.5%
Investments – total				4,327	8,491	-49.0%
Number of locations, Silmäasema chain				166	181	-8.3%

* 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 10– 12/2019	Without IFRS 16 10– 10–	IFRS 16 change	Reported 10– 12/2018	Reported 1–12/2019	Without IFRS 16 1–12/2019	IFRS 16 change	Reported 1–12/2018
EBITDA	5,356	3,490	1,866	3,131	20,268	12,607	7,662	11,443
Adjusted EBITDA	5,901	4,134	1,767	3,535	21,490	14,124	7,366	11,765
Adjusted EBITDA, %	16.9%	11.9%	5.1%	10.9%	16.4%	10.8%	5.6%	9.6%
Operating result	1,978	1,915	63	1,577	6,783	6,502	280	5,492
Adjusted operating result	2,573	2,573	0	1,981	8,303	8,086	217	5,844
Profit before taxes	1,444	1,508	-64	1,199	4,883	5,244	-361	4,123
Profit (loss) for the period	1,579	1,630	-51	1,190	3,959	4,247	-289	3,254
Basic earnings per share, EUR	0.11	0.11	0.00	0.08	0.28	0.30	-0.02	0.23
Cash flow from operating activities					18,540	11,678	6,862	13,092
Net debt					46,054	21,013	25,040	27,957
Net debt / adjusted EBITDA (leverage)					2.1	1.5	0.7	2.4
Gearing, %					103.1%	46.8%	56.4%	66.6%
Equity ratio					38.4%	49.0%	-10.6%	42.8%
Return on capital employed, % (ROCE)					6.5%	8.4%	-1.9%	6.9%
Return on equity, % (ROE)					9.1%	9.8%	-0.6%	8.1%

CEO Teppo Lindén:

“The fourth quarter and full-year result for 2019 is great. Fourth quarter was very good in terms of net sales and profitability as both Optical Retail and Eye Clinics performed better and better towards the end of the year. At the same time, I must say year 2020 does not look as good. Coronavirus epidemic has put Silmäasema, as well as the whole society, to face new kinds of challenges, and the market environment has clearly changed. However, I will do my best to ensure the company will conquer all challenges with the least possible damage.

During these emergency conditions, we are planning our operations and personnel levels very closely. Our actions are guided by the thinking that once the restrictions regarding social contacts at some point will vanish, we will be in good position to serve customers even better and more versatile than before. The epidemic has already now boosted the creation of new kind of services and we are serving our customers more and more via telephone.

In 2019, a major change took place in Silmäasema’s ownership structure, and Silmäasema is becoming a wholly owned subsidiary of Coronaria through a redemption procedure. Coronaria is a Finnish company with a wide range of healthcare operations in the treatment of eye conditions in the public sector, for example, in addition to a holding in Medilaser. Coronaria provides a broad foundation for operational development at Silmäasema with a stronger focus on customers, as well as helping Silmäasema establish itself as the leading eye healthcare expert.

I want to thank our employees and partners for last year, and our customers for their trust. We will all face difficult times in the coming months. Despite all that, our goal for Silmäasema remains to be known among customers as the leading eye healthcare expert that offers a full range of eye healthcare services with effortless access. We want to be the first choice for customers, partners and employees.”

Market environment

According to a market report published by the Finnish Association of Vision and Eyecare in November 2019, the net sales of optical retail in Finland grew by 5.9% to EUR 256 million (244) in January–September. 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 biannual market share statistics published by the Finnish Association of Vision and Eyecare, Silmäasema was Finland's second-largest optical retailer in January–June 2019. The Silmäasema chain's market share in optical retail increased by 1.3 percentage points from January–June in the previous year and was 29.1%. The next market share report is expected to be published in March 2020.

According to the Finnish Association of Vision and Eyecare, a total of 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 around 48%, and its market share of privately-funded cataract surgeries was around 50%.

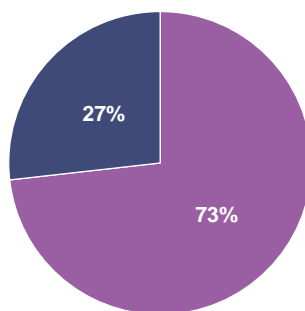
The company expects that the change in the population age structure and the increase in the population's average age will increase demand for optical retail and eye healthcare services. Population ageing is expected to increase the number of cataract surgeries in particular, but it is also expected to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

In the short term, market environment will be affected by the recommendations and orders issued by the government, to restrain the coronavirus epidemic. The financial impact of the coronavirus epidemic can have an impact on consumer behaviour and market environment also in a longer term.

Consolidated net sales and result

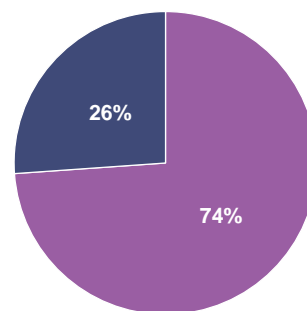
Net sales (EUR thousand)	10–12/2019	10–12/2018	Change	1–12/2019	1–12/2018	Change
Optical Retail and Eye Healthcare	25,501	23,903	+6.7%	96,050	87,970	+9.2%
Eye Clinics	9,328	8,450	+10.4%	35,015	34,903	+0.3%
Group	34,828	32,353	+7.7%	131,065	122,873	+6.7%

Net sales 10–12/2019

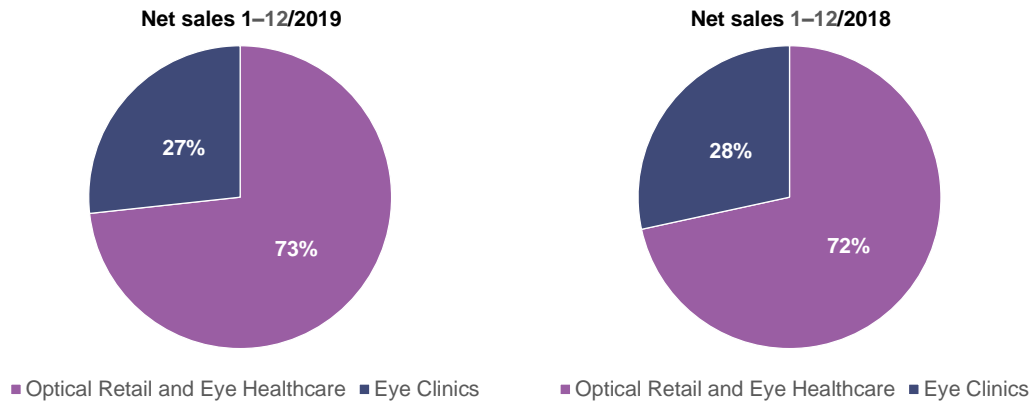


■ Optical Retail and Eye Healthcare ■ Eye Clinics

Net sales 10–12/2018



■ Optical Retail and Eye Healthcare ■ Eye Clinics



Adjusted EBITDA* (EUR thousand)	10–12/2019	10–12/2018	Change, %	1–12/2019	1–12/2018	Change, %
Optical Retail and Eye Healthcare	4,702	2,560	83.7%	16,949	7,657	121.3%
- share of segment's net sales, %	18.4%	10.7%		17.6%	8.7%	
Eye Clinics	1,199	976	22.9%	4,541	4,107	10.6%
- share of segment's net sales, %	12.9%	11.5%		13.0%	11.8%	
Group	5,901	3,535	66.9%	21,490	11,765	82.7%
- share of net sales, %	16.9%	10.9%		16.4%	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 of the adoption of the IFRS 16 standard on the adjusted EBITDA in October–December is EUR 1.767 million at the Group level, EUR 1.494 million in the Optical Retail and Eye Healthcare segment and EUR 273,000 in the Eye Clinics segment. The impact of the adoption of the IFRS 16 standard on the adjusted EBITDA in January–December is EUR 7.366 million at the Group level, EUR 6.246 million in the Optical Retail and Eye Healthcare segment and EUR 1.119 million in the Eye Clinics segment.

Financial performance in October–December 2019

Silmäasema's net sales increased by 7.7% during the fourth quarter and amounted to EUR 34.8 million (32.4). Its like-for-like net sales grew by 10.0% on the comparison period. Net sales grew in both the Optical Retail and Eye Healthcare segment and the Eye Clinics segment on the comparison period. In Optical Retail, the growth is explained by more customer-oriented lens categories, successful campaigns and accelerated deliveries of eyeglasses before the end of the year. In Eye Clinics, the growth came from volumes in both cataract and refractive surgeries.

The Group's sales margin increased by 7.8% and was EUR 19.9 million (18.5). The relative sales margin was 57.1% (57.1%).

Due to the increase in net sales, the EBITDA improved year-on-year. The adjusted EBITDA was EUR 5.9 million (3.5), or 16.9% of net sales (10.9%). The EBITDA in October–December was EUR 5.4 million (3.1). 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 fourth quarter of 2019, this had a positive impact of EUR 1.8 million on the adjusted EBITDA and EUR 1.9 million on EBITDA compared with the corresponding period in the previous year.

The Group's personnel expenses were EUR 9.0 million (8.1) in October–December. Their contribution to net sales increased to 25.9% (25.2%). The increase in personnel expenses is mostly due to a change in performance bonus provisions and an increase in working hours in stores and hospitals. Maintenance, IT, equipment and furniture expenses decreased year-on-year, amounting to EUR 1.6 million (1.9), or 4.6% of net sales (5.7%). Other operating expenses totalled EUR 5.5 million (7.2). Rent expenses decreased by EUR 1.9 million as a result of the adoption of the IFRS 16 standard.

Silmäasema's operating result was EUR 2.0 million (1.6). The adjusted operating result was EUR 2.6 million (2.0). The impact of the adoption of the IFRS 16 standard on the reporting period's operating result and adjusted operating result was EUR 0.0 million.

Financial performance in January–December 2019

Silmäasema's net sales in January–December 2019 amounted to EUR 131.1 million (122.9), representing an increase of 6.7% on the corresponding period in the previous year. Its like-for-like net sales grew by 6.8%.

The Group's sales margin increased by 6.7% and was EUR 74.2 million (69.6), or 56.6% of net sales (56.6%).

The adjusted EBITDA was EUR 21.5 million (11.8), or 16.4% of net sales (9.6%). Silmäasema's EBITDA in January–December 2019 was EUR 20.3 million (11.4). 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–December 2019, this had a positive impact of EUR 7.7 million on the Group's EBITDA and a positive impact of EUR 7.4 million on its adjusted EBITDA compared with the corresponding period in the previous year.

In January–December, the Group's personnel expenses amounted to EUR 34.0 million (32.5), or 26.0% of net sales (26.4%). Maintenance, IT, equipment and furniture expenses were at the comparison period's level, amounting to EUR 6.7 million (6.7), or 5.1% of net sales (5.5%). As a whole, other operating expenses decreased significantly, to EUR 19.9 million (25.6). Rent expenses decreased by EUR 7.7 million as a result of the adoption of the IFRS 16 standard.

Silmäasema's operating result was EUR 6.8 million (5.5). Its adjusted operating result increased by 42.1% to EUR 8.3 million (5.8). The impact of the adoption of the IFRS 16 standard was EUR 0.3 million on the reporting period's operating result and EUR 0.2 million on the adjusted operating result.

Cash flows

Silmäasema's cash flows from operating activities were strong and increased to EUR 18.5 million (13.1) in January–December 2019. The very strong growth is based on the improved result and effective net working capital management. In January–December 2019, the impact of the adoption of the IFRS 16 standard on cash flows from operating activities was EUR 6.9 million.

Cash flows from investing activities in January–December amounted to EUR -4.3 million (-8.5). Cash flows from financing activities in January–December 2019 were- EUR 18.5 million (1.6). In the reporting period, the cash flows included EUR 10.0 million in repayments of loans from banks, EUR 7.0 million in repayments of commercial papers and EUR 7.1 million in repayments of lease liabilities. In December 2019, Silmäasema repaid its bank loan of EUR 27 million and withdrew an equal amount of long-term loans from new banks. 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 in Silmäasema. The change did not affect covenants or the maturity of loans. The impact of the adoption of the IFRS 16 standard on the repayment of lease liabilities was EUR -6.9 million.

Investments

Silmäasema's investments in January–December totalled EUR 4.3 million (8.5). Of the total, operational investments represented EUR 2.7 million (6.7) and corporate acquisitions represented EUR 1.6 million (1.8). Silmäasema's largest investments in January–December were mainly related to the modernisation of stores and furniture acquisitions for stores. In the comparison period, investments included renovation and replacement investments, as well as costs related to the establishment of new stores and the eye clinic in Oulu.

Consolidated balance sheet and financial standing

At the end of December 2019, the Silmäasema Group's balance sheet stood at EUR 119.5 million (101.4), of which equity amounted to EUR 44.7 million (42.0). Net debt was EUR 46.1 million (28.0) at the end of the period. Regarding the situation on 31 December 2019, the adoption of the IFRS 16 standard increased non-current borrowings by EUR 18.6 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 (-7.5). Due to the nature of the business, Silmäasema's use of capital is efficient. Its equity ratio stood at 38.4% (42.8%) at the end of the review period. The equity ratio decreased as a result of the recognition of lease liabilities in accordance with the IFRS 16 standard.

On 13 December 2019, Silmäasema repaid its bank loan of EUR 27 million and withdrew an equal amount of long-term loans from new banks. 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 in Silmäasema. The change did not affect covenants or the maturity of loans.

Optical Retail and Eye Healthcare

Net sales and result in October–December 2019

The Optical Retail and Eye Healthcare segment's net sales increased by 6.7% to EUR 25.5 million (23.9) year-on-year. The increase in net sales was supported by more customer-oriented lens categories, successful campaigns and accelerated deliveries of eyeglasses before the end of the year. In addition, the number of vision tests by opticians and the number of eye specialists' appointments increased year-on-year. The like-for-like net sales grew by 6.1%.

Due to the strong increase in net sales, the adjusted EBITDA and the EBITDA improved year-on-year. The segment's EBITDA was EUR 4.6 million (2.3), and its adjusted EBITDA was EUR 4.7 million (2.6), or 18.4% of net sales (10.7%). EBITDA adjustment items totalled EUR 0.1 million (0.2). 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 fourth quarter of 2019, this had a positive impact of EUR 1.6 million on the EBITDA and a positive impact of EUR 1.5 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 and adjusted EBITDA would have been EUR 6.2 million.

The Optical Retail and Eye Healthcare segment's operating result was EUR 2.2 million (1.4), and its adjusted operating result was EUR 2.4 million (1.6). 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–December 2019

The Optical Retail and Eye Healthcare segment's net sales increased by 9.2% to EUR 96.1 million (88.0). Net sales grew due to an increase in volumes. The like-for-like net sales grew by 8.0%.

Due to the strong increase in net sales, the EBITDA improved year-on-year. The segment's EBITDA was EUR 16.4 million (7.7), and its adjusted EBITDA was EUR 16.9 million (7.7), or 17.6% of net sales (8.7%). The adoption of the IFRS 16 standard had a positive impact of EUR 6.5 million on the EBITDA and a positive impact of EUR 6.2 million on the adjusted EBITDA. Without the impact of the adoption of the IFRS 16 standard, the adjusted EBITDA would have been EUR 10.7 million and the EBITDA would have been EUR 9.9 million.

The Optical Retail and Eye Healthcare segment's operating result was EUR 6.5 million (4.2), and its adjusted operating result was EUR 7.4 million (4.1). 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 153 (167) optical retail stores. Of these stores, 135 (149) were owned by Silmäasema and 18 (18) were chain stores owned by franchisees. During the fourth quarter of 2019, we closed down our stores in Orimattila, Suonenjoki, Mäntyharju and Karstula.

	Opened before 2016 ¹	Opened/closed in 2016–2017 ¹	2018 Opened/closed ¹	2019 Opened/closed	Total 31 Dec 2019
Own stores in Finland	87	45/0	8/1	2/14	127
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.

Net sales and result in October–December 2019

The Eye Clinics segment's net sales increased by 10.4% and were EUR 9.3 million (8.5) in October–December. The like-for-like net sales grew by 21.3%. Net sales increased on the comparison period due to an increase of 15.5% in the volume of cataract surgeries, with the private sector driving the growth. In addition, the volume of refractive surgeries increased clearly year-on-year. The increase was driven by a successful Black Friday campaign. The number of eye specialists' appointments was lower than in the comparison period. The value of cataract and refractive surgeries sales increased on the comparison period, while the sales of outsourced ophthalmological services to the Hospital District of Helsinki and Uusimaa were lower than in the comparison period.

The number of refractive surgeries in October–December increased by 17.8% year-on-year, and a total of 2,303 (1,955) refractive surgeries were performed at Silmäasema eye clinics. The total volume of cataract surgeries increased by 15.5% year-on-year as a result of a significant increase in private cataract surgeries. A total of 2,248 (1,946) cataract surgeries were performed, of which 19% (26%) were surgeries paid for by means of service vouchers.

Profitability improved as a result of an increase in segment volumes on the comparison period. The segment's EBITDA and adjusted EBITDA were EUR 1.2 million (1.0). The adjusted EBITDA was 12.9% of net sales (11.5%). 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 fourth 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 1.5 million.

The Eye Clinics segment's operating result and adjusted operating result were EUR 0.2 million (0.4). 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–December 2019

The Eye Clinics segment's net sales increased by 0.3% and were EUR 35.0 million (34.9) in January–December. The like-for-like net sales grew by 3.7%. The segment's full-year net sales, as well as the volume of cataract and refractive surgeries, increased year-on-year as a result of a strong second half of the year. Demand increased clearly towards the end of the year, driven by a Black Friday discount campaign targeted at refractive surgeries. The value of cataract and refractive surgery sales increased year-on-year as a result of higher volumes. The number of eye specialists' appointments was lower 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 number of refractive surgeries in January–December increased year-on-year: a total of 8,807 (8,716) refractive surgeries were carried out at Silmäasema eye clinics. The total volume of cataract surgeries was also higher than in the comparison period. A total of 8,243 (7,676) cataract surgeries were performed, of which 24% (24%) were surgeries paid for by means of service vouchers.

The segment's EBITDA was EUR 4.5 million (3.9), and its adjusted EBITDA was EUR 4.5 million (4.1), or 13.0% of net sales (11.8%). The adoption of the IFRS 16 standard had a positive impact of EUR 1.2 million on the EBITDA and a positive impact of EUR 1.1 million on the adjusted EBITDA. Without the impact of the adoption of the IFRS 16 standard, the adjusted EBITDA would have been EUR 5.7 million and the EBITDA would have been EUR 5.6 million.

The Eye Clinics segment's operating result was EUR 0.9 million (1.5), and its adjusted operating result was EUR 0.9 million (1.7). 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.

Personnel

In January–December 2019, the average number of personnel at Silmäasema was 687 (675) in full-time equivalents. At the end of December 2019, the personnel under an employment contract with the Group totalled 796 (723). Due to a change in reporting practices, the figures differ from the figures reported earlier.

Salaries and other personnel expenses totalled EUR 34.0 million (32.5) in January–December 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 for the company 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. Costs arising from the development programme have been recognised as expenses in the income statement, but purchases related to the information systems will mainly be recognised as capital expenditure as of the choice of system.

In October–December, we adopted a broader view in preparing for the renewal of the information systems, and we explored alternatives to the entire IT ecosystem. Salesforce was selected as the supplier of online store, marketing automation and customer relationship management systems after the end of the financial year. The development programme is progressing on schedule, and Silmäasema seeks to ensure optimal implementation by means of process phases and pilot projects.

Decisions of the 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 shareholders in accordance with the record date.

The AGM decided to retain the annual fees of the Board of Directors unchanged. The annual fee of the Chair of the Board is EUR 40,000 per year, and the annual fees of the Vice-Chair and the other members of the Board are 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 confirmed that KPMG Oy Ab, Authorised Public Accountants, would be selected as the company's 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 authorisation will remain in force until the next AGM. The authorisation will replace the company's previous authorisations regarding the purchase of its own shares.

The AGM 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 authorisation replaces the previous authorisations regarding share issue and option rights.

At its meeting 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 its meeting after the AGM, Silmäasema's Board of Directors 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.

Decision of the extraordinary general meeting

Silmäasema Oyj's extraordinary general meeting on 26 November 2019 decided to retain the annual fees of the Board of Directors unchanged. The annual fee of the Chair of the Board is EUR 40,000 per year, and the annual fees of the Vice-Chair and the other members of the Board are EUR 22,000 per year. A meeting fee of EUR 400 for Audit Committee meetings was also confirmed.

The general meeting confirmed that the Board of Directors will consist of seven (7) members for the term that lasts until the close of the Annual General Meeting in 2020. Martti Kiuru and Torsti Sihvola were re-elected as members and Harri Halonen, Antti Kumm, Teppo Lindén, Juho Lipsanen and Ulla Näpänkangas were elected as new members of the Board of Directors. In addition, the general meeting elected Antti Kumm as Chair of the Board and Teppo Lindén as Vice-Chair of the Board.

Events after the review period

At its meeting on 30 January 2020, Silmäasema's Board of Directors elected Teppo Lindén as Silmäasema's CEO from 30 January 2020. Ulla Näpänkangas and Jari-Pekka Kelhä were elected as new members of the Management Team from 30 January 2020.

On 4 February 2020, Silmäasema announced that a special representative had been appointed for the arbitration procedure concerning the redemption of minority shares.

On 6 March 2020, Silmäasema announced that arbitrators are appointed for the arbitration proceedings concerning the redemption of minority shares in Silmäasema Oyj.

On 11 March 2020, Silmäasema announced that Chief Information Officer Mika Holsti and Head of Marketing Anne Rantanen have been appointed to Silmäasema's Management Team.

On 19 March 2020, Silmäasema announced the company anticipates that coronavirus will weaken the company's outlook.

In a short term, coronavirus will cause risks to the availability of the staff and decline in customer flows due to changes on consumer behaviour. Some of Silmäasema stores and eye clinics are located in shopping malls, that also face a risk of government orders of temporary shutdowns. There are risks and uncertainty regarding the duration of the epidemic and its financial effects.

On 27 March 2020, Silmäasema announced that Annual General Meeting will be postponed due to the coronavirus epidemic.

Changes in the Management Team

The Management Team consisted of the following members in 2019:

Jussi Salminen, CEO, from 21 January

Sari Nordblad, CFO, from 18 May; interim Commercial Director, from 26 March to 10 June

Tapani Kyrki, Business Director, from 3 June

Jyrki Alamäki, Sales Director, from 10 June

Sirkkaliisa Kulmala, HR Director, interim Business Director until 3 June

Roope Sihvola, Chief Medical Officer, from 17 September

Anu Kankkunen, CFO until 17 May and interim CEO until 21 January

Anna Seppälä, Commercial Director until 31 March

The CEO has changed after the review period, with Teppo Lindén being the new CEO, and Jari-Pekka Kelhä, CEO of Silmäasema Optiikka Oy, and Ulla Näpänkangas, CEO of Silmäasema Sairaala Oy, have been appointed as members of the Management Team. Also Chief Information Officer Mika Holsti and Head of Marketing Anne Rantanen have been appointed to Silmäasema's Management Team after the review period.

Changes in Group structure

During the review period, Silmäasema carried out the following subsidiary mergers: Via Healthcare Group Oy merged with Silmäasema Sairaala Oy on 1 March 2019.

Shares and shareholders

The total number of Silmäasema's registered shares on 31 December 2019 was 14,248,805, and the company's share capital entered in the Trade Register was EUR 80,000. On 31 December 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–December 2019 was EUR 6.12 (7.54) and the lowest was EUR 4.33 (4.25). The volume-weighted average price was EUR 5.94 (5.14) per share. The closing rate on 31 December 2019 was EUR 6.00 (4.35), with the market value of Silmäasema's share capital standing at EUR 85.5 million (62.0). Total trading for the share in January–December was EUR 68.9 (30.8) million, and the trading volume was 11.6 (6.0) million shares in total.

At the end of December 2019, Silmäasema had a total of 1,745 (5,389) registered shareholders. Nominee-registered shareholders represented a holding of 0.12% (8.54%) of the share capital at the end of the review period.

Largest shareholders on 31 December 2019

Ranking	Shareholders	Number of shares	% of shares
1	Coronaria Oy	13,593,032	95.40
2	Silmäpari Oy	24,000	0.17
3	Juhani Jukantupa	19,999	0.14
4	Jussi Markus Salminen	16,766	0.12
5	Sirkkaliisa Kulmala	10,468	0.07
6	Juha Untamo Saarinen	10,000	0.07
7	Mika Mattila	8,550	0.06
8	Fennia Life Insurance Company	7,552	0.05
9	Hallqvist AB	7,000	0.05
10	Medicape Oy	6,434	0.05
	Total	13,703,801	96.18
	100 largest, total	13,898,755	97.54
	Nominee-registered, total	16,489	0.12
	All shares, total	14,248,805	100.00

Distribution of ownership by sector on 31 December 2019

Shareholders by sector	Number of shares	% of shares
Public organisations	0	0.00
Financial and insurance institutions	21,117	0.15
Households	512,022	3.59
Companies	13,708,304	96.21
Non-profit organisations	142	0.00
Foreign	7,220	0.05
Total	14,248,805	100.00
Nominee-registered	16,489	0.12

Distribution of ownership by number of shares on 31 December 2019

Number of shares	Number of shareholders	% of shareholders
1–100	500	28.65
101–500	1,003	57.48
501–1,000	133	7.62
1,001–5,000	96	5.50
5,001–10,000	8	0.46
10,001–50,000	4	0.23
50,001–100,000	0	0.00
100,001–500,000	0	0.00
500,001–	1	0.06
Total	1,745	100.00

Share incentive plans

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

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

At the end of the review period, the target group for the 2017–2019 performance period consisted of 8 people, with the maximum total number of shares to be paid as rewards being 23,916; the target group for the 2018–2020 performance period consisted of 8 people, with the maximum total number of shares to be paid as rewards being 34,024; and the target group for the 2019–2021 performance period consisted of 19 people, with the maximum total number of shares to be paid as rewards being 143,846. A total of 156,176 Silmäasema shares have been reserved in the system for the 2019–2021 performance period.

Flagging notifications

Silmäasema received the following flagging notifications during the review period:

- Flagging notification on 2 January 2019: the holding by Coronaria Oy, a subsidiary of Cor Group Oy, had exceeded 20% on 28 December 2018
- Flagging notification on 16 on August 2019: the holding by Mandatum Life Insurance had fallen below 5% on 16 August 2019
- Flagging notification on 16 August 2019: the holding by Coronaria Oy, a subsidiary of Cor Group Oy, had exceeded 30% on 16 August 2019
- Flagging notification on 2 October 2019: the holding by Coronaria Oy, a subsidiary of Cor Group Oy, had exceeded two-thirds on 2 October 2019
- Flagging notification on 3 October 2019: the holding by Intera Fund II L.P. had fallen below 5% on 2 October 2019
- Flagging notification on 18 November 2019: the holding by Coronaria Oy, a subsidiary of Cor Group Oy, had exceeded 90% on 15 November 2019

Coronaria's public takeover bid of Silmäasema's shares

On 16 August 2019, Coronaria announced that 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 all shares and votes. Consequently, Coronaria's holding exceeded 30% of all votes in Silmäasema, and Coronaria became obligated to launch a mandatory public takeover bid for all other shares in Silmäasema and securities entitling their holders to shares in Silmäasema in accordance with the Securities Markets Act.

On 5 September 2019, Coronaria launched a takeover bid under which it offered a cash consideration of EUR 6.00 per share to Silmäasema's shareholders. The takeover bid corresponded to a premium of around 7.5% compared with the closing price (EUR 5.58) of Silmäasema's share on the Nasdaq Helsinki on 15 August 2019, which was the final trading day before the establishment of the obligation to make a takeover bid; 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 a bid; and a premium of around 10.4% 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 a bid. Coronaria announced that it was 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 on the Nasdaq Helsinki or otherwise.

According to Coronaria's estimate, the implementation of the takeover bid would not require approval from the competition authorities.

On 11 September 2019, Silmäasema Oyj issued a statement by its Board of Directors concerning Coronaria Oy's mandatory public takeover bid. According to its statement, Silmäasema's Board of Directors was of the opinion that the offered consideration was low from a financial point of view. The members of Silmäasema's Board of Directors who participated in the decision-making process unanimously decided to recommend against Silmäasema's shareholders approving the takeover bid.

On 31 December 2019, Coronaria announced that the shares offered during the takeover bid between 5 and 26 September 2019 represented around 41.7% of all shares issued by Silmäasema and of the outstanding shares and the associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented around 82.5% of all shares in Silmäasema.

To provide the remaining shareholders with an opportunity to accept the takeover bid, Coronaria decided to start a subsequent offer period on 2 October 2019. The subsequent offer period ended on 17 October 2019. On 21 October 2019, Coronaria announced that the shares offered during the subsequent offer period represented around 4.4% of all shares issued by Silmäasema and of the outstanding shares and the associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented around 88.8% of all shares in Silmäasema.

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

On 4 November 2019, Silmäasema published its Board of Directors' comments on the situation of Coronaria's takeover bid. In particular, the announcement stated that Coronaria's increased holding would enable it to exercise significant control in Silmäasema and that Coronaria's holding was likely to exceed 90% at some point, at which time the company would be likely to initiate a redemption procedure concerning the remaining shares. In addition, it was noted that Coronaria's increased holding had substantially reduced the liquidity of Silmäasema's share. Shareholders were advised to 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 offer document with an announcement published by Silmäasema on 4 November 2019 concerning its Board of Directors' comments on the situation regarding Coronaria's takeover bid. On 7 November 2019, Coronaria announced that according to preliminary information, the shares offered during the subsequent offer period by 7 November 2019 represented around 4.57% of all shares issued by Silmäasema and of the outstanding shares and the associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented around 89.47% of all shares in Silmäasema. Coronaria also announced that it had decided to extend the subsequent offer period until 21 November 2019.

On 13 November 2019, Coronaria announced that according to confirmed information, the shares offered during the subsequent offer period by 7 November 2019 represented around 4.62% of all shares issued by Silmäasema and of the outstanding shares and associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented around 89.57% of all shares in Silmäasema. On 13 November 2019, Coronaria supplemented the offer document with the interim report published by Silmäasema on 8 November 2019.

On 15 November 2019, Coronaria announced that according to preliminary information, the shares offered during the subsequent offer period by 14 November 2019 represented around 5.07% of all shares issued by Silmäasema and of the outstanding shares and the associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented around 90.16% of all shares in Silmäasema.

On 18 November 2019, Coronaria announced that according to confirmed information, the shares offered during the subsequent offer period by 14 November 2019 represented around 5.07% of all shares issued by Silmäasema and of the outstanding shares and the associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented around 90.59% of all shares in Silmäasema.

On 18 November 2019, Coronaria announced that the shares and votes held by Coronaria Oy, a subsidiary of Cor Group Oy, in Silmäasema Oyj had exceeded 90% on 15 November 2019.

On 22 November 2019, Coronaria announced that it would start the redemption procedure concerning the minority shares remaining in Silmäasema Oyj.

On 22 November 2019, Coronaria announced that according to preliminary information, the shares offered during the subsequent offer period by 21 November 2019 represented around 5.50% of all shares issued by Silmäasema and of the outstanding shares and the associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented around 91.38% of all shares in Silmäasema.

On 25 November 2019, Coronaria announced that according to confirmed information, the shares offered during the subsequent offer period by 21 November 2019 represented around 5.52% of all shares issued by Silmäasema and of the outstanding shares and the associated votes. Together with the shares already held by Coronaria (including shares acquired on the market), this represented around 91.40% of all shares in Silmäasema.

On 4 February 2020, Silmäasema announced that a special representative had been appointed for the arbitration procedure concerning the redemption of minority shares.

On 6 March 2020, Silmäasema announced that arbitrators are appointed for the arbitration proceedings concerning the redemption of minority shares in Silmäasema Oyj.

Near-term business risks and uncertainties

Silmäasema's near-term business risks and uncertainties are related to the spread of the coronavirus epidemic that will change the consumer behaviour. In a short term, coronavirus will cause risks to the availability of the staff and decline in customer flows due to the changes on consumer behaviour. Some of Silmäasema stores and eye clinics are located in shopping malls, that also face a risk of government orders of temporary shutdowns. There are risks and uncertainty regarding the duration of the epidemic and its financial effects.

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. The project 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-oriented 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.

Situations of change are always challenging and involve the risk of key persons leaving the company. Changes in Silmäasema Oyj's ownership base and the possible delisting of its shares may cause uncertainty among employees.

Based on the offer document, Coronaria's takeover bid 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. (Source: Coronaria's offer document, 4 September 2019)

Outlook for 2020

Silmäasema is not issuing an outlook for 2020, as it is impossible to assess the business impact of the coronavirus in sufficient detail at this stage.

Basis for the outlook

In a short term, net sales and adjusted EBITDA are affected by the recommendations and actions by the government to restrain the coronavirus epidemic. Silmäasema's near-term business risks and uncertainties are related to the spread of the coronavirus epidemic that will change the consumer behaviour.

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 2020.

Silmäasema's strategy implementation in 2020 focuses on developing its network of locations and business operations. 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 company also believes that its new owner will enable synergies that affect the cost level and profitability.

Board of Directors' proposal for the distribution of profits

On 31 December 2019, the parent company's distributable funds totalled EUR 43,815,606.81, including the profit for the period, which is EUR 2,659,822.79.

The Board will propose to the Annual General Meeting on 30 June 2020 that no dividend be paid for the 2019 financial year (1 January – 31 December 2019). The Board will propose that all distributable funds be left in equity.

No significant changes have taken place in the company's financial standing after the end of the financial year. The company's liquidity is good. Due to its current ownership structure, the company sees no need for distributing a dividend.

Annual General Meeting

Silmäasema's Annual General Meeting will be held on 30 June 2020. The Board of Directors will convene the meeting by means of a separate stock exchange release.

SILMÄASEMA OYJ
Board of Directors

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THE GROUP'S KEY FIGURES

EUR thousand, unless otherwise stated	10- 12/2019	10- 12/2018	Muutos %	1-12/2019	1-12/2018	Muutos %
Growth of net sales						
Net sales	34,828	32,353	7.7 %	131,065	122,873	6.7 %
Like-for-like growth in net sales, %	10.0 %	0.0 %		6.8 %	-1.6 %	
Income statement						
Gross profit	19,901	18,459	7.8 %	74,236	69,554	6.7 %
<i>Gross profit %</i>	<i>57.1 %</i>	<i>57.1 %</i>		<i>56.6 %</i>	<i>56.6 %</i>	
EBITDA	5,356	3,131	71.1 %	20,268	11,443	77.1 %
<i>EBITDA %</i>	<i>15.4 %</i>	<i>9.7 %</i>		<i>15.5 %</i>	<i>9.3 %</i>	
Adjusted EBITDA	5,901	3,535	66.9 %	21,490	11,765	82.7 %
<i>Adjusted EBITDA %</i>	<i>16.9 %</i>	<i>10.9 %</i>		<i>16.4 %</i>	<i>9.6 %</i>	
Operating result	1,978	1,577	25.4 %	6,783	5,492	23.5 %
<i>Operating result %</i>	<i>5.7 %</i>	<i>4.9 %</i>		<i>5.2 %</i>	<i>4.5 %</i>	
Adjusted operating result	2,573	1,981	29.9 %	8,303	5,844	42.1 %
<i>Adjusted operating result %</i>	<i>7.4 %</i>	<i>6.1 %</i>		<i>6.3 %</i>	<i>4.8 %</i>	
Profit before taxes	1,444	1,199	20.4 %	4,883	4,123	18.4 %
<i>Profit before taxes %</i>	<i>4.1 %</i>	<i>3.7 %</i>		<i>3.7 %</i>	<i>3.4 %</i>	
Profit (loss) for the period	1,579	1,190	32.7 %	3,959	3,254	21.6 %
<i>Profit (loss) for the period %</i>	<i>4.5 %</i>	<i>3.7 %</i>		<i>3.0 %</i>	<i>2.6 %</i>	
Basic earnings per share, eur	0.11	0.08		0.28	0.23	
Financial key figures						
Net debt				46,054	27,957	
Net debt / Adjusted EBITDA (leverage)				2.1	2.4	
Gearing				103.1 %	66.6 %	
Equity ratio				38.4 %	42.8 %	
Return on capital employed % (ROCE)				6.5 %	6.9 %	
Return on equity % (ROE)				9.1 %	8.1 %	
Investments						
Operational				2,739	6,716	-59.2 %
Acquisitions				1,588	1,775	-10.5 %
Total				4,327	8,491	-49.0 %
Cash flow from operations				18,540	13,092	
Personnel (end of the review period)*						
FTE – own personnel				685	666	2.9 %
Stores and clinics (pcs)						
Stores – owned by Silmäasema				135	149	-9.4 %
Stores – owned by franchisees				18	18	0.0 %
Eye clinics				13	14	-7.1 %
Chain total				166	181	-8.3 %
Sales volume (pcs) – own stores						
Eyeglasses	45,075	54,174	-16.8 %	192,656	181,792	6.0 %
Sunglasses	20,006	8,036	149.0 %	88,649	81,601	8.6 %

In January–December 2019 the impact of the adoption of the IFRS 16 standard on the EBITDA was EUR 7,662 thousand and adjusted EBITDA was EUR 7,366 thousand, on the operating result IT WAS EUR 280 thousand and on the adjusted operating result EUR 217 thousand, on the profit before taxes it was EUR -361 thousand and on the profit for the period EUR -289 thousand. In addition, the impact on the earnings per share was EUR -0.02, on net debt it was EUR 25,040 thousand and on cash flows from operating activities it was EUR 6,682 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	10-12/2019				1-12/2019			
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Growth of net sales								
Net sales	25,501	9,328		34,828	96,050	35,015		131,065
Growth in net sales, %	6.7 %	10.4 %		7.7 %	9.2 %	0.3 %		6.7 %
Like-for-like growth in net sales, %	6.1 %	21.3 %		10.0 %	8.0 %	3.7 %		6.8 %
Income statement								
EBITDA	4,625	1,199	-468	5,356	16,389	4,479	-599	20,268
<i>EBITDA %</i>	18.1 %	12.9 %		15.4 %	17.1 %	12.8 %		15.5 %
Adjusted EBITDA	4,702	1,199		5,901	16,949	4,541		21,490
<i>Adjusted EBITDA %</i>	18.4 %	12.9 %		16.9 %	17.6 %	13.0 %		16.4 %
Operating result	2,238	208	-468	1,978	6,502	880	-599	6,783
<i>Operating result %</i>	8.8 %	2.2 %		5.7 %	6.8 %	2.5 %		5.2 %
Adjusted operating result	2,365	208		2,573	7,361	942		8,303
<i>Adjusted operating result %</i>	9.3 %	2.2 %		7.4 %	7.7 %	2.7 %		6.3 %
Investments								
Operational					1,751	988		2,739
Acquisitions					400	1,188		1,588
Total					2,151	2,176		4,327

EUR thousand, unless otherwise stated	10-12/2018				1-12/2018			
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Growth of net sales								
Net sales	23,903	8,450		32,353	87,970	34,903		122,873
Growth in net sales, %	8.8 %	-4.9 %		4.9 %	6.0 %	-1.1 %		3.8 %
Like-for-like growth in net sales, %	4.1 %	-10.3 %		0.0 %	0.1 %	-5.4 %		-1.6 %
Income statement								
EBITDA	2,314	997	-181	3,131	7,702	3,928	-188	11,443
<i>EBITDA %</i>	9.7 %	11.8 %		9.7 %	8.8 %	11.3 %		9.3 %
Adjusted EBITDA	2,560	976		3,535	7,657	4,107		11,765
<i>Adjusted EBITDA %</i>	10.7 %	11.5 %		10.9 %	8.7 %	11.8 %		9.6 %
Operating result	1,381	377	-181	1,577	4,162	1,518	-188	5,492
<i>Operating result %</i>	5.8 %	4.5 %		4.9 %	4.7 %	4.3 %		4.5 %
Adjusted operating result	1,625	355		1,981	4,147	1,697		5,844
<i>Adjusted operating result %</i>	6.8 %	4.2 %		6.1 %	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–December 2019 the impact of the adoption of the IFRS 16 standard on the Optical Retail and Eye Healthcare segment's EBITDA was EUR 6,512 thousand and on the adjusted EBITDA EUR 6,246 thousand, on the operating result it was EUR 214 thousand and on the adjusted operating result EUR 151 thousand. The impact on the Eye Clinics' EBITDA it was EUR 1,150 thousand and on the adjusted EBITDA EUR 1,119 thousand and on operating result and adjusted operating result it was EUR 66 thousand.

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Net sales	2.2	34,828	32,353	131,065	122,873
Other operating income	2.2	6	8	21	38
Materials and services	2.3	-14,933	-13,902	-56,850	-53,357
Personnel expenses	3.0	-9,012	-8,137	-34,034	-32,474
Other operating expenses	2.3	-5,533	-7,191	-19,934	-25,638
EBITDA		5,356	3,131	20,268	11,443
Depreciation and amortisation	2.3	-3,378	-1,554	-13,486	-5,951
Operating result		1,978	1,577	6,783	5,492
Finance costs, net		-534	-378	-1,899	-1,368
Profit before taxes		1,444	1,199	4,883	4,123
Income tax expense		135	-9	-925	-869
Profit (loss) for the period		1,579	1,190	3,959	3,254
Total comprehensive income for the period		1,579	1,190	3,959	3,254
Profit for the period attributable to: Owners of the parent		1,579	1,190	3,959	3,254
Profit (loss) for the period		1,579	1,190	3,959	3,254
Total comprehensive income attributable to: Owners of the parent		1,579	1,190	3,959	3,254
Total comprehensive income for the period		1,579	1,190	3,959	3,254
Earnings per share for profit attributable to the owners of the parent					
Basic earnings per share, EUR	2.4	0.11	0.08	0.28	0.23
Diluted earnings per share, EUR	2.4	0.11	0.08	0.28	0.23

In January–December 2019 the impact of the adoption of the IFRS 16 standard on the other operating expenses was EUR 7,662 thousand, on depreciation it was EUR -7,381 thousand, on financial expenses it was EUR -641 thousand and on income tax it was EUR 72 thousand. In addition, the impact on the earnings per share was EUR -0.02.

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6.1	35,388	12,460
Other intangible assets	6.1	2,556	3,705
Goodwill		61,169	61,169
Deferred tax assets		1,219	1,346
Total non-current assets		100,331	78,679
Current assets			
Inventories		7,517	7,419
Trade and other receivables		3,901	3,319
Current income tax receivables		124	0
Cash and cash equivalents		7,627	11,937
Total current assets		19,169	22,675
TOTAL ASSETS		119,501	101,354
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	5.2	80	80
Reserve for invested unrestricted equity	5.2	39,025	39,025
Retained earnings		1,586	-374
Profit (loss) for the period		3,959	3,254
Total equity attributable to owners of the parent		44,650	41,986
Liabilities			
Non-current liabilities			
Non-current borrowings	5.1	46,491	37,982
Interest rate swaps	5.1	0	79
Deferred tax liabilities		804	717
Total non-current liabilities		47,295	38,778
Current liabilities			
Current borrowings	5.1	7,189	1,913
Interest rate swaps	5.1	96	119
Trade and other payables		19,773	18,230
Current income tax liabilities		498	329
Total current liabilities		27,556	20,590
Total liabilities		74,851	59,368
TOTAL EQUITY AND LIABILITIES		119,501	101,354

On 31 December 2019, the adoption of the IFRS 16 standard increased property, plant and equipment by EUR 24,521 thousand, deferred tax assets by EUR 104 thousand, non-current borrowings by EUR 18,573 thousand and current borrowings by EUR 6,468 thousand and other liabilities by EUR -127 thousand. In addition, the impact on profit for the period was EUR -289 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				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				3,959	3,959
Total comprehensive income for the period				3,959	3,959
Transactions with owners:					
Share-based bonus system	3.0			130	130
Dividends paid	5.2			-1,425	-1,425
Equity at 31 Dec 2019		80	39,025	5,544	44,650

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Note	1–12/2019	1–12/2018
Cash flows from operating activities			
Profit (loss) for the period		3,959	3,254
Adjustments:			
Depreciation, amortisation and impairments	2.3	13,486	5,951
Other non-cash transactions		124	-49
Finance cost, net		1,899	1,368
Income tax expense		925	869
Changes in working capital			
Change in trade and other receivables	4.0	-579	1,879
Change in inventories	4.0	-98	-66
Change in trade and other payables	4.0	1,032	585
Interest paid		-1,702	-822
Other financing items, net		161	-331
Income taxes paid		-667	454
Net cash inflow from operating activities		18,540	13,092
Cash flows from investing activities			
Payments for property, plant and equipment	6.1	-2,397	-5,484
Payments for intangible assets	6.1	-342	-1,232
Payments for business acquisitions, net of cash acquired		-1,588	-1,775
Proceeds from loans receivable		3	30
Net cash (outflow) from investing activities		-4,324	-8,461
Cash flows from financing activities			
Proceeds from non-current loans	5.1	27,725	1,950
Proceeds from current loans	5.1	7,000	0
Repayments of loans	5.1	-44,725	0
Repayments of lease liabilities		-7,101	-350
Dividends paid		-1,425	0
Net cash inflow (outflow) from financing activities		-18,526	1,600
Net (decrease) increase in cash and cash equivalents		-4,310	6,231
Cash and cash equivalents at the beginning of the period		11,937	5,706
Cash and cash equivalents at the end of the period		7,627	11,937

In January–December 2019 the impact of the adoption of the IFRS 16 standard on cash flows from operating activities was EUR 6,862 thousand and on cash flows from financing activities it was EUR -6,862 thousand.

NOTES TO THE GROUP'S FINANCIAL STATEMENTS BULLETIN 1 JAN – 31 DEC 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 for October-December 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 Silmääsema's optical retail business. The segment also includes ophthalmologists' and opticians' appointment services and corporate eye care.

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

EUR thousand	10–12/2019				1–12/2019			
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Net sales	25,501	9,328		34,828	96,050	35,015		131,065
Adjusted EBITDA	4,702	1,199		5,901	16,949	4,541		21,490
Adjustments	-77	0	-468	-545	-560	-62	-599	-1,222
EBITDA	4,625	1,199	-468	5,356	16,389	4,479	-599	20,268
Depreciation and amortisation	-2,386	-991		-3,378	-9,887	-3,599		-13,486
Adjusted operating result	2,365	208		2,573	7,361	942		8,303
Adjustments	-127	0	-468	-595	-859	-62	-599	-1,520
Operating result	2,238	208	-468	1,978	6,502	880	-599	6,783

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

In January–December 2019 the impact of the adoption of the IFRS 16 standard on the Optical Retail and Eye Healthcare segment's EBITDA was EUR 6,512 thousand and on the adjusted EBITDA EUR 6,246 thousand, on the operating result it was EUR 214 thousand and on the adjusted operating result EUR 151 thousand. The impact on the Eye Clinics' EBITDA was EUR 1,150 thousand and on the adjusted EBITDA EUR 1,119 thousand and on operating result and adjusted operating result it was EUR 66 thousand.

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

10–12/2019				
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Adjusted EBITDA	4,702	1,199	0	5,901
Exceptional payments for termination benefits	-13			-13
Adjustments concerning changes in VAT treatment	-64		-131	-195
Exceptional professional fees			-337	-337
Adjustments	-77	0	-468	-545
EBITDA	4,625	1,199	-468	5,356
Adjusted operating profit	2,365	208	0	2,573
Exceptional payments for termination benefits	-13			-13
Adjustments concerning closed locations	-35			-35
Adjustments concerning changes in VAT treatment	-79		-131	-210
Exceptional professional fees			-337	-337
Adjustments	-128	0	-468	-596
Operating profit	2,238	208	-468	1,978

1–12/2019				
EUR thousand	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
Adjusted EBITDA	16,949	4,541	0	21,490
Exceptional payments for termination benefits	-238	-62		-300
Adjustments concerning closed locations	-91			-91
Adjustments concerning changes in VAT treatment	-254		-131	-384
Exceptional professional fees	22		-469	-446
Adjustments	-560	-62	-599	-1,222
EBITDA	16,389	4,479	-599	20,268
Adjusted operating profit	7,361	942	0	8,303
Exceptional payments for termination benefits	-238	-62		-300
Adjustments concerning closed locations	-323			-323
Adjustments concerning changes in VAT treatment	-320		-131	-451
Exceptional professional fees	22		-469	-446
Adjustments	-859	-62	-599	-1,520
Operating profit	6,502	880	-599	6,783

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

1–12/2018				
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand				
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 31 December 2019, the Silmäasema chain operated in 158 locations in Finland (31 December 2018: 171), of which 127 (31 December 2018: 139) were own retail stores and 13 (31 December 2018: 14) were eye clinics. The number of franchisee stores was 18 (31 December 2018: 18). In Estonia, Silmäasema had eight optical retail stores (31 December 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:

	10-12/2019			10-12/2018		
	Optical retail and eye healthcare	Eye clinics	Group	Optical retail and eye healthcare	Eye clinics	Group
EUR thousand						
Sale of goods	21,267		21,267	20,332		20,332
Sale of services	4,007	9,328	13,335	3,384	8,450	11,835
Royalty income	226		226	186		186
Total	25,501	9,328	34,828	23,903	8,450	32,353

	1-12/2019			1-12/2018		
	Optical retail and eye healthcare	Eye clinics	Group	Optical retail and eye healthcare	Eye clinics	Group
EUR thousand						
Sale of goods	80,885		80,885	74,218		74,218
Sale of services	14,224	35,015	49,239	12,892	34,903	47,794
Royalty income	941		941	861		861
Total	96,050	35,015	131,065	87,970	34,903	122,873

Other operating income

EUR thousand	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Insurance compensation	0	0	7	0
Other rental income	6	8	14	38
Total	6	8	21	38

2.3 Operating expenses

EUR thousand	10– 12/2019	Share of net sales	10– 12/2018	Share of net sales	1– 12/2019	Share of net sales	1– 12/2018	Share of net sales
Materials and services								
Purchases during the period	8,123	23.3 %	7,363	22.8 %	31,765	24.2 %	29,089	23.7 %
Changes in inventories	58	0.2 %	368	1.1 %	-138	-0.1 %	-36	0.0 %
External services	6,752	19.4 %	6,171	19.1 %	25,223	19.2 %	24,303	19.8 %
Total	14,933	42.9 %	13,902	43.0 %	56,850	43.4 %	53,357	43.4 %
Personnel expenses	9,012	25.9 %	8,137	25.2 %	34,034	26.0 %	32,474	26.4 %
Other operating expenses								
Rent expenses	87	0.3 %	1,955	6.0 %	417	0.3 %	7,657	6.2 %
Marketing expenses	1,658	4.8 %	1,583	4.9 %	6,467	4.9 %	6,289	5.1 %
Maintenance, IT, equipment and furniture expenses	1,604	4.6 %	1,853	5.7 %	6,743	5.1 %	6,749	5.5 %
Other operative expenses	2,184	6.3 %	1,800	5.6 %	6,307	4.8 %	4,943	4.0 %
Total	5,533	15.9 %	7,191	22.2 %	19,934	15.2 %	25,638	20.9 %
Depreciation and amortisation by asset group								
Property, plant and equipment	3,001	8.6 %	1,252	3.9 %	12,017	9.2 %	4,765	3.9 %
Intangible assets	377	1.1 %	302	0.9 %	1,469	1.1 %	1,185	1.0 %
Total	3,378	9.7 %	1,554	4.8 %	13,486	10.3 %	5,951	4.8 %

Silmäasema's personnel expenses were in January–December period at the same level than in the comparison period, when comparing their share of net sales. 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 2019 was EUR 7.7 million. In the comparison period, operating expenses included EUR 1.8 million in extraordinary expenses, but also EUR 1.5 of extraordinary income related to the change in the treatment of value added tax and exceptional payments for termination benefits. In 2019, the expenses included EUR 1.5 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

	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Basic earnings per share				
Profit (loss) attributable to the owners of the Company (EUR thousand)	1,579	1,190	3,959	3,254
Weighted average number of shares outstanding during the period, basic	14,248,805	14,248,805	14,248,805	14,248,805
Basic earnings per share (EUR)	0.11	0.08	0.28	0.23
Diluted earnings per share				
Profit (loss) attributable to the owners of the Company (EUR thousand)	1,579	1,190	3,959	3,254
Weighted average number of shares outstanding during the period, diluted	14,248,805	14,248,805	14,248,805	14,248,805
Diluted earnings per share (EUR)	0.11	0.08	0.28	0.23

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

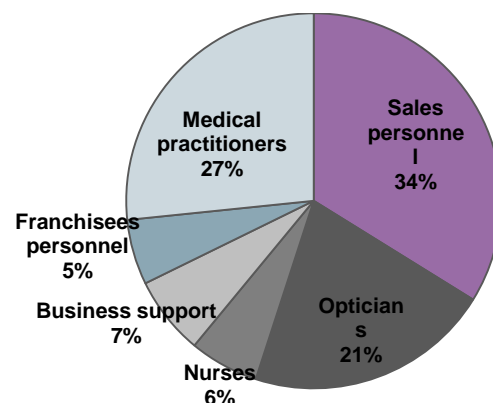
3 Personnel

At the end of December 2019, a total of 771 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.

Personnel		
Silmäasema chain and group personnel	31 Dec 2019	31 Dec 2018
Sales personnel	385	341
Opticians	241	216
Nurses	68	62
Business support	77	63
Franchisees personnel	64	64
Medical practitioners	303	321
Total	1,138	1,067
Personnel employed*	796	723

* Does not include employees on long-term absence.

Personnel expenses				
EUR thousand	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Wages and salaries	7,374	6,840	27,561	26,063
Pension costs	1,291	1,129	4,740	4,685
Share-based bonus system	33	-178	130	-51
Other personnel expenses	314	346	1,603	1,776
Total	9,012	8,137	34,034	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 December 2019, there were a total of 8 participants in the 2017–2019 earning period. The maximum number of shares to be given in the 2017–2019 earning period is 23,916. There were also a total of 8 participants in the 2018–2020 earning period and the maximum number of shares to be given is 34,024. There were a total of 19 participants in the 2019–2021 earning period and the maximum number of shares to be given is 143,846. 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 130 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	31 Dec 2019	31 Dec 2018
Inventories	7,517	7,419
Trade and other receivables	3,901	3,319
Trade and other liabilities*	19,723	18,216
Total	-8,305	-7,478

Trade payables and other payables; accrued interest has been eliminated. Eliminated interest expenses totalled EUR 50,000 on 31 December 2019 (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	31 Dec 2019	31 Dec 2018
Non-current borrowings		
Bank loans	27,689	37,283
Lease liabilities	18,691	150
Contingent consideration	112	549
Other borrowings	0	0
Total non-current borrowings	46,491	37,982
Current borrowings		
Lease liabilities	6,636	224
Contingent consideration	554	1,684
Other borrowings	0	4
Total current borrowings	7,189	1,913
Total borrowings	53,681	39,895
Less: Cash and cash equivalents	-7,627	-11,937
Net debt	46,054	27,957
Interest rate swaps		
Non-current	0	79
Current	96	119
Total interest rate swaps	96	198
Financial ratios		
Net debt / Adjusted EBITDA	2.1	2.4
Gearing	103.1 %	66.6 %

Regarding the situation on 31 December 2019, the adoption of the IFRS 16 standard increased non-current borrowings by EUR 18,573 thousand and current borrowings by EUR 6,468 thousand.

Events during the period

A bank loan of EUR 10.0 million was repaid during January-December 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 and EUR 5.0 million in December.

During autumn 2019, the company was engaged in financing negotiations to refinance the bank loans, 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. In December 2019, bank loans were repaid and withdrawn from new banks. The new loans have the same maturity and covenant as the old one. There were no covenant violations during the review period.

EUR thousand	31 Dec 2019	31 Dec 2018
Collaterals relating to rental payments		
Deposits in banks as security for rental payments *	476	408
Bank guarantees as security for rental payments	1,584	1,458
Bank guarantee limit for commercial collaterals	1,800	1,500
- portion used	1,584	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 31 December 2019 or in the comparison period, 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 31 Dec 2018	14,248,805
Number of shares at 31 Dec 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 31 December 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 four lease contracts that have 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–December reporting period by EUR 7.7 million and increases depreciation by EUR 7.4 million. The key figures as at 31 December 2019 with the impact of the standard removed are presented below.

The effect of IFRS 16 on key figures as at 31 Dec 2019

EUR thousand	IFRS 16 included	IFRS 16 excluded
EBITDA	20,268	12,607
Adjusted EBITDA	21,490	14,124
Operating result	6,783	6,502
Adjusted operating result	8,303	8,086
Profit before taxes	4,883	5,244
Profit (loss) for the period	3,959	4,247
Basic earnings per share, eur	0.28	0.30
Net debt	46,054	21,013
Net debt / Adjusted EBITDA (leverage)	2.1	1.5
Gearing	103.1 %	46.8 %
Equity ratio	38.4 %	49.0 %
Return on capital employed % (ROCE)	6.5 %	8.4 %
Return on equity % (ROE)	9.1 %	9.8 %

* 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.

EUR thousand	31 Dec 2019	31 Dec 2018*
Right of use asset - business premises and warehouses	24,259	
Right of use asset - IT equipment	281	316
Right of use asset - others**	262	73
Total non-current borrowings	24,803	389
Total deferred tax assets	105	1
Non-current lease liability	18,691	150
Current lease liability	6,636	224
Total current borrowings	25,326	374
Total deferred tax liabilities	32	4

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

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

6 Other items

6.1 Operational investments*

EUR thousand	31 Dec 2019	31 Dec 2018
Property, plant and equipment	2,397	5,484
Intangible assets	342	1,232
Total	2,740	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–December 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 eight 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 31 Dec 2019	Ownership 31 Dec 2018
Members of the Board of Directors *)	0.00 %	3.89 %
CEO **)	0.12 %	0.09 %
Key management personnel *)	0.07 %	0.15 %
Total	0.19 %	4.13 %

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

***) On 31 December 2019 the CEO was Jussi Salminen; on 31 December 2018 the CEO was Anu Kankkunen.

Salaries and remuneration of the management and Board of Directors

EUR thousand	1–12/2019	1–12/2018
CEO remuneration		
Salary, other remuneration and benefits	247	252
Pension costs - defined contribution plans	0	20
Total	247	272
Management team remuneration (excluding CEO)		
Salary, other remuneration and benefits	560	600
Pension costs - defined contribution plans	52	50
Total	612	649
The Board of Directors remuneration	161	171
Total key management and the Board of Directors	1,020	1,093

In addition, one board member has been paid medical practitioner fees with ordinary terms. In addition, in 2019, consultation services were purchased from a company partly owned by a Board member and rental payments were made to a company 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
	31 Dec 2019	31 Dec 2018	
Silmäasema Oyj			Holding company
Subsidiaries	31 Dec 2019	31 Dec 2018	
Silmäasema Optiikka Oy	100 %	100 %	Optical retail
Silmäasema Sairaala Oy	100 %	100 %	Eye clinic operations
Via Healthcare Group Oy	merged	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 %	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.