ORIOLA CORPORATION'S FINANCIAL STATEMENTS RELEASE 1 JANUARY – 31 DECEMBER 2019

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Oriola January 1– December 31, 2019

January–December 2019 highlights

- Invoicing increased by 6.1% (increased 5.5%) to EUR 3,733.1 (3,518.4) million. On a constant currency basis invoicing increased by 8.4% and was EUR 3,815.1 million.
- Net sales increased by 10.9% (increased 1.6%) to EUR 1,721.3 (1,552.2) million. On a constant currency basis net sales increased by 13.6% and were EUR 1,763.4 million.
- Adjusted EBIT was EUR 20.5 (34.4) million. On a constant currency basis the adjusted EBIT was EUR 20.9 million.
- Profit for the period totalled EUR 8.0 (10.8) million and earnings per share were EUR 0.04 (0.06).
- New customer focused organisation with new business areas Consumer, Pharma and Retail as well as logistics and sourcing function Operations became effective as of 1.1.2019.
- Two Group-wide strategic programmes kicked off: 20by20 Excellence to ensure operational excellence and cost efficiency and Customer Experience to strengthen customer trust and satisfaction.
- Ramp-up of new automated distribution centre in Sweden started in February 2019.
- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 (0.09) per share is paid for 2019.

October–December 2019 highlights

- Invoicing increased by 5.4% (increased 6.6%) to EUR 978.9 (929.1) million. On a constant currency basis invoicing increased by 7.6% and was EUR 1,000.1 million.
- Net sales increased by 13.2% (decreased 0.1%) to EUR 446.7 (394.7) million. On a constant currency basis net sales increased by 15.9% and were EUR 457.5 million.
- Adjusted EBIT was EUR 2.1 (5.0) million. On a constant currency basis the adjusted EBIT was EUR 1.9 million.
- Profit for the period totalled EUR -0.2 (-8.6) million and earnings per share were EUR -0.00 (-0.05).
- In Consumer business area in Sweden an error was discovered relating to the valuation of inventories. The error was corrected by restating previous periods.
- On 19 December Oriola announced, that the company has decided to accelerate the renewal of the Swedish pharmacy online shop IT system to enhance competitiveness and to optimise omnichannel sales. The related impairment of the old system is included in Consumer business area's adjusting items to EBIT in the last quarter of 2019.

Business outlook for 2020

The adjusted EBIT on a constant currency basis is estimated to increase from 2019 level.

Oriola's business outlook for 2020 is based on external market forecasts, agreements with pharmaceutical companies and pharmacies, and management assessments.

President and CEO Robert Andersson:

”For Oriola, 2019 was a year of strong growth in invoicing (EUR 3,733.1 million, +6.1%) and net sales (EUR 1,721.3 million, +10.9%). On constant currency basis invoicing grew by 8.4% and net sales by 13.6%. Adjusted EBIT for 2019 was EUR 20.5 million, which is 40.6% lower than in 2018. The year was burdened by the slower than planned ramp-up of the new distribution center in Sweden, and strong price competition in online business in the pharmacy market.

In the fourth quarter, the net sales of Consumer grew by 3.2% on constant currency basis. Online business grew by 20%. The profitability was burdened especially by tough online competition, spending in IT systems as well as increased cost level. The EBIT also included adjusting items mainly consisting of impairment of intangible assets. In Pharma, net sales grew by 26.4% on constant currency basis, driven by pharmaceutical market growth. In Retail, net sales grew by 9.5% on constant currency basis due to good performance of dose-dispensing. Both business areas were burdened by the high distribution costs in Sweden. In Finland however, our distribution operations exceeded our objectives and are performing with high efficiency, stability and excellence.

During 2019 we have progressed on our two strategic programmes. In 20by20 Excellence we systematically review our operations and increase efficiency to achieve annualised savings of EUR 20 million by the end of 2020. During 2019 we have achieved savings especially in resource costs of logistics and in IT costs in Finland. We will continue the programme as planned in 2020. The Customer Experience programme has focused on developing customer experience, and the results at the end of 2019 were encouraging. Customer satisfaction has improved – especially in Finland.

In 2020 we will further increase the efficiency of our operations and renew our ways of working. The actions for turning the company direction are demanding, but we have a solid plan for execution. Our focus is on improving profitability. We will continue to strengthen the customer experience to ensure added value in every customer encounter. In line with our strategy, we will also advance OneOriola culture to harmonise our ways of working and to realise synergies. We are committed to sustainability and have set ambitious long-term goals, such as carbon neutrality by 2030.”

Key figures EUR million	2019 10-12	2018 10-12 restated[5]	Change %	2019 1-12	2018 1-12 restated[5]	Change %
Invoicing	978.9	929.1	5.4	3,733.1	3,518.4	6.1
Net sales	446.7	394.7	13.2	1,721.3	1,552.2	10.9
Adjusted EBIT[1]	2.1	5.0	-58.2	20.5	34.4	-40.6
EBIT	0.8	-8.2	109.6	15.3	19.5	-21.6
Adjusted EBIT %	0.5	1.3		1.2	2.2	
EBIT %	0.2	-2.1		0.9	1.3	
Profit for the period	-0.2	-8.6	97.7	8.0	10.8	-25.4
Earnings per share, EUR	-0.00	-0.05	97.7	0.04	0.06	-25.4
Net cash flow from operating activities	27.3	48.4		84.4	102.8	
Gearing, %[2]				76.1	35.8	
Equity ratio, %[3]				15.5	19.5	
Return on capital employed (ROCE), %[4]				4.1	6.2	

[1] Adjusting items are specified in table "Adjusting items included in EBIT"

[2] Gearing in 2019 is impacted by the increase of net debt by EUR 83.9 million and the decrease of retained earnings by EUR 5.7 million due to the application of IFRS 16. Excluding the impact of IFRS 16 gearing would have been 21.9%.

[3] Equity ratio in 2019 is impacted by the decrease of retained earnings by EUR 5.7 million and increase of total assets by EUR 78.2 million due to the application of IFRS 16. Excluding the impact of IFRS 16 equity ratio would have been 17.3%.

[4] Return on capital employed in 2019 is impacted by the increase of total assets by EUR 78.2 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on capital employed would have been 4.4%.

[5] The figures in 2018 have been restated due to an error related to previous periods. All the figures in the financial statement release affected by the error have been restated. For more information on correction of the error please see section Correction of error relating to previous periods in the notes to the financial statements release.

In order to reflect the underlying business performance and to enhance comparability between financial periods Oriola discloses certain performance measures of historical performance, financial position and cash flows, as permitted in “Alternative performance measures” guidance issued by the European Securities and Markets Authority (ESMA). These measures should not be considered as a substitute for measures of performance in accordance with the IFRS. The calculation methods of these measures are provided in section Alternative performance measures of this Financial Statements Release.

Oriola Corporation's Financial Statements Release for 1 January–31 December 2019

Operating environment

Oriola has a strong position in the health and wellbeing markets in Sweden and Finland. The main businesses are distribution and wholesale of medical and health and wellbeing products, sales of services and products, as well as pharmacy operations.

Ageing population and growth in speciality pharmaceuticals are driving the growth of the pharmaceutical market in both of Oriola's operating countries. In January–December 2019, the pharmaceutical wholesale market grew by 7.6% in Sweden (source:IQVIA) and 5.2% in Finland in local currencies (source: LTK). Parallel imports' share of the Swedish pharmaceutical market was 9.2% (11.5%) (source: Apoteksförening).

Health and wellbeing trends, as well as the growth in e-commerce are growing the pharmacy business in Sweden. The pharmacy market is experiencing a digital transformation driven by fast growing e-commerce, accounting already for 12% (8%) of the total pharmacy market in Sweden by the end of December 2019. The pharmacy market in Sweden grew by 4.0% (9.7%) in Swedish krona in January–December 2019 driven by strong online market (source: Apoteksförening). At the end of December there were 1,426 (1,421) pharmacies in Sweden.

The pharmacy network in Finland has remained unchanged. There are 819 pharmacy outlets in Finland and 109 service points of pharmacies in remote areas. Pharmacies are owned by approximately 600 proprietary pharmacists and the two Universities of Helsinki and Kuopio.

In the first quarter of 2019 the Falsified Medicines Directive (FMD) came into force in European Union. The directive aims to prevent counterfeit prescription medicines entering the pharmaceutical supply chain. As part of the full implementation of the FMD, all medicine packs must feature a 2-D barcode containing a unique serial number as well as a product code, batch number and expiry date. The change impacted the entire pharmaceutical distribution chain from pharmaceutical companies to wholesale and pharmacies.

Strategic programmes

Oriola has published two Group-wide strategic programmes: one focusing on cost savings and operational excellence, and the other one on strengthening and developing customer experience.

The strategic programme 20by20 Excellence focuses on Oriola's efficiency and profitability. Target is to deliver EUR 20 million annualised savings compared to the 2018 cost level. Savings are expected to materialise with full effect by the end of 2020. The programme will systematically review all operations and resources to ensure efficient and high-quality operations, as well as to reduce costs. The planned actions include improving logistics efficiency, savings in indirect and direct purchasing, product and service portfolio optimisation as well as lean and simplified processes throughout the Group. During 2019, savings have been realised especially in costs of resources in Finnish logistic operations, as well as in IT costs.

As part of the programme, Oriola announced in June to start cooperation negotiations, which were finalised on 30 September. During the process, also the pharmacy network in Sweden was evaluated, and it was decided to close nine pharmacies. Five of them were closed in 2019 and the rest will be closed by the end of the first the quarter of 2020. The estimated annual cost savings will be approximately 4.5 million euros in personnel costs. The savings are expected to materialise with full effect by the end of 2020.

The strategic programme Customer Experience focuses on developing and implementing more customer-oriented processes and tools, organisation and culture. The target for the programme is to strengthen customer trust and satisfaction. In 2019, customer satisfaction progressed positively especially in Finland.

Sustainability

Oriola´s sustainability strategy is strongly linked to the company´s purpose, ”Health for life”. As a company operating in Health and wellbeing sector, Oriola improves the prerequisites for healthier life especially in the context of three key sustainability themes: society, people and planet. Oriola is committed to the UN Sustainable Development Goals.

Oriola plays an important role in the society in ensuring safe and on-time deliveries and sustainable usage of pharmaceuticals. Oriola’s mission is to bring its customers sustainable products and solutions for health and wellbeing. According to its vision, Oriola enables a healthier tomorrow for people and societies. Competent and engaged employees are the key success factor and the foundation of sustainable business for Oriola. Oriola Group Code of Conduct defines the company´s ethical norms, and high ethical standards guide both the Group corporate governance and a transparent company culture.

Oriola´s Environmental Policy outlines the commitment to reduce environmental impacts of the company’s operations. The three main focus areas include reducing emissions from transportation, energy efficiency, as well as medical and non-medical waste handling. Oriola’s Swedish subsidiaries Oriola Sweden AB and Svensk dos AB have ISO 14 001:2015 certificates.

Oriola’s quality management is founded on the laws and regulatory requirements applicable in the pharmaceutical sector, and on quality management standards. Pharmaceutical distribution and wholesale are regulated by the Good Distribution Practice (GDP) of the European Medicines Agency (EMA).

In the first quarter, Oriola shared the fourth place in the first FINDIX report that assessed the diversity of company management and board of directors among big Finnish companies. Oriola also participated in an industry-wide campaign “Medicine free Baltic Sea”.

Oriola joined United Nations’ Global Compact, a worldwide sustainability initiative, in February 2018. In the second quarter of 2019, Oriola reported actions and progress related to the 10 principles of the initiative for the first time.

In August Oriola joined the “Say no to corruption” campaign initiated by the Finnish Ministry of Justice. Oriola is committed to fighting bribery and corruption through its Code of Conduct.

In the last quarter, Oriola set long term sustainability goals. Oriola improves people’s health by introducing new services for health and wellbeing and by ensuring high-quality pharmaceutical deliveries. The company strives for best in class employee engagement and is committed to carbon neutrality by 2030.

Group financial performance January–December 2019

Invoicing and net sales

Invoicing increased by 6.1% (increased 5.5%). On a constant currency basis invoicing increased by 8.4%, which was mainly due to continued growth in pharmaceutical market.

Net sales increased by 10.9% (increased 1.6%) to EUR 1,721.3 (1,552.2) million. On a constant currency basis net sales increased by 13.6%, driven by the growth in the pharmaceuticals sales and changes in the distribution agreements for pharmaceuticals.

Profitability

Adjusted EBIT decreased by 40.6% (decreased 11.7%) to EUR 20.5 (34.4) million, which was mainly due to additional costs and inefficiencies caused by slower than planned ramp-up of the new distribution centre in Sweden as well as strong price competition in e-commerce. Also, the adjusted EBIT in 2018 includes a settlement totalling EUR 9 million received from the provider of the logistics and warehouse IT system as a contribution to costs incurred. Adjusting items during the reporting period, which consist of restructuring costs, impairment of intangible assets as well as a provision release related to Hehku, totalled EUR -5.1 (-14.9) million, and the EBIT was EUR 15.3 (19.5) million. The adjusted EBIT at constant currencies was EUR 20.9 million.

Net financial expenses were EUR 5.2 (3.0) million. The figure in 2019 includes interest expenses totalling EUR 2.0 million on lease liabilities recognised due to the application of IFRS 16. Profit for the period was EUR 8.0 (10.8) million. Income taxes for January–December were EUR 2.1 (5.8) million, which corresponds to an effective tax rate of 20.8% (35.1%). Earnings per share were EUR 0.04 (0.06).

Group financial performance October–December 2019

Invoicing and net sales

Invoicing increased by 5.4% (increased 6.6%), on a constant currency basis invoicing increased by 7.6%, which was mainly due to continued growth in pharmaceutical market.

Net sales increased by 13.2% (decreased 0.1%) to EUR 446.7 (394.7) million. On a constant currency basis net sales increased by 15.9%, driven by the growth especially in the high priced pharmaceuticals sales and changes in distribution agreements for pharmaceuticals.

Profitability

Adjusted EBIT decreased by 58.2% (decreased 6.1%) to EUR 2.1 (5.0) million, which was driven by continued strong price competition in online and high cost burden in Swedish logistic operations. Adjusting items during the reporting period, which consist of restructuring costs, impairment of intangible assets as well as a provision release related to Hehku, totalled EUR -1.3 (-13.2) million, and the EBIT was EUR 0.8 (-8.2) million. The adjusted EBIT at constant currencies was EUR 1.9 million.

Net financial expenses were EUR 1.1 (0.6) million. The figure in 2019 includes interest expenses totalling EUR 0.5 million on leasing liabilities recognised due to the application of IFRS 16. Profit for the period was EUR -0.2 (-8.6) million. Earnings per share were EUR -0.00 (-0.05).

Consumer

Consumer business area offers products and services for health and wellbeing for customers through Kronans Apotek, the third largest pharmacy chain in Sweden.

Key figures EUR million	2019 10-12	2019[1] 7-9	2019[1] 4-6	2019[1] 1-3	2018[1] 10-12	2018[1] 7-9	2018[1] 4-6	2018[1] 1-3	2019 1-12	2018[1] 1-12
Invoicing	196.3	186.4	193.1	192.2	195.9	182.7	197.1	193.9	768.1	769.5
Net sales	190.8	182.6	188.8	187.9	190.8	178.8	192.8	189.5	750.1	751.9
Adjusted EBIT	1.1	4.9	2.9	2.8	2.8	5.4	4.6	3.6	11.7	16.3
EBIT	-1.2	0.8	2.9	2.8	2.8	4.4	4.6	3.4	5.3	15.2
Adjusted EBIT %	0.6	2.7	1.5	1.5	1.5	3.0	2.4	1.9	1.6	2.2
EBIT %	-0.6	0.4	1.5	1.5	1.5	2.5	2.4	1.8	0.7	2.0
Number of personnel at the end of period	1,692	1,712	1,698	1,543	1,601	1,598	1,612	1,591	1,692	1,601

[1] The figures in 2018 and in the previous quarters of 2019 have been restated due to an error related to previous periods. For more information on correction of the error relating to the comparative year please see section Correction of error relating to previous periods in the notes to the financial statements release.

Market environment

The pharmacy market in Sweden grew by 4.0% (9.7%) in Swedish krona (source: Apoteksförening) and the number of pharmacies increased by 5 in January–December 2019.

Online sales in the Swedish pharmacy market continued to grow fast and reached approximately 12% (8%) of the pharmacy market by the end of December 2019.

Oriola's market share in the pharmacy market in Sweden in January–December 2019 was 16.9% (17.1%) (source: Apoteksförening). The relative share of OTC and traded goods from the net sales was 25.0% (25.6%). At the end of the reporting period, Oriola had 324 (327) pharmacies in Sweden. Oriola established 7 new pharmacies and closed 10 pharmacies during the reporting period.

January–December 2019

The net sales decreased by 0.2% (decreased 1.3%) to EUR 750.1 (751.9) million. On a constant currency basis net sales increased by 3.0%, driven by the high priced RX pharmaceuticals sales and online sales. Oriola's online sales grew by 35%, at the same rate with the market, and it accounts for 3.7% (2.8%) of Oriola's Consumer sales in Sweden.

Adjusted EBIT decreased by 28.2% (decreased 32.6%) to EUR 11.7 (16.3) million. Increasing share of low margin RX pharmaceuticals sales, further tightened competition in traded goods coming especially from online, as well as increase in cost level in general weakened the profitability. Adjusting items during the reporting period, which consist of restructuring costs and impairment of intangible assets, totalled EUR -6.4 (-1.1) million, and EBIT was EUR 5.3 (15.2) million.

October–December 2019

The net sales remained stable (increased 1.1%) at EUR 190.8 (190.8) million. On a constant currency basis net sales increased by 3.2%, driven by high priced pharmaceuticals and online sales growth.

Adjusted EBIT decreased by 59.7% (decreased 19.2%) to EUR 1.1 (2.8) million. Tightened competition in traded goods especially from online and spending in IT development as well as increase in cost level in general weakened the profitability. Adjusting items during the reporting period, which consist of restructuring costs and impairment of intangible assets, totalled EUR -2.3 (0.0) million, and EBIT was EUR -1.2 (2.8) million.

Pharma

Pharma business area provides tailored logistics, expert and advisory services for pharmaceutical companies, as well as a wide range of pharmaceutical products for pharmacies, hospital pharmacies and veterinarians.

Key figures EUR million	2019 10-12	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2019 1-12	2018 1-12
Invoicing	768.5	715.5	734.3	692.3	724.4	650.4	683.3	639.0	2,910.6	2,697.1
Net sales	242.2	231.4	244.9	199.6	195.4	180.4	190.7	183.5	918.1	749.9
Adjusted EBIT	4.2	5.2	4.7	3.5	4.1	10.5	3.5	3.1	17.7	21.1
EBIT	4.1	4.8	4.7	3.5	4.1	10.5	3.5	3.1	17.1	21.1
Adjusted EBIT %	1.7	2.3	1.9	1.8	2.1	5.8	1.8	1.7	1.9	2.8
EBIT %	1.7	2.1	1.9	1.8	2.1	5.8	1.8	1.7	1.9	2.8
Number of personnel at the end of period	468	469	501	490	507	506	497	493	468	507

Market environment

The pharmaceutical market at wholesale prices in Sweden grew by 7.6% (8.7%) in Swedish krona in January–December 2019 (source: IQVIA). According to Oriola’s estimate, Oriola’s share of the Swedish pharmaceutical wholesale market was approximately 44% (40%).

The Finnish pharmaceutical market at wholesale prices grew by 5.2% (8.5%) in January–December 2019 (source: LTK). According to Oriola’s estimate, Oriola’s share of the Finnish pharmaceutical wholesale market was approximately 46% (43%).

January–December 2019

Invoicing increased from the previous year by 7.9% (increased 7.8%) to EUR 2,910.6 (2,697.1) million. On a constant currency basis invoicing increased by 10.0%. Net sales increased by 22.4% (increased 5.1%) to EUR 918.1 (749.9) million, and on a constant currency basis, net sales increased by 24.8%. This was driven by continued growth in pharmaceutical markets, especially in the high-priced pharmaceuticals, as well as changes in distribution agreements for pharmaceuticals.

Adjusted EBIT decreased by 16.3% (increased 39.7%) to EUR 17.7 (21.1) million. The adjusted EBIT in 2018 includes a contribution for costs incurred totalling EUR 7.2 million received from the provider of the logistics and warehouse IT system. In Finland the increased efficiency and savings lowered costs, but at the same time the slower than planned ramp-up of the distribution centre kept the cost level high in Sweden. Adjusting items during the reporting period, which consist of restructuring costs, totalled EUR -0.5 (-0.0) million, and EBIT was EUR 17.1 (21.1) million.

October–December 2019

Invoicing increased from the previous year by 6.1% (increased 9.5%) to EUR 768.5 (724.4) million. On a constant currency basis invoicing increased by 8.2%. Net sales increased by 24.0% (increased 2.8%) to EUR 242.2 (195.4) million. On a constant currency basis, net sales increased by 26.4%, driven by pharmaceutical market growth, especially in the high-priced pharmaceuticals, as well as changes in distribution agreements for pharmaceuticals.

Adjusted EBIT increased by 2.6% (increased 177.2%) to EUR 4.2 (4.1) million. In Finland, the operational efficiency has improved and cost level decreased, but the slower than planned ramp-up of the new Swedish distribution centre kept the cost level high in Sweden. Adjusting items during the reporting period, which consist of restructuring costs, totalled EUR -0.1 (-0.0) million, and EBIT was EUR 4.1 (4.1) million.

Retail

Retail business area offers a wide range of health and wellbeing products to pharmacies, groceries, veterinarians, private and public healthcare operators and retailers, as well as services for pharmacies, including staffing and dose dispensing services.

Key figures EUR million	2019 10-12	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2019 1-12	2018 1-12
Invoicing	114.5	114.0	116.5	111.9	107.4	99.6	110.7	113.5	456.9	431.2
Net sales	114.1	113.6	116.3	111.6	107.1	99.2	110.3	113.2	455.5	429.8
Adjusted EBIT	-0.8	0.3	0.2	-0.6	0.0	3.2	0.8	1.9	-0.9	5.9
EBIT	-0.6	-0.4	0.2	-0.6	-4.6	3.2	0.8	1.9	-1.4	1.3
Adjusted EBIT %	-0.7	0.3	0.2	-0.5	0.0	3.3	0.7	1.7	-0.2	1.4
EBIT %	-0.5	-0.4	0.2	-0.5	-4.3	3.3	0.7	1.7	-0.3	0.3
Number of personnel at the end of period	590	603	576	528	530	517	584	544	590	530

Market environment

In retail business, Oriola offers a wide range of healthcare products both in traded goods and in OTC pharmaceuticals. Traded goods are sold through pharmacies and grocery stores. In Sweden, the traded goods and OTC pharmaceuticals market grew 6.2% in January–December 2019.

In dose dispensing business, Oriola offers pharmaceuticals and dose dispensing for private and public healthcare sectors. The total market size for dose dispensing is approximately 225,000 patients in Sweden and 55,000 patients in Finland. Oriola is the market leader in Sweden serving over 95,000 patients. In Finland, Oriola serves approximately 22,000 patients.

In staffing business in Finland, 155 pharmacies out of 819 pharmacies are using Oriola’s services at the end of reporting period.

January–December 2019

Net sales increased by 6.0% (increased 6.8%) to EUR 455.5 (429.8) million. On a constant currency basis net sales increased by 8.9%, mainly driven by increased number of dose dispensing patients in Sweden.

Adjusted EBIT was EUR -0.9 (5.9) million. Profitability was mainly impacted by the high logistics costs in Sweden as well as changes in product portfolio and customer agreements. The adjusted EBIT in 2018 includes a contribution for costs incurred totalling EUR 1.8 million received from the provider of the logistics and warehouse IT system. Adjusting items during the reporting period, which mainly consist of restructuring costs, totalled EUR -0.5 (-4.6) million, and EBIT was EUR -1.4 (1.3) million.

October–December 2019

Net sales increased by 6.5% (decreased 1.5%) to EUR 114.1 (107.1) million. On a constant currency basis net sales increased by 9.5%. This was mainly driven by increased number of dose-dispensing patients in Sweden.

Adjusted EBIT was EUR -0.8 (0.0) million, driven by high distribution costs in Sweden as well as low sales margin in Finland. Adjusting items during the reporting period, which mainly consist of restructuring costs, totalled EUR 0.2 (-4.6) million, and EBIT was EUR -0.6 (-4.6) million.

Balance sheet, cash flow and financing

Oriola's total assets at the end of December 2019 were EUR 1,030.6 (924.2) million. At the date of initial application of IFRS 16 on 1 January 2019, the Group recognised right-of-use assets totalling EUR 96.4 million. Equity attributable to the equity holders was EUR 157.2 (177.9) million, which was decreased by the dividend of EUR 16.3 million for 2018 distributed to the shareholders in April 2019. The impact of the adoption of IFRS 16 in the retained earnings was EUR -6.3 million. Cash and cash equivalents totalled EUR 70.8 (65.8) million. Net cash flow from operating activities in January–December 2019 was EUR 84.4 (102.8) million, of which changes in working capital accounted for EUR 26.5 (59.7) million. Net cash flow from investing activities was EUR -21.8 (-41.5) million. Net cash flow from financing activities was EUR -57.6 (-12.3) million.

At the end of December 2019, interest-bearing debt was EUR 190.3 (129.4) million, of which EUR 83.9 million consisted of lease liabilities recognised due to the application of IFRS 16. The non-current interest-bearing liabilities amounted to EUR 123.6 (59.1) million and current interest-bearing liabilities amounted to EUR 66.8 (70.3) million. Non-current interest-bearing liabilities mainly consist of loans from financial institutions totalling EUR 57.8 (58.7) million and non-current lease liabilities totalling EUR 65.7 (0.4) million. Current interest-bearing liabilities mainly consist of commercial paper issues of EUR 35.0 (57.0) million, advance payments from Finnish pharmacies totalling EUR 13.2 (12.4) million and current lease liabilities totalling EUR 18.6 (0.6). Interest-bearing net debt was EUR 119.6 (63.6) million, and gearing 76.1% (35.8%).

The non-recourse trade receivables sales programmes are in use in Sweden. At the end of December 2019, a total of EUR 166.5 (140.5) million in trade receivables had been sold. Including the sold trade receivables, the adjusted gearing was 182.0% (114.7%). The figure in 2019 was impacted by the increase of interest-bearing liabilities by EUR 83.9 million due to the application of IFRS 16. The average interest rate on the interest bearing liabilities excluding lease liabilities recognised due to the application of IFRS 16 was 0.97% (0.91%).

During the second quarter of 2019, Oriola Corporation rearranged and paid off the SEK 290 million term loan, which was due in 2020. In the same context, the company raised a new five-year bilateral term loan with same value. The committed long-term revolving credit facility of EUR 100.0 million and EUR 14.8 million of short-term credit limit were unused at the end of December 2019.

At the end of the reporting period Oriola's equity ratio was 15.5% (19.5%). Return on capital employed was 4.1% (6.2%), and return on equity 4.9% (5.8%).

Investments and depreciation

Gross investments in January–December 2019 totalled EUR 21.8 (39.6) million and consisted mainly of investments in logistics, information systems, and opening of new pharmacies.

Depreciation, amortisation and impairment amounted to EUR 45.3 (24.1) million. The figure in 2019 includes impairment charges relating to restructurings and the renewal of the Swedish pharmacy online shop totalling EUR 3.5 million as well as depreciation charges totalling EUR 18.1 million on right-of-use assets recognised due to the application of IFRS 16.

The capital expenditure in 2020 excluding acquisitions is estimated to be approximately EUR 35 million.

Personnel

At the end of December 2019, Oriola had 2,818 (2,706) employees, 60% (59%) of whom worked in Consumer, 17% (19%) in Pharma, and 21% (20%) in Retail. The group administration employed 2% (2%) of the total number of employees. The average number of personnel in January-December 2019 was 2,800 (2,699 in 2018 and 2,686 in 2017). Personnel numbers consist of members of staff in active employment calculated as full time equivalents.

The total amount of wages, salaries and bonuses in 2019 was EUR 127.5 million (EUR 121.4 million in 2018 and EUR 122.5 million in 2017)

Corporate Governance

Annual General Meeting

The Annual General Meeting (AGM), held on 19 March 2019, adopted the financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the financial year ending 31 December 2018.

The AGM resolved that a dividend of EUR 0.09 per share would be paid on the basis of the balance sheet adopted for the financial year ending 31 December 2018. The dividend was paid to shareholders registered in the company's shareholders register held by Euroclear Finland Ltd on the dividend record date 21 March 2019. The payment date of the dividend was 17 April 2019.

The AGM confirmed that the Board of Directors is composed of seven members. Mr Juko-Juho Hakala, Ms Anja Korhonen, Ms Mariette Kristenson, Ms Eva Nilsson Bågenholm, Ms Lena Ridström and Mr Anssi Vanjoki were re-elected to the Board of Directors and Mr. Harri Pärssinen elected as a new member of the Board of Directors. Mr Anssi Vanjoki was re-elected Chairman of the Board of Directors.

The AGM confirmed that the fee for the term of office of the Chairman of the Board of Directors is EUR 60,000, the fee for the term of office of the Vice Chairman of the Board of Directors and for the Chairman of the Board's Audit Committee is EUR 36,000 and the fee for the term of office of other members of the Board of Directors is EUR 30,000. The Chairman of the Board of Directors receives an attendance fee of EUR 1,000 per meeting and the other members EUR 500 per meeting. Attendance fees are correspondingly also paid to the chairmen and members of Board and company committees. Travel expenses are compensated in accordance with the travel policy of the company. In accordance with the decision of the Annual General Meeting, 60% of the annual remuneration was paid in cash and 40% in class B shares.

Authorised Public Accountants KPMG Oy Ab, who has put forward authorised public accountant Ms Kirsi Jantunen as principal auditor, was re-elected as the auditor of the company. The auditor's fees shall be paid according to invoice approved by the company.

All decisions of the Annual General Meeting are available on the company's website www.oriola.com.

The constitutive meeting of the Board of Directors

In its constitutive meeting convening after the AGM, the Board of Directors of Oriola Corporation elected Eva Nilsson Bågenholm as Vice Chairman of the Board of Directors.

The Board appointed Ms Anja Korhonen (Chairman), Mr Harri Pärssinen and Ms Lena Ridström to the Board's Audit Committee, and Ms Eva Nilsson Bågenholm (Chairman), Mr Juko-Juho Hakala and Ms Mariette Kristenson to the Board's Compensation and Human Resources Committee.

The Board of Directors has assessed the independence of the members of the Board of Directors, and determined that all members of the Board of Directors are independent of the company and its significant shareholders.

Composition of Oriola Corporation's Shareholders' Nomination Board

The largest shareholders of Oriola Corporation appointed on 23 September 2019 in accordance with the rules of procedure of the Shareholders' Nomination Board Mr Mikael Aro, Mr Peter Immonen, Mr Mikko Mursula, Mr Pekka Pajamo and Mr Into Ylppö to the Nomination Board.

Mr Pekka Pajamo was elected chairman of the Nomination Board. Mr Anssi Vanjoki, Chairman of the Board of Directors of Oriola, will serve as an expert member of the Nomination Board.

The Corporate Governance Statement and the Remuneration Statement

The Corporate Governance Statement and the Remuneration Statement for 2019 will be published as part of the Report of the Board of Directors, in accordance with the Finnish Corporate Governance Code 2015. The statements can be viewed on the company's website at: http://www.oriola.com/CorporateGovernance.

Authorisations

The Annual General Meeting authorised the Board to decide on a share issue against payment in one or more issues, including the right to issue new shares or to assign treasury shares held by the company. The authorisation covers a combined maximum of 5,650,000 class A shares and 12,500,000 class B shares of the company and includes the right to derogate from the shareholders' pre-emptive subscription right. The authorisation is in force for 18 months following the decision of the Annual General Meeting.

The Board was also authorised to decide on a share issue against payment of class B shares in one or more issues including the right to issue new class B shares or assign class B treasury shares held by the company. The authorisation covers a combined maximum of 18,000,000 class B shares of the company including the right to derogate from the shareholders' pre-emptive subscription right. The authorisation is in force for a maximum of 18 months following the decision of the Annual General Meeting.

The Annual General Meeting authorised the Board to decide on a share issue of class B shares without payment to the Company and on a directed share issue of class B shares in order to execute the share-based incentive plan for Oriola Group's executives and the share savings plan for Oriola Group's key personnel. The maximum number of new class B shares to be issued under this authorisation is 250,000, which represents of 0.14 % of all shares in the Company. The authorisation is in force for eighteen (18) months from the decision of the Annual General Meeting.

The Annual General Meeting authorised the Board to decide on repurchasing up to 18,000,000 of the company's own class B shares. Shares may be repurchased also in a proportion other than in which shares are owned by the shareholders. The authorisation is in force for a maximum of 18 months following the decision of the Annual General Meeting.

All decisions of the Annual General Meeting 2019 are available on the company's website www.oriola.com.

Changes in the Group Management Team

Katarina Gabrielson, who was appointed Vice President, Retail business area and a member of the Group Management Team on 18 September 2018, started in the position on 1 January 2019.

Thomas Gawell, who previously acted as Vice President, Healthcare Business Area, was appointed Vice President, Pharma business area on 18 September 2018 and started in the position on 1 January 2019.

Anne Kariniemi, who was appointed Vice President, Operations and a member of the Group Management Team on 1 November 2018, started in the position on 21 January 2019.

After these changes Oriola's Group Management Team consists of 10 members: Robert Andersson, President and CEO; Katarina Gabrielson, Vice President, Retail business area; Thomas Gawell, Vice President, Pharma business area; Anne Kariniemi, Vice President, Operations; Helena Kukkonen, CFO; Tuula Lehto, Group Communications Director; Charlotta Nyström, CIO; Petter Sandström, General Counsel; Teija Silver, Vice President, HR; Anders Torell, Vice President, Consumer business area.

Oriola Corporation shares

	Jan-Dec 2019		Jan-Dec 2018	
Trading of shares	**class A**	**class B**	**class A**	**class B**
Trading volume, million	3.8	24.1	3.1	41.0
Trading volume, EUR million	7.7	50.9	8.4	110.6
Highest price, EUR	2.56	2.53	3.38	3.17
Lowest price, EUR	1.86	1.86	1.92	1.94
Closing quotation, end of period, EUR	2.02	2.03	1.97	1.98

Oriola Corporation's market capitalisation on 31 December 2019 was EUR 367.2 (358.8) million.

In the review period, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 15.3% (24.3%) of the total number of shares.

At the end of December 2019, the company had a total of 181,486,213 (181,486,213) shares, of which 55,434,273 (55,434,273) were class A shares and 126,051,940 (126,051,940) were class B shares. The company holds a total of 84,903 (103,773) treasury shares, all of which are class B shares. They account for 0.05% (0.06%) of the company's shares and 0.01% (0.01%) of the votes.

Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A-shares into class B shares. During the period 1 January–31 December 2019, no class A shares were converted into class B shares (-).

Changes in the Group structure in 2019

In the last quarter of 2019 Farenta Polska Sp. Z o.o., a subsidiary fully owned by Farenta Oy, was liquidated.

The following mergers were completed during the last quarter of 2019: Farenta 1 Oy and Farenta 2 Oy were merged into Farenta Oy and Farenta Oy was merged into Oriola Finland Oy.

On 5 November Oriola Corporation sold its share in Hehku Kauppa Oy, a joint venture established in 2017, to Kesko Corporation.

Flagging announcements

Oriola Corporation did not receive flagging announcements during the reporting period.

Risks and uncertainty factors

Oriola's risk management seeks to identify, measure and manage risks that may threaten Oriola's operations and the achievement of set goals.

Oriola operates in regulated pharmaceutical distribution and retail markets monitored by authorities in both operating countries. The main megatrends impacting Oriola's business environment are ageing of the population, increased spending on health and wellbeing, growth in specialty pharmaceuticals, the digitalisation of the retail trade and services, and sustainability.

Oriola has identified the following principal strategic and operational risks that may have an adverse impact on the results: Changes in the pharmaceutical market regulation and related licences, pricing, parallel import and public reimbursement, as well as increased competition through the growing number of companies and pharmacies in e-commerce, the decreasing share of single channel distribution in public healthcare, and the loss of several key pharmaceutical company agreements.

The main financial risks for Oriola involve currency rate, liquidity, interest rate and credit risks. Changes in the value of the Swedish krona have an impact on Oriola's net sales, earnings and consolidated statement of financial position. Changes in cash flow forecasts may cause impairment of goodwill.

More information of Oriola's risk management can be found from Oriola's webpages: www.oriola.com/investors/corporate-governance/risks/.

Near-term risks and uncertainty factors

Oriola's strategic development projects involve operational risks which may have an effect on the profitability. The ramp-up of the expansion and automation of the distribution centre in Sweden, which started during the first quarter of 2019, is ongoing. Thorough risk management and action plans have been prepared for the ramp-up phases. Oriola systematically improves the readiness and compatibility of its IT systems. The company has defined separate risk management plans for all IT projects and aims to ensure the go-lives of the systems through thorough planning.

Oriola is from time to time involved in legal actions, claims and other proceedings. It is Oriola's policy to provide for amounts related to the proceedings if liability is probable and such amounts can be estimated with reasonable accuracy. Taking into account all available information to date, the legal actions, claims and other proceedings are not expected to have material impact on the financial position of the Group.

Business outlook for 2020

The adjusted EBIT on a constant currency basis is estimated to increase from 2019 level.

Oriola's business outlook for 2020 is based on external market forecasts, agreements with pharmaceutical companies and pharmacies, and management assessments.

Events after the period

After the reporting period, on 28 January 2020, the Shareholders' Nomination Board submitted its proposal to the 2020 Annual General Meeting concerning the composition of the Board of Directors as follows: The number of members of the Board of Directors would be seven. The present members of the Board of Directors Juko-Juho Hakala, Anja Korhonen, Mariette Kristenson, Eva Nilsson Bågenholm, Harri Pärssinen and Lena Ridström would be re-elected and Panu Routila would be elected new member of the Board of Directors. Panu Routila would be elected as new Chairman of the Board of Directors. Current chairman of the Board of Directors, Anssi Vanjoki, has informed the Nomination Board that he is not available for re-election to the Board of Directors.

Profit distribution proposal

Oriola Group's parent company is Oriola Corporation, whose distributable funds according to the balance sheet as at 31 December 2019 were EUR 335.2 (343.3) million. Oriola Corporation's result for the financial year 2019 was EUR 8.2 (-13.9) million. Earnings per share of the Oriola Group were EUR 0.04 (0.06).

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 (0.09) per share is paid for 2019. The Board of Directors further proposes that the remaining non-restricted equity, EUR 318,825,537.06 be retained and carried forward.

Annual General Meeting

Oriola Corporation's Annual General Meeting will be held on 17 March 2020 at 3 p.m. at the Helsinki Convention Centre. The matters specified in article 10 of the Articles of Association and other proposals of the Board of Directors, if any, will be dealt with at the meeting. The Board of Directors will decide on the notice of the Annual General Meeting and the proposals contained in it at a later date. The notice to convene will be available on the company's website at www.oriola.com on 24 February 2020 at the latest.

Publication of the Financial Statements

Oriola Corporation will publish its 2019 Financial Statements by 10 February 2020.

Financial calendar 2020

Annual General Meeting, Tuesday, 17 March 2020
January-March Interim Report, Friday, 24 April 2020
January-June Half Year Financial Report, Friday, 17 July 2020
January-September Interim Report, Friday, 23 October 2020

Espoo, 6 February 2020

Oriola Corporation
Board of Directors

Consolidated statement of comprehensive income (IFRS)

EUR million	2019 10-12	2018 10-12 restated[1]	2019 1-12	2018 1-12 restated[1]
Net sales	446.7	394.7	1,721.3	1,552.2
Other operating income	2.8	2.9	11.1	20.4
Materials and supplies	-355.8	-309.9	-1,364.5	-1,206.0
Employee benefit expenses	-44.9	-42.3	-173.4	-165.8
Other operating expenses	-34.9	-41.8	-133.9	-147.5
Depreciation, amortisation and impairments	-13.1	-6.0	-45.3	-24.1
Share of results in joint venture	-	-0.9	-	-4.6
Impairment on investments in joint ventures	-	5.1	-	5.1
EBIT	0.8	-8.2	15.3	19.5
Financial income and expenses	-1.1	-0.6	-5.2	-3.0
Profit before taxes	-0.3	-8.8	10.1	16.6
Income taxes	0.2	0.2	-2.1	-5.8
Profit for the period	**-0.2**	**-8.6**	**8.0**	**10.8**
Other comprehensive income				
Items which may be reclassified subsequently to profit or loss:				
Translation differences recognised in comprehensive income during the reporting period	5.5	1.3	-4.4	-9.3
Translation differences reclassified to profit and loss during the reporting period	0.0	-	0.0	-
Cash flow hedge	0.3	-0.0	0.2	0.1
Income tax relating to other comprehensive income	-0.1	0.0	-0.0	-0.0
	5.7	**1.3**	**-4.2**	**-9.3**
Items which will not be reclassified to profit or loss:				
Actuarial gains/losses on defined benefit plans	-2.8	-1.6	-2.8	-1.6
Income tax relating to other comprehensive income	0.6	0.3	0.6	0.3
	-2.2	**-1.3**	**-2.2**	**-1.3**
Total comprehensive income for the period	**3.4**	**-8.6**	**1.6**	**0.2**
Profit attributable to				
Parent company shareholders	-0.2	-8.6	8.0	10.8
Total comprehensive income attributable to				
Parent company shareholders	3.4	-8.6	1.6	0.2
Earnings per share attributable to parent company shareholders, EUR:				
Basic	-0.00	-0.05	0.04	0.06
Diluted	-0.00	-0.05	0.04	0.06

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see section Correction of error relating to previous periods in the notes to the financial statements release.

Consolidated statement of financial position (IFRS)

EUR million	31 Dec 2019	31 Dec 2018 restated[1]
Non-current assets		
Property, plant and equipment	158.3	77.2
Goodwill	270.5	274.3
Other intangible assets	66.9	75.1
Other non-current assets	9.7	9.7
Deferred tax assets	4.5	3.7
Non-current assets total	**509.9**	**440.0**
Current assets		
Inventories	234.2	209.6
Trade receivables	187.4	180.2
Income tax receivables	6.1	6.6
Other receivables	22.2	22.0
Cash and cash equivalents	70.8	65.8
Current assets total	**520.7**	**484.2**
Assets total	**1,030.6**	**924.2**

EUR million	31 Dec 2019	31 Dec 2018 restated[1]
Equity		
Share capital	36.2	36.2
Hedging reserve	-0.1	-0.3
Contingency fund	19.4	19.4
Invested unrestricted equity reserve	74.8	74.8
Other reserves	0.1	0.1
Translation differences	-32.9	-28.6
Retained earnings	59.7	76.3
Equity attributable to the parent company shareholders	**157.2**	**177.9**
Non-current liabilities		
Deferred tax liabilities	14.3	15.6
Pension obligations	17.1	13.9
Interest-bearing liabilities	123.6	59.1
Other non-current liabilities	0.7	0.9
Non-current liabilities total	**155.7**	**89.5**
Current liabilities		
Trade payables	606.7	536.5
Provisions	2.8	3.3
Interest-bearing liabilities	66.8	70.3
Income tax payables	1.0	0.7
Other current liabilities	40.4	45.9
Current liabilities total	**717.7**	**656.7**
Equity and liabilities total	**1,030.6**	**924.2**

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see section Correction of error relating to previous periods in the notes to the financial statements release.

Consolidated statement of changes in equity (IFRS)

EUR million	Share capital	Funds	Translation differences	Retained earnings	Equity total
Equity 1 Jan 2018	**36.2**	**94.0**	**-19.2**	**86.8**	**197.7**
Adjustment of adoption of IFRS 15[1]	-	-	-	-2.2	**-2.2**
Adjustment of adoption of IFRS 9[1]	-	-	-	-0.1	**-0.1**
Adjustment of adoption of IFRS 2 amendment	-	-	-	0.4	**0.4**
Impact of correction of error[1 2]	-	-	-	-1.6	**-1.6**
Restated equity 1 Jan 2018	**36.2**	**94.0**	**-19.2**	**83.3**	**194.2**
Comprehensive income for the period					
Net profit for the period	-	-	-	10.8	**10.8**
Other comprehensive income:					
Cash flow hedge	-	0.1	-	-	**0.1**
Actuarial gains and losses	-	-	-	-1.6	**-1.6**
Income tax relating to other comprehensive income	-	-0.0	-	0.3	**0.3**
Translation difference	-	-	-9.3	-	**-9.3**
Comprehensive income for the period, total	-	0.1	-9.3	9.5	**0.2**
Transactions with owners					
Dividend distribution	-	-	-	-16.3	**-16.3**
Share-based incentive	-	-	-	-0.2	**-0.2**
Purchase of own shares	-	-	-	-0.1	**-0.1**
Transactions with owners, total	-	-	-	-16.6	**-16.6**
Equity 31 Dec 2018	**36.2**	**94.0**	**-28.6**	**76.3**	**177.9**
Equity 1 Jan 2019	**36.2**	**94.0**	**-28.6**	**76.3**	**177.9**
Adjustment of adoption of IFRS 16[1]	-	-	-	-6.3	**-6.3**
Restated equity 1 Jan 2019	**36.2**	**94.0**	**-28.6**	**70.0**	**171.6**
Comprehensive income for the period					
Net profit for the period	-	-	-	8.0	**8.0**
Other comprehensive income:					
Cash flow hedge	-	0.2	-	-	**0.2**
Actuarial gains and losses	-	-	-	-2.8	**-2.8**
Income tax relating to other comprehensive income	-	-0.0	-	0.6	**0.6**
Translation difference	-	-	-4.4	-	**-4.4**
Translation difference reclassified to profit and loss	-	-	0.0	-	**0.0**
Comprehensive income for the period, total	-	0.1	-4.4	5.8	**1.6**
Transactions with owners					
Dividend distribution	-	-	-	-16.3	**-16.3**
Share-based incentive	-	-	-	0.4	**0.4**
Purchase of own shares	-	-	-	-0.1	**-0.1**
Transactions with owners, total	-	-	-	-16.1	**-16.1**
Equity 31 Dec 2019	**36.2**	**94.2**	**-32.9**	**59.7**	**157.2**

[1] Net of tax

[2] For more information on correction of errors please see section Correction of error relating to previous periods in the notes to the financial statements release

Condensed consolidated statement of cash flows (IFRS)

EUR million	2019 1-12	2018 1-12
EBIT	15.3	19.5
Depreciation and amortisation	41.8	24.1
Impairment	3.5	-
Share of result in joint venture	-	4.6
Impairment on investment in joint venture	-	5.1
Change in working capital	26.5	59.7
Cash flow from financial items and taxes	-4.4	-13.3
Other adjustments	1.7	3.1
Net cash flow from operating activities	84.4	102.8
Net cash flow from investing activities	-21.8	-41.5
Net cash flow from financing activities	-57.6	-12.3
Net change in cash and cash equivalents	5.0	48.9
Cash and cash equivalents at the beginning of the period	65.8	17.0
Translation differences	-0.0	-0.1
Net change in cash and cash equivalents	5.0	48.9
Cash and cash equivalents at the end of the period	**70.8**	**65.8**

Notes to the Financial Statements Release January–December 2019

Principal accounting policies as of 1 January 2019 (IFRS)

This Financial Statements Release has been prepared in accordance with IFRS standards (IAS 34 Interim Financial Reporting) and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018. The accounting policies and calculation methods applied in the report are the same as those in the 31 December 2018 Annual Financial Statements, however with the addition of the standards and interpretations applied as of 1 January 2019 presented below. This Financial Statements Release does not include all of the information and notes presented in the Annual Financial Statements. The figures in this Financial Statements Release are based on audited 2019 Financial Statements.

In 2019 the group has adopted the following new standards and amendments issued by the IASB:

IFRS 16 Leases: The Group applied IFRS 16 with the date of initial application of 1 January 2019. The Group adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption was recognised in retained earnings as of 1 January 2019 and comparative information has not been restated. As permitted in the standard, the Group measured right-of-use assets retrospectively using transition discount rate when applicable.

The Group applied the practical expedient to grandfather the definition of a lease on transition. This means that it applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The assets and liabilities recognised on leases include real estate leases for pharmacies, warehouses and offices, leases of vehicles consisting mainly of company cars, leases of IT equipment and leases of other machinery and equipment such as waste presses, dose dispensing machinery and office equipment. The Group applies the recognition exemption for low-value asset to the leases of IT equipment and other machinery and equipment and the recognition exemption for short-term leases to the real estate leases and leases of vehicles.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The standard has a significant effect in Consumer segment as future lease payments of the rental agreements for pharmacy premises are recognised as a lease liability and a ‘right-of-use’ asset. At the end of 2018 Oriola had 327 pharmacies in Sweden. The leasing contracts for retail premises in Sweden typically include a renewal option. Oriola has to use management judgement in determining, whether it will renew the contracts or terminate them. For those pharmacies, which are in attractive locations, which are or are expected to be profitable and which support the Group’s strategy, Oriola considers it is reasonably certain to exercise the renewal option.

On transition to IFRS 16 the Group recognised additional lease liabilities totalling EUR 99.7 million and right-of-use assets totalling EUR 96.4 million as at 1 January 2019. The impact of the adoption of IFRS 16 in retained earnings was EUR -6.3 million. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied was 1.92%.

A reconciliation of the operating lease commitment at 31 December 2018 and the lease liabilities recognised at 1 January 2019 is presented in the following table:

EUR million	1 Jan 2019
Operating lease commitment at 31 Dec 2018	51.5
Discounted at 1 January 2019	49.7
Finance lease liabilities recognised as at 31 December 2018	1.0
Recognition exemption for:	
- Short-term leases	-0.2
- Leases of low-value assets	-0.1
Extension options reasonably certain to be exercised	40.7
Non-lease components included in lease payments	10.4
Contracts classified as service agreements according to previous standards	0.2
Contracts for premises not yet in use 31 December 2018	-1.1
Lease liabilities recognised at 1 January 2019	**100.7**

During the reporting period January–December 2019 the Group recognised depreciation expense on right-of-use assets from former operating lease contracts totalling EUR 18.1 million and interest expenses totalling EUR 2.0 million. The rent expenses reversed from other operating expenses relating to these contracts totalled EUR 20.5 million.

The Group’s activities as a lessor are not material and hence IFRS 16 does not have any significant impact on the financial statements regarding the Group’s activities as a lessor.

Correction of error relating to previous periods

In 2019, the Group discovered an error relating to the valuation of inventories in Consumer business area in Sweden. Deficiencies were discovered in the inbounding and return processes, which resulted in an overstatement of inventories.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Consolidated statement of financial position (extract) EUR million	31 Dec 2017 (Reported)	Increase (+)/ Decrease (-)	1 Jan 2018 (Restated)
Inventories	207.8	-2.1	205.7
Deferred tax assets	2.4	0.4	2.8
Assets total	922.4	-1.6	920.8
Retained earnings	86.8	-1.6	85.2
Equity attributable to the parent company shareholders	197.7	-1.6	196.1

Consolidated statement of financial position (extract) EUR million	31 Dec 2018 (Reported)	Increase (+)/ Decrease (-)	31 Dec 2018 (Restated)
Inventories	214.1	-4.5	209.6
Deferred tax assets	2.7	1.0	3.7
Assets total	927.7	-3.5	924.2
Retained earnings	79.8	-3.5	76.3
Equity attributable to the parent company shareholders	181.5	-3.5	177.9

Consolidated statement of comprehensive income (extract) EUR million	2018 (Reported)	Increase (+)/ Decrease (-)	2018 (Restated)
Material purchases	-1,203.5	-2.4	-1,206.0
Income taxes	-6.3	0.5	-5.8
Profit for the period	12.7	-1.9	10.8
Total comprehensive income for the period	2.1	-1.9	0.2
Basic earnings per share, EUR	0.07	-0.01	0.06
Diluted earnings per share, EUR	0.07	-0.01	0.06

There is no impact on the total operating, investing or financing cash flows for the year 2018.

Earnings per share

EUR million	2019 10-12	2018 10-12	2019 1-12 Restated[1]	2018 1-12 Restated[1]
Profit attributable to equity owners of the parent	-0.2	-8.6	8.0	10.8
Average number of outstanding shares (1000 shares)				
Basic	181,401	181,382	181,395	181,361
Diluted	181,486	181,486	181,486	181,464
Earnings per share (EUR)				
Basic	-0.00	-0.05	0.04	0.06
Diluted	-0.00	-0.05	0.04	0.06

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see section Correction of error relating to previous periods above.

Tangible and intangible assets

Changes in property, plant and equipment, EUR million	2019 1-12	2018 1-12
Carrying amount at the beginning of the period	77.2	79.0
Increases	13.4	13.6
Decreases	-0.1	-0.4
Reclassifications	-1.1	-
Depreciation	-11.6	-12.7
Impairments	-1.0	-
Foreign exchange rate differences	-1.2	-2.4
Carrying amount at the end of the period	**75.6**	**77.2**

Changes in right-of-use assets EUR million	2019 1-12
Carrying amount 1 January 2019	97.3
Increases	6.4
Decreases	-0.4
Depreciation	-18.7
Foreign exchange rate differences	-2.0
Carrying amount at the end of the period	**82.7**

Changes in goodwill, EUR million	2019 1-12	2018 1-12
Carrying amount at the beginning of the period	274.3	282.7
Foreign exchange rate differences	-3.7	-8.5
Carrying amount at the end of the period	**270.5**	**274.3**

Changes in other intangible assets, EUR million	**2019 1-12**	**2018 1-12**
Carrying amount at the beginning of the period	75.1	81.2
Increases	6.7	7.4
Decreases	-0.1	-0.0
Reclassifications	0.2	-
Amortisation	-11.5	-11.4
Impairments	-2.5	-
Foreign exchange rate differences	-1.0	-2.1
Carrying amount at the end of the period	**66.9**	**75.1**

Provisions

At the end of 2019 the Group's provisions in the consolidated statement of financial position totalled EUR 2.8 (3.3) million. The provisions in 2019 consist of restructuring provisions relating to the cooperation negotiations aiming to improve operational efficiency and continue re-organising operations in Finland and in Sweden.

The provisions at the end of 2018 consisted of liabilities relating to Hehku, for which Oriola recognised a provision totalling EUR 3.1 million in the financial statements for 2018 as well as of restructuring provisions related to the organisation changes. These provisions were released in 2019.

Derivatives

31 Dec 2019 EUR million	**Positive fair value**	**Negative fair value**	**Nominal values of contracts**
Derivatives recognised as cash flow hedges			
Interest rate swaps	0.0	0.3	49.8
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.1	0.2	71.9

31 Dec 2018 EUR million	**Positive fair value**	**Negative fair value**	**Nominal values of contracts**
Derivatives recognised as cash flow hedges			
Interest rate swaps	-	0.5	50.7
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.0	0.0	45.1

Derivatives measured at fair value through profit and loss are mainly related to hedging of the Group's internal transactions. Fair values of the derivatives have been recognised to balance sheet in gross amount as the derivatives contracts are related to credit events and cannot be netted in financial statements. The Group has not given nor received collateral to/from derivatives counterparties.

Fair value hierarchy

31 Dec 2019 EUR million	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedges	-	0.0	-	**0.0**
Derivatives measured at fair value through profit and loss	-	0.0	-	**0.0**
Other investments measured at fair value through OCI	-	-	9.4	**9.4**
Liabilities				
Derivatives designated as hedges	-	0.2	-	**0.2**
Derivatives measured at fair value through profit and loss	-	0.1	-	**0.1**

31 Dec 2018 EUR million	Level 1	Level 2	Level 3	Total
Assets				
Derivatives measured at fair value through profit and loss	-	0.0	-	**0.0**
Other investments measured at fair value through OCI	-	-	9.4	**9.4**
Liabilities				
Derivatives designated as hedges	-	0.3	-	**0.3**
Derivatives measured at fair value through profit and loss	-	0.1	-	**0.1**

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Reconciliation of financial assets and liabilities recognised at fair value through profit and loss according to the level 3

Financial assets on level 3, EUR million	2019 1-12	2018 1-12
Book value at the beginning of the period	**9.4**	**-**
Acquisition of shares	-	9.4
Book value at the end of the period	**9.4**	**9.4**

Financial assets recognised at fair value through profit and loss (level 3) include Oriola's holding in Swedish online medical centre Doktor.se.

Financial liabilities on level 3, EUR million	2019 1-12	2018 1-12
Book value at the beginning of the period	**-**	**2.5**
Recognised in financial expenses	-	0.0
Recognised in other operating expenses	-	0.0
Payment of contingent consideration	-	-2.5
Book value at the end of the period	**-**	**-**

Financial liabilities recognised at fair value through profit and loss (level 3) include estimated value of contingent and deferred considerations for acquisitions. In 2018 Oriola acquired the remaining share of Farenta, a subsidiary acquired in 2016.

Commitments and Contingent Liabilities

EUR million	31 Dec 2019	31 Dec 2018
Commitments for own liabilities		
Guarantees on behalf of own companies	7.0	7.3
Mortgages on company assets	2.0	3.5
Other guarantees and liabilities	1.1	1.1
Total	**10.1**	**11.9**
Committed future minimum lease liabilities[1]	0.8	51.5

The most significant guarantees are bank guarantees against trade payables in Sweden. In addition, Oriola Corporation has granted parent company guarantees of EUR 0.4 (0.4) million against other subsidiaries' trade payables.

[1] Future lease liabilities in 2019 consist of leasing commitments related to low-value assets and short-term leases, to which the Group elected to apply recognition exemptions permitted by IFRS 16. The future lease liabilities in 2018 consist of minimum lease liabilities related to leases classified as other leases according to IAS 17.

Related parties

Related parties in the Oriola Group are deemed to comprise the members of the Board of Directors and the President and CEO of Oriola Corporation, the other members of the Group Management Team of the Oriola Group, the immediate family of the aforementioned persons and the companies controlled by the aforementioned persons, the Group’s subsidiaries and joint ventures.

Oriola Corporation and Kesko Group established in 2017 a joint venture, Hehku Kauppa Oy. Oriola reported 50% of the result of the joint venture Hehku Kauppa Oy in the Consumer segment EBIT. In the last quarter of 2018, it was decided to close down Hehku Kauppa Oy, and Oriola recognised in its result of 2018 a provision totalling EUR 3.1 million consisting of liabilities relating to Hehku. On 5 November 2019 Oriola Corporation sold its share in Hehku Kauppa Oy to Kesko Corporation. In 2019, EUR 0.7 million of the provision was used and EUR 2.4 million was reversed to the income statement. Transactions with the joint venture are presented in the table below. The Group has no significant business transactions with other related parties.

Transactions with joint venture EUR million	2019 10-12	2018 10-12	2019 1-12	2018 1-12
Sales	-	1.1	0.2	8.8
Purchases	-	-0.0	-	-0.3
Trade and other receivables			-	0.6

Segment information

As of 1 January 2019, Oriola's operations are divided into three business areas: Consumer, Pharma and Retail. These three business areas are also Oriola's financial reporting segments as of the same date. The comparative figures have been adjusted accordingly.

1-12/2019 EUR million	Consumer	Pharma	Retail	Group items	Total
External Invoicing	767.9	2,680.5	284.8	-	**3,733.1**
Internal Invoicing	0.2	230.2	172.1	-402.5	**-**
Invoicing	**768.1**	**2,910.6**	**456.9**	**-402.5**	**3,733.1**
External Net Sales	750.0	687.9	283.4	-	**1,721.3**
Internal Net Sales	0.2	230.2	172.1	-402.5	**-**
Net Sales	**750.1**	**918.1**	**455.5**	**-402.5**	**1,721.3**
EBIT	5.3	17.1	-1.4	-5.7	**15.3**
Adjusted EBIT	11.7	17.7	-0.9	-8.1	**20.5**
Assets[1]	426.3	356.5	138.5	109.2	**1,030.6**
Liabilities[2]	119.1	594.4	47.7	112.1	**873.4**
Investments	9.2	6.1	5.8	0.7	**21.8**
Depreciation, amortisation and impairments	31.3	8.2	5.7	0.1	**45.3**
Average number of personnel	1,674	486	570	70	**2,800**

1-12/2018 restated[3] EUR million	Consumer restated[3]	Pharma	Retail	Group items	Total
External Invoicing	769.5	2,502.8	246.1	-	**3,518.4**
Internal Invoicing	0.1	194.3	185.1	-379.4	**-**
Invoicing	**769.5**	**2,697.1**	**431.2**	**-379.4**	**3,518.4**
External Net Sales	751.9	555.6	244.8	-	**1,552.2**
Internal Net Sales	0.1	194.3	185.1	-379.4	**-**
Net Sales	**751.9**	**749.9**	**429.8**	**-379.4**	**1,552.2**
EBIT	15.2	21.1	1.3	-18.1	**19.5**
Adjusted EBIT	16.3	21.1	5.9	-8.9	**34.4**
Assets	374.4	324.0	117.4	108.3	**924.2**
Liabilities	51.0	508.1	51.6	135.5	**746.2**
Investments	7.0	9.1	1.9	21.7	**39.6**
Depreciation, amortisation and impairments	14.8	4.8	4.0	0.5	**24.1**
Average number of personnel	1,591	506	540	62	**2,699**

[1] Assets in 2019 include right-of-use assets totalling EUR 82.3 million recognised due to the application of IFRS 16, of which EUR 65.0 million are reported in Consumer, EUR 13.5 million in Pharma and EUR 3.7 million in Retail.

[2] Liabilities in 2019 include leasing liabilities totalling EUR 83.9 million recognised due to the application of IFRS 16, of which EUR 66.0 million are reported in Consumer, EUR 14.2 million in Pharma and EUR 3.6 million in Retail.

[3] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see section Correction of error relating to previous periods above.

Geographical information

1-12/2019 EUR million	Sweden	Finland	Other countries	Total
Net Sales	1,218.8	407.9	94.6	**1,721.3**
Assets	760.5	270.1	-	**1,030.6**
Investments	18.1	3.8	-	**21.8**
Average number of personnel	2,097	701	1	**2,800**

1-12/2018 restated[1] EUR million	Sweden restated[1]	Finland	Other countries	Total
Net Sales	1,066.6	400.5	85.1	**1,552.2**
Assets	642.7	281.4	0.0	**924.2**
Investments	14.5	25.2	-	**39.6**
Average number of personnel	1,987	710	2	**2,699**

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see section Correction of error relating to previous periods above.

Disaggregation of revenue

In the following table, the Group's external revenue is disaggregated by the Group's major revenue streams and reconciled with the Group's reportable segments.

1-12/2019 EUR million	Consumer	Pharma	Retail	Total
Wholesale	-	623.8	166.6	**790.4**
Retail sale	750.0	-	-	**750.0**
Services	-	64.2	116.7	**180.9**
Net sales total	**750.0**	**687.9**	**283.4**	**1,721.3**

1-12/2018 EUR million	Consumer	Pharma	Retail	Total
Wholesale	-	499.1	167.9	**667.0**
Retail sale	751.9	-	-	**751.9**
Services	-	56.4	76.9	**133.3**
Net sales total	**751.9**	**555.6**	**244.8**	**1,552.2**

Alternative performance measures

Key figures EUR million	2019 10-12	2018 10-12 restated[7]	Change %	2019 1-12	2018 1-12 restated[7]	Change
Invoicing	978.9	929.1	5.4	3,733.1	3,518.4	6.1
Net sales	446.7	394.7	13.2	1,721.3	1,552.2	10.9
Adjusted EBIT[1]	2.1	5.0	-58.2	20.5	34.4	-40.6
EBIT	0.8	-8.2	109.6	15.3	19.5	-21.6
Adjusted EBIT %	0.5	1.3		1.2	2.2	
EBIT %	0.2	-2.1		0.9	1.3	
Profit for the period	-0.2	-8.6	97.7	8.0	10.8	-25.4
Earnings per share, EUR	-0.00	-0.05	97.7	0.04	0.06	-25.4
Net cash flow from operating activities	27.3	48.4		84.4	102.8	
Gross capital expenditure				21.8	39.6	
Net interest-bearing debt[2]				119.6	63.6	
Gearing, %[2]				76.1	35.8	
Equity per share, EUR				0.87	0.98	
Equity ratio, %[3]				15.5	19.5	
Return on equity (ROE), %[4]				4.9	5.8	
Return on capital employed (ROCE), %[5]				4.1	6.2	
Average number of shares, 1000 pcs[6]				181,395	181,361	
Average number of personnel				2,800	2,699	
Number of personnel at the end of the period				2,818	2,706	

[1] Adjusting items are specified in table "Adjusting items included in EBIT"

[2] Gearing in 2019 is impacted by the increase of net debt by EUR 83.9 million and the decrease of retained earnings by EUR 5.7 million due to the application of IFRS 16. Excluding the impact of IFRS 16 gearing would have been 21.9%.

[3] Equity ratio in 2019 is impacted by the decrease of retained earnings by EUR 5.7 million and increase of total assets by EUR 78.2 million due to the application of IFRS 16. Excluding the impact of IFRS 16 equity ratio would have been 17.3%.

[4] Return on equity in 2019 is impacted by the decrease of retained earnings by EUR 5.7 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on equity would have been 4.4%.

[5] Return on capital employed in 2019 is impacted by the increase of total assets by EUR 78.2 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on capital employed would have been 4.4%.

[6] Treasury shares held by the company not included

[7] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see section Correction of error relating to previous periods above.

Reconciliation of alternative performance measures to IFRS

Invoicing EUR million	2019 10-12	2018 10-12	2019 1-12	2018 1-12
Net sales	446.7	394.7	1,721.3	1,552.2
+ Acquisition cost of consignment stock	526.5	529.2	1,993.2	1,948.0
+ Cash discounts	5.7	5.2	18.6	18.2
Invoicing	**978.9**	**929.1**	**3,733.1**	**3,518.4**

Calculation of alternative performance measures

Alternative performance measure		Definitions	
Invoicing	=	Net sales + acquisition cost of consignment stock + cash discounts	
EBIT	=	Net sales less material purchases, less employee benefit expenses and other operating expenses, less depreciation, amortisation and impairment plus other operating income plus share of results in joint venture	
Adjusted EBIT	=	EBIT excluding adjusting items	
Adjusting items	=	Adjusting items include gains or losses from the sale or discontinuation of business operations or assets, gains or losses from restructuring business operations, and impairment losses of goodwill and other non-current assets, or other income or expenses arising from rare events, and changes in estimates regarding the realisation of contingent consideration arising from business acquisitions.	
Invoicing on a constant currency basis	=	Invoicing calculated with the average exchange rate of the corresponding period of the comparative year	
Net sales on a constant currency basis	=	Net sales calculated with the average exchange rate of the corresponding period of the comparative year	
Adjusted EBIT on a constant currency basis	=	Adjusted EBIT calculated with the average exchange rate of the corresponding period of the comparative year	
Net debt	=	Interest-bearing liabilities – cash and cash equivalents	
Investments	=	Capitalised investments in property, plant and equipment and in intangible assets including goodwill arising from business combinations, as well as investments in associates and joint ventures and in other shares and holdings	
Return on capital employed (ROCE), %	=	EBIT / Total assets – Non-interest-bearing liabilities (average between the beginning and the end of the year)	x 100
Return on equity (ROE), %	=	Profit for the period / Equity total (average between the beginning and the end of the year)	x 100
Gearing, %	=	Net debt / Equity total	x 100
Equity ratio, %	=	Equity total / Total assets – Advances received	x 100

Adjusting items

Adjusted EBIT excludes gains or losses from the sale or discontinuation of business operations or assets, gains or losses from restructuring business operations, and impairment losses of goodwill and other non-current assets, or other income or expenses arising from rare events, and changes in estimates regarding the realisation of contingent consideration arising from business acquisitions.

Adjusting items included in EBIT EUR million	2019 10-12	2018 10-12	2019 1-12	2018 1-12
Restructuring costs	0.2	-0.1	-5.1	-0.8
Costs and impairment charges relating to Hehku	1.0	-12.7	2.4	-12.7
Impairment of other intangible assets	-2.5	-	-2.5	-
Revaluation of contingent consideration	-	-	-	-0.1
Legal fees related to the change of the provider for the new logistics and warehouse IT system	-	-0.3	-	-0.3
Other	-	0.0	-	-0.9
Adjusting items total	**-1.3**	**-13.2**	**-5.1**	**-14.9**

Adjusting items in 2019 consist of restructuring costs including impairment charges totalling EUR 1.0 million, impairment charges on intangible assets related to the Consumer business in Sweden as well as a provision release relating to Hehku. Adjusting items in 2018 include costs and impairment charges relating to Hehku, restructuring charges related to changes in the Group Management Team and in the organisation, legal fees related to the change of the provider for the new logistics and warehouse IT system, an adjustment to pension liabilities in Sweden as well as an adjustment to other current assets related to the Swedish Consumer business.