

ORIOLA CORPORATION'S HALF YEAR FINANCIAL REPORT 1 JANUARY – 30 JUNE 2019

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Oriola January 1– June 30, 2019

January–June 2019 highlights

- Invoicing increased by 5.3% (increased 6.3%) to EUR 1,836.9 (1,745.0) million. On a constant currency basis invoicing increased by 7.9% and was EUR 1,882.6 million.
- Net sales increased by 7.4% (increased 4.3%) to EUR 845.6 (787.5) million. On a constant currency basis net sales increased by 10.3% and were EUR 869.0 million.
- Adjusted EBIT was EUR 10.4 (14.2) million. On a constant currency basis the adjusted EBIT was EUR 10.8 million.
- Profit for the period totalled EUR 7.1 (9.0) million and earnings per share were EUR 0.04 (0.05).
- Two Group-wide strategic programmes kicked off: 20by20 Excellence to ensure operational excellence and cost efficiency and Customer Experience to strengthen customer trust and satisfaction.
- New customer focused organisation with new business areas Consumer, Pharma and Retail as well as logistics and sourcing function Operations became effective as of 1.1.2019.
- Ramp-up of new automated distribution centre in Sweden started in February.

April–June 2019 highlights

- Invoicing increased by 5.1% (increased 6.2%) to EUR 942.5 (896.7) million. On a constant currency basis invoicing increased by 7.1% and was EUR 960.4 million.
- Net sales increased by 12.3% (increased 3.1%) to EUR 448.5 (399.4) million. On a constant currency basis net sales increased by 14.8% and were EUR 458.4 million.
- Adjusted EBIT was EUR 6.4 (7.9) million. On a constant currency basis the adjusted EBIT was EUR 6.7 million.
- Profit for the period totalled EUR 5.2 (5.4) million and earnings per share were EUR 0.03 (0.03).
- Ramp-up of new automated distribution centre in Sweden is progressing, but slower than expected, and is causing prolonged extra operational costs.
- Business outlook was changed on 19 June, and adjusted EBIT is estimated to decrease from the 2018 level.
- Cooperation negotiations to improve operational efficiency were announced on 19 June. With the planned actions, target is to save approximately 4-6 million euros annually.

Business outlook for 2019

The adjusted EBIT on a constant currency basis is estimated to decrease 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.

President and CEO Robert Andersson on the second quarter of 2019:

“Oriola’s invoicing (EUR 942.5 million, +5.1%) and net sales (EUR 448.5 million, +12.3%) continued to grow in the second quarter compared to previous year. On a constant currency basis invoicing grew by 7.1% and net sales by 14.8%. Adjusted EBIT was EUR 6.4 million, 18.8% lower than previous year. Changes in the Swedish consumer market as well as slower than expected ramp-up of new distribution centre in Sweden impacted profitability negatively.

Consumer net sales increased 0.6% year-on-year on a constant currency basis. Online sales grew by 36%, in line with market growth. Changes in consumer behaviour and strong price competition in online affected profitability negatively. We continue to develop omni-channel services in Consumer. Experiences from the first Drop-in clinics for healthcare services have been positive and we are widening our offering in the second half of the year.

Pharma continued to grow in both operating countries. Invoicing increased 9.3% year-on-year and net sales increased 30.9% on a constant currency basis driven by the pharmaceutical market growth and changes in the distribution agreements for pharmaceuticals. In Finland the efficiency of Operations was on a good level while inefficiency in the Swedish Operations burdened the Pharma result. Along with the traditional distribution business we are developing our expert services for pharmaceutical companies, whose demand for local expert services is growing.

Good development in dose dispensing business accelerated Retail business growth in the second quarter of the year. The total number of our patients has already grown to 115,000 and we are now the market leader in Sweden. Retail net sales increased 7.9% year-on-year on a constant currency basis. Inefficiencies in the Swedish Operations burdened the Retail result. We are continuing to renew our product assortment and services in Retail.

Our two strategic programmes, 20by20 Excellence and Customer Experience, are progressing according to plans. In June we announced cooperation negotiations and with the planned actions we estimate to save approximately 4-6 million euros annually. The target of 20by20 Excellence programme is to deliver EUR 20 million savings annually by the end of 2020.”

| Key figures | 2019 | 2018 | Change | 2019 | 2018 | Change | 2018 |
|---|-------|-------|--------|---------|---------|--------|---------|
| EUR million | 4-6 | 4-6 | % | 1-6 | 1-6 | % | 1-12 |
| Invoicing | 942.5 | 896.7 | 5.1 | 1,836.9 | 1,745.0 | 5.3 | 3,518.4 |
| Net sales | 448.5 | 399.4 | 12.3 | 845.6 | 787.5 | 7.4 | 1,552.2 |
| Adjusted EBIT ¹ | 6.4 | 7.9 | -18.8 | 10.4 | 14.2 | -26.9 | 36.9 |
| EBIT | 7.9 | 7.9 | -0.4 | 11.8 | 13.5 | -12.4 | 22.0 |
| Adjusted EBIT % | 1.4 | 2.0 | | 1.2 | 1.8 | | 2.4 |
| EBIT % | 1.8 | 2.0 | | 1.4 | 1.7 | | 1.4 |
| Profit for the period | 5.2 | 5.4 | -4.4 | 7.1 | 9.0 | -20.7 | 12.7 |
| Earnings per share, EUR | 0.03 | 0.03 | -4.4 | 0.04 | 0.05 | -20.8 | 0.07 |
| Net cash flow from operating activities | 69.6 | 18.4 | | 44.2 | 51.1 | | 102.8 |
| Gearing, % ² | | | | 94.4 | 57.1 | | 35.1 |
| Equity ratio, % ³ | | | | 15.3 | 19.3 | | 19.8 |
| Return on capital employed (ROCE), % ⁴ | | | | 6.2 | 8.9 | | 6.9 |

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

² Gearing in 2019 is impacted by the increase of net debt by EUR 94.0 million and the decrease of retained earnings by EUR 5.9 million due to the application of IFRS 16. Excluding the impact of IFRS 16 gearing would have been 34.0%.

³ Equity ratio in 2019 is impacted by the decrease of retained earnings by EUR 5.9 million and increase of total assets by EUR 88.1 million due to the application of IFRS 16. Excluding the impact of IFRS 16 equity ratio would have been 17.3%.

⁴ Return on capital employed in 2019 is impacted by the increase of total assets by EUR 88.1 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on capital employed would have been 7.3%.

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

Oriola Corporation's Half Year Report for 1 January–30 June 2019

Operating environment

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

Aging population and growth in speciality pharmaceuticals are growing the total pharmaceutical market in both Oriola's operating countries. The market is expected to grow 3.9% in Sweden and 1.5% in Finland during the year 2019 (source: IQVIA). In the first half of 2019, the pharmaceutical wholesale market grew 10.6% in Sweden (source: IQVIA) and 4.6% in Finland in local currencies (source: LTK). Parallel imports' share of the Swedish pharmaceutical market was 9.6% (11.4%) (source: Apoteksförening).

Health and wellbeing trends as well as traded goods growth in e-commerce are growing the pharmacy business in Sweden. The pharmacy market is experiencing a digital transformation to fast growing e-commerce which reached already 10% of the total pharmacy market in Sweden by the end of June 2019. The pharmacy market in Sweden grew by 4.4% (9.6%) in Swedish krona in January-June 2019 driven by strong online market (source: Apoteksförening). At the end of June there were 1,432 (1,421) pharmacies in Sweden.

The pharmacy market in Finland has remained unchanged. There are 815 pharmacy outlets in Finland and over 170 service points of pharmacies in remote areas. These pharmacies are owned by approximately 600 proprietary pharmacists and two Universities in Helsinki and in Kuopio.

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

Strategic programmes

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

The strategic programme 20by20 Excellence focuses on Oriola's efficiency and profitability. Target is to deliver EUR 20 million annualised savings compared to the 2018 cost level. Savings are expected to materialise gradually from the 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 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. As part of the programme Oriola announced in June to start cooperation negotiations to find annual cost savings of approximately 4-6 million euros.

The strategic programme Customer Experience focuses on developing and implementing more customer-oriented processes and tools, organisation and culture. Target for the programme is to strengthen the customer's trust and satisfaction.

Sustainability

Sustainability in Oriola focuses on People and Society, Climate and Environment, Responsible Partner and Economically Sustainable, in line with the Sustainability Development Goals (SDGs) set by the United Nations.

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

The Oriola Environmental Policy outlines the commitment to reduce the environmental impacts of the company's operations. Main areas are to reduce emissions in transportation, electricity as well as medical and non-medical waste handling. Oriola's Swedish subsidiaries Oriola Sweden AB and Svensk Dos AB have ISO 14 001:2015 certificates.

Oriola's quality management is founded on the laws and regulatory requirements applicable in the pharmaceutical sector and on quality management standards, especially ISO 9001. Pharmaceutical distribution and wholesale are regulated by the Good Distribution Practice (GDP) of the European Medicines Agency (EMA).

In the first quarter, Oriola shared the fourth place in the first FINDIX report that assessed diversity of company management and board of directors among big Finnish companies. Oriola also attended industry wide campaign "Medicine free Baltic Sea" reminding consumers about correct medicine disposal in Finland.

Oriola joined United Nations' Global Compact, a worldwide sustainability initiative, in February 2018. In the second quarter of 2019, Oriola reported actions and progress related to the 10 principles of the initiative for the first time. The principles consist of four sustainable areas: human rights, labour, environment and anti-corruption.

Group financial performance January–June 2019

Invoicing and net sales

Invoicing increased by 5.3% (increased 6.3%), on a constant currency basis invoicing increased by 7.9%, which was mainly due to continued good growth in pharmaceutical market.

Oriola's net sales increased by 7.4% (increased 4.3%) to EUR 845.6 (787.5) million. On a constant currency basis net sales increased by 10.3%, driven by the growth in the pharmaceuticals sales and changes in the distribution agreements for pharmaceuticals.

Profitability

Oriola's adjusted EBIT decreased by 26.9% (decreased 41.0%) to EUR 10.4 (14.2) million. The decrease was driven by changes in consumer behaviour and strong price competition in online, as well as high cost burden in Swedish operations. Adjusting items during the reporting period totalled EUR 1.5 (-0.7) million, which consists of a provision release related to Hehku. EBIT was EUR 11.8 (13.5) million. The adjusted EBIT at constant currencies was EUR 10.8 million.

Oriola's net financial expenses were EUR 2.8 (1.7) million. The figure in 2019 includes interest expenses totalling EUR 1.0 million on leasing liabilities recognised due to application of IFRS 16. Profit for the period was EUR 7.1 (9.0) million. Income taxes for January–June were EUR 1.9 (2.9) million, which corresponds to effective tax rate of 21.6% (24.5%). Earnings per share were EUR 0.04 (0.05).

Group financial performance April–June 2019

Invoicing and net sales

Invoicing increased by 5.1% (increased 6.2%), on a constant currency basis invoicing increased by 7.1%, which was mainly due to continued good growth in pharmaceutical market.

Oriola's net sales increased by 12.3% (increased 3.1%) to EUR 448.5 (399.4) million. On a constant currency basis net sales increased by 14.8%, driven by the growth in the pharmaceuticals sales and changes in distribution agreements for pharmaceuticals.

Profitability

Oriola's adjusted EBIT decreased by 18.8% (decreased 39.1%) to EUR 6.4 (7.9) million, which was mainly driven by changes in consumer behaviour and strong price competition in online, as well as inefficiencies and slower than expected ramp-up of new distribution centre in Sweden causing prolonged extra operational costs. Adjusting items during the reporting period totalled EUR 1.5 (0.0) million, which consists of a provision release related to Hehku. EBIT was EUR 7.9 (7.9) million. The adjusted EBIT at constant currencies was EUR 6.7 million.

Oriola's net financial expenses were EUR 1.4 (1.0) million. The figure in 2019 includes interest expenses totalling EUR 0.5 million on leasing liabilities recognised due to application of IFRS 16. Profit for the period was EUR 5.2 (5.4) million. Earnings per share were EUR 0.03 (0.03).

Consumer

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

| Key Figures | 2019 | 2019 | 2018 | 2018 | 2018 | 2018 | 2019 | 2018 | 2018 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| EUR million | 4-6 | 1-3 | 10-12 | 7-9 | 4-6 | 1-3 | 1-6 | 1-6 | 1-12 |
| Invoicing | 193.1 | 192.2 | 195.9 | 182.7 | 197.1 | 193.9 | 385.3 | 391.0 | 769.5 |
| Net Sales | 188.8 | 187.9 | 190.8 | 178.8 | 192.8 | 189.5 | 376.7 | 382.3 | 751.9 |
| Adjusted EBIT | 3.7 | 3.0 | 3.0 | 5.8 | 6.0 | 4.0 | 6.7 | 9.9 | 18.8 |
| EBIT | 3.7 | 3.0 | 3.0 | 4.9 | 6.0 | 3.8 | 6.7 | 9.8 | 17.7 |
| Adjusted EBIT % | 2.0 | 1.6 | 1.6 | 3.3 | 3.1 | 2.1 | 1.8 | 2.6 | 2.5 |
| EBIT % | 2.0 | 1.6 | 1.6 | 2.7 | 3.1 | 2.0 | 1.8 | 2.6 | 2.3 |
| Number of personnel at the end of period | 1,698 | 1,543 | 1,601 | 1,598 | 1,612 | 1,591 | 1,698 | 1,612 | 1,601 |

Market environment

The pharmacy market in Sweden grew by 4.4% (9.6%) in Swedish krona (source: Apoteksförening) and the number of pharmacies increased by 1 pharmacy in January–June 2019.

Oriola's market share in the pharmacy market in Sweden in January–June 2019 was 16.8% (17.1%) (source: Apoteksförening). The relative share of OTC and traded goods from the net sales was 25.2% (25.8%). At the end of the reporting period, Oriola had 327 (325) pharmacies in Sweden. Oriola established 4 new pharmacies and closed 4 pharmacies during the reporting period.

Online sales in the Swedish pharmacy market continued to grow fast and reached approximately 10% (8%) of the pharmacy market by the end of June 2019.

January–June 2019

The net sales decreased by 1.5% (decreased 1.0%) to EUR 376.7 (382.3) million. On a constant currency basis net sales increased by 2.1%, driven by the high priced RX pharmaceuticals sales and online sales. Oriola's online sales continued to develop well, and grew faster than the market. The online sales accounts for 3.6% (2.6%) of Oriola's Consumer sales in Sweden.

Adjusted EBIT decreased by 32.3% (decreased 24.8%) to EUR 6.7 (9.9) million. Increasing share of sales of RX pharmaceuticals, further tightened competition in traded goods especially from online, lower level of parallel import and investments to online impacted the profitability. There were no adjusting items during the reporting period (EUR -0.2 million in the corresponding period last year), and EBIT was EUR 6.7 (9.8) million.

April–June 2019

The net sales decreased by 2.1% (decreased 0.7%) to EUR 188.8 (192.8) million. On a constant currency basis net sales increased by 0.6%, driven by high priced pharmaceuticals and online sales growth.

Adjusted EBIT decreased by 37.3% (decreased 25.2%) to EUR 3.7 (6.0) million. Tightened competition in traded goods especially from online, weaker seasonal product sales and increased costs impacted the profitability negatively. There were no adjusting items during the reporting period, and EBIT was EUR 3.7 (6.0) million.

Pharma

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

| Key Figures | 2019 | 2019 | 2018 | 2018 | 2018 | 2018 | 2019 | 2018 | 2018 |
|--|-------|-------|-------|-------|-------|-------|---------|---------|---------|
| EUR million | 4-6 | 1-3 | 10-12 | 7-9 | 4-6 | 1-3 | 1-6 | 1-6 | 1-12 |
| Invoicing | 734.3 | 692.3 | 724.4 | 650.4 | 683.3 | 639.0 | 1,426.6 | 1,322.3 | 2,697.1 |
| Net Sales | 244.9 | 199.6 | 195.4 | 180.4 | 190.7 | 183.5 | 444.5 | 374.1 | 749.9 |
| Adjusted EBIT | 4.7 | 3.5 | 4.1 | 10.5 | 3.5 | 3.1 | 8.2 | 6.6 | 21.1 |
| EBIT | 4.7 | 3.5 | 4.1 | 10.5 | 3.5 | 3.1 | 8.2 | 6.6 | 21.1 |
| Adjusted EBIT % | 1.9 | 1.8 | 2.1 | 5.8 | 1.8 | 1.7 | 1.9 | 1.8 | 2.8 |
| EBIT % | 1.9 | 1.8 | 2.1 | 5.8 | 1.8 | 1.7 | 1.9 | 1.8 | 2.8 |
| Number of personnel at the end of period | 501 | 490 | 507 | 506 | 497 | 493 | 501 | 497 | 507 |

Market environment

The pharmaceutical market at wholesale prices in Sweden grew by 10.6% (3.3%) in Swedish krona in January–June 2019 (source: IQVIA). According to Oriola's estimate Oriola's share of the Swedish pharmaceutical wholesale market was approximately 42% (41%).

The Finnish pharmaceutical market at wholesale prices grew by 4.6% (9.1%) in January–June 2019 (source: LTK). According to Oriola's estimate Oriola's share of the Finnish pharmaceutical wholesale market was approximately 46% (43%).

January–June 2019

Invoicing increased from the previous year by 7.9% (increased 8.4%) to EUR 1,426.6 (1,322.3) million. On a constant currency basis invoicing increased by 10.3%. Net sales increased by 18.8% (increased 8.9%) to EUR 444.5 (374.1) million, and on a constant currency basis, net sales increased by 21.4%. This was driven by continued growth in pharmaceutical markets, especially in the high-priced pharmaceuticals, but also by changes in distribution agreements for pharmaceuticals.

Adjusted EBIT increased by 25.3% (decreased 44.4%) to EUR 8.2 (6.6) million. This was driven by the increased efficiency and lower costs in Finland. At the same time inefficiencies, and ramp-up costs kept the cost level up in Sweden.

April–June 2019

Invoicing increased from the previous year by 7.5% (increased 8.3%) to EUR 734.3 (683.3) million. On a constant currency basis invoicing increased by 9.3%. Net sales increased by 28.4% (increased 6.1%) to EUR 244.9 (190.7) million. On a constant currency basis, net sales increased by 30.9%, driven by pharmaceutical market growth and changes in distribution agreements for pharmaceuticals.

Adjusted EBIT increased by 35.3% (decreased 41.9%) to EUR 4.7 (3.5) million. This was driven by the operational efficiency in Finland. At the same time the slower than expected ramp-up of the distribution centre kept the operational costs high in Sweden.

Retail

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

| Key Figures | 2019 | 2019 | 2018 | 2018 | 2018 | 2018 | 2019 | 2018 | 2018 |
|--|-------|-------|-------|------|-------|-------|-------|-------|-------|
| EUR million | 4-6 | 1-3 | 10-12 | 7-9 | 4-6 | 1-3 | 1-6 | 1-6 | 1-12 |
| Invoicing | 116.5 | 111.9 | 107.4 | 99.6 | 110.7 | 113.5 | 228.4 | 224.2 | 431.2 |
| Net Sales | 116.3 | 111.6 | 107.1 | 99.2 | 110.3 | 113.2 | 227.8 | 223.5 | 429.8 |
| Adjusted EBIT | 0.2 | -0.6 | 0.0 | 3.2 | 0.8 | 1.9 | -0.4 | 2.6 | 5.9 |
| EBIT | 0.2 | -0.6 | -4.6 | 3.2 | 0.8 | 1.9 | -0.4 | 2.6 | 1.3 |
| Adjusted EBIT % | 0.2 | -0.5 | 0.0 | 3.3 | 0.7 | 1.7 | -0.2 | 1.2 | 1.4 |
| EBIT % | 0.2 | -0.5 | -4.3 | 3.3 | 0.7 | 1.7 | -0.2 | 1.2 | 0.3 |
| Number of personnel at the end of period | 576 | 528 | 530 | 517 | 584 | 544 | 576 | 584 | 530 |

Market environment

In retail business, Oriola offers a wide range of healthcare products both in traded goods and in OTC pharmaceuticals. Traded goods are sold through pharmacies and grocery stores. In Sweden, the traded goods and OTC pharmaceuticals market grew 6.7% during the first half of 2019.

In dose-dispensing business, Oriola offers pharmaceuticals and dose-dispensing for private and public healthcare sectors. The total market size for dose dispensing is approximately 219,000 patients in Sweden and 53,000 patients in Finland. Oriola is the market leader in Sweden serving over 93,000 patients. In Finland, Oriola serves approximately 22,000 patients.

In staffing business in Finland approximately 225 pharmacies out of 815 pharmacies are using Oriola's services at the end of reporting period.

January–June 2019

Net sales increased by 1.9% (increased 12.9%) to EUR 227.8 (223.5) million. On a constant currency basis net sales increased by 5.1%,

mainly driven by increased number of dose-dispensing patients in Sweden.

Adjusted EBIT was EUR -0.4 (2.6) million.

Profitability was impacted by the high logistics costs in Sweden, renewal of product portfolio and tightened price competition in the dose dispensing in Finland.

April–June 2019

Net sales increased by 5.4% (increased 8.5%) to EUR 116.3 (110.3) million. On a constant currency basis net sales increased by 7.9%. This was mainly driven by increased number of dose-dispensing patients in Sweden.

Adjusted EBIT was EUR 0.2 (0.8) million. High logistics costs in Sweden burdened the profitability.

Balance sheet, cash flow and financing

Oriola's total assets at the end of June 2019 were EUR 1,060.8 (918.8) million. At the date of initial application of IFRS 16 on 1 January 2019 the Group recognised right-of-use assets totalling EUR 96.4 million. Equity attributable to the equity holders was EUR 158.9 (174.2) million. The dividend of EUR 16.3 million for 2018 was recognised in equity in March 2019 and distributed to the shareholders in April 2019. The impact of translation differences in equity was EUR -7.0 million during the reporting period. The impact of adoption of IFRS 16 in the retained earnings was EUR -6.3 million. Cash and cash equivalents totalled EUR 58.5 (20.8) million. Net cash flow from operating activities in January–June 2019 was EUR 44.2 (51.1) million, of which changes in working capital accounted for EUR 18.5 (31.6) million. Net cash flow from investing activities was EUR -11.9 (-26.1) million. Net cash flow from financing activities was EUR -39.6 (-21.1) million.

At the end of June 2019, interest-bearing debt was EUR 208.6 (120.3) million, of which EUR 94.0 million consisted of leasing liabilities recognised due to application of IFRS 16. The non-current interest-bearing liabilities amounted to EUR 133.1 (58.8) million and current interest-bearing liabilities amounted to EUR 75.5 (61.5) million. Non-current liabilities mainly consist of loans from financial institutions totalling EUR 57.5 (58.3) million and non-current leasing liabilities totalling EUR 75.6 (0.5) million. Current liabilities mainly consist of commercial paper issues of EUR 35.0 (46.0) million, advance payments from Finnish pharmacies totalling EUR 20.9 (14.5) million and current leasing liabilities totalling EUR 19.1 (0.7). Interest-bearing net debt was EUR 150.1 (99.5) million, and gearing 94.4% (57.1%).

The non-recourse trade receivables sales programmes were continued in Sweden. At the end of June 2019, a total of EUR 154.9 (115.1) million in trade receivables had been sold. Including the sold trade receivables, the adjusted gearing was 191.9% (123.2%). The figure in 2019 was impacted by the increase of interest-bearing liabilities by EUR 94.0 million due to the application of IFRS 16. The average interest rate on the interest bearing liabilities excluding leasing liabilities recognised due to the application of IFRS 16 was 0.94% (0.95%).

During the second quarter of 2019 Oriola Corporation rearranged and paid off the SEK 290 million term loan, which was due in 2020. In the same context, the company raised a new five-year bilateral term loan with same value. The committed long-term revolving credit facility of EUR 100.0 million and EUR 14.7 million of short-term credit limit were unused at the end of June 2019.

At the end of the reporting period Oriola's equity ratio was 15.3% (19.3%). Return on capital employed was 6.2% (8.9%), and return on equity 8.7% (9.9%).

Investments and depreciation

Gross investments in January–June 2019 totalled EUR 11.8 (26.2) million and consisted mainly of investments in logistics, information systems, and opening of new pharmacies.

Depreciation, amortisation and impairment amounted to EUR 20.8 (12.0) million. The figure in 2019 includes depreciation charges totalling EUR 9.1 million on right-of-use assets recognised due to application of IFRS 16.

The capital expenditure in 2019 excluding acquisitions is estimated to be approximately EUR 30 million.

Personnel

At the end of June 2019, Oriola had 2,845 (2,758) employees, 60% (58%) of whom worked in Consumer, 18% (18%) in Pharma, and 20% (21%) in Retail. The group administration employed 2% (2%) of the total number of employees. The average number of personnel in January–June 2019 was 2,748 (2,675). Personnel numbers consist of members of staff in active employment calculated as full time equivalents.

Corporate Governance

Annual General Meeting

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

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

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

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

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

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

The constitutive meeting of the Board of Directors

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

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

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

The Corporate Governance Statement and the Remuneration Statement

The Corporate Governance Statement and the Remuneration Statement for 2018 have been prepared as part of the Report of the Board of Directors, in accordance with the Finnish Corporate Governance Code 2015. The statements can be viewed on the company's website at: <http://www.oriola.com/CorporateGovernance>.

Authorisations

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

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

The Annual General Meeting authorised the Board to decide on a share issue of class B shares without payment to the Company and on a directed share issue of class B shares in order to execute the share-based incentive plan for Oriola Group's executives and the share savings plan for Oriola Group's key personnel. The maximum number of new class B shares to be issued under this authorisation is 250,000, which represents of 0.94 % 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 2019 are available on the company's website www.oriola.com.

Changes in the Group Management Team

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

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

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

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

Oriola Corporation shares

| Trading of shares | Jan-Jun 2019 | | Jan-Jun 2018 | |
|---------------------------------------|--------------|---------|--------------|---------|
| | class A | class B | class A | class B |
| Trading volume, million | 1.8 | 14.9 | 1.7 | 25.9 |
| Trading volume, EUR million | 3.8 | 32.2 | 5.0 | 72.1 |
| Highest price, EUR | 2.56 | 2.53 | 3.38 | 3.17 |
| Lowest price, EUR | 1.86 | 1.86 | 2.57 | 2.40 |
| Closing quotation, end of period, EUR | 2.02 | 2.01 | 3.00 | 3.06 |

Oriola Corporation's market capitalisation on 30 June 2019 was EUR 364.7 (551.4) million.

In the review period, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 9.2% (15.2%) of the total number of shares.

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

Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A-shares into class B shares. During the period 1 January–30 June 2019, no class A shares were converted into class B shares (-).

Flagging announcements

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

Risks and uncertainty factors

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

Oriola operates in regulated pharmaceutical distribution and retail markets. 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 the retail trade and services, and sustainability.

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.

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

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

Near-term risks and uncertainty factors

Oriola's strategic development projects involve operational risks which may have an effect on the profitability. The expansion and automation of the distribution centre in Sweden started ramp-up during the first quarter of 2019. A thorough risk management and phased ramp-up plan has been prepared 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 material impact on the financial position of the Group.

Business outlook for 2019

The adjusted EBIT on a constant currency basis is estimated to decrease 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

There were no reportable events after the reporting period.

Next financial report

Oriola Corporation will publish its interim report for January-September 2019 on 25 October 2019.

Espoo, 16 July 2019

Oriola Corporation
Board of Directors

Consolidated statement of comprehensive income (IFRS)

| EUR million | 2019 4-6 | 2018 4-6 | 2019 1-6 | 2018 1-6 | 2018 1-12 |
|--|-------------|-------------|-------------|--------------|--------------|
| Net sales | 448.5 | 399.4 | 845.6 | 787.5 | 1,552.2 |
| Other operating income | 3.0 | 3.4 | 5.8 | 6.2 | 20.4 |
| Materials and supplies | -357.6 | -309.2 | -666.5 | -609.3 | -1,203.5 |
| Employee benefit expenses | -44.7 | -42.7 | -88.0 | -85.5 | -165.8 |
| Other operating expenses | -31.0 | -36.0 | -64.3 | -70.8 | -147.5 |
| Depreciation, amortisation and impairments | -10.3 | -5.7 | -20.8 | -12.0 | -24.1 |
| Share of results in joint venture | - | -1.3 | - | -2.6 | -4.6 |
| Impairment on investments in joint ventures | - | - | - | - | -5.1 |
| EBIT | 7.9 | 7.9 | 11.8 | 13.5 | 22.0 |
| Financial income and expenses | -1.4 | -1.0 | -2.8 | -1.7 | -3.0 |
| Profit before taxes | 6.6 | 6.9 | 9.0 | 11.9 | 19.0 |
| Income taxes | -1.4 | -1.5 | -1.9 | -2.9 | -6.3 |
| Profit for the period | 5.2 | 5.4 | 7.1 | 9.0 | 12.7 |
| Other comprehensive income | | | | | |
| Items which may be reclassified subsequently to profit or loss: | | | | | |
| Translation differences recognised in comprehensive income during the reporting period | -3.7 | -3.8 | -7.0 | -13.9 | -9.3 |
| Cash flow hedge | -0.1 | -0.1 | -0.1 | -0.1 | 0.1 |
| Income tax relating to other comprehensive income | 0.0 | 0.0 | 0.0 | 0.0 | -0.0 |
| | -3.8 | -3.8 | -7.1 | -14.0 | -9.3 |
| Items which will not be reclassified to profit or loss: | | | | | |
| Actuarial gains/losses on defined benefit plans | - | - | - | - | -1.6 |
| Income tax relating to other comprehensive income | - | - | - | - | 0.3 |
| | - | - | - | - | -1.3 |
| Total comprehensive income for the period | 1.4 | 1.6 | 0.0 | -5.0 | 2.1 |
| Profit attributable to | | | | | |
| Parent company shareholders | 5.2 | 5.4 | 7.1 | 9.0 | 12.7 |
| Total comprehensive income attributable to | | | | | |
| Parent company shareholders | 1.4 | 1.6 | 0.0 | -5.0 | 2.1 |
| Earnings per share attributable to parent company shareholders, EUR: | | | | | |
| Basic | 0.03 | 0.03 | 0.04 | 0.05 | 0.07 |
| Diluted | 0.03 | 0.03 | 0.04 | 0.05 | 0.07 |

Consolidated statement of financial position (IFRS)

| EUR million | 30 Jun 2019 | 30 Jun 2018 | 31 Dec 2018 |
|---------------------------------|----------------|----------------|----------------|
| Non-current assets | | | |
| Property, plant and equipment | 169.2 | 77.1 | 77.2 |
| Goodwill | 268.4 | 270.4 | 274.3 |
| Other intangible assets | 70.9 | 76.0 | 75.1 |
| Investments in joint ventures | - | 3.4 | - |
| Other non-current assets | 9.7 | 9.7 | 9.7 |
| Deferred tax assets | 4.1 | 2.9 | 2.7 |
| Non-current assets total | 522.3 | 439.6 | 439.0 |
| Current assets | | | |
| Inventories | 243.7 | 209.6 | 214.1 |
| Trade receivables | 206.7 | 212.3 | 180.2 |
| Income tax receivables | 10.4 | 9.1 | 6.6 |
| Other receivables | 19.2 | 27.4 | 22.0 |
| Cash and cash equivalents | 58.5 | 20.8 | 65.8 |
| Current assets total | 538.5 | 479.2 | 488.7 |
| Assets total | 1,060.8 | 918.8 | 927.7 |

| EUR million | 30 Jun 2019 | 30 Jun 2018 | 31 Dec 2018 |
|---|----------------|----------------|----------------|
| Equity | | | |
| Share capital | 36.2 | 36.2 | 36.2 |
| Hedging reserve | -0.3 | -0.4 | -0.3 |
| Contingency fund | 19.4 | 19.4 | 19.4 |
| Invested unrestricted equity reserve | 74.8 | 74.8 | 74.8 |
| Other reserves | 0.1 | 0.1 | 0.1 |
| Translation differences | -35.5 | -33.2 | -28.6 |
| Retained earnings | 64.3 | 77.3 | 79.8 |
| Equity attributable to the parent company shareholders | 158.9 | 174.2 | 181.5 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 14.7 | 13.7 | 15.6 |
| Pension obligations | 13.6 | 11.8 | 13.9 |
| Interest-bearing liabilities | 133.1 | 58.8 | 59.1 |
| Other non-current liabilities | 1.1 | 3.7 | 0.9 |
| Non-current liabilities total | 162.5 | 87.9 | 89.5 |
| Current liabilities | | | |
| Trade payables | 577.5 | 541.2 | 536.5 |
| Provisions | 1.4 | 0.3 | 3.3 |
| Interest-bearing liabilities | 75.5 | 61.5 | 70.3 |
| Income tax payables | 2.3 | 0.8 | 0.7 |
| Other current liabilities | 82.6 | 52.8 | 45.9 |
| Current liabilities total | 739.3 | 656.7 | 656.7 |
| Equity and liabilities total | 1,060.8 | 918.8 | 927.7 |

Consolidated statement of changes in equity (IFRS)

| EUR million | Share capital | Funds | Translation differences | Retained earnings | Equity total |
|---|---------------|-------------|-------------------------|-------------------|--------------|
| Equity 1 Jan 2018 | 36.2 | 94.0 | -19.2 | 86.8 | 197.7 |
| Adjustment of adoption of IFRS 15 ¹ | - | - | - | -2.2 | -2.2 |
| Adjustment of adoption of IFRS 9 ¹ | - | - | - | -0.1 | -0.1 |
| Adjustment of adoption of IFRS 2 amendment | - | - | - | 0.4 | 0.4 |
| Restated equity 1 Jan 2018 | 36.2 | 94.0 | -19.2 | 85.0 | 195.9 |
| Comprehensive income for the period | | | | | |
| Net profit for the period | - | - | - | 9.0 | 9.0 |
| Other comprehensive income: | | | | | |
| Cash flow hedge | - | -0.1 | - | - | -0.1 |
| Income tax relating to other comprehensive income | - | 0.0 | - | - | 0.0 |
| Translation difference | - | - | -13.9 | - | -13.9 |
| Comprehensive income for the period total | - | -0.1 | -13.9 | 9.0 | -5.0 |
| Transactions with owners | | | | | |
| Dividend distribution | - | - | - | -16.3 | -16.3 |
| Share-based incentive | - | - | - | -0.2 | -0.2 |
| Purchase of own shares | - | - | - | -0.1 | -0.1 |
| Transactions with owners total | - | - | - | -16.6 | -16.6 |
| Equity 30 Jun 2018 | 36.2 | 93.9 | -33.2 | 77.3 | 174.2 |
| Equity 1 Jan 2019 | 36.2 | 94.0 | -28.6 | 79.8 | 181.5 |
| Adjustment of adoption of IFRS 16 ¹ | - | - | - | -6.3 | -6.3 |
| Restated equity 1 Jan 2019 | 36.2 | 94.0 | -28.6 | 73.5 | 175.2 |
| Comprehensive income for the period | | | | | |
| Net profit for the period | - | - | - | 7.1 | 7.1 |
| Other comprehensive income: | | | | | |
| Cash flow hedge | - | -0.1 | - | - | -0.1 |
| Income tax relating to other comprehensive income | - | 0.0 | - | - | 0.0 |
| Translation difference | - | - | -7.0 | - | -7.0 |
| Comprehensive income for the period total | - | -0.1 | -7.0 | 7.1 | 0.0 |
| Transactions with owners | | | | | |
| Dividend distribution | - | - | - | -16.3 | -16.3 |
| Share-based incentive | - | - | - | 0.1 | 0.1 |
| Purchase of own shares | - | - | - | -0.1 | -0.1 |
| Transactions with owners total | - | - | - | -16.3 | -16.3 |
| Equity 30 Jun 2019 | 36.2 | 93.9 | -35.5 | 64.3 | 158.9 |

¹ Net of tax

Condensed Consolidated Statement of Cash Flows (IFRS)

| EUR million | 2019 1-6 | 2018 1-6 | 2018 1-12 |
|---|-------------|-------------|--------------|
| EBIT | 11.8 | 13.5 | 22.0 |
| Depreciation and amortisation | 20.8 | 12.0 | 24.1 |
| Share of result in joint venture | - | 2.6 | 4.6 |
| Impairment on investment in joint venture | - | - | 5.1 |
| Change in working capital | 18.5 | 31.6 | 57.2 |
| Cash flow from financial items and taxes | -5.8 | -7.8 | -13.3 |
| Other adjustments | -1.2 | -0.8 | 3.1 |
| Net cash flow from operating activities | 44.2 | 51.1 | 102.8 |
| Net cash flow from investing activities | -11.9 | -26.1 | -41.5 |
| Net cash flow from financing activities | -39.6 | -21.1 | -12.3 |
| Net change in cash and cash equivalents | -7.3 | 4.0 | 48.9 |
| Cash and cash equivalents at the beginning of the period | 65.8 | 17.0 | 17.0 |
| Translation differences | -0.1 | -0.2 | -0.1 |
| Net change in cash and cash equivalents | -7.3 | 4.0 | 48.9 |
| Cash and cash equivalents at the end of the period | 58.5 | 20.8 | 65.8 |

Notes to the Half Year Financial Report January–June 2019

Principal accounting policies as of 1 January 2019 (IFRS)

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

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

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

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

The Group recognised 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 elected to apply the recognition exemption for low-value asset to the leases of IT equipment and other machinery and equipment and the recognition exemption for short-term leases to the real estate leases and leases of vehicles.

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

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

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

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

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

During the reporting period January–June 2019 the Group recognised depreciation expense on right-of-use assets from former operating lease contracts totalling EUR 9.1 million and interest expenses totalling EUR 1.0 million. The rent expenses reversed from other operating expenses relating to these contracts totalled EUR 10.3 million.

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

Earnings per share

| EUR million | 2019 4-6 | 2018 4-6 | 2019 1-6 | 2018 1-6 | 2018 1-12 |
|--|-------------|-------------|-------------|-------------|--------------|
| Profit attributable to equity owners of the parent | 5.2 | 5.4 | 7.1 | 9.0 | 12.7 |

Average number of outstanding shares (1000 shares)

| | | | | | |
|---------|---------|---------|---------|---------|---------|
| Basic | 181,382 | 181,382 | 181,388 | 181,338 | 181,361 |
| Diluted | 181,486 | 181,486 | 181,486 | 181,442 | 181,464 |

Earnings per share (EUR)

| | | | | | |
|---------|------|------|------|------|------|
| Basic | 0.03 | 0.03 | 0.04 | 0.05 | 0.07 |
| Diluted | 0.03 | 0.03 | 0.04 | 0.05 | 0.07 |

Tangible and intangible assets

| Changes in property, plant and equipment, EUR million | 2019 1-6 | 2018 1-6 | 2018 1-12 |
|--|-------------|-------------|--------------|
| Carrying amount at the beginning of the period | 77.2 | 79.0 | 79.0 |
| Increases | 7.6 | 8.2 | 13.6 |
| Decreases | -0.0 | -0.2 | -0.4 |
| Reclassifications | -1.0 | - | - |
| Depreciation | -5.6 | -6.7 | -12.7 |
| Foreign exchange rate differences | -1.7 | -3.3 | -2.4 |
| Carrying amount at the end of the period | 76.5 | 77.1 | 77.2 |

| Changes in right-of-use assets EUR million | 2019 1-6 |
|---|-------------|
| Carrying amount 1 January 2019 | 97.3 |
| Increases | 7.8 |
| Decreases | -0.3 |
| Depreciation | -9.4 |
| Foreign exchange rate differences | -2.7 |
| Carrying amount at the end of the period | 92.7 |

| Changes in goodwill, EUR million | 2019 1-6 | 2018 1-6 | 2018 1-12 |
|---|--------------|--------------|--------------|
| Carrying amount at the beginning of the period | 274.3 | 282.7 | 282.7 |
| Foreign exchange rate differences | -5.9 | -12.3 | -8.5 |
| Carrying amount at the end of the period | 268.4 | 270.4 | 274.3 |

| Changes in other intangible assets, EUR million | 2019 1-6 | 2018 1-6 | 2018 1-12 |
|--|-------------|-------------|--------------|
| Carrying amount at the beginning of the period | 75.1 | 81.2 | 81.2 |
| Increases | 3.0 | 3.0 | 7.4 |
| Decreases | -0.1 | -0.0 | -0.0 |
| Amortisation | -5.8 | -5.3 | -11.4 |
| Foreign exchange rate differences | -1.3 | -2.9 | -2.1 |
| Carrying amount at the end of the period | 70.9 | 76.0 | 75.1 |

Derivatives

| 30 Jun 2019 EUR million | Positive fair value | Negative fair value | Nominal values of contracts |
|---|------------------------|------------------------|-----------------------------------|
| Derivatives recognised as cash flow hedges | | | |
| Interest rate swaps | - | 0.6 | 49.4 |
| Derivatives measured at fair value through profit and loss | | | |
| Foreign currency forward and swap contracts | 0.0 | 0.1 | 78.3 |

| 30 Jun 2018 EUR million | Positive fair value | Negative fair value | Nominal values of contracts |
|---|------------------------|------------------------|-----------------------------------|
| Derivatives recognised as cash flow hedges | | | |
| Interest rate swaps | - | 0.7 | 50.0 |
| Derivatives measured at fair value through profit and loss | | | |
| Foreign currency forward and swap contracts | 0.0 | 0.1 | 45.0 |

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

Fair value hierarchy

| 30 Jun 2019 | | | | |
|--|---------|---------|---------|------------|
| EUR million | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Derivatives measured at fair value through profit and loss | - | 0.0 | - | 0.0 |
| Other investments measured at fair value through OCI | - | - | 9.4 | 9.4 |
| Liabilities | | | | |
| Derivatives designated as hedges | - | 0.4 | - | 0.4 |
| Derivatives measured at fair value through profit and loss | - | 0.3 | - | 0.3 |

| 30 Jun 2018 | | | | |
|--|---------|---------|---------|------------|
| EUR million | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Derivatives measured at fair value through profit and loss | - | 0.7 | - | 0.7 |
| Other investments measured at fair value through OCI | - | - | 9.4 | 9.4 |
| Liabilities | | | | |
| Derivatives designated as hedges | - | 0.5 | - | 0.5 |
| Derivatives measured at fair value through profit and loss | - | 0.2 | - | 0.2 |
| Contingent consideration | - | - | 2.5 | 2.5 |

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

| | 2019 | 2018 | 2018 |
|--|------------|------------|-------------|
| Financial assets on level 3, EUR million | 1-6 | 1-6 | 1-12 |
| Book value at the beginning of the period | 9.4 | - | - |
| Acquisition of shares | - | 9.4 | 9.4 |
| Book value at the end of the period | 9.4 | 9.4 | 9.4 |

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

| | 2019 | 2018 | 2018 |
|--|------------|------------|-------------|
| Financial liabilities on level 3, EUR million | 1-6 | 1-6 | 1-12 |
| Book value at the beginning of the period | - | 2.5 | 2.5 |
| Recognised in financial expenses | - | 0.0 | 0.0 |
| Recognised in other operating expenses | - | - | 0.0 |
| Payment of contingent consideration | - | - | -2.5 |
| Book value at the end of the period | - | 2.5 | - |

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

Commitments and Contingent Liabilities

| EUR million | 30 Jun 2019 | 30 Jun 2018 | 31 Dec 2018 |
|---|----------------|----------------|----------------|
| Commitments for own liabilities | | | |
| Guarantees on behalf of own companies | 7.0 | 7.1 | 7.3 |
| Mortgages on company assets | 3.4 | 3.5 | 3.5 |
| Other guarantees and liabilities | 1.2 | 1.1 | 1.1 |
| Total | 11.6 | 11.7 | 11.9 |
| Committed future minimum lease liabilities ¹ | 0.7 | 52.9 | 51.5 |

The most significant guarantees are bank guarantees against trade payables in Sweden. In addition, Oriola Corporation has granted parent company guarantees of EUR 0.3 (1.2) million against other subsidiaries' trade payables.

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

Related parties

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

Oriola Corporation and Kesko Group established in June 2017 a new joint venture, Hehku Kauppa Oy. Oriola reported 50% of the result of the joint venture Hehku Kauppa Oy in the Consumer segment EBIT. Hehku did not reach its business and financial targets, and in December 2018 it was decided to close down the business. Transactions with the joint venture are presented in the table below. The Group has no significant business transactions with other related parties.

| Transactions with joint venture | 2019 | 2018 | 2019 | 2018 | 2018 |
|---------------------------------|------|------|------|------|------|
| EUR million | 4-6 | 4-6 | 1-6 | 1-6 | 1-12 |
| Sales | -0.0 | 2.7 | 0.2 | 7.3 | 8.8 |
| Purchases | - | -0.2 | - | -0.3 | -0.3 |
| Trade and other receivables | | | 0.0 | 2.4 | 0.6 |

Segment information

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

| 1-6/2019 | Group | | | | |
|--|--------------|----------------|--------------|---------------|----------------|
| EUR million | Consumer | Pharma | Retail | items | Total |
| External Invoicing | 385.3 | 1,313.2 | 138.4 | - | 1,836.9 |
| Internal Invoicing | 0.1 | 113.4 | 90.0 | -203.4 | - |
| Invoicing | 385.3 | 1,426.6 | 228.4 | -203.4 | 1,836.9 |
| External Net Sales | 376.6 | 331.1 | 137.9 | - | 845.6 |
| Internal Net Sales | 0.1 | 113.4 | 90.0 | -203.4 | - |
| Net Sales | 376.7 | 444.5 | 227.8 | -203.4 | 845.6 |
| EBIT | 6.7 | 8.2 | -0.4 | -2.8 | 11.8 |
| Adjusted EBIT | 6.7 | 8.2 | -0.4 | -4.2 | 10.4 |
| Assets ¹ | 443.0 | 349.8 | 164.5 | 103.5 | 1,060.8 |
| Liabilities ² | 128.2 | 591.7 | 61.0 | 121.0 | 901.9 |
| Investments | 4.7 | 3.1 | 3.7 | 0.3 | 11.8 |
| Depreciation, amortisation and impairments | 14.2 | 3.9 | 2.6 | 0.1 | 20.8 |
| Average number of personnel | 1,632 | 496 | 549 | 72 | 2,748 |

| 1-6/2018 | Group | | | | |
|--|--------------|----------------|--------------|---------------|----------------|
| EUR million | Consumer | Pharma | Retail | items | Total |
| External Invoicing | 391.0 | 1,226.3 | 127.7 | - | 1,745.0 |
| Internal Invoicing | 0.0 | 96.0 | 96.4 | -192.5 | - |
| Invoicing | 391.0 | 1,322.3 | 224.2 | -192.5 | 1,745.0 |
| External Net Sales | 382.3 | 278.2 | 127.1 | - | 787.5 |
| Internal Net Sales | 0.0 | 96.0 | 96.4 | -192.5 | - |
| Net Sales | 382.3 | 374.1 | 223.5 | -192.5 | 787.5 |
| EBIT | 9.8 | 6.6 | 2.6 | -5.5 | 13.5 |
| Adjusted EBIT | 9.9 | 6.6 | 2.6 | -5.0 | 14.2 |
| Assets | 397.5 | 323.0 | 123.6 | 74.7 | 918.8 |
| Liabilities | 63.2 | 499.1 | 56.3 | 126.0 | 744.6 |
| Investments | 3.1 | 5.6 | 0.6 | 16.8 | 26.2 |
| Depreciation, amortisation and impairments | 7.8 | 2.1 | 1.9 | 0.2 | 12.0 |
| Average number of personnel | 1,571 | 499 | 548 | 57 | 2,675 |

¹ Assets in 2019 include right-of-use assets totalling EUR 92.0 million recognised due to the application of IFRS 16, of which EUR 73.7 million are reported in Consumer, EUR 14.3 million in Pharma and EUR 3.9 million in Retail.

² Liabilities in 2019 include leasing liabilities totalling EUR 94.0 million recognised due to the application of IFRS 16, of which EUR 75.1 million are reported in Consumer, EUR 15.1 million in Pharma and EUR 3.8 million in Retail.

Geographical information

| 1-6/2019 | Other | | | |
|-----------------------------|--------|---------|-----------|----------------|
| EUR million | Sweden | Finland | countries | Total |
| Net Sales | 603.6 | 196.2 | 45.8 | 845.6 |
| Assets | 768.3 | 292.5 | 0.0 | 1,060.8 |
| Investments | 10.2 | 1.6 | - | 11.8 |
| Average number of personnel | 2,054 | 693 | 2 | 2,748 |

| 1-6/2018 | Other | | | |
|-----------------------------|--------|---------|-----------|--------------|
| EUR million | Sweden | Finland | countries | Total |
| Net Sales | 545.4 | 197.2 | 45.0 | 787.5 |
| Assets | 665.9 | 252.9 | 0.0 | 918.8 |
| Investments | 7.7 | 18.5 | - | 26.2 |
| Average number of personnel | 1,959 | 714 | 2 | 2,675 |

Disaggregation of revenue

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

| 1-6/2019 | | | | |
|------------------------|--------------|--------------|--------------|--------------|
| EUR million | Consumer | Pharma | Retail | Total |
| Wholesale | - | 299.5 | 84.0 | 383.5 |
| Retail sale | 376.6 | - | - | 376.6 |
| Services | - | 31.6 | 53.9 | 85.5 |
| Net sales total | 376.6 | 331.1 | 137.9 | 845.6 |

| 1-6/2018 | | | | |
|------------------------|--------------|--------------|--------------|--------------|
| EUR million | Consumer | Pharma | Retail | Total |
| Wholesale | - | 250.8 | 89.5 | 340.3 |
| Retail sale | 382.3 | - | - | 382.3 |
| Services | - | 27.3 | 37.5 | 64.9 |
| Net sales total | 382.3 | 278.2 | 127.1 | 787.5 |

Alternative performance measures

| Key figures | 2019 | 2018 | Change | 2019 | 2018 | Change | 2018 |
|---|-------|-------|--------|---------|---------|--------|---------|
| EUR million | 4-6 | 4-6 | % | 1-6 | 1-6 | % | 1-12 |
| Invoicing | 942.5 | 896.7 | 5.1 | 1,836.9 | 1,745.0 | 5.3 | 3,518.4 |
| Net sales | 448.5 | 399.4 | 12.3 | 845.6 | 787.5 | 7.4 | 1,552.2 |
| Adjusted EBIT ¹ | 6.4 | 7.9 | -18.8 | 10.4 | 14.2 | -26.9 | 36.9 |
| EBIT | 7.9 | 7.9 | -0.4 | 11.8 | 13.5 | -12.4 | 22.0 |
| Adjusted EBIT % | 1.4 | 2.0 | | 1.2 | 1.8 | | 2.4 |
| EBIT % | 1.8 | 2.0 | | 1.4 | 1.7 | | 1.4 |
| Profit for the period | 5.2 | 5.4 | -4.4 | 7.1 | 9.0 | -20.7 | 12.7 |
| Earnings per share, EUR | 0.03 | 0.03 | -4.4 | 0.04 | 0.05 | -20.8 | 0.07 |
| Net cash flow from operating activities | 69.6 | 18.4 | | 44.2 | 51.1 | | 102.8 |
| Gross capital expenditure | | | | 11.8 | 26.2 | | 39.6 |
| Net interest-bearing debt ² | | | | 150.1 | 99.5 | | 63.6 |
| Gearing, % ² | | | | 94.4 | 57.1 | | 35.1 |
| Equity per share, EUR | | | | 0.88 | 0.96 | | 1.00 |
| Equity ratio, % ³ | | | | 15.3 | 19.3 | | 19.8 |
| Return on equity (ROE), % ⁴ | | | | 8.7 | 9.9 | | 6.7 |
| Return on capital employed (ROCE), % ⁵ | | | | 6.2 | 8.9 | | 6.9 |
| Average number of shares, 1000 pcs ⁶ | | | | 181,388 | 181,338 | | 181,361 |
| Average number of personnel | | | | 2,748 | 2,675 | | 2,699 |
| Number of personnel at the end of the period | | | | 2,845 | 2,758 | | 2,706 |

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

² Gearing in 2019 is impacted by the increase of net debt by EUR 94.0 million and the decrease of retained earnings by EUR 5.9 million due to the application of IFRS 16. Excluding the impact of IFRS 16 gearing would have been 34.0%.

³ Equity ratio in 2019 is impacted by the decrease of retained earnings by EUR 5.9 million and increase of total assets by EUR 88.1 million due to the application of IFRS 16. Excluding the impact of IFRS 16 equity ratio would have been 17.3%.

⁴ Return on equity in 2019 is impacted by the decrease of retained earnings by EUR 5.9 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on equity would have been 8.2%.

⁵ Return on capital employed in 2019 is impacted by the increase of total assets by EUR 88.1 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on capital employed would have been 7.3%.

⁶ Treasury shares held by the company not included

Reconciliation of alternative performance measures to IFRS

| Invoicing | 2019 | 2018 | 2019 | 2018 | 2018 |
|---|--------------|--------------|----------------|----------------|----------------|
| EUR million | 4-6 | 4-6 | 1-6 | 1-6 | 1-12 |
| Net sales | 448.5 | 399.4 | 845.6 | 787.5 | 1,552.2 |
| + Acquisition cost of consignment stock | 489.6 | 492.9 | 982.4 | 948.5 | 1,948.0 |
| + Cash discounts | 4.4 | 4.5 | 8.9 | 9.0 | 18.2 |
| Invoicing | 942.5 | 896.7 | 1,836.9 | 1,745.0 | 3,518.4 |

Calculation of alternative performance measures

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

Adjusting items

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

| Adjusting items included in EBIT EUR million | 2019 4-6 | 2018 4-6 | 2019 1-6 | 2018 1-6 | 2018 1-12 |
|--|-------------|-------------|-------------|-------------|--------------|
| Restructuring costs | - | 0.0 | - | -0.7 | -0.8 |
| Costs and impairment charges relating to Hehku | 1.5 | - | 1.5 | - | -12.7 |
| Revaluation of contingent consideration | - | - | - | - | -0.1 |
| Legal fees related to the change of the provider for the new logistics and warehouse IT system | - | - | - | - | -0.3 |
| Other | - | - | - | - | -0.9 |
| Adjusting items total | 1.5 | 0.0 | 1.5 | -0.7 | -14.9 |

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