Oriola Corporation's Interim Report 1 January – 30 September 2018

Released on 1 November 2018 at 8.30 a.m.

Oriola Corporation stock exchange release 1 November 2018 at 8.30 a.m.

Oriola Corporation's Interim Report 1 January–30 September 2018

Financial performance July–September 2018, continuing operations

- Invoicing increased by 2.6% (increased 1.3%) to EUR 844.2 (823.1) million, on a constant currency basis invoicing increased by 8.9% and was EUR 896.0 million
- Net sales decreased by 2.0% (decreased 1.4%) to EUR 369.9 (377.6) million, on a constant currency basis net sales increased by 4.5% and were EUR 394.5 million
- Adjusted EBITDA was EUR 24.7 (16.7) million, at constant currencies the adjusted EBITDA was EUR 26.0 million
- Adjusted EBIT was EUR 17.5 (9.7) million, at constant currencies the adjusted EBIT was EUR 18.4 million
- Profit for the period totalled EUR 12.2 (8.0) million and earnings per share was EUR 0.07 (0.04)

Financial performance January–September 2018, continuing operations

- Invoicing increased by 5.0% (decreased 1.6%) to EUR 2,589.2 (2,464.8) million, on a constant currency basis invoicing increased by 10.0% and was EUR 2,711.0 million
- Net sales increased by 2.2% (decreased 3.8%) to EUR 1,157.5 (1,132.5) million, on a constant currency basis net sales increased by 7.4% and were EUR 1,215.9 million
- Adjusted EBITDA was EUR 53.5 (54.5) million, at constant currencies the adjusted EBITDA was EUR 56.3 million
- Adjusted EBIT was EUR 31.7 (33.7) million, at constant currencies the adjusted EBIT was EUR 33.6 million
- Profit for the period totalled EUR 21.1 (23.8) million and earnings per share was EUR 0.12 (0.13)

Business outlook for 2018

Oriola's guidance is unchanged: Adjusted EBIT of continuing operations on constant currency basis is estimated to increase from the 2017 level.

President and CEO Robert Andersson:

"In the third quarter, Oriola's net sales continued to grow, but profitability was impacted by performance challenges. Invoicing increased by 2.6% (8.9% on a constant currency basis) but net sales decreased by 2.0% (increased 4.5% on a constant currency basis). Adjusted EBIT was EUR 17.5 million. The amount includes a positive EUR 9 million settlement with the provider of the new logistics and warehouse IT system, announced in August.

Service Business Area invoicing increased by 4.1% in the third quarter, 10.1% on a constant currency basis, driven by pharmaceutical price and volume increase mainly in Sweden. Due to new logistics and warehouse IT system implementation in Finland and DC-project in Enköping, we experienced inefficiencies, and operations costs were high in both countries. We will continue to focus on improving logistics efficiency in both countries. The Enköping distribution center will open during the first quarter of 2019.

On a constant currency basis Consumer Business Area net sales grew 4.2% in the third quarter compared to corresponding period last year, despite of the strong competition in traded goods and OTC, and margin pressure in prescription medicines. Our online sales continued to grow (58%) stronger than the market. Comprehensive wellbeing chain Hehku opened one new store and now consists of 19 stores and an online shop in Finland.

In the third quarter Business Area Healthcare continued its good development. Net sales grew on a constant currency basis by 39.4% compared to corresponding period last year. Oriola dose dispensing services won a major new contract in Sweden in September. The contract covers Stockholm and Gotland area dose dispensing and will bring approximately 35,000 new patients from the beginning of February 2019. This will increase Oriola's total number of dose dispensing patients to more than 100,000, out of which more than 80,000 patients are in Sweden.

Oriola is in the middle of a transformation process. In September we announced our new organisation, which will be more customer focused and efficient. From 1 January 2019 our Business Areas will be Consumer, Pharma and Retail. As part of this change we are creating a new Group function called Operations, which covers logistics, dose manufacturing and indirect sourcing, and supports all Business Areas. I'm confident that with this change we can develop our business and become more customer oriented. This transformation supports a more holistic way to drive and develop our unique offering in the growing health and wellbeing market. By building a strong Oriola culture we ensure synergies, improve our operational excellence and cost efficiency throughout the whole organisation."

Key figures, continuing operations EUR million	2018 7-9	2017 7-9	Change %	2018 1-9	2017 1-9	Change %	2017 1-12
Invoicing	844.2	823.1	2.6	2,589.2	2,464.8	5.0	3,336.3
Net sales	369.9	377.6	-2.0	1,157.5	1,132.5	2.2	1,527.7
Adjusted EBITDA	24.7	16.7	48.2	53.5	54.5	-1.8	67.6
Adjusted EBITDA %	6.7	4.4		4.6	4.8		4.4
Adjusted EBIT [1)]	17.5	9.7	81.2	31.7	33.7	-6.1	39.9
EBIT	16.5	10.7	54.5	30.0	33.9	-11.5	37.8
Adjusted EBIT %	4.7	2.6		2.7	3.0		2.6
EBIT %	4.5	2.8		2.6	3.0		2.5
Profit for the period	12.2	8.0	52.3	21.1	23.8	-11.2	25.9
Earnings per share, EUR, continuing operations	0.07	0.04	52.3	0.12	0.13	-11.2	0.14
Earnings per share, EUR, discontinued operations	-	-0.00		-	0.00		0.00
Net cash flow from operating activities [2)]	3.3	-24.0		54.4	12.7		23.7
Gross capital expenditure				32.4	37.0		46.1
Total assets [2)]				929.1	950.8		922.4
Net interest-bearing debt [2)]				105.0	120.5		110.2
Gearing, % [2)]				55.3	59.8		55.7
Net debt / 12-month EBITDA [2)]				1.7	1.6		1.7
Equity per share, EUR [2)]				1.05	1.11		1.09
Equity ratio, % [2)]				20.8	22.0		21.8
Return on equity (ROE), % [2)]				14.8	16.3		13.0
Return on capital employed (ROCE), % [2)]				12.5	13.9		11.7
Average number of shares, 1000 pcs [3)]				181,353	181,357		181,328
Average number of personnel				2,697	2,727		2,686
Number of personnel at the end of the period				2,688	2,896		2,619

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

[2)] Includes discontinued operations

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

Disclosure procedure

This stock exchange release is a summary of Oriola Corporation's Interim Report January–September 2018. The complete report is attached to this release in pdf format and is also available on Oriola's website at www.oriola.com.

Analyst and investor meeting

Oriola Corporation will organise a meeting for investors, analysts and the press on Thursday, 1 November 2018 at 10.00 a.m. at Hotel Scandic Simonkenttä, meeting room Ateljee 3, Simonkatu 9, 00100 Helsinki, Finland.

Next financial report

Oriola Corporation will publish its financial statements release for January-December 2018 on 22 February 2019.

Further information:

Robert Andersson, President and CEO
tel. +358 10 429 2109, email: robert.andersson@oriola.com

Helena Kukkonen, CFO
tel. +358 10 429 2112, email: helena.kukkonen@oriola.com

Distribution:
Nasdaq Helsinki Ltd
Key media

Released by:
Oriola Corporation
Orionintie 5, 02200 Espoo
www.oriola.com

Oriola Corporation's Interim Report 1 January–30 September 2018

The commentary of this Interim Report comprises of the continuing operations of the Company unless otherwise stated. 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 business was completed on 18 October 2017. The consolidated statement of financial position for comparative periods includes the assets and liabilities of discontinued operations.

The Group's net sales and result for July–September 2018

Oriola's third quarter net sales decreased by 2.0% (decreased 1.4%) to EUR 369.9 (377.6) million and adjusted EBIT increased by 81.2% (decreased 41.5%) to EUR 17.5 (9.7) million. The adjusting items were EUR -1.0 (+1.0) million, and EBIT was EUR 16.5 (10.7) million.

The third quarter invoicing increased by 2.6% (increased 1.3%), on a constant currency basis invoicing increased by 8.9%. Invoicing increased mainly in the Services Business Area due to increased volumes in Sweden.

July–September net sales on a constant currency basis increased 4.5% to EUR 394.5 million. The depreciation of the Swedish krona from the corresponding period impacted the euro denominated adjusted EBIT by EUR -0.9 million. The adjusted EBIT at constant currencies was EUR 18.4 million.

On the 17 August 2018, Oriola announced that it and the provider for 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 will be paid to Oriola during the third and fourth quarters of 2018. Oriola recognised the amount in other operating income in the third quarter of 2018.

Oriola's net financial expenses were EUR 0.7 (0.6) million. Profit for the period was EUR 12.2 (8.0) million. Earnings per share were EUR 0.07 (0.04).

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

Oriola's net sales increased by 2.2% (decreased 3.8%) to EUR 1,157.5 (1,132.5) million and adjusted EBIT decreased by 6.1% (decreased 24.4%) to EUR 31.7 (33.7) million. The adjusting items were EUR -1.7 (+0.2) million, and EBIT was EUR 30.0 (33.9) million.

Invoicing increased by 5.0% (decreased 1.6%), on a constant currency basis invoicing increased by 10.0%. Invoicing increased mainly in the Services Business Area due to increased volumes in Sweden.

January–September net sales on a constant currency basis increased 7.4% to EUR 1,215.9 million. The depreciation of the Swedish krona from the corresponding period impacted the euro denominated adjusted EBIT by EUR -1.9 million. The adjusted EBIT at constant currencies was EUR 33.6 million.

Oriola's net financial expenses were EUR 2.4 (3.3) million. Profit for the period was EUR 21.1 (23.8) million. Income taxes for January–September were EUR 6.5 (6.8) million, which corresponds to effective tax rate of 23.5% (22.3%). Earnings per share were EUR 0.12 (0.13).

Reporting segments

Oriola's operating and reporting segments consist of the following business areas: Consumer, Services and Healthcare.

Oriola announced on 18 September 2018 that it will change its organization, and Oriola's operations will be divided into three business areas: Consumer, Pharma and Retail. As of 1 January 2019, these three business areas are also the new financial reporting segments.

Consumer

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.

Key Figures EUR million	2018 7-9	2017 7-9	Change %	2018 1-9	2017 1-9	Change %	2017 1-12
Invoicing	182.7	191.6	-4.7	573.7	587.2	-2.3	780.5
Net Sales	178.8	187.2	-4.5	561.1	573.3	-2.1	762.0
Adjusted EBIT	5.8	7.6	-23.2	15.8	20.8	-24.2	25.2
Adjusted EBIT %	3.3	4.0		2.8	3.6		3.3
Number of personnel at the end of period	1,598	1,742		1,598	1,742		1,581

July–September 2018

The third quarter net sales of the Consumer business decreased by 4.5% (increased 0.6%) to EUR 178.8 (187.2) million. At constant currencies net sales increased by 4.2%. Adjusted EBIT decreased by 23.2% (decreased 19.3%) to EUR 5.8 (7.6) million. Profitability weakened due to depreciated Swedish krona, higher sales of RX medicines and cost of online development. The adjusted EBIT impact of Hehku in Consumer Business Area was EUR -1.2 (-0.5) million during the third quarter.

Net change in Oriola's number of pharmacies in Sweden was +1 in the third quarter of 2018.

January–September 2018

The pharmacy market in Sweden grew by 10.0% (3.2%) in Swedish krona in January–September 2018 (source: Apoteksförening). Parallel imports' share of the Swedish pharmaceutical market was 11.2% (11.8%) (source: IQVIA). The number of pharmacies in Sweden increased by five pharmacies in January–September 2018. At the end of September there were 1,423 (1,408) pharmacies, including 7 online pharmacies, in Sweden.

Oriola's market share in the pharmaceutical retail market in Sweden in January–September 2018 was 17.0% (17.8%) (source: Apoteksförening). The relative share of OTC and traded goods from the net sales was 25.8% (26.7%). At the end of the reporting period, Oriola had 326 (323) pharmacies in Sweden. Oriola established two new pharmacies and closed two pharmacies during the reporting period.

Online sales in the Swedish pharmacy market continued to grow fast and reached approximately 8% (7%) of the pharmacy market by the end of September 2018. Oriola's online sales continued to develop well, and grew faster than the market in January–September 2018. The growth has been strongest in OTC and traded goods products. The online sales accounts for 2.8% (1.9%) of Oriola's Consumer sales in Sweden.

The net sales of the Consumer business decreased by 2.1% (decreased 1.6%) to EUR 561.1 (573.3) million, on a constant currency basis net sales increased by 4.6%. Adjusted EBIT decreased by 24.2% (decreased 19.5%) to EUR 15.8 (20.8) million. Depreciated Swedish krona, cost of online development as well as higher sales of RX medicines weakened the profitability. The adjusted EBIT impact of Hehku in Consumer Business Area was EUR -3.7 (-0.5) million during the reporting period.

Services

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

Key Figures EUR million	2018 7-9	2017 7-9	Change %	2018 1-9	2017 1-9	Change %	2017 1-12
Invoicing	727.7	698.8	4.1	2,227.7	2,085.0	6.8	2,832.6
Net Sales	257.4	257.7	-0.1	808.8	767.0	5.4	1,042.9
Adjusted EBIT	13.7	3.6	275.8	22.6	19.3	17.1	22.6
Adjusted EBIT %	5.3	1.4		2.8	2.5		2.2
Number of personnel at the end of period	897	987		897	987		868

July–September 2018

The Services Business Area's invoicing increased by 4.1% (increased 0.5%) during the third quarter driven by higher volumes and higher pharmaceuticals prices in Sweden. On a constant currency basis invoicing increased by 10.1%. The adjusted EBIT was EUR 13.7 (3.6) million. The adjusted EBIT in 2018 includes a settlement totalling EUR 9 million received from the provider of the logistics and warehouse IT system. Profitability continued to be impacted by extra staffing costs in Finland to ensure quality and customer deliveries. Total impact related to the ERP system change was EUR -2 million during third quarter. In Sweden, high volumes drove the resource costs up and the high capacity usage increased other costs.

January–September 2018

The pharmaceutical market at wholesale prices in Sweden grew by 6.3% (3.3%) in Swedish krona in January–September 2018 (source: Reveal). According to Oriola's estimate Oriola's share of the Swedish pharmaceutical wholesale market was approximately 41% (34%).

The Finnish pharmaceutical market at wholesale prices grew by 7.8% (2.1%) in January–September 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 6.8% (decreased 3.4%) to EUR 2,227.7 (2,085.0) million. On a constant currency basis invoicing increased by 11.5%. Net sales increased by 5.4% (decreased 9.0%) to EUR 808.8 (767.0) million, and on a constant currency basis, net sales increased by 10.0%. This was driven by higher volumes in Sweden. Adjusted EBIT increased by 17.1% (decreased 21.1%) to EUR 22.6 (19.3) million. The adjusted EBIT in 2018 includes a settlement totalling EUR 9 million received from the provider of the logistics and warehouse IT system. Total additional costs related to ERP system change have been EUR 6 million in January-September 2018. The 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 drove the cost level up.

Healthcare

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.

Key Figures EUR million	2018 7-9	2017 7-9	Change %	2018 1-9	2017 1-9	Change %	2017 1-12
Invoicing	22.1	17.1	29.4	68.2	48.3	41.2	71.2
Net Sales	22.0	17.0	29.6	67.8	47.9	41.6	70.7
Adjusted EBIT	0.0	-0.3	113.7	0.3	-1.5	118.3	-1.7
Adjusted EBIT %	0.2	-1.9		0.4	-3.2		-2.4
Number of personnel at the end of period	126	123		126	123		125

July–September 2018

The third quarter net sales of Healthcare business was EUR 22.0 (17.0) million. On a constant currency basis net sales increased by 39.4%. Adjusted EBIT was EUR 0.0 (-0.3) million.

The net sales of the Healthcare Business Area continued to grow driven by increased number of dose dispensing patients in Sweden. The number of dose dispensing patients in Sweden exceeded 50,000 and was in Finland approximately 20,000.

January–September 2018

The net sales of Healthcare business were EUR 67.8 (47.9) million. On a constant currency basis net sales increased by 49.7%. Adjusted EBIT was EUR 0.3 (-1.5) million. Amortisation related to acquisition of Svensk Dos and Pharmaservice affected Healthcare EBIT by EUR -0.7 (-1.2) million.

Balance sheet, cash flow and financing

Oriola's total assets at the end of 30 September 2018 were EUR 929.1 (950.8) million. Equity attributable to the equity holders was EUR 189.9 (201.4) million. Cash and cash equivalents totalled EUR 31.7 (15.7) million. Net cash flow from operating activities in January–September 2018 was EUR 54.4 (12.7) million, of which changes in working capital accounted for EUR 14.5 (-23.0) million. Net cash flow from investing activities was EUR -34.5 (-36.2) million. Net cash flow from financing activities was EUR -5.0 (-21.6) million. The dividend of EUR 16.3 million was distributed to the shareholders in April 2018.

At the end of September 2018, interest-bearing debt was EUR 136.7 (136.2) million. The long-term interest-bearing liabilities were EUR 59.1 (62.1) million and short-term interest-bearing liabilities were EUR 77.6 (74.1) million. Short-term liabilities mainly consist of commercial paper issues of EUR 60.0 (36.0) million and advance payments from Finnish pharmacies totalling EUR 16.7 (36.9) million. Interest-bearing net debt was EUR 105.0 (120.5) million, and gearing 55.3% (59.8%).

The non-recourse trade receivables sales programmes were continued in Sweden. At the end of September 2018, a total of EUR 114.4 (106.7) million in trade receivables had been sold. Including the sold trade receivables, the adjusted gearing was 115.5% (112.8%). The average interest rate on the interest bearing liabilities was 0.92% (0.94%).

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 September 2018.

At the end of September 2018 Oriola's equity ratio was 20.8% (22.0%). Return on capital employed was 12.5% (13.9%), and return on equity 14.8% (16.3%).

Investments and depreciation

Gross investments in January–September 2018 totalled EUR 32.4 (37.0) million and consisted mainly of investments into improvements in logistics efficiency, investment in Swedish online medical center Doktor.se as well as investments in Hehku. Investments in Hehku amounted to EUR 7.5 million during the reporting period.

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

Depreciation, amortisation and impairment amounted to EUR 18.1 (19.4) million.

The capital expenditure in 2018 excluding acquisitions is estimated to be approximately EUR 40 million.

Personnel

At the end of September 2018, Oriola had 2,688 (2,896) employees, 59% (60%) of whom worked in the Consumer Business Area, 33% (34%) in Services Business Area, and 5% (4%) in Healthcare Business Area. The group administration employed 2% (2%) of the total number of employees. The average number of personnel in January-September 2018 was 2,697 (2,727). Personnel numbers consist of members of staff in active employment in continuing operations.

Corporate Governance

The Annual General Meeting (AGM), 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.

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 2017. 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 2018. The payment date of the dividend was 11 April 2018.

The AGM confirmed that the Board of Directors is composed of seven members. Ms Anja Korhonen, Ms Mariette Kristenson, Ms Eva Nilsson Bågenholm, Ms Lena Ridström, Mr Staffan Simberg and Mr Anssi Vanjoki were re-elected to the Board of Directors and Mr Juko-Juho Hakala elected 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 48,400, the fee for the term of office of the Vice Chairman of the Board of Directors and for the Chairman of the Board's Audit Committee is EUR 30,250 and the fee for the term of office of other members of the Board of Directors is EUR 24,200. Of the annual fee, 60% shall be paid in cash and 40% shall be used to acquire Oriola Corporation's class B shares for the Board members on the Nasdaq Helsinki Stock Exchange within two weeks from the release of the Interim Report 1 January - 31 March 2018 of the company. The Chairman of the Board of Directors receives an attendance fee of EUR 1,000 per meeting and the other members EUR 500 per meeting. Attendance fees are correspondingly also paid to the chairmen and members of Board and company committees. Travel expenses are compensated in accordance with the travel policy of the company.

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

The Board appointed Ms Anja Korhonen (Chairman), Ms Lena Ridström and Mr Staffan Simberg to the Board's Audit Committee, and Ms Eva Nilsson Bågenholm (Chairman), Mr Juko-Juho Hakala and Ms Mariette Kristenson to the Board's Remuneration 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.

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

The AGM resolved to establish a Shareholders' Nomination Board in accordance with the proposal of the Board of Directors. The Annual General Meeting confirmed the rules of procedure of the Shareholders' Nomination Board in the format proposed by the Board of Directors.

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

The largest shareholders of Oriola Corporation appointed on 26 September 2018 in accordance with the rules of procedure of the Shareholders' Nomination Board Mr Mikael Aro, Mr Peter Immonen, Mr Mikko Mursula, Mr Pekka Pajamo and Mr Into Ylppö to the Nomination Board.

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

The Corporate Governance Statement and the Remuneration Statement for 2017 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.

Authorizations

The AGM authorised the Board of Directors to decide on a share issue against payment in one or more issues. The authorisation comprises the right to issue new shares or assign treasury shares held by the company. The authorisation covers a maximum of 5,650,000 Class A shares and 12,500,000 Class B shares representing approximately 10.00 per cent of all shares in the company. 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.a. 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 authorization 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 Oriola Group's executives and the share savings plan for Oriola Group's key personnel. In addition to the authorizations presented above, the Board of Directors was granted the following authorizations 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 authorized 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 authorization 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 authorization is to enable the creation of own shares to be used in the new share-based the 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 authorized 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 authorization 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 authorization 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 incentive plan for the 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 authorization 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 authorizations 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 regulated market organized 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.

Changes in the Group Management Team

Robert Andersson, who was appointed President and CEO on 18 December 2017, assumed the position on 12 February 2018.

Anders Torell, who was appointed Vice President, Consumer Business area and member of the Group Management Team on 7 July 2017, started in his position on 2 January 2018.

Sari Aitokallio, CFO and a member of the Group Management Team, left the company on 12 February 2018. Helena Kukkonen was appointed CFO and member of the Group Management Team on 12 February 2018, and started in her position on 12 March 2018.

Jukka Mäkelä, Vice President, Development and Information Management and member of the Group Management Team, left the company at the end of March 2018. Charlotta Nyström was appointed Oriola Corporation’s Chief Information Officer and member of the Group Management Team on 14 March 2018. She started in her position on 1 June 2018.

On 29 May 2018 Oriola announced, that it strengthens its Group Management Team. Group Communications Director Tuula Lehto and General Counsel Petter Sandström were appointed members of Oriola’s Group Management Team as of 1 July 2018.

Kimmo Virtanen, Executive Vice President, Services Business Area and a member of the Group Management Team, left the company on 26 June 2018. President and CEO Robert Andersson acts as interim Head of the Services Business Area.

After these changes Oriola’s Group Management Team consists of eight members: Robert Andersson, President and CEO; Thomas Gawell, Vice President, Healthcare Business Area; 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.

On 18 September 2018 Oriola announced, that Oriola’s Board of Directors has approved the company’s new operating model. Oriola’s operations will be divided into three business areas operating in Finland and Sweden: Consumer, Pharma and Retail. As of 1 January 2019, these three business areas are also the new financial reporting segments. The company will unite logistics operations and operational and indirect sourcing into a new Group function “Operations” to ensure strong logistics service development in all business areas, as well as sourcing efficiency. Dose manufacturing will be moved under Operations.

The new operating model and responsibilities will take effect from 1 January 2019. Oriola's Group Management Team and its responsibilities as of 1 January 2019 will be: Robert Andersson, President and CEO; Katarina Gabrielson, Vice President, Business Area Retail; Thomas Gawell, Vice President, Business Area Pharma; Helena Kukkonen, CFO; Tuula Lehto, Group Communications Director; Charlotta Nyström, CIO; Petter Sandström, General Counsel; Teija Silver, Vice President, HR; Anders Torell, Vice President, Business Area Consumer. The search for the new Vice President of Operations function is ongoing. The VP Operations will be part of Oriola's Group Management Team.

Oriola Corporation shares

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

	Jan-Sep 2018		Jan-Sep 2017	
Trading volume	**class A**	**class B**	**class A**	**class B**
Trading volume, million	2.2	32.4	2.0	25.2
Trading volume, EUR million	6.5	90.6	7.7	95.6
Highest price, EUR	3.38	3.17	4.53	4.43
Lowest price, EUR	2.57	2.40	3.43	3.36
Closing quotation, end of period, EUR	2.80	2.83	3.68	3.40

Oriola Corporation's market capitalisation on 30 September 2018 was EUR 511.3 (632.6) million.

In the review period, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 19.1% (15.0%) of the total number of shares.

At the end of September 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–30 September 2018, no class A shares were converted into class B shares (50,375).

Share–based incentive plans

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

On 4 December 2015 the Board of Directors of Oriola Corporation established a share-based incentive plan directed to the Group key personnel. The plan covers three performance periods, 2016–2018, and three vesting periods, 2017–2019. The essential precondition for participation in the plan is that a key person has enrolled in the share savings plan, OKShares, and makes monthly saving from his or her fixed gross monthly salary. The reward from the performance period 2016 was based on the Group's EPS. The rewards paid in February 2018 on the basis of the performance period 2016 corresponded to the value of 119,803 Oriola Corporation class B shares, including the proportion paid in cash. The potential reward from the performance period 2017 was based on the Group´s EPS. There will be no payment based on the performance period

2017 as the EPS target for 2017 was not reached. Similarly the potential reward from performance period 2018 will be based on the Group's EPS.

Approximately 45 key employees participated in the Oriola Corporation key personnel share savings plan, OKShares, during savings period 1 October 2015–31 December 2016. The matching shares transferred to eligible participants in February 2018 on the basis of the savings period 1 October 2015–31 December 2016 corresponded to the value of 46,024 Oriola Corporation class B shares, including the portion paid in cash.

Approximately 40 key employees participated in the Oriola Corporation key personnel share savings plan for the savings period 1 January–31 December 2017. The matching shares will be transferred to eligible participants in 2019 on the basis of the savings period 1 January–31 December 2017. The estimated number of matching shares, including the portion to be paid in cash, is 40,902.

Approximately 52 key employees participate in the Oriola Corporation key personnel share savings plan for the savings period 1 January–31 December 2018. The accumulated savings will be used for purchasing Oriola's class B shares for the participants at market prices. In return, each participant will receive two free class B matching shares for every three acquired savings shares. Matching shares will be paid partly in Oriola's class B shares and partly in cash. The matching shares will be transferred to eligible participants in 2020.

Changes in Group structure in January–September 2018

On 28 September 2018 Oriola acquired the remaining share of Farenta. In 2016 Oriola acquired 70.9 per cent 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 per cent 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 the third quarter of 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 percent of shares of Mariatorp Oy has exceeded the threshold of 10% of Oriola Corporation's share capital and total number of voting rights of Mariatorp Oy has exceeded the threshold of 10% of voting rights of Oriola Corporation.

Risks and uncertainty factors

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

Oriola operates in regulated pharmaceutical distribution and retail markets. The main trends impacting Oriola's business environment are aging of the population, increased spending on health and well-being, growth in specialty pharmaceuticals and the digitalization of the retail trade and services.

Oriola has identified the following principal strategic risks that can have significant impact on the results: Changes in the pharmaceutical market regulation, pricing, parallel import and public reimbursement;

increased competition through growing number of pharmacies and companies in e-commerce; loss of several key pharmaceutical company agreements; and decreasing share of single channel distribution in public healthcare.

The main financial risks for Oriola involve currency rate, liquidity, interest rate and credit risks. Changes in the value of the Swedish krona 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 commissioning of the new Group IT platform in Finland took place in September 2017 and led to disruptions and lower efficiency in operations. The corresponding ERP and warehouse management system implementation in Sweden is on hold, and subject to separate decision. The Enköping distribution center project is slightly delayed. To minimize the risks in go-live, the go-live was postponed until 2019. Detailed risk management plan has been prepared.

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

Market outlook

Oriola's outlook for 2018 is based on external market forecasts, agreements with pharmaceutical companies and pharmacies, and management assessments. The Finnish pharmaceutical market is expected to grow during 2017–2022, at an average rate of 1.5%. The Swedish pharmaceutical market is expected to grow an average rate of 5.0% per year in the local currency (source: IQVIA).

Long-term financial targets

Oriola's Board of Directors has approved the company's new long-term financial targets. Oriola's long-term financial targets remain unchanged except for the adjusted gearing ratio change from 30-60 per cent to lower than 70 per cent.

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

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

Business Outlook for 2018

Oriola’s guidance is unchanged: Adjusted EBIT of continuing operations on constant currency basis is estimated to increase from the 2017 level.

Events after the period

There were no reportable events after the reporting period.

Espoo, 31 October 2018

Oriola Corporation
Board of Directors

Oriola's Interim Report January–September 2018

Consolidated statement of comprehensive income (IFRS)

EUR million	2018 7-9	2017 7-9	2018 1-9	2017 1-9	2017 1-12
Net sales	369.9	377.6	1,157.5	1,132.5	1,527.7
Other operating income	11.3	2.7	17.5	10.1	13.8
Material purchases	-284.6	-291.3	-893.9	-868.1	-1,174.2
Employee benefit expenses	-38.1	-38.5	-123.5	-123.0	-166.1
Other operating expenses	-34.9	-33.7	-105.7	-97.7	-136.5
EBITDA	23.7	16.8	51.8	53.8	64.6
Depreciation, amortisation and impairments	-6.1	-5.6	-18.1	-19.4	-25.7
Share of results in joint venture	-1.2	-0.5	-3.7	-0.5	-1.1
EBIT	16.5	10.7	30.0	33.9	37.8
Financial income and expenses	-0.7	-0.6	-2.4	-3.3	-3.9
Profit before taxes	15.8	10.0	27.6	30.6	33.9
Income taxes	-3.6	-2.0	-6.5	-6.8	-7.9
Profit for the period from continuing operations	**12.2**	**8.0**	**21.1**	**23.8**	**25.9**
Profit for the period from discontinued operations	-	-0.0	-	0.6	0.3
Profit for the period	**12.2**	**8.0**	**21.1**	**24.4**	**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	3.3	-0.3	-10.6	-2.8	-7.4
Translation differences reclassified to profit and loss during the reporting period	-	-	-	-	0.3
Cash flow hedge	0.2	0.1	0.1	0.4	0.4
Income tax relating to other comprehensive income	-0.0	-0.0	-0.0	-0.1	-0.1
	3.4	**-0.2**	**-10.6**	**-2.5**	**-6.7**
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
	-	**-**	**-**	**-**	**-1.2**
Total comprehensive income for the period	**15.6**	**7.8**	**10.6**	**21.9**	**18.3**
Profit attributable to					
Parent company shareholders	12.2	8.0	21.1	24.4	26.3
Total comprehensive income attributable to					
Parent company shareholders	15.6	7.8	10.6	21.9	18.3
Earnings per share attributable to parent company shareholders, EUR:					
Basic and diluted:					
Continuing operations	0.07	0.04	0.12	0.13	0.14
Discontinued opearations	-	-0.00	-	0.00	0.00
Group total	0.07	0.04	0.12	0.13	0.14

Consolidated statement of financial position (IFRS)

EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Non-current assets			
Property, plant and equipment	77.1	77.8	79.0
Goodwill	273.2	286.8	282.7
Other intangible assets	75.2	81.5	81.2
Investments in joint ventures	4.3	1.1	0.5
Other non-current assets	9.7	0.3	0.3
Deferred tax assets	2.2	3.6	2.4
Non-current assets total	**441.7**	**451.1**	**446.1**
Current assets			
Inventories	216.5	200.7	207.8
Trade receivables	205.9	234.1	220.5
Income tax receivables	5.7	11.6	3.9
Other receivables	27.6	19.4	27.2
Cash and cash equivalents	31.7	15.5	17.0
Current assets total	**487.4**	**481.3**	**476.3**
Assets held for sale	**-**	**18.4**	**-**
Assets total	**929.1**	**950.8**	**922.4**

EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Equity			
Share capital	36.2	36.2	36.2
Hedging reserve	-0.3	-0.3	-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	-29.9	-15.0	-19.2
Retained earnings	89.5	86.2	86.8
Equity attributable to the parent company shareholders	**189.9**	**201.4**	**197.7**
Non-current liabilities			
Deferred tax liabilities	13.8	15.1	15.3
Pension obligations	12.0	10.7	12.3
Borrowings	59.1	62.1	61.0
Other non-current liabilities	0.9	3.9	3.5
Non-current liabilities total	**85.8**	**91.9**	**92.2**
Current liabilities			
Trade payables	531.6	493.5	525.5
Provisions	0.1	-	0.4
Borrowings	77.6	74.1	66.3
Income tax payables	1.5	14.9	0.7
Other current liabilities	42.7	65.1	39.6
Current liabilities total	**653.5**	**647.7**	**632.6**
Liabilities related to assets held for sale	**-**	**9.8**	**-**
Equity and liabilities total	**929.1**	**950.8**	**922.4**

Consolidated statement of changes in equity (IFRS)

EUR million	Share capital	Funds	Translation differences	Retained earnings	Equity total
Equity 1 Jan 2017	**36.2**	**93.7**	**-8.6**	**83.8**	**205.2**
Comprehensive income for the period					
Net profit for the period	-	-	-	24.4	**24.4**
Other comprehensive income:					
Cash flow hedge	-	0.4	-	-	**0.4**
Income tax relating to other comprehensive income	-	-0.1	-	-	**-0.1**
Translation difference	-	-	-6.4	3.6	**-2.8**
Comprehensive income for the period total	-	0.3	-6.4	28.0	**21.9**
Transactions with owners					
Dividend distribution	-	-	-	-25.4	**-25.4**
Share-based incentive	-	-	-	0.4	**0.4**
Purchase of own shares	-	-	-	-0.6	**-0.6**
Transactions with owners total	-	-	-	-25.6	**-25.6**
Equity 30 Sep 2017	**36.2**	**94.0**	**-15.0**	**86.2**	**201.4**
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	-	-	-	21.1	**21.1**
Other comprehensive income:					
Cash flow hedge	-	0.1	-	-	**0.1**
Income tax relating to other comprehensive income	-	-0.0	-	-	**-0.0**
Translation difference	-	-	-10.6	-	**-10.6**
Comprehensive income for the period total	-	0.1	-10.6	21.1	**10.6**
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 Sep 2018	**36.2**	**94.0**	**-29.9**	**89.5**	**189.9**

[1] Net of tax

Condensed Consolidated Statement of Cash Flows (IFRS)

EUR million	2018 1-9	2017[1)] 1-9	2017[1)] 1-12
EBIT	30.0	34.7	38.7
Depreciation and amortisation	18.1	19.5	25.8
Impairment	-	0.7	0.7
Share of result in joint venture	3.7	0.5	1.1
Change in working capital	14.5	-23.0	-18.2
Cash flow from financial items and taxes	-11.4	-19.8	-23.5
Other adjustments	-0.4	0.0	-1.0
Net cash flow from operating activities	54.4	12.7	23.7
Net cash flow from investing activities	-34.5	-36.2	-37.7
Net cash flow from financing activities	-5.0	-21.6	-29.7
Net change in cash and cash equivalents	14.9	-45.1	-43.7
Cash and cash equivalents at the beginning of the period	17.0	60.8	60.8
Translation differences	-0.1	0.0	-0.1
Net change in cash and cash equivalents	14.9	-45.1	-43.7
Cash and cash equivalents at the end of the period	**31.7**	**15.7**	**17.0**
Included in cash and cash equivalents per the balance sheet	31.7	15.5	17.0
Included in the assets classified as held for sale	-	0.2	-
Cash and cash equivalents at the end of the period	**31.7**	**15.7**	**17.0**

[1)] Includes the cash flows from discontinued operations

Notes to the Interim Report January–September 2018

Principal accounting policies as of 1 January 2018 (IFRS)

This Interim 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 2017. The accounting policies and calculation methods applied in the report are the same as those in the 31 December 2017 Annual Financial Statements, however with the addition of the standards and interpretations applied as of 1 January 2018 presented below. This Interim Report does not include all of the information and notes presented in the Annual Financial Statements. The figures in this Interim Report are unaudited.

In 2018 the group has adopted the following new standards and amendments issued by the IASB:

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 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. 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. 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:

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**	**-**

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 sale of pharmaceutical products or services to customers. The Group has not identified any significant changes in the revenue recognition. According to IFRS 15 revenue is recognised when the customer obtains control of the goods. The 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 performance obligation is satisfied. The 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 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 categorized 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 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 EU.

In the Consumer business area the Group has a customer loyalty bonus discount program. The Group's net sales are adjusted with estimated future bonus discounts of customer loyalty program. 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 30 September 2018 and on the Group's consolidated statement of comprehensive income for the period of January-September 2018:

EUR million	As reported	Adjustments	Amounts without adoption of IFRS 15
Consolidated statement of financial position			
Income tax receivables	5.7	-0.6	5.1
Retained earnings	89.5	2.0	91.5
Other current liabilities	42.7	-2.6	40.2
Consolidated statement of comprehensive income			
Net sales	1,157.5	0.2	1,157.7
Income taxes	-6.5	-0.1	-6.5

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.

Earnings per share

EUR million	2018 7-9	2017 7-9	2018 1-9	2017 1-9	2017 1-12
Profit attributable to equity owners of the parent					
Continuing operations	12.2	8.0	21.1	23.8	25.9
Discontinued operations	-	-0.0	-	0.6	0.3
Group total:	12.2	8.0	21.1	24.4	26.3
Average number of outstanding shares (1000 shares)					
Basic	181,382	181,292	181,353	181,357	181,328
Diluted	181,486	181,292	181,457	181,357	181,412
Earnings per share (EUR)					
Basic and diluted:					
Continuing operations	0.07	0.04	0.12	0.13	0.14
Discontinued opearations	-	-0.00	-	0.00	0.00
Group total	0.07	0.04	0.12	0.13	0.14

Business combinations

2018

There were no business combinations in January–September 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 5 million euros, and the company employs around 60 people. The acquisition of ICTHS Health Support is in line with Oriola's strategy to offer a wide range of services to pharmacies, pharmaceutical companies and healthcare operators in Sweden and Finland. The statement of profit and loss and the statement of financial position have been consolidated into the Services segment as of 1 September 2017. The acquisition cost calculation was 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.

Discontinued operations

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 business was completed on 18 October 2017.

Profit for the period from discontinued operations EUR million	2017 7-9	2017 1-9	2017 1-12
Net sales	16.1	44.7	48.9
EBITDA	0.9	1.8	1.8
EBIT	0.9	1.6	1.6
Profit for the period, ordinary activities	**0.7**	**1.3**	**1.3**
Impairment loss on assets classified as held for sale	-0.7	-0.7	-0.7
Loss on sale of business	-	-	-0.3
Profit for the period from discontinued operations	**-0.0**	**0.6**	**0.3**

Assets and liabilities disposed EUR million	2017 1-12
Inventories	8.7
Trade and other receivables	10.3
Cash and cash equivalents	2.1
Total assets	**21.1**
Trade and other payables	13.3
Total liabilities	**13.3**
Net assets disposed of	**7.8**

Cash flows from discontinued operations EUR million	2017 1-9	2017 1-12
Net cash flow from operating activities	4.1	2.2
Net cash flow from investing activities	-0.1	-0.1
Net cash flow from financing activities	-3.9	-0.2
Total cash flows	**0.1**	**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 1-12
Cash consideration received	8.1
Net assets disposed of	-7.8
Costs to sell	-0.2
Total	**0.1**
Translation differences reclassified from other comprehensive income	-0.3
Loss on the sale of the discontinued operations	**-0.3**

Tangible and intangible assets

Changes in property, plant and equipment, EUR million	2018 1-9	2017 1-9	2017 1-12
Carrying amount at the beginning of the period	79.0	71.5	71.5
Business combinations	-	0.0	0.0
Increases	10.7	19.8	25.4
Decreases	-0.3	-0.4	-0.3
Reclassifications	-	-0.5	-0.5
Transferred to non-current assets as held for sale	-	-0.0	-
Depreciation, continuing operations	-9.7	-11.6	-15.2
Depreciation, discontinued operations	-	-0.1	-0.1
Impairments, discontinued operations [1)]	-	-0.5	-0.5
Foreign exchange rate differences	-2.6	-0.5	-1.3
Carrying amount at the end of the period	**77.1**	**77.8**	**79.0**

Changes in goodwill, EUR million	2018 1-9	2017 1-9	2017 1-12
Carrying amount at the beginning of the period	282.7	286.8	286.8
Increases	-	2.5	2.6
Impairments, discontinued operations [1)]	-	-0.3	-0.3
Foreign exchange rate differences	-9.5	-2.2	-6.5
Carrying amount at the end of the period	**273.2**	**286.8**	**282.7**

Changes in other intangible assets, EUR million	2018 1-9	2017 1-9	2017 1-12
Carrying amount at the beginning of the period	81.2	76.2	76.2
Increases	4.7	13.1	16.5
Decreases	-0.0	-0.0	-0.1
Reclassifications	-	0.5	0.5
Transferred to non-current assets as held for sale	-	-0.0	-
Amortisation, continuing operations	-8.4	-7.8	-10.5
Amortisation, discontinued operations	-	-0.0	-0.0
Impairments, discontinued operations [1)]	-	-0.0	-0.0
Foreign exchange rate differences	-2.3	-0.5	-1.5
Carrying amount at the end of the period	**75.2**	**81.5**	**81.2**

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

Derivatives

30 Sep 2018 EUR million	Positive fair value	Negative fair value	Nominal values of contracts
Derivatives recognised as cash flow hedges			
Interest rate swaps	-	0.5	50.4
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.1	0.0	53.1

30 Sep 2017 EUR million	Positive fair value	Negative fair value	Nominal values of contracts
Derivatives recognised as cash flow hedges			
Interest rate swaps	-	0.6	53.9
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.1	0.0	24.2

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 Sep 2018 EUR million	Level 1	Level 2	Level 3	Total
Assets				
Derivatives measured at fair value through profit and loss	-	0.1	-	**0.1**
Other investments measured at fair value through OCI	-	-	9.4	**9.4**
Liabilities				
Derivatives designated as hedges	-	0.3	-	**0.3**
Derivatives measured at fair value through profit and loss	-	0.2	-	**0.2**

30 Sep 2017 EUR million	Level 1	Level 2	Level 3	Total
Assets				
Derivatives measured at fair value through profit and loss	-	0.1	-	**0.1**
Liabilities				
Derivatives designated as hedges	-	0.4	-	**0.4**
Derivatives measured at fair value through profit and loss	-	0.2	-	**0.2**
Contingent consideration	-	-	2.8	**2.8**

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

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

Financial assets on level 3, EUR million	2018 1-9	2017 1-9	2017 1-12
Book value at the beginning of the period	**-**	**-**	**-**
Acquisition of shares	9.4	-	-
Book value at the end of the period	**9.4**	**-**	**-**

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

Financial liabilities on level 3, EUR million	2018 1-9	2017 1-9	2017 1-12
Book value at the beginning of the period	**2.5**	**2.7**	**2.7**
Recognised in financial expenses	0.0	0.1	-0.0
Recognised in other operating expenses	0.0	-	-
Payment of contingent consideration	-2.5	-	-
Decrease in the fair value of financial liabilities	-	-	-0.2
Book value at the end of the period	**-**	**2.8**	**2.5**

Financial liabilities recognised at fair value through profit and loss (level 3) include estimated value of contingent and deferred considerations for acquisitions. On 28 September 2018 Oriola acquired the remaining share of Farenta, a subsidiary acquired in 2016. The difference between the consideration paid for the remaining shares and the contingent consideration in the balance sheet was recognised to other operating expenses in the consolidated statement of comprehensive income in September 2018.

Commitments and Contingent Liabilities

EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Commitments for own liabilities			
Guarantees on behalf of own companies	7.2	8.1	7.5
Mortgages on company assets	3.5	3.4	3.3
Other guarantees and liabilities	1.1	0.8	1.2
Total	**11.8**	**12.3**	**12.1**
Leasing liabilities	0.8	1.6	1.0
Rent liabilities	51.7	45.1	54.7

The most significant guarantees are bank guarantees against trade payables in Sweden. In addition, Oriola Corporation has granted parent company guarantees of EUR 1.2 (2.9) million against other subsidiaries' trade payables.

Related parties

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

Oriola's and Kesko Corporation's joint health and wellbeing store chain was approved by the competition authorities in June 2017, and the joint venture agreement was finalized on 30 June 2017. Oriola reports 50% of the joint venture Hehku Kauppa Oy in the Consumer segment EBIT. The transactions with Hehku Kauppa Oy are presented in the table below. Investments in Hehku amounted to EUR 7.5 million during the reporting period. The Group has no significant business transactions with other related parties.

Transactions with joint venture EUR million	2018 7-9	2017 7-9	2018 1-9	2017 1-9	2017 1-12
Sales	0.4	-	7.7	-	0.1
Purchases	-0.0	-	-0.3	-	-
Trade and other receivables			1.8	-	0.9
Trade and other payables			0.0	-	-

Segment information

1-9/2018 EUR million	Consumer	Services	Healthcare	Group items	Total
External Invoicing	573.6	1,947.4	68.2	-	**2,589.2**
Internal Invoicing	0.0	280.3	-	-280.3	**-**
Invoicing	**573.7**	**2,227.7**	**68.2**	**-280.3**	**2,589.2**
External Net Sales	561.1	528.5	67.8	-	**1,157.5**
Internal Net Sales	0.0	280.3	-	-280.3	**-**
Net Sales	**561.1**	**808.8**	**67.8**	**-280.3**	**1,157.5**
EBIT	14.6	22.6	0.3	-7.6	**30.0**
Adjusted EBIT	15.8	22.6	0.3	-7.0	**31.7**
Assets	396.9	395.0	49.3	88.0	**929.1**
Liabilities	49.1	544.0	7.0	139.2	**739.3**
Investments	4.2	7.8	0.4	19.9	**32.4**
Depreciation, amortisation and impairments	11.3	4.5	1.9	0.3	**18.1**
Average number of personnel	1,586	933	119	60	**2,697**

1-9/2017 EUR million	Consumer	Services	Healthcare	Group items	Total
External Invoicing	587.1	1,829.4	48.3	-	**2,464.8**
Internal Invoicing	0.1	255.6	-	-255.7	**-**
Invoicing	**587.2**	**2,085.0**	**48.3**	**-255.7**	**2,464.8**
External Net Sales	573.2	511.4	47.9	-	**1,132.5**
Internal Net Sales	0.1	255.6	-	-255.7	**-**
Net Sales	**573.3**	**767.0**	**47.9**	**-255.7**	**1,132.5**
EBIT	21.0	19.3	-1.5	-4.9	**33.9**
Adjusted EBIT	20.8	19.3	-1.5	-4.9	**33.7**
Assets [1)]	432.5	399.4	45.7	73.2	**950.8**
Liabilities [1)]	70.9	523.6	5.6	149.3	**749.4**
Investments	7.4	17.0	3.8	8.8	**37.0**
Depreciation, amortisation and impairments	12.6	4.0	2.6	0.2	**19.4**
Average number of personnel	1,620	929	130	47	**2,727**

[1)] Discontinued operations included in Group items

Geographical information

1-9/2018 EUR million	Sweden	Finland	Other countries	Total
Net Sales	795.2	296.9	65.4	**1,157.5**
Assets	655.8	273.3	0.0	**929.1**
Investments	9.8	22.6	-	**32.4**
Average number of personnel	1,974	721	2	**2,697**

1-9/2017 EUR million	Sweden	Finland	Other countries	Total
Net Sales	788.8	276.5	67.2	**1,132.5**
Assets [1)]	690.4	241.9	18.5	**950.8**
Investments	24.2	12.8	-	**37.0**
Average number of personnel	1,972	753	2	**2,727**

[1)] Includes discontinued operations

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.

1-9/2018 EUR million	Consumer	Services	Healthcare	Total
Wholesale	-	481.4	18.9	**500.3**
Retail sale	561.1	-	-	**561.1**
Services	-	47.2	48.9	**96.1**
Net sales total	**561.1**	**528.5**	**67.8**	**1,157.5**

1-9/2017 EUR million	Consumer	Services	Healthcare	Total
Wholesale	-	466.3	3.2	**469.5**
Retail sale	573.2	-	-	**573.2**
Services	-	45.1	44.8	**89.9**
Net sales total	**573.2**	**511.4**	**47.9**	**1,132.5**

Alternative performance measurement reconciliation table

Invoicing EUR million	2018 7-9	2017 7-9	2018 1-9	2017 1-9	2017 1-12
Net sales	369.9	377.6	1,157.5	1,132.5	1,527.7
+ Acquisition cost of consignment stock	470.2	441.0	1,418.7	1,318.0	1,789.6
+ Cash discounts	4.1	4.5	13.0	14.3	19.0
Invoicing	**844.2**	**823.1**	**2,589.2**	**2,464.8**	**3,336.3**

Adjusted EBITDA EUR million	2018 7-9	2017 7-9	2018 1-9	2017 1-9	2017 1-12
EBIT	16.5	10.7	30.0	33.9	37.8
Depreciations and impairments	6.1	5.6	18.1	19.4	25.7
Share of results in joint venture	1.2	0.5	3.7	0.5	1.1
EBITDA	23.7	16.8	51.8	53.8	64.6
Adjusting items included in EBITDA	1.0	-0.1	1.7	0.7	3.0
Adjusted EBITDA	**24.7**	**16.7**	**53.5**	**54.5**	**67.6**

Adjusting items

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.

Adjusting items included in EBIT EUR million	2018 7-9	2017 7-9	2018 1-9	2017 1-9	2017 1-12
Restructuring costs	0.0	-	-0.7	-0.3	-0.3
Costs of termination of the CEO service contract	-	-	-	-	-0.4
Revaluation of contingent consideration	-0.1	-	-0.1	-	0.2
Contractual liabilities due to delivery failures in Finland	-	-	-	-	-1.2
Other	-0.9	1.0	-0.9	0.5	-0.4
Adjusting items total	**-1.0**	**1.0**	**-1.7**	**0.2**	**-2.1**

Adjusting items in 2018 include restructuring charges related to changes in the Group Management Team and an adjustment to pension liabilities in Sweden as well as an adjustment to other current assets related to Swedish Consumer business. Adjusting items in January–September 2017 included restructuring charges, and preparation costs incurred before the joint venture with Kesko was established in the Consumer Business Area. In addition to these the adjusting items in 2017 included the costs of termination of the CEO service contract, the contractual liabilities due to delivery failures in Finland and costs of major business development projects, as well as an adjustment to the valuation of non-current assets in the Swedish Consumer business.