Oriola Corporation's
Financial Statements Release
1 January – 31 December 2017

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Oriola Corporation's Financial Statements Release January-December 2017

Financial performance October–December 2017, continuing operations

- Invoicing increased by 1.5 (increased 1.7) per cent to EUR 871.6 (858.5) million
- Net sales decreased by 3.9 (increased 0.8) per cent to EUR 395.2 (411.2) million
- Adjusted EBITDA decreased by 39.6 (increased 4.2) per cent to EUR 13.1 (21.7) million
- Adjusted EBIT was EUR 6.2 (15.3) million
- Profit for the period totalled EUR 2.1 (10.8) million and earnings per share were EUR 0.01 (0.06)

Financial performance January–December 2017, continuing operations

- Invoicing decreased by 0.8 (increased 4.8) per cent to EUR 3,336.3 (3,364.2) million
- Net sales decreased by 3.8 (increased 0.7) per cent to EUR 1,527.7 (1,588.6) million
- Adjusted EBITDA decreased by 20.8 (increased 3.9) per cent to EUR 67.6 (85.4) million
- Adjusted EBIT was EUR 39.9 (59.9) million
- Profit for the period totalled EUR 25.9 (41.8) million and earnings per share were EUR 0.14 (0.23)
- The Board of Directors proposes a dividend of EUR 0.09 per share for the year 2017

Business outlook for 2018

Adjusted EBIT of continuing operations on constant currency basis is estimated to increase from the 2017 level.

Oriola is undergoing a major development phase which started in 2015. In 2018 Oriola will open an extension to the Enköping Distribution Centre. The start-up of the new automated warehouse is anticipated in the fourth quarter 2018. The phased start-up will impact the efficiency during the fourth quarter. In Finland the improvements to the ERP and warehouse management system taken into use in 2017 will continue, with the aim that the efficiency will improve throughout the year. In Consumer business the building of Hehku-chain continues with opening of new stores.

In the end of 2017 the pharmaceutical company Roche's distribution agreement with Oriola ended after a three year contract period. Roche's share of the Finnish pharmaceutical market is 4.7 per cent, and the annual sales of Roche at wholesale price is approximately EUR 120 million in Finland.

Oriola and the pharmaceutical company Orion have agreed that Orion can during 2018 continue to place a part of their offering into multichannel distribution in Finland. The wholesale value of these products is up to EUR 90 million.

Kimmo Virtanen, Executive Vice President,Services Business Area:

The year 2017 was difficult for Oriola. The changes affecting each of the Business areas were different, but as a result the growth and profitability did not reach the targeted level. However, in many aspects there was positive development.

In Services the implementation of the new ERP and warehouse management system in Finland proved to be challenging, and as a consequence our capability to serve our customers and fulfil our role in the Finnish pharmaceutical distribution system was seriously affected. During the fourth quarter we concentrated in improving the operations and customer service. This work will continue also in 2018, with the aim to restore customer confidence and operative efficiency. In Sweden the construction and commissioning of the new automated distribution center is well on the way, and we expect to start deliveries in the fourth quarter of 2018. The expert services for pharma industry, pharmacies and hospitals developed well in both operating countries, in Sweden through the acquisition of ICTHS.

The Consumer business improved the prescription medicines service level, and was able, in spite of tough competition, to maintain the overall margins. The e-commerce capabilities were developed with good results, and the growth of Kronans Apotek's online sales exceeded the pharmacy online market growth in Sweden. In Finland the launch of Hehku health and wellbeing store chain together with Kesko was progressing well, and the first stores and the webshop were opened in January 2018. The new chain is a strategic entry to growing health and wellbeing market in Finland.

The Healthcare business grew along the new contracts in Sweden. The dose dispensing for Norrland Region and the pharmaceutical distribution to Västmanland doubled the sales volume, but also presented a big challenge for the organization to increase the dose production and set up the capability to serve the county council. The Finnish dose dispensing performed well.

According to our strategy, we sold our businesses in the Baltic countries, and decided to focus on developing our business in Finland and Sweden where we see great potential and have initiated extensive development projects.

Key figures, continuing operations	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
EUR million	**10-12**	**10-12**	**%**	**1-12**	**1-12**	**%**
Invoicing	871.6	858.5	1.5	3,336.3	3,364.2	-0.8
Net sales	395.2	411.2	-3.9	1,527.7	1,588.6	-3.8
Adjusted EBITDA	13.1	21.7	-39.6	67.6	85.4	-20.8
Adjusted EBITDA %	3.3	5.3		4.4	5.4	
Adjusted EBIT [1)]	6.2	15.3	-59.4	39.9	59.9	-33.3
EBIT	3.9	14.1	-72.1	37.8	57.6	-34.4
Adjusted EBIT %	1.6	3.7		2.6	3.8	
EBIT %	1.0	3.4		2.5	3.6	
Profit for the period	2.1	10.8	-80.2	25.9	41.8	-38.0
Earnings per share, EUR, continuing operations	0.01	0.06	-80.2	0.14	0.23	-38.0
Earnings per share, EUR, discontinued operations	-0.00	0.00	n.a.	0.00	0.01	-66.7
Net cash flow from operating activities [2)]	11.0	25.8		23.7	40.2	
Gross capital expenditure				46.1	88.6	
Total assets [2)]				922.4	925.4	
Net interest-bearing debt [2)]				110.2	72.3	
Gearing, % [2)]				55.7	35.2	
Net debt / 12-month EBITDA [2)]				1.7	0.8	
Equity per share, EUR [2)]				1.09	1.13	
Equity ratio, % [2)]				21.8	22.7	
Return on equity (ROE), % [2)]				13.0	21.4	
Return on capital employed (ROCE), % [2)]				11.7	17.8	
Average number of shares, 1000 pcs [3)]				181,328	181,389	
Average number of personnel				2,686	2,425	
Number of personnel at the end of the period				2,619	2,669	

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

[2)] Includes discontinued operations

[3)] Treasury shares held by the company not included

Disclosure procedure

This stock exchange release is a summary of Oriola Corporation's Financial Statements Release January–December 2017. The complete report is attached to this release in pdf format and is also available on Oriola's website at www.oriola.com/investors.

Analyst and investor meeting

Oriola Corporation will organize a meeting for investors, analysts and the press on Tuesday, 13 February 2018 at 10.00 a.m. at Hotel Scandic Simonkenttä, meeting room Pavilion, Simonkatu 9, 00100 Helsinki, Finland.

A teleconference on the financial information will be held by Oriola Corporation on the same day starting at 2.00 p.m. Finnish time, tel. +44 20 3936 2999, confirmation code "10 40 27". The event can be followed live as an audiocast accessible at www.oriola.com/investors. The language of the teleconference will be English.

Publication of the Financial Statements

Oriola Corporation will publish its 2017 Financial Statements by 23 February 2018 at the latest.

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Oriola Corporation's Financial Statements Release January–December 2017

The commentary of this Financial Statements Release comprises of the continuing operations of the Company unless otherwise stated. From June 2017 onwards the Baltic businesses are classified as discontinued operations. Accordingly the Group has also reclassified the comparative periods of the consolidated statement of comprehensive income. The sale of the Baltic business was completed on 18 October 2017. The consolidated statement of financial position for comparative periods includes the assets and liabilities of discontinued operations.

Operating environment

In 2017 the pharmaceutical market continued moderate growth, in line with the inflation, both in Finland and in Sweden. The sales of traded goods grew faster, aided by the growing e-commerce and by the trend of consumers willingness to invest in health and wellbeing. The consumer confidence is at a good level in both countries.

In Sweden the growth of the pharmacy market has moved online. The pharmacy chains are still opening new stores, but the net establishment is clearly lower than in 2010-2016. E-commerce growth in 2017 was approximately 58 per cent, online sales accounting for 7 per cent of the total market. The online opportunities have brought new competitors into the marketplace, and traditional pharmacy chains are developing online capabilities to match the offering of the new entrants. Price competition is expected to continue, both on- and offline. In Finland the online trade is also rapidly growing, but is still behind Sweden.

The number of patients in dose dispensing has grown modestly both in Sweden and in Finland. In Sweden the competition has strongly affected the dose fee paid by the county councils. The fee has been in the latest tenders zero or negative. It is characteristic for the dose dispensing tendering process in Sweden that decisions on awarding contracts are being contested by the competitors, resulting in appeals and repeated tenders.

Health and wellbeing market is strongly developing and offering consumers new products and services. The competition in this marketplace is intense and online sales is impacting both assortment and pricing. The public sector is increasingly seeking for ways to control the increasing costs of healthcare, and these measures offer the pharmaceutical service providers new opportunities, but on the other hand put pressure on pricing of products and services. The growth in the pharmaceutical market will continue also in 2018.

Changes in the pharmaceutical regulatory environment along with changes in pricing and reimbursement of medicines continue to impact the markets in which Oriola operates. In Sweden the governmental committee reports address many areas of the pharmaceutical supply chain. In Finland the social and healthcare reform will change the financing and structures of healthcare, from initial care to specialized treatments. The pharmacy sector regulation will be changing in due course.

Owing partly to Oriola's difficulties in the commissioning of new IT-systems in 2017, the parties to the Finnish pharmaceutical supply chain, under the leadership of the Finnish Medical Agency, have started the discussions on how to develop the robustness of the distribution system. The aim is to improve the system, in order to better secure the distribution in case of disruptive events. The initial recommendations require still further preparation to become concrete regulatory and practical measures, but all participants share the opinion that system can be improved.

The Group's net sales and result for October–December 2017, continuing operations

Oriola's fourth quarter net sales were EUR 395.2 (411.2) million. Adjusted EBIT was EUR 6.2 (15.3) million. The adjusting items were EUR -2.3 (-1.2) million, and EBIT was EUR 3.9 (14.1) million. The adjusting items include the costs of termination of the CEO service contract, the contractual liabilities due to delivery failures in Finland and costs of major business development projects.

The fourth quarter invoicing increased by 1.5 per cent from comparison period. The invoicing grew in Healthcare and Services in Sweden, but declined in other businesses. The profitability was lower than in previous year in all business areas.

Oriola's net financial expenses were EUR 0.7 (0.9) million. Profit for the period was EUR 2.1 (10.8) million. Earnings per share were EUR 0.01 (0.06).

Oriola completed the sale of its Baltic businesses in October 2017. The sold companies were reported under Consumer and Services segments, and are excluded from the continuing operations.

The Group's net sales and result for January–December 2017, continuing operations

Oriola's net sales decreased by 3.8 (increased 0.7) per cent to EUR 1,527.7 (1,588.6) million and adjusted EBIT decreased by 33.3 (increased 0.1) per cent to EUR 39.9 (59.9) million. The adjusting items were EUR -2.1 (-2.2) million, and EBIT was EUR 37.8 (57.6) million.

Invoicing decreased by 0.8 (increased 4.8) per cent, at comparable currencies invoicing increased by 0.3 per cent. Invoicing decreased mainly in the Services Business Area due to changes in pharmaceutical distribution in Sweden, where distribution agreement with Abbvie ended in the beginning of the year, and Meda agreement started only in May. In the Healthcare business area invoicing doubled from previous year as the new contracts started in 2017. The profitability decreased in all business areas.

January–December net sales at comparable exchange rate EUR/SEK were EUR 1,547.8 million. The depreciation of the Swedish krona from the corresponding period impacted the euro denominated EBIT by EUR -0.6 million, and the adjusted EBIT at comparable currency rate was EUR 40.6 million.

Oriola's net financial expenses were EUR 3.9 (4.7) million. Profit for the period was EUR 25.9 (41.8) million. Income taxes for January–December were EUR 7.9 (11.1) million, which corresponds to effective tax rate of 23.4 (21.0) per cent. Earnings per share were EUR 0.14 (0.23).

Reporting segments

Oriola's operating and reporting segments consist of the following business areas: Consumer, Services and Healthcare. The Baltic businesses are classified as discontinued operations from June 2017 onwards and are not included in the segment figures in 2017 and 2016. Previously they were part of the Consumer and Services Business Areas.

Consumer

The Consumer Business Area focuses on the needs of the consumers' for health and wellbeing related products and services. The business consists of retail business in Sweden and Finland, whereof over 90 per cent of the net sales originates from the Swedish retail business.

Key Figures, continuing operations EUR million	**2017 10-12**	**2016 10-12**	**Change %**	**2017 1-12**	**2016 1-12**	**Change %**
Invoicing	193.3	193.8	-0.3	780.5	790.2	-1.2
Net Sales	188.7	189.2	-0.3	762.0	771.9	-1.3
Adjusted EBIT	4.4	7.3	-40.2	25.2	33.1	-24.0
Adjusted EBIT %	2.3	3.9		3.3	4.3	
Number of personnel at the end of period	1,581	1,630		1,581	1,630	

October–December 2017

The fourth quarter net sales in Consumer segment decreased by 0.3 per cent to EUR 188.7 (189.2) million. The decrease came from the Finnish consumer business, as the delivery problems in the Finnish distribution centre hampered the sales from the webshop oriolashop.fi. The profitability decreased due to costs of marketing, online development and newly established pharmacies. On the other hand the actions to develop prescription medicine sales and optimization of staffing in pharmacies supported the profitability. The costs of the Hehku chain were EUR 0.6 million. The net sales of Consumer Sweden in Swedish krona grew by 0.7 per cent.

Net increase in Oriola's number of pharmacies in Sweden was 3 in the fourth quarter of 2017.

January–December 2017

The pharmacy market in Sweden grew by 3.2 (5.5) per cent in Swedish krona in January–December 2017 (source: Apoteksförening). Parallel imports' share of the Swedish pharmaceutical market was 12.1 (11.5) per cent (source: IQVIA). The number of pharmacies in Sweden increased by 22 in January–December 2017. At the end of December there were 1,424 (1,402) pharmacies, including 8 online pharmacies, in Sweden.

Oriola's market share in the pharmaceutical retail market in Sweden in January–December 2017 was 17.7 (18.1) per cent (source: Apoteksförening). The relative share of OTC and traded goods from the net sales was 26.6 (27.1) per cent. At the end of the reporting period, Oriola had 326 (324) pharmacies in Sweden. Oriola established 8 new pharmacies and closed 6 pharmacies.

Online sales in the Swedish pharmacy market continued to grow at a fast pace and reached approximately 7 per cent of the Swedish pharmacy market by the end of the year. New entrants from other lines of retail have announced their plans to include pharmacy products into their online offering. Oriola's online sales has developed well, and based on the company's estimates, has grown faster than the market in 2017. The growth has been strongest in OTC and Traded Goods products.The online sales accounts for 1.8 (1.1) per cent of Oriola's Consumer sales in Sweden.

The net sales of the Consumer business decreased by 1.3 (increased 1.9) per cent to EUR 762.0 (771.9) million, on a constant currency basis net sales increased by 0.4 per cent. Adjusted EBIT decreased by 24.0 (decreased 1.5) per cent to EUR 25.2 (33.1) million. The cost of newly established pharmacies, store and online development and marketing weakened the profitability.

Oriola Corporation and Kesko Corporation announced in March 2017 the establishment of a new store chain in Finland, specialising in comprehensive wellbeing. The first stores were opened in January 2018. During the years 2018–2020 the plan is to establish a chain of 100 stores. The investment in total is estimated to be EUR 25 million and the business is estimated to be loss-making during the build-up phase. Oriola's share is 50 per cent of the investment and the result. In 2017 Oriola invested EUR 1.6 million in Hehku Kauppa Oy, the adjusted EBIT impact in Consumer Business Area was EUR - 1.1 million.

Services

The Services Business Area offers tailored services to pharmaceutical companies and pharmacies in Sweden and Finland. In addition the Services Business Area offers sales and marketing services of large assortment of traded goods in Finland.

Key Figures, continuing operations EUR million	**2017 10-12**	**2016 10-12**	**Change %**	**2017 1-12**	**2016 1-12**	**Change %**
Invoicing	747.5	742.0	0.7	2,832.6	2,899.8	-2.3
Net Sales	275.9	299.4	-7.9	1,042.9	1,142.6	-8.7
Adjusted EBIT	3.2	9.2	-64.7	22.6	33.7	-33.0
Adjusted EBIT %	1.2	3.1		2.2	2.9	
Number of personnel at the end of period	868	874		868	874	

October–December 2017

The Services Business Area invoicing increased by 0.7 per cent during the fourth quarter due to good development in Sweden. The business area's invoicing grew by 1.0 percent on a constant currency basis.

Oriola's new ERP and enterprise warehouse management system was taken into production use in Finland early September. The ramp-up phase was prolonged and caused Oriola to incur additional costs, additionally Oriola recognised contractual liabilities to some pharmaceutical companies. The impact of the system change in the fourth quarter adjusted EBIT was EUR - 4 million.

In the end of 2017 the pharmaceutical company Roche's distribution agreement with Oriola ended after a three year contract period. Roche's share of the Finnish pharmaceutical market is 4.7%, and the annual sales of Roche at wholesale price is approximately EUR 120 million in Finland.

Oriola has agreed with pharmaceutical company Orion, that Orion can continue during 2018 to place part of their offering into multichannel distribution in Finland. The wholesale value of these products is up to EUR 90 million.

January–December 2017

The pharmaceutical market at wholesale prices in Sweden grew by 2.1 (4.8) per cent in Swedish krona in January–December 2017 (source: Reveal). Oriola's share of the Swedish pharmaceutical wholesale market was approximately 35 (40) per cent (Oriola estimate).

The Finnish pharmaceutical market at wholesale prices grew by 1.2 (3.7) per cent in January–December 2017 (source: LTK). Oriola's share of the Finnish pharmaceutical wholesale market was 46 (46) per cent (source: ATY).

The invoicing of the Services segment decreased from the previous year by 2.3 (increased 4.6) per cent to EUR 2,832.6 (2,899.8) million. On a constant currency basis invoicing decreased by 1.3 per cent. The decrease is mainly due to the end of the distribution agreement with the pharmaceutical company Abbvie in Sweden in the beginning of 2017. Net sales decreased by 8.7 (decreased 1.0) per cent to EUR 1,042.9 (1,142.6) million, and on a constant currency basis, net sales decreased by 7.7 per cent. Adjusted EBIT decreased by 33.0 (increased 4.2) per cent to EUR 22.6 (33.7) million. The profitability was burdened in Finland by the system implementation and the resulting difficulties in distribution. The total impact of the problems in the system start-up to the 2017 adjusted EBIT was EUR - 9 million.

Healthcare

The Healthcare Business Area offers services to hospitals, healthcare centres and other healthcare sector operators. The business offers pharmaceutical delivery and dispensing services for public and private healthcare customers in Sweden, and dose dispensing services for Finnish pharmacies.

Key Figures	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
EUR million	**10-12**	**10-12**	**%**	**1-12**	**1-12**	**%**
Invoicing	22.9	12.6	82.2	71.2	36.3	95.8
Net Sales	22.8	12.5	82.7	70.7	36.2	95.1
Adjusted EBIT	-0.2	0.2	-176.4	-1.7	-1.0	-75.2
Adjusted EBIT %	-0.8	1.9		-2.4	-2.7	
Number of personnel at the end of period	125	120		125	120	

October–December 2017

The fourth quarter net sales of Healthcare business grew by 82.7 per cent to EUR 22.8 (12.5) million. Adjusted EBIT was EUR -0.2 (0.2) million. The volume of the dose dispensing business in Sweden developed well due to dose dispensing agreement for Norrland region, but ramp-up costs weakened the profitability still in the fourth quarter. The first county council pharmaceutical distribution agreement with Västmanland started in October and required Oriola to develop systems and organisation in order to have the needed delivery capability.

January–December 2017

The net sales of Healthcare business were EUR 70.7 (36.2) million. On a constant currency basis net sales increased by 97.9 per cent. Adjusted EBIT was EUR -1.7 (-1.0) million. Amortisation related to acquisition of Svensk Dos and Pharmaservice affected Healthcare EBIT by EUR -1.4 (-1.7) million.

The net sales of the Healthcare Business Area doubled in 2017 as a result of the new dose dispensing and county council contracts. The profitability was affected by the competitive tendering in the dose dispensing market in Sweden, because the dose fee paid by the county councils decreased. On the other hand Oriola was successful in partly offsetting the negative trend in pricing with efficiency measures. The new Norrland dose dispensing contract almost doubled the number of dose dispensing patients to 48,500 in Sweden, but it has taken longer than expected to reach the targeted efficiency.

In Finland the number of dose dispensing patients was approximately 20,000 and remained at the same level as in 2016. The Finnish dose dispensing business continued to perform well.

Balance sheet, cash flow and financing

Oriola's total assets at 31 December 2017 were EUR 922.4 (925.4) million. Equity attributable to the equity holders was EUR 197.7 (205.2) million. Cash and cash equivalents totalled EUR 17.0 (60.8) million. Net cash flow from operations in January–December 2017 was EUR 23.7 (40.2) million, of which changes in working capital accounted for EUR -18.2 (-41.2) million. Net working capital was negatively impacted by the Finnish ERP and warehouse management system implementation, and the strike in the Finnish banking services at the end of the year. Net cash flow from investing activities was EUR -37.7 (-80.7) million. Net cash flow from financing activities was EUR -29.7 (-20.5) million. The dividend of EUR 25.4 million was distributed to the shareholders in April 2017.

At the end of December 2017, interest-bearing debt was EUR 127.2 (133.1) million. The long-term interest-bearing liabilities were EUR 61.0 (84.6) million and short-term interest-bearing liabilities were EUR 66.3 (48.5) million. Short-term liabilities mainly consist of commercial paper issues of EUR 50.0 (15.0) million and advance payments from Finnish pharmacies EUR 15.0 (21.5) million. Short term liabilities at the end of December 2016 included also syndicated loans EUR 10.5 million. Interest-bearing net debt was EUR 110.2 (72.3) million, and gearing 55.7 (35.2) per cent.

The non-recourse trade receivables sales programmes were continued in Sweden. At the end of December 2017, a total of EUR 94.8 (118.5) million in trade receivables had been sold. Including the sold trade receivables, the adjusted gearing was 103.7 (93.0) per cent. The average interest rate on the interest bearing liabilities was 0.88 (1.26) per cent.

During the second quarter of 2017 Oriola Corporation rearranged its long-term revolving credit facility and term loan agreement. The revolving credit facility of EUR 100 million replaced the earlier financing agreement that was signed on 11 June 2015. The revolving credit facility will mature in five years from the signing of the agreement. The agreement includes financial covenants that are maximum Net Debt to EBITDA -ratio of 3.0 and maximum Net Debt to Equity ratio of 100 per cent. The covenants are the same as in the previous credit facility. In the same context, the company paid off the loan of SEK 550 million, which was due in 2018, and raised a new three-year SEK 290 million bilateral loan. At the end of the reporting period the financial covenants were clearly fulfilled.

The committed long-term revolving credit facility of EUR 100.0 million and EUR 15.1 million of short-term credit limit were unused at the end of December 2017.

At the end of December 2017 Oriola's equity ratio was 21.8 (22.7) per cent. Return on capital employed was 11.7 (17.8) per cent, and Return on equity 13.0 (21.4) per cent.

Investments and depreciation, continuing operations

Gross investments in January–December 2017 totalled EUR 46.1 (88.6) million and consisted of investments into the acquisition of ICTHS Health Support AB, opening of new pharmacies, information and dose dispensing systems, and improvements in logistics efficiency as well as investment in the new health and wellbeing store chain established with Kesko. Depreciation, amortisation and impairment amounted to EUR 25.7 (32.0) million.

The Board of directors decided in June 2017 to continue IT platform investment with the implementation in the Swedish Services business. The investment of EUR 11 million was planned to be realised during 2017 and 2018. However, after the difficulties in the implementation in Finland, the plan is under re-evaluation.

The capital expenditure in 2018 excluding acquisitions is estimated to be approximately EUR 35 million.

Personnel, continuing operations

At the end of December 2017, Oriola had 2,619 (2,669) employees, 60 (61) per cent of whom worked in the Consumer segment, 33 (33) per cent in Services segment, and 5 (4) per cent in Healthcare segment. The group administration employed 2 (2) percent of the total number of employees. The average number of personnel in 2017 was 2,686 (2,425 in 2016 and 2,172 in 2015). Personnel numbers consist of members of staff in active employment in continuing operations.

The total amount of wages, salaries and bonuses in 2017 was EUR 113.3 million (100.6 in 2016 and 92.2 in 2015).

Competent and contented staff is a success factor for Oriola. Competence development and good leadership are therefore particularly important. In 2017 we focused on developing our managers' leadership and change management skills to drive the on-going development programs.

Oriola´s employees' age distribution is very balanced: Approximately 30 per cent of our employees are under 30 years old, 45 per cent are between 30-50 years and 25 per cent are over 50 years old. 79 per cent of Oriola´s employees are female. This is due to the fact that pharmacist professionals in our Consumer business are predominantly female. In Services and Healthcare business and administrative positions the split is very even.

Resolutions of the Annual General Meeting

The Annual General Meeting (AGM), held on 14 March 2017 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 2016.

The AGM resolved that a dividend of EUR 0.14 per share shall be paid on the basis of the balance sheet adopted for the financial year ending 31 December 2016. The payment date of the dividend was 12 April 2017.

The AGM resolved to amend Article 1 of the company's Articles of Association in accordance with the proposal of the Board of Directors as follows: the corporate name of the company is Oriola Oyj, Oriola Abp in Swedish and Oriola Corporation in English. According to this decision the new name of the company was entered into the trade register on 30 March 2017.

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

Corporate Governance

The Annual General Meeting confirmed that the Board of Directors is composed of seven members. Current members of the Board of Directors Anja Korhonen, Mariette Kristenson, Kuisma Niemelä, Eva Nilsson Bågenholm, Lena Ridström, Staffan Simberg and Anssi Vanjoki were re-elected to the Board of Directors. 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 48,400, 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 30,250 and the fee for the term of office of other members of the Board of Directors is EUR 24,200. Of the annual fee, 60 per cent shall be paid in cash and 40 per cent in Oriola Corporation's class B shares. 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 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 also appointed Ms Anja Korhonen (Chairman), Mr Kuisma Niemelä and Mr Staffan Simberg to the Board's Audit Committee, and Ms Eva Nilsson Bågenholm (Chairman), Ms Mariette Kristenson, and Ms Lena Ridström to the Board's Remuneration Committee.

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

Authorised Public Accountants PricewaterhouseCoopers Oy, who has nominated authorized public accountant Ylva Eriksson as principal auditor, was re-elected as the auditor of the company.

The Board of Directors of Oriola Corporation appointed on 28 September 2017 the company's Nomination Committee. The committee members are: Pekka Pajamo (chairman), Peter Immonen, Mikael Aro, Mikko Mursula and Into Ylppö.

After the reporting period, on 31 January 2018, the Nomination Committee of Oriola Corporation presented to the Board of Directors its recommendation on the proposal to the 2018 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 Anja Korhonen, Mariette Kristenson, Eva Nilsson Bågenholm, Lena Ridström, Staffan Simberg and Anssi Vanjoki would be re-elected and Juko-Juho Hakala would be elected new member of the Board of Directors. Anssi Vanjoki would be re-elected as Chairman of the Board of Directors. Current member of the Board of Directors Kuisma Niemelä will leave the Board of Directors after the 2018 Annual General Meeting.

Oriola's Group Management Team consisted of five members on 31 December 2017: Kimmo Virtanen, Executive Vice President, Services Business Area and acting President and CEO; Sari Aitokallio, CFO; Thomas Gawell, Vice President, Healthcare Business Area; Jukka Mäkelä, Vice President, Development; Teija Silver, Vice President, HR.

Stig Tornell, Vice President of the Consumer Business area and a member of the Group Management Team left the company on March 31, 2017. Anders Torell was appointed Vice President, Consumer Business area and member of the Group Management Team on July 7, 2017, and started in his position on January 2, 2018.

Eero Hautaniemi, President and CEO, left the company on December 18, 2017. Robert Andersson was appointed President and CEO. He assumed the position on February 12, 2018.

The Corporate Governance Statement and the Remuneration Statement for 2017 will be prepared 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.

Authorizations

The AGM authorised the Board of Directors to decide on a share issue against payment in one or more issues. The authorisation comprises the right to issue new shares or assign treasury shares held by the company. The authorisation covers a maximum of 5,650,000 Class A shares and 12,500,000 Class B shares representing approximately 10.00 per cent of all shares in the company and includes the right to derogate from the shareholders' pre-emptive subscription right. Pursuant to the authorisation, shares held by the company as treasury shares may also be sold through trading on a regulated market organised by Nasdaq Helsinki Ltd. The authorisation is in effect for a period of eighteen months from the decision of the AGM.

The AGM authorised the Board of Directors to decide on a share issue against payment in one or more issues. The authorisation comprises 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, representing approximately 9.92 per cent of all shares in the company and includes the right to derogate from the shareholders' pre-emptive subscription right. Pursuant to the authorisation, class B shares held by the Company as treasury shares may also be sold on regulated market organised by Nasdaq Helsinki Ltd. The authorisation is in effect for a period of eighteen months from the decision of the AGM.

The authorisations revoke all previous share issue authorisations given to the Board of Directors apart from the authorisation given to the Board of Directors by the Annual General Meeting held on 20 March 2013, pursuant to which the Board of Directors may decide upon directed share issues against or without a payment concerning no more than 1,715,000 class B shares in order to execute the share-based incentive plan for the Oriola Group's executives and the share savings plan for the Oriola Group's key personnel.

The AGM also authorised the Board of Directors to decide on repurchasing of the company's own class B shares. The authorisation entitles the Board of Directors to decide on the repurchase of no more than 18,000,000 of the company's own class B shares, representing approximately 9.92 per cent of all shares in the company. The authorisation may only be used in such a way that in total no more than one tenth of all shares in the company may from time to time be in the possession of the company and its subsidiaries. Shares may be repurchased also in a proportion other than in which shares are owned by the Shareholders. Shares may be repurchased to develop the company's capital structure, to execute corporate transactions or other business arrangements, to finance investments, to be used as a part of the company's incentive schemes or to be otherwise relinquished, held by the company or cancelled. The authorisation to repurchase own shares is in force for a period of not more than eighteen months from the decision of the AGM. This authorisation revokes the authorisation given to the Board of Directors by the AGM on 14 March 2016 in respect of repurchase of the company's own class B shares.

Oriola Corporation shares

Trading volume of the Oriola Corporation’s class A and B shares in January–December 2017:

	Jan-Dec 2017		Jan-Dec 2016	
Trading volume	**class A**	**class B**	**class A**	**class B**
Trading volume, million	2.7	41.7	1.9	22.5
Trading volume, EUR million	10.1	146.1	7.9	94.1
Highest price, EUR	4.53	4.43	4.50	4.65
Lowest price, EUR	2.96	2.77	3.70	3.65
Closing quotation, end of period, EUR	3.00	2.80	4.25	4.31

Oriola Corporation's market capitalisation on 31 December 2017 was EUR 519.2 (778.9) million.

In the review period, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 24.5 (13.4) per cent of the total number of shares.

At the end of December 2017, the company had a total of 181,486,213 (181,486,213) shares, of which 55,434,273 (55,484,648) were class A shares and 126,051,940 (126,001,565) were class B shares. The company has 241,822 (96,822) treasury shares, all of which are class B shares. They account for 0.13 (0.05) per cent of the company's shares and 0.02 (0.01) per cent 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 2017, Oriola Corporation's 50,375 (0) A-shares were converted into B-shares. The conversion was entered into the Trade Register on 4 January 2017. After the conversion there are 55,434,273 A-shares and 126,051,940 B-shares in the company. The total number of shares is 181,486,213 and the total number of votes is 1,234,737,400.

Share–based incentive plans

On 19 December 2012, Oriola Corporation's Board of Directors decided on a share incentive scheme for the Group's senior management for the years 2013-2015. The scheme covers four persons. The reward for the 2015 earning period was based on the Oriola Group's earnings per share (EPS) calculated from the adjusted earnings excluding taxes. The rewards to be paid in 2018 on the basis of the performance period 2015 correspond to the value of 148,524 Oriola Corporation class B shares, including the proportion to be paid in cash.

On 4 December 2015 the Board of Directors of Oriola Corporation established a share-based incentive plan directed to the Group key personnel. The plan covers three performance periods, 2016–2018, and three vesting periods, 2017**–**2019. The essential precondition for participation in the plan is that a key person has enrolled in the share saving plan, OKShares, and makes monthly saving from his or her fixed gross monthly salary.The potential reward from the performance period 2016 is based on the Group's EPS. The rewards to be paid in 2018 on the basis of the performance period 2016 correspond to the value of 119,803 Oriola Corporation class B shares, including the proportion to be paid in cash. Similarly the potential reward from the performance period 2017 was based on the Group´s EPS. The EPS target for 2017 was not reached.

Approximately 45 key employees participated in the Oriola Corporation key personnel share savings plan, OKShares, during savings period 1 October 2015–31 December 2016. The matching shares to be transferred to eligible participants in 2018 on the basis of the savings period 1.10.2015**–**31.12.2016 correspond to the value of 45,702 Oriola Corporation class B shares, including the portion to be paid in cash.

Approximately 45 key employees participated in the Oriola Corporation key personnel share savings plan for the savings period 1 January**–**31 December 2017. The matching shares will be transferred to eligible participants in 2019 on the basis of the savings period 1.1. **-** 31.12.2017. The estimated number of matching shares, including the portion to be paid in cash, is 55,000.

Approximately 60 key employees participate in the Oriola Corporation key personnel share savings plan for the savings period 1 January**–**31 December 2018. The accumulated savings will be used for purchasing Oriola's class B shares for the participants at market prices. In return, each participant will receive two free class B matching shares for every three acquired savings shares. Matching shares will be paid partly in Oriola's class B shares and partly in cash. The matching shares will be transferred to eligible participants in 2020.

Purchase of own shares for the incentive programs

The Board of Directors of Oriola Corporation resolved in its meeting on 20 June 2017 to use the authorization granted by the Annual General Meeting held on 14 March 2017 to acquire Oriola's class B shares and initiate a share repurchase programme. The repurchase of shares is carried out in order to fulfil obligations pertaining to the company's share-based incentive schemes. The repurchasing of shares commenced on 24 July 2017, and ended on 7 August 2017. In total 145,000 class B shares were purchased, corresponding to approximately 0.08 per cent of the total number of all issued shares. The repurchase programme has been completed.

Non-financial information

Oriola will report the non-financial information according to the Finnish Accounting Act in the Report of the Board of Directors 2017. The information can also be found in the company's web site: http://www.oriola.com.

Changes in Group Structure in 2017

Oriola completed the acquisition of the Swedish expert services company ICTHS Health Support AB during the third quarter. In 2016 the company's net sales were approximately 5 million euros, and the company employs 60 people. The acquisition of ICTHS Health Support is in line with Oriola's strategy to offer a wide range of services to pharmacies, pharmaceutical companies and healthcare operators in Sweden and Finland.

Oriola completed the sale of its Baltic businesses on 18 October 2017. On 14 August 2017 Oriola announced that it had signed an agreement to sell its Baltic businesses to the companies' existing management (SIA Oribalt Group). Oriola's Baltic businesses comprise of the following subsidiaries: AS

Oriola, Oriola Estonia Oü, SIA Oriola Riga, SIA Panpharmacy, and UAB Oriola Vilnius. The net sales of the Baltic businesses in 2016 were EUR 54 million, the adjusted EBIT EUR 1.2 million and the number of personnel 160.

Following subsidiary mergers were completed during the last quarter of 2017: Farenta 3 Oy, Farenta 4 Oy and Secret Files Oy were merged into Farenta Oy.

Flagging announcements

No flagging announcements were received during the 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. The main trends impacting Oriola’s business environment are aging of the population, increased spending on health and well-being, growth in specialty pharmaceuticals, the efforts to control the growth in the costs of the public healthcare, and the digitalization of the retail trade and services.

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

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

Near-term risks and uncertainty factors

Oriola’s strategic development projects involve operational risks which may have an effect on the profitability. The commissioning of the new Group IT platform in Finland took place in September and led to disruptions and lower efficiency in operations. The ramp-up of logistical operations continued in the fourth quarter. The corresponding ERP and warehouse management system implementation in Sweden is on hold, and subject to separate decision. The start-up of the Enköping automated warehouse is planned for the fourth quarter 2018. The production will be started in phases and a detailed risk management plan has been prepared.

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.

Market outlook

Oriola’s outlook for 2018 is based on external market forecasts, agreements with pharmaceutical companies and pharmacies, and management assessments. The Finnish pharmaceutical market is expected to grow during 2018–2021, at an average rate of 1.5 per cent. The Swedish pharmaceutical market is expected to grow an average rate of 3.9 per cent per year in the local currency (source: IQVIA).

Business Outlook for 2018

Adjusted EBIT of continuing operations on constant currency basis is estimated to increase from the 2017 level.

Oriola is undergoing a major development phase which started in 2015. In 2018 Oriola will open an extension to the Enköping Distribution Centre. The start-up of the new automated warehouse is anticipated in the fourth quarter 2018. The phased start-up will impact the efficiency during the fourth quarter. In Finland the improvements to the ERP and warehouse management system taken into use in 2017 will continue, with the aim that the efficiency will improve throughout the year. In Consumer business the building of Hehku-chain continues with opening of new stores.

In the end of 2017 the pharmaceutical company Roche’s distribution agreement with Oriola ended after a three year contract period. Roche's share of the Finnish pharmaceutical market is 4.7%, and the annual sales of Roche at wholesale price is approximately EUR 120 million in Finland.

Oriola and the pharmaceutical company Orion have agreed that Orion can during 2018 continue to place a part of their offering into multichannel distribution in Finland. The wholesale value of these products is up to EUR 90 million.

Events after the period

After the reporting period, on 31 January 2018, the Nomination Committee of Oriola Corporation presented to the Board of Directors its recommendation on the proposal to the 2018 Annual General Meeting concerning the composition of the Board of Directors. The proposal has been presented above under Corporate Governance.

Robert Andersson assumed the position as the President and CEO on 12 February 2018.

Profit distribution proposal

Oriola Group’s parent company is Oriola Corporation, whose distributable assets based on the balance sheet on 31 December 2017 were EUR 373.6 (366.3) million. Oriola Corporation’s profit for the financial year 2017 was EUR 33.4 (21.1) million. Earnings per share of the Oriola Group were EUR 0.14 (0.24).

The Board proposes to the Annual General Meeting that a dividend of EUR 0.09 (0.14) per share is paid for 2017. The Board of Directors further proposes that the remaining non-restricted equity, EUR 357,328,129.08 be retained and carried forward.

Annual General Meeting

Oriola Corporation's Annual General Meeting will be held on 19 March 2018 at 2 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 23 February 2018 at the latest.

Publication of the Financial Statements

Oriola Corporation will publish its 2017 Financial Statements by 23 February 2018 at the latest.

Financial calendar 2018

Annual General Meeting, Monday, 19 March 2018
January-March Interim Report, Friday, 27 April 2018
January-June Half Year Financial Report, Wednesday, 18 July 2018
January-September Interim Report, Thursday, 1 November 2018

Espoo, 12 February 2018

Oriola Corporation
Board of Directors

Oriola's Financial Statements Release January-December 2017

Consolidated Statement of Comprehensive Income (IFRS), EUR million	2017 10-12	2016 10-12	2017 1-12	2016 1-12
Continuing operations				
Net sales	395.2	411.2	1,527.7	1,588.6
Other operating income	3.7	3.6	13.8	20.2
Material purchases	-306.2	-322.0	-1,174.2	-1,248.5
Employee benefit expenses	-43.1	-41.4	-166.1	-150.2
Other operating expenses	-38.8	-30.8	-136.5	-120.5
EBITDA	10.8	20.6	64.6	89.6
Depreciation, amortisation and impairments	-6.3	-6.5	-25.7	-32.0
Share of results in joint venture	-0.6	-	-1.1	-
EBIT	3.9	14.1	37.8	57.6
Financial income and expenses	-0.7	-0.9	-3.9	-4.7
Profit before taxes	3.3	13.1	33.9	52.9
Income taxes	-1.1	-2.3	-7.9	-11.1
Profit for the period from continuing operations	**2.1**	**10.8**	**25.9**	**41.8**
Profit for the period from discontinued operations	-0.2	0.0	0.3	1.0
Profit for the period	**1.9**	**10.8**	**26.3**	**42.8**
Other comprehensive income				
Items which may be reclassified subsequently to profit or loss:				
Translation differences recognised in comprehensive income during the reporting period	-4.6	2.1	-7.4	-9.1
Translation differences reclassified to profit and loss during the reporting period	0.3	-	0.3	-
Cash flow hedge	0.0	0.3	0.4	0.8
Income tax relating to other comprehensive income	-0.0	-0.1	-0.1	-0.2
	-4.2	**2.3**	**-6.7**	**-8.5**
Items which will not be reclassified to profit or loss:				
Actuarial gains/losses on defined benefit plans	-1.6	-0.5	-1.6	-0.5
Income tax relating to other comprehensive income	0.3	0.1	0.3	0.1
	-1.2	**-0.4**	**-1.2**	**-0.4**
Total comprehensive income for the period	**-3.5**	**12.8**	**18.3**	**34.0**
Profit attributable to				
Parent company shareholders	1.9	10.8	26.3	42.8
Total comprehensive income attributable to				
Parent company shareholders	-3.5	12.8	18.3	34.0
Earnings per share attributable to parent company shareholders: EUR				
Basic				
Continuing operations	0.01	0.06	0.14	0.23
Discontinued operations	-0.00	0.00	0.00	0.01
Group total	0.01	0.06	0.14	0.24
Diluted				
Continuing operations	0.01	0.06	0.14	0.23
Discontinued operations	-0.00	0.00	0.00	0.01
Group total	0.01	0.06	0.14	0.24

Consolidated Statement of Financial Position (IFRS), EUR million

ASSETS	31 Dec 2017	31 Dec 2016
Non-current assets		
Property, plant and equipment	79.0	71.5
Goodwill	282.7	286.8
Other intangible assets	81.2	76.2
Investments in joint ventures	0.5	-
Other non-current assets	0.3	0.3
Deferred tax assets	2.4	2.4
Non-current assets total	**446.1**	**437.2**
Current assets		
Inventories	207.8	199.4
Trade receivables	220.5	192.6
Income tax receivables	3.9	9.0
Other receivables	27.2	26.4
Cash and cash equivalents	17.0	60.8
Current assets total	**476.3**	**488.3**
ASSETS TOTAL	**922.4**	**925.4**

EQUITY AND LIABILITIES		
Equity		
Share capital	36.2	36.2
Hedging reserve	-0.3	-0.6
Contingency fund	19.4	19.4
Invested unrestricted equity reserve	74.8	74.8
Other reserves	0.1	0.1
Translation differences	-19.2	-8.6
Retained earnings	86.8	83.8
Equity attributable to the parent company shareholders	**197.7**	**205.2**
Non-current liabilities		
Deferred tax liabilities	15.3	16.2
Pension obligations	12.3	10.6
Borrowings	61.0	84.6
Other non-current liabilities	3.5	3.4
Non-current liabilities total	**92.2**	**114.8**
Current liabilities		
Trade payables	525.5	504.3
Provisions	0.4	-
Borrowings	66.3	48.5
Income tax payables	0.7	14.1
Other current liabilities	39.6	38.7
Current liabilities total	**632.6**	**605.4**
EQUITY AND LIABILITIES TOTAL	**922.4**	**925.4**

Consolidated Statement of Changes in Equity (IFRS)

	Equity attributable to the parent company shareholders				
EUR million	Share capital	Funds	Translation differences	Retained earnings	Equity total
Equity 1 Jan 2016	**36.2**	**93.1**	**0.5**	**64.7**	**194.6**
Comprehensive income for the period					
Net profit for the period	-	-	-	42.8	**42.8**
Other comprehensive income:					
Cash flow hedge	-	0.8	-	-	**0.8**
Actuarial gains and losses	-	-	-	-0.5	**-0.5**
Income tax relating to other comprehensive income	-	-0.2	-	0.1	**-0.0**
Translation difference	-	-	-9.1	-	**-9.1**
Comprehensive income for the period total	-	0.6	-9.1	42.5	**34.0**
Transactions with owners					
Dividend distribution	-	-	-	-23.6	**-23.6**
Share-based incentive	-	-	-	0.3	**0.3**
Purchase of own shares	-	-	-	-0.1	**-0.1**
Transactions with owners total	-	-	-	-23.4	**-23.4**
Equity 31 Dec 2016	**36.2**	**93.7**	**-8.6**	**83.8**	**205.2**
Equity 1 Jan 2017	**36.2**	**93.7**	**-8.6**	**83.8**	**205.2**
Comprehensive income for the period					
Net profit for the period	-	-	-	26.3	**26.3**
Other comprehensive income:					
Cash flow hedge	-	0.4	-	-	**0.4**
Actuarial gains and losses	-	-	-	-1.6	**-1.6**
Income tax relating to other comprehensive income	-	-0.1	-	0.3	**0.2**
Translation difference	-	-	-11.0	3.6	**-7.4**
Translation difference reclassified to profit and loss	-	-0.0	0.3	-	**0.3**
Comprehensive income for the period total	-	0.3	-10.7	28.7	**18.3**
Transactions with owners					
Dividend distribution	-	-	-	-25.4	**-25.4**
Share-based incentive	-	-	-	0.3	**0.3**
Purchase of own shares	-	-	-	-0.6	**-0.6**
Sale of subsidiaries	-	-0.1	-	-	**-0.1**
Transactions with owners total	-	-0.1	-	-25.7	**-25.8**
Equity 31 Dec 2017	**36.2**	**94.0**	**-19.2**	**86.8**	**197.7**

Condensed Consolidated Statement of Cash Flows (IFRS), EUR million [1]	2017 1-12	2016 1-12
EBIT	38.7	58.8
Depreciation and amortisation	25.8	25.8
Impairment	0.7	6.4
Share of result in joint venture	1.1	-
Change in working capital	-18.2	-41.2
Cash flow from financial items and taxes	-23.5	-15.1
Other adjustments	-1.0	5.6
Net cash flow from operating activities	23.7	40.2
Net cash flow from investing activities	-37.7	-80.7
Net cash flow from financing activities	-29.7	-20.5
Net change in cash and cash equivalents	-43.7	-61.0
Cash and cash equivalents at the beginning of the period	60.8	121.9
Translation differences	-0.1	-0.1
Net change in cash and cash equivalents	-43.7	-61.0
Cash and cash equivalents at the end of the period	**17.0**	**60.8**

[1] Includes the cash flows from discontinued operations

Notes to the Financial Statements Release

Principal accounting policies as of 1 January 2017 (IFRS)

This Financial Statements Release has been prepared in accordance with IFRS standards (IAS 34). The accounting policies and calculation methods applied in the report are the same as those in the 31 December 2016 Annual Financial Statements, however with the addition of the standards and interpretations applied as of 1 January 2017 presented below. The Financial Statements Release does not include all of the information and notes presented in the Annual Financial Statements.

New standards and amendments to the existing ones that have been applied as of 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amended standard did not have an impact on the Group's financial position.

The figures in this Financial Statements Release are based on audited 2017 Financial Statements.

Application of IFRS 15 Revenue from contracts with customers

IFRS 15: Revenue from contracts with customers is effective for periods beginning on or after 1 January 2018. The new standard replaces all revenue standards and interpretations in IFRS including IAS 11 Construction Contracts and IAS 18 Revenue and related Interpretations.

Oriola has made assessment of the effects of new standard. According to the Groups current assessment new standard will not significantly change the timing of revenue that the Group will recognise. Accounting for the customer loyalty programs in Consumer business in Sweden will slightly change due to the new standard. IFRS 15 requires that the total consideration received must be allocated to the points and goods based on relative stand-alone prices. At Oriola this will result in discounts being allocated to the goods sold earlier than before and result in deferral of recognition of a portion of the revenue. The impact of this change is not material to the Group, it is estimated to decrease the Group's retained earnings by EUR 2-4 million.

Concerning the pharmaceutical distribution the Group started assessment of the control principle in 2017, where it was evaluated whether the Group is acting as a principal or an agent in wholesale contracts and whether revenue will be recorded on a gross basis or net basis as a fee or a commission. According to the standard control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly. When another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). An entity determines whether it is a principal or an agent for each specified good or service promised to the customer. If a contract with a customer includes more than one specified good or service, an entity could be a principal for some specified goods or services and an agent for others. The group has analysed the contracts and the different indicators from them providing evidence on whether the group acts as an agent or principal in those contracts. This evaluation will continue during the first quarter of 2018. The outcome of the evaluation is not expected to have significant impact to the revenue recognition of the Group.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Application of IFRS 9 Financial instruments

IFRS 9 Financial instruments is effective for periods beginning on or after 1 January 2018. It replaces the current standard IAS 39 Financial instruments: Recognition and measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new standard does not have influence to classification or measurement of financial assets and liabilities. The financial assets of the group consist of trade and other receivables and cash and cash equivalents currently classified to loans and other receivables and measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9 and derivatives currently classified and measured at fair value through profit and loss which will be measured on the same basis under IFRS 9. The new standard will not have impact on the group's accounting for financial liabilities.

Under IFRS 9 more risk positions will qualify for hedge accounting as hedge accounting is allowed for separate risk components and IFRS 9 relaxes the requirements for hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually uses for risk management purposes. Group's hedging process and hedge accounting will continue under IFRS 9 as earlier.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group will apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Based on the assessments undertaken to date, the Group expects no major effect for recognition of the expected credit losses for sales receivables, as the risk of losses due to the nature of the business is low.

The new standard also introduces expanded disclosure requirements and changes in presentation. They are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Earnings per share

EUR million	2017 10-12	2016 10-12	2017 1-12	2016 1-12
Profit attributable to equity owners of the parent				
Continuing operations	2.1	10.8	25.9	41.8
Discontinued operations	-0.2	0.0	0.3	1.0
Group total:	1.9	10.8	26.3	42.8
Average number of outstanding shares (1000 shares)				
Basic	181,244	181,389	181,328	181,389
Diluted	181,416	181,389	181,412	181,389
Earnings per share (EUR)				
Basic				
Continuing operations	0.01	0.06	0.14	0.23
Discontinued operations	-0.00	0.00	0.00	0.01
Group total:	0.01	0.06	0.14	0.24
Diluted				
Continuing operations	0.01	0.06	0.14	0.23
Discontinued operations	-0.00	0.00	0.00	0.01
Group total:	0.01	0.06	0.14	0.24

Business combinations

Acquisitions EUR Million	2017 1-12	2016 1-12
Consideration		
Cash	2.9	40.2
Contingent consideration	-	12.3
Total consideration	2.9	52.5
Recognised amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	0.0	2.0
Intangible assets	0.3	7.6
Deferred tax assets	-	0.5
Inventories	-	2.2
Trade and other receivables	1.4	13.6
Assets total	1.7	26.0
Deferred tax liabilities	0.1	1.4
Loans and other long term liabilities	0.3	7.0
Trade payables and other current liabilities	0.9	8.5
Borrowings	0.1	1.7
Liabilities total	1.4	18.6
Total identifiable net assets	0.2	7.4
Goodwill	2.6	45.1
Total	2.9	52.5

2017

Oriola acquired the Swedish services company ICTHS Health Support AB on 31 August 2017. ICTHS Health Support AB, founded in 2007, provides services to pharmacies, pharmaceutical companies and healthcare operators. In 2016, the company's net sales were approximately 5 million euros, and the company employs around 60 people. The acquisition of ICTHS Health Support is in line with Oriola's strategy to offer a wide range of services to pharmacies, pharmaceutical companies and healthcare operators in Sweden and Finland. The statement of profit and loss and the statement of financial position have been consolidated into the Services segment as of 1 September 2017. The acquisition cost calculation is based on the company's statement of financial position as at 31 August 2017, the essential parts of which have been prepared in accordance with IFRS's accounting principles.

2016

Oriola acquired on 8 February 2016 the Swedish pharmacy company Svensk Dos. The statement of profit and loss and the statement of financial position have been consolidated into the Healthcare segment as of 1 February 2016. At the date of the acquisition of Svensk Dos, the company had won the tender for dose dispensing in the Sjuklövern counties, but the contract was under appeal. After the decision of The Swedish Supreme Administrative Court Sjuklövern has confirmed that they will issue a new tender for the dose dispensing in the counties. Consequently, a EUR 6.4 million goodwill impairment charge was recognised in September 2016 and the remaining contingent liability related to the acquisition was released through profit and loss amounting to EUR 6.3 million.

Oriola completed the acquisition of Pharmaservice Oy, a Finnish company offering dose dispensing supporting services from the Association of Finnish Pharmacies and Orion Corporation on 18 July 2016. The statement of profit and loss and the statement of financial position have been consolidated into the Healthcare segment as of 18 July 2016.

On 1 September 2016 Oriola acquired 70.9 per cent of Farenta, a Finnish company offering services for pharmaceutical companies and pharmacies. Additionally, based on the agreement Oriola has an obligation to acquire the remaining share of Farenta. 100 per cent ot the statement of profit and loss and the statement of financial position have been consolidated into the Services segment as of 1 September 2016.

During 2016 Oriola acquired eight pharmacies from Apotek Hjärtat in Sweden. Pharmacies are consolidated into Consumer segment as part of Kronans Apotek AB.

Discontinued operations

Oriola announced on 13 July 2017 its decision to divest its businesses in the Baltic countries. On 14 August 2017 Oriola announced the sale of Baltic businesses to the companies' existing management. From June 2017 onwards the Baltic businesses are classified as discontinued operations. Accordingly the Group has also reclassified the comparative periods of the consolidated statement of comprehensive income. The sale of the Baltic business was completed on 18 October 2017.

Profit for the period from discontinued operations EUR million	**2017 10-12**	**2016 10-12**	**2017 1-12**	**2016 1-12**
Net sales	4.2	13.7	48.9	54.1
Other operating income	0.0	0.1	0.1	0.2
Material purchases	-3.9	-11.0	-40.1	-43.6
Employee benefit expenses	0.0	-1.1	-3.2	-4.3
Other operating expenses	-0.3	-1.5	-4.0	-5.0
EBITDA	0.0	0.1	1.8	1.4
Depreciation and amortisation	-0.0	-0.1	-0.2	-0.2
EBIT	0.0	0.1	1.6	1.2
Financial income and expenses	0.0	-0.0	-0.0	-0.0
Profit before taxes	0.0	0.1	1.6	1.2
Income taxes	-0.0	-0.0	-0.3	-0.2
Profit for the period, ordinary activities	**0.0**	**0.0**	**1.3**	**1.0**
Impairment loss on assets classified as held for sale	-	-	-0.7	-
Loss on sale of business	-0.3	-	-0.3	-
Profit for the period from discontinued operations	**-0.2**	**0.0**	**0.3**	**1.0**

Assets and liabilities disposed EUR million	2017 1-12	2016 1-12
Goodwill and other intangible assets	0.0	-
Property, plant and equipment	0.0	-
Deferred tax assets	0.0	-
Inventories	8.7	-
Trade and other receivables	10.3	-
Cash and cash equivalents	2.1	-
Total assets	**21.1**	**-**
Trade and other payables	13.3	-
Total liabilities	**13.3**	**-**
Net assets disposed of	**7.8**	**-**

Cash flows from discontinued operations EUR million	2017 1-12	2016 1-12
Net cash flow from operating activities	2.2	-0.6
Net cash flow from investing activities	-0.1	-0.2
Net cash flow from financing activities	-0.2	0.7
Total cash flows	**1.9**	**-0.0**
Cash consideration received	8.1	-
Cash and cash equivalents disposed of	-2.1	-
Impact on cash flows	**6.1**	**-**

Loss on the sale of the discontinued operations EUR million	2017 1-12	2016 1-12
Cash consideration received	8.1	-
Net assets disposed of	-7.8	-
Costs to sell	-0.2	-
Total	**0.1**	**-**
Translation differences reclassified from other comprehensive income	-0.3	-
Loss on the sale of the discontinued operations	**-0.3**	**-**

Tangible and intangible assets

Changes in Property, Plant and Equipment, EUR million	2017 1-12	2016 1-12
Carrying amount at the beginning of the period	71.5	72.7
Business combinations	0.0	1.9
Increases	25.4	16.0
Decreases	-0.3	-2.1
Reclassifications	-0.5	-
Depreciation, continuing operations	-15.2	-15.1
Depreciation, discontinued operations	-0.1	-0.2
Impairments, discontinued operations [1)]	-0.5	-
Foreign exchange rate differences	-1.3	-1.8
Carrying amount at the end of the period	**79.0**	**71.5**

Changes in Goodwill, EUR million	2017 1-12	2016 1-12
Carrying amount at the beginning of the period	286.8	256.5
Increases	2.6	45.1
Impairments, continuing operations	-	-6.4
Impairments, discontinued operations [1)]	-0.3	-
Foreign exchange rate differences	-6.5	-8.4
Carrying amount at the end of the period	**282.7**	**286.8**

Changes in Other Intangible assets, EUR million	2017 1-12	2016 1-12
Carrying amount at the beginning of the period	76.2	63.2
Business combinations	-	1.6
Increases	16.5	24.1
Decreases	-0.1	-0.0
Reclassifications	0.5	-
Amortisation, continuing operations	-10.5	-10.5
Amortisation, discontinued operations	-0.0	-0.0
Impairments, discontinued operations [1)]	-0.0	-
Foreign exchange rate differences	-1.5	-2.1
Carrying amount at the end of the period	**81.2**	**76.2**

[1)] Net assets related to Baltic business measured at fair value

Derivatives

31 Dec 2017 EUR million	Positive fair value	Negative fair value	Nominal values of contracts
Derivatives recognised as cash flow hedges			
Interest rate swaps	-	0.6	52.8
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.2	0.1	18.0

31 Dec 2016 EUR million	Positive fair value	Negative fair value	Nominal values of contracts
Derivatives recognised as cash flow hedges			
Interest rate swaps	-	0.9	54.4
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.1	-	12.1

Derivatives measured at fair value through profit and loss are mainly related to hedging of 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 2017 EUR million	Level 1	Level 2	Level 3	Total
Assets				
Derivatives measured at fair value through profit and loss	-	0.2	-	**0.2**
Liabilities				
Derivatives designated as hedges	-	0.4	-	**0.4**
Derivatives measured at fair value through profit and loss	-	0.2	-	**0.2**
Contingent consideration	-	-	2.5	**2.5**

31 Dec 2016 EUR million	Level 1	Level 2	Level 3	Total
Assets				
Derivatives measured at fair value through profit and loss	-	0.1	-	**0.1**
Liabilities				
Derivatives designated as hedges	-	0.9	-	**0.9**
Contingent consideration	-	-	2.7	**2.7**

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 liabilities recognised at fair value through profit and loss according to the level 3

Book value 31 Dec 2016	**2.7**
Recognised in financial expenses	-0.0
Decrease in the fair value of financial liabilities	-0.2
Book value 31 Dec 2017	**2.5**

Financial liabilities recognised at fair value through profit and loss (level 3) include estimated value of contingent and deferred considerations for acquisitions.

Commitments and Contingent Liabilities

EUR million	31 Dec 2017	31 Dec 2016
Commitments for own liabilities		
Guarantees on behalf of own companies	7.5	8.3
Guarantees on behalf of other companies	-	1.0
Mortgages on company assets	3.3	3.4
Other guarantees and liabilities	1.2	1.0
Total	**12.1**	**13.6**
Leasing liabilities (operating liabilities)	1.0	0.9
Rent liabilities	54.7	59.2

The most significant guarantees are bank guarantees against trade payables in Sweden. In addition, Oriola Corporation has granted parent company guarantees of EUR 2.1 (2.7) million against other subsidiaries' trade payables.

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's and Kesko Corporation's joint health and wellbeing store chain was approved by the competition authorities in June 2017, and the joint venture agreement was finalized on 30 June 2017. Oriola reports 50 per cent of the joint venture Hehku Kauppa Oy in the Consumer segment EBIT. The transactions with Hehku Kauppa Oy are presented in the table below. The Group has no significant business transactions with other related parties.

Transactions with joint venture	**2017**	**2016**
EUR million	**1-12**	**1-12**
Sales	0.1	-
Trade and other receivables	0.9	-

Segment information, continuing operations

1-12/2017

EUR million	**Consumer**	**Services**	**Healthcare**	**Group items**	**Total**
External Invoicing	780.3	2,484.9	71.1	-	**3,336.3**
Internal Invoicing	0.2	347.7	0.0	-347.9	**-**
Invoicing	**780.5**	**2,832.6**	**71.2**	**-347.9**	**3,336.3**
External Net Sales	761.8	695.2	70.7	-	**1,527.7**
Internal Net Sales	0.2	347.7	0.0	-347.9	**-**
Net Sales	**762.0**	**1,042.9**	**70.7**	**-347.9**	**1,527.7**
EBIT	25.2	21.4	-1.7	-7.1	**37.8**
Adjusted EBIT	25.2	22.6	-1.7	-6.1	**39.9**
Assets	424.1	401.4	48.5	48.5	**922.4**
Liabilities	58.6	526.9	8.2	131.0	**724.7**
Investments	9.1	22.3	3.9	10.8	**46.1**
Depreciation, amortisation and impairments	17.0	5.4	3.0	0.3	**25.7**
Average number of personnel	1,582	929	129	47	**2,686**

1-12/2016

EUR million	Consumer	Services	Healthcare	Group items	Total
External Invoicing	790.2	2,537.6	36.3	-	**3,364.2**
Internal Invoicing	-	362.2	-	-362.2	**-**
Invoicing	**790.2**	**2,899.8**	**36.3**	**-362.2**	**3,364.2**
External Net Sales	771.9	780.4	36.2	-	**1,588.6**
Internal Net Sales	-	362.2	-	-362.2	**-**
Net Sales	**771.9**	**1,142.6**	**36.2**	**-362.2**	**1,588.6**
EBIT	32.5	32.6	-7.6	0.1	**57.6**
Adjusted EBIT	33.1	33.7	-1.0	-6.0	**59.9**
Assets [1)]	448.1	327.1	44.5	105.7	**925.4**
Liabilities [1)]	71.1	495.1	5.8	148.2	**720.3**
Investments	17.4	14.4	44.5	12.2	**88.6**
Depreciation, amortisation and impairments	17.1	5.6	9.0	0.3	**32.0**
Average number of personnel	1,602	701	80	42	**2,425**

[1)] Discontinued operations included in Group items

Geographical information, continuing operations

1-12/2017

EUR million	Sweden	Finland	Other countries	Total
Net Sales	1,060.1	376.4	91.2	**1,527.7**
Assets	691.2	231.2	0.0	**922.4**
Investments	30.0	16.0	-	**46.1**
Average number of personnel	1,940	745	2	**2,686**

1-12/2016

EUR million	Sweden	Finland	Other countries	Total
Net Sales	1,143.1	372.4	73.1	1,588.6
Assets [1)]	664.1	242.1	19.2	925.4
Investments	44.7	43.9	-	88.6
Average number of personnel	1,927	498	1	2,425

[1)] Includes discontinued operations

Alternative performance measurement reconciliation table

Invoicing, continuing operations **EUR million**	**2017** **10-12**	**2016** **10-12**	**2017** **1-12**	**2016** **1-12**
Net sales	395.2	411.2	1,527.7	1,588.6
+ Acquisition cost of consignment stock	471.6	442.5	1,789.6	1,757.1
+ Cash discounts	4.7	4.8	19.0	18.6
Invoicing, continuing operations	**871.6**	**858.5**	**3,336.3**	**3,364.2**

Adjusted EBITDA, continuing operations EUR million	2017 10-12	2016 10-12	2017 1-12	2016 1-12
EBIT	3.9	14.1	37.8	57.6
Depreciations and impairments	6.3	6.5	25.7	32.0
Share of results in joint venture	0.6	-	1.1	-
EBITDA	10.8	20.6	64.6	89.6
Adjusting items included in EBITDA	2.3	1.1	3.0	-4.2
Adjusted EBITDA, continuing operations	**13.1**	**21.7**	**67.6**	**85.4**

Adjusting items

Adjustments to EBITDA and EBIT exclude 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	2017 10-12	2016 10-12	2017 1-12	2016 1-12
Restructuring costs	0.0	-0.4	-0.3	-1.4
Costs of termination of the CEO service contract	-0.4	-	-0.4	-
Impairments	-	0.0	-	-6.4
Revaluation of contingent consideration	0.2	-0.1	0.2	6.3
Contractual liabilities due to delivery failures in Finland	-1.2	-	-1.2	-
Other	-0.8	-0.8	-0.4	-0.7
Adjusting items total	**-2.3**	**-1.2**	**-2.1**	**-2.2**

Adjusting items in 2017 include restructuring charges, and preparation costs incurred before the joint venture with Kesko was established in the Consumer business area, the costs of termination of the CEO service contract, the contractual liabilities due to delivery failures in Finland and costs of major business development projects, as well as an adjustment to the valuation of non-current assets in the Swedish Consumer business. Adjusting items in 2016 relate to restructuring charges in Consumer and Services. The impairment and revaluation items in 2016 relate to Svensk Dos.