



# ORIOLA TODAY

ANNUAL REVIEW 2018



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### About this report

Oriola's Annual report 2018 consists of two separate reports, Oriola Today and Financial review. Both reports are published in English and in Finnish. Oriola Today gives an overview of Oriola as a company, our business, sustainability work and our way forward. The financial review includes the Report of the Board of Directors, financial statements and information about shares and shareholders. To read the financial review, please visit [our website](#).



# Oriola in brief

Oriola is a Finnish publicly listed company with a strong position in the Swedish and Finnish health and wellbeing markets.

Our purpose is to help everyone to live healthy lives. We promote the wellbeing of people and animals by ensuring that medicines as well as health and wellbeing products are delivered in a safe and customer-friendly manner – whether through pharmacies, veterinarians, retailers, online channels or dose dispensing. In Sweden, Oriola owns Kronans Apotek, the third largest pharmacy chain, which offers expert guidance in health and wellbeing and an extensive range of products for consumers.

Our wide range of services helps pharmaceutical companies, pharmacies, private and public healthcare and other operators in the field to succeed. We want to be the preferred partner in the health and wellbeing industry in the Nordic countries. We are constantly developing our operations with our customers to respond to their own and society’s changing needs – together we will build the best solutions to support the wellbeing of people. We also fight climate change by striving to reduce the environmental footprint of our business in all areas.

Our most valuable resource is our highly competent and committed personnel. We offer our personnel interesting work assignments and the most versatile career paths within our field. As a work community, Oriola is equal, just and supports diversity.

# Oriola in numbers 2018

Net sales

1.6

EUR billion

Adjusted EBIT

36.9

EUR million

2,700

employees

327

pharmacies in Sweden

2.6

million customers in loyalty programme of Kronans Apotek

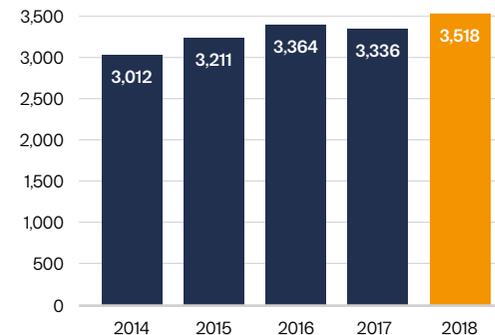
Nearly

7

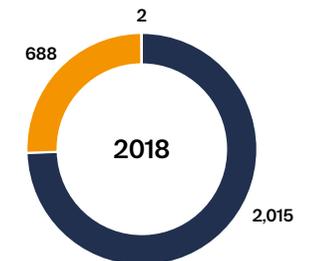
million boxes delivered per year

## Invoicing

EUR million



## Employees by country, FTE



● Sweden ● Finland ● Other countries



# Main events in 2018

## February

Oriola's new President and CEO Robert Andersson joins the company on 12 February.

## May

Oriola deepens its cooperation with Doktor.se, the second largest online medical centre in Sweden, by subscribing approximately 17% of the total number of its shares.

## August

Oriola and the provider for the new logistics and warehouse IT system in Finland agreed on a settlement contract that the provider contributes an amount of EUR 9 million to Oriola's incurred costs of the implementation of the new IT system.

## August

Stockholms läns landsting (SLL) and Oriola sign a three-year agreement on dose dispensing services of pharmaceuticals to approximately 35,000 patients in the Stockholm and Gotland areas. The cooperation will start during the first quarter of 2019 and increase our dose-dispensing volume to 100,000 dose-dispensing patients in Sweden and in Finland.

## September

Oriola announces a new operating model, updated strategy and long-term financial targets. Sustainability is included in the strategy level for the first time. Oriola starts an organisation change process to clarify and strengthen customer focus in all businesses and to create a strong Oriola culture. The new organisation is effective from 1 January 2019.

## October

Oriola celebrates its 70th anniversary in Finland. In 1948, Oriola was established to import and distribute medicines and sanitary wares.

## December

Oriola's and Kesko's joint venture Hehku, a health, beauty and wellbeing chain, announce that operations of the company will end by the spring of 2019. The joint venture has not reach its business and financial targets.



# CEO's review

For all of us working at Oriola, 2018 was a year of changes. We have had our share of challenges, but they have led us to take decisive steps forward. We have learned a great deal from the problems related to our ERP change in Finland at the end of 2017. We have seen the importance of good customer experience, internal collaboration and operational excellence based on good planning and execution. To ensure we benefit from this experience, we have renewed our Group Management Team and our organisational structure, and we have a clear purpose and strategy going forward.

Customer focus is the key driver of our change. We have now organised ourselves by customer segment to serve them better. Our new business areas are: Pharma, Retail and Consumer. These businesses serve the various needs of our customers, whether they are pharmaceutical companies, pharmacies, veterinarians, other healthcare operators, patients or consumers. We want to offer products and services that create real value for all our customers through the entire value chain in health and wellbeing.

I also want to highlight our efforts to strengthen our logistic and sourcing operations. In our new organisation, we have created a new "Operations" function, serving and supporting the development of all our business areas, whether the need is for wellbeing-focused e-commerce or regulated medical distribution.

2019 will be full of important steps to strengthen our business. We are ramping-up the Enköping distribution centre during the first quarter to secure the capacity and efficiency of our business in the growing Swedish market with modern and automated processes. By developing our digital approach in

Kronans Apotek, we want to ensure our capability of being part of growing e-commerce but also to build a strong omni-channel experience with partly-owned Doktor.se and our own health support experts in Sweden. We are also exploring further opportunities in the Retail business, where we have an interesting health and wellbeing assortment, not only for pharmacies but also for other retail operators.

I strongly believe that our competitive edge is that we can serve our customers holistically in the growing health and wellbeing segment – from pharmaceutical expert services to consumer e-commerce and health support services. To ensure an excellent customer experience, we must concentrate not only on the customers but also on our own people. Our organisational structure and joint purpose will enable us to become more connected and collaborative, and to work together to ensure that all synergies will be found.

In 2018, we also celebrated our 70th anniversary at Oriola Finland. Our cooperative heritage is strong in the Finnish healthcare market. I warmly thank our customers and partners for our shared journey in the past and in 2018. To the entire Oriola team – thank you for your commitment and hard work!

Robert Andersson  
President and CEO

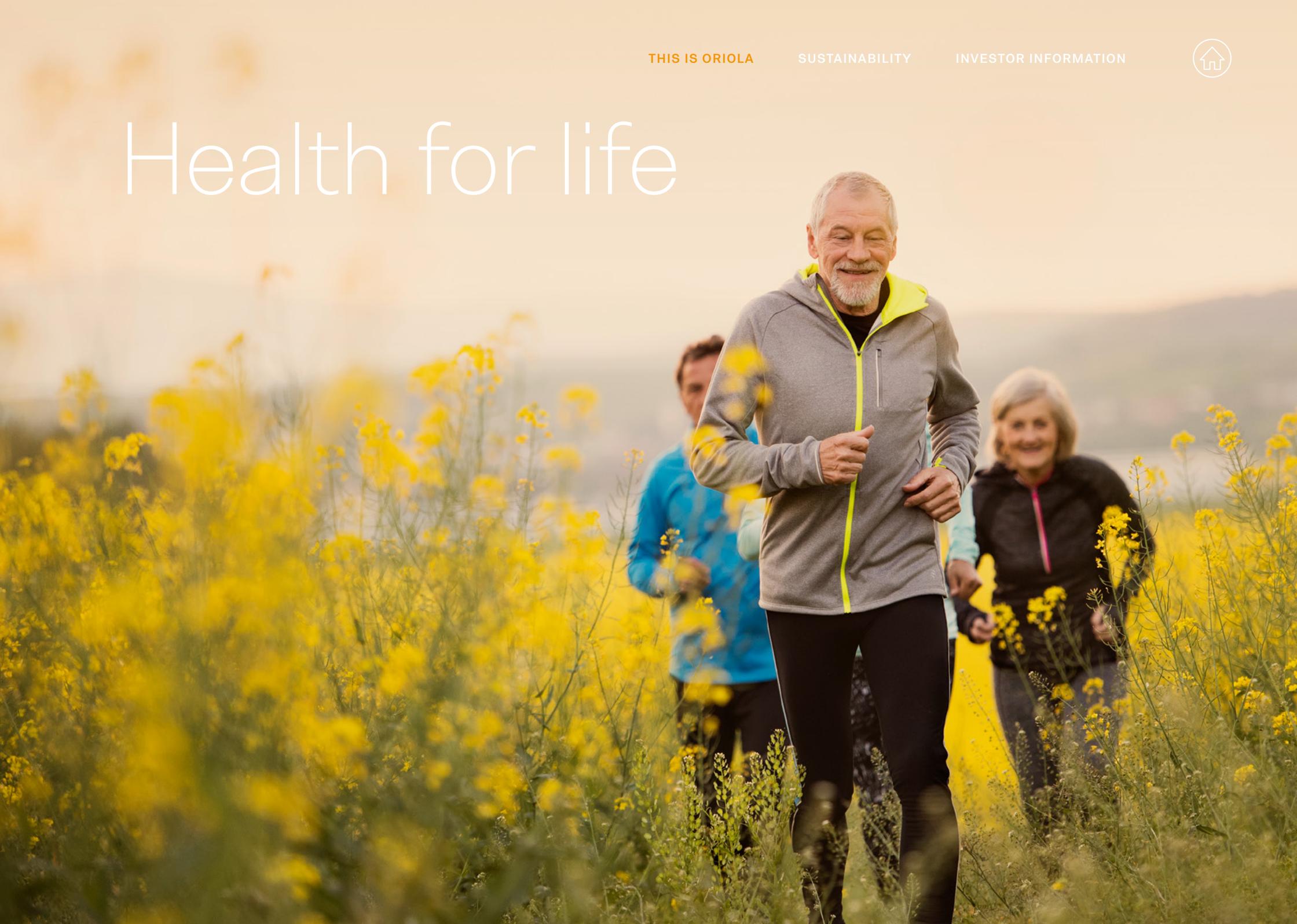


“

**Customer focus is the key driver of our change. We want to offer products and services that create real value for all our customers.”**



# Health for life





# We work for healthier people and societies

## MEGATRENDS

- Increased spending on wellbeing
- Digitalisation
- Ageing population
- Growth in speciality pharmaceuticals
- Sustainability



## STRATEGIC FOCUS AREAS

- Customer focus and operational excellence
- Value creation by digitalisation for all businesses
- Build capabilities to respond to future challenges
- Identify and develop synergies and corporate culture
- Regain and grow profitability based on cost efficiency and quality of service



# Megatrends drive the business

The global change forces impacting our business present new opportunities and challenges. We have identified the five megatrends that have the most relevance for us. We are prepared for these changes as we constantly develop our business to meet the changing needs of society, consumers and the operators in the health and wellbeing market.



## Increased spending on wellbeing

People are increasingly interested in their health and want to feel good. Spending on health and wellbeing is on the rise.

We offer expert advice on health and wellbeing and an extensive, high-quality service and product selection for pharmacies and for consumers in our Kronans Apotek pharmacies in Sweden.



## Digitalisation

Consumers are increasingly demanding and technically proficient and therefore expect digital services to be available for their convenience. The retail business is becoming increasingly digitalised and digital services are becoming a necessity.

We constantly develop our e-commerce and digital services for our customers. Our goal is to provide a seamless and superior customer experience through continuous development.

For example, Kronans Apotek serves its customers through its online store and mobile apps. Additionally, we are digitalising our logistics and expert services for pharmaceutical companies.



## Ageing population

Life expectancy is increasing. The ageing population is growing, leading to growing healthcare requirements and costs. This offers new business opportunities in services provided to public and private healthcare.

We provide pharmaceutical and dose-dispensing services for public and private sector customers in Sweden and dose-dispensing services for pharmacies in Finland.

We provide expert services to pharmacies, pharmaceutical companies and healthcare operators.



## Growth in speciality pharmaceuticals

The demand for the speciality pharmaceuticals used especially in hospitals is growing. These expensive and sensitive biomedicines require special handling, storage and transport.

We provide high-quality logistics for speciality pharmaceuticals. The unique handling new medicines and new special services for small customer groups will create new business opportunities.

We offer pharmaceutical companies expert services to help them to enter our market with these totally new medicines.



## Sustainability

Sustainability includes economic, environmental and social aspects of operations. People are increasingly expecting companies to be transparent and to actively communicate their activities related to environmental and social responsibility.

We have identified sustainability themes to develop our sustainability impact. Through **our sustainability work**, we contribute to the effort to meet the United Nations' global Sustainable Development Goals (SDGs).



# We operate in two different pharmaceutical markets

We provide expert services as well as health and wellbeing products in the Finnish and Swedish markets. In Finland, the pharmacy market is highly fragmented, whereas in Sweden most pharmacies operate in chains and have online channels.

## Finland

Medicines may only be sold in pharmacies. The Finnish Medicines Agency Fimea decides the number and location of pharmacies in the country and grants licences for individual pharmacies. Pharmacies can be owned only by pharmacists or by two universities, the University of Eastern Finland and the University of Helsinki. The Helsinki University pharmacy is the only pharmacy chain in Finland with 17 pharmacies.

Online pharmacy sales are still in their infancy, and since the market is highly fragmented, there is no reliable information available on its size. In general, online retail business is growing quickly in Finland. Estimated Finnish net online sales were 12.2 billion euros in 2018, which represents 18% growth from 2017 (source: Paytrail).

2.6 <sup>EUR</sup>  
billion

The value of the Finnish pharmaceutical market in 2018

Source: Pharmarket

815

pharmacy outlets in Finland and over 170 medicine cabinets or service points of pharmacies in remote areas.

Source: The Association of Finnish pharmacies

1.5%

the estimated annual growth of pharmaceuticals sales until 2022

Source: IQVIA

Approximately  
600

proprietary pharmacists in Finland

Source: The Association of Finnish pharmacies

## Sweden

Prescription medicines are only sold in pharmacies, but some OTC products are available in grocery trade shops.

The operators in the Swedish pharmacy market vary a great deal. Most pharmacies are part of large chains, but about 50 are run by independent entrepreneurs. Most pharmacy chains have online shops, and there are also pharmacies operating only online. (Source: Apoteksföreningen)

4.4 <sup>EUR</sup>  
billion

The value of the Swedish pharmaceutical market in 2018

Source: Reveal

1,428

pharmacies in Sweden

Source: Apoteksföreningen

17%

Kronans Apotek's market share in 2018

Source: Apoteksföreningen

4%

the estimated annual growth of pharmaceuticals sales until 2022

Source: IQVIA

38%

online sales growth in the pharmacy market in 2018. Online sales represent 8% of the market.



# Our strategy focuses on our customers

With our long-standing heritage and expertise, we offer the industry's widest range of services across the entire value chain.

We want to promote health for life, whether it is helping people live their fullest life with access to the right products and services or working with other partners in collaborative ways to support health across the industry. This means supporting initiatives and processes that lead not only to healthier individuals, but also healthier societies.

Our updated strategy is the base for the approach to examine and do everything with a "customer-first" attitude. By organising ourselves to support accountability and customer responsibility, we focus on executing an excellent customer experience for everyone, every day. For us, working towards a stronger Oriola culture means not only better collaboration and business synergies but facing future challenges with the best capabilities across the organisation.

## Strategic focus areas 2019–2021

### Customer focus and operational excellence

- We develop a holistic customer experience and work with a "customer-first" attitude in all businesses
- We drive lean and harmonised processes to ensure excellent operations

### Value creation by digitalisation for all businesses

- We develop our e-commerce capabilities and value-adding omni-channel experience for our consumer customers
- We build a digital ecosystem for the entire industry value chain

### Build capabilities to respond to future challenges

- We focus on employee competence development in a rapidly changing business environment
- We develop future-proof leadership skills and encourage an open and collaborative culture

### Identify and develop synergies and corporate culture

- We drive change and seek synergies with our customer-focused organisation
- We forge ahead with a purpose-driven strategy and collaborative way of working

### Regain and grow profitability based on cost efficiency and quality of service

- We seek continuous improvement for our efficiency and cost base while maintaining high standards of quality
- We focus on executing all projects with excellent leadership and change management

## Oriola long-term financial targets

- Business growth at the rate of the market
- Annual EPS growth over 5 per cent without non-recurring items
- Return on capital employed of over 20 per cent
- Adjusted gearing ratio of lower than 70 per cent\*

\*Non-recourse trade receivables are added to the net debt, as before



# We create value through the entire healthcare value chain

## Inputs

### Financial

- Capital employed

### Human

- 2,700 employees, of whom over 1,500 are pharmacists

### Infrastructure

- 2 distribution centres
- 2 central warehouses
- 327 pharmacies
- 2 dose-dispensing units

### Social/Relationship

- Open dialogue with customers, employees and other stakeholders, incl. officials and regulators
- Partnerships and collaboration, incl. wide network of research pharmacies
- Active participation in various associations

### Natural

- Energy 29.5 GWh
- Fuel and water

### Intellectual

- Pharmaceutical knowledge
- Service concepts and processes
- Leadership
- Brands

## Our business



**We serve our customers throughout the pharmaceutical value chain. Our expert services and logistics help our customers to succeed and our knowledge in pharmacies advances medical safety. Through our wide range of health and wellbeing products, we support health for life.**

## Outputs & impacts

### Customers

- Pharmaceutical advice and health and wellbeing products for consumers
- Sourcing and staffing services for pharmacies
- Expert services for pharmaceutical companies
- Warehousing and distribution services

### Employees

- Strong Oriola culture, open and fair working environment
- Direct and indirect employment
- Versatile career opportunities
- Training and development
- Wages, salaries and bonuses EUR 121.4 million in 2018

### Shareholders

- Growth of profitability based on cost efficiency and quality of services
- Earnings per share EUR 0.07 in 2018
- Equity per share EUR 1.00

### Suppliers and partners

- Safe and on-time distribution network for pharmaceuticals and health and wellbeing products
- Sold goods

### Society

- Availability and safe dispensing of medicines
- Medical advice to improve people's health and wellbeing
- Efficiency in public and private healthcare
- Investments EUR 39.6 million
- Taxes

### Environment

- Efficient use of resources
- Minimising environmental impact
- Goods transportation CO<sub>2</sub> emissions 2,140 tCO<sub>2</sub> in 2018
- Waste 1,628 tonnes in 2018



# Our business





# Business areas

Our business areas in 2018 consisted of the following reportable business areas: Consumer, Services and Healthcare. After our organisation change, effective from 1 January 2019, our current business areas are Consumer, Pharma and Retail.

Business Areas in 2018	Shares of net sales 2018, continuing operations	Business Areas as of 2019	
<p><b>Consumer</b> Retail services and products for consumer health and wellbeing.</p>	48%	<p>We changed our organisation to be able to develop and better fulfil customer needs. The new organisational structure enables us to realise business synergies, as well as improve operational excellence and cost efficiency.</p> <p>To ensure strong logistics service development as well as sourcing efficiency, we established a new Operations group function. It serves all our business areas and includes logistics operations, operational and indirect sourcing, as well as dose manufacturing.</p> <p>Our main target for 2019 is to achieve operational excellence and be more customer-focused throughout the organisation as a whole.</p>	<p><b>Consumer</b> Retail services and products for consumer health and wellbeing.</p>
<p><b>Services</b> Tailored services for pharmaceutical companies, pharmacies, hospital pharmacies, veterinarians and veterinary clinics in Finland and Sweden. A large assortment of healthcare consumer products for retail in Finland.</p>	46%		<p><b>Pharma</b> Tailored logistics and expert and advisory services for pharmaceutical companies, and a wide range of pharmaceutical products for pharmacies, hospital pharmacies and veterinarians.</p>
<p><b>Healthcare</b> Services for hospitals, health centres, dentists, veterinarians and veterinary clinics. Pharmaceutical and dose dispensing services for public and private sector customers in Sweden, and dose-dispensing services for pharmacies in Finland.</p>	6%	<p><b>Retail</b> A wide range of health and wellbeing products for pharmacies, veterinarians, private and public healthcare operators and retailers, as well as services for pharmacies, including dose services and staffing.</p>	

**Business areas**

# Consumer

Consumer offers products and services for health and wellbeing for our customers through Kronans Apotek, the third largest pharmacy chain in Sweden. Our goal is to combine pharmacies and digital channels for a unique and seamless customer experience.

## Serving customers throughout their health journey

Our target is to be a modern and customer-focused pharmacy that serves customers throughout their health journey. By providing high-quality assortment of products and expert advice on health and wellbeing both in pharmacies and digital channels, Kronans Apotek has a strong position in the Swedish market.

Our committed personnel, approximately 1,000 pharmacists and a great number of other experts, play a key role in helping our customers with their individual health and wellbeing needs. To fulfil individual needs, we customise and localise the assortment in our 327 pharmacies across the country. In 2018, the customer satisfaction index at Kronans Apotek was 88, and our customer loyalty programme has over 2.6 million members.

## Digital services to address broader customer needs

Digitalisation plays an important part in the customer experience and offers us opportunities to address the broader needs of our customers. For example, in 2018 we strengthened our cooperation with online medical centre Doktor.se, which Oriola partly owns.

Additionally, we provide mobile application for consumers to help and improve correct medicine usage. The application is a

simple way for customers to manage prescriptions, get personal counselling on prescription medicines and to see a medicine's current availability. The app has over 140,000 users in Sweden.



**You have the medicines I need or you order them for the pharmacy. Quick and nice service. I will continue to shop with you!"**

Woman, 77 years

Feedback from the customer survey of Kronans Apotek



# 63% growth

in our online business in 2018



## Business areas

# Pharma

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

## Expert services integrated in logistics

We want to be a trusted partner for pharmaceutical companies from logistics needs to innovative expert services that enable our customers' success. Through strong Nordic collaboration and account management, we can offer pharmaceutical companies Nordic-level partnership.

Our logistics manages the pharmaceutical product flow all the way to pharmacies. Pharma acts in close cooperation with the Operations group function to offer tailored and cost efficient logistics solutions for all customers.

## Digital solutions create new opportunities

Pharma offers pharmaceutical companies an extensive portfolio of expert services for the medicine's entire life cycles, from clinical research all the way to market access and pharmaceutical logistics, sales and marketing services, medical information and patient support.

The changing needs of society and digitalisation create interesting opportunities for growth and innovation for expert services. For example, our solutions can support the trend of diseases being increasingly managed and monitored at home.

We are enhancing our customer experience by digitalising our logistics and expert services. With our future digital solutions,

we are able to integrate the services with the patient's medication, for example. This will tie Oriola's business to pharmaceutical companies, pharmacies and patients, and create a seamless customer experience for patients and our stakeholders.



**Research is a natural part of daily work at our pharmacy, and it deepens our customer service."**

Martti Mähönen  
Owner of Leppävirran Apteekki,  
the research pharmacy of the year 2018



# 24,000

medical information cases per year



**Business areas**

# Retail

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

Our wide offering ranges from our extensive selection of products, category management, ordering and delivering to dose dispensing and staffing. Through our unique understanding of the whole healthcare value chain we can offer efficient and value-added services to our customers. Our target is to develop service concepts in close cooperation with our customers to support their business success.

## Extensive offering for pharmacies

For pharmacies, Retail provides a wide range of health and wellbeing products, as well as sales and marketing services. We also offer staffing services to approximately 320 pharmacies annually, and 120 pharmacies have used our staff-optimising services to find a customer-oriented and cost-effective staffing solution.

Our traded goods product portfolio includes vitamins, dietary supplements, pharmaceutical cosmetics, and wound care products. The well-known brands include Lysi, Moomin and our own brands such as Pan-Suola, Apteekkarin, Dexal and Pharmacare. In 2018, we launched the Eucerin brand for Finnish pharmacies.

## Dose dispensing for the public and private sector

For private and public healthcare operators, Retail provides pharmaceutical and dose-dispensing sales in Sweden and dose-dispensing sales for pharmacies in Finland. Additionally, we offer a special licensed medicine import service, special license

coordination, and consultation services for pharmaceutical companies and officials.



**I am happy that we are again able to offer the Eucerin skincare line to the customers of Finnish pharmacies in cooperation with Oriola.”**

Mirjam Bauhr  
Nordic Pharmacy Director, Beiersdorf AB



Approximately

# 4,000

wellbeing products for pharmacies in our portfolio



# Operations

Operations is a new group function serving all our business areas. It includes logistics operations, operational and indirect sourcing and dose manufacturing. By centralising operations, we increase efficiency throughout the group.

## Comprehensive logistics services

Our logistics network covers all of Sweden and Finland, and we provide warehouse services for the whole Nordic region. Our distribution centre and central warehouse in Finland is in Espoo. In Sweden, our distribution centre is in Enköping, and our central warehouse is in Mölnlycke. In 2018, we continued to implement the new ERP system in Finland, and in the first quarter of 2019, we are introducing a new automated logistics facility in use in Enköping.

A high-quality and efficient supply chain is the basis of our operations. Through our distribution centres, we handle thousands of product items per day. We ensure that pharmaceutical products are delivered to our customers within 24 hours and follow Good Distribution Practice.

The fast growth of e-commerce requires efficient and specialised logistics capabilities. We are continuously developing our abilities to meet consumer expectations. For example, the expansion of Enköping significantly increases our storage capacity for e-commerce.

## Efficient automated dose dispensing

In dose dispensing, all daily doses of medicines are packed in pouches for each patient with an automated dose-dispensing

machine and delivered to, e.g. pharmacies or home care. This improves medicine safety, since automated dose dispensing is more reliable than manual dispensing. Our dose-manufacturing units are located in Helsinki in Finland and in Uppsala in Sweden.

“

**Oriola has been a long-term trusted partner for us, and both parties are committed to working together.”**

Sanna Raappana  
Managing Director, Orifarm

2,500

logistics customers per day





# Sustainability at Oriola





# Sustainability development at Oriola

In 2018, we defined our sustainability approach in our refreshed strategy. We have identified our key sustainability themes in line with the Sustainability Development Goals (SDGs) set by the United Nations. We play a responsible role in the whole pharmaceutical distribution value chain – we help our customers, from the pharmaceutical companies to end users.

To strengthen our sustainability impact, we have started the systematic development of sustainability. For example, during 2018, our Group Environmental Policy was approved, and we joined the UN Global Compact and committed to the Ten Principles of the United Nations Global Compact (UNGC). We also launched an online Code of Conduct training to reach all our employees and started to implement our Business Partner Code of Conduct with our direct product suppliers.

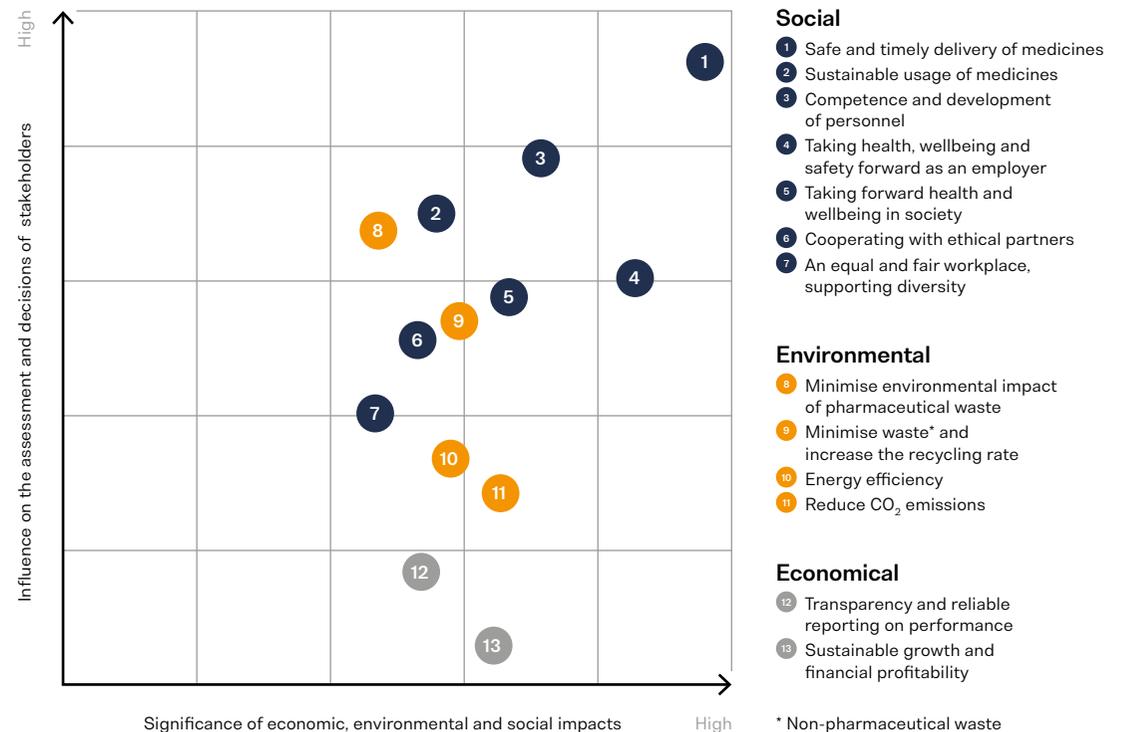
## Stakeholders' expectations for our sustainability work

Constant dialogue with our stakeholders is essential for us to develop our way of working. In 2018, we conducted a sustainability stakeholder questionnaire with our key stakeholders (customers, personnel, investors and other business partners) to assess how our sustainability agenda is focusing on the relevant topics.

We received more than 460 replies to the questionnaire and supplemented the results with interviews with selected investors and customers.

In line with stakeholder analysis and Oriola's strategic sustainability approach, we defined our sustainability themes and will set targets for each theme. Our sustainability themes are People and Society, Climate and Environment, Responsible Partner and Economically Sustainable.

Read more about sustainability at Oriola on [our website](#).



Our sustainability topics are presented in the matrix above, where the vertical axis shows influence on the assessment and decisions of stakeholders and the horizontal axis significance of economic, environmental and social impacts of Oriola.



## Sustainability themes

# People and society

We play an important role in society in ensuring safe and on-time deliveries and sustainable usage of pharmaceuticals. Competent and engaged employees are the key success factor and the foundation of sustainable business for Oriola.

**We ensure the safe distribution of pharmaceuticals**

Securing pharmaceutical safety takes priority in our operations. Our operations are designed to ensure availability as well as safe, on-time deliveries of pharmaceuticals in compliance with the regulatory requirements.

Our pharmacy personnel in Sweden and in Finland give daily medical advice to consumers to improve their health and well-being. In addition to medical advice, we secure patients' correct pharmaceutical usage by providing dose-dispensing services, home-nursing services in Sweden and medical information services in Finland and Sweden.

**Versatile job opportunities for 2,700 employees**

By investing in the competence and development of our personnel, we add value to our customers, meet the quality requirements of the pharmaceutical sector and ensure our competitiveness in a market that is undergoing rapid and continual digitalisation. We encourage our employees to improve their professional skills through training, internal job rotation and career paths. We offer training from on-the-job training in logistics to expert duties in the pharmaceutical sector and pharmacies. Our versatile range of jobs in the pharmaceutical sector enables learning on the job and career progress within the company. Promoting diversity, wellbeing, health and safety is important to us as an employer.

“

**An attractive employer acts responsibly for the environment, employees and society. Sustainability is an integral part of business.”**

Oriola employee  
Sustainability stakeholder questionnaire 2018

**Employees by gender, %**

● Female ● Male

**Employees by age group, %**

● under 30 years ● 30-49 years ● 50 years and over

More than

# 1,500

pharmacists help people every day



## Sustainability themes

# Responsible partner

We act as an efficient and reliable channel between pharmaceutical and other manufacturers and consumers. Quality management and compliance with regulations are the foundation of our operations. Our aim is always beyond regulatory compliance levels, and we also require high ethical standards from our partners.

## We follow quality management standards and regulations

Our quality management is based on the laws and regulatory requirements applicable in the pharmaceutical sector as well as on quality management standards, especially ISO 9001 and the Good Distribution Practice (GDP). Pharmaceutical distribution and wholesale are regulated by the GDP of the European Medicines Agency (EMA). Where applicable, our operations are also guided by the Good Manufacturing Practices (GMP) and other regulations concerning products that come under regulatory control, such as food and cosmetics. Each year, Oriola is audited up to 80 times by pharmaceutical companies and officials.

## Our Code of Conduct lays the foundation for everything we do

The Oriola Code of Conduct outlines the ethical principles concerning our work. The Code of Conduct applies to all our employees and businesses, and each employee is expected to follow it. The Code of Conduct represents Oriola's company culture, which is based on law, good corporate governance, openness, fairness and confidentiality.

We refreshed our Code of Conduct in late 2017 and launched an updated training for all employees in the Group. During 2018, more than 40 classroom training sessions were organised to dis-

cuss our key principles. In addition, our online Code of Conduct training reaches all our employees.

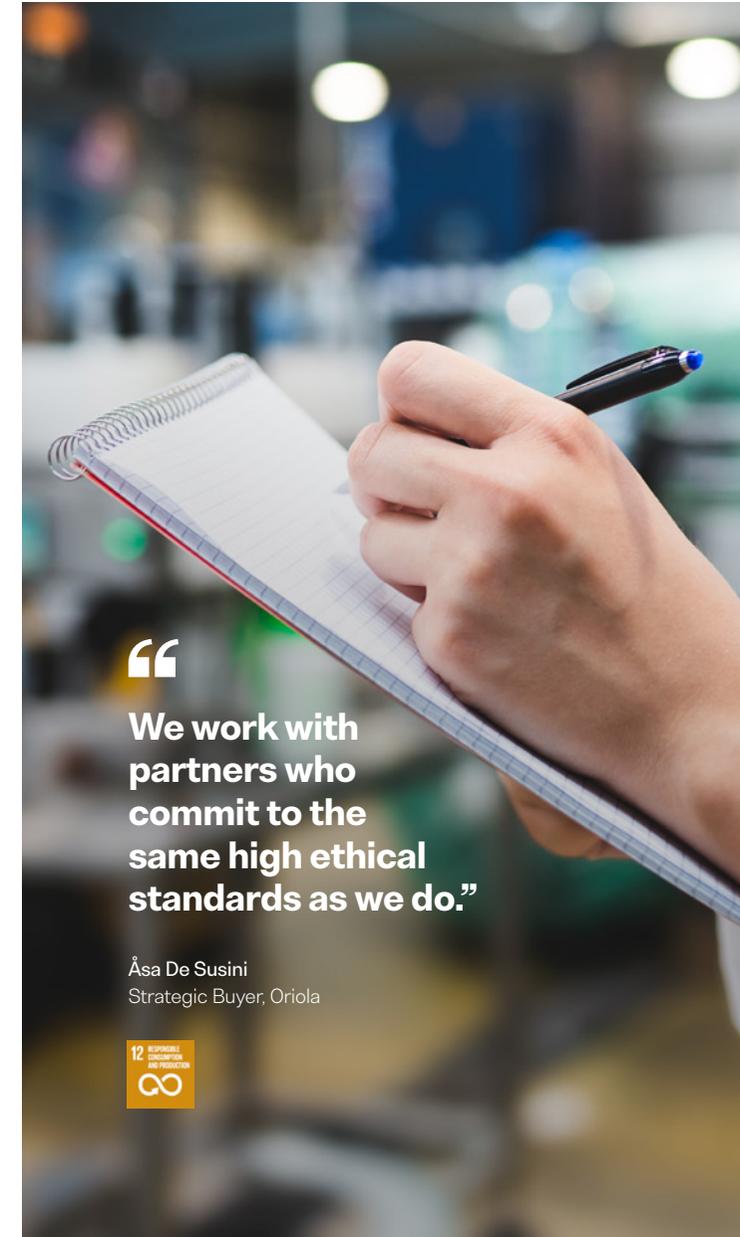
## Business Partner Code of Conduct for our suppliers and partners

Procurement principles, supplier selection and approval processes are important to us, because we want to be a responsible and reliable company. We have Business Partner Code of Conduct. We expect our suppliers and other business partners to demonstrate their commitment and our requirements concerning bribery and corruption, human rights, discrimination, environmental impacts and transparency.

Nearly

# 230

direct product suppliers have been benchmarked against Oriola's supplier practices in 2018



“

**We work with partners who commit to the same high ethical standards as we do.”**

Åsa De Susini  
Strategic Buyer, Oriola





“  
In 2018, usage of plastic shopping bags in Kronans Apotek pharmacies was reduced by 62% compared to 2017.”

Frida Hemmingsson  
Environmental and Sustainability Manager, Kronans Apotek



Sustainability themes

# Climate and environment

As an important actor in the pharmaceutical value chain, our responsibility is to minimise our impacts on the environment.

### Safe disposal of pharmaceutical waste

Each year, Oriola processes and sends for proper destruction hundreds of thousands of kilograms of pharmaceutical waste. We help our clients to safely and correctly dispose of pharmaceuticals, non-pharmaceuticals and hazardous waste. A major part of the pharmaceutical waste disposed of by Oriola comes from the waste collection points of Kronans Apotek's pharmacies, where consumers can bring pharmaceuticals they no longer use or that have expired.

### We improve energy efficiency

The significant environmental impact of our operations is associated with the energy consumed by our facilities. The energy efficiency projects of our large warehouses and offices in the

last few years have created major annual savings in energy consumption, emissions and costs. We continue to invest in renewable electricity and the efficient use of energy.

### We reduce CO<sub>2</sub> emissions

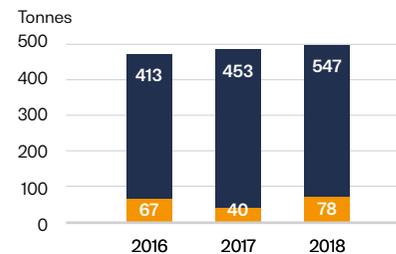
We deliver pharmaceuticals and other health products daily to approximately 800 pharmacies in Finland and 1,400 in Sweden. In addition to the regulatory requirements associated with pharmaceutical distribution, transportation is planned to be as environmentally efficient as possible. Our long collaboration with transportation companies allows us to ensure a high rate of capacity usage and optimised route planning. We continue our work with our transportation partners to find options to reduce CO<sub>2</sub> emissions.

### Energy consumption by source



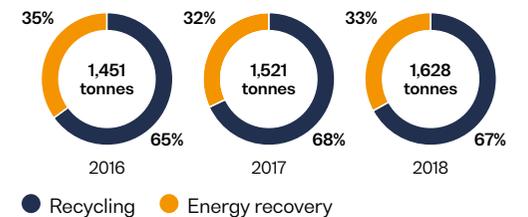
● Electricity from mixed resources ● Renewable electricity ● District heating

### Collected pharmaceutical waste



● Sweden ● Finland

### Non-pharmaceutical waste<sup>1</sup>



<sup>1</sup> Waste generated in everyday business operations and collected from Oriola Group facilities



## Sustainability themes

# Economically sustainable

At Oriola, economic sustainability means that we produce economic added value for shareholders and other stakeholders, such as personnel, customers, suppliers and society. We develop our operations systematically and utilise our resources efficiently.

Good corporate governance is the base for economic sustainability, as well as open and regular communication about the development of our financial and sustainability performance and the factors affecting it. We describe our economic impacts in more detail in our value creation model, and key financial figures are presented in the financial statements. Both are published on company website.

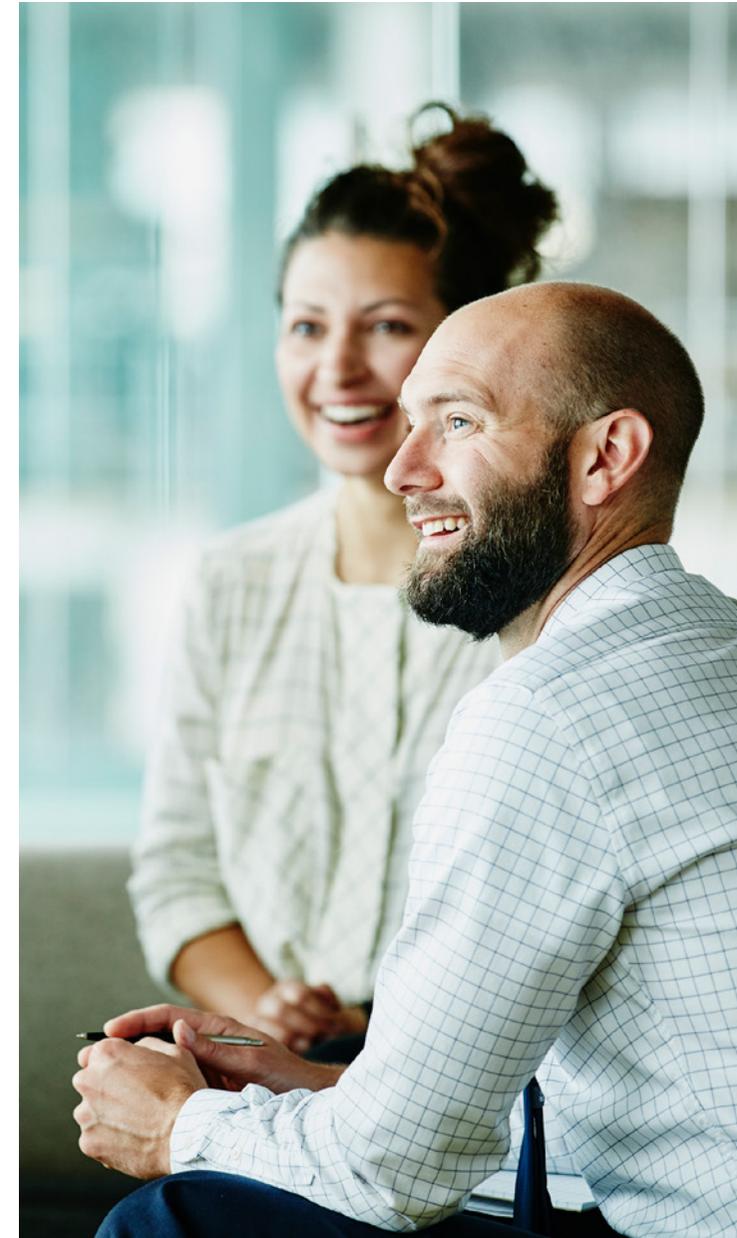
We see economic sustainability beyond financial reporting. Our Code of Conduct guides management and personnel practices. For example, Oriola has a Whistleblower channel for reporting actions that are felt to be in violation of the Code of Conduct.

Oriola supports a transparent company culture and publishes its tax footprint, which consists of income taxes and other taxes and corresponding charges related to our business operations. Oriola pays taxes to each country in which it operates in accordance with local legislation. Oriola does not have subsidiaries in countries seen as tax havens. Our tax footprint is published on the company [website](#).

“

**For us, reliable and open financial and sustainability reporting is the base for good corporate governance.”**

Katja Tolkki  
Head of Sustainability, Oriola





# Investor information





# Five reasons to invest in Oriola

Oriola has long experience and a strong position on the Finnish and Swedish pharmaceutical markets. Oriola uniquely unites consumers and pharmaceutical companies. In its own pharmacies, Oriola offers expert advice on health and wellbeing and an extensive and high-quality selection of products. Oriola offers a wide selection of expert services to healthcare operators in Sweden and Finland, and ensures that pharmaceuticals, health products and services are delivered in a safe and customer-friendly manner.

Oriola Corporation is listed on Nasdaq Helsinki. Oriola Corporation's class A and B shares are quoted on the main list of the Nasdaq OMX Helsinki exchange. The company's field of business on the stock exchange is Health Care Distributors and the company is classified under Health Care. The ticker symbol for the class A shares is OKDAV and for the class B shares OKDBV.

## 1 Oriola's main markets offer a stable, attractive operating environment

- Customer demand over the cycles and market share have been relatively stable.
- A significant share of Oriola's business is heavily regulated, which creates a high cost for entering the market.

## 2 Customer-oriented services throughout the lifecycle of the medicine

- Pharmaceutical companies have a growing need of full-service expert partners like Oriola.
- Oriola has a strong position in the Swedish consumer market. Kronans Apotek is the third largest pharmacy chain in Sweden.
- The demand for dose-dispensing services is increasing, and Oriola has a strong market position.

## 3 Structural market growth boosted by megatrends

- Current customer's purchases are increasing, and new customers are entering the market.
- Growth of the digital business has only just began.

## 4 The company's short-term focus is on profitability improvement

- Profitability improvement can be achieved mainly through Oriola's own internal actions.
- Success requires better utilisation of economies of scale, as well as streamlining of processes.
- The aim is to achieve a steady cash flow that enables dividends.

## 5 Internal transformation in full swing

- A new customer-focused organisation from the beginning of 2019.
- Leadership has been renewed.
- Development of the company culture has started from the fundamentals - purpose, vision and strategy.



# Members of the Board of Directors 2018–2019



**Anssi Vanjoki** (1956)

Chairman  
M.Sc. (Economics)  
Independent member of the Board since 2015



**Eva Nilsson Bågenholm** (1960)

Vice Chairman  
Chairman of the Compensation and Human  
Resources Committee  
Physician  
Independent member of the Board since 2015



**Juko Hakala** (1970)

M.Sc. (Economics)  
Independent member of the Board since 2018



**Anja Korhonen** (1953)

Chairman of the Audit Committee  
M.Sc. (Economics)  
Independent member of the Board since 2014



**Mariette Kristenson** (1977)

M.Sc. (Economics)  
Independent member of the Board since 2016



**Lena Ridström** (1965)

M.Sc. (Economics)  
Independent member of the Board since 2016



**Staffan Simberg** (1949)

MBA  
Independent member of the Board since 2015

Please find more information on the Members of the Board of Directors on [our website](#).



# Group Management Team



**Robert Andersson** (1960)

President and CEO<sup>1</sup>  
since 12 February 2018



**Katarina Gabrielson** (1969)

Vice President, Business Area Retail  
since 1 January 2019  
With the company since 2012



**Thomas Gawell** (1963)

Vice President, Business Area Pharma  
since 1 January 2019  
With the company since 2001



**Anne Kariniemi** (1970)

Vice President, Operations  
since 21 January 2019



**Helena Kukkonen** (1972)

Chief Financial Officer  
since 12 March 2018



**Tuula Lehto** (1973)

Group Communications Director  
since 1 October 2017



**Charlotta Nyström** (1972)

Chief Information Officer  
since 1 June 2018



**Petter Sandström** (1976)

General Counsel since 2012  
With the company since 2008



**Teija Silver** (1964)

Vice President, Human Resources  
since 2006



**Anders Torell** (1967)

Vice President, Business Area Consumer  
since 2 January 2018

## Changes in Group Management Team

Kimmo Virtanen was Executive Vice President, Services Business until 26 June 2018. Jukka Mäkelä was Vice President, Development and Information Management until 31 March 2018. Sari Aitokallio was Chief Financial Officer until 12 February 2018.

<sup>1</sup> Robert Andersson was interim leader for the Services Business from 26 June 2018 to 31 December 2018 and for Operations from 1 January 2019 to 21 January 2019.

Please find more information on the members of the Group Management Team on [our website](#).



**Oriola Corporation**

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