

ORIOLA CORPORATION'S INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2019

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Oriola January 1– September 30, 2019

January–September 2019 highlights

- Invoicing increased by 6.4% (increased 5.0%) to EUR 2,754.2 (2,589.2) million. On a constant currency basis invoicing increased by 8.7% and was EUR 2,815.0 million.
- Net sales increased by 10.1% (increased 2.2%) to EUR 1,274.6 (1,157.5) million. On a constant currency basis net sales increased by 12.8% and were EUR 1,305.9 million.
- Adjusted EBIT was EUR 20.2 (31.7) million. On a constant currency basis the adjusted EBIT was EUR 20.8 million.
- Profit for the period totalled EUR 9.6 (21.1) million and earnings per share were EUR 0.05 (0.12).
- 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.
- Business outlook was changed on 19 June 2019, and adjusted EBIT is estimated to decrease from the 2018 level.
- Cooperation negotiations were completed on 30 September 2019, and the estimated annual cost savings will be approximately EUR 4.5 million in personnel costs.

July–September 2019 highlights

- Invoicing increased by 8.7% (increased 2.6%) to EUR 917.3 (844.2) million. On a constant currency basis invoicing increased by 10.4% and was EUR 932.3 million.
- Net sales increased by 16.0% (decreased 2.0%) to EUR 429.0 (369.9) million. On a constant currency basis net sales increased by 18.1% and were EUR 437.0 million.
- Adjusted EBIT was EUR 9.8 (17.5) million. On a constant currency basis the adjusted EBIT was EUR 10.0 million.
- Profit for the period totalled EUR 2.6 (12.2) million and earnings per share were EUR 0.01 (0.07).
- Ramp-up of new automated distribution centre in Sweden has been slower than planned and is causing extra operational costs.
- Cooperation negotiations were completed on 30 September 2019, and the estimated annual cost savings will be approximately EUR 4.5 million in personnel costs. Restructuring costs totalling EUR 5.3 million were recognised to the result for the period.
- In July–September several distribution agreement negotiations with pharma companies were finalised in both operating countries. The agreements will come in force gradually by the end of the second quarter of 2020 at the latest.

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 third quarter of 2019:

“Oriola’s invoicing (EUR 917.3 million, +8.7%) and net sales (EUR 429.0 million, +16.0%) continued to grow strongly in the third quarter compared to the previous year. On a constant currency basis invoicing grew by 10.4% and net sales by 18.1%. Adjusted EBIT was EUR 9.8 million, 43.8% lower than in the previous year. Adjusted EBIT for the comparison period includes a settlement totalling EUR 9 million received from the provider of the new logistics and warehouse IT system as a contribution to costs incurred. The slower than planned ramp-up of the new distribution centre in Sweden was still impacting the quarterly profitability negatively.

Consumer net sales increased 4.6% year-on-year on a constant currency basis. Online sales grew by 33% and especially sales of prescription medicines was increasing. Consumers shift to online shopping has affected profitability. Brick and mortar pharmacy development and location optimization are increasingly important to attract consumers. As part of the pharmacy service development we continue to open more Drop-in clinics to ensure peoples easy access to healthcare services. We plan to open eight clinics by the end of year 2019. In September, as part of finalising the cooperation negotiations, we decided to close nine pharmacies.

Pharma continued strong growth in both operating countries. Invoicing increased 11.6% year-on-year and net sales increased 30.2% on a constant currency basis driven by the pharmaceutical market growth and changes in the current distribution agreements for pharmaceuticals. During the period we also signed new significant distribution agreements with pharmaceutical companies. In Finland we renewed our distribution agreement with Orion and in Sweden we signed a new distribution agreement with MSD. The Pharma result was still burdened by inefficiency of the Swedish distribution centre.

Retail continued good growth during the third quarter. Net sales increased 16.8% year-on-year on a constant currency basis. Net sales was driven by the growing number of the dose patients. Year-on-year growth was 66%, and at the end of the period we served a total of more than 116.000 patients. Retail result was still burdened by inefficiency of the Swedish distribution centre.

Oriola’s strategic programmes, 20by20 Excellence and Customer Experience, are progressing according to plan. In September we finalised cooperation negotiations which were part of the 20by20 Excellence programme. Target of the programme is to deliver EUR 20 million annualised savings compared to the 2018 cost level. Savings are expected to materialise with full effect by the end of 2020. Customer experience has been systematically developed during the year and customer satisfaction has developed positively.”

Key figures	2019	2018	Change	2019	2018	Change	2018
EUR million	7-9	7-9	%	1-9	1-9	%	1-12
Invoicing	917.3	844.2	8.7	2,754.2	2,589.2	6.4	3,518.4
Net sales	429.0	369.9	16.0	1,274.6	1,157.5	10.1	1,552.2
Adjusted EBIT ¹	9.8	17.5	-43.8	20.2	31.7	-36.2	36.9
EBIT	4.5	16.5	-72.6	16.3	30.0	-45.5	22.0
Adjusted EBIT %	2.3	4.7		1.6	2.7		2.4
EBIT %	1.1	4.5		1.3	2.6		1.4
Profit for the period	2.6	12.2	-79.1	9.6	21.1	-54.4	12.7
Earnings per share, EUR	0.01	0.07	-79.1	0.05	0.12	-54.4	0.07
Net cash flow from operating activities	12.9	3.3		57.0	54.4		102.8
Gearing, % ²				84.1	55.3		35.1
Equity ratio, % ³				15.6	20.8		19.8
Return on capital employed (ROCE), % ⁴				5.8	12.5		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 83.6 million and the decrease of retained earnings by EUR 5.7 million due to the application of IFRS 16. Excluding the impact of IFRS 16 gearing would have been 30.3%.

³ Equity ratio in 2019 is impacted by the decrease of retained earnings by EUR 5.7 million and increase of total assets by EUR 78.0 million due to the application of IFRS 16. Excluding the impact of IFRS 16 equity ratio would have been 17.5%.

⁴ Return on capital employed in 2019 is impacted by the increase of total assets by EUR 78.0 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on capital employed would have been 6.6%.

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 interim report.

Oriola Corporation's Interim Report for 1 January–30 September 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. In January–September 2019, the pharmaceutical wholesale market grew 8.0% in Sweden (source: IQVIA) and 5.8% in Finland in local currencies (source: LTK). Parallel imports' share of the Swedish pharmaceutical market was 6.9% (11.2%) (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 driven by fast growing e-commerce which reached already 11% of the total pharmacy market in Sweden by the end of September 2019. The pharmacy market in Sweden grew by 4.4% (10.0%) in Swedish krona in January–September 2019 driven by strong online market (source: Apoteksförening). At the end of September there were 1,429 (1,423) 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 which were finalised 30 September. During the process, also the pharmacy network in Sweden was evaluated and it was decided to close nine pharmacies by the end of the first the quarter of 2020. The estimated annual cost savings will be approximately 4.5 million euros in personnel costs. The savings are expected to materialise in stages starting from the fourth quarter of 2019, gradually taking full effect in 2020.

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. During the first half of the year customer satisfaction has progressed positively.

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.

Oriola joined in August the Say no to corruption campaign initiated by the Finnish Ministry of Justice. The target of the campaign is to increase knowledge of the corruption and its prevention. Oriola is committed to fighting bribery and corruption through its Code of Conduct.

Group financial performance January–September 2019

Invoicing and net sales

Invoicing increased by 6.4% (increased 5.0%), on a constant currency basis invoicing increased by 8.7%, which was mainly due to continued growth in pharmaceutical market.

Oriola's net sales increased by 10.1% (increased 2.2%) to EUR 1,274.6 (1,157.5) million. On a constant currency basis net sales increased by 12.8%, driven by the growth in the pharmaceuticals sales and changes in the distribution agreements for pharmaceuticals.

Profitability

Oriola's adjusted EBIT decreased by 36.2% (decreased 6.1%) to EUR 20.2 (31.7) million. The decrease was mainly driven by strong price competition in online and high cost burden in Swedish operations. Also, the

adjusted EBIT in 2018 includes a settlement totalling EUR 9 million received from the provider of the logistics and warehouse IT system as a contribution to costs incurred. Adjusting items during the reporting period, which consist of restructuring costs as well as a provision release related to Hehku, totalled EUR -3.9 (-1.7) million, and the EBIT was EUR 16.3 (30.0) million. The adjusted EBIT at constant currencies was EUR 20.8 million.

Oriola's net financial expenses were EUR 4.0 (2.4) million. The figure in 2019 includes interest expenses totalling EUR 1.5 million on lease liabilities recognised due to application of IFRS 16. Profit for the period was EUR 9.6 (21.1) million. Income taxes for January–September were EUR 2.7 (6.5) million, which corresponds to effective tax rate of 21.6% (23.5%). Earnings per share were EUR 0.05 (0.12).

Group financial performance July–September 2019

Invoicing and net sales

Invoicing increased by 8.7% (increased 2.6%), on a constant currency basis invoicing increased by 10.4%, which was mainly due to continued growth in pharmaceutical market.

Oriola's net sales increased by 16.0% (decreased 2.0%) to EUR 429.0 (369.9) million. On a constant currency basis net sales increased by 18.1%, driven by the growth especially in the high priced pharmaceuticals sales and changes in distribution agreements for pharmaceuticals.

Profitability

Oriola's adjusted EBIT decreased by 43.8% (increased 81.2%) to EUR 9.8 (17.5) million, which was driven by continued strong price competition in online, as well as additional costs and inefficiencies caused by slower than planned ramp-up of new distribution centre in Sweden. Also, the adjusted EBIT in 2018 includes a settlement totalling EUR 9 million received from the provider of the logistics and warehouse IT system as a contribution to costs incurred. Adjusting items during the reporting period, which consist of restructuring costs, totalled EUR -5,3 (-1.0) million, and the EBIT was EUR 4.5 (16.5) million. The adjusted EBIT at constant currencies was EUR 10.0 million.

Oriola's net financial expenses were EUR 1.3 (0.7) 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 2.6 (12.2) million. Earnings per share were EUR 0.01 (0.07).

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 EUR million	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2019 1-9	2018 1-9	2018 1-12
Invoicing	186.4	193.1	192.2	195.9	182.7	197.1	193.9	571.7	573.7	769.5
Net Sales	182.6	188.8	187.9	190.8	178.8	192.8	189.5	559.3	561.1	751.9
Adjusted EBIT	5.7	3.7	3.0	3.0	5.8	6.0	4.0	12.4	15.8	18.8
EBIT	1.6	3.7	3.0	3.0	4.9	6.0	3.8	8.3	14.6	17.7
Adjusted EBIT %	3.1	2.0	1.6	1.6	3.3	3.1	2.1	2.2	2.8	2.5
EBIT %	0.9	2.0	1.6	1.6	2.7	3.1	2.0	1.5	2.6	2.3
Number of personnel at the end of period	1,712	1,698	1,543	1,601	1,598	1,612	1,591	1,712	1,598	1,601

Market environment

The pharmacy market in Sweden grew by 4.4% (10.0%) in Swedish krona (source: Apoteksförening) and the number of pharmacies increased by 8 pharmacies in January–September 2019.

Online sales in the Swedish pharmacy market continued to grow fast and reached approximately 11% (8%) of the pharmacy market by the end of September 2019.

Oriola's market share in the pharmacy market in Sweden in January–September 2019 was 16.9% (17.0%) (source: Apoteksförening). The relative share of OTC and traded goods from the net sales was 25.1% (25.8%). At the end of the reporting period, Oriola had 328 (326) pharmacies in Sweden. Oriola established 5 new pharmacies and closed 4 pharmacies during the reporting period.

January–September 2019

The net sales decreased by 0.3% (decreased 2.1%) to EUR 559.3 (561.1) million. On a constant currency basis net sales increased by 2.9%, driven by the high priced RX pharmaceuticals sales and online sales. Oriola's online sales grew faster than the market, and it accounts for 3.6% (2.8%) of Oriola's Consumer sales in Sweden.

Adjusted EBIT decreased by 21.2% (decreased 24.2%) to EUR 12.4 (15.8) million. Increasing share of sales of RX pharmaceuticals, further tightened competition in traded goods especially from online, lower level of parallel import as well as increase in cost level in general weakened the profitability. Adjusting items during the reporting period, which consist of restructuring costs, totalled EUR -4.1 (-1.1) million, and EBIT was EUR 8.3 (14.6) million.

July–September 2019

The net sales increased by 2.1% (decreased 4.5%) to EUR 182.6 (178.8) million. On a constant currency basis net sales increased by 4.6%, driven by high priced pharmaceuticals and online sales growth.

Adjusted EBIT decreased by 2.1% (decreased 23.2%) to EUR 5.7 (5.8) million. Tightened competition in traded goods especially from online and increased costs weakened the profitability. Adjusting items during the reporting period, which consist of restructuring costs, totalled EUR -4.1 (-0.9) million, and EBIT was EUR 1.6 (4.9) 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	2019	2018	2018	2018	2018	2019	2018	2018
EUR million	7-9	4-6	1-3	10-12	7-9	4-6	1-3	1-9	1-9	1-12
Invoicing	715.5	734.3	692.3	724.4	650.4	683.3	639.0	2,142.1	1,972.7	2,697.1
Net Sales	231.4	244.9	199.6	195.4	180.4	190.7	183.5	675.9	554.5	749.9
Adjusted EBIT	5.2	4.7	3.5	4.1	10.5	3.5	3.1	13.5	17.0	21.1
EBIT	4.8	4.7	3.5	4.1	10.5	3.5	3.1	13.0	17.0	21.1
Adjusted EBIT %	2.3	1.9	1.8	2.1	5.8	1.8	1.7	2.0	3.1	2.8
EBIT %	2.1	1.9	1.8	2.1	5.8	1.8	1.7	1.9	3.1	2.8
Number of personnel at the end of period	469	501	490	507	506	497	493	469	506	507

Market environment

The pharmaceutical market at wholesale prices in Sweden grew by 8.0 % (6.3%) in Swedish krona in January–September 2019 (source: IQVIA). According to Oriola's estimate Oriola's share of the Swedish pharmaceutical wholesale market was approximately 43% (41%).

The Finnish pharmaceutical market at wholesale prices grew by 5.3% (7.8%) in January–September 2019 (source: LTK). According to Oriola's estimate Oriola's share of the Finnish pharmaceutical wholesale market was approximately 46% (43%).

January–September 2019

Invoicing increased from the previous year by 8.6% (increased 7.2%) to EUR 2,142.1 (1,972.7) million. On a constant currency basis invoicing increased by 10.7%. Net sales increased by 21.9% (increased 6.0%) to EUR 675.9 (554.5) million, and on a constant currency basis, net sales increased by 24.3%. This was driven by continued growth in pharmaceutical markets, especially in the high-priced pharmaceuticals, as well as changes in distribution agreements for pharmaceuticals.

Adjusted EBIT decreased by 20.9% (increased 24.8%) to EUR 13.5 (17.0) million. The adjusted EBIT in 2018 includes a contribution for costs incurred totalling EUR 7.2 million received from the provider of the logistics and warehouse IT

system. In Finland the increased efficiency lowered costs, but at the same time the slower than planned ramp-up of the distribution centre kept the cost level up in Sweden. Adjusting items during the reporting period, which consist of restructuring costs, totalled EUR -0.5 (-) million, and EBIT was EUR 13.0 (17.0) million.

July–September 2019

Invoicing increased from the previous year by 10.0% (increased 4.8%) to EUR 715.5 (650.4) million. On a constant currency basis invoicing increased by 11.6%. Net sales increased by 28.3% (increased 0.4%) to EUR 231.4 (180.4) million. On a constant currency basis, net sales increased by 30.2%, driven by pharmaceutical market growth, especially in the high-priced pharmaceuticals, as well as changes in distribution agreements for pharmaceuticals.

Adjusted EBIT decreased by 49.9% (increased 475.8%) to EUR 5.2 (10.5) million. The adjusted EBIT in 2018 includes a contribution for costs incurred totalling EUR 7.2 million received from the provider of the logistics and warehouse IT system. In Finland the operational efficiency has improved and cost level decreased, but the slower than planned ramp-up of the distribution centre kept the cost level still up in Sweden. Adjusting items during the reporting period, which consist of restructuring costs, totalled EUR -0.5 (-) million, and EBIT was EUR 4.8 (10.5) million.

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 EUR million	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2019 1-9	2018 1-9	2018 1-12
Invoicing	114.0	116.5	111.9	107.4	99.6	110.7	113.5	342.4	323.8	431.2
Net Sales	113.6	116.3	111.6	107.1	99.2	110.3	113.2	341.4	322.8	429.8
Adjusted EBIT	0.3	0.2	-0.6	0.0	3.2	0.8	1.9	-0.1	5.9	5.9
EBIT	-0.4	0.2	-0.6	-4.6	3.2	0.8	1.9	-0.8	5.9	1.3
Adjusted EBIT %	0.3	0.2	-0.5	0.0	3.3	0.7	1.7	0.0	1.8	1.4
EBIT %	-0.4	0.2	-0.5	-4.3	3.3	0.7	1.7	-0.2	1.8	0.3
Number of personnel at the end of period	603	576	528	530	517	584	544	603	517	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 6.6% in January–September 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 94,000 patients. In Finland, Oriola serves approximately 22,000 patients.

In staffing business in Finland approximately 240 pharmacies out of 815 pharmacies are using Oriola's services at the end of reporting period.

January–September 2019

Net sales increased by 5.8% (increased 9.9%) to EUR 341.4 (322.8) million. On a constant currency basis net sales increased by 8.7%, mainly driven by increased number of dose-dispensing patients in Sweden.

Adjusted EBIT was EUR -0.1 (5.9) million. Profitability was mainly impacted by the high logistics costs in Sweden as well as changes in product portfolio. The adjusted EBIT in 2018 includes a contribution for costs incurred totalling EUR 1.8 million received from the provider of the logistics and warehouse IT system. Adjusting items during the reporting period, which consist of restructuring costs, totalled EUR -0.7 (-) million, and EBIT was EUR -0.8 (5.9) million.

July–September 2019

Net sales increased by 14.4% (increased 3.7%) to EUR 113.6 (99.2) million. On a constant currency basis net sales increased by 16.8%. This was mainly driven by increased number of dose-dispensing patients in Sweden.

Adjusted EBIT was EUR 0.3 (3.2) million, driven by slower than planned ramp-up of the new distribution centre in Sweden and the resulting higher cost level. The adjusted EBIT in 2018 includes a contribution for costs incurred totalling EUR 1.8 million received from the provider of the logistics and warehouse IT system. Adjusting items during the reporting period, which consist of restructuring costs, totalled EUR -0.7 (-) million, and EBIT was EUR -0.4 (3.2) million.

Balance sheet, cash flow and financing

Oriola's total assets at the end of September 2019 were EUR 1,041.3 (929.1) 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 158.6 (189.9) million, which was decreased by the dividend of EUR 16.3 million for 2018 distributed to the shareholders in April 2019. The impact of translation differences in equity was EUR -9.9 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 64.7 (31.7) million. Net cash flow from operating activities in January–September 2019 was EUR 57.0 (54.4) million, of which changes in working capital accounted for EUR 13.8 (14.5) million. Net cash flow from investing activities was EUR -14.2 (-34.5) million. Net cash flow from financing activities was EUR -43.8 (-5.0) million.

At the end of September 2019, interest-bearing debt was EUR 198.2 (136.7) million, of which EUR 83.6 million consisted of lease liabilities recognised due to application of IFRS 16. The non-current interest-bearing liabilities amounted to EUR 123.4 (59.1) million and current interest-bearing liabilities amounted to EUR 74.8 (77.6) million. Non-current interest-bearing liabilities mainly consist of loans from financial institutions totalling EUR 57.1 (58.6) million and non-current lease liabilities totalling EUR 66.3 (0.5) million. Current interest-bearing liabilities mainly consist of commercial paper issues of EUR 35.0 (60.0) million, advance payments from Finnish pharmacies totalling EUR 21.8 (16.7) million and current lease liabilities totalling EUR 17.9 (0.6). Interest-bearing net debt was EUR 133.4 (105.0) million, and gearing 84.1% (55.3%).

The non-recourse trade receivables sales programmes were continued in Sweden. At the end of September 2019, a total of EUR 154.6 (114.4) million in trade receivables had been sold. Including the sold trade receivables, the adjusted gearing was 181.6% (115.5%). The figure in 2019 was impacted by the increase of interest-bearing liabilities by EUR 83.6 million due to the application of IFRS 16. The average interest rate on the interest bearing liabilities excluding lease liabilities recognised due to the application of IFRS 16 was 0.94% (0.92%).

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 September 2019.

At the end of the reporting period Oriola's equity ratio was 15.6% (20.8%). Return on capital employed was 5.8% (12.5%), and return on equity 7.8% (14.8%).

Investments and depreciation

Gross investments in January–September 2019 totalled EUR 14.2 (32.4) million and consisted mainly of investments in logistics, information systems, and opening of new pharmacies.

Depreciation, amortisation and impairment amounted to EUR 32.2 (18.1) million. The figure in 2019 includes impairment charges relating to restructurings totalling EUR 1.0 million as well as depreciation charges totalling EUR 13.6 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 25 million.

Personnel

At the end of September 2019, Oriola had 2,852 (2,688) employees, 60% (59%) of whom worked in Consumer, 16% (19%) in Pharma, and 21% (19%) in Retail. The group administration employed 2% (2%) of the total number of employees. The average number of personnel in January-September 2019 was 2,784

(2,697). 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.

Composition of Oriola Corporation's Shareholders' Nomination Board

The largest shareholders of Oriola Corporation appointed on 23 September 2019 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

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 0.14 % 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-Sep 2019		Jan-Sep 2018	
	class A	class B	class A	class B
Trading volume, million	2.4	18.3	2.2	32.4
Trading volume, EUR million	5.1	39.0	6.5	90.6
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	2.06	2.09	2.80	2.83

Oriola Corporation's market capitalisation on 30 September 2019 was EUR 377.6 (511.3) million.

In the review period, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 11.4% (19.1%) of the total number of shares.

At the end of September 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 September 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 monitored by authorities in both operating countries. 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 financial statements release for 1 January – 31 December 2019 on 7 February 2020.

Espoo, 24 October 2019

Oriola Corporation
Board of Directors

Consolidated statement of comprehensive income (IFRS)

EUR million	2019 7-9	2018 7-9	2019 1-9	2018 1-9	2018 1-12
Net sales	429.0	369.9	1,274.6	1,157.5	1,552.2
Other operating income	2.4	11.3	8.3	17.5	20.4
Materials and supplies	-340.4	-284.6	-1,006.9	-893.9	-1,203.5
Employee benefit expenses	-40.5	-38.1	-128.5	-123.5	-165.8
Other operating expenses	-34.6	-34.9	-98.9	-105.7	-147.5
Depreciation, amortisation and impairments	-11.4	-6.1	-32.2	-18.1	-24.1
Share of results in joint venture	-	-1.2	-	-3.7	-4.6
Impairment on investments in joint ventures	-	-	-	-	-5.1
EBIT	4.5	16.5	16.3	30.0	22.0
Financial income and expenses	-1.3	-0.7	-4.0	-2.4	-3.0
Profit before taxes	3.3	15.8	12.3	27.6	19.0
Income taxes	-0.7	-3.6	-2.7	-6.5	-6.3
Profit for the period	2.6	12.2	9.6	21.1	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	-2.9	3.3	-9.9	-10.6	-9.3
Cash flow hedge	0.0	0.2	-0.1	0.1	0.1
Income tax relating to other comprehensive income	-0.0	-0.0	0.0	-0.0	-0.0
	-2.9	3.4	-10.0	-10.6	-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	-0.3	15.6	-0.3	10.6	2.1
Profit attributable to					
Parent company shareholders	2.6	12.2	9.6	21.1	12.7
Total comprehensive income attributable to					
Parent company shareholders	-0.3	15.6	-0.3	10.6	2.1
Earnings per share attributable to parent company shareholders, EUR:					
Basic	0.01	0.07	0.05	0.12	0.07
Diluted	0.01	0.07	0.05	0.12	0.07

Consolidated statement of financial position (IFRS)

EUR million	30 Sep 2019	30 Sep 2018	31 Dec 2018
Non-current assets			
Property, plant and equipment	155.4	77.1	77.2
Goodwill	265.9	273.2	274.3
Other intangible assets	68.8	75.2	75.1
Investments in joint ventures	-	4.3	-
Other non-current assets	9.7	9.7	9.7
Deferred tax assets	5.2	2.2	2.7
Non-current assets total	504.9	441.7	439.0
Current assets			
Inventories	244.5	216.5	214.1
Trade receivables	200.8	205.9	180.2
Income tax receivables	8.9	5.7	6.6
Other receivables	17.5	27.6	22.0
Cash and cash equivalents	64.7	31.7	65.8
Current assets total	536.4	487.4	488.7
Assets total	1,041.3	929.1	927.7

EUR million	30 Sep 2019	30 Sep 2018	31 Dec 2018
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	-38.5	-29.9	-28.6
Retained earnings	66.9	89.5	79.8
Equity attributable to the parent company shareholders	158.6	189.9	181.5
Non-current liabilities			
Deferred tax liabilities	14.3	13.8	15.6
Pension obligations	13.5	12.0	13.9
Interest-bearing liabilities	123.4	59.1	59.1
Other non-current liabilities	1.1	0.9	0.9
Non-current liabilities total	152.3	85.8	89.5
Current liabilities			
Trade payables	609.2	531.6	536.5
Provisions	5.5	0.1	3.3
Interest-bearing liabilities	74.8	77.6	70.3
Income tax payables	0.2	1.5	0.7
Other current liabilities	40.7	42.7	45.9
Current liabilities total	730.4	653.5	656.7
Equity and liabilities total	1,041.3	929.1	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	-	-	-	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
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	-	-	-	9.6	9.6
Other comprehensive income:					
Cash flow hedge	-	-0.1	-	-	-0.1
Income tax relating to other comprehensive income	-	0.0	-	-	0.0
Translation difference	-	-	-9.9	-	-9.9
Comprehensive income for the period total	-	-0.1	-9.9	9.6	-0.3
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	-	-	-	-16.2	-16.2
Equity 30 Sep 2019	36.2	94.0	-38.5	66.9	158.6

¹ Net of tax

Condensed consolidated statement of cash flows (IFRS)

EUR million	2019 1-9	2018 1-9	2018 1-12
EBIT	16.3	30.0	22.0
Depreciation and amortisation	31.2	18.1	24.1
Impairment	1.0	-	-
Share of result in joint venture	-	3.7	4.6
Impairment on investment in joint venture	-	-	5.1
Change in working capital	13.8	14.5	57.2
Cash flow from financial items and taxes	-8.5	-11.4	-13.3
Other adjustments	3.2	-0.4	3.1
Net cash flow from operating activities	57.0	54.4	102.8
Net cash flow from investing activities	-14.2	-34.5	-41.5
Net cash flow from financing activities	-43.8	-5.0	-12.3
Net change in cash and cash equivalents	-1.0	14.9	48.9
Cash and cash equivalents at the beginning of the period	65.8	17.0	17.0
Translation differences	-0.1	-0.1	-0.1
Net change in cash and cash equivalents	-1.0	14.9	48.9
Cash and cash equivalents at the end of the period	64.7	31.7	65.8

Notes to the Interim Report January–September 2019

Principal accounting policies as of 1 January 2019 (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 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 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 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 assets and liabilities recognised on leases 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 applies 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–September 2019 the Group recognised depreciation expense on right-of-use assets from former operating lease contracts totalling EUR 13.6 million and interest expenses totalling EUR 1.5 million. The rent expenses reversed from other operating expenses relating to these contracts totalled EUR 15.4 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	2018	2019	2018	2018
	7-9	7-9	1-9	1-9	1-12
Profit attributable to equity owners of the parent	2.6	12.2	9.6	21.1	12.7

Average number of outstanding shares (1000 shares)

Basic	181,401	181,382	181,392	181,353	181,361
Diluted	181,486	181,486	181,486	181,457	181,464

Earnings per share (EUR)

Basic	0.01	0.07	0.05	0.12	0.07
Diluted	0.01	0.07	0.05	0.12	0.07

Tangible and intangible assets

Changes in property, plant and equipment, EUR million	2019	2018	2018
	1-9	1-9	1-12
Carrying amount at the beginning of the period	77.2	79.0	79.0
Increases	8.8	10.7	13.6
Decreases	-0.0	-0.3	-0.4
Reclassifications	-1.1	-	-
Depreciation	-8.5	-9.7	-12.7
Impairments	-1.0	-	-
Foreign exchange rate differences	-2.3	-2.6	-2.4
Carrying amount at the end of the period	73.0	77.1	77.2

Changes in right-of-use assets	2019
EUR million	1-9
Carrying amount 1 January 2019	97.3
Increases	7.8
Decreases	-4.9
Depreciation	-14.0
Foreign exchange rate differences	-3.7
Carrying amount at the end of the period	82.4

Changes in goodwill,	2019	2018	2018
EUR million	1-9	1-9	1-12
Carrying amount at the beginning of the period	274.3	282.7	282.7
Foreign exchange rate differences	-8.4	-9.5	-8.5
Carrying amount at the end of the period	265.9	273.2	274.3

Changes in other intangible assets,	2019	2018	2018
EUR million	1-9	1-9	1-12
Carrying amount at the beginning of the period	75.1	81.2	81.2
Increases	4.0	4.7	7.4
Decreases	-0.1	-0.0	-0.0
Reclassifications	0.2	-	-
Amortisation	-8.6	-8.4	-11.4
Foreign exchange rate differences	-1.8	-2.3	-2.1
Carrying amount at the end of the period	68.8	75.2	75.1

Derivatives

30 Sep 2019	Positive	Negative	Nominal
EUR million	fair value	fair value	values of
			contracts
Derivatives recognised as cash flow hedges			
Interest rate swaps	-	0.6	48.6
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.0	0.0	63.0

30 Sep 2018	Positive	Negative	Nominal
EUR million	fair value	fair value	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

Derivatives measured at fair value through profit and loss are mainly related to hedging of the 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 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	-	0.0	-	0.0

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

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	1-9	1-9	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	1-9	1-9	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	0.0
Payment of contingent consideration	-	-2.5	-2.5
Book value at the end of the period	-	-	-

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 Sep 2019	30 Sep 2018	31 Dec 2018
Commitments for own liabilities			
Guarantees on behalf of own companies	6.9	7.2	7.3
Mortgages on company assets	2.0	3.5	3.5
Other guarantees and liabilities	1.1	1.1	1.1
Total	10.0	11.8	11.9
Committed future minimum lease liabilities ¹	0.8	52.5	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 0.4 (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	7-9	7-9	1-9	1-9	1-12
Sales	-	0.4	0.2	7.7	8.8
Purchases	-	-0.0	-	-0.3	-0.3
Trade and other receivables			-	1.8	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.

1-9/2019				Group	
EUR million	Consumer	Pharma	Retail	items	Total
External Invoicing	571.6	1,971.7	210.9	-	2,754.2
Internal Invoicing	0.1	170.4	131.5	-302.0	-
Invoicing	571.7	2,142.1	342.4	-302.0	2,754.2
External Net Sales	559.2	505.4	210.0	-	1,274.6
Internal Net Sales	0.1	170.4	131.5	-302.0	-
Net Sales	559.3	675.9	341.4	-302.0	1,274.6
EBIT	8.3	13.0	-0.8	-4.2	16.3
Adjusted EBIT	12.4	13.5	-0.1	-5.6	20.2
Assets ¹	426.7	354.3	154.4	105.9	1,041.3
Liabilities ²	119.5	589.5	55.2	118.5	882.7
Investments	5.5	3.9	4.4	0.4	14.2
Depreciation, amortisation and impairments	22.0	6.0	4.1	0.1	32.2
Average number of personnel	1,661	491	562	71	2,784

1-9/2018				Group	
EUR million	Consumer	Pharma	Retail	items	Total
External Invoicing	573.6	1,830.1	185.5	-	2,589.2
Internal Invoicing	0.0	142.6	138.3	-280.9	-
Invoicing	573.7	1,972.7	323.8	-280.9	2,589.2
External Net Sales	561.1	411.9	184.4	-	1,157.5
Internal Net Sales	0.0	142.6	138.3	-280.9	-
Net Sales	561.1	554.5	322.8	-280.9	1,157.5
EBIT	14.6	17.0	5.9	-7.6	30.0
Adjusted EBIT	15.8	17.0	5.9	-7.0	31.7
Assets	396.9	322.3	122.7	87.3	929.1
Liabilities	49.1	494.7	56.3	139.2	739.3
Investments	4.2	7.2	1.0	19.9	32.4
Depreciation, amortisation and impairments	11.3	3.4	3.0	0.3	18.1
Average number of personnel	1,586	505	546	60	2,697

¹ Assets in 2019 include right-of-use assets totalling EUR 81.9 million recognised due to the application of IFRS 16, of which EUR 64.5 million are reported in Consumer, EUR 13.7 million in Pharma and EUR 3.7 million in Retail.

² Liabilities in 2019 include leasing liabilities totalling EUR 83.6 million recognised due to the application of IFRS 16, of which EUR 65.6 million are reported in Consumer, EUR 14.4 million in Pharma and EUR 3.5 million in Retail.

Geographical information

1-9/2019		Other		
EUR million	Sweden	Finland	countries	Total
Net Sales	907.4	298.5	68.8	1,274.6
Assets	738.6	302.7	0.0	1,041.3
Investments	11.8	2.4	-	14.2
Average number of personnel	2,070	713	1	2,784

1-9/2018		Other		
EUR million	Sweden	Finland	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

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.

1-9/2019				
EUR million	Consumer	Pharma	Retail	Total
Wholesale	-	458.0	124.5	582.5
Retail sale	559.2	-	-	559.2
Services	-	47.5	85.4	132.9
Net sales total	559.2	505.4	210.0	1,274.6

1-9/2018				
EUR million	Consumer	Pharma	Retail	Total
Wholesale	-	371.1	127.7	498.8
Retail sale	561.1	-	-	561.1
Services	-	40.8	56.8	97.5
Net sales total	561.1	411.9	184.4	1,157.5

Alternative performance measures

Key figures	2019	2018	Change	2019	2018	Change	2018
EUR million	7-9	7-9	%	1-9	1-9	%	1-12
Invoicing	917.3	844.2	8.7	2,754.2	2,589.2	6.4	3,518.4
Net sales	429.0	369.9	16.0	1,274.6	1,157.5	10.1	1,552.2
Adjusted EBIT ¹	9.8	17.5	-43.8	20.2	31.7	-36.2	36.9
EBIT	4.5	16.5	-72.6	16.3	30.0	-45.5	22.0
Adjusted EBIT %	2.3	4.7		1.6	2.7		2.4
EBIT %	1.1	4.5		1.3	2.6		1.4
Profit for the period	2.6	12.2	-79.1	9.6	21.1	-54.4	12.7
Earnings per share, EUR	0.01	0.07	-79.1	0.05	0.12	-54.4	0.07
Net cash flow from operating activities	12.9	3.3		57.0	54.4		102.8
Gross capital expenditure				14.2	32.4		39.6
Net interest-bearing debt ²				133.4	105.0		63.6
Gearing, % ²				84.1	55.3		35.1
Equity per share, EUR				0.87	1.05		1.00
Equity ratio, % ³				15.6	20.8		19.8
Return on equity (ROE), % ⁴				7.8	14.8		6.7
Return on capital employed (ROCE), % ⁵				5.8	12.5		6.9
Average number of shares, 1000 pcs ⁶				181,392	181,353		181,361
Average number of personnel				2,784	2,697		2,699
Number of personnel at the end of the period				2,852	2,688		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 83.6 million and the decrease of retained earnings by EUR 5.7 million due to the application of IFRS 16. Excluding the impact of IFRS 16 gearing would have been 30.3%.

³ Equity ratio in 2019 is impacted by the decrease of retained earnings by EUR 5.7 million and increase of total assets by EUR 78.0 million due to the application of IFRS 16. Excluding the impact of IFRS 16 equity ratio would have been 17.5%.

⁴ Return on equity in 2019 is impacted by the decrease of retained earnings by EUR 5.7 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on equity would have been 7.2%.

⁵ Return on capital employed in 2019 is impacted by the increase of total assets by EUR 78.0 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on capital employed would have been 6.6%.

⁶ Treasury shares held by the company not included

Reconciliation of alternative performance measures to IFRS

Invoicing	2019	2018	2019	2018	2018
EUR million	7-9	7-9	1-9	1-9	1-12
Net sales	429.0	369.9	1,274.6	1,157.5	1,552.2
+ Acquisition cost of consignment stock	484.3	470.2	1,466.7	1,418.7	1,948.0
+ Cash discounts	4.0	4.1	12.9	13.0	18.2
Invoicing	917.3	844.2	2,754.2	2,589.2	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 7-9	2018 7-9	2019 1-9	2018 1-9	2018 1-12
Restructuring costs	-5.3	0.0	-5.3	-0.7	-0.8
Costs and impairment charges relating to Hehku	-	-	1.5	-	-12.7
Revaluation of contingent consideration	-	-0.1	-	-0.1	-0.1
Legal fees related to the change of the provider for the new logistics and warehouse IT system	-	-	-	-	-0.3
Other	-	-0.9	-	-0.9	-0.9
Adjusting items total	-5.3	-1.0	-3.9	-1.7	-14.9

Adjusting items in 2019 consist of restructuring costs including impairment charges totalling EUR 1.0 million as well as 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.