FINANCIAL REVIEW 2018

ORIOLA - HEALTH FOR LIFE

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The financial review of the Annual Report 2018

The financial review includes the Board of Directors' report, audited financial statements and auditor's report as well as information about the shares and shareholders and key figures and financial development.

Basis for preparation

The accounting principles are presented in the relevant parts of the notes to the financial statements in order to make the report more user-friendly. The basis for preparation part of the note is highlighted.

Use of estimates

If the accounting area presented in the note involves estimates and judgement, those estimates and judgements are described separately in the relevant note. The description of the use of estimate in the note is marked with italic font and highlighted.

Non-financial information

Oriola gives the non-financial information according to the Finnish Accounting Act and using the Nasdaq ESG Reporting Guide as appropriate in the Report of the Board of Directors. The non-financial information and related key performance indicators are presented in chapter 5 Non-financial information of the Report of the Board of Directors.

Report of the Board of Directors

1. Business review

Operating environment

In 2018, the pharmaceutical market growth accelerated in both Finland and Sweden, driven by higher average sales prices of pharmaceutical products. The sales of traded goods also grew fast, driven by e-commerce and consumers' willingness to invest in health and wellbeing. Consumer confidence declined somewhat towards the end of 2018 in both countries but remained close to long-term average levels.

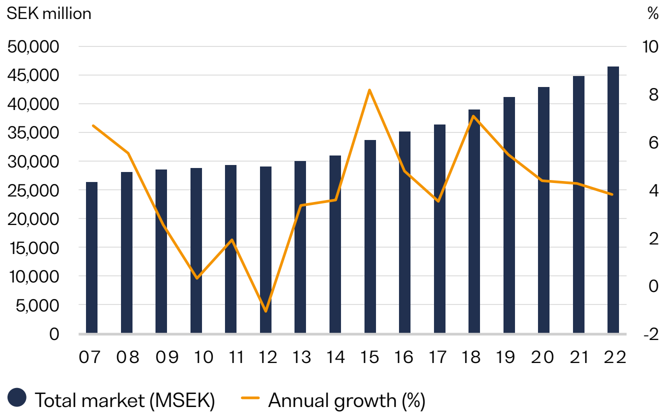
In Sweden, the growth in the pharmacy market continues to be driven by online sales. The growth rate of physical retail establishments continued to decline compared to the previous years. E-commerce growth in 2018 was approximately 38%, online sales accounting for 8% of the total market. The online opportunities continue to bring new competitors into the marketplace, and traditional pharmacy chains are developing online capabilities to match the offerings of new entrants. Price competition is expected to continue, both online and offline. In Finland, online business is also rapidly growing but is still behind Sweden.

The number of patients in dose dispensing continues to grow moderately both in Sweden and Finland. In Sweden, the competition has continued to put pressure on dose fees paid by the county councils. The fee has been zero or negative in the latest tenders. It is characteristic for the dose dispensing tendering process in Sweden that decisions on awarding contracts are contested by the competitors, resulting in appeals, re-tendering and overall lengthy tender processes.

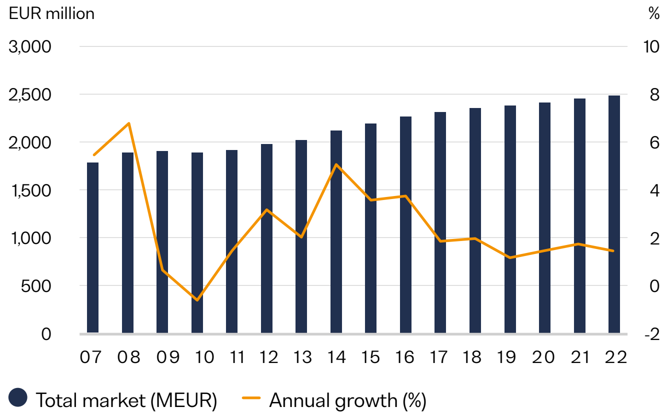
The Health and wellbeing market is evolving and offering consumers new products and services. The competition in this marketplace is intense and online sales are impacting both assortment and pricing. The public sector is increasingly seeking ways to control the higher costs of healthcare, and these measures offer the pharmaceutical service providers new opportunities, but on the other hand put pressure on pricing of products and services. The pharmaceutical market is expected to continue to grow also in 2019.

Changes in the pharmaceutical regulatory environment along with changes in pricing and reimbursement of medicines continued to impact the markets in which Oriola operates. In Sweden the obligation for wholesalers to deliver pharmaceuticals to pharmacies within 24 hours from receiving the orders, as well as new rules for return of products by pharmacies to wholesalers took effect in 2018. In Finland the social and healthcare reform will change the financing and structures of healthcare, from primary care to specialised treatments. The pharmacy sector regulation did not take any major steps in 2018 but the pressure for change is growing.

Pharmaceutical market growth Sweden[1]



Pharmaceutical market growth Finland[1]



[1] Source: IQVIA

The Group's net sales and result for January–December 2018

Invoicing increased by 5.5% (decreased 0.8%). On a constant currency basis invoicing increased by 10.1%. Invoicing increased mainly in the Services Business Area due to increased volumes in Sweden.

Oriola's net sales increased by 1.6% (decreased 3.8%) to EUR 1,552.2 (1,527.7) million and adjusted EBIT decreased by 7.7% (decreased 33.3%) to EUR 36.9 (39.9) million. The adjusting items were EUR -14.9 (-2.1) million, and EBIT was EUR 22.0 (37.8) million.

January–December net sales on a constant currency basis increased 6.5% to EUR 1,626.2 million. The depreciation of the Swedish krona from the corresponding period impacted the euro denominated adjusted EBIT by EUR -2.2 million. The adjusted EBIT at constant currencies was EUR 39.1 million.

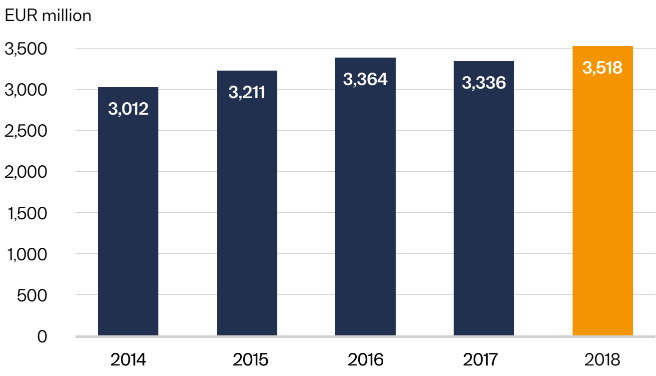
On 17 August 2018, Oriola announced that Oriola and the provider of the new logistics and warehouse IT system have mutually agreed to end the current contract by 31 December 2018 by entering into a settlement agreement. The parties agreed that the provider for the new IT system will contribute an amount of EUR 9 million to Oriola's incurred costs, and the amount was paid to Oriola during the third and fourth quarters of 2018. Oriola recognised the amount in other operating income.

Oriola announced on 21 November 2018 that Hehku, the joint venture with Kesko, had not reached its business and financial targets. The co-operation negotiations at Hehku Kauppa Oy were completed on 19 December 2018, and it was decided to close down the business. In the last quarter of 2018, Oriola recognised in EBIT impairment charges and provisions for liabilities as well as other costs related to Hehku totalling EUR 12.7 million. The impact related to Hehku is reported as adjusting items to EBIT.

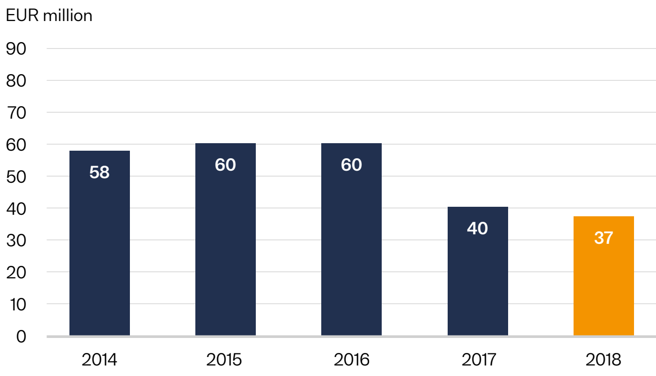
Oriola's net financial expenses were EUR 3.0 (3.9) million. Profit for the period was EUR 12.7 (25.9) million. Income taxes for January–December were EUR 6.3 (7.9) million, which corresponds to an effective tax rate of 33.4% (23.4%). Earnings per share were EUR 0.07 (0.14).

For more information on the Group's financial performance please see the section Financial indicators 2014–2018.

Invoicing



Adjusted EBIT



Consumer Business Area

The Consumer Business Area provides comprehensive health and wellbeing offering as well as expert advice for consumers. The business consists of retail business in Sweden and Finland.

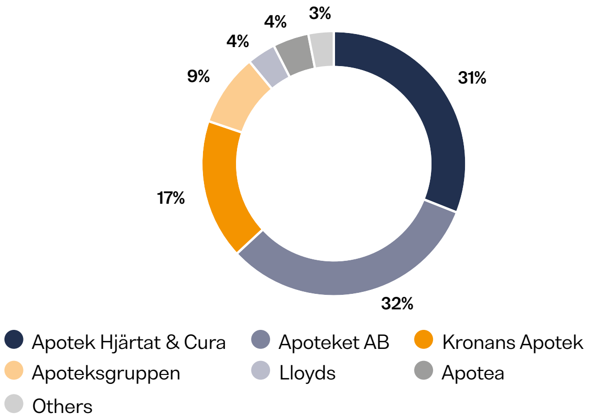
Consumer

Key Figures, continuing operations EUR million	2018 1–12	2017 1–12	Change %
Invoicing	769.5	780.5	-1.4
Net Sales	751.9	762.0	-1.3
Adjusted EBIT	18.8	25.2	-25.4
Adjusted EBIT %	2.5	3.3	
Number of personnel at the end of period	1,601	1,581	

The pharmacy market in Sweden grew by 9.7% (3.2%) in Swedish krona in January–December 2018 (source: Apoteksförening). The number of pharmacies in Sweden increased by ten pharmacies in January–December 2018. At the end of December there were 1,428 (1,418) pharmacies, including 7 (8) online pharmacies, in Sweden.

Oriola's market share in the pharmaceutical retail market in Sweden in January–December 2018 was 17.1% (17.7%) (source: Apoteksförening). The relative share of OTC and traded goods from net sales was 25.6% (26.6%). At the end of the reporting period, Oriola had 327 (326) pharmacies in Sweden. Oriola established six new pharmacies and closed five pharmacies during the reporting period.

Swedish pharmacies - market share %



Online sales in the Swedish pharmacy market continued to grow fast and reached approximately 8% (7%) of the pharmacy market by the end of 2018. Oriola's online sales continued to develop well and grew faster than the market in January–December 2018. The growth has been strongest in OTC and traded goods products. Online sales accounted for 2.8% (1.8%) of Oriola's Consumer sales in Sweden.

The net sales of the Consumer business decreased by 1.3% (decreased 1.3%) to EUR 751.9 (762.0) million. On a constant currency basis net sales increased by 5.1%. Adjusted EBIT decreased by 25.4% (decreased 24.0%) to EUR 18.8 (25.2) million. Depreciated Swedish krona, the cost of online development as well as higher share of sales of RX medicines weakened the profitability. Hehku impact on Consumer Business Area's adjusted EBIT was EUR -4.6 (-1.1) million during the reporting period.

Services Business Area

The Services Business Area offers tailored logistics and expert services to pharmaceutical companies, pharmacies, hospital pharmacies, veterinaries and veterinary clinics, as well as other health and wellbeing industry operators and the grocery trade in Sweden and Finland.

Services

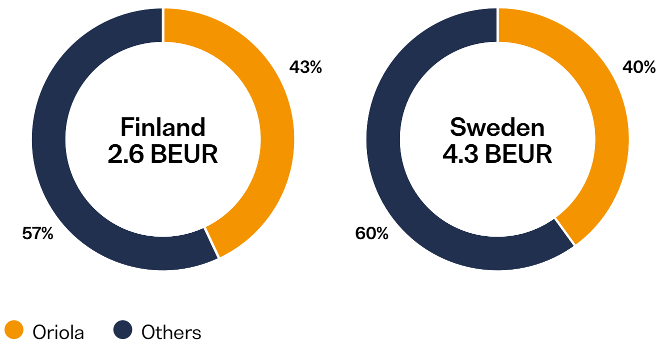
Key Figures, continuing operations EUR million	2018 1–12	2017 1–12	Change %
Invoicing	3,034.9	2,832.6	7.1
Net Sales	1,086.8	1,042.9	4.2
Adjusted EBIT	26.9	22.6	19.2
Adjusted EBIT %	2.5	2.2	
Number of personnel at the end of period	906	868	

The pharmaceutical market at wholesale prices in Sweden grew by 8.7% (2.1%) in Swedish krona in January–December 2018 (source: Reveal). According to Oriola's estimate Oriola's share of the Swedish pharmaceutical wholesale market was approximately 40% (35%).

The Finnish pharmaceutical market at wholesale prices grew by 8.5% (1.2%) in January–December 2018 (source: LTK). According to Oriola's estimate Oriola's share of the Finnish pharmaceutical wholesale market was approximately 43% (46%).

The invoicing of the Services business increased from the previous year by 7.1% (decreased 2.3%) to EUR 3,034.9 (2,832.6) million. On a constant currency basis invoicing increased by 11.6%. Net sales increased by 4.2% (decreased 8.7%) to EUR 1,086.8 (1,042.9) million, and on a constant currency basis, net sales increased by 8.5%. This development was mainly driven by higher volumes in Sweden. Adjusted EBIT increased by 19.2% (decreased 33.0%) to EUR 26.9 (22.6) million. The adjusted EBIT in 2018 includes a settlement totalling EUR 9 million received from the provider of the logistics and warehouse IT system. The total impact related to the ERP system change in adjusted EBIT was EUR -7 (-9) million in January-December 2018. Profitability was impacted in Finland by the increased costs in logistics and distribution services to ensure quality and customer deliveries. In Sweden higher volumes and high capacity usage combined with project costs for our new distribution centre drove the cost level up.

Wholesale - market share %



Healthcare Business Area

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

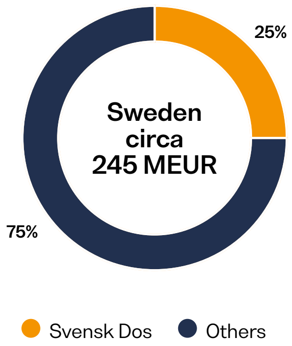
Healthcare

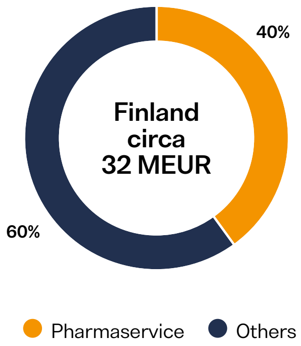
Key Figures	2018	2017	Change
EUR million	1–12	1–12	%
Invoicing	92.5	71.2	29.9
Net Sales	92.0	70.7	30.1
Adjusted EBIT	0.1	-1.7	107.7
Adjusted EBIT %	0.1	-2.4	
Number of personnel at the end of period	131	125	

The net sales of Healthcare business were EUR 92.0 (70.7) million. On a constant currency basis net sales increased by 37.2%. Adjusted EBIT was EUR 0.1 (-1.7) million. Amortisation of purchase price allocations related to acquisition of Svensk Dos and Pharmaservice affected Healthcare adjusted EBIT by EUR -0.9 (-1.4) million.

The net sales of the Healthcare Business Area continued to grow, driven by the increased number of dose dispensing patients in Sweden. The number of dose dispensing patients in Sweden was approximately 52,000 and in Finland approximately 20,000.

Dose dispensing - market share %[1]





[1] Oriola estimate

Balance sheet, cash flow and financing

Oriola's total assets at the end of December 2018 were EUR 927.7 (922.4) million. Equity attributable to the equity holders was EUR 181.5 (197.7) million. Cash and cash equivalents totalled EUR 65.8 (17.0) million. Net cash flow from operating activities in January–December 2018 was EUR 102.8 (23.7) million, of which changes in working capital accounted for EUR 57.2 (-18.2) million. Net working capital was positively impacted by the change in timing of the Swedish trade receivables sales and increased sales. Net cash flow from investing activities was EUR -41.5 (-37.7) million. Net cash flow from financing activities was EUR -12.3 (-29.7) million. A dividend of EUR 16.3 million was distributed to the shareholders in April 2018.

At the end of December 2018, interest-bearing debt was EUR 129.4 (127.2) million. The non-current interest-bearing liabilities were EUR 59.1 (61.0) million and current interest-bearing liabilities were EUR 70.3 (66.3) million. Current interest-bearing liabilities mainly consist of commercial paper issues of EUR 57.0 (50.0) million and advance payments from Finnish pharmacies totalling EUR 12.4 (15.0) million. Interest-bearing net debt was EUR 63.6 (110.2) million and gearing 35.1% (55.7%).

The non-recourse trade receivables sales programmes continued in Sweden. In the last quarter of 2018 Oriola agreed with the financial institutions to change the timing of selling the trade receivables. As a result, the amount of sold trade receivables at the balance sheet date increased. Changing the timing of the trade receivables sales had an EUR 27.1 million positive impact on the January-December cash flow. At the end of December 2018, a total of EUR 140.5 (94.8) million in trade receivables had been sold. Including the sold trade receivables, the adjusted gearing was 112.5% (103.7%). The average interest rate on the interest-bearing liabilities was 0.91% (0.88%).

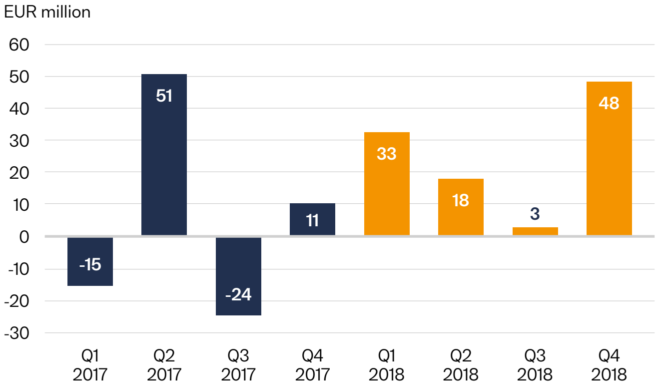
During the last quarter of 2018, Oriola rearranged its EUR 30 million term loan agreement. This five-year bilateral loan replaced the earlier financing agreement that was signed in November 2016. The agreement includes financial covenants that are maximum net debt to EBITDA -ratio of 3.0 and maximum net debt to equity ratio of 100%. The Group has agreed with financial institutions on applying frozen GAAP to all of the current long-term agreements. At the end of the reporting period the financial covenants were fulfilled.

The committed long-term revolving credit facility of EUR 100.0 million and EUR 14.9 million of short-term credit limit were unused at the end of December 2018.

At the end of December 2018 Oriola's equity ratio was 19.8% (21.8%). The return on capital employed was 6.9% (11.7%) and the return on equity 6.7% (13.0%).

For more information on the Group's balance sheet and cash flow and the related key figures, see the section Financial Indicators 2014-2018.

Net cash flow from operating activities



Investments and depreciation

Gross investments in January–December 2018 totalled EUR 39.6 (46.1) million and consisted mainly of investments into improvements in logistics efficiency, investment in the Swedish online medical centre Doktor.se as well as investments in Hehku. Investments in Hehku amounted to EUR 9.2 million during the reporting period.

On 4 May 2018, the Oriola Corporation announced, that it has invested in the Swedish online medical centre Doktor.se. Oriola subscribed for shares in Doktor.se, which gave it an ownership of approximately 17% of the total number of shares in Doktor.se. The total investment in Doktor.se amounted to EUR 9.4 million during the reporting period.

Depreciation, amortisation and impairment amounted to EUR 24.1 (25.7) million. In addition, the Group recognised an impairment charge on the investment in Hehku totalling EUR 5.1 million in the last quarter of 2018.

The capital expenditure in 2019 excluding acquisitions is estimated to be approximately EUR 35 million.

Personnel

At the end of December 2018, Oriola had 2,706 (2,619) employees, 59% (60%) of whom worked in the Consumer Business Area, 33% (33%) in Services Business Area, and 5% (5%) in Healthcare Business Area. The group administration employed 2% (2%) of the total number of employees. The average number of personnel in January-December 2018 was 2,699, (2,686 in 2017 and 2,425 in 2016). Personnel numbers consist of members of staff in active employment in continuing operations.

The total amount of wages, salaries and bonuses in 2018 was EUR 121.4 million (122.5 in 2017 and 109.2 in 2016).

For more information about the employee benefits please refer to note 4.4. Employee benefits in the Consolidated Financial Statements.

Oriola Corporation shares

Trading volume of the Oriola Corporation's class A and B shares in January–December 2018:

	Jan-Dec 2018		Jan-Dec 2017	
Trading volume	**class A**	**class B**	**class A**	**class B**
Trading volume, million	3.1	41.0	2.7	41.7
Trading volume, EUR million	8.4	110.6	10.1	146.1
Highest price, EUR	3.38	3.17	4.53	4.43
Lowest price, EUR	1.92	1.94	2.96	2.77
Closing quotation, end of period, EUR	1.97	1.98	3.00	2.80

Oriola Corporation's market capitalisation on 31 December 2018 was EUR 358.8 (519.2) million.

In the review period, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 24.3% (24.5%) of the total number of shares.

At the end of December 2018, the company had a total of 181,486,213 (181,486,213) shares, of which 55,434,273 (55,434,273) were class A shares and 126,051,940 (126,051,940) were class B shares. The company holds a total of 103,773 (241,822) treasury shares, all of which are class B shares. They account for 0.06% (0.13%) of the company's shares and 0.01% (0.02%) 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 2018, no class A shares were converted into class B shares (50,375).

More information on shares and shareholders is given in the section entitled Information on shares.

Changes in the Group structure in 2018

On 28 September 2018 Oriola acquired the remaining share of Farenta. In 2016 Oriola acquired 70.9% of Farenta, a Finnish company offering services for pharmaceutical companies and pharmacies. Based on the agreement Oriola had an obligation to acquire the remaining share of Farenta, and 100% of the statement of profit and loss and the statement of financial position have been consolidated into the Services segment as of 1 September 2016. As a result of the transaction a total of EUR 0.1 million was recognised in other operating expenses in the consolidated statement of comprehensive income in September 2018, consisting of the difference between the consideration paid for the remaining shares and the contingent consideration in the balance sheet and the transfer taxes paid relating to the transaction. The amount is included in the adjusting items in 2018.

Flagging announcements

Oriola Corporation received on 13 March 2018 a disclosure under Chapter 9, Section 5 of the Securities Markets Act, according to which the total per cent of shares of Mariatorp Oy has exceeded the threshold of 10% of Oriola Corporation's share capital and the total number of voting rights of Mariatorp Oy has exceeded the threshold of 10% of voting rights of Oriola Corporation.

Market outlook

Oriola's outlook for 2019 is based on external market forecasts, agreements with pharmaceutical companies and pharmacies, and management assessments. The Finnish pharmaceutical market is expected to grow at an average rate of 1.5%. The Swedish pharmaceutical market is expected to grow an average rate of 5.0% per year in local currency (source: IQVIA Market prognosis 2018-2022).

Long-term financial targets

Oriola's Board of Directors has approved the company's long-term financial targets. Oriola's long-term financial targets calculated according to the IFRS standards in force at the end of the reporting period remain unchanged except for the adjusted gearing ratio change from 30%-60% to lower than 70%.

- Business growth at the rate of the market
- Annual EPS growth over 5% without adjusting items
- Return on capital employed of over 20%
- Adjusted gearing ratio of lower than 70%[1]

[1] Non-recourse trade receivables are added to the net debt, as before

Business outlook for 2019

The adjusted EBIT on a constant currency basis is estimated to increase from the 2018 level.

Oriola's business outlook for 2019 is based on external market forecasts, agreements with pharmaceutical companies and pharmacies, and management assessments.

Events after the period

After the reporting period, on 31 January the Shareholders' Nomination Board of Oriola Corporation presented its proposal to the 2019 Annual General Meeting concerning the composition of the Board of Directors. The proposal has been presented below under Corporate Governance.

After the reporting period, on 22 February, Oriola announced it starts the 20by20 Excellence programme to deliver EUR 20 million annualised savings compared to 2018 cost level. Savings are expected to materialise gradually from second half of 2019, with full effect by the end of 2020. The programme will systematically review all operations and resources to ensure efficient and high-quality operations as well as reduce costs. The Group-wide programme will cover all business areas, operations and functions. The planned actions include improving logistics efficiency, savings in indirect and direct purchasing, product and service portfolio optimisation as well as lean and simplified processes throughout the Group.

Profit distribution proposal

Oriola Group's parent company is Oriola Corporation, whose distributable funds according to the balance sheet as at 31 December 2018 were EUR 343.3 (373.6) million. Oriola Corporation's result for the financial year 2018 was EUR -13.9 (33.4) million. Earnings per share of the Oriola Group were EUR 0.07 (0.14).

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 (0.09) per share is paid for 2018. The Board of Directors further proposes that the remaining non-restricted equity, EUR 327,022,693.06 be retained and carried forward.

Annual general meeting 2019

Oriola Corporation's Annual General Meeting will be held on 19 March 2019 at 1 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 25 February 2019 at the latest.

2. Risk review

Strategic and financial risks

Oriola has specified the company's risk management model, principles, organisation and process in the Risk management policy. The Group's risk management seeks to identify, measure and manage risks that may have an adverse or beneficial impact on Oriola's operations and achievement of the set goals. The Group also has a Code of Conduct policy and a Treasury policy covering compliance and financial risks. The internal control and risk management systems related to Oriola's financial reporting are aimed at ensuring the reliability of the company's financial statements and financial reporting, as well as the company's compliance with legislation and generally approved operating principles.

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

In the first half of 2018 business continuity plans for the Group's distribution centres were finalised. As part of the regular risk management process, risk reviews were prepared for each business area during the strategy work, and the updated risk views have been the basis for the plans in 2019.

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

Several regulatory changes took place in Sweden during 2018, including the passing of a new Pharmacy Bill in parliament. The most significant change for Oriola was the introduction of an obligation for wholesalers to deliver pharmaceuticals to pharmacies within 24 hours from receiving the order. The bill also included new rules for the return of the products by the pharmacies. Oriola expects to fulfill these new requirements.

The final report of the investigation SOU 2016:95 is expected to be presented in Sweden in the beginning of 2019. The investigation introduces the possibility to restrict pharmacies right to negotiate prices with the pharmaceutical manufacturers and source pharmaceuticals directly, benefiting from the lower price level in some other EEA-countries. This change, if implemented, could have a negative impact on the profitability of Oriola's Swedish retail businesses.

Also, an investigation to increase the use of generic substitution in the Swedish dose dispensing market was presented by the Swedish Dental and Pharmaceutical Benefits Agency. If implemented, it is expected to have a negative impact on the profitability of Oriola's Swedish dose dispensing business.

In Finland social and healthcare reform will affect the roles of public and private healthcare actors. The impacts to the pharmaceutical supply chain are still largely unknown. At the end of 2018 a draft bill to change pharmacy legislation was presented by the government in Finland. The suggested changes include improving availability of OTC pharmaceuticals, allowing price competition in OTC pharmaceuticals and changes to the pharmacy taxation. The suggested changes, if implemented, are not expected to have a material impact on Oriola's Finnish pharmaceutical distribution or retail businesses.

In operational risks, continued emphasis will be put on Oriola's role in pharmaceutical patient safety and ensuring the delivery of critical medicines in all conditions. One risk factor in Oriola's Finnish operation is the concentration of all the pharmaceutical stocks and deliveries into one warehouse. This risk is mitigated through business continuity planning, which describes the detailed recovery plans in case of emergencies.

Oriola assesses ESG-related (Environment, Social and Governance) risks as part of the regular risk management process.

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 may cause impairment of goodwill. More information about financial risk management can be found in note 7.3. to the Consolidated Financial Statements.

Near-term risks and uncertainty factors

Oriola's strategic development projects involve operational risks which may have an effect on profitability. The commissioning of the new Group ERP system in Finland took place in September 2017 and led to disruptions and lower efficiency in operations. The implementation of the corresponding ERP and warehouse management system in Sweden is on hold. The expansion and automation of the distribution centre in Enköping will be taken into use during the first quarter of 2019. The new automated facility will be started using the current warehouse management systems. A thorough risk management and phased ramp-up plan has been done for the start-up phase.

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 a material impact on the financial position of the Group.

3. Governance

Corporate governance statement 2018

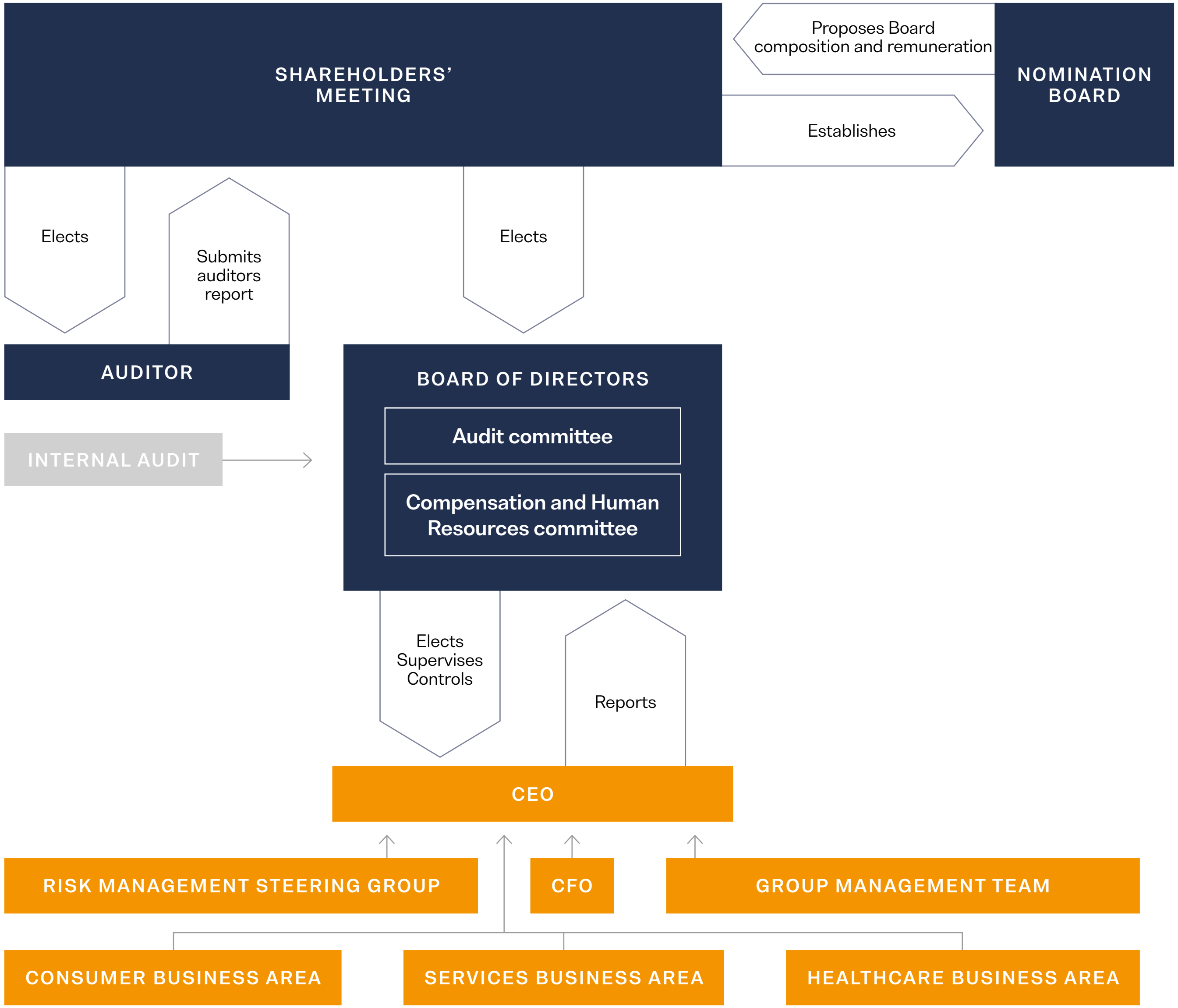
This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015 and chapter 7, section 7 of the Finnish Securities Markets Act.

Oriola Corporation (hereinafter "Oriola" or "the company") complies with the provisions of its Articles of Association, the Finnish Companies Act, the Finnish Securities Markets Act and other similar legislation. The company also complies with the rules and regulations applying to listed companies issued by Nasdaq Helsinki Ltd (Helsinki Exchange) and the Finnish Financial Supervisory Authority. The company's head office is located in Espoo, Finland.

Oriola applies the Finnish Corporate Governance Code in its entirety without any exceptions. The information required by the Finnish Corporate Governance Code is also available on the company's website www.oriola.com. An unofficial English translation of the Finnish Corporate Governance Code 2015 is in the public domain and available on the Securities Market Association's website at www.cgfinland.fi.

Oriola prepares its consolidated financial statements and interim reports in accordance with the EU-approved IFRS reporting standards, the Securities Markets Act, applicable Financial Supervisory Authority standards and the rules issued by Nasdaq Helsinki Ltd. The Report of the Board of Directors and the parent company's financial state-

Governing structures of Oriola



ments have been prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Accounting Board. The auditor's report covers the Report of the Board of Directors, the consolidated financial statements and the parent company's financial statements.

General meeting of shareholders

The general meeting of shareholders decides on the matters that under the Companies Act and the Articles of Association of Oriola are within its purview. Each shareholder is entitled to attend general meetings. Each class A share carries 20 votes and each class B share 1 vote at General Meetings. According to the Articles of Association, no shareholder may vote using an amount of votes that exceeds 1/20 of the total number of votes carried by the shares of different share classes represented at the general meeting.

The Board of Directors convenes a general meeting of shareholders. The notice of general meeting is published on the company's website or in one daily newspaper in Finland's capital city no earlier than 2 months and no later than 21 days prior to the meeting. Oriola also publishes the notice of general meeting as a stock exchange release. The documents to be submitted to the general meeting and the draft resolutions to the general meeting are available on the company's website. The notice of the general meeting contains the proposed agenda for the meeting.

A shareholder has the right to have matters that under the Companies Act falls within the competence of the general meeting dealt with by the general meeting, if the shareholder so demands in writing to the Board of Directors well in advance of the meeting so that the matter can be included in the notice of general meeting. The demand shall be considered to have arrived in time, when the Board of Directors has been informed about the demand at the latest four weeks in advance of the publication of the notice of the general meeting.

The chairman of the Board of Directors, a sufficient number of members of the Board of Directors and its committees, the President and CEO, and the auditor attend the general meeting. A person proposed for the first time as member of the Board of Directors shall be present at the general meeting that decides on his or her election unless there are well-founded reasons for absence.

The shareholders shall according to law and the articles of association exercise their power of decision at the general meeting. The Annual General Meeting is held by the end of May each year. The duties of the Annual General Meeting include:

- adoption of the financial statements;
- use of the profit shown on the balance sheet;
- election of the members of the Board of Directors and the decision on their fees;
- discharging from liability for the members of the Board of Directors and the President and CEO;
- election of the auditor and the decision on compensation, and
- proposals made by the Board of Directors and shareholders to the Annual General Meeting (e.g. amendments to the Articles of Association, repurchase of the company's own shares, share issue, giving special authorisations).

Annual General Meeting 2018

The Annual General Meeting of Oriola, held on 19 March 2018, 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 2017. According to the decision of the Annual General Meeting, a dividend of EUR 0.09 per share was paid on the basis of the balance sheet adopted for the financial year ending 31 December 2017.

The Annual General Meeting resolved to establish a Shareholders' Nomination Board and confirmed the rules of procedure of the Shareholders' Nomination Board.

Authorisations

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

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

The Annual General Meeting authorised the Board to decide on a share issue of class B shares without payment to the Company and on a directed share issue of class B shares in order to execute the share-based incentive plan for Oriola Group's executives and the share savings plan for Oriola Group's key personnel. The maximum number of new class B shares to be issued under this authorisation is 1,715,000, which represents of 0.94 % of all shares in the Company. The authorisation is in force for eighteen (18) months from the decision of the Annual General Meeting.

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

All decisions of the Annual General Meeting 2018 are available on the company's website at www.oriola.com.

Shareholders' Nomination Board

The Annual General Meeting 2018 decided to establish a Shareholders' Nomination Board and confirmed the rules of procedure of the Shareholders' Nomination Board. The role of the Nomination Board is to prepare the proposals on the election and remuneration of the members of the Board of Directors to be presented to the Annual General Meeting.

The Shareholders' Nomination Board consists of five members appointed by the shareholders. In addition, the Chairman of the Board of Directors acts as an expert member of the Nomination Board.

The Chairman of the Board of Directors annually arranges a meeting to which the Chairman invites the company's 20 largest shareholders, by votes, registered as shareholders in the company's shareholders' register maintained by Euroclear Finland Ltd by 31 August preceding the Annual General Meeting. The meeting of the 20 largest shareholders, by votes, elects the members of the Shareholders' Nomination Board. One of the members is elected to serve as the Chairman of the Shareholders' Nomination Board.

The term of office of the members of the Shareholders' Nomination Board expires the year following the appointment upon the appointment of the new members of the Shareholders' Nomination Board pursuant to the rules of procedure of the Shareholders' Nomination Board.

The Shareholders' Nomination Board is established to exist and serve until the Annual General Meeting decides otherwise.

The Nomination Board shall prepare a proposal concerning the composition of the Board of Directors for the company's Annual General Meeting. The Nomination Board must submit its proposals to the Board of Directors no later than on the first day of February preceding the Annual General Meeting. The proposals are published as a stock exchange release and included in the invitation to the Annual General Meeting. The Nomination Board shall also present and provide grounds for its proposals to the Annual General Meeting.

The rules of procedure of the Shareholders' Nomination Board are available on the Company's website www.oriola.com.

The largest shareholders of Oriola Corporation elected on 26 September 2018 the following persons as members of the Nomination Board:

Mikael Aro
Peter Immonen
Mikko Mursula
Pekka Pajamo
Into Ylppö

Pekka Pajamo was elected Chairman of the Nomination Board. Anssi Vanjoki, Chairman of the Board of Directors of Oriola, serves as an expert member of the Nomination Board.

On 31 January 2019, the Shareholders' Nomination Board submitted its proposal to the 2019 Annual General Meeting concerning the composition of the Board of Directors as follows: The number of members of the Board of Directors would be seven. The present members of the Board of Directors Juko-Juho Hakala, Anja Korhonen, Mariette Kristenson, Eva Nilsson Bågenholm, Lena Ridström and Anssi Vanjoki would be re-elected and Harri Pärssinen 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 Staffan Simberg will leave the Board of Directors after the 2019 Annual General Meeting.

The biographical details of the proposed Board members are presented on the company's website.

Board of Directors

The Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations.

The Board of Directors is responsible for managing and supervising the company's operations in accordance with the law, governmental regulations and the articles of association. The Board also ensures that good corporate governance is complied with throughout the Oriola Group.

The members of the Board of Directors are elected by the general meeting of shareholders. The Board of Directors uses the highest decision-making power in the Oriola Group between the general meetings of Shareholders. Pursuant to the articles of association, the Board of Directors consists of no fewer than five and no more than eight members. The term of the members of the Board of Directors expires at the end of the next Annual General Meeting following their election. The chairman of the Board of Directors is elected by the general meeting of shareholders. The vice chairman of the Board is elected by the Board of Directors from among its members.

The Board of Directors convenes in accordance with a timetable agreed in advance and also convenes as required. In addition to making decisions, the Board of Directors also receives during its meetings current information about the operations, finances and risks of the Group. Board meetings are also attended by the President and CEO, the CFO and the General Counsel (who acts as secretary to the Board). Members of the Group Management Team attend Board meetings at the invitation of the Board. Minutes are kept of all meetings.

Main tasks of the Board of Directors

The main tasks to be dealt with by the Board of Directors are listed in the Board's rules of procedure. Accordingly, these are among others:

- approving the company's strategy;
- approving financial targets, budgets, major investments and risk management principles;
- appointment and dismissal of the company's President and CEO;
- consideration and decision of all significant matters concerning the operations of the Group and the business segments; and
- approving the charters of the Audit Committee and the Compensation and Human Resources Committee.

Diversity on the Board

The ultimate goal in electing members to the Board of Directors is to ensure that the Board of Directors as a collegium has a competence profile which supports Oriola's existing and future business. Diversity supports the overall goal that the Board of Directors has an optimal competence profile to support the company's business and is viewed as an integral part and a success factor enabling the achievement of Oriola's strategic goals. Important factors for the diversity of Oriola's Board of Directors are the mutually complementary expertise of the members, their education and experience in different professional areas and industrial sectors, businesses in various stages of development, leadership experience, as well as their personal capacities. The diversity of the Board of Directors is supported by experience in operating environments and industries relevant to the company as well as different cultures and by consideration of the age and gender breakdown of the members.

Oriola's Board of Directors has approved the diversity policy of the Board of Directors in December 2016. According to the diversity policy of the Board of Directors Oriola's objective is to maintain an appropriate balance of representation of both genders on the Board of Directors.

The company has upheld the requirements set for diversity in the composition of the Board of Directors. Oriola's Board of Directors 2018 represents diversity related of nationalities, professional competencies and genders.

Board of Directors 2018-2019

The Annual General Meeting of Oriola held on 19 March 2018 confirmed that the Board of Directors of Oriola shall have seven members and elected the following persons as chairman and members of the Board of Directors:

Name	Year of birth	Education and independence	Attendance at Board Meetings	Attendance at Committee Meetings
Anssi Vanjoki, Chairman	1956	M.Sc. (Economics), independent member of the Board	17/17	
Juko-Juho Hakala	1970	M.Sc. (Economics), independent member of the Board	13/13	Compensation and HR Committee 6/6
Anja Korhonen	1953	M.Sc. (Economics), independent member of the Board	17/17	Audit Committee 6/6
Mariette Kristenson	1977	M.Sc. (Economics), independent member of the Board	16/17	Compensation and HR Committee 8/8
Eva Nilsson Bågenholm, Vice Chairman	1960	Physician, independent member of the Board	17/17	Compensation and HR Committee 8/8
Lena Ridström	1965	M.Sc. (Economics), independent member of the Board	15/17	Audit Committee 4/5 Compensation and HR Committee 2/2
Staffan Simberg	1949	MBA, independent member of the Board	17/17	Audit Committee 6/6

In its constitutive meeting held later the same day, the Board of Directors elected Eva Nilsson Bågenholm as its Vice Chairman.

Members of Oriola's Board of Directors 1 January - 19 March 2018:

Name	Year of birth	Education and independence	Attendance at Board Meetings	Attendance at Committee Meetings
Kuisma Niemelä	1958	M.Sc. (Economics), independent member of the Board	4/4	Audit Committee 1/1

The Board of Directors has evaluated the independence of its members and determined that all members are independent of the company and its major shareholders. The Board has also conducted an assessment of its activities and working practises.

In 2018, the Board of Directors of Oriola convened 17 times, 5 of which were conference call meetings and 3 per capsulam meetings.

Board committees

The Board of Directors has an Audit Committee and a Compensation and Human Resources Committee. The committees' charters are confirmed by the Board. The committees are preparatory bodies that submit proposals to the Board on matters within their purview. Minutes are kept of the committees' meetings. The committees report to the Board at regular intervals. The committees do not have independent decision-making powers. Their task is to submit recommendations to the Board on matters under consideration.

In its constitutive meeting, held after the Annual General Meeting, the Board of Directors appoints, from among its members, the members and chairman of the Audit Committee and the Compensation and Human Resources Committee.

In addition to the Audit Committee and Compensation and Human Resources Committee, the Board of Directors may appoint ad hoc committees for preparing specific matters. Such committees do not have Board-approved charters and the Board does not release information on their term, composition, the number of meetings or the members' attendance rates.

Audit Committee

The task of the Audit Committee is to enhance the control of the company's operations and financial reporting. According to the charter, the following in particular shall be addressed and prepared by the Audit Committee:

- reviewing the consolidated financial statements and interim reports, together with the auditor;
- reviewing together with the auditor any deficiencies in the supervision systems observed in control inspections and any other deficiencies reported by auditors;
- reviewing any deficiencies in the control system observed in internal audit and other observations and recommendations made;
- reviewing the plans of action for the control inspection and internal audit and giving recommendations to company management on focus areas for internal audits; and
- evaluating the appropriateness of the supervision of company administration and risk management and reviewing changes in the principles of company accounting and external reporting prior to their introduction.

In addition, the Audit Committee's duties include preparatory work on the decision of electing the auditor, evaluation of the independence of the auditor, taking into account particularly the effect of the provision of related services on the independence, and carrying out any other tasks assigned to it by the Board. The Audit Committee has at least three members. As of 19 March 2018, the Chairman of the Audit Committee is Anja Korhonen and the other members are Lena Ridström and Staffan Simberg. The members of the Audit Committee are independent of the company and its major shareholders.

Compensation and Human Resources Committee

According to the charter, the Compensation and Human Resources Committee reviews management and personnel remuneration policies and issues related to management appointments and makes proposals on such matters to the Board of Directors. The Committee's responsibilities include:

- Developing and monitoring effective compensation principles that promote achievement of the goals of the company
- Making proposals to the Board on compensation and incentive schemes for management and other key personnel
- Evaluating performance management, succession planning and talent development processes and programmes
- Considering and preparing appointments of top management to be decided by the Board. Supporting and advising the President & CEO in the appointments of the Group Management Team
- Monitoring and evaluating the performance of the President & CEO
- Monitoring and evaluating the performance of the members of the Group Management Team based on the CEO´s proposal.

The Compensation and Human Resources Committee has three members. As of 19 March 2018, the Chairman of the Committee is Eva Nilsson Bågenholm and the other members are Juko-Juho Hakala and Mariette Kristenson. The members of the Compensation and Human Resources Committee are independent of the company and its major shareholders.

President and CEO and deputy to CEO

The Board of Directors appoints and dismisses the President and CEO of Oriola and decides on the terms of his/her employment. The current President and CEO of the company is Robert W. Andersson, M.Sc., MBA, born in 1960. In accordance with the Companies Act, the President and CEO is responsible for the day to day executive management of the company in accordance with the instructions and orders given by the Board of Directors. In addition, the President and CEO also ensures that accounts of the company comply with Finnish law and that its financial affairs have been arranged in a reliable manner. The terms and conditions of the President and CEO's employment are specified in a written service contract approved by the Board.

The Board of Directors also appoints, as necessary, a deputy to the President and CEO. At the end of the year 2018 the Company does not have an appointed deputy to the President and CEO.

Group Management Team

The Group Management Team consists of the President and CEO of Oriola as Chairman and persons appointed by the Board. At the end of the year 2018, the Group Management Team consisted of eight members, including the President and CEO, to whom the other Group Management Team members report.

The Group Management Team meets regularly to address matters concerning the entire Group. The Group Management Team is not a decision-making body. It assists the President and CEO in the implementation of Group strategy and in operational management and facilitates the group-wide distribution of information concerning the entire Group.

The following persons were members of Oriola's Group Management Team on December 31, 2018:

- Robert Andersson, President and CEO
- Helena Kukkonen, CFO
- Thomas Gawell, Vice President, Healthcare Business Area (as of 1 January 2019 Vice President, Pharma Business Area)
- Tuula Lehto, Group Communications Director
- Charlotta Nyström, CIO
- Petter Sandström, General Counsel
- Teija Silver, Vice President, Human Resources
- Anders Torell, Vice President, Consumer Business Area

Katarina Gabrielson, Vice President, Retail Business Area was appointed member of the Group Management Team as of 1 January 2019.

Anne Kariniemi, Vice President, Operations joined the Company and the Group Management Team as of 21 January 2019.

Risk management and internal supervision systems

The internal control and risk management systems related to Oriola's financial reporting aim to ensure a reasonable certainty of the reliability of the company's financial statements and financial reporting, as well as the company's compliance to legislation and generally approved accounting principles.

Financial reporting

The Board of Directors and the President and CEO have the overall responsibility for organising the internal control and risk management systems pertaining to financial reporting. The President and CEO, the members of the Group Management Team and the heads of the business units are responsible for the accounting and administration of the areas within their spheres of responsibility complying with legislation, the Group's operating principles, and the guidelines and instructions issued by Oriola's Board of Directors. The organising and leading of the financial reporting in the Group has been centralised under the subordination of the CFO.

Oriola Group follows the International Financial Reporting Standards (IFRS) approved for application within the European Union. Instructions and accountancy principles for financial reporting are collected in an accounting manual that is updated as soon as standards change, as well as in the financial department's instructions that are followed in all Group companies. Group accounting is responsible for following and keeping up to date with financial statement standards, upholding the principles concerning financial reporting and distributing information about these to the business units.

Measurement and follow-up

The performance of the Group is monitored in the Group Management Team with monthly reports as well as in the monthly operational reviews of the business segments. The financial situation of the Group is also monitored in the meetings of the Board of Directors. The Audit Committee and the Board of Directors examine the interim reports and financial statements before their publication. Monitoring of the monthly reports also ensures the effectiveness of internal supervision. Each business segment must ensure effective supervision of its own operations as part of Group-level internal supervision. The business segments and the Group Finance organisation are responsible for the evaluation of the processes covering financial reporting. The evaluations must contain balances and analyses, which are compared with budgets, assessments and various economic indicators.

Internal control

Internal control forms an essential part of the company's governance and management systems. It covers all of the Group's functions and organisational levels. The purpose of internal control is to ensure a sufficient certainty that the company will be able to carry out its strategy. Internal control is not a separate process but a procedural measure covering all Group-wide operating principles, guidelines and systems.

The purpose of Oriola's internal supervision system is to support the implementation of the Group strategy and to ensure that rules and regulations are observed. The company's internal supervision is based on a Group structure, in which the Group's operations are organised into Business Areas and Group functions. Group functions issue Group-level guidelines laying down the operational framework and the persons responsible for the process. The guidelines cover such areas as accounting, reporting, financing, investments and business principles.

The guidelines aim to ensure that all risks connected to the achievement of the company's objectives can be identified and prevented. The control measures cover all Group levels and functions. All new instructions and guidelines are published on the company's internal website and staff members can provide feedback to the management and anonymously report any questionable activities through the company intranet.

Risk management

The Board of Directors of Oriola approves the company's risk management policy in which the risk management operating model, principles, responsibilities and reporting are specified. The Board guides and supervises the planning and implementation of the risk management. The Board-appointed Audit Committee supervises risk management in the Group.

Oriola has specified the company's risk management model, principles, organisation and process in the Risk management policy. The Group's risk management seeks to identify, measure and manage risks that may have an adverse or beneficial impact on Oriola's operations and achievement of the set goals. Additionally, the Group has a Code of Conduct policy and a Treasury policy covering compliance and financial risks. Oriola's risks are classified as strategic, operational and financial. Risk assessment and management are key elements in the strategic planning, operations and daily decision making in the company.

Risk management and the most significant risks are described on the company's website at www.oriola.com.

Internal audit

Oriola uses an outsourced internal audit function for the purpose of fulfilling its internal audit requirements. The outsourced internal audit function is an independent and objective assurance activity reporting directly to the Audit Committee of the Board of Directors. The internal audit assignments are carried out on the basis of an Internal Audit Charter approved by the Board of Directors as well as an Internal Audit Plan annually reviewed and approved by the Audit Committee.

External audit

The company has one auditor, which must be a firm of authorised public accountants. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial statements, the financial statements of the parent company, the accounting of the Group and the parent company and the administration of the parent company. The company's auditor submits the auditor's report to the shareholders in connection with the annual financial statements, as required by law, and submits regular reports on its observations to the Board's Audit Committee.

The Board of Directors and the Audit Committee are responsible for monitoring the independence of the auditor. For this reason, the company has implemented a policy covering the provision of non-audit services by the elected auditors.

The Annual General Meeting of Oriola held on 19 March 2018 elected KPMG Oy Ab, a firm of authorised public accountants, as the company's auditor, with Kirsi Jantunen, Authorised Public Accountant, KHT, as the principal auditor. The fees for the statutory audit paid to the auditing firm KPMG in 2018 totalled EUR 219,623. In addition, EUR 19,000 was paid for other consultation provided to Group companies.

Insider management

Oriola complies with the insider holding guidelines issued by Nasdaq Helsinki Ltd (July 3, 2016) and the Market Abuse Regulation (596/2014, "MAR"). Oriola has issued its insider guidelines ("Guidelines") which are based on applicable EU and Finnish legislation (especially MAR and the Securities Markets Act 746/2012), the insider guidelines of Nasdaq Helsinki Ltd, and the regulations and guidelines of the European Securities Markets Authority and the Finnish Financial Supervisory Authority.

Members of the company's Board of Directors, the President and CEO, the members of the Group Management Team that have operational responsibilities leading a business area of the company as well as the CFO and CIO are considered the management of the company ("Management"). Management and their related parties shall notify all transactions with the company's securities or financial instruments made on his or her own account to the company and the Finnish Financial Supervisory Authority without delay and three working days from the execution of the transaction at the latest. The guidelines set trade restrictions prohibiting Management and the persons who participate in the preparation of interim and annual financial statements of Oriola from making transactions with the company's securities or financial instruments related to them during a closed period of 30 days before a financial report of Oriola is made public (closed period).

Oriola is obliged to draw up the insider lists and keep them up-to-date. For the time being, Oriola has determined not to include any persons as permanent insiders. Consequently, all persons with inside information will be included in the event-based insider list for relevant insider projects. Oriola instructs the persons entered in the event-based insider list on their obligations and any possible consequences. In addition, Oriola monitors and supervises the proper management of insider issues.

Related parties transactions

Oriola's related parties include Management, their close family members as well as companies in which the individuals mentioned, alone or jointly with others, exercise control. Oriola assesses and monitors transactions to be made with related parties to ensure that potential conflicts of interest are adequately taken into account in the company's decision making. Oriola maintains a list of parties that are related to the company.

Management of the company has confirmed for 2018 that neither they nor their related parties have engaged in business transactions with Oriola during the year in question.

4. Remuneration statement

This Remuneration statement is published in accordance with the Corporate Governance Code 2015.

Remuneration and other benefits of the members of the Board of Directors

The Annual General Meeting decides annually on the remuneration payable to members of the Board of Directors for their term of office. The Shareholders' Nomination Board prepares a proposal concerning the composition of the Board of Directors for the company's Annual General Meeting.

On 19 March 2018, the Annual General 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. The Chairman of the Board of Directors receives an attendance fee of EUR 1,000 per meeting and the other members EUR 500 per meeting. Attendance fees are correspondingly also paid to the chairmen and members of Board and company committees. Travel expenses are compensated in accordance with the travel policy of the company.

In accordance with the decision of the Annual General Meeting, 60% of the annual remuneration was paid in cash and 40% in class B shares. Oriola Corporation class B shares were acquired on the market for the Board members as follows: Anssi Vanjoki 6,872 shares, Anja Korhonen 4,295 shares, Mariette Kristenson 3,436 shares, Juko-Juha Hakala 3,436 shares, Eva Nilsson Bågenholm 4,295 shares, Lena Ridström 3,436 shares and Staffan Simberg 3,436 shares.

Restriction periods are not included in the remuneration paid in Oriola Corporation class B shares. The members of the Board of Directors have not received any share-based rights as remuneration. They are not included in the company's share incentive scheme. The company has not granted any loans to Board members nor given guarantees on their behalf.

The total fees and other benefits of the Board members for 2018 and shareholdings in the company on 31 December 2018 are available in notes 4.4. and 7.4. to the Consolidated Financial Statements and Remuneration report (http://www.oriola.com/investors/corporate-governance/remuneration-statement).

Main principles and decision-making process on the remuneration of the President and CEO and other executives

The salary of the President and CEO and other members of the Group Management Team consists of a fixed base salary, fringe benefits, a short-term performance bonus and a long-term share incentive plan. The remuneration commits management to develop the company and its financial success in the long-term. The development stage and strategy of the company are considered when determining the principles for remuneration.

In accordance with its charter approved by the Board of Directors, the Compensation and Human Resources Committee monitors the effectiveness of the incentive schemes to ensure that the schemes promote the achievement of the company's short-term and long-term goals. According to the charter, the Compensation and Human Resources Committee reviews management and personnel remuneration policies and issues related to management appointments and makes proposals on such matters to the Board of Directors. More information about the Compensation and Human Resources Committee can be found in the Corporate Governance statement.

The Board of Directors reviews and decides annually on the remuneration and benefits of the President and CEO and other members of the Group Management Team, and the underlying criteria thereof.

The Board of Directors decides annually on the earnings criteria and the determination of the performance bonuses based on the proposal of the Compensation and Human Resources Committee.

The company has not granted any loans to the President and CEO or to the members of the Group Management Team, nor given guarantees on their behalf. The company has no share option scheme in place. The President and CEO and the members of the Group Management Team have no supplementary pension scheme, except the vice president Consumer Business Area and the vice president Healthcare Business Area, who have a defined contribution pension benefit typically applied in Sweden.

Short-term performance bonuses

The performance bonus is based on the achievement of the company's financial targets and personal targets. The maximum performance bonus in 2018 for the President and CEO was 75% of the annual salary and for the other Group Management Team members 40% of the annual salary. The Board of Directors decides annually on the earnings criteria and the determination of the performance bonuses based on the proposal of the Compensation and Human Resources Committee.

Share-based incentive programmes

The members of Oriola's Group Management Team are part of the company's long-term share incentive scheme. The scheme unites the objectives of shareholders and key personnel to increase the value of the company, commits the key personnel to the company, and offers key personnel a competitive remuneration system based on ownership of shares in the company.

Executive incentive plan 2013 – 2015

On 19 December 2012, the Company's Board of Directors approved a share-based incentive plan for the Group executives. At the end of 2017 the scheme covered four persons that remained in the employment of the Oriola Group. The plan included three performance periods, the calendar years 2013, 2014 and 2015. The company's Board of Directors decided on the earning criteria for the earning period and the targets to be set for these at the start of each earning period. The reward from the plan for the performance period 2015 was based on the Oriola Group's earnings per share (EPS). The rewards paid in February 2018 on the basis of the performance period 2015 corresponded to the value of a total of 148,524 Company's class B shares including also the proportion to be paid in cash. There were no payments based on the performance periods 2013 and 2014 since the performance criteria for the plan were not met.

Executive incentive plan 2016 - 2018

The Board of Directors established a share-based incentive plan directed to a group of the key personnel (the plan) on 4 December 2015. The plan harmonises the Group incentive plans into a single-platform plan where the Group's key personnel share savings plan and long-term incentive plan are combined.

The plan includes three performance periods, the calendar years 2016, 2017 and 2018 and three vesting periods, the calendar years 2017, 2018 and 2019, respectively. The Board of Directors resolved on the plan's performance criteria at the beginning of each performance period. Approximately 20 key members of personnel, including members of the Group Management Team belong to the target group of the plan.

The essential precondition for participation in the plan and for receipt of reward on the basis of the plan is that a key person has enrolled in the share savings plan and makes the monthly saving from the fixed gross monthly salary, in accordance with the rules of the share savings plan in force.

The reward for the performance period 2016 was based on the Group's earnings per share (EPS). The rewards paid in February 2018 on the basis of the performance period 2016 corresponded to the value of 119,803 class B shares including also the proportion to be paid in cash. The cash proportion is intended to cover taxes and tax-like charges arising from the reward to a key person. The potential reward for the performance period 2017 was based on the Group's earnings per share (EPS). There will be no payments based on the performance period 2017 since the performance criteria for the plan was not met. The potential reward for the performance period 2018 was also based on the Group's earnings per share (EPS). The set EPS target was not met in 2018.

Executive incentive plan 2019 - 2023

On 14 December 2018 the Board of Directors of Oriola Corporation resolved to establish a new share-based long-term incentive plan 2019–2023 directed to the Group's key personnel. The long-term incentive plan arrangement has three three-year performance periods: 2019–2021, 2020–2022 and 2021–2023. The Board of Directors of the Company will resolve on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. Approximately 30 key persons, including the members of the Group Management Team, belong to the target group of the plan.

The prerequisite for participation in the plan and for receipt of reward on the basis of the plan is that the key person has enrolled in the key personnel share savings plan and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force during the first year of the three-year performance period.

The potential reward from the performance period 2019–2021 will be based on the Group's earnings per share (EPS) and Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of an approximate maximum total of 1,700,000 Oriola Corporation Class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation Class B shares and partly in cash in spring 2022 after the end of the performance period. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

A member of the Group Management Team must hold 50% of the net shares given on the basis of the long-term incentive plans, until his or her shareholding in the Company in total equals the value of his or her gross annual salary. Such number of shares must be held as long as the key person holds a position as a Group Management Team member.

One-off incentive plan 2019 - 2020

On 14 December 2018 the Board of Directors of Oriola Corporation resolved to establish a two-year one-off incentive plan 2019-2020 directed to the Group's key personnel to enable the prolonging of the long-term incentive plan performance period to three years and with that change better answer to the requirements of the investors and corporate governance and to be more aligned with the market practice.

The one-off long-term incentive plan has a two-year performance period 2019–2020. The Board of Directors of the Company will resolve on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. Approximately 30 key persons, including the members of the Group Management Team, belong to the target group of the plan.

The prerequisite for participation in the plan and for receipt of reward on the basis of the plan is that a key person has enrolled in the key personnel share savings plan for long-term incentive plan 2019–2021 and makes the monthly saving for this plan from his or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force.

The potential reward from the performance period 2019-2020 will be based on the Group's earnings per share (EPS) and separately defined two-year strategic projects. The rewards to be paid on the basis of the performance period 2019–2020 correspond to the value of an approximate maximum total of 1,700,000 Oriola Corporation class B shares (including also the proportion to be paid in cash). The potential reward will be paid partly in Oriola Corporation class B shares and partly in cash in spring 2021 after the end of the performance period. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

The member of the Group Management Team must hold 50% of the net shares given on the basis of the long-term incentive plans, until his or her shareholding in the Company in total equals the value of his or her gross annual salary. Such number of shares must be held as long as the key person holds a position as a Group Management Team member.

Share savings plans

On 18 June 2015 the Board of Directors of Oriola Corporation decided to launch a key personnel share savings plan. The maximum monthly saving was 8.3% and the minimum 2% of each participant's fixed monthly gross salary. Approximately 45 group key employees participated in the savings period that began on 1 October 2015 and ended on 31 December 2016. The matching shares transferred to eligible participants in February 2018 corresponded to the value of 46,024 Oriola class B shares, including the proportion to be paid in cash.

On 19 October 2016 the Board of Directors decided to launch a savings period 2017, from 1 January to 31 December 2017. Approximately 40 key employees participated in the share savings plan. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January – 31 December 2018. 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 2019. The estimated number of matching shares, including the portion to be paid in cash, is 40,398.

Approximately 50 key employees participated 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. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January – 31 December 2019. 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.

On 14 December 2018 the Board of Directors decided to launch a savings period 2019, from 1 January to 31 December 2019. Approximately 90 key employees will participate in the share savings plan. The maximum monthly saving is 8.3% and the minimum is 2% of each participant's fixed monthly gross salary. The accumulated savings will be used for purchasing Oriola class B shares for the participants at the market price quarterly. In return, each participant will receive two free class B matching shares for every three acquired savings shares if the participant holds the acquired shares from the savings period until the end of the designated holding period and if his or her employment with a company has not been terminated on bad leaver terms. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January – 31 December 2020. The matching shares will be transferred to eligible participants in 2021. Matching shares will be paid partly in the Company's class B shares and partly in cash. Assuming all eligible employees will participate and will save the maximum of 8.3% of their fixed monthly gross salary the aggregated estimated number of new shares to be issued or treasury shares held by the Company to be transferred as matching shares based on the savings period 2019 is approximately 200,000 class B shares.

Financial benefits of the President and CEO in 2018

The salary and other remuneration, including fringe benefits, paid in 2018 to the President and CEO Robert Andersson, amounted to a total of EUR 541,609 as follows:

Fixed base salary of EUR 521,773;
Fringe benefits of EUR 19,836;
Performance bonus of EUR 0; and
Share-based payments of EUR 0.

The salary and other remuneration, including fringe benefits, paid to the acting President and CEO Kimmo Virtanen for the period 1 January 2018 – 11 February 2018 amounted to a total of EUR 60,256.

Financial benefits of other Group Management Team members 2018

The salaries and other remuneration, including fringe benefits, paid in 2018 to the members of the Group Management Team totalled EUR 1,806,624 as follows:

Fixed base salaries totalling EUR 1,104,380;
Fringe benefits totalling EUR 49,316;
Performance bonuses totalling EUR 0; and
Share-based payments totalling EUR 652,929.

In addition, certain former members of the Group Management Team received termination benefits totalling EUR 187,200 as part of their severance packages.

The members of the Group Management Team are included in the company's share-based incentive scheme. Shareholdings of the members of the Group Management

Team in the company are available in note 7.4. to the Consolidated Financial Statements and in the Remuneration report on the company website.

5. Non-financial information

Business model

Oriola is an efficient and reliable operator in the health and wellbeing market in Sweden and in Finland. Oriola serves the health and wellbeing market with a modern and customer focused assortment and services, and connects all actors, within the field from pharmaceutical companies to pharmacies and consumers. Oriola promotes wellbeing by ensuring that medicines as well as health and wellbeing products are delivered in a safe and customer friendly manner. Oriola's wide range of services help pharmaceutical companies, pharmacies and other operators in the healthcare field to succeed.

Quality management and compliance with pharmaceutical sector regulations are the foundation of operations. Oriola's business is regulated by numerous international and national pharmaceutical sector laws and regulations.

Oriola creates value for different stakeholders, from suppliers to consumers and owners. The company has an important role in society through pharmaceutical distribution, knowledge and advisory as well as effectively helping reduce healthcare costs. More detailed value creation framework with inputs, outputs and impacts is described in Oriola's value creation model, which can be found on the company's website www.oriola.com.

Oriola values and Code of Conduct

Oriola's values “we are open”, “we take responsibility”, “we work together” and “we take initiative” are visible in everything we do across all our business operations.

The Oriola Group Code of Conduct guides management and personnel practices. The Code of Conduct presents the Oriola Group corporate culture, which is based on law and good corporate governance, openness, fairness and confidentiality. The Code of Conduct contains the company's commitment to fighting bribery and corruption in business, compliance with all competition laws, engaging in collaboration and dialogue with stakeholders as well as the requirements on all employees' committing to confidentiality obligations and avoiding conflicts of interest. Oriola has established a confidential whistleblowing channel for reporting actions that are suspected to be in violation of the Code of Conduct. The company's Board of Directors monitors compliance with the Code of Conduct.

Risk management

Oriola assesses ESG-related (Environment, Social and Governance) risks as part of the regular risk management process. During 2018, ESG risks were reviewed against the UN Global Compact framework. Oriola has identified the following biggest ESG risks and opportunities: Changes in fossil fuel pricing, taxation and environmental regulation, consumers' increasing demands for ethical, transparent and environmentally friendly goods and services and confidentiality of data and information.

People and society

Competent and committed personnel constitute the key success factor and the foundation of the responsible business operations of Oriola. By investing in its personnel, Oriola can provide added value to its customers, meet the strict quality requirements of the pharmaceutical sector and ensure its competitiveness in the market.

Oriola offers a wide range of working opportunities in the pharmaceutical sector to some 2,700 employees in Finland and Sweden. 78% of the employees were females and 45% of all employees were 30 to 49 years old in 2018 (under 30 years 31% and over 50 years 24%).

Ensuring pharmaceutical safety is a high priority in Oriola's operations. Pharmaceuticals must be delivered safely and on-time irrespective of external conditions. Oriola's operations are designed to ensure that pharmaceuticals are available on the market and that they are handled in a manner that is in compliance with the pharmaceutical sector's regulatory requirements.

Oriola conducts annual performance reviews covering all employees in the company. The results of the reviews form the basis for the process of setting future action plans and goals for the employees. Oriola is an equal and fair workplace that supports diversity. Oriola Group Code of conduct defines ethical norms that each employee must observe in their work.

Oriola supports a transparent company culture and publishes its tax footprint, which consists of income taxes and other taxes and corresponding charges related to 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.

Environment

The Oriola Environmental Policy outlines the commitment to reduce the environmental impacts of the company's operations.

The most significant impacts on the environment caused by Oriola's business are associated with facility maintenance, transportation of pharmaceuticals, and waste. Oriola's Swedish subsidiaries Oriola Sweden AB and Svensk Dos AB have ISO 14 001:2015 (Environment Management System) certificates.

Tax footprint

2018

EUR million	Finland	Sweden
Taxes borne		
Corporate income taxes	-0.3	10.5
Employment taxes	8.5	32.6
Other taxes[1]	0.4	0.0
Taxes borne, total	**8.5**	**43.1**
Taxes collected		
Value added taxes, net	9.3	-118.1
Payroll taxes	9.1	56.4
Withholding taxes	3.6	-
Taxes collected, total	**22.0**	**-61.6**
Total tax footprint	**30.5**	**-18.5**

2017

EUR million	Finland	Sweden
Taxes borne		
Corporate income taxes	1.5	16.4
Employment taxes	7.2	36.2
Other taxes[1]	0.3	0.0
Taxes borne, total	**9.1**	**52.6**
Taxes collected		
Value added taxes, net	33.4	-78.5
Payroll taxes	9.0	53.9
Withholding taxes	2.8	-
Taxes collected, total	**45.2**	**-24.6**
Total tax footprint	**54.3**	**28.1**

[1] Other taxes include real estate taxes, customs fees, and excise taxes

The energy efficiency projects concerning Oriola's main warehouses and offices in Mölnlycke in Sweden and Mankkaa in Finland are creating major annual savings in energy consumption, emissions and costs. Around 90% (85%) of the electricity used by the Group comes from renewable sources.

Pharmaceutical logistic operations is one of the core businesses for Oriola. The Group's distribution network, which mostly consists of road transport, covers all of Finland and Sweden. Pharmaceuticals and other health and wellbeing products are delivered daily to approximately 800 pharmacies in Finland and 1,400 in Sweden, as well as other healthcare customers, veterinarians and retailers. In addition to the regulatory requirements associated with pharmaceutical distribution, transportation routes are planned so that they are as environmentally efficient as possible. Oriola's transportation network is handled by the suppliers. Oriola works closely with its transportation partners who provide emissions data on a regular basis and are committed to reduce CO_2 emissions.

As part of the services offered by Oriola, the Company helps its clients to safely and correctly dispose of pharmaceuticals that have been damaged in production, have expired or have been recalled from the market. Much of the pharmaceutical waste disposed of by Oriola comes from the waste collection points in pharmacies, where consumers bring pharmaceuticals they no longer use or that have expired.

Oriola sends hundreds of tons of pharmaceutical waste to destruction each year. Pharmaceutical or other hazardous waste is processed in combustion plants in accordance with applicable regulations where it is burnt to generate energy. Non-pharmaceutical waste is either recycled or reutilised as energy. Recycling rate for non-pharmaceutical waste was 67% (68%) in 2018.

Compliance and supply chain

Oriola's quality management is founded on the laws and regulatory requirements applicable in the pharmaceutical sector and on quality management standards, especially ISO 9001. Pharmaceutical distribution and wholesale are regulated by the Good Distribution Practice (GDP) of the European Medicines Agency (EMA). In Finland, compliance with the GDP is monitored by the Finnish Medicines Agency FIMEA and in Sweden by the Medical Product Agency (MPA). The GDP defines the common rules of handling medicines. Where applicable, Oriola's operations are also guided by the Good Manufacturing Practices (GMP) and other regulation concerning products that come under regulatory control, such as food and cosmetics regulation.

Procurement principles, supplier selection and approval processes are important to Oriola. Oriola promotes adherence with its principles among its business partners and suppliers. During 2018, the Oriola Business Partner Code of Conduct was approved and implementation among direct suppliers started. By the end of 2018, 227 out of 451 identified direct product suppliers had been benchmarked against Oriola's supplier practices included in the Oriola Business Partner Code of Conduct.

Oriola sells products under its own trademarks and the aim is that all such products should include information clearly indicating the country of origin of the product. Currently 95% of all products sold under brands owned by Oriola are marked with the country of origin.

Espoo, 22 February 2019

Oriola Corporation

Board of Directors

Information on shares

Shares and shareholders

Shareholders by type of owner, 31 December 2018

	Shareholders			% of shareholders			% of shares		
	A shares	B shares	Total	A shares	B shares	Total	A shares	B shares	Total
Individuals	11,651	25,393	32,633	96.6	95.6	95.8	45.0	34.7	37.8
Corporations and partnerships	248	723	904	2.1	2.7	2.7	27.4	21.7	23.4
Banks and insurance companies	19	44	48	0.2	0.2	0.1	3.0	13.4	10.2
Public entities	7	17	21	0.1	0.1	0.1	14.3	7.4	9.5
Non-profit institutions	71	252	295	0.6	0.9	0.9	5.4	3.0	3.7
Foreign shareholders	66	141	177	0.5	0.5	0.5	0.3	1.3	1.0
Total	**12,062**	**26,570**	**34,078**	**100.0**	**100.0**	**100.0**	**95.4**	**81.4**	**85.7**
Nominee registrations							4.5	18.5	14.2
In the joint-book-entry account							0.1	0.0	0.1

Shareholders by number of shares held, 31 December 2018

	Shareholders			% of shareholders		
Number of shares	A shares	B shares	Total	A shares	B shares	Total
1-100	2,103	3,133	4,443	17.4	11.8	13.0
101-1 000	6,231	14,452	18,112	51.7	54.4	53.1
1 001-10 000	3,336	8,250	10,337	27.7	31.1	30.3
10 001-100 000	349	661	1,076	2.9	2.5	3.2
over 100 001	43	74	110	0.4	0.3	0.3
Total	**12,062**	**26,570**	**34,078**	**100.0**	**100.0**	**100.0**
Of which nominee registered	9	10	10			

	Shares			% of shares		
Number of shares	A shares	B shares	Total	A shares	B shares	Total
1-100	108,784	178,740	287,524	0.2	0.1	0.2
101-1 000	2,644,085	6,541,428	9,185,513	4.8	5.2	5.1
1 001-10 000	9,390,520	23,130,641	32,521,161	16.9	18.4	17.9
10 001-100 000	8,782,312	15,278,934	24,061,246	15.8	12.1	13.3
over 100 001	34,443,906	80,860,837	115,304,743	62.1	64.1	63.5
Total	**55,369,607**	**125,990,580**	**181,360,187**	**99.9**	**100.0**	**99.9**
Of which nominee registered	2,478,358	23,329,307	25,807,665	4.5	18.5	14.2
In the joint-book-entry account	64,666	61,360	126,026	0.1	0.0	0.1
	55,434,273	126,051,940	181,486,213	100.0	100.0	100.0

Share-related key figures

			2018	2017	2016	2015	2014 [2)]
Earnings per share		EUR	0.07	0.14	0.24	0.25	-1.33
Earnings per share, continuing operations		EUR	0.07	0.14	0.23	0.25	0.27
Equity per share		EUR	1.00	1.09	1.13	1.07	0.69
Total dividends		EUR million	16.3[1]	16.3	25.4	23.6	-
Dividend per share		EUR	0.09[1]	0.09	0.14	0.13	-
Payout ratio		%	128.8[1]	62.1	58.3	51.7	-
Dividend yield	A	%	4.57[1]	3.00	3.29	3.07	-
Dividend yield	B	%	4.55[1]	3.21	3.25	3.01	-
P/E ratio, continuing operations	A		28.19	20.97	18.43	17.23	12.04
P/E ratio, continuing operations	B		28.34	19.57	18.69	17.55	12.08
Share price on 31 Dec	A	EUR	1.97	3.00	4.25	4.24	3.26
Share price on 31 Dec	B	EUR	1.98	2.80	4.31	4.32	3.27
Average share price	A	EUR	2.82	3.79	4.16	4.01	2.37
Average share price	B	EUR	2.72	3.66	4.20	4.06	2.34
Lowest share price	A	EUR	1.92	2.96	3.70	2.93	1.89
Lowest share price	B	EUR	1.94	2.77	3.65	2.84	1.98
Highest share price	A	EUR	3.38	4.53	4.50	4.52	3.31
Highest share price	B	EUR	3.17	4.43	4.65	4.60	3.30
Market capitalisation		EUR million	358.8	519.2	778.9	779.6	524.4
Trading volume							
A shares		pc	3,067,789	2,703,394	1,893,721	3,045,353	7,868,093
% of average number of A shares		%	5.5	4.9	3.4	5.5	15.7
B shares		pc	40,993,419	41,746,627	22,488,841	35,816,293	41,162,592
% of average number of B shares		%	32.5	33.2	17.9	29.3	37.2
% of average number of all shares		%	24.3	24.5	13.4	21.9	30.5
Number of shares 31 Dec	A	pcs	55,434,273	55,434,273	55,484,648	55,484,648	50,147,044
	B	pcs	126,051,940	126,051,940	126,001,565	126,001,565	110,729,744
Total number of shares 31 Dec		pcs	181,486,213	181,486,213	181,486,213	181,486,213	160,876,788
Total number of A shares, annual average		pcs	55,434,273	55,434,825	55,484,648	55,204,784	50,147,044
Total number of B shares, annual average		pcs	126,051,940	126,051,388	126,001,565	122,441,865	110,729,744
Total number of shares, annual average		pcs	181,486,213	181,486,213	181,486,213	177,646,649	160,876,788

[1] Proposal by the Board of Directors.

[2] Calculated based on the rights issue -adjusted number of shares. The rights issue factor was 1.06359.

Calculation of share related key figures

$$\text{Earnings per share (EPS), EUR} = \frac{\text{Profit attributable to shareholders of the parent company}}{\text{Average number of shares during the period}}$$

$$\text{Equity per share, EUR} = \frac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares at the end of the period}}$$

$$\text{Dividend per share, EUR} = \frac{\text{Dividends paid for the financial period}}{\text{Number of shares at the end of the period}}$$

$$\text{Payout ratio, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

$$\text{Effective dividend yield, \%} = \frac{\text{Dividend per share}}{\text{Closing price on the last trading day of the financial period}} \times 100$$

$$\text{Price/Earnings ratio (P/E)} = \frac{\text{Closing price on the last trading day of the financial period}}{\text{Earnings per share}}$$

$$\text{Average price of share, EUR} = \frac{\text{Trading volume, EUR}}{\text{Average number of shares traded during the financial period}}$$

Market capitalisation, EUR = Number of shares at the end of the financial period x closing price on the last trading day of the financial period

Largest shareholders, 31 December 2018

By number of shares held	A shares	B shares	Total shares	% of total shares	Votes	% of total votes
1. Mariatorp Oy	6,000,000	14,000,000	20,000,000	**11.02**	134,000,000	**10.85**
2. Nordea Bank Abp	2,410,800	15,818,359	18,229,159	**10.04**	64,034,359	**5.19**
3. Wipunen Varainhallinta Oy	2,600,000	6,250,000	8,850,000	**4.88**	58,250,000	**4.72**
4. Varma Mutual Pension Insurance Company	4,320,600	3,273,000	7,593,600	**4.18**	89,685,000	**7.26**
5. Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	24,947	7,151,902	7,176,849	**3.95**	7,650,842	**0.62**
6. Ilmarinen Mutual Pension Insurance Company	3,606,414	2,299,018	5,905,432	**3.25**	74,427,298	**6.03**
7. Mandatum Life Insurance Company Limited	960,000	3,600,000	4,560,000	**2.51**	22,800,000	**1.85**
8. Mutual Insurance Company Pension-Fennia	200,985	2,111,389	2,312,374	**1.27**	6,131,089	**0.50**
9. Medical Investment Trust Oy	1,560,000	510,540	2,070,540	**1.14**	31,710,540	**2.57**
10. The Land and Water Technology Foundation	2,041,832	0	2,041,832	**1.13**	40,836,640	**3.31**
11. Fondita Nordic Micro Cap Placeringsfond	0	2,025,000	2,025,000	**1.12**	2,025,000	**0.16**
12. The Social Insurance Institution	0	1,991,481	1,991,481	**1.10**	1,991,481	**0.16**
13. Tukinvest Oy	1,983,526	0	1,983,526	**1.09**	39,670,520	**3.21**
14. Ylppö Jukka	1,496,562	286,992	1,783,554	**0.98**	30,218,232	**2.45**
15. Aktia Capital Fund	0	1,747,772	1,747,772	**0.96**	1,747,772	**0.14**
16. Kaleva Mutual Pension Insurance Company	277,942	1,200,000	1,477,942	**0.81**	6,758,840	**0.55**
17. Evli Finnish Small Cap	0	1,370,000	1,370,000	**0.75**	1,370,000	**0.11**
18. Odin Finland	0	1,160,994	1,160,994	**0.64**	1,160,994	**0.09**
19. Finnish Cultural Foundation	390,021	608,400	998,421	**0.55**	8,408,820	**0.68**
20. Ylppö Into	693,522	240,200	933,722	**0.51**	14,110,640	**1.14**
Total	28,567,151	65,645,047	94,212,198	**51.91**	636,988,067	**51.59**
Nominee registered	2,478,358	23,329,307	25,807,665	**14.22**	72,896,467	**5.90**
Oriola Corporation	0	103,773	103,773	**0.06**	103,773	**0.01**
Other	24,388,764	36,973,813	61,362,577	**33.81**	524,749,093	**42.50**
All shareholders, total	**55,434,273**	**126,051,940**	**181,486,213**	**100.00**	**1,234,737,400**	**100.00**

Financial indicators and performance measures

Financial indicators 2014–2018

Consolidated income statement[1]		2018	2017	2016	2015	2014[4]
Net sales	EUR million	1,552.2	1,527.7	1,588.6	1,577.8	1,566.1
International operations	EUR million	1,151.7	1,151.3	1,216.2	1,192.2	1,177.9
% of net sales	%	74.2	75.4	76.6	75.6	75.2
Adjusted EBIT	EUR million	36.9	39.9	59.9	59.8	57.8
% of net sales	%	2.4	2.6	3.8	3.8	3.7
EBIT	EUR million	22.0	37.8	57.6	61.6	63.7
% of net sales	%	1.4	2.5	3.6	3.9	4.1
Financial income and expenses	EUR million	-3.0	-3.9	-4.7	-6.5	-7.8
% of net sales	%	-0.2	-0.3	-0.3	-0.4	-0.5
Profit before taxes	EUR million	19.0	33.9	52.9	55.0	55.9
% of net sales	%	1.2	2.2	3.3	3.5	3.6
Profit for the period	EUR million	12.7	25.9	41.8	43.7	45.4
% of net sales	%	0.8	1.7	2.6	2.8	2.9

Consolidated balance sheet	EUR million	2018	2017	2016	2015	2014[4]
Non-current assets		439.0	446.1	437.2	396.4	390.8
Goodwill		274.3	282.7	286.8	256.5	250.9
Current assets		488.7	476.3	488.3	550.5	483.2
Inventory		214.1	207.8	199.4	201.1	185.0
Equity attributable to the parent company shareholders[5]		181.5	197.7	205.2	194.6	111.5
Liabilities total[5]		746.2	724.7	720.3	752.3	762.5
Borrowings		129.4	127.2	133.1	128.6	193.9
Non-interest-bearing liabilities[5]		616.8	597.5	587.2	623.7	568.6
Total assets		927.7	922.4	925.4	946.9	874.0

Key figures		2018	2017	2016	2015	2014[4]
Equity ratio[5]	%	19.8	21.8	22.7	21.1	13.1
Equity per share[5]	EUR	1.00	1.09	1.13	1.07	0.69
Return on capital employed (ROCE)[2]	%	6.9	11.7	17.8	19.9	14.4
Return on equity[2 5]	%	6.7	13.0	21.4	29.1	23.9
Net interest-bearing debt	EUR million	63.6	110.2	72.3	6.6	102.4
Gearing[5]	%	35.1	55.7	35.2	3.4	91.8
Net interest-bearing debt / EBITDA from continuing operations	ratio	1.1	1.7	0.8	0.1	1.2
Earnings per share from continuing operations[4]	EUR	0.07	0.14	0.23	0.25	0.27
Earnings per share incl. discontinued operations[4]	EUR	0.07	0.14	0.24	0.25	-1.33
Average number of shares[3 4]	pcs	181,360,503	181,328,408	181,389,391	177,501,818	160,741,152
Average number of personnel from continuing operations	pers.	2,699	2,686	2,425	2,172	2,235
Gross capital expenditure incl. discontinued operations	EUR million	39.6	46.2	88.8	20.4	34.0

[1] Continuing operations.

[2] The comparative figures 2014-2017 include discontinued operations, 2014 and 2015 figures excluding Russia.

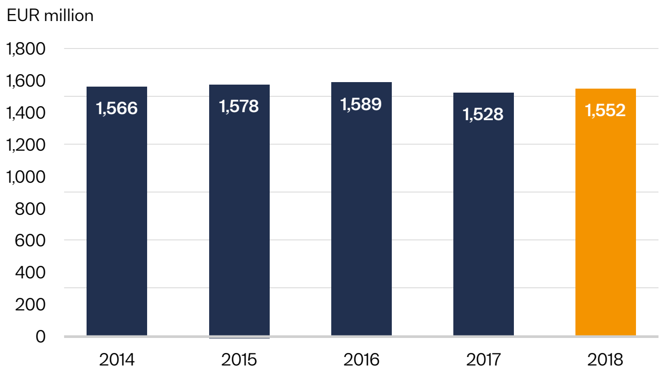
[3] Company-owned treasury shares are not included.

[4] Average number of shares has been adjusted for rights issue 2014.

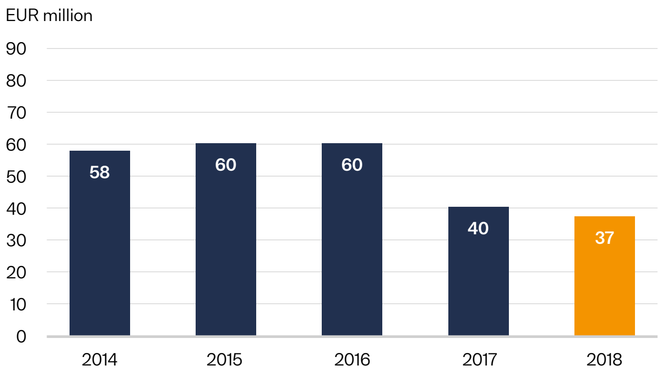
[5] In 2015 The statement of financial position has been restated due to an error relating to prior periods. The restatement increased the deferred tax liabilities by EUR 2.1 million and decreased equity by the corresponding amount.

Refer to section Alternative performance measures, for definitions of key figures.

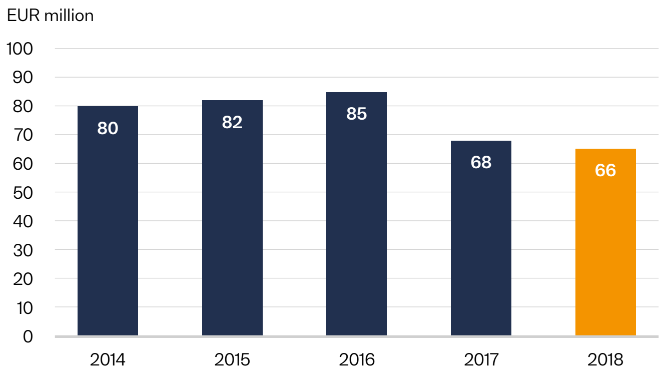
Net sales



Adjusted EBIT



Adjusted EBITDA



Alternative performance measures

In order to reflect the underlying business performance and to enhance comparability between financial periods Oriola discloses certain performance measures of historical performance, financial position and cash flows, as permitted in “Alternative performance measures” guidance issued by the European Securities and Markets Authority (ESMA). These measures should not be considered as a substitute for measures of performance in accordance with the IFRS. These alternative performance measures are described in the following tables:

Reconciliation of alternative performance measures to IFRS

Invoicing

EUR million	2018	2017
Net sales	1,552.2	1,527.7
+ Acquisition cost of consignment stock	1,948.0	1,789.6
+ Cash discounts	18.2	19.0
Invoicing	**3,518.4**	**3,336.3**

Adjusted EBITDA

EUR million	2018	2017
EBIT	22.0	37.8
Depreciations and impairments	24.1	25.7
Share of results in joint venture	4.6	1.1
Impairment on investments in joint venture	5.1	-
EBITDA	**55.8**	**64.6**
- Adjusting items included in EBITDA	9.8	3.0
Adjusted EBITDA	**65.5**	**67.6**

Adjusted EBIT

EUR million	2018	2017
EBIT	22.0	37.8
- Adjusting items included in EBIT	14.9	2.1
Adjusted EBIT	**36.9**	**39.9**

Calculation of alternative performance measures

Alternative performance measure		Definitions		Reason for use of the alternative performance measure
Invoicing	=	Net sales + acquisition cost of consignment stock + cash discounts		Invoicing describes the volume of the business.
EBIT	=	Net sales less material purchases, less employee benefit expenses and other operating expenses, less depreciation, amortisation and impairment plus other operating income plus share of results in joint venture		EBIT shows result generated by the business.
EBITDA	=	EBIT before depreciation, amortisation and impairments and share of results in joint venture		EBITDA is the indicator to measure the performance of the Group.
Adjusted EBIT	=	EBIT excluding adjusting items		Oriola discloses Adjusted EBITDA and Adjusted EBIT in order to reflect the underlying business performance and to enhance comparability between financial periods. Adjusted 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.
Adjusted EBITDA	=	EBITDA excluding adjusting items		
Adjusting items		Adjusting items include gains or losses from the sale or discontinuation of business operations or assets, gains or losses from restructuring business operations, and impairment losses of goodwill and other non-current assets, or other income or expenses arising from rare events, and changes in estimates regarding the realisation of contingent consideration arising from business acquisitions.		
Invoicing on a constant currency basis		Invoicing calculated with the average exchange rate of the corresponding period of the comparative year.		Invoicing, net sales, adjusted EBITDA and adjusted EBIT on a constant currency basis describe the development of the business without changes due to fluctuating foreign exchange rates and thus enhance the comparability between financial periods.
Net sales on a constant currency basis		Net sales calculated with the average exchange rate of the corresponding period of the comparative year.		
Adjusted EBITDA on a constant currency basis		Adjusted EBITDA calculated with the average exchange rate of the corresponding period of the comparative year.		
Adjusted EBIT on a constant currency basis		Adjusted EBIT calculated with the average exchange rate of the corresponding period of the comparative year.		
Net debt	=	Interest-bearing liabilities – cash and cash equivalents		Net debt is an indicator to measure the total external debt financing of the company.
Investments	=	Capitalised investments in property, plant and equipment and in intangible assets including goodwill arising from business combinations, as well as investments in associates and joint ventures		Investments provide additional information of the cash flow need of the business operations.
Return on capital employed (ROCE), %	=	EBIT / Total assets – Non-interest-bearing liabilities (average between the beginning and the end of the year)	x 100	Return on capital employed % measures how efficiently the Group generates profits from its capital employed.
Return on equity (ROE), %	=	Profit for the period / Equity total (average between the beginning and the end of the year)	x 100	Return on equity % measures the Group's profitability by showing how much profit is generated with the funds invested to the Group by the shareholders.
Gearing, %	=	Net debt / Equity total	x 100	Gearing provides information on the Group's financial risk level and the level of the Group's indebtedness.
Net debt/EBITDA	=	Net debt / EBIT before depreciation, amortisation and impairments and share of results in joint venture		Net debt/EBITDA provides information on the level of the Group's indebtedness.
Equity ratio, %	=	Equity total / Total assets – Advances received	x 100	Equity ratio provides information on the Group's financial risk level and the level of the Group's capital used in operations.

Financial statements 2018

Consolidated statement of comprehensive income (IFRS)

EUR million	Note	2018	2017
Net sales	4.2.	**1,552.2**	**1,527.7**
Other operating income	4.2.	20.4	13.8
Material purchases	4.3.	-1,203.5	-1,174.2
Employee benefit expenses	4.4.	-165.8	-166.1
Other operating expenses	4.3.	-147.5	-136.5
EBITDA		**55.8**	**64.6**
Depreciation, amortisation and impairments	6.1./6.3.	-24.1	-25.7
Share of results in joint venture	6.4.	-4.6	-1.1
Impairment on investment in joint venture	6.4.	-5.1	-
EBIT		**22.0**	**37.8**
Financial income and expenses	7.1.	-3.0	-3.9
Profit before taxes		**19.0**	**33.9**
Income taxes	8.1.	-6.3	-7.9
Profit for the period from continuing operations		**12.7**	**25.9**
Profit for the period from discontinued operations	9.2.	-	0.3
Profit for the period		**12.7**	**26.3**
Other comprehensive income			
Items which may be reclassified subsequently to profit or loss:			
Translation differences recognised in comprehensive income during the reporting period		-9.3	-7.4
Translation differences reclassified to profit and loss during the reporting period		-	0.3
Cash flow hedge	7.3.	0.1	0.4
Income tax relating to other comprehensive income	8.1.	-0.0	-0.1
		-9.3	**-6.7**

EUR million	Note	2018	2017
Items which will not be reclassified to profit or loss:			
Actuarial gains/losses on defined benefit plans	4.4.	-1.6	-1.6
Income tax relating to other comprehensive income	8.1.	0.3	0.3
		-1.3	**-1.2**
Total comprehensive income for the period		**2.1**	**18.3**
Profit attributable to			
Parent company shareholders		12.7	26.3
Total comprehensive income attributable to			
Parent company shareholders		2.1	18.3
Earnings per share attributable to parent company shareholders:			
Basic earnings per share, EUR			
From continuing operations	7.5.	0.07	0.14
From discontinued operations	7.5.	-	0.00
From profit for the period	7.5.	0.07	0.14
Diluted earnings per share, EUR			
From continuing operations	7.5.	0.07	0.14
From discontinued operations	7.5.	-	0.00
From profit for the period	7.5.	0.07	0.14

Consolidated statement of financial position (IFRS)

EUR million	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment	6.1. / 6.2.	77.2	79.0
Goodwill	6.3.	274.3	282.7
Other intangible assets	6.3.	75.1	81.2
Investments in joint ventures	6.4.	0.0	0.5
Other non-current assets	6.4.	9.7	0.3
Deferred tax assets	8.2.	2.7	2.4
Non-current assets, total		**439.0**	**446.1**
Current assets			
Inventories	5.2.	214.1	207.8
Trade receivables	5.1.	180.2	220.5
Income tax receivables	5.1.	6.6	3.9
Other receivables	5.1.	22.0	27.2
Cash and cash equivalents	7.2.	65.8	17.0
Current assets, total		**488.7**	**476.3**
ASSETS TOTAL		**927.7**	**922.4**

EUR million	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity			
Share capital		36.2	36.2
Hedging reserve		-0.3	-0.3
Contingency fund		19.4	19.4
Invested unrestricted equity reserve		74.8	74.8
Other reserves		0.1	0.1
Translation differences		-28.6	-19.2
Retained earnings		79.8	86.8
Equity attributable to the parent company shareholders	7.4.	**181.5**	**197.7**
Non-current liabilities			
Deferred tax liabilities	8.2.	15.6	15.3
Pension obligations	4.4.	13.9	12.3
Borrowings	7.2.	59.1	61.0
Other non-current liabilities	5.3.	0.9	3.5
Non-current liabilities, total		**89.5**	**92.2**
Current liabilities			
Trade payables	5.3.	536.5	525.5
Provisions	5.4.	3.3	0.4
Borrowings	7.2.	70.3	66.3
Income tax payables	5.3.	0.7	0.7
Other current liabilities	5.3.	45.9	39.6
Current liabilities, total		**656.7**	**632.6**
EQUITY AND LIABILITIES TOTAL		**927.7**	**922.4**

Consolidated statement of cash flows (IFRS)

EUR million	Note	2018	2017
Net cash flow from operating activities			
EBIT		22.0	38.7
Adjustments			
Depreciation and amortisation	6.1./6.3.	24.1	25.8
Impairment	6.1./6.3.	-	0.7
Share of result in joint venture	6.4.	4.6	1.1
Impairment on investment in joint venture	6.4.	5.1	-
Change in pension asset and pension obligation		0.8	0.8
Other adjustments		2.3	-1.8
		58.9	65.4
Change in working capital			
Change in current receivables increase (-)/ decrease (+)		37.9	-42.8
Change in inventories increase (-)/ decrease (+)		-12.2	-21.1
Change in non-interest-bearing current liabilities increase (+)/ decrease (-)		31.5	45.7
		57.2	-18.2
Interest paid and other financial expenses		-3.2	-6.0
Interest received and other financial income		0.1	0.2
Income taxes paid		-10.2	-17.7
Net cash flow from operating activities		**102.8**	**23.7**
Net cash flow from investing activities			
Investments in property, plant and equipment and intangible assets		-20.8	-40.2
Proceeds from sales of property, plant and equipment and intangible assets		0.4	0.3
Investments in joint ventures	6.4.	-9.2	-1.6
Investments in other shares and shareholdings	6.4.	-9.4	-
Business acquisitions, net of cash acquired	9.2.	-2.5	-2.3
Sales of business operations, net of cash disposed	9.2.	-	6.1
Received dividends		-	0.0
Net cash flow from investing activities		**-41.5**	**-37.7**

EUR million	Note	2018	2017
Net cash flow from financing activities			
Proceeds from long-term loans		30.0	29.8
Repayments of long-term loans		-30.4	-62.1
Change in current financing[1]		4.4	28.5
Purchasing of own shares		-0.1	-0.6
Dividends paid		-16.3	-25.4
Net cash flow from financing activities		**-12.3**	**-29.7**
Net change in cash and cash equivalents		48.9	-43.7
Cash and cash equivalents at the beginning of the period		17.0	60.8
Translation differences		-0.1	-0.1
Net change in cash and cash equivalents		48.9	-43.7
Cash and cash equivalents at the end of the period	7.2.	**65.8**	**17.0**

[1] Includes cash flows from commercial papers.

Consolidated statement of cash flows includes the cash flows from discontinued operations. For more information about the discontinued operations refer to note 9.2. Acquisitions and disposals, discontinued operations.

Consolidated statement of changes in equity (IFRS)

EUR million	Note	Share capital	Funds	Translation differences	Retained earnings	Equity total
Equity 1 January 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	7.3.	-	0.4	-	-	**0.4**
Actuarial gains and losses	4.4.	-	-	-	-1.6	**-1.6**
Income tax relating to other comprehensive income	8.1.	-	-0.1	-	0.3	**0.2**
Translation difference		-	-	-11.0	3.6	**-7.4**
Translation difference reclassified to profit and loss	9.2.	-	-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	7.5.	-	-	-	-25.4	**-25.4**
Share-based incentive	4.4.	-	-	-	0.3	**0.3**
Purchase of own shares		-	-	-	-0.6	**-0.6**
Sale of subsidiaries	9.2.	-	-0.1	-	-	**-0.1**
Transactions with owners, total		**-**	**-0.1**	**-**	**-25.7**	**-25.8**
Equity 31 December 2017		**36.2**	**94.0**	**-19.2**	**86.8**	**197.7**
Adjustment of adoption of IFRS 15[1]	2.	-	-	-	-2.2	**-2.2**
Adjustment of adoption of IFRS 9[1]	2.	-	-	-	-0.1	**-0.1**
Adjustment of adoption of IFRS 2 amendment	2.	-	-	-	0.4	**0.4**
Restated equity 1 January 2018		**36.2**	**94.0**	**-19.2**	**84.9**	**195.9**
Comprehensive income for the period						
Net profit for the period		-	-	-	12.7	**12.7**
Other comprehensive income:						
Cash flow hedge	7.3.	-	0.1	-	-	**0.1**
Actuarial gains and losses	4.4.	-	-	-	-1.6	**-1.6**
Income tax relating to other comprehensive income	8.1.	-	-0.0	-	0.3	**0.3**
Translation difference		-	-	-9.3	-	**-9.3**
Comprehensive income for the period, total		**-**	**0.1**	**-9.3**	**11.4**	**2.1**
Transactions with owners						
Dividend distribution	7.5.	-	-	-	-16.3	**-16.3**
Share-based incentive	4.4.	-	-	-	-0.2	**-0.2**
Purchase of own shares		-	-	-	-0.1	**-0.1**
Transactions with owners, total		**-**	**-**	**-**	**-16.6**	**-16.6**
Equity 31 December 2018		**36.2**	**94.0**	**-28.6**	**79.8**	**181.5**

[1] Net of tax

Notes to the consolidated financial statements

1. Basic information on the company

Oriola Corporation is a Finnish public limited company, domiciled in Espoo, Finland. Oriola and its subsidiaries together form the consolidated Oriola Group. The consolidated financial statements were approved for publication by the Board of Directors of Oriola Corporation on 22 February 2019. In accordance with Finland's Limited Liability Companies Act, the shareholders have the right to approve or reject the financial statements at the General Meeting held after their publication. The General Meeting may also decide to make amendments to the financial statements. The company's business ID is 1999215-0. Copies of the consolidated financial statements of the Oriola Group are available from the head office of Oriola Corporation at the following address: Orionintie 5, FI-02200 Espoo, Finland (investor.relations@oriola.com).

2. Basis of presentation

Basis of presentation: The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) including the IAS and IFRS standards as well as the SIC and IFRIC interpretations valid as at 31 December 2018. The International Financial Reporting Standards refer to standards and interpretations that have been approved for application in the EU in the Finnish Accounting Act and the provisions issued pursuant to it according to the procedures provided for in EU regulation (EC) No. 1606/2002.

The consolidated financial statements are presented for the 12-month period 1 January – 31 December 2018. The financial statements are presented in EUR million and they have been prepared under the historical cost convention, except for financial assets recognised at fair value through profit or loss, financial assets recognised at fair value through other comprehensive income, derivatives and share-based payments. The consolidated statement of comprehensive income comprises of the continuing operations of the company unless otherwise stated. The consolidated statement of financial position for comparative periods includes the assets and liabilities of discontinued operations. The Group has applied the following new and amended standards and interpretations as of 1 January 2018:

IFRS 9 Financial Instruments: 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. In accordance with the transitional provisions in IFRS 9 the comparative figures have not been restated and the cumulative impact of the adoption was recognised in retained earnings as of 1 January 2018. The impacts of IFRS 9 adoption are described below.

Under IFRS 9, financial assets are classified according to their cash flow characteristics and the business model they are managed in. The financial assets of the Group consist of trade and other receivables and cash and cash equivalents previously 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 previously classified and measured at fair value through profit and loss which are measured on the same basis under IFRS 9. The reclassification of the financial assets of the Group did not have any impact on equity. The new standard did not have an impact on the Group's accounting for financial liabilities.

Under IFRS 9 more risk positions 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. The Group's hedging process and hedge accounting 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. The majority of the Group's financial assets subject to IFRS 9's new expected credit loss model are trade receivables.

The Group applies 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. The Group uses a provision matrix for loss allowance provision. In calculating the expected credit loss rates, the Group considers historical observed default rates and incorporates forward looking information. Considering this, the Group has made an adjustment of EUR -0.1 million in retained earnings and trade receivables as of 1 January 2018. Figures in the comparison periods have not been restated.

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

IFRS 15 Revenue from contracts with customers: As of 1 January 2018 the Group has adopted IFRS 15 Revenue from Contracts with Customers. The Group has adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption was recognised in retained earnings as of 1 January 2018 and that comparatives were not restated. The impact of IFRS 15 adoption is described below.

The Group has made an assessment of the impact of IFRS 15 in a project, which started in 2015. The main customer contracts and different revenue streams have been identified, reviewed and documented. The Group's revenue consists mainly of contracts, which include the sale of pharmaceutical products or services to customers. The Group has not identified any significant changes in revenue recognition. According to IFRS 15 revenue is recognised when the customer obtains control of the goods. Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The change of control in the sale of pharmaceutical products or services is at the point of time when the goods or services are transferred to the customer and the performance obligation is satisfied. Recognition of revenue is therefore based on delivery terms, when the goods or services have been delivered to the customer. IFRS 15 does not change the timing of the revenue. At the same time with the sale of pharmaceutical products

EUR million	Measurement category IAS 39	Measurement category IFRS 9	Carrying amount IAS 39	Carrying amount IFRS 9	Change
Financial assets					
Trade and other receivables	Loans and other receivables	Amortised cost	224.4	178.6	-45.8
Cash and cash equivalents	Loans and other receivables	Amortised cost	17.0	17.0	-
Derivatives	Fair value through profit and loss	Fair value through profit and loss	0.2	0.2	-
Trade receivables for sale	Loans and other receivables	Fair value through profit and loss	-	45.8	45.8
Financial assets, total			**241.7**	**241.6**	**-0.1**
Financial liabilities					
Non-current interest bearing liabilities	Amortised cost	Amortised cost	61.0	61.0	-
Current interest bearing liabilities	Amortised cost	Amortised cost	66.3	66.3	-
Trade and other payables	Amortised cost	Amortised cost	564.7	564.7	-
Derivatives	Fair value through profit and loss	Fair value through profit and loss	0.6	0.6	-
Contingent consideration	Fair value through profit and loss	Fair value through profit and loss	2.5	2.5	-
Financial liabilities, total			**695.0**	**695.0**	**-**

the Group provides also delivery and handling services. In accordance with IFRS 15 these delivery and handling services are not distinct products and therefore they are considered as one performance obligation with sale of pharmaceutical products and revenue is recognised at the same time.

The Group has such distribution and warehousing agreements with pharmaceutical manufacturers, which are categorised as consignment stock agreements. A significant share of the sales of pharmaceutical products is done in relation to consignment stock agreements. In case of consignment stock agreement the Group considers that the performance obligation is sale of warehousing services to pharmaceutical manufacturers and in such cases the Group is acting as an agent and the revenue is recognised on a net basis as a fee or commission. The assessment of IFRS 15 did not result in material changes to the previous practise.

Due to the operational and regulation framework in the Group's main market area, Finland and Sweden, the Group has significantly more control and responsibility over the availability and distribution of the pharmaceutical products than distributors in other markets. The Group is obligated to deliver goods and services to the end customers in 24 hours and to follow Good distribution practice, which is a quality system for warehousing and distribution of pharmaceutical products endorsed by the EU.

In the Consumer Business Area the Group has a customer loyalty bonus discount programme. The Group's net sales are adjusted with estimated future bonus discounts of customer loyalty programme. According to IFRS 15 the total consideration must be allocated to the goods based on the relative stand-alone selling prices. As a result of the adoption of IFRS 15 timing of the recognition of customer loyalty bonus discounts is slightly changed. Accordingly the Group has made an adjustment of EUR 2.2 million (net of tax) in retained earnings and EUR 2.8 million in contract liabilities.

The following table summarises the impacts of adopting IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and on the Group's consolidated statement of comprehensive income for the period of January-December 2018:

Amendment to IFRS 2 Share-based Payments: The amendment concerns the accounting for equity-settled share-based payments with net settlement features to cover withholding tax obligations. Previously the standard required the entity to divide the payment in equity-settled and cash-settled component. According to new requirements, the Group classifies the transactions with net settlement features as equity-settled in its entirety.

The change was implemented prospectively without restatement of comparatives. The Group's other current liabilities as at 31 December 2017 included a EUR 0.4 million liability relating to cash-settled component of unvested plans. At the transition date 1 January 2018, the liability was transferred to equity's retained earnings.

EUR million	As reported	Adjustments	Amounts without adoption of IFRS 15
Consolidated statement of financial position			
Income tax receivables	6.6	-0.6	6.0
Retained earnings	79.8	2.2	82.0
Other current liabilities	45.9	-2.8	43.2
Consolidated statement of comprehensive income			
Net sales	1,552.2	0.1	1,552.3
Income taxes	-6.3	0.0	-6.4

3. Use of estimates

Use of estimates: *The preparation of consolidated financial statements in accordance with IFRS requires the application of judgement by management in making estimates and assumptions. Such estimates and assumptions have an impact on the assets and liabilities reported as at the end of the reporting period, and on the presentation of contingent assets and liabilities in the notes to the consolidated financial statements as well as on the income and expenses reported for the financial year. The estimates are based on the management's best knowledge about the facts and as such actual results may differ from the estimates and assumptions used. Accounting estimates have been used in determining the amount of items reported in the consolidated financial statements, such as possible impairment of goodwill and other assets, determination of pension assets and pension obligations related to defined benefit pension plans, economic lives of tangible and intangible assets, provisions and taxes. The application of accounting principles also requires judgement.*

Use of Estimates

Item	Uncertainty	Note
Defined benefits	Discount factor	4.4.
Impairment testing	Discount factor / Estimate	6.3.
Deferred taxes	Recognition / Estimate	8.2.
Provisions	Recognition / Estimate	5.4.

4. Operating result

4.1. Segment reporting

Segment reporting: Oriola's operating and reporting segments consist of business areas and are reported as in internal reporting provided to the Chief Executive Officer, the chief operating decision maker responsible for allocating resources and assessing performance of the business areas.

Oriola's business areas and operating and reporting segments in 2018 are Consumer, Services and Healthcare. From the beginning of 2019 Oriola's reporting segments will be Consumer, Pharma and Retail. The Baltic businesses, sold in October 2017, are classified as discontinued operations from June 2017 onwards and are not included in the segment figures in 2017 and in comparative periods. The result of the discontinued operations is presented in note 9.2. Previously the Baltic businesses were part of the Consumer and Services segments.

The assets and liabilities of reporting segments include items directly attributable to a segment and items which can be allocated to segments. Group items include financial items as well as items related to corporate functions.

Intra-segment pricing is determined on an arm's length basis. The sales between segments are not material.

The geographical areas of Oriola are Finland, Sweden and other countries. Net sales are divided by the countries in which the customers are located. Assets and investments are divided according to the country in which they are located.

In order to reflect the underlying business performance and to enhance comparability between financial periods Oriola discloses Adjusted EBITDA and Adjusted EBIT as permitted in ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures. These measures should not be considered as a substitute for measures of performance in accordance with the IFRS. The reporting segments' EBIT is reported excluding adjusting items. In addition Oriola uses "invoicing" as the measure to describe the business volume.

Adjusted 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.

Oriola's agreements with pharmaceutical companies are either wholesale agreements where Oriola buys the products into own stock or agreements where Oriola delivers the products from consignment stock. Oriola reports invoicing of both type of agreements as it describes the volume of the business.

Reporting segments

EUR million

2018	Note	Consumer	Services	Healthcare	Group items	Group total
External Invoicing		769.5	2,656.4	92.5	-	**3,518.4**
Internal Invoicing		0.1	378.5	-	-378.5	**-**
Invoicing		769.5	3,034.9	92.5	-378.5	**3,518.4**
Sales to external customers		751.9	708.3	92.0	-	**1,552.2**
Sales to other segments		0.1	378.5	-	-378.5	**-**
Net sales	4.2.	751.9	1,086.8	92.0	-378.5	**1,552.2**
EBIT		17.7	22.3	0.1	-18.1	**22.0**
Adjusted EBIT		18.8	26.9	0.1	-8.9	**36.9**
Assets		378.0	392.2	48.5	109.0	**927.7**
Liabilities		51.0	553.5	6.2	135.5	**746.2**
Investments	6.1./6.3.	7.0	9.9	1.1	21.7	**39.6**
Depreciation, amortisation and impairments	6.1./6.3.	14.8	6.3	2.5	0.5	**24.1**
Average number of personnel		1,591	924	122	62	**2,699**

2017	Note	Consumer	Services	Healthcare	Group items	Group 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**
Sales to external customers		761.8	695.2	70.7	-	**1,527.7**
Sales to other segments		0.2	347.7	0.0	-347.9	**-**
Net sales	4.2.	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	6.1./6.3.	9.1	22.3	3.9	10.8	**46.1**
Depreciation, amortisation and impairments	6.1./6.3.	17.0	5.4	3.0	0.3	**25.7**
Average number of personnel		1,582	929	129	47	**2,686**

Refer to section Alternative performance measures for definitions of key figures and reconciliation to measures presented in the consolidated income statement and balance sheet prepared in accordance with IFRS.

Adjusting items

Adjusting items included in EBIT

EUR million	2018	2017
Restructuring costs	-0.8	-0.3
Costs of termination of the CEO service contract	-	-0.4
Costs and impairment charges relating to Hehku	-12.7	-
Revaluation of contingent consideration	-0.1	0.2
Legal fees related to the change of the provider for the new logistics and warehouse IT system	-0.3	-
Contractual liabilities due to delivery failures in Finland	-	-1.2
Other	-0.9	-0.4
Total	**-14.9**	**-2.1**

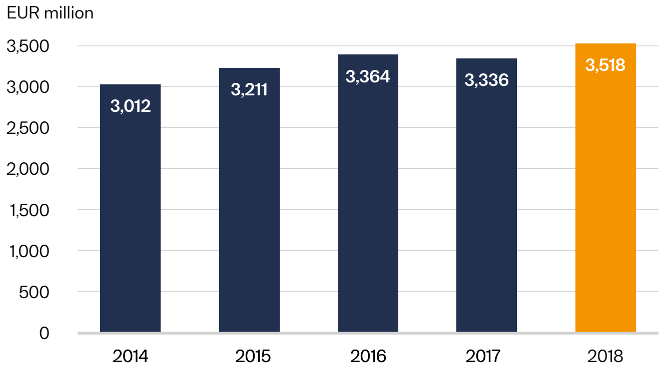
Adjusting items in 2018 include costs and impairment charges relating to Hehku, restructuring charges related to changes in the Group Management Team and in the organisation, legal fees related to the change of the provider for the new logistics and warehouse IT system, an adjustment to pension liabilities in Sweden as well as an adjustment to other current assets related to the Swedish Consumer business. 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 the costs of major business development projects, as well as an adjustment to the valuation of non-current assets in the Swedish Consumer segment.

Geographical information

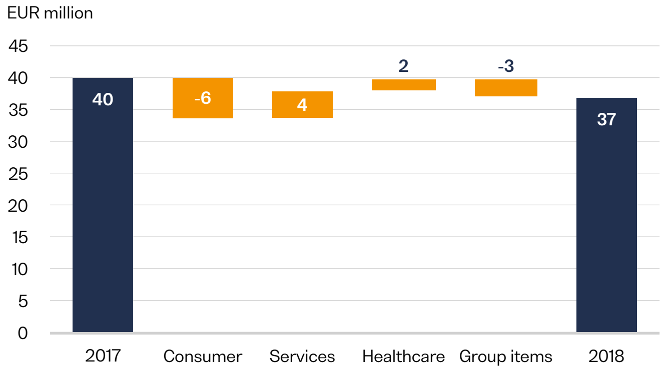
EUR million

2018	Sweden	Finland	Other countries	Total
Sales to external customers	1,066.6	400.5	85.1	**1,552.2**
Assets	646.3	281.4	0.0	**927.7**
Investments	14.5	25.2	-	**39.6**
Average number of personnel	1,987	710	2	**2,699**
2017				
Sales to external customers	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**

Invoicing



Group adjusted EBIT



4.2. Net sales and other operating income

Revenue recognition: The Group's net sales include income from the sale of goods, distribution fees and the sale of services adjusted with indirect taxes, discounts and currency translation differences resulting from sales in foreign currencies. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

The Group's revenues derive from the following revenue streams: Wholesale, retail sale, sale of logistics services, dose dispensing, staffing and sale of other services. In the following section the principal activities of the different revenue streams are described as well as the nature of performance obligations.

Wholesale: The Group sells pharmaceutical products and traded goods to pharmacies, veterinarians, hospitals and other retailers. The performance obligation is sale of goods, which is based on sales order. The transaction price is the price of goods. Revenue is recognised when the Group transfers control of goods to customer at the amount which the Group expects to be entitled, i.e. the price of goods sold less any possible discounts.

Retail sale: The Group has retail pharmacies that sell pharmaceuticals and healthcare products to private customers. The performance obligation is sale of goods. The performance obligation is satisfied, when the products are sold to customers in pharmacies. The Group has a customer loyalty bonus discount programme related to the non-prescription retail sale in Sweden. In the customer loyalty programme the customers earn customer loyalty points based on their purchases of non-prescription products. The points are converted to digital vouchers, which the customers can use to pay for their purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide digital vouchers to the customer is a separate performance obligation. The points expire in one year from purchase if not converted to digital vouchers. The digital vouchers expire in two months, if not used before that. The net sales are adjusted with customer loyalty points earned by the customers. A contract liability is recognised for the points customers in the customer loyalty programme have earned based on their purchases and for the outstanding digital vouchers. The contract liability is recognised until the points are redeemed or expire.

Services: The Group offers a variety of services to the customers. These services can be divided to the following revenue streams: Sale of logistics services, dose dispensing, staffing and sale of other services.

- **Sales of logistics services:** The Group has contracts based on consignment inventory with pharmaceutical companies. In such contracts the Group acts as an agent between the pharmaceutical company and the end-customer and the performance obligation is sale of logistics and transportation services to pharmaceutical companies. The revenue is recognised on a net basis as a fee or commission.
- **Dose dispensing:** The Group offers dose dispensing services to pharmacies in Sweden and Finland and county councils in Sweden. The performance obligation is sale of dose dispensed goods. The transaction price includes the price of goods sold and the price of dose dispensing. The revenue is recognised when the control of the dose dispensed goods is transferred to the customer.
- **Staffing:** The Group offers staffing services to pharmacies and pharmaceutical companies. The performance obligation is the delivery of the staffing services. The transaction price is the hourly based price according to work performed. The revenue is recognised over the period during which the service is performed.
- **Sale of other services:** The Group sells logistics, web and other value added services to pharmaceutical companies, retailers and hospitals. The performance obligation is sales of services, which is based on a contract for delivering services to the customer. The revenue is recognised over the period during which the service is performed at the amount totalling the price of service performed less any possible discounts.

Net sales by currency

	2018		2017	
Million	**SEK**	**EUR**	**SEK**	**EUR**
Sweden	11,745.1	1,144.9	11,073.8	1,149.3
Finland		407.3		378.4
Total		**1,552.2**		**1,527.7**

Disaggregation of revenue

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

EUR million

2018	Consumer	Services	Healthcare	Total
Wholesale	-	643.6	25.5	**669.2**
Retail sale	751.9	-	-	**751.9**
Services	-	64.7	66.5	**131.1**
Total	**751.9**	**708.3**	**92.0**	**1,552.2**
2017	**Consumer**	**Services**	**Healthcare**	**Total**
Wholesale	-	633.3	9.6	**642.9**
Retail sale	761.8	-	-	**761.8**
Services	-	61.9	61.0	**123.0**
Total	**761.8**	**695.2**	**70.7**	**1,527.7**

Contract balances

The Group has recognised the following liabilities related to contracts with customers:

EUR million	31 Dec 2018	1 Jan 2018
Contract liabilities (included in other current liabilities)		
- Customer loyalty programme	2.7	3.9
- Advances received related to staffing	0.1	0.2
- Advances received related to other services	0.1	0.1
Total	**2.8**	**4.1**

The amount of EUR 4.1 million recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2018.

No revenue was recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

No information is provided about remaining performance obligations at the end of the reporting period that have an original expected duration of one year or less.

Other operating income

EUR million	2018	2017
Gain on sale of tangible and intangible assets	0.1	0.0
Rental income	0.2	0.2
Service charges	0.0	0.1
Marketing contribution	10.3	11.8
Revaluation of contingent consideration	-	0.2
Other operating income	9.9	1.4
Total	**20.4**	**13.8**

Other operating income in 2018 includes a settlement totalling EUR 9 million received from the provider of the logistics and warehouse IT system.

4.3. Operating expenses

Operating expenses include material purchases, employee benefit expenses and other operating expenses as presented on the face of the IFRS income statement. Employee benefit expenses are specified in note 4.4. Employee benefits.

Material purchases

Material purchases: The material purchases include the materials, procurement and other costs related to manufacturing and procurement.

Material purchases

EUR million	2018	2017
Purchases during the period	1,215.8	1,196.8
Change in inventory	-12.2	-22.7
Products for own use	-0.2	-0.2
Foreign exchange differences	0.1	0.3
Total	**1,203.5**	**1,174.2**

Material purchases by currency

	2018	
Million	**SEK**	**EUR**
Sweden	8,896.0	867.2
Finland	-	336.3
Total		**1,203.5**

	2017	
Million	**SEK**	**EUR**
Sweden	8,402.7	872.1
Finland	-	302.1
Total		**1,174.2**

Other operating expenses

EUR million	2018	2017
Freights and other variable costs	29.0	25.6
Marketing	12.7	13.8
Information management	19.1	16.9
Premises	29.0	29.4
External services	29.6	23.5
Other operating expenses	28.2	27.3
Total	**147.5**	**136.5**

Other operating expenses in 2018 include costs and impairment charges relating to Hehku totalling EUR 3.4 million.

Audit fees

EUR million	2018	2017[1]
To member firms of KPMG network		
Audit related services	0.2	0.4
Tax and other non-audit services	0.0	0.2
Total	**0.2**	**0.6**

[1] To member firms of PricewaterhouseCoopers Oy network

KPMG has provided non-audit services to entities of Oriola Group in total EUR 19.0 thousand during the financial year 2018.

4.4. Employee benefits

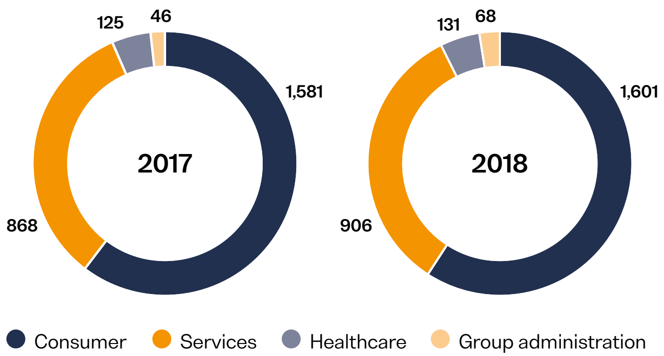
Pension benefits: The Group's pension arrangements are in compliance with each country's local regulations and practices. The pension arrangements of the Group companies comprise both defined contribution plans and defined benefit plans. The payments to the defined contribution plans are recognised as expenses in the income statement in the period in which they incur. Under a defined benefit pension plan, the Group's obligation is not limited to the payments made under the plan but also includes the actuarial and investment risks related to the pension plan in question.

The pension expenses related to defined benefits have been calculated using the projected unit credit method. Pension expenses are recognised as expenses by distributing them over the estimated period of service of the personnel concerned. The amount of the pension obligation is the present value of the estimated future pensions payable.

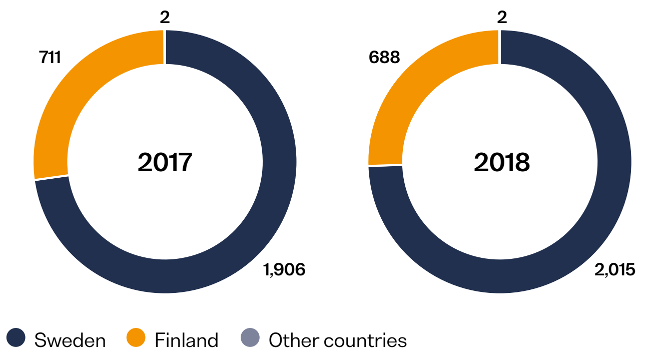
Employee benefit expenses

EUR million	2018	2017
Wages, salaries and bonuses	121.4	122.5
Share-based payments	0.2	0.3
Pension costs		
Defined contribution plans	12.3	11.3
Defined benefit plans	0.5	0.5
Other personnel expenses	31.4	31.5
Total	**165.8**	**166.1**

Employees by business area (at year-end)



Employees by country (at year-end)



Post-employment benefits

The Oriola Group has defined benefit pension plans in Finland and Sweden.

In Finland, the defined benefits plans consist of a voluntary insurance plan, which is a final average pay pension plan concerning additional pensions. The benefits are insured with OP Life Assurance.

In 2017 Finland adopted a pension reform. Oriola decided not to compensate the deficit due to the change in the pension act in the supplementary pension plan.

In Sweden, some of the office employees are covered by the defined benefit plan ITP 2 and others by the defined contribution plan ITP 1. The employees have a defined contribution plan according to local legislation. In ITP 2, the company can recognise the old age pension liabilities in its statement of financial position or, alternatively, pay the pension expenses to the pension insurance company Alecta. Oriola Sweden AB has recognised its ITP 2 old age pension liabilities in full in its statement of financial position. Oriola Sweden AB's old age pension benefits other than ITP 2 are insured with Alecta. All of Kronans Droghandel Apotek AB's pension benefits are based on defined contribution, and insured with Alecta.

The Group also operates a long-service benefit scheme. The long-service benefit scheme is presented as other non-current liabilities in the statement of financial position.

Employer contributions to post-employment benefit plans are expected to be EUR 0.4 million during 2019 financial year. The weighted average duration of the defined benefit obligation is 21.8 years.

All plan assets of the Group relate to the Finnish voluntary insurance plan and are held by the insurance company. They are part of the insurance company's investment assets and are considered to be unquoted.

Mortality assumptions are made on the basis of actuarial guidelines and they are founded on statistics published in each region and on experience.

Net defined benefit liability in the statement of financial position is defined as follows:

EUR million	2018	2017
Present value of funded obligations	16.2	14.7
Fair value of plan assets	-2.3	-2.4
Deficit/surplus	13.9	12.3
Net liability (+) / assets (-) in the statement of financial position	13.9	12.3

Change in defined benefit obligation and plan assets:

EUR million	Present value of funded obligation	Fair value of plan assets	Total
1 Jan 2017	**13.1**	**-2.5**	**10.6**
Current service cost	0.5	-	**0.5**
Interest cost or income	0.3	-0.0	**0.3**
	13.9	-2.5	**11.4**
Remeasurements			
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	1.2	-0.1	**1.1**
Experience profits (-) or losses (+)	0.4	-	**0.4**
	15.5	-2.5	**13.0**
Differences in foreign exchange rates	-0.3	-	**-0.3**
Contributions			
Plan participants	-	-0.0	**-0.0**
Expenses arising from the plans			
Benefits paid	-0.5	0.2	**-0.3**
31 Dec 2017	**14.7**	**-2.4**	**12.3**
Current service cost	0.5	-	0.5
Interest cost or income	0.3	-0.0	0.3
	15.5	-2.4	**13.2**
Remeasurements			
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	1.5	-0.1	**1.4**
Experience profits (-) or losses (+)	0.2	-	**0.2**
	17.2	-2.5	**14.7**
Differences in foreign exchange rates	-0.5	-	**-0.5**
Contributions			
Plan participants	-	-0.1	**-0.1**
Expenses arising from the plans			
Benefits paid	-0.5	0.2	**-0.3**
31 Dec 2018	**16.2**	**-2.3**	**13.9**

Significant actuarial assumptions 31 Dec:	2018	2017
Discount rate (%)	1.20-2.35	1.5-2.6
Salary increases (%)	1.80-3.50	1.8-2.7

Sensitivity of the defined benefit obligation to changes in the most significant assumptions:

Effect on defined benefit pension obligation

Assumption	Change in assumption as percentage point	Effect of change in assumption %
Decrease in discount rate	-0.5	increase by 11.7
Increase in discount rate	+0.5	reduce by 10.2
Increase in salaries	+0.5	increase by 5.3
Increase in benefits	+0.5	increase by 11.7

The table presents a sensitivity analysis for the most significant actuarial assumptions, showing the effect of any change in actuarial assumptions on the defined benefit pension obligation.

The effects of the above sensitivity analysis have been calculated so that when the effect of the change in the assumption is calculated all other assumptions are expected to remain unchanged. This is unlikely to happen and in some assumptions changes may correlate with each other. The sensitivity of the defined benefit obligation has been calculated using the same method as in the calculation of the pension obligation to be entered in the statement of financial position (the current value of the defined benefit obligation at the end of the reporting period using the projected unit credit method).

The most significant risks arising from defined benefit pension plans:

Life expectancy: Most of the plan obligations are connected with generating life-long benefits for employees and for this reason a higher life expectancy will mean more obligations under the plan.

Inflation risk: Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities.

Changes in bond yields: A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' assets.

Use of estimates: *The discounted value of the pension obligation is based on several actuarial assumptions. Changes in the assumptions have an impact on the carrying amount of the pension obligation. Discount rate used is one of the assumptions used. The interest rate used is determined at the date of measurement by reference to the maturity of corporate bonds issued by financially sound companies that is similar to that of the pension obligation. Other key assumptions impacting pension liabilities are based on the circumstances valid at the time.*

Share-based payments

Share-based payments: Share incentive plans are measured at fair value at the grant date in accordance with IFRS 2, and are recognised as expenses within the vesting period. The fair value of the share is the share price on the date at which the target group has agreed to the conditions of the plan reduced by the estimated dividends. The fair value of the cash part is measured at each balance sheet date until the end of the vesting period based on the share price at the end of the reporting period. Both the equity-settled component and the unpaid cash-settled part are credited to retained earnings.

Executives incentive plan 2013 – 2015

On 19 December 2012 Oriola Corporation's Board of Directors approved a share-based incentive plan for the Group executives. The scheme covered four persons. The plan included three performance periods, the calendar years 2013, 2014 and 2015. The company's Board of Directors decided on the earning criteria for the earning period and the targets to be set for these at the start of each earning period. The reward from the plan for the performance period 2015 was based on the Oriola Group's earnings per share (EPS). The rewards paid in February 2018 on the basis of the performance period 2015 corresponded to the value of 148,524 Company's class B shares (including also the proportion to be paid in cash). There was no payment based on the performance periods 2013 and 2014 since the performance criteria for the plan was not met.

Expenses recognised for the incentive plan were EUR 0.0 (-0.1) million in 2018. Due to changes in the Group Management Team the impact of the incentive plan on the result of the year 2017 was positive.

Executives incentive plan 2016 – 2018

On 4 December 2015 the Board of Directors of Oriola Corporation resolved to establish a new share-based incentive plan directed at the Group's key personnel. Approximately 20 key members of personnel, including the members of the Group Management Team, participate in the plan. The plan includes three performance periods, the calendar years 2016, 2017 and 2018, and three vesting periods, the calendar years 2017, 2018 and 2019, respectively. The Board of Directors of the Company resolved on the plan's performance criteria and on the required performance level for each criterion at the beginning of each performance period. The rewards paid in February 2018 on the basis of the performance period 2016 were based on the Group's earnings per share (EPS) and corresponded to the value of 119,803 Company's class B shares (including also the proportion to be paid in cash). Similarly, the potential reward from the performance period 2017 was based on the Group´s earnings per share (EPS). There will be no payments based on the performance period 2017 since the performance criteria for the plan was not met. The potential reward from performance period 2018 was also based on the Group's earnings per share (EPS). The set EPS target was not met in 2018. The essential precondition for participation in the plan and for receipt of reward on the basis of the plan is that a key person has enrolled in the OKShares and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the rules of the OKShares in force. The member of the Group Management Team must hold 50% of the net shares given on the basis of the entire plan, until his or her shareholding in the Company in total equals the value of his or her gross annual salary.

Expenses recognised for the incentive plan were EUR 0.1 (0.2) million in 2018.

Executive incentive plan 2019 – 2023

On 14 December 2018 the Board of Directors of Oriola Corporation resolved to establish a new share-based long-term incentive plan 2019–2023 directed at the Group's key personnel. The long-term incentive plan arrangement has three three-year performance periods 2019–2021, 2020–2022 and 2021–2023. The Board of Directors of the Company will resolve on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. Approximately 30 key persons, including the members of the Group Management Team, belong to the target group of the plan. The prerequisite for participation in the plan and for receipt of reward on the basis of the plan is that the key person has enrolled in the key personnel share savings plan and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force during the first year of the three-year performance period. The potential reward from the performance period 2019–2021 will be based on the Group's earnings per share (EPS) and the Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of an approximate maximum total of 1,700,000 Oriola Corporation class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation class B shares and partly in cash in spring 2022 after the end of the performance period. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person. A member of the Group Management Team must hold 50% of the net shares given on the basis of the long-term incentive plans, until his or her shareholding in the Company in total equals the value of his or her gross annual salary. Such number of shares must be held as long as the key person holds a position as a Group Management Team member.

No expenses were recognised based on the plan in 2018.

One-off incentive plan 2019 – 2020

On 14 December 2018 the Board of Directors of Oriola Corporation resolved to establish a two-year one-off incentive plan 2019-2020 directed at the Group's key personnel to enable the prolonging of the long-term incentive plan performance period to three years and with that change better answer to the requirements of the investors and corporate governance and to be more aligned with the market practice. The one-off long-term incentive plan has a two-year performance period 2019–2020. The Board of Directors of the Company will resolve on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. Approximately 30 key persons, including the members of the Group Management Team, belong to the target group of the plan. The prerequisite for participation in the plan and for receipt of reward on the basis of the plan is that a key person has enrolled in the key personnel share savings plan for the long-term incentive plan 2019–2021 and makes the monthly saving for this plan from his or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force. The potential reward from the performance period 2019–2020 will be based on the Group's earnings per share (EPS) and separately defined two-year strategic projects. The rewards to be paid on the basis of the performance period 2019–2020 correspond to the value of an approximate maximum total of 1,700,000 Oriola Corporation class B shares (including also the proportion to be paid in cash). The potential reward will be paid partly in Oriola Corporation class B shares and partly in cash in spring 2021 after the end of the performance period. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person. The member of the Group Management Team must hold 50% of the net shares given on the basis of the long-term incentive plans, until his or her shareholding in the Company in total equals the value of his or her gross annual salary. Such number of shares must be held as long as the key person holds a position as a Group Management Team member.

No expenses were recognised based on the plan in 2018.

Share savings plans

On 18 June 2015 the Board of Directors of Oriola Corporation decided to launch a key personnel share savings plan. The maximum monthly saving was 8.3% and the minimum 2% of each participant's fixed monthly gross salary. Approximately 45 key employees participated in the savings period that began on 1 October 2015 and ended on 31 December 2016. The matching shares transferred to eligible participants in February 2018 corresponded to the value of 46,024 Oriola Corporation class B shares, including the proportion to be paid in cash.

On 19 October 2016 the Board of Directors decided to launch a savings period 2017, from 1 January to 31 December 2017. Approximately 40 key employees participated in the share savings plan. The holding period ended on the publication date of Oriola's Financial Statements Release 1 January – 31 December 2018. 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 2019. The estimated number of matching shares, including the portion to be paid in cash, is 40,398.

Approximately 50 key employees participated 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 Corporation 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. The holding period will end on the publication date of Oriola's Financial Statements Release 1 January – 31 December 2019. 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.

On 14 December 2018 the Board of Directors decided to launch a savings period 2019, from 1 January to 31 December 2019. Approximately 90 key employees will participate in the share savings plan. The maximum monthly saving is 8.3% and the minimum is 2% of each participant's fixed monthly gross salary. The accumulated savings will be used for purchasing Oriola Corporation class B shares for the participants at the market price quarterly. In return, each participant will receive two free class B matching shares for every three acquired savings shares if the participant holds the acquired shares from the savings period until the end of the designated holding period and if his or her employment with a company has not been terminated on bad leaver terms. The holding period will end on the publication date of Oriola's Financial

Statements Release 1 January – 31 December 2020. The matching shares will be transferred to eligible participants in 2021. Matching shares will be paid partly in the Company's class B shares and partly in cash. Assuming all eligible employees will participate and will save the maximum of 8.3% of their fixed monthly gross salary the aggregated estimated number of new shares to be issued or treasury shares held by the Company to be transferred as matching shares based on the savings period 2019 is approximately 200,000 class B shares.

The expenses recognised for the share savings plans were EUR 0.1 (0.1) million in 2018.

Management benefits

Employee benefits to President and CEO

EUR thousand	2018	2017
Robert Andersson from 12 Feb 2018		
Basic salary	541.6	-
Pension expenses (statutory)	96.7	-
Total	**638.3**	-
Eero Hautaniemi until 18 Dec 2017		
Basic salary	-	470.7
Bonuses	-	85.0
Termination expenses[1]	-	656.6
Pension expenses (statutory)	-	332.7
Total	**-**	**1,545.0**
Kimmo Virtanen 18 Dec 2017 – 11 Feb 2018 (acting)		
Basic salary	26.7	9.1
Bonuses	33.5	-
Pension expenses (statutory)	4.7	1.6
Total	**64.9**	**10.7**

[1] Termination expenses include the salary for the 6 months' notice period and the severance pay equal to 12 months' salary based on the service agreement.

Employee benefits to other members of the Group Management Team

EUR thousand	2018	2017
Basic salary	1,153.7	1,048.9
Bonuses	652.9	102.1
Termination expenses[1]	187.2	-
Pension expenses (statutory)	119.7	215.3
Pension expenses (voluntary)	38.5	16.6
Total	**2,152.0**	**1,382.8**

[1] Termination expenses include the severance pay equal to 6 months' salary.

The total salary of the President and CEO of the Group and the Group Management Team include a supplementary health insurance. The President and CEO of the Group and the Group Management Team participate in statutory pension schemes. Two Group Management Team members participate in a voluntary defined contribution plan.

Salaries and benefits of the members of the Board of Directors

EUR thousand	2018	2017
Anssi Vanjoki, Chairman	56.4	65.4
Eva Nilsson Bågenholm, Vice Chairman	40.3	42.8
Juko-Juho Hakala[1]	31.2	-
Anja Korhonen	38.3	44.8
Mariette Kristenson	30.7	33.2
Kuisma Niemelä[2]	-	35.2
Lena Ridström	29.2	34.2
Matti Rihko[3]	-	1.0
Staffan Simberg	30.2	35.2
Total	**256.2**	**291.7**

[1] from 19 March 2018
[2] until 19 March 2018
[3] until 14 March 2017

Of the Board of Directors' annual fee, 60% is paid in cash and 40% in the Company's class B shares. For the apportionment paid in shares, an expense of EUR 0.1 (0.1) million was recognised in 2018.

5. Working capital

5.1. Trade and other receivables

Trade receivables: Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are initially recognised when they are originated and subsequently carried at their anticipated realisable value, which is the original invoice amount less than estimated valuation allowance for the impairment of these receivables. A valuation allowance for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The Oriola Group applies 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.Trade receivables are measured at amortised cost. The part of the trade receivables, which is held for sale, is classified to measurement category fair value through profit and loss.

EUR million	2018	2017
Trade receivables	180.2	220.5
Income tax receivables	6.6	3.9
Prepaid expenses and accrued income	2.9	2.8
Derivatives measured at fair value through profit and loss	0.0	-
VAT receivables	10.0	16.5
Rental prepayments	4.6	4.1
Prepayments	3.6	2.6
Other receivables	0.8	1.2
Total	**208.7**	**251.6**

As a part of managing liquidity risk Oriola has open-ended frame agreements in Sweden that allows the company to sell trade receivables relating to Swedish retail and wholesale businesses to the financial institutions on non-recourse basis. Sold non-recourse trade receivables were EUR 140.5 (94.8) million on the balance sheet date. In 2018 Oriola agreed with the financial institutions to change the timing of selling the trade receivables. As a result the amount of sold trade receivables on the balance sheet date increased. No significant changes are anticipated in the scope of the agreements to sell trade receivables in 2019.

The credit risk in Finland is reduced by interest-bearing advance payments from pharmacies. These interest-bearing advance payments are presented as current interest-bearing liabilities in the balance sheet. On the balance sheet date the amount of prepayments was EUR 12.4 (15.0) million. Additional information on the interest bearing advance payments can be found in note 7.2. Financial assets and liabilities.

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 7.3. Financial risk management.

Ageing and impairment of trade receivables at the closing date

	2018		2017	
EUR million	Gross	Impairment	Gross	Impairment
Not past due	165.8	-0.0	200.0	-
Past due 1 – 30 days	10.5	-0.0	14.1	-
Past due 31 – 180 days	3.5	-0.2	6.4	-0.0
Past due more than 180 days	1.0	-0.4	0.0	-0.0
Total	**180.8**	**-0.6**	**220.5**	**-0.0**

The book value of trade and other receivables corresponds to the maximum amount of credit risk relating to them at the balance sheet date.

5.2. Inventories

Inventories: Inventories are presented in the consolidated statement of financial position at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated necessary direct costs of sale. The cost of inventories is determined on the basis of FIFO principle. If the net realisable value is lower than cost, a valuation allowance is recognised for inventory obsolescence.

The inventories of EUR 214.1 (207.8) million as at 31 December 2018 included finished goods, pharmaceutical and health related products. A write-off totalling EUR 4.2 million of inventories exclusive to Hehku was recognised in 2018.

EUR million	2018	2017
Raw materials and consumables	0.1	0.1
Work in progress	0.5	0.2
Finished goods	213.5	207.5
Total	**214.1**	**207.8**

5.3. Trade payables and other liabilities

EUR million	2018	2017
Trade payables	536.5	525.5
Income tax payables	0.7	0.7
Accrued liabilities	33.3	36.7
Derivatives designated as hedges	0.1	0.0
VAT liabilities	10.7	0.7
Other current liabilities	1.8	2.2
Total	**583.1**	**565.9**

Material items included in accrued liabilities

EUR million	2018	2017
Accrued wages, salaries and social security payments	20.7	26.0
Other accrued liabilities	12.6	10.7
Total	**33.3**	**36.7**

Other non-current liabilities

EUR million	2018	2017
Derivatives	0.4	0.6
Contingent consideration	-	2.5
Other non-current liabilities[1]	0.5	0.5
Total	**0.9**	**3.5**

[1] Other non-current liabilities include long-service benefit liability.

5.4. Provisions

Provisions: A provision is recognised in the consolidated statement of financial position when the Group has a present legal or contractual obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A restructuring provision is recognised when the Group has a detailed, formal restructuring plan, has started the implementation of the plan or has informed those affected by the plan. No provision related to costs for continuing operations is recognised.

In 2018 the Group's provisions in the consolidated statement of financial position totalled EUR 3.3 (0.4) million. Due to the decision to close down Hehku Kauppa Oy, Oriola recognised in the last quarter of 2018 a provision totalling EUR 3.1 million consisting of liabilities relating to Hehku. In addition, the provisions in 2018 include a restructuring provision totalling EUR 0.1 million related to the organisation changes. The provisions in 2017 were related to difficulties in the launch of the new ERP system in Finland and consist of estimated contractual liabilities due to delivery failures, estimated loss of inventories and estimated adjustments to the issued customer invoices based on the reclamations received. These provisions were released in 2018.

Use of estimates: *Provisions for present obligations require management to assess the best estimate of the expenditure needed to settle the present obligation at the end of the reporting period. The actual amount and timing of the expenditure might differ from the estimates made.*

6. Tangible and intangible assets and other non-current assets

6.1. Property, plant and equipment

Tangible assets: Tangible assets are initially recognised at historical cost and they are subsequently measured at historical cost less depreciation and impairment losses. The assets are depreciated over their estimated useful life using the straight-line method. The useful life of assets is reviewed at least annually and it is adjusted if necessary. The estimated useful lives are as follows:

• Buildings	20-50 years
• Machinery and equipment	5-10 years
• Other tangible assets	3-10 years

Land areas are not subject to depreciation. Repair and maintenance costs are recognised as expenses for the period. Improvement investments are capitalised providing they are expected to generate future economic benefits. Gains and losses resulting from the disposal of tangible assets are recognised as other operating income or expense in the statement of comprehensive income.

Property, plant and equipment

EUR million 2018	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets[1]	Advance payments and construction in progress	Total
Historical cost 1 Jan 2018	1.9	49.7	87.3	32.4	16.0	**187.3**
Increases	-	0.5	3.6	1.8	7.8	**13.6**
Decreases	-	-	-4.0	-0.0	-	**-4.0**
Reclassifications	-	0.0	1.3	0.8	-2.1	**-**
Foreign exchange rate differences	-0.0	-0.5	-2.8	-1.3	-0.6	**-5.2**
Historical cost 31 Dec 2018	**1.9**	**49.7**	**85.4**	**33.7**	**21.0**	**191.8**
Accumulated depreciation 1 Jan 2018	-	-34.0	-60.8	-13.5	-	**-108.3**
Accumulated depreciation related to decreases and reclassifications	-	-	3.6	-0.0	-	**3.6**
Depreciation for the financial year	-	-1.8	-7.7	-3.2	-	**-12.7**
Foreign exchange rate differences	-	0.3	2.0	0.5	-	**2.8**
Accumulated depreciation 31 Dec 2018	**-**	**-35.5**	**-62.9**	**-16.2**	**-**	**-114.6**
Carrying amount 1 Jan 2018	1.9	15.7	26.6	18.9	16.0	**79.0**
Carrying amount 31 Dec 2018	1.9	14.2	22.6	17.5	21.0	**77.2**

[1] The most significant share of other tangible assets is made up by refurbishment expenditures for rented premises.

EUR million 2017	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets[1]	Advance payments and construction in progress	Total
Historical cost 1 Jan 2017	1.9	48.1	81.7	32.1	4.3	**168.0**
Business combinations	-	-	0.0	-	-	**0.0**
Increases	-	1.9	8.7	1.0	13.8	**25.4**
Decreases	-	-	-2.2	-0.1	-	**-2.3**
Reclassifications	-	0.1	1.0	0.4	-2.0	**-0.5**
Foreign exchange rate differences	-0.0	-0.4	-1.8	-0.9	-0.1	**-3.3**
Historical cost 31 Dec 2017	**1.9**	**49.7**	**87.3**	**32.4**	**16.0**	**187.3**
Accumulated depreciation 1 Jan 2017	-	-32.6	-53.2	-10.7	-	**-96.5**
Accumulated depreciation related to decreases and reclassifications	-	-	2.0	0.0	-	**2.0**
Depreciation for the financial year, continuing operations	-	-1.6	-10.3	-3.2	-	**-15.2**
Depreciation for the financial year, discontinued operations	-	-	-0.1	-0.0	-	**-0.1**
Impairments	-	-	-0.5	-	-	**-0.5**
Foreign exchange rate differences	-	0.2	1.4	0.4	-	**2.0**
Accumulated depreciation 31 Dec 2017	**-**	**-34.0**	**-60.8**	**-13.5**	**-**	**-108.3**
Carrying amount 1 Jan 2017	1.9	15.5	28.5	21.3	4.3	**71.5**
Carrying amount 31 Dec 2017	1.9	15.7	26.6	18.9	16.0	**79.0**

6.2. Finance leases

Finance leases: Lease agreements which transfer a significant proportion of the risks and rewards related to the ownership of an asset to the Group are classified as finance lease agreements. Finance lease agreements are recognised in the consolidated statement of financial position as an asset and a liability at the inspection of the lease at the lower of fair value of the asset or the present value of the minimum lease payments.

The assets acquired through finance lease are depreciated similarly to non-current assets over the shorter of useful life of the assets or the lease term. Finance lease liabilities are recognised under non-current and current liabilities in the consolidated statement of financial position.

Assets leased through finance lease agreements consist mainly of information and communication technology equipment. Terms of the agreements usually include possibility to extend the lease by 3-12 months as well as purchase options. The purchase options are used if the expected useful life of the equipment is significantly longer than the lease period.

Assets leased through finance lease agreements

Tangible assets include the following assets leased through finance lease agreements:

EUR million

2018	Machinery and equipment	Total
Historical cost	8.5	**8.5**
Accumulated depreciation	-7.5	**-7.5**
Carrying amount	**1.0**	**1.0**

2017	Machinery and equipment	Total
Historical cost	8.4	**8.4**
Accumulated depreciation	-6.8	**-6.8**
Carrying amount	**1.6**	**1.6**

Maturity of finance lease liabilities

EUR million	2018	2017
Within one year	0.6	0.9
Within 1-5 years	0.4	0.7
Unearned financial expense	-0.0	-0.0
Total	**1.0**	**1.7**

Present value of minimum lease payments

EUR million	2018	2017
Within one year	0.6	0.9
Within 1-5 years	0.4	0.7
Total	**1.0**	**1.7**

6.3. Goodwill and other intangible assets

Goodwill: Goodwill arising from business combinations is recognised as the amount by which the aggregate of the fair value of the consideration transferred, the acquisition date fair value of any previously held interest and any non-controlling interest exceeds the fair value of the net assets acquired.

Goodwill is not amortised but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to cash-generating units. Goodwill is measured at cost less accumulated impairment losses. Impairment losses are recognised in the statement of comprehensive income.

Other intangible assets: Other intangible assets are initially recognised at historical cost and they are subsequently measured at historical cost less depreciation and impairment losses. Other intangible assets include sales licences, trademarks, patents, software licences and product and marketing rights. Assets with finite useful life are depreciated over their useful life, using the straight-line method. Research and development costs are normally expensed as other operating expenses for the reporting period in which they are incurred. Expenditures on development is capitalised only when it relates to new products or services that are technically and commercially feasible. The majority of the Group's development expenditure does not meet the criteria for capitalisation and are recognised as expenses as incurred. The estimated useful lives of other intangible assets are as follows:

- Intangible rights
  - Patents and trademarks 10 years
  - Software 5-10 years
- Other intangible assets 3-10 years

Goodwill and other intangible assets

EUR million 2018	Goodwill	Intangible rights	Other intangible assets[1]	Advance payments and construction in progress	Total
Historical cost 1 Jan 2018	282.7	105.3	6.8	24.3	**419.2**
Increases	-	0.9	2.6	3.9	**7.4**
Decreases	-	-1.1	-0.4	-	**-1.5**
Reclassifications	-	0.1	18.8	-18.9	**-**
Foreign exchange rate differences	-8.5	-3.8	-	-0.0	**-12.3**
Historical cost 31 Dec 2018	**274.3**	**101.4**	**27.8**	**9.3**	**412.7**
Accumulated amortisation 1 Jan 2018	-	-50.2	-5.0	-	**-55.2**
Accumulated amortisation related to decreases and reclassifications	-	1.1	0.4	-	**1.5**
Amortisation for the financial year	-	-9.6	-1.8	-	**-11.4**
Foreign exchange rate differences	-	1.8	-	-	**1.8**
Accumulated amortisation 31 Dec 2018	**-**	**-57.0**	**-6.4**	**-**	**-63.4**
Carrying amount 1 Jan 2018	282.7	55.1	1.8	24.3	**363.9**
Carrying amount 31 Dec 2018	274.3	44.3	21.5	9.3	**349.4**

[1] Other intangible assets include significant expenses for installation and specialist work related to the implementation of computer software.

EUR million 2017	Goodwill	Intangible rights	Other intangible assets[1]	Advance payments and construction in progress	Total
Historical cost 1 Jan 2017	286.8	100.9	6.9	15.1	**409.7**
Increases	2.6	5.7	0.1	10.7	**19.2**
Decreases	-	-0.5	-0.3	-0.0	**-0.8**
Impairments	-0.3	-	-	-	**-0.3**
Reclassifications	-	1.9	0.0	-1.4	**0.5**
Foreign exchange rate differences	-6.5	-2.7	-	-0.0	**-9.2**
Historical cost 31 Dec 2017	**282.7**	**105.3**	**6.8**	**24.3**	**419.2**
Accumulated amortisation 1 Jan 2017	-	-42.4	-4.3	-	**-46.7**
Accumulated amortisation related to decreases and reclassifications	-	0.4	0.3	-	**0.7**
Amortisation for the financial year, continuing operations	-	-9.5	-1.0	-	**-10.5**
Amortisation for the financial year, discontinued operations	-	-0.0	-0.0	-	**-0.0**
Impairments	-	-0.0	-	-	**-0.0**
Foreign exchange rate differences	-	1.3	-	-	**1.3**
Accumulated amortisation 31 Dec 2017	**-**	**-50.2**	**-5.0**	**-**	**-55.2**
Carrying amount 1 Jan 2017	286.8	58.5	2.7	15.1	**363.0**
Carrying amount 31 Dec 2017	282.7	55.1	1.8	24.3	**363.9**

Allocation and impairment testing of goodwill

Impairment of tangible and intangible assets: The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of the net sales price or value in use, which is the present value of the expected future cash flows expected to be derived from the asset.

The impairment loss is recognised in the income statement if the carrying amount of the asset exceeds the recoverable amount. An impairment loss is reversed if there is a change in the circumstances and the recoverable amount exceeds the carrying amount. The reversal of impairment loss cannot exceed the asset's carrying amount without any impairment loss.

The goodwill impairment test is conducted at least annually or more frequently if there is any indication that goodwill may be impaired. Impairment is recognised in the statement of comprehensive income under Depreciation, amortisation and impairments. Goodwill impairment losses are not reversed.

Goodwill is allocated as follows:

EUR million	2018	2017
Consumer, Sweden	210.2	218.6
Services, Sweden	28.4	28.5
Services, Finland	7.5	7.5
Healthcare, Sweden	7.8	7.8
Healthcare, Finland	20.4	20.4
Total	**274.3**	**282.7**

Projection parameters applied

2018	Post-tax discount rate %	Pre-tax discount rate %	EBIT %[1]	Terminal growth[2]	Net sales growth[3]
Consumer, Sweden	7.5	9.0	3.8	2.0	2.4
Services, Sweden	7.5	9.1	2.7	2.0	4.0
Services, Finland	7.9	9.5	13.2	2.0	9.8
Healthcare, Sweden	7.5	9.3	5.9	2.0	18.3
Healthcare, Finland	7.9	9.4	9.4	2.0	8.2
2017					
Consumer, Sweden	8.0	9.8	4.4	2.0	4.8
Services, Sweden	8.0	9.8	2.7	2.0	6.5
Services, Finland	7.7	9.1	27.8	2.0	11.0
Healthcare, Sweden	8.0	9.7	1.8	2.0	31.0
Healthcare, Finland	7.7	9.2	14.3	2.0	2.8

[1] Average EBIT percentage over a three-year period
[2] From the beginning of the year 2022
[3] CAGR over a three-year-period

Carrying amount of assets and value in use

2018	Carrying amount of assets	Value in use
Consumer, Sweden	293.2	434.6
Services, Sweden	28.4	174.4
Services, Finland	9.1	34.4
Healthcare, Sweden	14.9	38.8
Healthcare, Finland	21.9	22.4

2017	Carrying amount of assets	Value in use
Consumer, Sweden	333.9	476.3
Services, Sweden	25.9	160.6
Services, Finland	10.1	115.9
Healthcare, Sweden	16.5	24.6
Healthcare, Finland	22.1	32.0

A percentage point change in projection parameters that causes the fair value equal to book value[1]

2018	Discount rate change %	EBIT percentage change %	Terminal growth change %	Net sales growth change %
Consumer, Sweden	2.8	-1.0	-3.5	-4.7
Services, Sweden	58.5	-1.8	-	-27.4
Services, Finland	19.3	-6.0	-65.1	-7.7
Healthcare, Sweden	13.6	-1.5	-37.9	-7.8
Healthcare, Finland	0.2	-0.2	-0.2	-0.6

2017	Discount rate change %	EBIT percentage change %	Terminal growth change %	Net sales growth change %
Consumer, Sweden	2.8	-1.0	-3.6	-5.0
Services, Sweden	36.3	-2.1	-	-27.6
Services, Finland	78.8	-22.3	-	-23.9
Healthcare, Sweden	3.6	-0.5	-5.1	-3.1
Healthcare, Finland	2.6	-4.0	-3.3	-11.3

[1] A greater percentage point change in the parameter would result in a partial impairment of goodwill, providing other key assumptions remain unchanged

The recoverable amount of the cash-generating units was determined in impairment testing on the basis of value-in-use calculations. Value-in-use has been determined based on discounted cash flows (DCF-model). The cash flow forecasts are based on three-year strategic plans approved by the management, which are consistent with the current business structure. The most important assumptions in the strategic plans are estimates of overall long-term growth in the market and the market position as well as the profitability of the Group businesses. The foreign exchange rates used in converting the calculations into euros are those prevailing at the time of testing.

The main parameters used in the impairment testing are net sales growth percentage, EBIT percentage, terminal growth percentage and discount rate.

The three-year net sales forecasts are based on the management's assessment of the net sales growth, market development forecasts available from external information sources (IQVIA) and sales growth based on the Group's actions.

The terminal growth rate used in the calculations is based on the management's assessments of the long-term growth in cash flows. In estimating the terminal growth rate, both country-specific and business sector growth forecasts available from external information sources as well as the characteristic features of each operating segment and cash generating unit are taken into account. Terminal growth rate for both the Finnish and Swedish cash generating units was 2.0% from the year 2022. The yearly growth rate estimate by an external information source (IQVIA Market prognosis 2018-2022) for the Finnish pharmaceutical market is on average 1.5% and for the Swedish pharmaceutical market on average 5.0%.

The discount rate used in the calculation is based on the Group's weighted average cost of capital, taking into account the industry and country specific risks in each of the Group's operating segment. The most important component in defining the discount rate is the long-term risk-free interest rate in the operating country. The risk-free interest rate used for the Finnish cash generating units is 1.2% (1.3%). The risk-free interest rate of the Swedish cash generating units is 1.2% (1.6%). When defining the discount rates, Oriola has acquired the necessary information from an external information source.

Result of goodwill impairment testing

The impairment testing result shows that the "value in use" in the tested cash generating units exceeds the book value of the tested assets, and thus no impairment of goodwill was recognised in 2018.

The sensitivity analysis shows, that the cash generating unit Healthcare Finland is sensitive to any changes in the projection parameters. A 0.2 percentage point change in the discount rate would cause the fair value equal to the book value. Management closely monitors the development of the cash generating unit, and there has been no changes in the estimates.

Oriola announced on 13 July 2017 its decision to divest its businesses in the Baltic countries. From June 2017 onwards the Baltic businesses were classified as discontinued operations and the assets and related liabilities were classified as Assets held for sale. In September 2017 the net assets related to the Baltic businesses were impaired to fair value. This impairment included a goodwill impairment charge of EUR 0.3 million.

Use of estimates: *The Group's assets with an indefinite useful life are subject to annual impairment testing and any indication of impairment of assets is assessed as described in the accounting principles. The recoverable values used in impairment testing are discounted future cash flows that can be obtained through usage and possible sale of the assets. If the carrying amount of the asset exceeds either its recoverable amount or fair value, the difference is recognised as an impairment charge. The preparation of such calculations requires the use of estimates.*

6.4. Other non-current assets

EUR million 2018	Joint ventures	Other shares and shareholdings	Other non-current assets	Total
Carrying amount 1 Jan 2018	0.5	0.0	0.3	**0.8**
Increases	9.2	9.4	0.0	**18.6**
Share of result for the period	-4.6	-	-	**-4.6**
Impairment	-5.1	-	-	**-5.1**
Foreign exchange rate differences	-0.0	-0.0	-0.0	**-0.0**
Carrying amount 31 Dec 2018	**0.0**	**9.4**	**0.3**	**9.7**

2017				
Carrying amount 1 Jan 2017	-	0.0	0.3	**0.3**
Business combinations	0.0	-	0.0	**0.0**
Increases	1.6	-	0.0	**1.6**
Share of result for the period	-1.1	-	-	**-1.1**
Foreign exchange rate differences	-0.0	-0.0	-0.0	**-0.0**
Carrying amount 31 Dec 2017	**0.5**	**0.0**	**0.3**	**0.8**

Summarised financial information for joint venture

	Hehku Kauppa Oy	
Balance sheet, EUR million	**31 Dec 2018**	**31 Dec 2017**
Current assets		
Cash and cash equivalents	1.8	0.7
Other current assets	4.0	0.4
Current assets, total	5.8	1.0
Non-current assets	0.6	0.7
Current liabilities		
Trade payables	1.1	0.3
Other current liabilities	4.5	0.4
Current liabilities, total	5.6	0.8
Net assets, total	0.8	1.0

Reconciliation to carrying amounts, EUR million	2018	2017
Net assets 1 Jan	1.0	-
Investment in joint venture	18.4	3.3
Loss for the period	-18.6	-2.3
Net assets 31 Dec	0.8	1.0
Group's share in joint venture	50 %	50 %
Group's share of net assets	0.4	0.5
Impairment	-0.4	-
Carrying amount	-	0.5

	Hehku Kauppa Oy	
Income statement, EUR million	**2018**	**2017**
Depreciation, amortisation and impairment losses	4.7	0.0
Interest expenses	0.0	0.0
Result for the period	-18.6	-2.3

Joint ventures

The Oriola Corporation and Kesko Group established in June 2017 a new joint venture, Hehku Kauppa Oy. Oriola's share is 50% of the investment and the result, and Oriola accounts its interest in the joint venture using the equity method. For more information about the accounting principles for joint venture please refer to section 9. Group Structure. Oriola announced on 21 November 2018 that the joint venture had not reached its business and financial targets. The co-operation negotiations at Hehku Kauppa Oy were completed on 19 December 2018, and it was decided to close down the business. In the last quarter of 2018, Oriola recognised in EBIT impairment charges and provisions for liabilities as well as other costs related to Hehku totalling EUR 12.7 million, of which EUR 7.6 million is included in EBITDA. The impact related to Hehku is reported as adjusting items to EBIT.

Other shares and shareholdings

On 2 May 2018 the Oriola Corporation invested EUR 9.4 million in the Swedish online medical centre Doktor.se. Oriola subscribed for shares in Doktor.se, which gave Oriola an ownership of approximately 17% of the total number of shares in Doktor.se. Oriola and Doktor.se signed a co-operation agreement already in 2017 and through this investment by Oriola the companies will deepen their co-operation. Doktor.se offers personal digital healthcare services to its customers. Doktor.se has a comprehensive organisation with specialist nurses, doctors and psychologists.

Oriola's share of the voting rights in Doktor.se is less than 20%. Management has analysed possible indicators of significant influence. Based on the analysis the management is of the view that at this stage Oriola does not have such control over the company on its own, that it would result in significant influence, even though Oriola has a right to appoint two members to the Board of Directors of Doktor.se. As a result, the investment is accounted for as a financial asset according to IFRS 9 Financial instruments. Oriola classifies the shares of Doktor.se as fair value through other comprehensive income, as the shares are not held for trading and the contractual cash flows are not solely payments of principal and interest. Oriola elects to present in other comprehensive income the subsequent changes in the fair value of the investment in Doktor.se, as the investment in Doktor.se is seen as strategic investment, which supports Oriola's business operations. The purchase price of the shares is recognised in the consolidated statement of financial position in other non-current assets. Possible changes in fair value of the investment are recognised in other comprehensive income and they shall not subsequently be transferred to profit and loss. Possible dividends are recognised as dividend income in the profit and loss.

7. Capital structure

7.1. Financial income and expenses

Interest income and expenses: Interest income and expenses are recognised on a time-proportion basis using the effective interest method.

The average interest rate on the interest bearing liabilities was 0.91% (0.88%) in 2018.

Financial income and expenses

EUR million	2018	2017
Financial income		
Interest income from loans and other receivables	0.1	0.2
Foreign exchange rate gains from financial assets and liabilities recognised at fair value, net	0.3	0.4
Foreign exchange rate gains from loans and other receivables, net	0.0	-
Other financial income	0.0	0.0
Total	**0.4**	**0.6**
Financial expenses		
Interest expenses for financial assets and liabilities recognised at fair value	0.0	0.1
Interest expenses for interest rate swaps	0.5	0.9
Interest expenses for financial liabilities at amortised cost	1.2	1.6
Foreign exchange rate losses from loans and other receivables, net	-	0.1
Other financial expenses	1.6	1.8
Total	**3.3**	**4.5**
Financial income and expenses, total	**-3.0**	**-3.9**

7.2. Financial assets and liabilities

Financial assets and liabilities: Financial assets and liabilities are recognised at the fair value at the settlement date except derivatives, which are recognised at the trade date in the balance sheet. The Group's financial assets and liabilities include cash and cash equivalents, loans and other financial receivables, trade receivables, trade payables, loans and derivatives.

Financial assets and liabilities are classified into the following measurement categories:

- Fair value through profit and loss
- Fair value through other comprehensive income
- Amortised cost

The classification of financial assets into different measurement categories depends on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification of financial liabilities into different measurement categories depends on the purpose for which the financial liabilities were initially acquired. The measurement category for financial assets and liabilities is determined at the acquisition date.

Money market investments, trade receivables held for sale and derivatives which are not designated as hedges are measured at fair value through profit and loss. Assets within this category are short-term assets with a maturity of less than 12 months and are measured at fair value using the market price on the balance sheet date. Both realised and unrealised gains and losses arising from the changes in fair value are recognised in the consolidated statement of comprehensive income for the financial period during which they incurred. Financial assets are derecognised when the Group loses the rights to receive the contractual cash flows on the financial asset or it transfers substantially all the risks and rewards of ownership outside the Group.

Cash and cash equivalents consist of cash in hand and cash at the bank accounts.

Loans and other receivables are measured at amortised cost. Receivables are classified as current financial assets unless their maturity date is more than 12 months from the balance sheet date. Trade and other receivables are included in this category except for trade receivables held for sale, which are measured at fair value through profit and loss. Trade receivables are recognised at their original book value. A valuation allowance for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability of the debtor's bankruptcy, failure to pay and significant delay of payments are considered to be justified reasons for the impairment of trade receivables. The Group applies 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. Impairments are recognised as an expense in the consolidated statement of comprehensive income. Sold non-recourse trade receivables' credit risk and contractual rights are transferred from the Group on the selling date and related expenses are recognised as financial expenses. Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 7.3. Financial risk management.

In 2018 the Oriola Corporation invested EUR 9.4 million in the Swedish online medical centre Doktor.se. The investment is accounted for as a financial asset according to IFRS 9 Financial instruments. Oriola classifies the shares of Doktor.se as fair value through other comprehensive income. The shares are not held for trading and the contractual cash flows are not solely payments of principal and interest. The investment in Doktor.se is seen as strategic investment, which supports Oriola's business operations. The purchase price of the shares is recognised in the consolidated statement of financial position in other non-current assets. Possible changes in fair value of the investment are recognised in other comprehensive income and they shall not subsequently be transferred to profit and loss. Possible dividends are recognised as dividend income in the profit and loss.

Financial liabilities measured at amortised cost are recognised in the consolidated statement of financial position at the net value received on the date of acquisition. Transaction costs are included in the original carrying amount of borrowings. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in the income statement using the effective interest method. Borrowings that expire within 12 months from the balance sheet date, including bank overdrafts in use, are recognised within current borrowings, and those expiring in a period exceeding 12 months, are recognised within non-current borrowings.

The Group derecognises financial assets when it has lost its right to receive the cash flows or when it has transferred substantially all the risks and rewards to an external party. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities by category

		2018			2017		
EUR million	**Note**	**Fair value**	**Book value**	**Hierarchy**	**Fair value**	**Book value**	**Hierarchy**
Financial assets recognised at fair value through profit and loss							
Derivatives measured at fair value through profit and loss	5.1.	0.0	0.0	Level 2	0.2	0.2	Level 2
Other investments measured at fair value through OCI	6.4.	9.4	9.4	Level 3	-	-	Level 3
Trade receivables for sale	5.1.	17.6	17.6	Level 2	45.8	45.8	Level 2
Loans and other receivables							
Cash equivalents		65.8	65.8	Level 2	17.0	17.0	Level 2
Trade receivables and other receivables	5.1.	166.3	166.3	Level 2	178.6	178.6	Level 2
Financial assets, total		**259.2**	**259.2**		**241.6**	**241.6**	
Derivatives designated as hedges	5.3	0.3	0.3	Level 2	0.4	0.4	Level 2
Other non-current liabilities	5.3	0.5	0.5	Level 2	0.5	0.5	Level 2
Financial liabilities recognised at fair value through profit and loss							
Derivatives measured at fair value through profit and loss	5.3	0.1	0.1	Level 2	0.2	0.2	Level 2
Contingent consideration	5.3	-	-		2.5	2.5	Level 3
Financial liabilities measured at amortised cost							
Non-current interest-bearing liabilities		59.1	59.1	Level 2	61.0	61.0	Level 2
Current interest-bearing liabilities		70.3	70.3	Level 2	66.3	66.3	Level 2
Trade payables and other current liabilities	5.3	571.5	571.5	Level 2	564.2	564.2	Level 2
Financial liabilities, total		**701.9**	**701.9**		**695.0**	**695.0**	

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

Reconciliation of financial assets recognised at fair value according to the level 3

EUR million	2018	2017
Carrying amount 1 Jan	-	-
Acquisition of shares	9.4	-
Carrying amount 31 Dec	**9.4**	-

Financial assets recognised at fair value through other comprehensive income (level 3) include Oriola's holding in the Swedish online medical centre Doktor.se.

Reconciliation of financial liabilities recognised at fair value according to the level 3

EUR million	2018	2017
Carrying amount 1 Jan	**2.5**	**2.7**
Recognised to financial expenses	0.0	0.0
Recognised in other operating expenses	0.0	-
Payment of contingent consideration	-2.5	-
Decrease in fair value recognised in financial liabilities	-	-0.2
Carrying amount 31 Dec	-	**2.5**

Financial liabilities recognised at fair value through profit and loss (level 3) include the estimated value of contingent and deferred considerations for acquisitions. The fair value of the contingent consideration has been calculated using the discounted cash flow method. On 28 September 2018 Oriola acquired the remaining share of Farenta Oy, a subsidiary acquired in 2016. The difference between the consideration paid for the remaining shares and the contingent consideration in the consolidated statement of financial position was recognised in other operating expenses in the consolidated statement of comprehensive income in September 2018.

Cash and cash equivalents

EUR million	2018	2017
Cash and cash equivalents	65.8	17.0
Total	**65.8**	**17.0**

Borrowings

Non-current

EUR million	2018	2017
Loans from financial institutions	58.7	60.2
Finance lease liabilities	0.4	0.7
Total	**59.1**	**61.0**

Current

EUR million	2018	2017
Loans from financial institutions	0.4	0.4
Issued commercial papers	57.0	50.0
Advances received from pharmacies	12.4	15.0
Finance lease liabilities	0.6	0.9
Total	**70.3**	**66.3**

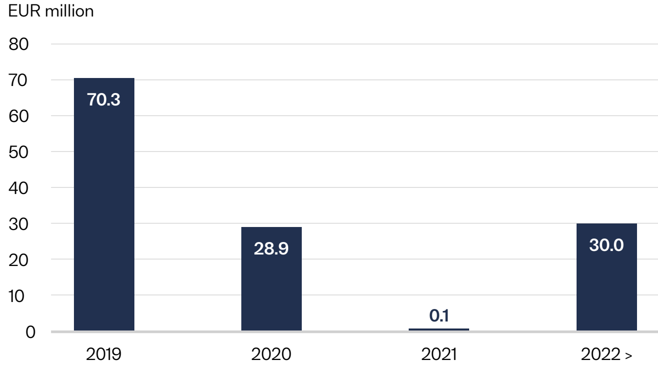
Maturity of non-current interest-bearing liabilities

EUR million	2018	2017
1-5 years	59.1	61.0

Interest-bearing liabilities by currency

EUR million	2018	2017
EUR	100.3	96.2
SEK	29.1	31.0
Total	**129.4**	**127.2**

Maturity structure of interest-bearing liabilities



Net debt

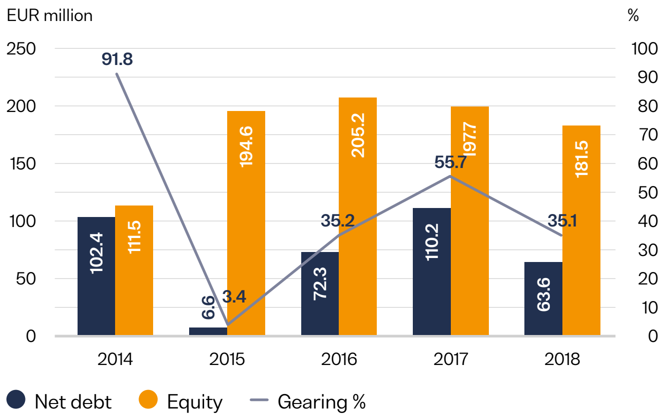
EUR million	2018	2017
Loans from financial institutions	58.7	60.2
Finance lease liabilities	0.4	0.7
Non-current interest-bearing liabilities	**59.1**	**61.0**
Loans from financial institutions	0.4	0.4
Issued commercial papers	57.0	50.0
Advances received from pharmacies	12.4	15.0
Finance lease liabilities	0.6	0.9
Current interest-bearing liabilities	**70.3**	**66.3**
Interest-bearing liabilities, total	**129.4**	**127.2**
Cash and cash equivalents	**65.8**	**17.0**
Net debt	**63.6**	**110.2**

Change in net debt

EUR million 2018	Loans from financial institutions	Commercial papers	Advances from pharmacies	Finance lease liabilities	Cash and cash equivalents	Total
Carrying value at 1 January 2018	-60.6	-50.0	-15.0	-1.7	17.0	**-110.2**
Change in net debt, cash:						
Proceeds from non-current loans	-30.0	-	-	-	-	**-30.0**
Repayments of non-current loans	30.4	-	-	-	-	**30.4**
Repayments of leasing liabilities	-	-	-	1.1	-	**1.1**
Change in current liabilities	-	-7.0	-315.1	-	-	**-322.1**
Change in cash and cash equivalents	-	-	-	-	48.9	**48.9**
Cash flows, total	0.4	-7.0	-315.1	1.1	48.9	**-271.6**
Change in net debt, non-cash:						
Increases of finance lease liabilities	-	-	-	-0.5	-	**-0.5**
Settled against trade receivables	-	-	317.6	-	-	**317.6**
Foreign exchange adjustments	1.2	-	-	0.1	-0.1	**1.1**
Non-cash movements, total	1.2	-	317.6	-0.5	-0.1	**318.2**
Carrying value at 31 December 2018	**-59.0**	**-57.0**	**-12.4**	**-1.0**	**65.8**	**-63.6**

EUR million 2017	Loans from financial institutions	Commercial papers	Advances from pharmacies	Finance lease liabilities	Cash and cash equivalents	Total
Carrying value at 1 January 2017	-93.9	-15.0	-21.5	-2.7	60.8	**-72.3**
Change in net debt, cash:						
Proceeds from non-current loans	-29.8	-	-	-	-	**-29.8**
Repayments of non-current loans	62.1	-	-	-	-	**62.1**
Repayments of leasing liabilities	-	-	-	2.0	-	**2.0**
Change in current liabilities	-	-35.0	-400.8	-	-	**-435.7**
Change in cash and cash equivalents	-	-	-	-	-43.7	**-43.7**
Cash flows, total	32.3	-35.0	-400.8	2.0	-43.7	**-445.2**
Change in net debt, non-cash:						
Increases of finance lease liabilities	-	-	-	-1.0	-	**-1.0**
Settled against trade receivables	-	-	407.2	-	-	**407.2**
Business combinations	-0.4	-	-	-	-	**-0.4**
Foreign exchange adjustments	1.5	-	-	0.1	-0.1	**1.4**
Non-cash movements, total	1.1	-	407.2	-0.9	-0.1	**407.2**
Carrying value at 31 December 2017	**-60.6**	**-50.0**	**-15.0**	**-1.7**	**17.0**	**-110.2**

Net debt, equity, gearing



7.3. Financial risk management

The financial risks relating to the business operations of the Oriola Group are managed in accordance with the treasury policy approved by the Board of Directors. Oriola's centralised Group Treasury is responsible for implementing, monitoring and reporting of the treasury policy.

Oriola's Group Treasury's main objectives are to maintain solid long-term financial position and secure daily liquidity of the Group and to efficiently manage currency and interest rate risks.

The objective of financial risk management is to hedge against unfavourable changes in the financial markets and to minimise the impact of foreign exchange, interest rate, refinancing and liquidity risks on the Group's cash reserves, profits and shareholders' equity. Approved hedging instruments are set in the treasury policy.

Currency risk: The most important country-specific operating currencies for the Oriola Group are the euro (EUR) and the Swedish krona (SEK). A substantial proportion of procurements and sales are conducted in the reporting currency of the subsidiaries, which considerably reduces the currency risk. In accordance with its treasury policy, Oriola's internal loans and deposits are denominated in the local currency of each subsidiary.

Transaction risk: Transaction risks arise from commercial and finance-related transactions and payments made by the business units, which are denominated in a currency other than the unit's reporting currency. Due to the nature of business operations, Oriola's transaction risks are minor. In accordance with its treasury policy, Oriola's internal loans and deposits are denominated in the local currency of each subsidiary, mainly in Swedish krona. In addition Oriola Corporation had an EUR 28.3 (29.5) million Swedish krona denominated external loan on the balance sheet date. In accordance of the treasury policy, transaction risk arising from balance sheet items recognised in the income statement is aimed to be fully hedged with derivatives. On the balance sheet date Swedish krona denominated open transaction position was EUR -0.3 (0.5) million.

Translation risk: Oriola's most significant translation risk concerns items in Swedish krona. Translation risks arise from capital investments and goodwill in foreign subsidiaries. On the balance sheet date Oriola had not hedged the equity-related translation risks. On the balance sheet date Swedish krona denominated translation risk position was EUR 241.8 (227.0) million. Translation risk sensitivity: A 10% weakening/strengthening of Swedish krona would have an impact of EUR -/+22.0 (-/+20.9) million in the Group's equity.

Liquidity risk: The objective of liquidity risk management is to maintain adequate liquid assets and revolving credit facilities so that Oriola is able to meet all of its financial obligations. The Group's liquidity management is based on 12-month cash flow forecasts and 4-week rolling cash flow forecasts drawn up on a weekly basis. Oriola has diversified its refinancing risk among a number of different counterparties and various financing sources.

During the last quarter of 2018 Oriola Corporation rearranged its EUR 30 million term loan agreement. This five-year bilateral loan replaced the earlier financing agreement that was signed on November 2016. 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%. Regarding the new standard IFRS 16 Leases, the Group has agreed with financial institutions on applying frozen GAAP to all of the current long-term agreements. At the end of the reporting period the financial covenants were fulfilled.

Oriola has a revolving credit facility of EUR 100 million, which will mature during the second quarter of 2022, and short-term uncommitted credit account limits of EUR 14.9 (15.1) million. Facilities were unused on the balance sheet date. In addition, Oriola has a EUR 200 (200) million uncommitted commercial paper programme of which EUR 57.0 (50.0) million had been issued on the balance sheet date. Oriola's cash and cash equivalents at the end of 2018 totalled EUR 65.8 (17.0) million.

Oriola's net working capital was EUR -142.1 (-97.3) million on the balance sheet date. Oriola's net working capital was negative on the balance sheet date owing to the terms of payment defined in principal and customer agreements and to the non-recourse factoring programmes used in the retail and wholesale businesses in Sweden. The change of timing of selling the trade receivables had an impact of EUR -27.1 million to the net working capital in 2018. The Group's principal and customer agreements are based on established, long-term agreements, and no significant changes are anticipated in them during 2019.

Oriola has open-ended frame agreements in Sweden that allows the company to sell trade receivables relating to Swedish retail and wholesale businesses to the financial institutions on a non-recourse basis. In the last quarter of 2018 Oriola agreed with the financial institutions to change the timing of selling the trade receivables. As a result, the amount of sold trade receivables on the balance sheet date increased. Sales of trade receivables were EUR 140.5 (94.8) million in total on the balance sheet date. No significant changes are anticipated in the scope of the agreements to sell trade receivables in 2019.

Interest rate risk: Interest rate risk arise from changes in interest payments of floating rate loans due to changes in market interest rates and market value changes of financial instruments (price risk). The objective of the interest rate risk management is to minimise the impact of interest rate fluctuations on the income statement. The interest rate risk is evaluated using sensitivity analysis and interest rate duration.

On the balance sheet date, Oriola's interest rate risk consisted of EUR 65.8 (17.0) million in cash assets, EUR 129.4 (127.2) million in interest-bearing liabilities, and EUR 140.5 (94.8) million from sales of non-recourse trade receivables in Sweden. On the balance sheet date, a total of EUR 50.7 (52.8) million of the interest rate risk was hedged. The average interest rate on liabilities, including the sale of receivables on a non-recourse basis, was 0.91% (0.88%), and the interest rate duration was 8 (12) months. One of the interest rate hedges will mature during the last quarter of 2019, other ones are long-term contracts. Oriola applies hedge accounting for part of interest rate swaps hedging cash flows relating to selling of non-recourse trade receivables.

Based on the gross debt on the balance sheet date and assuming that the trade receivables sales programmes will continue as normal in Sweden, the effect of a one percentage point increase in market interest rates on the Group's annual earnings after taxes would be EUR -0.8 (-0.6) million (including derivatives) and on equity EUR 1.3 (1.8) million (including derivatives).

Credit and counterparty risks: A credit risk arises from the possibility of a counterparty failing to meet its contractual payment obligations or financial institutions failing to meet their obligations relating to deposits and derivatives trading. Oriola's treasury policy provides the framework for credit-, investment- and counterparty risk management.

Credit limits are determined for investments and derivative agreement counterparties on the basis of creditworthiness and solidity, and are monitored and updated on a regular basis.

Business areas are responsible for the credit risk management arising from commercial receivables. The Finnish and Swedish wholesale business is based on well-established customer relationships and contractual terms generally observed within the industry, which significantly reduces the credit risk associated with trade receivables. Due to the nature of the operations there are no significant credit risks associated with the Swedish retail business. The credit risk related to the wholesale business in Finland is reduced by interest-bearing advance payments from pharmacies. These interest-bearing advance payments are presented as current interest-bearing liabilities in the balance sheet. In the wholesale and retail business in Sweden, the credit risk is reduced by the sale of non-recourse receivables to financial institutions and by the usage of credit loss insurances.

The Oriola Group applies 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. The Group uses a provision matrix for loss allowance provision. The matrix is based on historical observed default rates and incorporates forward looking information. On that basis, the loss allowance for trade receivables as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows:

Expected credit losses

Expected credit losses matrix 31 Dec 2018	Current	1–30 days past due	31–180 days past due	>180 days past due	Total
Expected loss rate	0.01 %	0.11 %	0.64 %	10.93 %	
Carrying amount 31 Dec 2018	165.8	10.5	3.3	0.7	**180.3**
Expected credit losses 31 Dec 2018	0.0	0.0	0.0	0.1	**0.1**

Expected credit losses matrix 1 Jan 2018	Current	1–30 days past due	31–180 days past due	>180 days past due	Total
Expected loss rate	0.01 %	0.11 %	0.64 %	10.93 %	
Carrying amount 1 Jan 2018	200.0	14.1	6.4	0.0	**220.5**
Expected credit losses 1 Jan 2018	0.0	0.0	0.0	0.0	**0.1**

Credit losses recognised in the income statement for the financial year totalled EUR 0.6 (0.0) million. The ageing of trade receivables is presented in more detail in note 5.1. Trade and other receivables.

Capital management: Oriola's aim is to have an efficient capital structure that allows the company to manage its ongoing obligations and enables cost-effective operations under all circumstances. The Return on Capital Employed (ROCE) and the gearing ratio are the measurements for monitoring capital structure.

Oriola's long-term financial targets are based on growth, profitability and balance sheet key figures. The Group's long-term targets are to grow at the rate of the market, annual EPS growth over 5% (without adjusting items), return on capital employed of over 20% and adjusted gearing ratio lower than 70%. Non-recourse trade receivables are added to the net debt for adjusted gearing. In addition Oriola's aim is to pay out an increasing annual dividend of at least 50% of its earnings per share. The targets are calculated according to the IFRS standards in force at the end of the reporting period.

For a definition of key figures, please see the section Alternative Performance Measures.

Maturity distribution of financial liabilities and derivative liabilities

31 Dec 2018

EUR million	2019	2020	2021	2022>	Total
Interest-bearing					
Loans from financial institutions and commercial paper loans	57.4	28.6	0.0	30.0	**116.0**
Finance lease liabilities	0.6	0.3	0.1	0.0	**1.0**
Advance payments received	12.4	-	-	-	**12.4**
Non-interest-bearing					
Trade payables and other current liabilities	571.5	-	-	-	**571.5**
Liabilities from interest rate swaps	0.1	-	0.1	0.2	**0.5**
Receivables from foreign currency derivatives	-45.2	-	-	-	**-45.2**
Payables on foreign currency derivatives	45.1	-	-	-	**45.1**
Total	**641.9**	**28.9**	**0.3**	**30.3**	**701.3**

31 Dec 2017

EUR million	2018	2019	2020	2021>	Total
Interest-bearing					
Loans from financial institutions and commercial paper loans	50.3	30.3	29.8	-	**110.3**
Finance lease liabilities	0.9	0.5	0.2	0.0	**1.7**
Advance payments received	15.0	-	-	-	**15.0**
Non-interest-bearing					
Trade payables and other current liabilities	564.2	-	-	-	**564.2**
Liabilities from interest rate swaps	-	0.2	-	0.4	**0.6**
Contingent consideration	-	-	-	2.5	**2.5**
Receivables from foreign currency derivatives	-18.2	-	-	-	**-18.2**
Payables on foreign currency derivatives	18.0	-	-	-	**18.0**
Total	**630.2**	**30.9**	**30.0**	**2.9**	**694.1**

Derivatives and hedge accounting

Derivative contracts and hedge accounting:
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting month. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument. Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

Oriola has the following derivative instruments:

- Instruments held for trading: Foreign currency forward and swap contracts, interest rate swaps
- Cash flow hedges: Interest rate swaps

The change in fair value of derivatives held for trading is recognised either as other income or expense or as financial income or expense depending on the underlying item being hedged.

Oriola applies hedge accounting for part of the interest rate swaps hedging cash flows relating to selling of non-recourse trade receivables. The fluctuating interest rate has been converted into fixed rate using interest rate swaps. When initiating hedge accounting, the relationship between the hedged item and the hedging instrument is documented along with the objectives of the Group's risk management. The effective portion of the changes in the fair value of interest rate swaps that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the reserves in equity. The ineffective portion, if any, is recognised immediately in the profit and loss within the financial items.

The fair value of currency forward and swap contracts is determined by measuring them at fair value using market rates on the balance sheet date.

Derivatives

EUR million

2018	Positive fair value	Negative fair value	Nominal value
Derivatives recognised as cash flow hedges			
Interest rate swaps, in hedge accounting	-	0.4	31.2
Interest rate swaps, not in hedge accounting	-	0.1	19.5
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.0	0.0	45.1
2017			
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

Derivatives that are open on the balance sheet date fall due in the next 12-month period except part of the interest rate swaps recognised as cash flow hedges. Interest rate risk relating to cash flow from selling of trade receivables has been hedged with interest rate swaps. The fair value of interest rate derivatives is defined by cash flows due to contracts. Part of these interest rate swaps are designated as cash flow hedges and their changes in fair value related to the effective portion of the hedge are recognised in other comprehensive income and the potential ineffective part is recognised within the financial items in the income statement.

Fair values of the derivatives have been recognised in the 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.

Oriola has derivative positions with several banks and related transactions are effected under master derivative agreements. Master derivative agreements allow settlement on a net basis of all outstanding items within the scope of the agreements for example in the event of bankruptcy. On the balance sheet date, the remaining counterparty risk after net settlement, as allowed in the master derivative agreements, was EUR 0.0 (0.2) for Oriola and EUR 0.5 (0.6) million for the counterparties.

The nominal amount of foreign currency derivatives is the euro equivalent of the contracts' currency denominated amount on the balance sheet date.

7.4. Equity, shares and authorisations

Share capital: Oriola Corporation's share capital on 31 December 2018 stood at EUR 147,899,766.14. All issued shares have been paid up in full. There were no changes in share capital in 2018.

Hedge fund: The hedge fund includes the effective portion of the change in fair value of derivative financial instruments that are designated as and qualify for cash flow hedges.

Contingency fund: The contingency fund is included in the unrestricted equity of the company. The contingency fund has been formed in 2006 when Oriola Corporation was entered into the Trade Register. There were no changes in the contingency fund in 2018, and the fund stood at EUR 19.4 million on 31 December 2018.

Other funds

Invested unrestricted equity reserve: Oriola Corporation executed a directed share issue against payment in June 2009, issuing 9,350,000 new class B shares. The net proceeds received from the share issue amounted to EUR 20.7 million. The proceeds from the share issue were credited to the reserve of invested unrestricted equity. In accordance with the decision of the Annual General Meeting of 6 April 2011, the company distributed on 19 April 2011 EUR 0.13 per share from the reserve of invested unrestricted equity as repayment of equity, totalling EUR 19.7 million.

Oriola Corporation completed a rights offering in the first quarter of 2015. The subscription period of the offering ended on 3 March 2015. In the offering 9,429,742 new A shares and 20,798,643 new B shares were subscribed and Oriola Corporation raised gross proceeds of EUR 75.6 million through the offering. Oriola Corporation recognised gross proceeds and the transaction costs less taxes, totalling EUR 73.7 million, in the invested unrestricted equity fund. There were no changes in the invested unrestricted equity reserve in 2018, and the fund stood at EUR 74.8 million on 31 December 2018.

Translation differences: Translation differences include translation differences arisen from the subsidiaries' equity translation during the consolidation, change of the fair values of the net investment in the foreign subsidiary, and foreign exchange rate differences arisen from the conversion of the foreign subsidiaries' income statement using the average exchange rate of the reporting period and the conversion of their balance sheet using the exchange rate quoted on the balance sheet date.

Shares: Of the total number of shares in the company, a maximum of 500,000,000 shall be class A shares and a maximum of 1,000,000,000 class B shares. At year-end 2018, the company had a total of 181,486,213 shares, of which 55,434,273 were class A shares and 126,051,940 were class B shares. The shares do not have a nominal value.

At General Meetings, each class A share carries 20 votes and each class B share one vote. No shareholder may vote using an amount of votes that exceeds 1/20 of the total number of votes carried by the shares of different share classes represented at the General Meeting. Both share classes give the shareholder the same rights to the company's assets and dividend distribution. Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A shares into class B shares.

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 on 31 December 2018 was Health Care Distributors and the company was classified under Health Care. The ticker symbol for the class A shares is OKDAV and for the class B shares OKDBV.

Treasury shares: Treasury shares acquired by the company and the related costs are presented as a deduction of equity. Gain or loss on surrender of treasury shares are recognised in equity net of tax.

The company holds 103,773 of the company's class B shares, representing approximately 0.06% of the total number of company shares and approximately 0.01% of the total number of votes.

Share trading and prices: In 2018 the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 24.3% of the total number of shares. The traded volume of class A shares amounted to 5.5% of the average stock, and that of class B shares, excluding treasury shares, to 32.5% of the average stock.

The average share price of Oriola Corporation's class A shares was EUR 2.82 and of its class B shares EUR 2.72. The market value of all Oriola Corporation shares at 31 December 2018 was EUR 358.8 (519.2) million, of which the market value of class A shares was EUR 109.2 million and of class B shares EUR 249.6 million.

Shareholders: On 31 December 2018 Oriola Corporation had a total of 34,078 registered shareholders. There were 25,807,665 nominee-registered shares on 31 December 2018, corresponding to 14.2% of all shares and 5.9% of all votes.

Share conversions: 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 2018 no conversions were made.

Management shareholdings: On 31 December 2018 the members of the company's Board of Directors and the President and CEO, the members of the Group Management Team and the companies controlled by them had a total of 420,642 shares, corresponding to 0.23% of the total number of shares in the company and 0.03% of the votes.

Management shareholdings

	Shareholdings 2018		Shareholdings 2017	
	A shares	B shares	A shares	B shares
Board of Directors				
Anssi Vanjoki, Chairman	-	35,514	-	14,180
Eva Nilsson Bågenholm, Vice Chairman	-	12,562	-	8,267
Juko-Juho Hakala (from 19 March 2018)	-	15,186	-	-
Anja Korhonen	-	19,186	-	14,891
Mariette Kristenson	-	8,148	-	4,712
Kuisma Niemelä (until 19 March 2018)	-	-	-	12,001
Lena Ridström	-	8,148	-	4,712
Staffan Simberg	-	8,148	-	4,712
Nez-Invest Ab (controlled by Staffan Simberg)	-	152,378	-	152,378
President and CEO				
Robert Andersson (from 12 Feb 2018)	-	31,799	-	-
Kimmo Virtanen (acting 18 Dec 2017 - 11 Feb 2018)	-	-	1,757	127,638
Group Management team				
Thomas Gawell	-	47,604	-	24,229
Helena Kukkonen (from 12 March 2018)	-	2,804	-	-
Tuula Lehto (from 1 July 2018)	-	1,154	-	-
Charlotta Nyström (from 1 June 2018)	-	1,267	-	-
Petter Sandström (from 1 July 2018)	-	10,311	-	-
Teija Silver	-	60,649	-	37,053
Anders Torell (from 2 Jan 2018)	-	5,784	-	-
Sari Aitokallio (until 12 Feb 2018)	-	-	-	5,961
Jukka Mäkelä (until 31 March 2018)	-	-	-	13,001

Authorisations: The Annual General Meeting held on 19 March 2018 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% of all shares in the company. The authorisation given to the Board of Directors includes the right to derogate from the shareholders' pre-emptive subscription right, provided that there is, in respect of the company, a weighty financial reason for the derogation. Subject to the above restrictions, the authorisation may be used, i.e. to develop the capital structure. Pursuant to the authorisation, shares held by the company as treasury shares may also be sold through trading on regulated market organised by Nasdaq Helsinki Ltd. The authorisation includes the right for the Board of Directors to decide on the terms of the share issue in the manners provided for in the Companies Act including the right to decide whether the subscription price is credited in part or in full to the invested unrestricted equity reserves or to the share capital. The authorisation is in effect for a period of eighteen (18) months from the decision of the Annual General Meeting. The authorisation revokes all previous share issue authorisations given to the Board of Directors.

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% of all shares in the company. The authorisation given to the Board of Directors includes the right to derogate from the shareholders' pre-emptive subscription right provided that there is, in respect of the company, a weighty financial reason for the derogation. Subject to the above restrictions, the authorisation may be used as payment of consideration when financing and executing corporate acquisitions or other business arrangements and investments. Pursuant to the authorisation, class B shares held by the company as treasury shares may also be sold through trading on regulated market organised by Nasdaq Helsinki Ltd. The authorisation includes the right for the Board to decide on the terms of the share issue in the manners provided for in the Companies Act including the right to decide whether the subscription price is credited in part or in full to the invested unrestricted equity reserves or to the share capital. The authorisation is in effect for a period of eighteen (18) months from the decision of the AGM. The authorisation revokes all previous share issue authorisations given to the Board of Directors except for such given earlier during the Annual General Meeting.

The AGM authorised the Board of Directors to decide on the issuance of class B shares without payment to the Company and on a directed share issue of class B shares in order to execute the share-based incentive plan for the Oriola Group's executives and the share savings plan for the Oriola Group's key personnel. In addition to the authorisations presented above, the Board of Directors was granted the following authorisations in order to execute the share-based incentive plan for the Oriola Group's key personnel and the share savings plan for the Oriola Group's key personnel:

i. The Board of Directors was authorised to decide on a share issue without payment to the Company in one or more instalments. The maximum number of new class B shares to be issued under this authorisation is 1,715,000, which represents of 0.94 % of all shares in the Company. The Board of Directors decides upon all other matters related to the issuing of class B shares. The purpose of the authorisation is to enable the creation of own shares to be used in the new share-based incentive plan for Oriola Group's executives and the share savings plan for Oriola Group's key personnel, as follows.
ii. In deviation from the shareholders' pre-emptive right, the Board of Directors was authorised to issue the Company's class B shares in one or more instalments. The class B shares to be issued can be either new shares or own class B treasury shares. The total amount of the authorisation is 1,715,000 class B shares. The share issue may be without payment. The shares concerned represent approximately 0.94 % of all shares in the Company. The Board of Directors may exercise this authorisation in the share-based incentive plan for Oriola Group's executives and in the share savings plan for Oriola Group's key personnel.

The Board of Directors decides upon all other matters related to share issues and the incentive plan for key personnel. Deciding upon a directed share issue without payment requires that there is a particularly weighty financial reason for the deviation in respect of the Company and taking into account the interest of all of its shareholders. The authorisation revokes all other share issue authorisations granted to the Board of Directors with the exception of those decided earlier during this Annual General Meeting.

The authorisations in accordance with this section shall be valid eighteen (18) months from the decision of the AGM.

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 representing approximately 9.92% of all shares in the company. The authorisation may only be used in such a way that in total no more than one tenth (1/10) 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 in accordance with the resolution of the Board of Directors also in a proportion other than in which shares are owned by the shareholders, using funds belonging to the company's unrestricted equity and at the market price of class B shares quoted on the regulated market organised by Nasdaq Helsinki Ltd or otherwise established on the market at the time of the repurchase. The Board of Directors decides how shares will be repurchased. Among other means, derivatives may be used in acquiring the shares. The acquisition of shares reduces the company's distributable unrestricted equity. 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. According to the authorisation, the Board of Directors decides on all other matters related to the repurchase of class B shares. The authorisation to repurchase own shares is in force for a period of not more than eighteen (18) months from the decision of the AGM. This authorisation revokes the authorisation given to the Board of Directors by the AGM on 14 March 2017 in respect of repurchase of the company's own class B shares.

The company's Board of Directors holds no other authorisations concerning share issues, share options or other special rights.

Share capital

Share capital		A shares	B shares	Total
Number of shares 1 Jan 2018	pcs	55,434,273	126,051,940	**181,486,213**
Number of shares 31 Dec 2018	**pcs**	**55,434,273**	**126,051,940**	**181,486,213**
Treasury shares 31 Dec 2018		-	103,773	**103,773**
Votes 31 Dec 2018	pcs	1,108,685,460	126,051,940	**1,234,737,400**
Share capital per share class 31 Dec 2018	EUR million	45.2	102.7	**147.9**
Percentage from the total shares	%	30.5	69.5	**100.0**
Percentage from the total votes	%	89.8	10.2	**100.0**
Number of shares 1 Jan 2017	pcs	55,484,648	126,001,565	**181,486,213**
Conversion of A shares to B shares	pcs	-50,375	50,375	**0**
Number of shares 31 Dec 2017	**pcs**	**55,434,273**	**126,051,940**	**181,486,213**
Treasury shares 31 Dec 2017	pcs	-	241,855	**241,855**
Votes 31 Dec 2017	pcs	1,108,685,460	126,051,940	**1,234,737,400**
Share capital per share class 31 Dec 2017	EUR million	45.2	102.7	**147.9**
Percentage from the total shares	%	30.5	69.5	**100.0**
Percentage from the total votes	%	89.8	10.2	**100.0**

EUR million	2018	2017
Parent company share capital 31 Dec	147.9	147.9
Elimination of the revaluation of subsidiary shares in the consolidated financial statements	-111.7	-111.7
Consolidated share capital 31 Dec	**36.2**	**36.2**

7.5. Earnings per share, dividend and other equity distribution

Earnings per share: Basic earnings per share is calculated by dividing the net result attributable to owners of the parent company by the weighted share issue adjusted average number of shares outstanding during the period, excluding shares acquired by the Group and held as treasury shares. When calculating diluted earnings per share, the weighted share-issue adjusted average number of shares outstanding during the period is adjusted by the effect of all dilutive potential shares.

Dividend and other equity distribution: Dividends or other equity distribution includes dividends and other equity distribution approved by the Annual General Meeting. Dividends and other equity distribution proposed by the Board of Directors are not recognised in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Dividend and other equity distribution for shareholders is recognised as a liability in the consolidated statement of financial position for the period during which the dividend is approved by the Annual General Meeting.

Dividend policy and distribution proposal: Oriola Corporation will seek to pay out annually as dividends a minimum of 50% of the Group's earnings per share. The Company's strategy and financial position shall be taken into consideration when determining the annual dividend payout ratio. The dividend paid for 2017 was EUR 16.3 million (EUR 0.09 per share) and for 2016 EUR 25.4 million (EUR 0.14 per share). The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 16.3 million, EUR 0.09 per share is paid for 2018.

Earnings per share

Profit for the period

	Continuing operations		Discontinued operations		Including discontinued operations	
EUR million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Profit attributable to equity owners of the parent	12.7	25.9	-	0.3	12.7	26.3
Average number of outstanding shares pcs						
Basic	181,360,503	181,328,408	-	181,328,408	181,360,503	181,328,408
Diluted	181,464,276	181,412,111	-	181,412,111	181,464,276	181,412,111
Earnings per share EUR						
Basic	0.07	0.14	-	0.00	0.07	0.14
Diluted	0.07	0.14	-	0.00	0.07	0.14

EPS and dividend

[1] Proposal by the Board of Directors

8. Income taxes

8.1. Taxes recognised in the comprehensive income for the period

Income taxes: Tax expense in the consolidated statement of comprehensive income consists of income taxes based on the taxable profit for the financial year, prior period adjustments, and changes in deferred tax assets and liabilities. Income tax for the taxable profit for the period is calculated based on the effective income tax rate for each tax jurisdiction. Taxes are recognised in the income statement, except when they relate to items recognised directly in equity or in other comprehensive income, when the taxes are also recognised in equity or in other comprehensive income respectively.

Income taxes

EUR million	2018	2017
Taxes for current year	5.6	8.0
Taxes for previous years	0.0	0.0
Deferred taxes	0.7	-0.1
Total	**6.3**	**7.9**

Taxes related to other comprehensive income

EUR million

2018	Before taxes	Tax effect	After taxes
Cash flow hedge	0.1	0.0	0.1
Actuarial gains and losses	-1.6	-0.3	-1.3
Translation differences	-9.3	-	-9.3
Total	**-10.8**	**-0.3**	**-10.5**

2017			
Cash flow hedge	0.4	0.1	0.3
Actuarial gains and losses	-1.6	-0.3	-1.2
Translation differences	-7.0	-	-7.0
Total	**-8.2**	**-0.2**	**-7.9**

Tax rate reconciliation

EUR million	2018	2017
Profit before taxes	19.0	33.9
Corporate income taxes calculated at Finnish tax rate	3.8	6.8
Effect of different tax rates of foreign subsidiaries	0.6	0.7
Non-deductible expenses and tax-exempt income	1.5	0.0
Share of result in joint venture	0.9	0.2
Losses for which no deferred tax assets are recognised	0.0	0.0
Adjustments recognised for taxes of previous years	0.1	0.2
Changes in tax rates	-0.6	-
Other items	0.0	0.0
Income taxes in the income statement	**6.3**	**7.9**
Effective tax rate	33.4%	23.4%

Taxes entered with a positive value are recognised as expenses and taxes entered with a negative value are recognised as income.

The Finnish tax rate used to calculate taxes was 20.0% in the 2018 and 2017 financial statements. In Sweden the following changes in future tax rates were enacted in 2018: The corporate tax rate will decrease from 22.0% to 21.4% in 2019 and to 20.6% in 2021. The Group has remeasured the deferred tax assets and deferred tax liabilities accordingly.

8.2. Deferred tax assets and liabilities

Deferred taxes: Deferred tax is calculated on temporary differences between the carrying amounts and the taxable values of assets and liabilities and for tax loss carry-forwards to the extent that it is probable that these can be utilised against future taxable profits. The majority of the Group's deferred tax assets recognised on carry forward losses is attributable to Sweden. In Sweden the carry forward losses do not expire. The Group has not recognised deferred tax assets relating to carry forward losses of EUR 0.3 (0.3) million related to the subsidiary in Poland because of the uncertainty of utilisation of losses. These carry forward losses expire in 1-5 years. The largest temporary differences are caused by the depreciation of property, plant and equipment, the defined pension benefit plans and by unused losses in taxation. The deferred taxes are determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Deferred tax assets and liabilities

EUR million 2018	1 Jan	Adjustments to opening balance charged to equity[1]	Items recognised in income statement	Items recognised in other comprehensive income	Business combinations	Disposals	Translation differences	31 Dec
Deferred tax assets								
Confirmed tax losses	0.4	-	-0.1	-	-	-	-0.0	0.3
Inventories	0.2	-	0.0	-	-	-	-0.0	0.2
Pension liabilities	1.3	-	-0.0	0.3	-	-	-0.1	1.6
Acquisitions	0.0	-	-0.0	-	-	-	-0.0	0.0
Employee benefits	0.3	-	-0.1	-	-	-	-	0.2
Other temporary differences	0.1	0.0	0.3	-	-	-	-0.0	0.4
Deferred tax assets, total	**2.4**	**0.0**	**0.1**	**0.3**	**-**	**-**	**-0.1**	**2.7**
Deferred tax liabilities								
Depreciation difference and other untaxed reserves	7.8	-	2.0	-	-	-	-0.3	9.6
Acquisitions	7.4	-	-1.3	-	-	-	-0.1	6.0
Other temporary differences	0.1	-	0.1	-	-	-	-	0.1
Deferred tax liabilities, total	**15.3**	**-**	**0.7**	**-**	**-**	**-**	**-0.4**	**15.6**

2017	1 Jan	Adjustments to opening balance charged to equity[1]	Items recognised in income statement	Items recognised in other comprehensive income	Business combinations	Disposals	Translation differences	31 Dec
Deferred tax assets								
Confirmed tax losses	0.6	-	-0.2	-	-	-	-0.0	0.4
Inventories	0.2	-	-0.0	-	-	-	-0.0	0.2
Pension liabilities	1.0	-	0.0	0.3	-	-	-0.0	1.3
Acquisitions	0.3	-	-0.2	-	-	-	-0.0	0.0
Employee benefits	0.3	-	-0.0	-	-	-0.0	-	0.3
Other temporary differences	0.0	-	0.2	-0.1	-	-	-0.0	0.1
Deferred tax assets, total	**2.4**	**-**	**-0.2**	**0.3**	**-**	**-0.0**	**-0.1**	**2.4**
Deferred tax liabilities								
Depreciation difference and other untaxed reserves	7.3	-	0.6	-	0.0	-	-0.2	7.8
Acquisitions	8.6	-	-1.0	-	0.1	-	-0.2	7.4
Other temporary differences	0.3	-	-0.2	-	-	0.0	-0.0	0.1
Deferred tax liabilities, total	**16.2**	**-**	**-0.5**	**-**	**0.1**	**-**	**-0.4**	**15.3**

[1] Adjustment due to adoption of IFRS 9

Use of estimates: *Management estimates are required in determining the amount of recognised deferred tax assets and liabilities. The appropriateness for recognising deferred tax assets is assessed in connection with the preparation of consolidated financial statements. For this purpose, the Group estimates the probability of subsidiaries generating recoverable taxable income against which unused tax losses and unused tax compensations can be utilised. Actual results may differ from the factors used in the estimates, which may lead to the recognition of tax expenses.*

9. Group structure

Consolidation principles: The consolidated financial statements include Oriola Corporation and those directly or indirectly owned subsidiaries over which Oriola Corporation exercises control. Control is presumed to exist when the Group through participation in an investee becomes exposed to its variable returns or is entitled to its variable returns and is able to have an influence on the returns through exercising power over the investee. Subsidiaries are consolidated from the date the Group has gained control and divested companies are consolidated until the date control is lost.

The acquisition method is used in the accounting for the elimination of internal ownership. All intra-group transactions, as well as intra-group receivables, payables, dividends and unrealised internal margins, are eliminated. The Group's profit for the period is attributed to the equity holders of the parent and non-controlling interests. Identifiable assets acquired and assumed liabilities of an acquired entity are measured at their fair value as of the acquisition date. Any contingent consideration is measured at fair value at the date of acquisition and classified under other interest-bearing liabilities. Changes in the contingent consideration and acquisition-related expenses are recognised as an expense in the income statement.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. As at the date when control is lost, any investment retained in the former subsidiary is recognised at fair value and the difference is recorded through the income statement.

Joint ventures are joint arrangements where the Group has joint control with other parties and the parties have rights to the arrangements net assets. Interests in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost after which the Group's share of the post-acquisition retained profits and losses is included as part of investments in joint ventures in the consolidated statement of financial position. Under the equity method the share of profits and losses of joint ventures is presented separately in the consolidated income statement.

Foreign currency denominated items: The consolidated financial statements have been presented in euros, which is the functional and presentation currency of the Group's parent company. The items included in the financial statements of the subsidiaries are valued in the currency, which best describes the financial operating conditions of each subsidiary.

Transactions in foreign currencies are translated into functional currency/euro at the rates of exchange prevailing at the dates of transactions. Monetary items have been translated into euros using the rates of exchange as at the balance sheet date and non-monetary items using the rates of exchange at the dates of transactions, excluding items measured at fair value, which have been translated using the rates of exchange on the date of valuation. Gains and losses arising from the translation are recognised in the profit or loss. Foreign exchange gains and losses from operations are included within the corresponding items above EBIT. Foreign exchange gains and losses from loans denominated in a foreign currency are included within financial income and expenses.

The income statements of foreign group companies outside the eurozone are translated into euros using the weighted average rate of exchange of the financial year and the statements of financial position using the rates of exchange as at the balance sheet date. Differences resulting from the translation of the result for the period at a different rate on the income statement and on the statement of financial position are recognised as a separate item within the consolidated statement of comprehensive income. Translation differences arising from the acquisition cost elimination of foreign subsidiaries and from the translation of equity items accrued after the acquisition date are recognised in other comprehensive income. When a subsidiary is sold in full or in part, related translation differences are included in the calculation of gain or loss for the sale and recognised in the profit or loss for the period. The parent company's receivables from foreign subsidiaries are considered as part of the net investment if there is no plan for the repayment and repayment cannot be reasonably anticipated in the future. Exchange differences arising from such receivables are recognised in the consolidated financial statements in translation differences within equity.

9.1. Group companies and joint ventures

Group companies	Domicile	Group Ownership %	Group Share of votes %	Parent company Ownership %	Parent company Share of votes %
Parent company Oriola Corporation	Finland				
Oriola Finland Oy	Finland	100	100	100	100
Oriola Sweden AB	Sweden	100	100	100	100
Kronans Droghandel Apotek AB	Sweden	100	100	100	100
Svensk Dos AB	Sweden	100	100	100	100
Pharmaservice Oy	Finland	100	100	100	100
Farenta Oy	Finland	100	100	100	100
Oriola Sweden AB	Sweden	100	100	100	100
ICTHS Health Support AB	Sweden	100	100		
Farenta Oy	Finland	100	100	100	100
Farenta 1 Oy	Finland	100	100		
Farenta 2 Oy	Finland	100	100		
Farenta Polska Sp. Z o.o.	Poland	100	100		

Joint ventures	Domicile	Group Ownership %	Group Share of votes %	Parent company Ownership %	Parent company Share of votes %
Hehku Kauppa Oy	Finland	50	50	50	50

Changes in group structure: On 28 September 2018 Oriola acquired the remaining share of Farenta. In 2016 Oriola acquired 70.9% of Farenta, a Finnish company offering services for pharmaceutical companies and pharmacies. Based on the agreement Oriola had an obligation to acquire the remaining share of Farenta, and 100% of the statement of profit and loss and the statement of financial position have been consolidated into the Services segment as of 1 September 2016. As a result of the transaction a total of EUR 0.1 million was recognised to other operating expenses in the consolidated statement of comprehensive income in September 2018, consisting of the difference between the consideration paid for the remaining shares and the contingent consideration in the balance sheet and the transfer taxes paid relating to the transaction. The amount is included in the adjusting items in 2018.

9.2. Acquisitions and disposals, discontinued operations

Business combinations

Acquisitions, EUR million

Consideration	2017
Cash	2.9
Total consideration	**2.9**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant & equipment	0.0
Intangible assets	0.3
Trade and other receivables	1.4
Assets total	**1.7**
Deferred tax liabilities	0.1
Loans and other long-term liabilities	0.3
Trade payables and other current liabilities	0.9
Borrowings	0.1
Liabilities total	**1.4**
Total identifiable net assets	**0.2**
Goodwill	**2.6**
Total	**2.9**

2018

There were no business combinations in 2018.

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 EUR 5 million, 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.

Profit for the period from discontinued operations

EUR million	2017
Net sales	**48.9**
EBITDA	**1.8**
EBIT	**1.6**
Profit for the period, ordinary activities	**1.3**
Impairment loss on assets classified as held for sale	-0.7
Loss on sale of business	-0.3
Profit for the period from discontinued operations	**0.3**

Assets and liabilities disposed

EUR million	2017
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**

Discontinued operations and disposals

Oriola announced on 13 July 2017 its decision to divest its businesses in the Baltic countries. From June 2017 onwards the Baltic businesses were classified as discontinued operations. Accordingly the Group also reclassified the comparative periods of the consolidated statement of comprehensive income. The sale of the Baltic businesses was completed on 18 October 2017.

In September 2017 the net assets related to the Baltic businesses were impaired to fair value. The total impairment loss recognised was EUR 0.7 million, which consisted of goodwill of EUR 0.3 million and tangible assets of EUR 0.5 million.

Cash flows from discontinued operations

EUR million	2017
Net cash flow from operating activities	2.2
Net cash flow from investing activities	-0.1
Net cash flow from financing activities	-0.2
Total cash flows	**1.9**
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
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**

9.3. Related party transactions

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 companies controlled by the aforementioned persons, the Group's subsidiaries and joint ventures. The Group's transactions with the joint venture are described below. The Group has no significant business transactions with other related parties.

Transactions with the joint venture

Oriola Corporation and Kesko Group established in June 2017 a new joint venture, Hehku Kauppa Oy. Oriola reports 50% of the result of the joint venture Hehku Kauppa Oy in the Consumer segment EBIT. Oriola announced on 21 November 2018, that the joint venture had not reached its business and financial targets. Due to the decision to close down Hehku Kauppa Oy, Oriola recognised in the last quarter of 2018 a provision totalling EUR 3.1 million consisting of liabilities relating to Hehku. Transactions with the joint venture are presented in the following table:

EUR million	2018	2017
Sales	8.8	0.1
Purchases of goods and services	-0.3	-
Trade and other receivables	0.6	0.9

Investments in Hehku amounted to EUR 9.2 million in 2018.

10. Unrecognised items

10.1. Commitments and contingent liabilities

EUR million	2018	2017
Commitments for own liabilities		
Guarantees on behalf of own companies	7.3	7.5
Mortgages on company assets	3.5	3.3
Other guarantees and liabilities	1.1	1.2
Total	**11.9**	**12.1**

The most significant guarantees are bank guarantees against trade payables in Sweden. In addition, Oriola Corporation has granted parent company guarantees of EUR 0.4 (2.1) million against other subsidiaries' trade payables.

10.2. Leasing contracts

Leasing: Lease agreements which transfer a significant proportion of the risks and rewards related to the ownership of an asset to the Group are classified as finance lease agreements. The Oriola Group's leases classified as finance leases mainly consist of information and communication technology equipment. Finance lease agreements are recognised in the consolidated statement of financial position as an asset and a liability at the inspection of the lease at the lower of fair value of the asset or the present value of the minimum lease payments.

The assets acquired through finance lease are depreciated similarly to non-current assets over the shorter of useful life of the assets or the lease term. Finance lease liabilities are recognised under non-current and current liabilities in the consolidated statement of financial position.

If the risks and rewards associated with the ownership of the asset remain with the lessor, the lease agreement is treated as an operating lease. The resulting lease payments are recognised as an expense over the entire lease term. At Oriola the leases classified as operating leases mainly relate to office, warehouse and retail premises, also some vehicle and equipment leases have been classified as operating leases.

Committed future minimum lease payments:

EUR million	2018	2017
Within one year	17.6	17.7
One to five years	30.4	32.8
Over five years	3.4	5.3
Total	**51.5**	**55.8**

The Group has leased office, warehouse and retail premises under fixed term lease contracts, partly with the right to renew the lease. The Group has a significant portfolio of lease contracts for pharmacies in Sweden. The usual duration of the leases is three years, and they are regularly renewed for the next lease period. At the end of the year 2018 the Group had 327 (326) pharmacies in Sweden. In 2018 the Group established six new pharmacies and closed five pharmacies.

The leasing expenses were EUR 22.0 (22.2) million in 2018.

10.3. Events after the balance sheet date

On 31 January 2019 the Shareholders' Nomination Board of Oriola Corporation presented its proposal to the 2019 Annual General Meeting concerning the composition of the Board of Directors as follows:

- The number of members of the Board of Directors would be seven.
- The present members of the Board of Directors Juko-Juho Hakala, Anja Korhonen, Mariette Kristenson, Eva Nilsson Bågenholm, Lena Ridström and Anssi Vanjoki would be re-elected.
- Harri Pärssinen 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, Staffan Simberg, will leave the Board of Directors after the 2019 Annual General Meeting.

After the reporting period, on 22 February, Oriola announced it starts the 20by20 Excellence programme to deliver EUR 20 million annualised savings compared to 2018 cost level. Savings are expected to materialise gradually from second half of 2019, with full effect by the end of 2020. The programme will systematically review all operations and resources to ensure efficient and high-quality operations as well as reduce costs. The Group-wide programme will cover all business areas, operations and functions. The planned actions include improving logistics efficiency, savings in indirect and direct purchasing, product and service portfolio optimisation as well as lean and simplified processes throughout the Group.

11. Other notes

11.1. Application of new and amended IFRS standards and IFRIC interpretations

The following new or revised standards and interpretations issued by the International Accounting Standards Board (IASB) have not yet been applied by the Group. The Group will apply each new standard and interpretation from the effective date. If the effective date is other than the first day of a financial year, the Group will apply the standard or interpretation from the beginning of the following financial year.

IFRS 16 Leases (effective in the financial years beginning on or after 1 January 2019): The new standard requires lessees to recognise a lease liability reflecting the future lease payments and a 'right-of-use' asset representing its right to use the underlying asset for all long-term lease contracts. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.

The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

The Group will recognise new assets and liabilities for its operating leases. These include real estate leases for pharmacies, warehouses and offices, leases of vehicles consisting mainly of company cars, leases of IT equipment and leases of other machinery and equipment such as waste presses, dose dispensing machinery and office equipment. The Group elects to apply the recognition exemption for low-value asset to the leases of IT equipment and other machinery and equipment. The nature of expenses related to the operating leases will change as the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between the actual lease payments and the expense recognised. The total cost of the leasing period will be equivalent to the current standard. At the beginning of the leasing period, the cost for the period will be higher than towards the end of the period, which is due to the linear depreciation and reduced interest expenses over time.

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

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities totalling EUR 98 million and right-of-use assets totalling EUR 94 million as at 1 January 2019. The impact of the adoption of IFRS 16 in retained earnings is estimated to be EUR -6 million. The implementation of the standard on 1 January 2019 is estimated to decrease the equity ratio of the Group to 17.4% (19.8%) and to increase gearing to 92.3% (35.1%).

Based on the Group's current leasing contracts and on the information as of 1 January 2019, the application of the standard will have a positive impact of approximately EUR 20 million on the Group's EBITDA due to reduced leasing expenses in 2019. The depreciation expenses are estimated to increase by approximately EUR 18 million, and thus the standard is estimated to have a positive impact of approximately EUR 3 million on the Group's EBIT in 2019. Financial expenses are estimated to increase by approximately EUR 2 million. Net impact on the result of the period in 2019 is estimated to be approximately EUR 1 million positive.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.

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 2019 and that comparative information will not be restated. As permitted in the standard, the Group will measure right-of-use assets retrospectively using transition discount rate.

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

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Parent company financial statements

Parent company income statement (FAS)

EUR thousand	Note	2018	2017
Other operating income	2	22,671.0	8,172.3
Personnel expenses	3	-6,038.8	-4,723.9
Depreciation, amortisation and impairment charges	4	-1,463.6	-350.1
Other operating expenses	5	-15,568.1	-10,796.1
Operating result		**-399.5**	**-7,697.7**
Financial income and expenses	6	-14,786.2	32,991.9
Result before appropriations and taxes		**-15,185.7**	**25,294.2**
Appropriations	7	1,791.7	8,429.5
Income taxes	8	-504.8	-340.0
Result for the period		**-13,898.7**	**33,383.6**

Parent company balance sheet (FAS)

EUR thousand	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	9		
Intangible rights		490.6	357.6
Other intangible assets		21,067.7	930.9
Advance payments and construction in progress		6,611.0	24,169.3
		28,169.3	25,457.8
Property, plant and equipment	10		
Land and water areas		77.4	77.4
Machinery and equipment		166.9	229.9
Other tangible assets		7.5	7.5
		251.8	314.7
Investments	11		
Holdings in group companies		653,830.3	656,142.8
Holdings in participating interest companies		-	1,641.3
Other shares		9,418.5	-
Receivables from group companies		97,027.7	101,078.9
		760,276.5	758,862.9
Non-current assets, total		788,697.6	784,635.5
Current assets			
Receivables			
Short-term receivables	12		
Trade receivables		37.0	80.3
Receivables from group companies		4,792.2	50,354.8
Other receivables		838.2	334.3
Accrued receivables		1,253.0	1,195.9
		6,920.4	51,965.3
Cash and cash equivalents		63,488.3	13,768.2
Current assets, total		70,408.7	65,733.5
Assets total		**859,106.3**	**850,369.0**

EUR thousand	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity	13		
Share capital		147,899.8	147,899.8
Other funds		19,418.7	19,418.7
Invested unrestricted equity reserve		76,957.5	76,957.5
Retained earnings		260,869.6	243,880.3
Result for the financial year		-13,898.7	33,383.6
		491,246.9	521,539.9
Appropriations	14	1,268.5	210.3
Provisions	15	3,120.8	-
Liabilities	16		
Long-term liabilities			
Borrowings		58,279.4	59,460.2
Other long-term liabilities		-	2,479.5
Liabilities to group companies		64,436.9	64,587.6
Accrued liabilities		379.5	580.6
		123,095.8	127,107.8
Short-term liabilities			
Trade payables		2,239.3	689.3
Liabilities to group companies		178,519.2	148,935.9
Other liabilities		57,338.5	50,431.3
Accrued liabilities		2,277.3	1,454.5
		240,374.3	201,511.0
Liabilities, total		363,470.1	328,618.9
Equity and liabilities total		**859,106.3**	**850,369.0**

Parent company cash flow statement (FAS)

EUR thousand	2018	2017
Cash flow from operating activities		
Result before appropriations and taxes	-15,185.7	25,294.2
Adjustments		
Depreciation, amortisation and impairment charges	1,463.6	350.1
Unrealised foreign exchange gains and losses	65.0	-1,637.2
Other non-cash items	1,460.1	-1.9
Financial income and expenses	14,721.2	-31,217.6
	2,524.2	-7,212.4
Change in working capital		
Change in current non-interest-bearing receivables	3,122.5	-3,014.5
Change in non-interest-bearing current liabilities	1,810.2	-559.1
	7,456.9	-10,786.0
Paid and received other financial expenses and income	-541.3	-1,774.3
Interest received	3,192.2	4,037.4
Interest paid	-2,480.6	-1,534.4
Income taxes paid	-272.2	-
Cash flow from operating activities	**7,355.1**	**-10,057.3**
Cash flow from investing activities		
Investments in tangible and intangible assets	-1,610.8	-10,873.0
Proceeds from sale of tangible and intangible assets	89.1	-
Investments to holdings and shares	-21,175.9	-2,648.1
Change in loan receivables	4,051.12	39,375.1
Dividends received	-	31,954.3
Cash flow from investing activities	**-18,646.6**	**57,808.3**

EUR thousand	2018	2017
Cash flow from financing activities		
Purchase of own shares	-82.3	-608.7
Repayments of long-term loans	-30,000.0	-87,866.4
Proceeds from long-term loans	30,000.0	29,811.5
Change in short-term loans	68,955.0	-22,800.0
Group contributions received	8,440.0	15,000.0
Dividends paid	-16,301.1	-25,376.7
Cash flow from financing activities	**61,011.6**	**-91,840.3**
Change in cash and cash equivalents	**49,720.1**	**-44,089.4**
Cash and cash equivalents at the beginning of period	13,768.2	57,857.6
Net change in cash and cash equivalents	49,720.1	-44,089.4
Cash and cash equivalents at the end of period	**63,488.3**	**13,768.2**

Notes to the parent company financial statements (FAS)

1. Accounting principles

Oriola Corporation is the parent company of the Oriola Group, domiciled in Espoo, Finland. Oriola Corporation provides administrative services to group companies. These administrative services are centralized to the parent company. Copies of the consolidated financial statements of the Oriola Group are available at the head office of Oriola Corporation, Orionintie 5, FI-02200 Espoo, Finland (investor.relations@oriola.com).

Oriola Corporation´s financial statements are prepared in euros and according to Generally Accepted Accounting Principles in Finland (Finnish GAAP) and according to corporate legislation. The financial statements are presented in thousand euros.

When appropriate, the financial statements of Oriola Corporation comply with the Group's accounting principles based on IFRS. Below are described those accounting principles in which the financial statements of Oriola Corporation differ from the accounting principles of the consolidated financial statements. The accounting principles for the consolidated financial statements are presented in the notes to the consolidated financial statements.

Financial assets and liabilities: Financial items classified as loans and receivables or other financial liabilities are carried at amortised cost.

The change in the fair value of the effective portion of interest rate derivative agreements under hedge accounting made to hedge cash flows is directly recognised against the fair value reserve included in equity. Derivatives acquired to hedge balance sheet items like bank accounts, loans and receivables denominated in foreign currencies and derivatives made to hedge cash flows that are not under hedge accounting are recorded in exchange gains and losses in the financial items.

Share-based payments: The accounting treatment of Oriola Corporations share-based incentive plans is described in the accounting principles for the consolidated financial statements. The share incentive plans of Oriola Corporation are a combination of shares and a cash payment. The granted amount of the incentive plans, settled in shares, is measured at share price of the grant date less expected dividends. The cash-settled part of the plans is measured at fair value, which is the share price at the end of the reporting period. The expenses arising from the incentive plans are recognised in the income statement over the vesting period. In the financial statements of the parent company the component settled in shares as well as the cash-settled part are recognised as accrued liability until paid out. When paid out the share settled part is credited to the equity.

Pension arrangements: The Statutory pension coverage of Oriola Corporation is provided by Ilmarinen Mutual Pension Insurance Company. Supplementary pension coverage is provided by OP Life Assurance Company Ltd. Pension-related payments are recognised as pension expenses on an accrual basis. No other pension liabilities arising from pension arrangements are recognised in the balance sheet except for pension-related accruals.

Leases: The lease agreements of Oriola Corporation consist mainly of information and communication technology equipment. Lease payments are expensed over the rental period and they are included in other operating expenses. Assets leased under finance leases and related liabilities are not recognised in the parent company's balance sheet.

2. Other operating income

EUR thousand	2018	2017
Rental income	10.9	10.8
Other service charges	13,646.7	8,159.3
Other operating income	9,013.4	2.3
Total	**22,671.0**	**8,172.3**

3. Personnel

EUR thousand	2018	2017
Personnel costs		
Salaries and fees	4,909.4	4,004.1
Pension costs	937.5	585.0
Other personnel costs	191.8	134.8
Total	**6,038.8**	**4,723.9**
Average number of personnel	49	39
Salaries and bonuses to the Management		
CEO and Members of the Board of Directors	797.8	1,504.0

Remuneration and pension liabilities for the CEO and the members of the Board of Directors are disclosed in the consolidated financial statements in note 4.4. Employee benefits.

4. Depreciation, amortisation and impairment charges

EUR thousand	2018	2017
Depreciation	1,463.6	350.1
Total	**1,463.6**	**350.1**

Criteria applied for the straight-line depreciation is disclosed in notes 6.1. and 6.3. to the consolidated financial statements. Depreciation by asset class is presented in notes 9-10.

5. Other operating expenses

EUR thousand	2018	2017
Postage, telephone and banking expenses	230.2	230.4
IT expenses	9,276.8	5,710.9
Travelling and car	261.6	243.8
Representation	21.6	10.0
Administrative consultancy services	2,946.2	3,343.4
Other operating expenses	2,831.7	1,257.5
Total	**15,568.1**	**10,796.1**

Other operating costs are mainly costs related to the ownership.

Audit costs included in other operating costs		
Audit fees	40.0	77.9
Tax consulting services	-	5.3
Other fees	7.3	8.4
Total	**47.3**	**91.6**

6. Financial income and expenses

EUR thousand	2018	2017
Income from group companies		
Dividend income from group companies	-	31,954.3
Other interest and financial income		
Interest income from group companies	3,185.9	4,470.6
Interest income from other companies	6.3	21.8
Other financial income	11,408.3	8,381.6
Interest and other financial expenses		
Interest expenses to group companies	-992.6	-905.4
Interest expenses to other companies	-1,488.0	-1,838.9
Other financial expenses	-12,040.6	-9,092.2
Impairment on investments		
Impairment on investments in non-current assets	-14,865.6	-
Total	**-14,786.2**	**32,991.9**
Financial income and expenses include:		
Interest income	3,192.2	4,492.5
Interest expenses	-2,480.6	-2,744.3
Exchange rate gains/losses	-262.7	-283.9

7. Appropriations

EUR thousand	2018	2017
Change in depreciation difference	-1,058.3	-10.5
Group contribution received	2,850.0	8,440.0
Total	**1,791.7**	**8,429.5**

8. Income taxes

EUR thousand	2018	2017
Income taxes for the financial period	504.8	269.4
Change in deferred taxes	-	70.7
Total	**504.8**	**340.0**

9. Intangible assets

EUR thousand 2018	Intangible rights	Other intangible assets	Advance payments and construction in progress	Total
Historical cost 1 Jan	491.2	1,577.3	24,169.3	**26,237.8**
Increases	220.2	2,640.6	1,267.3	**4,128.2**
Reclassifications	-	18,825.7	-18,825.7	**-**
Historical cost 31 Dec	**711.4**	**23,043.6**	**6,611.0**	**30,366.0**
Accumulated amortisation 1 Jan	133.6	646.4	-	**780.0**
Amortisation for the financial year	87.2	1,329.4	-	**1,416.6**
Accumulated amortisation 31 Dec	**220.8**	**1,975.8**	**-**	**2,196.6**
Carrying amount 31 Dec	**490.6**	**21,067.7**	**6,611.0**	**28,169.3**

2017				
Historical cost 1 Jan	165.3	1,482.9	13,659.1	**15,307.3**
Increases	325.9	58.3	10,546.3	**10,930.5**
Reclassifications	-	36.1	-36.1	**-**
Historical cost 31 Dec	**491.2**	**1,577.3**	**24,169.3**	**26,237.8**
Accumulated amortisation 1 Jan	88.5	404.0	-	**492.5**
Amortisation for the financial year	45.1	242.4	-	**287.5**
Accumulated amortisation 31 Dec	**133.6**	**646.4**	**-**	**780.0**
Carrying amount 31 Dec	**357.6**	**930.9**	**24,169.3**	**25,457.8**

10. Property, plant and equipment

EUR thousand 2018	Land and water areas	Machinery and equipment	Other tangible assets	Total
Historical cost 1 Jan	77.4	354.4	7.5	**439.2**
Increases	-	71.1	-	**71.1**
Decreases	-	-160.1	-	**-160.1**
Historical cost 31 Dec	**77.4**	**265.4**	**7.5**	**350.3**
Accumulated depreciation 1 Jan	-	124.6	-	**124.6**
Changes in cumulative depreciation due to sales	-	-73.0	-	**-73.0**
Depreciation for the financial year	-	46.9	-	**46.9**
Accumulated depreciation 31 Dec	**-**	**98.5**	**-**	**98.5**
Carrying amount 31 Dec	**77.4**	**166.9**	**7.5**	**251.8**

2017				
Historical cost 1 Jan	77.4	430.1	7.5	**515.0**
Decreases	-	-75.7	-	**-75.7**
Historical cost 31 Dec	**77.4**	**354.4**	**7.5**	**439.3**
Accumulated depreciation 1 Jan	-	79.0	-	**79.0**
Changes in cumulative depreciation due to sales	-	-17.0	-	**-17.0**
Depreciation for the financial year	-	62.6	-	**62.6**
Accumulated depreciation 31 Dec	**-**	**124.6**	**-**	**124.6**
Carrying amount 31 Dec	**77.4**	**229.9**	**7.5**	**314.7**

11. Investments

EUR thousand 2018	Holdings in group companies	Holdings in participating interest companies	Other shares	Receivables from group companies	Total
Historical cost 1 Jan	656,142.8	1,641.3	-	101,078.9	**758,863.0**
Increases	53.0	9,200.0	9,418.5	109,114.2	**127,785.7**
Decreases	-	-	-	-113,165.3	**-113,165.3**
Historical cost 31 Dec	**656,195.8**	**10,841.3**	**9,418.5**	**97,027.7**	**773,483.4**
Impairment	-2,365.6	-10,841.3	-	-	**-13,206.8**
Impairment 31 Dec	**-2,365.6**	**-10,841.3**	**-**	**-**	**-13,206.8**
Carrying amount 31 Dec	**653,830.3**	**-**	**9,418.5**	**97,027.7**	**760,276.5**
2017					
Historical cost 1 Jan	655,334.7	-	-	140,454.0	**795,788.7**
Increases	1,006.8	1,641.3	-	68,576.3	**71,224.3**
Decreases	-198.7	-	-	-107,951.4	**-108,150.1**
Historical cost 31 Dec	**656,142.8**	**1,641.3**	**-**	**101,078.9**	**758,862.9**
Carrying amount 31 Dec	**656,142.8**	**1,641.3**	**-**	**101,078.9**	**758,862.9**

12. Receivables

EUR thousand	2018	2017
Receivables from group companies		
Short-term receivables		
Trade receivables	8.9	3,475.5
Other receivables	1,933.3	38,200.7
Accrued income and prepaid expenses	2,850.0	8,678.6
Total	**4,792.2**	**50,354.8**
Items included in accrued receivables		
Arrangement fees relating to loans	294.1	359.3
Exchange rate profit on hedges	40.7	-
Compensations not received	8.4	8.4
Group contribution	2,850.0	8,440.0
Other accrued receivables	909.9	1,066.8
Total	**4,103.0**	**9,874.5**

13. Equity

EUR thousand	2018	2017
Share capital 1 Jan	147,899.8	147,899.8
Share capital 31 Dec	**147,899.8**	**147,899.8**
Restricted equity	**147,899.8**	**147,899.8**
Contingency fund 1 Jan	19,418.7	19,418.7
Contingency fund 31 Dec	**19,418.7**	**19,418.7**
Invested unrestricted equity reserve 1 Jan	76,957.5	76,957.5
Invested unrestricted equity reserve 31 Dec	**76,957.5**	**76,957.5**
Profit/ loss from previous years 1 Jan	277,263.9	269,883.4
Dividend paid	-16,312.0	-25,394.5
Share-based compensation	-479.3	-83.6
Purchase of own shares[1]	-82.3	-608.7
Delivery of own shares	479.3	83.6
Profit/loss from previous years 31 Dec	**260,869.6**	**243,880.3**
Result for the period	-13,898.7	33,383.6
Non-restricted equity	343,347.1	373,640.2
Total	**491,246.9**	**521,539.9**

[1] Shares purchased for the share based incentive programme.

Distributable funds 31 Dec		
Contingency fund	19,418.7	19,418.7
Invested unrestricted equity reserve	76,957.5	76,957.5
Profit/ loss from previous years	260,869.6	243,880.3
Net profit for the period	-13,898.7	33,383.6
Distributable funds 31 Dec	**343,347.1**	**373,640.1**

14. Appropriations

EUR thousand	2018	2017
Cumulative accelerated depreciation difference	1,268.5	210.3
Total	**1,268.5**	**210.3**

15. Provisions

EUR thousand	2018	2017
Other provisions	3,120.8	-
Total	**3,120.8**	-

Other provisions recognised in 2018 relate to the closure of Hehku Kauppa Oy's business operations. The change in provisions is recognised in other operating expenses and in financial expenses as impairment on investments in non-current assets.

16. Liabilities

EUR thousand	2018	2017
Liabilities to group companies		
Long-term liabilities		
Other liabilities	64,436.9	64,587.6
Short term liabilities		
Trade payables	-	123.7
Other liabilities	178,519.2	148,812.1
Short-term liabilities total	**242,956.1**	**213,523.4**
Items included in accrued liabilities		
Long-term accrued liabilities		
Change of fair value for interest rate swap	379.5	580.6
Short-term accrued liabilities		
Items related to personnel	850.9	1,139.4
Interest	26.0	36.6
Other accrued liabilities	1,316.8	278.5
Change of fair value for interest rate swap	83.6	-
Total	**2,656.8**	**2,035.1**

17. Guarantees, liability engagements and other liabilities

EUR thousand	2018	2017
Guarantees		
For group companies	429.9	2,077.4
Total	**429.9**	**2,077.4**
Rental liabilities on real estate		
Maturity within one year	33.0	33.0
Total	**33.0**	**33.0**
Rental liabilities on machinery and fixtures		
Maturity within one year	267.4	127.7
Maturity within 1–5 years	366.0	144.9
Total	**633.3**	**272.6**

18. Derivatives and financial risk management

EUR thousand	2018	2017
Book values of derivative instruments		
Interest rate swap agreements	50,708.0	52,825.1
Foreign currency forward and swap contracts	39,006.1	-
Total	**89,714.1**	**52,825.1**
Fair values of derivative instruments		
Interest rate swap agreements	-463.0	-580.6
Foreign currency forward and swap contracts	37.5	-
Total	**-425.6**	**-580.6**

Oriola Corporation has interest rate swap agreements hedging the Oriola Group's cash flows as well as foreign currency forward and swap contracts with various counterparties. These derivatives are managed in accordance with the treasury policy approved by the Oriola Corporation Board of Directors. While the Oriola Group's interest rate risks from Oriola Sweden AB's selling of trade receivables are hedged with derivative agreements on a group level, the hedging presents an interest rate risk to Oriola Corporation.

More information on the Oriola Group's financial risk management and derivatives are presented in note 7.3. Financial Risk Management in the notes to the consolidated financial statements.

19. Ownership in other companies

The Parent company's ownership in other companies is presented in the note 9.1 Group companies and joint ventures, in the notes to the Consolidated Financial Statements.

The Board of Directors' proposal for the profit distribution and Auditor's Note

Proposal for the profit distribution

According to the parent company's balance sheet as at 31 December 2018, the total distributable funds are:

Other funds, EUR	19,418,729.58
Invested unrestricted equity reserve, EUR	76,957,531.72
Retained earnings, EUR	260,869,597.38
Profit for the period, EUR	-13,898,746.02
Total distributable funds, EUR	343,347,112.66

The Board of Directors proposes to the Annual General Meeting that the distributable funds will be used as follows:

- A dividend of EUR 0.09 per share will be distributed to 181,382,440 shares, EUR 16,324,419.60
- EUR 327,022,693.06 will be retained in equity

There have been no material changes in the financial position of the company after the end of the financial year.

Signatures for the financial statements and the report of the Board of Directors

Espoo, 22 February 2019

Anssi Vanjoki
Chairman

Eva Nilsson Bågenholm
Vice Chairman

Juko-Juho Hakala

Anja Korhonen

Mariette Kristenson

Lena Ridström

Staffan Simberg

Robert Andersson
President and CEO

Auditor's Note

The Auditor's report has been issued today.

Espoo, 22 February 2019

KPMG Oy Ab
Authorised Public Accountants

Kirsi Jantunen
Authorised Public Accountant

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

Auditor's Report

To the Annual General Meeting of Oriola Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oriola Corporation (business identity code 1999215-0) for the year ended 31 December, 2018. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 4.3 to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

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

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

The key audit matter	How the matter was addressed in the audit
Valuation of goodwill – refer to accounting principles for the consolidated financial statements and note 6.3	
At December 31, 2018, the total carrying value of goodwill amounted to EUR 274 million, representing 30 % of the consolidated total assets. Goodwill is tested for impairment when indicators of impairment exist, or at least annually. Goodwill impairment testing is conducted by comparing the carrying value with the recoverable amount. Management estimates the recoverable amount using a discounted cash flow model. Determining the key assumptions used in the impairment tests requires management judgement and estimates especially relating to long term growth, profitability and discount rates. Valuation of goodwill is considered a key audit matter due to the significant carrying values and high level of management judgement involved.	We obtained an understanding of management's impairment assessment process and assessed the impairment tests prepared by the Company. Our detailed audit work with the involvement of KPMG valuation specialists included testing the integrity of the calculations and the technical model. We challenged the assumptions used by management in respect of forecasted growth rates and profitability as well as the appropriateness of the discount rates used. We also validated the assumptions used in relation to market and industry information. We also evaluated the cash flows used by comparing them to the group's budgeting process, external sources and the understanding we gained from our audit. Furthermore, we considered the appropriateness of the group's disclosures in respect of goodwill and impairment testing.
Revenue recognition – refer to accounting principles for the consolidated financial statements and notes 2 and 4.2	
Revenue is mainly generated through the sale of goods and services. The revenue earned is recognised when the control is transferred to the customer in accordance with the terms of delivery or agreement. In the Service segment there are two types of agreements with the pharmaceutical companies in which Oriola acts either as a principal or an agent. For agreements in which Oriola acts as a principal the legal title, control and payment liability has been transferred to Oriola and the revenue is recognized on gross basis. For consignment agreements where Oriola acts as an agent, only the distribution fee is recognized as revenue. Analysis of the agreements and the related revenue recognition method requires management judgement, considering the various contractual terms. Due to the large volumes of transactions and management judgement involved revenue recognition has been identified as an area of focus in the audit.	We obtained an understanding of the revenue recognition processes and evaluated the design and tested the controls over revenue recognition. With special focus on identifying unusual sales transactions we also performed substantive procedures such as testing samples of sales agreements and year-end transactions to ensure appropriate application of revenue recognition criteria. For revenue in the Service segment, we examined sales contracts to ensure that revenue was recognised in accordance with the terms of the contract and the group's accounting policy. Audit procedures were performed over revenue recognition at the group level and at each of the reporting components that were in scope for the group audit. We have also evaluated and tested the documentation prepared by the Company on the assessment of the effect of IFRS 15 Revenue from Contracts with Customers, which was effective as of January 1, 2018.
Valuation of Inventories – refer to accounting principles for the consolidated financial statements and note 5.2	
The carrying value of inventories amounted to EUR 214 million at the end of the financial year. Inventory management, stocktaking routines and pricing of inventories are key factors in the valuation of inventories. In the Service segment Oriola has different types of contracts with pharmaceutical companies which are either accounted for as own inventory or consignment stock. In addition, the valuation of inventories requires management estimates in respect of obsolescence assessment. Due to management judgement and the significant carrying amount involved, valuation of inventories is determined a key audit matter that our audit is focused on.	We evaluated the appropriateness of the accounting policies by reference to IFRS standards, as well as the functionality of the key IT systems of inventory management. We tested the controls over inventory management, accuracy of inventory amounts and valuation of inventories. We performed substantive audit procedures in relation to pricing of inventory and provision for obsolete inventory. We reviewed a sample of contracts to ensure that inventory is accounted appropriately in line with the terms of the contract and the group's accounting policy. We also attended physical inventory counting at selected locations to assess the appropriateness of stocktaking routines.

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement
We were first appointed as auditors by the Annual General Meeting on 19 March 2018, and our appointment represents a total period of uninterrupted engagement of 1 year.

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

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

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

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

Helsinki, 22 February 2019

KPMG OY AB

Kirsi Jantunen
Authorised Public Accountant, KHT

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