

A woman with blonde hair, wearing a purple top and a purple beaded necklace, is gesturing with her right hand while looking towards another person whose back is to the camera. The background is a plain, light-colored wall.

**REPORT BY THE BOARD OF DIRECTORS
AND FINANCIAL STATEMENTS 2019**

SILMÄASEMA

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Report by the Board of Directors 2019

Silmäasema provides its customers with a full range of eyesight and eye healthcare services, including both optical retail and eye clinic services. Its range of products and services covers spectacles, contact lenses, sunglasses, appointments with opticians and eye specialists, research on and treatment of eye diseases, and a broad range of eye surgeries, such as refractive and cataract surgeries. The company's business operations are divided into two segments: Optical Retail and Eye Healthcare, and Eye Clinics. At the end of 2019, Silmäasema had 145 stores and 13 eye clinics in Finland and eight stores in Estonia.

The figures in parentheses refer to 2018.

Strategy

Silmäasema aims to be first choice for customers and preferred partner for good eyesight. In August 2019, Silmäasema published a new strategy and strategic targets for 2020-2022. In line with the strategy, Silmäasema focuses on renewing the eyesight market through profitable growth and to improve performance and productivity. Corner stones of the strategy include among others optimisation and development of the store and eye clinic network, development of sales and chain management, improvement of purchasing efficiency, launch of new sale channels, new service portfolio, better utilization of digitalization, managed customer experience and best collaboration with doctors.

In August 2019, Silmäasema updated its financial targets for 2020-2022 as follows: net sales outpacing the market, EBITDA more than 20% of net sales, growth in earnings per share and annually increasing dividend.

Since August 2019, Silmäasema's outlook has changed due to 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. 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.

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

A major change has taken place in Silmäasema's ownership structure over the past year, 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. The company also believes that its new owner will enable synergies that affect the cost level and profitability.

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.

Changes in the network of stores and hospitals

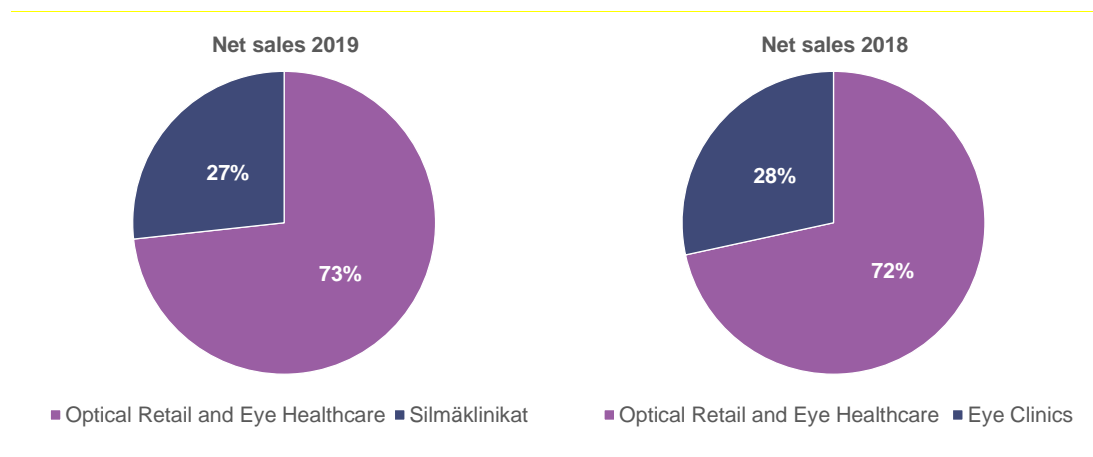
During 2019, Silmäasema has optimised its optical retail store network in Finland by closing 14 stores and by establishing two new stores. In addition, two stores were closed in Estonia. At the end of 2019, the chain included a total of 153 (167) optical retail stores. Of these stores, 135 (149) were owned by Silmäasema and 18 (18) were chain stores owned by franchisees.

During the year, the network of eye clinics was reduced by one, as Vantaa eye clinic was closed. Silmäasema had 13 (14) eye clinics in Finland at the end of year.

Financial development

Group's financial performance in 2019

Net sales (EUR thousand)	2019	2018	Change %
Optical Retail and Eye Healthcare	96,050	87,970	+9.2%
Eye Clinics	35,015	34,903	+0.3%
Group	131,065	122,873	+6.7%



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.

Business reviews

Optical retail and eye healthcare

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.

Eye clinics

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.

Management and governance

Silmäasema operates in accordance with the applicable laws and regulations, its Articles of Association and the rules and regulations issued by Nasdaq Helsinki for listed companies. Silmäasema also complies with the Finnish Corporate Governance Code 2020 issued by the Securities Market Association.

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.

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 Kummu, Teppo Lindén, Juho Lipsanen and Ulla Näpänkangas were elected as new members of the Board of Directors. In addition, the general meeting elected Antti Kummu as Chair of the Board and Teppo Lindén as Vice-Chair of the Board.

Changes in Group structure

Via Healthcare Group Oy was merged with Silmäasema Sairaala Oy on 1 March 2019.

Corporate Governance Statement

Silmäasema will issue a separate Corporate Governance Statement on its website at <https://company.silmaasema.fi/en/corporate-governance>.

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

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 30 September 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.

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.

Management shareholding

On 31 December 2019, the members of Silmäasema's Board of Directors, the company's CEO and other members of its Management Team and their related parties owned a total of 27,234 shares in the company, representing 0.2% of the company's total shares and votes.

The board members did not own directly or through their related parties any Silmäasema shares on 31 December 2019.

Management shareholding on 31 December 2019

Name	Duty	Number of shares as at 31 December 2019
Jussi Salminen	CEO	16,766
Sirkkaliisa Kulmala	HR Director	10,468

Non-financial reporting

In accordance with the Accounting Act (chapter 3a), Silmäasema issues a non-financial report as part of its Board of Directors' report included in its financial statements for 2019.

Silmäasema's business model

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

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

- The **Optical Retail and Eye Healthcare** segment is responsible for Silmäasema's optical retail business. It also includes vision tests carried out by eye specialists and opticians and occupational vision services, as well as eye examinations carried out by eye specialists, opticians and optometrists.
- The **Eye Clinics** segment is responsible for the optometric and optical services, eye disease specialist and eye surgery services and eye laboratory services provided by Silmäasema's eye hospitals. Its eye hospital services consist of eye specialists' appointment services, eye examinations, eye procedures, eye surgeries and eyelid surgeries.

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

On 31 December 2019, Silmäasema had a total of 13 (14) eye clinics in Finland, as well as 153 (167) stores, of which 145 (157) were located in Finland and 8 (10) in Estonia. Of the stores, 135 (149) were run by Silmäasema and 18 (18) by private business owners. During 2019, Silmäasema has optimised its optical retail store network in Finland by closing 14 stores and by establishing two new stores. In addition, two stores were closed in Estonia. The network of eye clinics was reduced by one, as Vantaa eye clinic was closed. In 2019, Silmäasema's net sales were EUR 131.1 million (122.9), and its adjusted EBITDA was EUR 21.5 million (11.8).

Environment

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

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

Silmäasema has EKO collection, that contains ecological and environmentally friendly eyeglass frames. The frames are made using for example naturally manufactured acetate and recycled steel or steel that is suitable for recycling. The frame design is fashionable and contemporary. By purchasing MonkeyGlasses frames that are part of EKO collection, customers help to protect orangutans and by purchasing ECO frames, customer helps to plant a tree.

Social and personnel aspects

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

The Group regularly prepares an equality plan intended to promote equality and prevent discrimination in the workplace. Silmäasema's management reviews the equality plan on a regular basis and commits to its implementation. In addition, the equality plan is regularly reviewed by the occupational health and safety (OHS) committee, which also updates the plan according to need. No suspected discrimination cases or other equality violations were reported within the company in 2019.

An advisory board consisting of employer and employee representatives convenes regularly to discuss current affairs. In addition, the OHS committee discusses matters related to employees' physical and emotional safety and well-being. The advisory board met 2 (2) times and the OHS committee met 4 (4) times in 2019.

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

Silmäasema seeks to ensure a healthy work environment for all of its employees through regular workplace surveys. A total of 30 (23) surveys were carried out in 2019. The company seeks to identify situations and places related to its employees' day-to-day work that involve potential risks. The goal is to reduce occupational accidents by identifying risks. A total of 28 (18) occupational accidents took place within the company in 2019.

Silmäasema supports its employees' opportunities for maintaining their professional competence. Professional development is important in every job. During 2019, employees were provided with training through internal and external events.

Respecting human rights

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

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

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

No issues related to respecting human rights were identified within the company in 2019. In addition, no violations or incidents related to human rights were reported with regard to the operations of Silmäasema's partners during the year.

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

Prevention of corruption and bribery

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

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

No suspected cases of corruption or bribery were reported to Silmäasema in 2019.

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

Strategy and financial targets

Silmäasema aims to be first choice for customers and preferred partner for good eyesight. In August 2019, Silmäasema published a new strategy and strategic targets for 2020-2022. In line with the strategy, Silmäasema focuses on renewing the eyesight market through profitable growth and to improve performance and productivity.

First choice for customers and leading eye health expert: the company focuses on improving the following areas: Managed customer experience, number one brand in good vision, customer relationship management and best collaboration with doctors.

Expansion and renewal of the eyesight market: the company launches new sale channels, increases B2B customer base and partnerships, renews service portfolio and better utilizes digitalization.

Improvement of performance and productivity: the company continues to optimise and develop the network, improves the operational efficiency of hospitals, develops sales and chain management and improves efficiency of purchasing.

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

Silmäasema's business model enables customers to find all the services they need within the Group, and Silmäasema's experts also actively guide customers to use other services within the Group, when necessary.

Silmäasema's goal is to develop its operations to maximise the flow of customers between its optical stores and eye clinics, and to ensure its efficiency in terms of good, high-quality and timely responses to customers' needs.

Silmäasema's business model enables customers to find all the services they need within the Group, and Silmäasema's experts also actively guide customers to use other services within the Group, when necessary.

Silmäasema aims to provide the best comprehensive demand-based offering in Finland in both optical retail and eye hospital products and services.

In August 2019, Silmäasema updated its financial targets for 2020-2022:

- Growth: net sales outpacing the market
- Profitability: EBITDA more than 20% of net sales
- EPS: growth in earnings per share (EPS)
- Dividend: annually increasing dividend

Since August 2019, Silmäasema's outlook has changed due to 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. 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.

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)

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

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.

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.

Key figures

EUR thousand, unless otherwise stated	1-12/ 2019	1-12/ 2018	1-12/ 2017	1-12/ 2016	1-12/ 2015
Growth of net sales					
Net sales	131,065	122,873	118,322	101,345	93,314
Like-for-like growth in net sales, %	6.8%	-1.6%	3.5%	-1.1%	
Income statement					
Sales margin	74,236	69,554	66,172	56,637	51,511
<i>Sales margin %</i>	56.6%	56.6%	55.9%	55.9%	55.2%
EBITDA	20,268	11,443	6,894	10,295	10,454
<i>EBITDA %</i>	15.5%	9.3%	5.8%	10.2%	11.2%
Adjusted EBITDA	21,490	11,765	11,760	11,951	10,753
<i>Adjusted EBITDA %</i>	16.4%	9.6%	9.9%	11.8%	11.5%
Operating result	6,783	5,492	1,589	5,508	6,632
<i>Operating result %</i>	5.2%	4.5%	1.3%	5.4%	7.1%
Adjusted operating result	8,303	5,844	6,472	7,164	6,930
<i>Adjusted operating result %</i>	6.3%	4.8%	5.5%	7.1%	7.4%
Profit before taxes	4,883	4,123	-1,218	867	2,543
<i>Profit before taxes %</i>	3.7%	3.4%	-1.0%	0.9%	2.7%
Profit (loss) for the period	3,959	3,254	-573	470	1,669
<i>Profit (loss) for the period %</i>	3.0%	2.6%	-0.5%	0.5%	1.8%
Basic earnings per share, eur	0.28	0.23	-0.05	0.05	0.18
Financial key figures					
Net debt	46,054	27,957	33,773	58,432	48,554
Net debt / Adjusted EBITDA (leverage)	2.1	2.4	2.9	4.9	4.5
Gearing	103.1%	66.6%	87.1%	992.8%	930.8%
Equity ratio	38.4%	42.8%	40.8%	6.8%	7.3%
Return on capital employed % (ROCE)	6.5%	6.9%	2.1%	8.6%	11.3%
Return on equity % (ROE)	9.1%	8.1%	-2.6%	8.5%	38.0%
Investments					
Operational	2,739	6,716	6,058	4,468	5,531
Acquisitions	1,588	1,775	6,699	6,664	202
Total	4,327	8,491	12,757	11,132	5,733
Cash flow from operations	18,540	13,092	4,954	4,286	7,226
Personnel (end of the review period)					
FTE – own personnel	685	615	607	533	475
Personnel – chain total	1,138	1,067	979	958	953
Stores and clinics (pcs)					
Stores – owned by Silmäasema	135	149	141	107	89
Stores – owned by franchisees	18	18	18	33	39
Eye clinics	13	14	13	13	12
Chain total	166	181	172	153	140
Sales volume (pcs) – own stores					
Eye examinations	422,041	404,034	384,423	334,565	282,099
Refractive surgeries	8,788	8,678	8,680	9,079	7,964
Cataract surgeries	8,243	7,611	7,230	6,577	6,506
Other surgeries	3,104	3,088	3,033	2,938	2,164
Eyeglasses	192,656	181,792	173,480	136,699	123,445
Sunglasses	88,649	81,601	70,121	55,181	51,684
Sales volume (1,000 pcs) – chain					
Eyeglasses (chain)	213	206	202	177	168
Sunglasses (chain)	94	88	78	66	64

Share-specific key figures

	2019	2018	2017	2016	2015
Basic earnings per share, eur	0.28	0.23	-0.05	0.05	0.18
Diluted earnings per share, eur	0.28	0.23	-0.05	0.05	0.18
Equity per share, eur	3.13	2.95	3.22	0.65	0.57
Dividend per share, eur		0.10			
Payout ratio, %*		43.8			
Effective dividend yield, %*		2.3			
Price per earnings ratio (P/E)	21.6	19.0	-139.3		
Share performance					
Closing price at 31 Dec, eur	6.00	4.35	6.63		
Lowest price, eur	4.33	4.25	6.31		
Highest price, eur	6.12	7.54	8.94		
Mean price, eur	5.94	5.14	7.91		
Market capitalisation, eur million	85.5	62.0	94.5		
Share turnover, pcs	11,594,739	5,998,969	7,915,792		
Relative turnover rate, %	81.4%	42.1%	65.7%		
Average number of shares outstanding during the period	14,248,805	14,248,805	12,041,542	9,104,505	9,072,560
Number of shares outstanding at end of period	14,248,805	14,248,805	14,248,805	9,149,748	9,072,560

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

Payout ratio, %

Dividend per share / Earnings per share

Effective dividend yield, %

Dividend per share / Closing share price at 31 Dec

Equity per share

Equity of the owners of the company / Number of shares at the end of the period

Price / earnings ratio (P/E)

Closing quotation of the period / Earnings per share

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

SILMÄASEMA
CONSOLIDATED IFRS FINANCIAL
STATEMENTS

31.12.2019

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PRIMARY CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	1–12/2019	1–12/2018
Net sales	2.2	131,065	122,873
Other operating income	2.2	21	38
Materials and services	2.4	-56,850	-53,357
Personnel expenses	3.0	-34,034	-32,474
Other operating expenses	2.4	-19,934	-25,638
EBITDA		20,268	11,443
Depreciation and amortisation	2.4	-13,486	-5,951
Operating result		6,783	5,492
Finance costs, net		-1,899	-1,368
Profit before taxes		4,883	4,123
Income tax expense		-925	-869
Profit (loss) for the period		3,959	3,254
Total comprehensive income for the period		3,959	3,254
Profit for the period attributable to:			
Owners of the parent		3,959	3,254
Profit (loss) for the period		3,959	3,254
Total comprehensive income attributable to:			
Owners of the parent		3,959	3,254
Total comprehensive income for the period		3,959	3,254
Earnings per share for profit attributable to the owners of the parent			
Basic earnings per share, EUR	2.5	0.28	0.23
Diluted earnings per share, EUR	2.5	0.28	0.23

In 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	2.3	61,169	61,169
Deferred tax assets	6.5	1,219	1,346
Total non-current assets		100,331	78,679
Current assets			
Inventories	4.1	7,517	7,419
Trade and other receivables	4.2	3,901	3,319
Current income tax receivables	2.5	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	6.5	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	4.3	19,773	18,230
Current income tax liabilities	2.5	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 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.

1 General information

1.1 Basis of preparation

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

The Company's business identity code is 2627773-7, it is domiciled in Helsinki, and the registered office of its headquarters is Radiokatu 3, 00240 Helsinki, Finland.

The Board of Directors of the Company has approved these consolidated financial statements for issue in their meeting on 30 March 2020. The financial statements are available at the Company's website at www.silmaasema.fi

Silmäasema Oyj is a part of Cor Group, the parent company of which is Cor Group Oy, domiciled in Oulu, Finland. The financial statements of Cor Group are available at the group's headquarters at Saaristokatu 22. 90100 Oulu, Finland.

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

Basis of preparation

The consolidated financial statements of Silmäasema have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with IAS and IFRS standards as well as SIC and IFRIC interpretations applicable as per 31 December 2019 ("IFRS Standards"). The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards..

The new IFRS 16 standard was adopted during the financial year. More information about this is presented in the Note 5.4 to the financial statements.

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

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

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

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

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

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

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

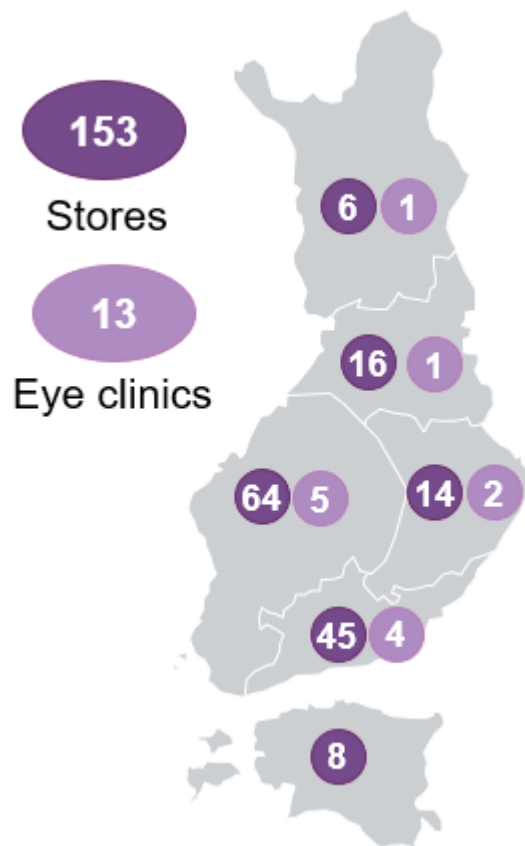
Significant estimate and management judgement	Note
Revenue recognition, principal or agent – presentation on a gross or net basis	2.2
Key assumptions used in lease agreement valuation	5.4
Useful lives of property, plant and equipment	6.1
Fair value of contingent consideration and net assets acquired in business combinations	6.2.1
Key assumptions used in goodwill impairment testing	6.2.1
Fair value of separately acquired intangible assets	6.2.2
Useful life of other intangible assets	6.2.2

1.2 A brief introduction to the company

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

On 31 December 2019, Silmäasema chain included 145 optical retail stores and 13 eye clinics in Finland. There are approximately one thousand professionals working in Silmäasema chain. They provide optical products, optician's services, ophthalmologist's services, eye surgical services and eye laboratory services to private individuals, corporate customers as well as to the public sector. In addition Silmäasema group included eight optical retail stores in Estonia.

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



2 Performance

2.1 Reportable segments

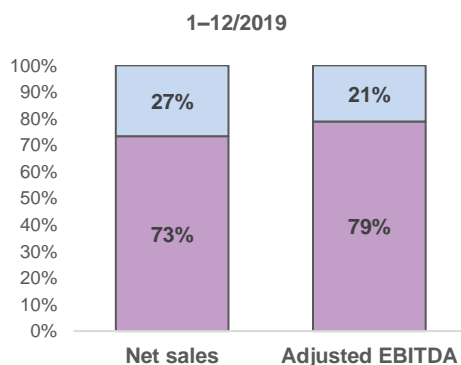
Silmäasema reports on its operations under to operating segments consistently with the reporting provided to management, the performance measures reported for the segments being net sales, adjusted EBITDA, EBITDA, adjusted operating result and operating result:

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

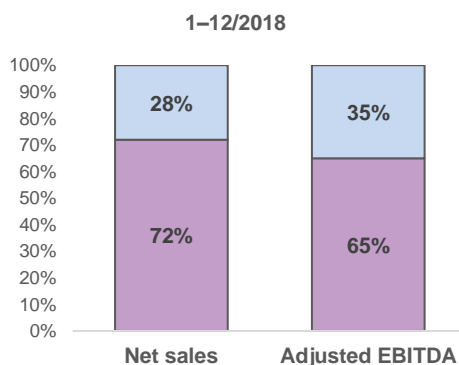
Eye clinics segment is responsible for Silmäsasema's eye clinic services, which consist of eye surgery, ophthalmologists' and opticians' appointment services, eye examinations, eye procedures and eyelid surgery.

1-12/2019				
	Optical retail and eye healthcare	Eye clinics	Unallocated	Group
EUR thousand				
Net sales	96,050	35,015		131,065
Adjusted EBITDA	16,949	4,541		21,490
Adjustments	-560	-62	-599	-1,222
EBITDA	16,389	4,479	-599	20,268
Depreciation and amortisation	-9,887	-3,599		-13,486
Adjusted operating result	7,361	942		8,303
Adjustments	-859	-62	-599	-1,520
Operating result	6,502	880	-599	6,783

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



■ Optical retail and eye healthcare ■ Eye clinics



■ Optical retail and eye healthcare ■ Eye clinics

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

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

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

Accounting principles: reporting segments

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

Calculation formulas:

EBITDA = operating profit + depreciation and amortisation

Adjusted EBITDA = EBITDA less adjustments

Adjusted operating profit = operating profit less adjustments

Adjustments to the EBITDA are material items deviating from normal business operations and are related to exceptional payments concerning terminated employment relationships, VAT penalties concerning previous periods, closed locations, exceptional expert fees, and in the comparison period, costs related to development of the internationalisation concept and business acquisitions. Adjustments not allocated to segments are mainly related to professional fees for group level structuring activities. Adjustments to the operating profit are related to VAT penalties concerning previous periods.

2.2 Net sales and other operating income

Silmäasema provides its customers with a full range of products and services related to eyesight: optical products, opticians' services, ophthalmologists' services, eye surgery services and optical laboratory services. The services are available to customers through its extensive chain of stores and eye clinics. On 31 December 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.

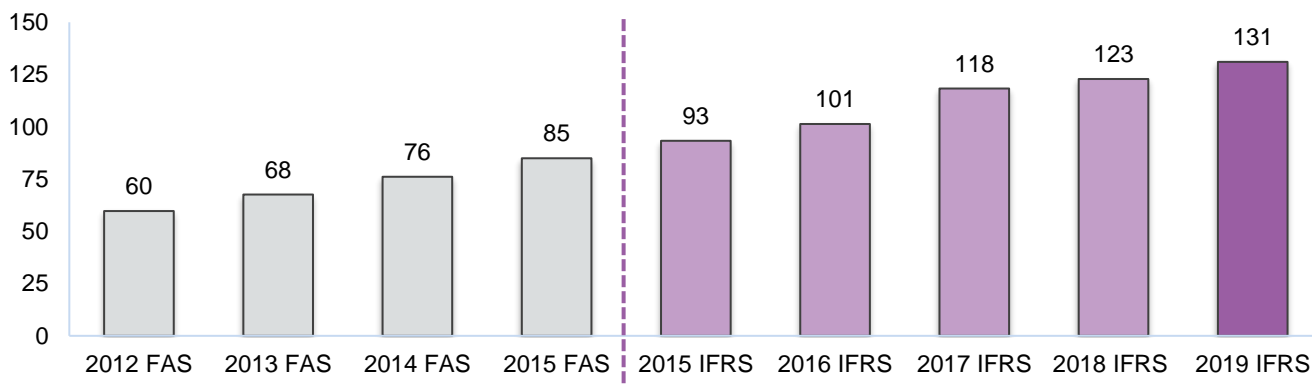
The group derives the following types of revenue:

	1-12/2019			1-12/2018		
EUR thousand	Optical retail and eye healthcare	Eye clinics	Group	Optical retail and eye healthcare	Eye clinics	Group
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	1-12/2019	1-12/2018
Insurance compensation	7	0
Other rental income	14	38
Total	21	38

Net sales development*



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

Accounting principles: recognition of sales as income

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

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

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

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

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

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

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

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

Significant judgement

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

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

Features indicating that Silmäasema is acting as a principal when bearing the primary responsibility for the fulfilment the contractual performance obligation towards the customer include, among others, the following: the Company has control over and responsibility for the provision of ophthalmologists' services in accordance with the Company's quality standards, it incurs the investments relating to the business, maintains the shared appointment scheduling system and patient record management system, and maintains the contractual relationship with the customer and is thereby exposed to business risk relating to the provision of the service.

Silmäasema is acting as an agent where the Company's responsibility is limited to having another party to provide the good or service to the customer. Features indicating to this include, among others, the following: the Company would not be exposed to significant risks and rewards relating to the sale of the services, or the amount to be received by it would be predetermined, either as a fixed fee per transaction or a stated percentage of the amount invoiced to the customer. Silmäasema acts as an agent starting from 1 June 2019 in relating to an external financing partner providing customer financing solutions. Silmäasema receives both fixed and commission-based fees, which are however not material in consideration of total sales income.

2.3 Operating expenses

EUR thousand	1-12/2019	Share of net sales	1-12/2018	Share of net sales
Materials and services				
Purchases during the period	31,765	24.2 %	29,089	23.7 %
Changes in inventories	-138	-0.1 %	-36	0.0 %
External services	25,223	19.2 %	24,303	19.8 %
Total	56,850	43.4 %	53,357	43.4 %
Personnel expenses	34,034	26.0 %	32,474	26.4 %
Other operating expenses				
Rent expenses	417	0.3 %	7,657	6.2 %
Marketing expenses	6,467	4.9 %	6,289	5.1 %
Maintenance, IT, equipment and furniture expenses	6,743	5.1 %	6,749	5.5 %
Other operative expenses	6,307	4.8 %	4,943	4.0 %
Total	19,934	15.2 %	25,638	20.9 %
Depreciation and amortisation by asset group				
Property, plant and equipment	12,017	9.2 %	4,765	3.9 %
Intangible assets	1,469	1.1 %	1,185	1.0 %
Total	13,486	10.3 %	5,951	4.8 %

Silmäasema's personnel expenses were in 2019 at the same level than in the comparison period, when comparing their share of net sales.

In 2019, operating expenses included EUR 1.5 million in expenses deviating from normal business operations. In the comparison period, operating expenses included EUR 1.8 million in expenses deviating from normal business operations and EUR 1.5 million in income deviating from normal business operations. More detailed information about adjustment items is provided in section 2.1.

Materials and services

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

Personnel expenses are disclosed in note 3.

Rents

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. The rent expenses in the income statement consist of service fees included in the rental payments and variable rents included in some rental agreements. Additional information on IFRS 16 related changes and the items related to rental agreements are presented in the note 5.4.

Other operative expenses

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

EUR thousand	1-12/2019	1-12/2018
Auditors' fees		
Statutory audit	54	52
Other services	9	1
Total	63	54

Change in the treatment of valued added tax

In May 2018, Finnish Tax Administration issued a favourable decision concerning Silmäasema Oyj's report on its right to deduct value added tax related to listing expenses. However, the Unit for the Supervision of the Rights of Tax Recipients appealed against the decision and the Board of Adjustment repealed the prior decision, thus stating that Silmäasema must return the amount of VAT, totaling EUR 0.1 million, related to the part of IPO expenses that the Board considered non-deductible. Income taxation for the year 2017 will also be adjusted accordingly and therefore, a deferred tax asset has been recognized in the financial statements. Silmäasema has eliminated the effect of the change in the value added tax deduction practice when reporting its adjusted EBITDA and adjusted operating result.

2.4 Income tax expense

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Current tax on profit for the period	857	190
Adjustments for current tax of prior periods	-145	251
Total current income tax expense	711	441
Deferred income tax		
Change in deferred tax assets	127	286
Change in deferred tax liabilities	87	143
Total deferred tax expense	213	428
Income tax expense	925	869

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

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Profit before taxes	4,883	4,123
Tax calculated at Finnish tax rate 20 %	977	825
Income not subject to tax	-13	-49
Expenses not deductible for tax purposes	17	13
Unrecognised deferred tax assets on tax losses	27	27
Taxes for prior periods	-77	45
Adjustments of prior periods	-6	0
Other items	-1	9
Income tax expense	925	869

For information on deferred taxes, also see note 6.5

Accounting policy – Income tax expense

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

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

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

2.5 Earnings per share

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

Accounting policy – earnings per share

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

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

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

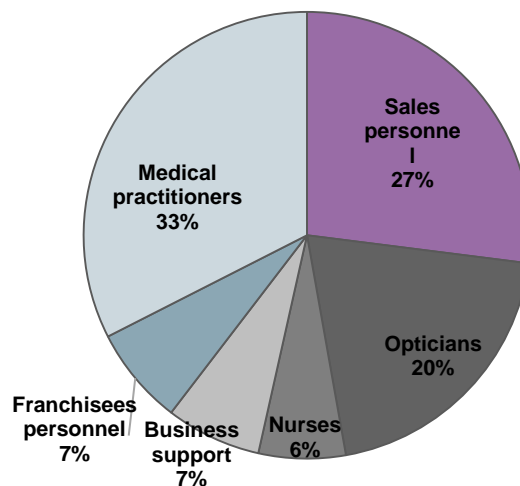
3 Personnel

At the end of 2019, a total of 771 persons worked at Silmäasema's own retail stores, eye clinics and business support functions, including two self-employed opticians. In addition, there were 303 medical practitioners working within the Silmäasema chain. The medical practitioners provide services to Silmäasema as subcontractors, or operate as entrepreneurs or independent professionals under Silmäasema's operating system. Fees paid to entrepreneur medical practitioners as well as rents charged for the premises are presented under Materials and supplies in the income statement.

Personnel

Silmäasema chain and group personnel	31 Dec 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	1-12/2019	1-12/2018
Wages and salaries	27,561	26,063
Pension costs	4,740	4,685
Share-based bonus system	130	-51
Other personnel expenses	1,603	1,776
Total	34,034	32,474

Remuneration of personnel

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

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

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

Share incentive plan

The goals of Silmäasema's share incentive plan include guiding Silmäasema's key persons in achieving the company's long-term strategic targets, stressing the importance of developing shareholder value and increasing key persons' commitment to the company.

The share incentive plan has three three-year performance periods: 2017–2019, 2018–2020 and 2019–2021. Silmäasema's Board of Directors decides on the plan's performance criteria at the beginning of each performance period. 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 2019, 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. 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 maximum of 156,176 shares has been reserved for the for the 2019-2021 performance period.

At the end of 2018, all cumulative costs and liabilities arising from the share incentive plan were reversed in accounting, as the payment of rewards based on the specified criteria seems highly unlikely. The situation is being monitored, and liabilities and costs will be recognised again, if necessary, if the fulfilment of the criteria begins to seem probable. The costs of EUR 130 thousand incurred during 2019 related to the 2019-2021 performance period have been recognized in the personnel expenses.

Pension arrangements

Silmäasema's pension arrangements are classified as defined contribution plans. The employees' pensions are based on the Employees Pensions Act (TyEL). The amount of pension depends on the duration of the employment and the salary level. The retirement age under TyEL is 63 to 68 years. Part of the employees are covered by an additional defined-contribution pension insurance issued by an insurance company. In a defined contribution plan, insurance premiums are paid to the insurance company and recognised as an expense in the period that the charge relates to. There are no further obligations relating to a defined contribution plan.

Remuneration of management is disclosed in note 6.3 Related parties

4 Working capital

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

EUR thousand	31 Dec 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).

4.1 Inventories

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

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

UR thousand	31 Dec 2019	31 Dec 2018
Materials and supplies	680	655
Finished goods	6,837	6,764
Total	7,517	7,419

Accounting policy – inventories

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

4.2 Trade and other receivables

EUR thousand	31 Dec 2019	31 Dec 2018
Trade and other receivables		
Trade receivables	2,134	1,459
Prepaid expenses and accrued income	802	964
Loans receivable	5	14
Other current receivables	960	881
Total	3,901	3,319
Material items under prepaid expenses and accrued income		
Items relating to purchases	572	627
Compensations receivable from Social Security Institute	174	157
Prepaid rents	16	20
Other items	40	160
Total	802	964
Material items under other current receivables		
Amounts receivable from suppliers	463	453
Rental security deposits	476	425
Other current receivables	21	3
Total	960	881

Trade receivables and the credit risk

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

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

Expected credit losses 31 Dec 2019

EUR thousand	Current and less than 90 days past due	90 days or more past due	Muut*	Total
Expected credit loss rate, %	0 %	50 %	100 %	
Trade receivables gross carrying amount	2,124	20	72	2,216
Loss allowance provision	0	10	72	82

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

The maximum amount of trade receivables exposed to the credit risk is EUR 2.2 million.

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

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

In 2019, the impairment losses recognised in the income statement totalled EUR 62,000.

Loans receivable

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

Fair values of trade receivables and other receivables

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

4.3 Trade and other payables

EUR thousand	31 Dec 2019	31 Dec 2018
Trade and other payables		
Trade payables	7,489	6,905
Accruals	5,890	5,225
Other current liabilities	3,166	2,788
Advance payments (deferred revenue)	3,227	3,311
Total	19,773	18,230
Elimination of accrued interest	-50	-14
Trade and other payables in working capital	19,723	18,216
Material items under accruals		
Accrued personnel expenses	5,761	5,121
Accrued interest	50	14
Other accruals	79	90
Total	5,890	5,225
Total excluding accrued interest	5,841	5,212
Material items under current liabilities		
Value added tax	1,718	1,543
Withholding tax	554	515
Ophthalmologists' fees	654	548
Other current liabilities	241	183
Total	3,166	2,788

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

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

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

5 Capital structure

5.1 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group monitors capital on the basis of key financial measures and ratios, such as the amount of net debt and the net debt to adjusted EBITDA ratio, as well as gearing.

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

Consolidated net debt position

EUR thousand	31 Dec 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 %

Note 5.5 includes further information on equity.

5.2 Financial liabilities

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

Bank loans

The Group's bank loans on 31st December 2019 were EUR 27.7 million. During the year 2019, repayments of EUR 10 million were made. In addition, the Group had a facility of EUR 10.0 million at its disposal. The 10.0 million euro facility consists of a 8.2 million euro overdraft facility and a 1.8 million euro facility for rental security, of which 1.6 million was utilized. Transaction costs relating to loans are recognised in profit or loss and amortised over the term of the loan using the effective interest rate method.

The average interest rate of the bank loans was 1.35 % on 31 December 2019 (31 December 2018: 1.75 %). The margin is determined according to the covenant "Ratio of the Interest bearing liabilities to the Adjusted EBITDA" varying between 1.0-2.25%. Other financial covenants are not used. The bank loans are single-payment loans maturing on 30 September 2021. The bank loans are unsecured.

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.

Accounting policy – borrowings

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

Credit facility

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

Contingent consideration

Contingent consideration obligations at 31 December 2019 were EUR 0.7 million, measured in the consolidated balance sheet at fair value. No additional contingent consideration obligations were recognised in 2019. EUR 1.6 million of obligations related to acquisitions carried out in 2016 and 2017 were settled during 2019.

Determination of fair values

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

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

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

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

EUR thousand	31 Dec 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		

Borrowings reconciliation

EUR thousand	Non-current borrowings	Current borrowings	Total
Borrowings 31.12.2018	37,433	228	37,661
Proceeds from bank loans	27,725	7,000	34,725
Repayments of loans	-37,725	-7,000	-44,725
Vuokrasopimusvelkojen lyhennykset	-6,860	-241	-7,101
Changes with no cash effect			
IFRS 16 adoption	22,207	6,648	28,855
Effective Interest	406	0	406
Lease liabilities change	3,194	0	3,194
Borrowings 31.12.2019	46,380	6,636	53,016
Net debt	-46,380	-6,636	-53,016

Total cash flow effect from rent agreements amounts to EUR 7.9 million.

5.3 Financial risks

Liquidity risk

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

The maturities of financial liabilities are monitored regularly. As at 31 December 2019, Silmäasema's cash and cash equivalents totalled EUR 7.6 million. Furthermore, Silmäasema had at 31 December 2019 a credit facility with an undrawn credit of EUR 8.2 million. In addition, the Group has a 1.8 million euro facility for rental security at its disposal.

EUR thousand	Under 1 year	1–2 years	2–5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Dec 2019						
Non-derivatives						
Bank loans - repayments		27,725			27,725	0
Bank loans - interests	381	284			664	0
Bank loans	381	28,009			28,389	27,689
Leasing liabilities	7,202	6,025	12,274	3,270	28,771	25,326
Contingent consideration	467	233			700	665
Trade payables	7,489				7,489	7,489
Total	15,538	34,267	12,274	3,270	65,349	61,170

Derivatives						
Interest rate swaps	148				148	96

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

Derivatives						
Interest rate swaps	81	250	0		331	198

Loan covenants

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

The maximum value of the covenant is 3.5. The margin of the loan increases when the value of the covenant increases. The covenants have not been breached and at the end of the fiscal year the value of the covenant was 1.4.

The loans from financial institutions are unsecured.

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

Interest rate risk

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

In order to manage the interest rate risk, Silmäasema uses interest rate swaps to mitigate the cash flow risk arising from variable rate bank loans. At the balance sheet date 31 December 2019, the Group had one outstanding interest rate swap hedging EUR 12 million of the loan capital against cash flow risk. According to the swap contract, the Company receives a variable 3-month EURIBOR interest rate and pays a fixed coupon interest rate of 0.662%. The swap will mature in 2020. At the end of the year 2019, 43.3 % of the variable interest rate position was hedged, and, taking this into consideration, 43.3 % of Silmäasema's total debt position was at fixed rates and 56.7 % at variable rates. By using interest rate swaps, Silmäasema aims to limit the impact of changes in interest rate levels on the Group's finance costs to an acceptable level.

Credit risk and counterparty risk

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

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

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

Currency risk

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

Accounting principles – derivatives

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

5.4 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. The addition to lease agreement liabilities and right-of-use assets is estimated to amount to EUR 2.7 million.

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 2019 by EUR 7.7 million and increases depreciation by EUR 7.4 million.

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

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

*Comparison period presented according to IAS 17.

** Other right-of-use assets include e.g. cars, parking spaces and neon signs.

Off-balance sheet lease liabilities as presented according to IAS 17 at the end of comparison period:

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

Reconciliation between operating lease commitments for business premises at 31 Dec 2018 and lease liabilities recognised at 1 Jan 2019

EUR thousand	1 Jan 2019
Lease commitments at 31 Dec 2018 as disclosed under IAS 17	18,895
Discounting effect using the incremental borrowing rate at 1 Jan 2019	-6,781
Less services included in rental payments	-1,926
Management estimates (e.g. extension rights utilisation)	18,473
Neon signs, parking etc.	194
Lease liability at 1 Jan 2019	28,855

Significant judgement – key assumptions used in lease agreement valuation

Management uses significant judgement and estimates when defining key elements affecting the amount of right-of-use assets and lease liabilities. In particular, the length of lease periods and discount rate are such key elements.

When defining the length of lease agreements, management considers the lease period defined in the lease agreement, as well as potential options to extend or terminate the agreement and the probability that these options be used. For agreement periods which are valid until further notice, management estimates the probable length of lease agreement period, taking into consideration all known material facts and circumstances and changes in them, e.g. profitability of the location, future prospects, condition and location of the premises and staff availability. These estimates are revisited and revalued when necessary and when there have been significant changes in the circumstances.

Silmäasema uses incremental borrowing rate as discount rate in the lease agreement calculations. Incremental borrowing rate is based on management estimate on the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The weighted average of used discount rates at 31 December 2019 was 2.5%.

5.5 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.

Dividends

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.

Distributable funds of the parent company Silmäasema Oyj

EUR	2019	2018
Reserve for invested unrestricted equity	40,790,019	40,790,019
Retained earnings	1,790,645	307,201
Dividends paid	-1,424,881	0
Profit for the period	2,659,823	1,483,444
Distributable funds as at 31 December	43,815,607	42,580,665

5.6 Finance income and costs

EUR thousand	31 Dec 2019	31 Dec 2018
Interest expenses on borrowings	-976	-897
Costs from extinguishment of borrowing		
Commission paid for customer financing	-152	-358
Interest expenses on lease liabilities	-652	-11
Change in the fair value of derivatives	-121	-121
Other interest and financial expenses	-7	-8
Total finance costs	-1,909	-1,395
Finance income	9	27
Finance cost, net	-1,899	-1,368

Accounting policy – finance costs

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

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

6 Other items

6.1 Property, plant and equipment

EUR thousand	Premises	Machinery and equipment	Right of use assets	Total
1 Jan - 31 Dec 2019				
Cost at 1 Jan	9,152	27,281	28,855	65,288
Additions	1,279	2,109	6,412	9,800
Disposals	-379	0	-3,331	-3,710
Transfer to right-of-use assets (IFRS 16)		-7,362	7,362	0
Cost at 31 Dec	10,051	22,029	39,297	71,378
Accumulated depreciation and impairment at 1 Jan	-6,614	-17,360	0	-23,973
Depreciation	-1,662	-2,973	-7,381	-12,017
Transfer to right-of-use assets (IFRS 16)		7,080	-7,080	0
Accumulated depreciation and impairment at 30 Sep	-8,276	-13,253	-14,462	-35,990
Net book amount at 1 Jan	2,538	9,922	28,855	41,314
Net carrying amount at 31 Dec	1,776	8,776	24,836	35,388

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

Property, plant and equipment include assets acquired with finance lease contracts as follows (IAS 17):

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

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

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

Accounting policy – Property, plant and equipment

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

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

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

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

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

Significant estimate - Useful lives of property, plant and equipment

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

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

6.2 Intangible assets

	Goodwill	Development costs	IT software	Trade marks	Non-competition agreements	Other intangible assets
EUR thousand						
1 Jan - 31 Dec 2019						
Cost at 1 Jan	61,169	249	7,667	142	1,145	9,202
Additions			335			335
Disposals			-14			-14
Cost at 31 Dec	61,169	249	7,988	142	1,145	9,523
Accumulated amortisation and impairment at 1 Jan		0	-4,769	-78	-650	-5,498
Amortisation		-50	-1,162	-28	-229	-1,419
Accumulated amortisation and impairment at 31 Dec	0	-50	-5,931	-106	-879	-6,967
Net carrying amount at 1 Jan	61,169	249	2,898	64	494	3,705
Net carrying amount at 31 Dec	61,169	199	2,056	35	265	2,556

	Goodwill	Development costs	IT software	Trade marks	Non-competition agreements	Other intangible assets
EUR thousand						
1 Jan - 31 Dec 2018						
Cost at 1 Jan	61,107	0	6,751	142	1,145	8,037
Business combinations	62		0			0
Additions		249	1,130			1,379
Disposals			-214			-214
Cost at 31 Dec	61,169	249	7,667	142	1,145	9,202
Accumulated amortisation and impairment at 1 Jan			-3,841	-50	-421	-4,312
Amortisation			-928	-28	-229	-1,185
Accumulated amortisation and impairment at 30 Sep	0	0	-4,769	-78	-650	-5,498
Net carrying amount at 1 Jan	61,107	0	2,910	92	723	3,725
Net carrying amount at 31 Dec	61,169	249	2,898	64	494	3,705

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

6.3 Goodwill and impairment testing

Silmäasema's goodwill has mainly arisen in 2014, when the Company acquired the Silmäasema Fennica group, and subsequently in connection with several minor acquisitions. As at 31 December 2019, the amount of goodwill was EUR 61.2 million and at 31 December 2018, EUR 61.2 million.

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

EUR thousand	31 Dec 2019	31 Dec 2018
Optical retail and eye healthcare	39,135	39,073
Eye clinics	22,034	22,034
Yhteensä	61,169	61,107

Key assumptions used in goodwill impairment testing

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

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

The long-term growth rate is estimated as 2 % for both segments. The pre-tax discount rate determined as at 31 December 2019 was 10.7 % and as at 31 December 2018 was 11.3 %. The growth in sales is, for both segments, based on increasing consumer demand and development of consumer behavior. Silmäasema's market share is expected to grow further. The increase in costs is expected to be more moderate and thereby improve the relative profitability. The table below presents a summary of these factors.

As a part of performance reviews, management has performed sensitivity analysis regarding the key factors. The parameters used in impairment tests for financial periods 2019 and 2018 to which the calculations used in impairment testing were most sensitive were the following:

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

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

The table below shows the percentage change in the key parameters used in the forecasts that would result in the fair value being equal to the carrying amount (keeping other parameters constant). The carrying amount of the assets tested in 2019 exceeds their recoverable amount EUR 89.9 million for Optical retail and eye healthcare, and by EUR 7.5 million for Eye clinics.

31 December 2019

	Optical retail and eye healthcare	Eye clinics
EUR thousand		
Parameters:		
Average net sales growth % in the testing period	3.5	2.6
Long-term growth %	2.0	2.0
Average EBITDA margin in the testing period	19.8	17.6
Pre-tax discount rate %	10.7	10.7
Sensitivity analysis		
Average EBITDA margin	-7.6	-1.8
Pre-tax discount rate %	12.6	1.9

31 December 2018

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

Accounting principles – goodwill

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

Significant estimate – key assumptions used in goodwill impairment testing

The management makes significant estimates and judgements in determining the level at which the goodwill is tested and whether there are any indications of impairment. Cash flow forecasts are based on the Group's actual results and the management's best estimates on future sales, cost development, general market conditions and applicable tax rates. Cash flow forecasts include budgets and rolling estimates for a period of five years, and cash flows for the periods after five years are extrapolated using the estimated growth rates mentioned in this note. The growth rates are based on the management's estimates on future growth in the segments.

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

Accounting principles – company acquisitions

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

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

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

Significant estimate – fair values of net assets acquired in company acquisitions

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

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

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

6.2.2 Other intangible assets

Other intangible assets in the balance sheet include separately acquired non-competition agreements, the FemtoLasik trademark, and costs relating to the ERM and patient record management systems, as well as to the development of digital services. The carrying amount of these assets was EUR 2.6 million at the end of the year 2019, and EUR 3.7 million at the end of the year 2018.

Accounting policy – other intangible assets

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

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

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

Significant estimate – fair value of separately acquired intangible assets

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

Significant estimate – useful life of other intangible assets

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

6.3 Related parties

At the end of 2019, Coronaria Oy's shareholding of the company was 95.4 % of the company's outstanding shares and thus had controlling interest of Silmäasema. prosenttia Silmäaseman kaikista osakkeista ja käytti yhtiössä määräysvaltaa. No related party transactions have occurred in 2019 or 2018.

Shares owned by key 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
The Board of Directors remuneration		
Jukka Hienonen, (11 Apr 2018 - 26 Nov 2019)	44	31
Tuomas Lang (until 26 Nov 2019)	20	24
Maisa Romanainen (until 26 Nov 2019)	20	24
Juha Saarinen (until 10 Apr 2019)	6	33
Tuomas Sarkola (until 10 Apr 2018)	0	8
Torsti Sihvola	22	24
Kaisa Vikkula (until 26 Nov 2019)	25	26
Martti Kiuru (from 10 Apr 2019)	16	0
Harri Halonen (from 26 Nov 2019)	2	0
Teppo Lindén (from 26 Nov 2019)	2	0
Juho Lipsanen (from 26 Nov 2019)	2	0
Ulla Näpänkangas (from 26 Nov 2019)	2	0
Antti Kumm, chair (from 26 Nov 2019)	0	0
Total	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.

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

The bonus is paid based on the achievement of objectives relating to profitability for the financial year. In 2019 the maximum performance-based bonus was 40% of the annual salary of the person concerned.

After the ending of the financial year 2019, the CEO has changed and the above mentioned conditions have been to some extent modified. The CEO's notice period, termination fee, non-competition and non-solicitation period, immaterial rights and confidentiality obligation have been agreed in writing in the CEO agreement with customary terms and conditions. The CEO's retirement age is determined in accordance with the current pension legislation as it stands at any given time.

6.4 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

Accounting policy – subsidiaries

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

The profit for the period attributable to the owners of the parent and to non-controlling interests is disclosed in connection with the income statement, and total comprehensive income attributable to the owners of the parent and to non-controlling interests is disclosed in connection with the statement of comprehensive income. Equity attributable to non-controlling interests is presented separately in the balance sheet as part of equity. Transactions with non-controlling interests are presented as equity transactions.

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

6.5 Deferred taxes

EUR thousand	1 Jan 2019	Recognised to profit or loss	Classification changes	Business combinations	31 Dec 2019
Deferred tax assets					
Tax losses carried forward	346	-346			0
Nondeductable interests	571	-3			568
VAT from IPO expenses	0	26			26
Property, plant and equipment	202	223			425
Inventories	68	-68			0
Interest rate swap	52	25			77
Deferred sales	107	0			107
Share-based bonus system	0	16			16
Total	1,346	-127	0	0	1,219
Deferred tax liabilities					
Intangible assets	552	174			726
Property, plant and equipment	173	-4			169
Inventories	-45	0			-45
Borrowings	37	-84			-46
Total	717	87	0	0	804

EUR thousand	1 Jan 2018	Recognised to profit or loss	Classification changes	Business combinations	31 Dec 2018
Deferred tax assets					
Tax losses carried forward	702	-356			346
Nondeductable interests	571	0			571
Property, plant and equipment	127	75			202
Inventories	68	0			68
Interest rate swap	52	0			52
Deferred sales	107	0			107
Share-based bonus system	5	-5			0
Total	1631	-286	0	0	1,346
Deferred tax liabilities					
Intangible assets	370	182			552
Property, plant and equipment	146	27			173
Inventories	-34	-11			-45
Borrowings	92	-55			37
Total	574	143	0	0	717

On 31 December 2018, the Group had EUR 0.3 million in deferred tax assets related to confirmed losses, which will be used in taxation for 2018.

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

Accounting policy – deferred taxes

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

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

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

6.6 *New and forthcoming standards*

Amendments to References to the Conceptual framework in IFRS standards (applicable on periods beginning on 1 January 2020 or after)

Amendments to IFRS 3 — Definition of a business (applicable on periods beginning on 1 January 2020 or after)

Amendments to IAS 1 and IAS 8 — Definition of material (applicable on periods beginning on 1 January 2020 or after)

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (applicable on periods beginning on 1 January 2020 or after)

IFRS 17 Insurance contracts (not yet adopted by the EU)

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

6.7 *Events after the financial 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 Kelhå 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.

Silmäasema Oyj
FINANCIAL STATEMENTS

Financial year
1.1.2019 - 31.12.2019

Business ID 2627773-7
Domicile Helsinki
Address Radiokatu 3, 00240 HELSINKI

Silmäasema Oyj

FINANCIAL STATEMENTS 1.1.2019 - 31.12.2019

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INCOME STATEMENT	1.1.-31.12.2019	1.1.-31.12.2018
NET SALES	348 848,64	354 781,43
Other operating income	612,88	0,00
Personnel expenses		
Wages and salaries	-1 049 500,48	-752 000,30
Social security expenses		
Pension expenses	-135 450,99	-144 462,34
Other social security expenses	-44 205,73	-13 688,01
Total personnel expenses	-1 229 157,20	-910 150,65
Depreciations, amortisations and impairments		
Depreciation according to plan	-20 914,19	-21 100,92
Other operating expenses	-1 310 941,14	-819 093,86
OPERATING PROFIT (LOSS)	-2 211 551,01	-1 395 564,00
Finance income and costs		
Interest and other finance income		
Other interest income and other financial income	2,33	4 373,28
Interest expenses and other finance costs		
Expenses to group undertakings	-3 899,04	-25,37
Other interest and financial expenses	-485 402,22	-555 551,65
Finance cost, net	-489 298,93	-551 203,74
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-2 700 849,94	-1 946 767,74
Appropriations		
Group contribution	6 000 000,00	3 800 000,00
Income taxes		
Current tax on profit for the period	-341 276,92	-14 187,85
Deferred tax	-298 050,35	-355 600,49
PROFIT (LOSS) FOR THE PERIOD	2 659 822,79	1 483 443,92

BALANCE SHEET	31.12.2019	31.12.2018
ASSETS		
Non-current assets		
Intangible assets		
Intangible rights	45 572,88	66 487,07
Total intangible assets	45 572,88	66 487,07
Shares and holdings		
Holdings in group companies	60 922 848,87	60 922 848,87
Total shares and holdings	60 922 848,87	60 922 848,87
Total non-current assets	60 968 421,75	60 989 335,94
Current assets		
Non-current receivables		
Deferred tax assets	671 432,53	969 482,88
Total non-current receivables	671 432,53	969 482,88
Current receivables		
Current receivables from group companies	7 402 335,98	10 467 541,41
Other receivables	21 053,98	2 599,28
Prepaid expenses and accrued income	130 980,08	105 471,73
Total current receivables	7 554 370,04	10 575 612,42
Cash and cash equivalents	18 289,73	83,38
Total current assets	8 244 092,30	11 545 178,68
TOTAL ASSETS	69 212 514,05	72 534 514,62

BALANCE SHEET	31.12.2019	31.12.2018
EQUITY AND LIABILITIES		
Equity		
Share capital	80 000,00	80 000,00
Reserve for invested unrestricted equity	40 790 019,15	40 790 019,15
Retained earnings (loss)	365 764,87	307 201,45
Profit (loss) for the period	2 659 822,79	1 483 443,92
Total equity	43 895 606,81	42 660 664,52
Liabilities		
Non-current liabilities		
Loans from financial institutions	19 156 860,00	29 236 120,89
Total non-current liabilities	19 156 860,00	29 236 120,89
Current liabilities		
Loans from financial institutions	96 172,68	118 664,00
Trade payables	74 567,63	189 716,93
Liabilities to group companies	5 523 246,90	47 885,00
Other payables	158 643,45	146 979,53
Accrued expenses and deferred income	307 416,58	134 483,75
Total current liabilities	6 160 047,24	637 729,21
Total liabilities	25 316 907,24	29 873 850,10
TOTAL EQUITY AND LIABILITIES	69 212 514,05	72 534 514,62

CASH FLOW STATEMENT

	1.1.-31.12.2019	1.1.-31.12.2018
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit (loss)	-2 211 551,01	-1 466 503,23
Depreciation according to plan	20 914,19	21 100,92
Change in net working capital	-38 946,15	355 617,05
Finance cost, net	-470 162,01	-553 989,83
Income taxes paid	-397 746,06	665 642,84
CASH FLOW FROM OPERATING ACTIVITIES	-3 097 491,04	-978 132,25
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible items	0,00	0,00
CASH FLOW FROM INVESTING ACTIVITIES	0,00	0,00
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	19 140 567,33	15 616,84
Proceeds from short-term borrowings	-7 000 000,00	-2 638 361,06
Repayment of short-term borrowings	19 156 849,44	0,00
Repayment of long-term borrowings	-29 156 838,88	0,00
Proceeds from group contributions	2 400 000,00	3 600 000,00
Dividends paid	-1 424 880,50	0,00
CASH FLOW FROM FINANCING ACTIVITIES	3 115 697,39	977 255,78
CHANGE IN CASH AND CASH EQUIVALENTS	18 206,35	-876,47
Cash and cash equivalents at beginning of period	83,38	959,85
Change in cash and cash equivalents	18 206,35	-876,47
Cash and cash equivalents at end of period	18 289,73	83,38

NOTES AND ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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

Measurement of the non-current assets

Recognition principles and methods

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

Depreciation and amortisation periods and percentages:

Intangible rights 5 years straight-line basis

Investments and holdings

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

Foreign currency balances

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

Measurement of loans receivables

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

Measurement of financial assets

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

Pensions

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

Deferred taxes

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

Events after the end of the financial year

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.

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.

NOTES TO THE INCOME STATEMENT	2019	2018
Personnel		
Average number of personnel	6	4
Wages, salaries and other remuneration of management		
Members of the Board of Directors and CEO	407 637,64	589 193,02
Other operating income		
Rental income	612,88	0,00
Total	612,88	0,00
Other operating expenses		
Other personnel expenses	108 136,23	154 592,66
Rent expenses	11 540,77	11 404,80
Property expenses	4 498,89	4 190,12
Vehicle costs	23 248,95	47 596,72
Travel expenses	11 324,17	16 222,28
Marketing expenses	73 628,86	43 158,02
Other operative expenses	1 078 563,27	541 929,26
Total	1 310 941,14	819 093,86
Depreciations and amortisations according to plan		
Intangible rights	20 914,19	21 100,92
Total	20 914,19	21 100,92
Auditors' fees		
Statutory audit	20 000,00	75 656,42
Tax services	0,00	5 825,00
Other services	0,00	0,00
Total	20 000,00	81 481,42
<p>In 2019, statutory audit fees paid to KPMG Oy Ab are EUR 20.000,00. Audit fees are included in other operating expenses.</p>		
Finance income and costs		
Interest income		
Interest and other finance income from others	2,33	4 373,28
Total interest income	2,33	4 373,28
Interest costs		
to group companies	3 899,04	25,37
to others	485 402,22	555 551,65
Total interest costs	489 301,26	555 577,02
Finance costs, net	489 298,93	551 203,74
Appropriations		
Group contribution receivables	6 000 000,00	3 800 000,00
Total	6 000 000,00	3 800 000,00
Income tax expense		
Income taxes	-341 276,92	-14 187,85
Change in deferred tax liabilities	-298 050,35	-355 600,49

Total income tax expense

-639 327,27

-369 788,34

NOTES TO THE BALANCE SHEET	2019	2018
Changes in non-current assets		
Intangible assets		
Acquisition cost at the beginning of the period	100 831,51	100 831,51
Acquisition cost at the end of the period	100 831,51	100 831,51
Accumulated depreciation at the beginning of the period	34 344,44	13 243,52
Depreciation for the period	20 914,19	21 100,92
Carrying amount at the end of the period	45 572,88	66 487,07
Receivables		
Long-term receivables		
Deferred tax receivables		
Deferred tax receivables	671 432,53	969 482,88
Total	671 432,53	969 482,88
Total long-term receivables	671 432,53	969 482,88
Short-term receivables		
Receivables from group companies		
Trade receivables	2 335,98	35 402,00
Loan receivables	0,00	6 632 139,41
Other receivables	7 400 000,00	3 800 000,00
Total	7 402 335,98	10 467 541,41
Other receivables		
VAT receivables	21 053,98	2 599,28
Material items under prepaid expenses and accrued income		
Tax receivables	56 469,14	0,00
Compensations receivables from Social Security institu	0,00	71 915,21
Prepaid expenses	68 753,23	27 807,92
Other items	5 757,71	5 748,60
Total	130 980,08	105 471,73
Total short-term receivables	7 554 370,04	10 575 612,42

Holdings in other companies

Group companies	Silmäasema Oyj's shareholding	Silmäasema Oyj's shareholding
Silmäasema Oyj, parent company		
Silmäasema Optikka Oy	100 %	100 %
Silmäasema Sairaala Oy		
Via Healthcare Group Oy		
Tallinna Optika Oü		

INFORMATION ON THE PARENT COMPANY AND GROUP FINANCIAL STATEMENTS

Silmäasema Oyj is part of Cor Group's subgroup, Silmäasema Group.
Cor Group's parent company is Cor Group Oy, domiciled in Oulu.
Silmäasema Oyj is the parent company of Silmäasema Group and domiciled in Helsinki.

Cor Group's financial statements are available from the company premises at
Saaristokatu 22, 90100 Oulu.
Silmäasema's group financial statements are available from the company premises at
Radiokatu 3, 00240 Helsinki.

NOTES TO THE BALANCE SHEET	2019	2018
Equity		
Share capital		
At the beginning of the period	80 000,00	80 000,00
At the end of the period	80 000,00	80 000,00
Reserve for invested unrestricted equity		
At the beginning of the period	40 790 019,15	40 790 019,15
At the end of the period	40 790 019,15	40 790 019,15
Retained earnings (loss)		
At the beginning of the period	1 790 645,37	307 201,45
Osingonjako	-1 424 880,50	0,00
Profit (loss) for the period	2 659 822,79	1 483 443,92
At the end of the period	3 025 587,66	1 790 645,37
Total equity	43 895 606,81	42 660 664,52
Distributable funds	43 815 606,81	42 580 664,52

NOTES TO THE BALANCE SHEET

2019

2018

Liabilities

Non-current liabilities

Loans from financial institutions	19 156 860,00	29 236 120,89
Total	19 156 860,00	29 236 120,89

The company has no loans maturing over five years.

Current liabilities

Loans from financial institutions	96 172,68	118 664,00
Trade payables	74 567,63	189 716,93
Liabilities to group companies	5 523 246,90	47 885,00
Other liabilities	158 643,45	146 979,53
Accrued expenses and deferred income	307 416,58	134 483,75
Total	6 160 047,24	637 729,21

Liabilities to group companies

Trade payables	0,00	47 880,90
Accrued expenses and deferred income	2 229,96	0,00
Other liabilities	5 521 016,94	4,10
Total	5 523 246,90	47 885,00

Material items under accrued expenses and deferred income

Accrued personnel costs	275 849,55	108 439,75
Accrued interests	30 993,07	11 736,00
Accrued taxes	0,00	14 187,85
Other accruals and deferred income	573,96	120,15
Total	307 416,58	134 483,75

COMMITMENTS AND CONTINGENT LIABILITIES	2019	2018
Guarantees given on behalf of group companies		
Guarantees	4 284 070,00	0,00
Collaterals given on behalf of group companies or on own behalf		
Bank guarantee limit	900 000,00	0,00
- of which used	711 305,35	0,00
Lease commitments related to leased premises		
Expire during next financial year	12 276,89	10 615,69
Expire beyond next financial year	14 755,36	2 185,06
Total	27 032,25	12 800,75

Other financial commitments not in balance sheet

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

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

The covenants have not been breached and at the end of the fiscal year the value of the covenant was 1.4.

SIGNATURES TO THE FINANCIAL STATEMENTS

Helsinki 30 March 2020

Antti Kummu
Chairman of the Board of Directors

Harri Halonen

Martti Kiuru

Juho Lipsanen

Ulla Näpänkangas

Torsti Sihvola

Teppo Lindén
CEO

Auditor's note

A report on the audit performed has been issued today.

Helsinki 30 March 2020

KPMG Oy Ab

Virpi Halonen Authorised Public Accountant, KHT



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

Auditor's Report

To the Annual General Meeting of Silmäasema Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Silmäasema Oyj (business identity code 2627773-7) for the year ended December 31, 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

Basis for Opinion

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

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

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

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

Materiality

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

Key Audit Matters

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

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

THE KEY AUDIT MATTER

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Revenue recognition – Note 2.2 to the consolidated financial statements

The consolidated net sales, EUR 131.1 million, consist of full range of services and sales of products related to eyesight through the extensive chain of stores and eye clinics as well as web shop.

Store products and ordered products are recognised as income when control over the goods has been transferred to the customer. This transfer takes place at the time of delivery. Sales income from products that have been paid for in advance but have not been delivered by the reporting date is recognised in current liabilities as advances received on the balance sheet and, consequently, in net sales when the product has been delivered to the customer. Services related to eye healthcare are recognised as income when the service has been performed.

Due to the extensive chain of stores and eye clinics the number of sales transaction is large and, therefore, the revenue recognition is considered a key audit matter.

- Our audit procedures included evaluation of the internal control environment related to sales process as well as testing the effectiveness of the key controls. We have also performed substantive audit procedures.
- We have tested processes to record sales transactions as well as the sales pricing and invoicing processes. We have also tested that the revenue is recognized to the correct accounting period.
- We have tested controls and reconciliation routines over cash transactions.
- We have visited to selected stores to assess and test controls related to sales.
- In addition, we have considered the appropriateness of the disclosures provided for net sales in the consolidated financial statements.

Valuation of goodwill – Note 6.2.1 to the consolidated financial statements

Goodwill as at December 31, 2019 totals EUR 61.2 million which represents 51.2 percent of the consolidated balance sheet and 137.0 percent of the total consolidated equity. Goodwill is the most significant individual item in the consolidated balance sheet.

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

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

- We have assessed critically management's basis and assumptions used for the cash flow projections for the coming years as well as reviewed key assumptions in the calculations such as profitability levels, discount rate and long-term growth estimates. In addition, the estimates used in the calculations have been compared to the estimates approved by the Board.
- We have involved KPMG valuation specialists in our audit of goodwill impairment tests. We have assessed the appropriateness of the discount rate and the technical correctness of the calculations, as well as compared the assumptions used to market and industry specific information.
- We have compared the assumptions used in previous year's impairment tests, especially in respect of net sales and profitability, to actual performance in 2019, to assess the accuracy of estimation process.
- At year-end audit, we have considered the adequacy of the sensitivity analyses and the appropriateness of the disclosures for goodwill impairment tests in the consolidated financial statements.

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

The parent company's holdings in group companies comprise a significant part of the parent company's assets. The amount of holdings totaled EUR 60.9 million as at December 31, 2019 which represents 88.0 percent of the consolidated balance sheet.

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

- We have assessed critically management's basis and assumptions used for the cash flow projections for the coming years as well as reviewed key assumptions in the calculations such as profitability levels, discount rate and long-term growth estimates. In addition, the estimates used in the calculations have been compared to the estimates approved by the Board.
- We have involved KPMG valuation specialists in our audit of impairment tests. We have assessed the appropriateness of the discount rate and the technical

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

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

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

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

Other Information

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

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

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

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



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

Other opinions

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

Helsinki March 30, 2020

KPMG OY AB

VIRPI HALONEN

Authorised Public Accountant, KHT