

# **Oriola Corporation's Interim Report 1 January – 30 September 2017**

**Released on 25 October 2017 at 8.30 a.m.**



**Oriola Corporation Stock Exchange Release 25 October 2017 at 8.30 a.m.****Oriola Corporation's Interim Report January-September 2017****Financial performance July–September 2017, continuing operations**

- Invoicing increased by 1.3 (increased 4.7) per cent to EUR 823.1 (812.2) million
- Net sales decreased by 1.4 (increased 4.7) per cent to EUR 377.6 (382.9) million
- Adjusted EBITDA decreased by 27.3 (increased 1.8) per cent to EUR 16.7 (23.0) million
- Adjusted EBIT was EUR 9.7 (16.5) million
- Profit for the period totalled EUR 8.0 (11.8) million and earnings per share were EUR 0.04 (0.07)

**Financial performance January–September 2017, continuing operations**

- Invoicing decreased by 1.6 (increased 5.9) per cent to EUR 2,464.8 (2,505.7) million
- Net sales decreased by 3.8 (increased 0.6) per cent to EUR 1,132.5 (1,177.4) million
- Adjusted EBITDA decreased by 14.4 (increased 3.8) per cent to EUR 54.5 (63.7) million
- Adjusted EBIT was EUR 33.7 (44.6) million
- Profit for the period totalled EUR 23.8 (31.0) million and earnings per share were EUR 0.13 (0.17)

**Outlook for 2017**

The implementation of the new ERP and warehouse management system in Finland in the beginning of September met unexpected difficulties, resulting in disruptions in the Finnish distribution. The operation experienced lower efficiency and unplanned disruptions in picking and delivery. Oriola lost approximately EUR 4 million of net sales as non-pharmaceutical products were released into distribution only partly in September. The impact of the lost sales, and the additional costs of resourcing extra working shifts and ensuring the availability of critical medicines to pharmacies, hospitals and veterinarians lowered the third quarter adjusted EBIT of the Services segment by EUR 5 million. The effects of the system ramp-up will continue to burden also the fourth quarter of 2017.

The result of the Consumer business will remain below 2016 level. Oriola's and Kesko's joint health and wellbeing store chain was approved by the competition authorities in June 2017, and the joint venture agreement was finalized on June 30. Oriola reports 50 per cent of the result of the joint venture in the Consumer segment EBIT. The joint venture is expected to be loss making during the build-up phase 2017 – 2019. Oriola's share of the loss in 2017 is estimated to be EUR 1.5 million.

In the Healthcare business the costs for starting the Swedish dose dispensing production for the Norrland region are higher than anticipated, and the result of the Healthcare segment will stay negative in 2017.

Oriola divested its businesses in the Baltic countries on 18 October 2017. In the Interim report the Baltic businesses are classified as discontinued operations and the assets and related liabilities are classified as Assets for sale. The net sales of the Baltic businesses in 2016 were EUR 54 million and the Adjusted EBIT EUR 1.2 million.

The Adjusted EBIT of continuing operations on constant currency basis is estimated to decrease from the 2016 level. The adjusted EBIT was EUR 59.3 million in 2016.

**President and CEO Eero Hautaniemi:**

In the Services business the major change happened in Finland, where the new ERP and warehouse management system was taken into use in the beginning of September. The new system started with unexpected difficulties, and a lot of effort was needed to bring the delivery performance back to normal level. During the first two weeks of September the service level in pharmaceuticals dropped to an average 72 per cent, and by the end of September 95 per cent of the pharmaceutical orders were delivered to pharmacies within the promised 24 hours. During October the performance levels in pharmaceutical deliveries have returned to normal, and non-pharmaceuticals will return to normal by the end of the month.

The personnel of Oriola Finland have done their utmost to resolve these difficulties, deliver the pharmaceuticals and inform the customers under great pressure. Our customers, pharmacies and pharmaceutical companies alike, have shown their support in helping us, and secure the delivery of critical medicines to the consumers. I want to thank both our customers and personnel for the flexibility and co-operation under this transition time.

In the third quarter we continued our work on the development actions started during the second quarter in the Consumer business in Sweden. The competition in the market is intensive and the cost of online development, newly established pharmacies, and the start-up costs of the Finnish health and wellbeing chain burdened Consumer business area profitability. The online sales in the Swedish pharmaceutical retail market continues to grow at a fast pace and is estimated to reach approximately 7 per cent of the Swedish pharmaceutical retail market by the end of 2017. Our online sales have developed well, and based on the Company's estimates have grown faster than the market in 2017. The preparation work for the launch of Oriola's and Kesko's new chain of comprehensive wellbeing stores in Finland continued. The first stores are planned to be opened in the beginning of 2018.

The Healthcare business continued the work on efficiency improvements in the dose dispensing, in order to improve the profitability in Sweden. At the end of September 2017 Oriola served approximately 68,000 persons with dose dispensing in Sweden and Finland.

<b>Key figures, continuing operations</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>2016</b>
<b>EUR million</b>	<b>7-9</b>	<b>7-9</b>	<b>%</b>	<b>1-9</b>	<b>1-9</b>	<b>%</b>	<b>1-12</b>
Invoicing	823.1	812.2	1.3	2,464.8	2,505.7	-1.6	3,364.2
Net sales	377.6	382.9	-1.4	1,132.5	1,177.4	-3.8	1,588.6
Adjusted EBITDA	16.7	23.0	-27.3	54.5	63.7	-14.4	85.4
Adjusted EBITDA %	4.4	6.0		4.8	5.4		5.4
Adjusted EBIT <sup>1)</sup>	9.7	16.5	-41.5	33.7	44.6	-24.4	59.9
EBIT	10.7	16.3	-34.6	33.9	43.6	-22.2	57.6
Adjusted EBIT %	2.6	4.3		3.0	3.8		3.8
EBIT %	2.8	4.3		3.0	3.7		3.6
Profit for the period	8.0	11.8	-32.2	23.8	31.0	-23.3	41.8
Earnings per share, EUR, continuing operations	0.04	0.07	-32.2	0.13	0.17	-23.3	0.23
Earnings per share, EUR, discontinued operations	-0.00	0.00	-102.2	0.00	0.01	-43.9	0.01
Net cash flow from operating activities <sup>2)</sup>	-24.0	19.4		12.7	14.4		40.2
Gross capital expenditure				37.0	73.3		88.6
Total assets <sup>2)</sup>				950.8	929.3		925.4
Net interest-bearing debt <sup>2)</sup>				120.5	81.7		72.3
Gearing, % <sup>2)</sup>				59.8	42.5		35.2
Net debt / 12-month EBITDA <sup>2)</sup>				1.6	0.9		0.8
Equity per share, EUR <sup>2)</sup>				1.11	1.06		1.13
Equity ratio, % <sup>2)</sup>				22.0	21.5		22.7
Return on equity (ROE), % <sup>2)</sup>				16.3	22.7		21.4
Return on capital employed (ROCE), % <sup>2)</sup>				13.9	18.3		17.8
Average number of shares, 1000 pcs <sup>3)</sup>				181,357	181,374		181,389
Average number of personnel				2,727	2,340		2,425
Number of personnel at the end of the period				2,896	2,711		2,669

<sup>1)</sup> Adjustment items are specified in table "Adjusting items included in EBIT"

<sup>2)</sup> Includes discontinued operations

<sup>3)</sup> 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 2017. The complete report is attached to this release in pdf format and is also available on Oriola's website at [www.oriola.com/investors](http://www.oriola.com/investors).

## Analyst and investor meeting

Oriola Corporation will organize a meeting for investors, analysts and the press on Wednesday, 25 October 2017 at 10.00 a.m. at Hotel Scandic Simonkenttä, meeting room Pavilion, Simonkatu 9, 00100 Helsinki, Finland.

A teleconference on the financial information will be held by Oriola Corporation on the same day starting at 2.00 p.m. Finnish time, tel. +44 20 3059 8125, confirmation code "Oriola". The event can be followed live as an audiocast accessible at [www.oriola.com/investors](http://www.oriola.com/investors). The language of the teleconference will be English.

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## Oriola Corporation's Interim Report January– September 2017

The commentary of this Interim Report comprises of the continuing operations of the Company unless otherwise stated. The result of the Baltic businesses classified as assets held for sale are presented as discontinued operations separately from the results from continuing operations in 2017 and 2016. The consolidated statement of financial position includes the assets and liabilities of discontinued operations.

### The Group's net sales and result for July–September 2017, continuing operations

Oriola's third quarter net sales were EUR 377.6 (382.9) million. Adjusted EBIT was EUR 9.7 (16.5) million. The adjusting items were EUR +1.0 (-0.2) million, and EBIT was EUR 10.7 (16.3) million.

The third quarter invoicing grew by 1.3 per cent. The invoicing increased in all Swedish businesses but the growth was partly offset by decreases in Finland. The profitability improved in the Swedish Services business, but was weaker in other areas.

Oriola's net financial expenses were EUR 0.6 (1.3) million. Profit for the period was EUR 8.0 (11.8) million. Earnings per share were EUR 0.04 (0.07).

### The Group's net sales and result for January–September 2017, continuing operations

Oriola's net sales decreased by 3.8 (increased 0.6) per cent to EUR 1,132.5 (1,177.4) million and adjusted EBIT decreased by 24.4 (decreased 0.2) per cent to EUR 33.7 (44.6) million. The adjusting items were EUR +0.2 (-1.0) million, and EBIT was EUR 33.9 (43.6) million.

Invoicing decreased by 1.6 (increased 5.9) per cent, at comparable currencies invoicing decreased by 0.2 per cent. Invoicing decreased mainly in the Services business area due to changes in pharmaceutical distribution in Sweden. In the Healthcare business area invoicing doubled from previous year as the Norrland dose dispensing service started in February. The profitability improved in the Services business area in Sweden, but weakened in other businesses.

January–September net sales at comparable exchange rate EUR/SEK were EUR 1,151.5 million. The depreciation of the Swedish krona from the corresponding period impacted the euro denominated EBIT by EUR -0.7 million, and the adjusted EBIT at comparable currency rate was EUR 34.4 million.

Oriola's net financial expenses were EUR 3.3 (3.7) million. Profit for the period was EUR 23.8 (31.0) million. Income taxes for January–September were EUR 6.8 (8.8) million, which corresponds to effective tax rate of 22.3 (22.1) per cent. Earnings per share were EUR 0.13 (0.17).

## Reporting segments

Oriola's reporting segments are Consumer, Services and Healthcare. The Baltic businesses are classified as discontinued operations from June 2017 onwards and are not included in the segment figures in 2017 and 2016. Previously they were part of the Consumer and Services segments.

### Consumer

The Consumer segment focuses on the needs of the consumers' for health and wellbeing related products and services. The business consists of retail business in Sweden and Finland, whereof over 90 per cent of the net sales originates from the Swedish retail business.

<b>Key Figures, continuing operations</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>2016</b>
<b>EUR million</b>	<b>7-9</b>	<b>7-9</b>	<b>%</b>	<b>1-9</b>	<b>1-9</b>	<b>%</b>	<b>1-12</b>
Invoicing	191.6	190.4	0.6	587.2	596.4	-1.5	790.2
Net Sales	187.2	186.1	0.6	573.3	582.7	-1.6	771.9
Adjusted EBIT	7.6	9.4	-19.3	20.8	25.8	-19.5	33.1
Adjusted EBIT %	4.0	5.0		3.6	4.4		4.3
Number of personnel at the end of period	1,742	1,591		1,742	1,591		1,630

### July–September 2017

The third quarter net sales in Consumer segment increased by 0.6 per cent from the comparison period. The profitability decreased due to costs of developing online sales and store chains. The net sales of Consumer Sweden in Swedish krona grew by 1.3 per cent.

Net decrease in Oriola's number of pharmacies in Sweden was 1 in the third quarter of 2017.

### January–September 2017

The pharmaceutical retail market in Sweden grew by 3.2 (5.9) per cent in Swedish krona in January–September 2017 (source: Apoteksforening). Parallel imports' share of the Swedish pharmaceutical market was 11.8 (11.4) per cent (source: QuintilesIMS). The number of pharmacies in Sweden increased by 6 in January–September 2017. At the end of September there were 1,408 (1,384) pharmacies in Sweden.

Oriola's market share in the pharmaceutical retail market in Sweden in January–September 2017 was 17.8 (18.1) per cent (source: Apoteksforening). The relative share of OTC and traded goods from the net sales was 26.7 (27.2) per cent. At the end of the reporting period, Oriola had 323 (315) pharmacies in Sweden. Oriola established 4 new pharmacies and closed 5 pharmacies, and the number of pharmacies in January–September decreased by 1.

The online sales in the Swedish pharmaceutical retail market continues to grow at a fast pace and is estimated to reach approximately 7 per cent of the Swedish pharmaceutical retail market by the end of the year. Oriola's online sales has developed well and based on the company's estimates has grown faster than the market in 2017.

The net sales decreased by 1.6 (increased 3.5) per cent to EUR 573.3 (582.7) million, and on a constant currency basis, net sales increased by 0.6 (increased 3.5) per cent. Adjusted EBIT decreased by 19.5 (decreased 1.1) per cent to EUR 20.8 (25.8) million. On a constant currency basis adjusted EBIT decreased by 17.6 (decreased 1.0) per cent. The cost of newly established pharmacies, store and online development and marketing weakened the profitability.

Oriola Corporation and Kesko Corporation announced the establishment of a new store chain in Finland, specialising in comprehensive wellbeing in March 2017. The first stores are planned to be opened in the beginning of 2018. During the years 2018–2020 the plan is to establish a chain of 100 stores. The investment in total is estimated to be EUR 25 million and the business is estimated to be loss-making during the build-up phase. Oriola's share is 50 per cent of the investment and the result. Oriola has decided to report its share of the result in the Consumer segment.

## Services

The Services segment offers tailored services to pharmaceutical companies and pharmacies in Sweden and Finland. In addition the Services segment offers sales and marketing services of large assortment of traded goods in Finland.

Key Figures, continuing operations EUR million	2017	2016	Change	2017	2016	Change	2016
	7-9	7-9	%	1-9	1-9	%	1-12
Invoicing	698.8	695.6	0.5	2,085.0	2,157.8	-3.4	2,899.8
Net Sales	257.7	270.6	-4.8	767.0	843.2	-9.0	1,142.6
Adjusted EBIT	3.6	8.5	-57.2	19.3	24.5	-21.1	33.7
Adjusted EBIT %	1.4	3.1		2.5	2.9		2.9
Number of personnel at the end of period	987	959		987	959		874

### July–September 2017

The Services segment's invoicing increased by 0.5 per cent during the third quarter due to good development in Sweden.

Oriola's new ERP and enterprise warehouse management system was taken into production use in Finland early September. The ramp-up phase was prolonged and caused Oriola to lose sales and incur additional costs. The impact on adjusted EBIT was EUR -5 million.

The delivery volume of the pharmaceutical products in Finland was in the end of September 95 per cent, and in the traded goods 85 per cent of orders. In order to secure the delivery of the pharmaceuticals, not all traded goods were released into distribution. Related to the system change, the Finnish Medicines Agency, Fimea, inspected Oriola Finland's pharmaceutical wholesale operations and gave their report on the findings in the end of September. Based on that report Oriola Finland still needs to implement improvements into the new wholesale processes and systems. The company is committed to implement the changes.

### January–September 2017

The pharmaceutical market at wholesale prices in Sweden grew by 3.3 (5.5) per cent in Swedish krona in January–September 2017 (source: Reveal). Oriola's share of the Swedish pharmaceutical wholesale market was approximately 34 (40) per cent (Oriola estimate).

The Finnish pharmaceutical market at wholesale prices grew by 2.1 (3.7) per cent in January–September 2017 (source: LTK). Oriola's share of the Finnish pharmaceutical wholesale market was 46 (46) per cent (source: ATY).

The invoicing of the Services segment decreased from the previous year by 3.4 (increased 5.8) per cent to EUR 2,085.0 (2,157.8) million. On a constant currency basis invoicing decreased by 2.1 (increased 5.8) per cent. The decrease is mainly due to the end of the distribution agreement with pharmaceutical company Abbvie in Sweden in the beginning of 2017. Net sales decreased by 9.0 (decreased 1.4) per cent to EUR 767.0 (843.2) million, and on a constant currency basis, net sales decreased by 7.7 (decreased 1.3) per cent. Adjusted EBIT decreased by 21.1 (increased 4.9) per cent to EUR 19.3 (24.5) million. On a constant currency basis adjusted EBIT decreased by 20.2 (increased 4.9) per cent. The profitability developed well in Sweden, but was burdened in Finland by the system implementation and the resulting difficulties in distribution.

## Healthcare

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

<b>Key Figures</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>2016</b>
<b>EUR million</b>	<b>7-9</b>	<b>7-9</b>	<b>%</b>	<b>1-9</b>	<b>1-9</b>	<b>%</b>	<b>1-12</b>
Invoicing	17.1	10.7	59.6	48.3	23.8	103.1	36.3
Net Sales	17.0	10.7	58.6	47.9	23.8	101.6	36.2
Adjusted EBIT	-0.3	0.0	n.a.	-1.5	-1.2	-25.7	-1.0
Adjusted EBIT %	-1.9	0.0		-3.2	-5.2		-2.7
Number of personnel at the end of period	123	118		123	118		120

### July–September 2017

The third quarter net sales of Healthcare business were EUR 17.0 (10.7) million. Adjusted EBIT was EUR -0.3 (0.0) million. The volume of the dose dispensing business in Sweden developed well due to dose dispensing agreement for Norrland region but ramp-up costs weakened the profitability.

### January–September 2017

The net sales of Healthcare business were EUR 47.9 (23.8) million. Adjusted EBIT was EUR -1.5 (-1.2) million. Amortisation related to acquisition of Svensk Dos and PharmaService affected Healthcare EBIT by EUR -1.2 (-1.1) million.

Dose dispensing for Norrland region started in February 2017 and covers service for approximately 19,000 persons. At the end of September 2017 Oriola served approximately 68,000 persons with dose dispensing in Sweden and Finland.

### Balance sheet, cash flow and financing

Oriola's total assets at 30 September 2017 were EUR 950.8 (929.3) million. Equity attributable to the equity holders was EUR 201.4 (192.3) million. Cash and cash equivalents totalled EUR 15.7 (69.5) million. Net cash flow from operations in January–September 2017 was EUR 12.7 (14.4) million, of which changes in working capital accounted for EUR -23.0 (-48.4) million. The system implementation in Finland had a temporary EUR 30 million negative impact on working capital. Net cash flow from investing activities was EUR -36.2 (-64.8) million. Net cash flow from financing activities was EUR -21.6 (-2.2) million. The dividend of EUR 25.4 million was distributed to the shareholders in April 2017.

At the end of September 2017, interest-bearing debt was EUR 136.2 (151.2) million. The long-term interest-bearing liabilities were EUR 62.1 (59.8) million and short-term interest-bearing liabilities were EUR 74.1 (91.4) million. Short-term liabilities mainly consist of commercial paper issues of EUR 36.0 (45.0) million and advance payments from Finnish pharmacies EUR 36.9 (34.4) million. Short term liabilities at the end of September 2016 included also syndicated loans EUR 10.4 million. Interest-bearing net debt was EUR 120.5 (81.7) million, and gearing 59.8 (42.5) per cent.

The non-recourse trade receivables sales programmes were continued in Sweden in January–September 2017. At the end of September 2017, a total of EUR 106.7 (115.2) million in trade receivables had been sold. Including the sold trade receivables, the adjusted gearing was 112.8 (102.3) per cent. The average interest rate on the interest bearing liabilities was 0.94 (1.24) per cent.

During the second quarter of 2017 Oriola Corporation rearranged its long-term revolving credit facility and term loan agreement. The revolving credit facility of EUR 100 million replaced the earlier financing agreement that was signed on 11 June 2015. The revolving credit facility will mature in five years from the signing of the agreement. The agreement includes financial covenants that are maximum Net Debt to EBITDA -ratio of 3.0 and maximum Net Debt to Equity ratio of 100 per cent. The covenants are the same as in the previous credit facility. In the same context, the company paid off the loan of SEK 550 million, which was due in 2018, and raised a new three-year SEK 290 million bilateral loan.

The committed long-term revolving credit facility of EUR 100.0 million and EUR 15.2 million of short-term credit limit were unused at the end of September.

At the end of September 2017 Oriola's equity ratio was 22.0 (21.5) percent. Return on capital employed was 13.9 (18.3) per cent.

## Investments and depreciation, continuing operations

Gross investments in January–September 2017 totalled EUR 37.0 (73.3) million and consisted of investments into the acquisition of ICTHS Health Support AB, opening of new pharmacies, information and dose dispensing systems and improvements in logistics efficiency as well as investment in the new health and wellbeing store chain established with Kesko. Depreciation, amortisation and impairment amounted to EUR 19.4 (25.5) million.

The Board of directors decided in June 2017 to continue IT platform investment with the implementation in the Swedish Services business. The investment of EUR 11 million was planned to be realised during 2017 and 2018. However, after the difficulties in the implementation in Finland, the plan is under re-evaluation.

The capital expenditure in 2017 is estimated to be approximately EUR 50 million.

The investments into IT platform and logistics efficiency will increase the depreciation and amortization in the future, from the EUR 26 million in 2016 up to EUR 32 million by 2020.

## Personnel, continuing operations

At the end of September 2017, Oriola had 2,896 (2,711) employees, 60 (59) per cent of whom worked in the Consumer segment, 34 (35) per cent in Services segment, and 4 (4) per cent in Healthcare segment. The group administration employed 2 (2) percent of the total number of employees. Personnel numbers consist of members of staff in active employment in continuing operations.

## Changes in Group Management

Stig Tornell, Vice President of the Consumer Business area and a member of the Group Management Team left the company on March 31, 2017.

Anders Torell was appointed Vice President, Consumer Business area and member of the Group Management Team and will start in the beginning of January, 2018. Eero Hautaniemi, President and CEO, acts as the leader of the Consumer Business Area in the interim.

## Corporate Governance

The Annual General Meeting (AGM), held on 14 March 2017 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 2016.

The AGM resolved that a dividend of EUR 0.14 per share shall be paid on the basis of the balance sheet adopted for the financial year ending 31 December 2016. The payment date of the dividend was 12 April 2017.

The AGM confirmed that the Board of Directors is composed of seven members. Current members of the Board of Directors Anja Korhonen, Mariette Kristenson, Kuisma Niemelä, Eva Nilsson Bågenholm, Lena Ridström, Staffan Simberg and Anssi Vanjoki were re-elected to the Board of Directors. 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 per cent shall be paid in cash and 40 per cent in Oriola Corporation's class B shares. 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 also appointed Ms Anja Korhonen (Chairman), Mr Kuisma Niemelä and Mr Staffan Simberg to the Board's Audit Committee, and Ms Eva Nilsson Bågenholm (Chairman), Ms Mariette Kristenson, and Ms Lena Ridström to the Board's Remuneration Committee.



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

Authorised Public Accountants PricewaterhouseCoopers Oy, who has nominated authorized public accountant Ylva Eriksson as principal auditor, was re-elected as the auditor of the company.

The AGM resolved to amend Article 1 of the company's Articles of Association in accordance with the proposal of the Board of Directors as follows: the corporate name of the company is Oriola Oyj, Oriola Abp in Swedish and Oriola Corporation in English. According to this decision the new name of the company has been entered into the trade register on 30 March 2017.

All decisions of the Annual General Meeting are available on the company's website [www.oriola.com](http://www.oriola.com).

The Board of Directors of Oriola Corporation appointed on 28 September 2017 the company's Nomination Committee. The committee members are: Pekka Pajamo (chairman), Peter Immonen, Mikael Aro, Mikko Mursula and Into Ylppö.

The Corporate Governance Statement and the Remuneration Statement for 2016 can be viewed on the company's website at: <http://www.oriola.com/CorporateGovernance>. The Corporate Governance Statement and the Remuneration Statement for 2016 have been prepared in accordance with the Finnish Corporate Governance Code 2015.

## 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 and includes the right to derogate from the shareholders' pre-emptive subscription right. Pursuant to the authorisation, shares held by the company as treasury shares may also be sold through trading on a regulated market organised by NASDAQ Helsinki Ltd. The authorisation is in effect for a period of eighteen months from the decision of the AGM.

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 per cent of all shares in the company and includes the right to derogate from the shareholders' pre-emptive subscription right. Pursuant to the authorisation, class B shares held by the Company as treasury shares may also be sold on regulated market organised by NASDAQ Helsinki Ltd. The authorisation is in effect for a period of eighteen months from the decision of the AGM.

The authorisations revoke all previous share issue authorisations given to the Board of Directors apart from the authorisation given to the Board of Directors by the Annual General Meeting held on 20 March 2013, pursuant to which the Board of Directors may decide upon directed share issues against or without a payment concerning no more than 1,715,000 class B shares in order to execute the share-based incentive plan for the Oriola Group's executives and the share savings plan for the Oriola Group's key personnel.

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 of the company's own class B shares, representing approximately 9.92 per cent of all shares in the company. The authorisation may only be used in such a way that in total no more than one tenth 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 also in a proportion other than in which shares are owned by the Shareholders. 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. The authorisation to repurchase own shares is in force for a period of not more than eighteen months from the decision of the AGM. This authorisation revokes the authorisation given to the Board of Directors by the AGM on 14 March 2016 in respect of repurchase of the company's own class B shares.

## Oriola Corporation shares

Trading volume of the Oriola Corporation's class A and B shares in January–September 2017:

Trading volume	Jan-Sep 2017		Jan-Sep 2016	
	class A	class B	class A	class B
Trading volume, million	2.0	25.2	1.3	16.6
Trading volume, EUR million	7.7	95.6	5.5	69.2
Highest price, EUR	4.53	4.43	4.50	4.65
Lowest price, EUR	3.43	3.36	3.70	3.65
Closing quotation, end of period, EUR	3.68	3.40	4.10	4.05

Oriola Corporation's market capitalisation on 30 September 2017 was EUR 632.6 (737.8) million.

In the review period, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 15.0 (9.9) per cent of the total number of shares.

At the end of September 2017, the company had a total of 181,486,213 (181,486,213) shares, of which 55,434,273 (55,484,648) were class A shares and 126,051,940 (126,001,565) were class B shares. The company has 241,822 (96,822) treasury shares, all of which are class B shares. They account for 0.13 (0.05) per cent of the company's shares and 0.02 (0.01) per cent 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 2017, Oriola Corporation's 50,375 (0) A-shares were converted into B-shares. The conversion was entered into the Trade Register on 4 January 2017. After the conversion there are 55,434,273 A-shares and 126,051,940 B-shares in the company. The total number of shares is 181,486,213 and the total number of votes is 1,234,737,400.

### 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 covers five 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 to be paid in 2018 on the basis of the performance period 2015 correspond to the value of 247,541 Oriola Corporation class B shares, including the proportion to be 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 prerequisite for participation in the plan is that a key person has enrolled in the share saving plan, OKShares, and makes monthly saving from his or her fixed gross monthly salary.

The potential reward from the performance period 2016 is based on the Group's EPS. The rewards to be paid in 2018 on the basis of the performance period 2016 correspond to the value of 166,605 Oriola Corporation class B shares, including the proportion to be paid in cash. Similarly the potential reward from the performance period 2017 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 to be transferred to eligible participants in 2018 on the basis of the savings period 1.10.2015–31.12.2016 correspond to the value of 53,082 Oriola Corporation class B shares, including the proportion to be paid in cash.

A total of 48 key employees participate in the Oriola Corporation key personnel share savings plan for the savings period 1 January–31 December 2017. 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 2019.

## **Purchase of own shares for the incentive programs**

The Board of Directors of Oriola Corporation resolved in its meeting on 20 June 2017 to use the authorization granted by the Annual General Meeting held on 14 March 2017 to acquire Oriola's class B shares and initiate a share repurchase programme. The repurchase of shares is carried out in order to fulfil obligations pertaining to the company's share-based incentive schemes. The repurchasing of shares commenced on 24 July 2017, and ended on 7 August 2017. In total 145,000 class B shares were purchased, corresponding to approximately 0,08 per cent of the total number of all issued shares. The repurchase programme has been completed.

## **Changes in Group Structure January–September 2017**

Oriola completed the acquisition of the Swedish expert services company ICTHS Health Support AB during the third quarter. In 2016 the company's net sales were approximately 5 million euros, and the company employs 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.

A decision to complete the following subsidiary mergers has been made in order to simplify Oriola Group structure:

Farenta 3 Oy will merge into Farenta Oy. Farenta 4 Oy will merge into Farenta Oy. Secret Files Oy will merge into Farenta Oy. The mergers are expected to be completed by the end of 2017.

## **Flagging announcements**

No flagging announcements were received during the period.

## **Risks and uncertainty factors**

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

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

Oriola has identified the following principal strategic risks that can have an adverse 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 has an impact on Oriola's net sales, earnings and consolidated statement of financial position. Changes in cash flow forecasts can cause impairment of goodwill.

## **Near-term risks and uncertainty factors**

Oriola's strategic development projects involve operational risks which may have an effect on Oriola's profitability. The commissioning of the new Group IT platform in Finland took place in September and led to disruptions and lower efficiency in operations. The ramp-up of logistical operations continued throughout September, and will continue in the fourth quarter. It was not possible to process all invoicing and inventory transactions by the end of September. Management estimates were used to some extent when preparing the Interim Report.

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 amount thereof can be estimated with a reasonable certainty. 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 2017 is based on external market forecasts, agreements with pharmaceutical companies and pharmacies, and management assessments. The Finnish pharmaceutical market is expected to grow during 2016–2021, at an average rate of 1.5 per cent. Swedish pharmaceutical market is expected to grow an average rate of 3.9 per cent per year in the local currencies (source: QuintilesIMS).

## Outlook for 2017

The implementation of the new ERP and warehouse management system in Finland in the beginning of September met unexpected difficulties, resulting in disruptions in the Finnish distribution. The operation experienced lower efficiency and unplanned disruptions in picking and delivery. Oriola lost approximately EUR 4 million of net sales as non-pharmaceutical products were released into distribution only partly in September. The impact of the lost sales, and the additional costs of resourcing extra working shifts and ensuring the availability of critical medicines to pharmacies, hospitals and veterinarians lowered the third quarter adjusted EBIT of the Services segment by EUR 5 million. The effects of the system ramp-up will continue to burden also the fourth quarter of 2017.

The result of the Consumer business will remain below 2016 level. Oriola's and Kesko's joint health and wellbeing store chain was approved by the competition authorities in June 2017, and the joint venture agreement was finalized on June 30. Oriola reports 50 per cent of the result of the joint venture in the Consumer segment EBIT. The joint venture is expected to be loss making during the build-up phase 2017 – 2019. Oriola's share of the loss in 2017 is estimated to be EUR 1.5 million.

In the Healthcare business the costs for starting the Swedish dose dispensing production for the Norrland region are higher than anticipated, and the result of the Healthcare segment will stay negative in 2017.

Oriola divested its businesses in the Baltic countries on 18 October 2017. In the Interim report the Baltic businesses are classified as discontinued operations and the assets and related liabilities are classified as Assets for sale. The net sales of the Baltic businesses in 2016 were EUR 54 million and the Adjusted EBIT EUR 1.2 million.

The Adjusted EBIT of continuing operations on constant currency basis is estimated to decrease from the 2016 level. The adjusted EBIT from continuing operations at comparable currencies, was EUR 59.3 million in 2016.

## Events after the period

The sale of the Baltic business was completed on 18 October 2017.

Espoo, 24 October 2017

Oriola Corporation  
Board of Directors

**Oriola's Interim Report January–September 2017**

<b>Consolidated Statement of Comprehensive Income (IFRS), EUR million</b>	<b>2017 7-9</b>	<b>2016 7-9</b>	<b>2017 1-9</b>	<b>2016 1-9</b>	<b>2016 1-12</b>
<b>Continuing operations</b>					
<b>Net sales</b>	377.6	382.9	1,132.5	1,177.4	1,588.6
Other operating income	2.7	9.1	10.1	16.6	20.2
Cost of goods sold	-291.3	-299.8	-868.1	-926.5	-1,248.5
Employee benefit expenses	-38.5	-33.6	-123.0	-108.8	-150.2
Other operating expenses	-33.7	-29.5	-97.7	-89.7	-120.5
<b>Gross profit</b>	16.8	29.1	53.8	69.0	89.6
Depreciation, amortisation and impairments	-5.6	-12.8	-19.4	-25.5	-32.0
Share of results in joint venture	-0.5	-	-0.5	-	-
<b>EBIT</b>	10.7	16.3	33.9	43.6	57.6
Financial income and expenses	-0.6	-1.3	-3.3	-3.7	-4.7
<b>Profit before taxes</b>	10.0	15.1	30.6	39.8	52.9
Income taxes	-2.0	-3.2	-6.8	-8.8	-11.1
<b>Profit for the period from continuing operations</b>	<b>8.0</b>	<b>11.8</b>	<b>23.8</b>	<b>31.0</b>	<b>41.8</b>
Profit for the period from discontinued operations	-0.0	0.5	0.6	1.0	1.0
<b>Profit for the period</b>	<b>8.0</b>	<b>12.3</b>	<b>24.4</b>	<b>32.0</b>	<b>42.8</b>
<b>Other comprehensive income</b>					
<b>Items which may be reclassified subsequently to profit or loss:</b>					
Translation differences recognised in comprehensive income during the reporting period	-0.3	-5.1	-2.8	-11.2	-9.1
Cash flow hedge	0.1	0.3	0.4	0.5	0.8
Income tax relating to other comprehensive income	-0.0	-0.1	-0.1	-0.1	-0.2
	<b>-0.2</b>	<b>-4.9</b>	<b>-2.5</b>	<b>-10.8</b>	<b>-8.5</b>
<b>Items which will not be reclassified to profit or loss:</b>					
Actuarial gains/losses on defined benefit plan	-	-	-	-	-0.5
Income tax relating to other comprehensive income	-	-	-	-	0.1
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-0.4</b>
<b>Total comprehensive income for the period</b>	<b>7.8</b>	<b>7.4</b>	<b>21.9</b>	<b>21.2</b>	<b>34.0</b>
<b>Profit attributable to</b>					
Parent company shareholders	8.0	12.3	24.4	32.0	42.8
<b>Total comprehensive income attributable to</b>					
Parent company shareholders	7.8	7.4	21.9	21.2	34.0
<b>Earnings per share attributable to parent company shareholders:</b>					
<b>EUR</b>					
<b>Basic</b>					
Continuing operations	0.04	0.07	0.13	0.17	0.23
Discontinued operations	-0.00	0.00	0.00	0.01	0.01
Group total	0.04	0.07	0.13	0.18	0.24
<b>Diluted</b>					
Continuing operations	0.04	0.07	0.13	0.17	0.23
Discontinued operations	-0.00	0.00	0.00	0.01	0.01
Group total	0.04	0.07	0.13	0.18	0.24

**Consolidated Statement of Financial Position (IFRS),  
EUR million**

<b>ASSETS</b>	<b>30 Sep 2017</b>	<b>30 Sep 2016</b>	<b>31 Dec 2016</b>
<b>Non-current assets</b>			
Property, plant and equipment	77.8	70.1	71.5
Goodwill	286.8	282.0	286.8
Other intangible assets	81.5	72.8	76.2
Investments in joint ventures	1.1	-	-
Other non-current assets	0.3	0.3	0.3
Deferred tax assets	3.6	5.0	2.4
<b>Non-current assets total</b>	<b>451.1</b>	<b>430.2</b>	<b>437.2</b>
<b>Current assets</b>			
Inventories	200.7	209.8	199.4
Trade receivables	234.1	191.7	192.6
Other receivables	31.0	28.1	35.4
Cash and cash equivalents	15.5	69.5	60.8
<b>Current assets total</b>	<b>481.3</b>	<b>499.0</b>	<b>488.3</b>
<b>Assets held for sale</b>	<b>18.4</b>	<b>-</b>	<b>-</b>
<b>ASSETS TOTAL</b>	<b>950.8</b>	<b>929.3</b>	<b>925.4</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	36.2	36.2	36.2
Hedging reserve	-0.3	-0.9	-0.6
Contingency fund	19.4	19.4	19.4
Invested unrestricted equity reserve	74.8	74.8	74.8
Other reserves	0.1	0.2	0.1
Translation differences	-15.0	-10.7	-8.6
Retained earnings	86.2	73.3	83.8
<b>Equity attributable to the parent company shareholders</b>	<b>201.4</b>	<b>192.3</b>	<b>205.2</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	15.1	15.5	16.2
Pension obligations	10.7	9.8	10.6
Borrowings	62.1	59.8	84.6
Other non-current liabilities	3.9	3.4	3.4
<b>Non-current liabilities total</b>	<b>91.9</b>	<b>88.5</b>	<b>114.8</b>
<b>Current liabilities</b>			
Trade payables	493.5	503.4	504.3
Borrowings	74.1	91.4	48.5
Other current liabilities	80.0	53.7	52.7
<b>Current liabilities total</b>	<b>647.7</b>	<b>648.4</b>	<b>605.4</b>
<b>Liabilities related to assets held for sale</b>	<b>9.8</b>	<b>-</b>	<b>-</b>
<b>EQUITY AND LIABILITIES TOTAL</b>	<b>950.8</b>	<b>929.3</b>	<b>925.4</b>

**Consolidated Statement of Changes in Equity (IFRS)**

EUR million	Equity attributable to the parent company shareholders				Equity total
	Share capital	Funds	Translation differences	Retained earnings	
<b>Equity</b>					
<b>1 Jan 2016</b>	<b>36.2</b>	<b>93.1</b>	<b>0.5</b>	<b>64.7</b>	<b>194.6</b>
Comprehensive income for the period					
Net profit for the period	-	-	-	32.0	<b>32.0</b>
Other comprehensive income:					
Cash flow hedge	-	0.5	-	-	<b>0.5</b>
Income tax relating to other comprehensive income	-	-0.1	-	-	<b>-0.1</b>
Translation difference	-	-	-11.2	-	<b>-11.2</b>
Comprehensive income for the period total	-	0.4	-11.2	32.0	<b>21.2</b>
Transactions with owners					
Dividend distribution	-	-	-	-23.6	<b>-23.6</b>
Share-based incentive	-	-	-	0.2	<b>0.2</b>
Purchase of own shares	-	-	-	-0.1	<b>-0.1</b>
Transactions with owners total	-	-	-	-23.5	<b>-23.5</b>
<b>Equity</b>					
<b>30 Sep 2016</b>	<b>36.2</b>	<b>93.5</b>	<b>-10.7</b>	<b>73.3</b>	<b>192.3</b>
<b>Equity</b>					
<b>1 Jan 2017</b>	<b>36.2</b>	<b>93.7</b>	<b>-8.6</b>	<b>83.8</b>	<b>205.2</b>
Comprehensive income for the period					
Net profit for the period	-	-	-	24.4	<b>24.4</b>
Other comprehensive income:					
Cash flow hedge	-	0.4	-	-	<b>0.4</b>
Income tax relating to other comprehensive income	-	-0.1	-	-	<b>-0.1</b>
Translation difference	-	-	-6.4	3.6	<b>-2.8</b>
Comprehensive income for the period total	-	0.3	-6.4	28.0	<b>21.9</b>
Transactions with owners					
Dividend distribution	-	-	-	-25.4	<b>-25.4</b>
Share-based incentive	-	-	-	0.4	<b>0.4</b>
Purchase of own shares	-	-	-	-0.6	<b>-0.6</b>
Transactions with owners total	-	-	-	-25.6	<b>-25.6</b>
<b>Equity</b>					
<b>30 Sep 2017</b>	<b>36.2</b>	<b>94.0</b>	<b>-15.0</b>	<b>86.2</b>	<b>201.4</b>

**Condensed Consolidated Statement of Cash Flows (IFRS),**

<b>EUR million <sup>1)</sup></b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
EBIT	34.7	44.7	58.8
Depreciation and amortisation	19.5	19.2	25.8
Impairment	0.7	6.4	6.4
Share in result in joint venture	0.5	-	-
Change in working capital	-23.0	-48.4	-41.2
Cash flow from financial items and taxes	-19.8	-8.6	-15.1
Other adjustments	0.0	1.2	5.6
Net cash flow from operating activities	12.7	14.4	40.2
Net cash flow from investing activities	-36.2	-64.8	-80.7
Net cash flow from financing activities	-21.6	-2.2	-20.5
Net change in cash and cash equivalents	-45.1	-52.6	-61.0
Cash and cash equivalents at the beginning of the period	60.8	121.9	121.9
Foreign exchange rate differences	0.0	0.2	-0.1
Net change in cash and cash equivalents	-45.1	-52.6	-61.0
Cash and cash equivalents at the end of the period	15.7	69.5	60.8
Included in cash and cash equivalents per the balance sheet	15.5	69.5	60.8
Included in the assets classified as held for sale	0.2	-	-
Cash and cash equivalents at the end of the period	<b>15.7</b>	<b>69.5</b>	<b>60.8</b>

<sup>1)</sup> Includes the cash flows from discontinued operations

**Notes to the Interim Report****Principal accounting policies as of 1 January 2017 (IFRS)**

This Interim Report has been prepared in accordance with IFRS standards (IAS 34). The accounting policies and calculation methods applied in the report are the same as those in the 31 December 2016 annual financial statements. The 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.

**Application of IFRS 15 Revenue from contracts with customers**

IFRS 15 Revenue from contracts with customers is effective for periods beginning on or after 1 January 2018. The new standard replaces all revenue standards and interpretations in IFRS including IAS 11 Construction Contracts and IAS 18 Revenue and related Interpretations.

Oriola has made assessment of the effects of the new standard. According to the Group's current assessment, the new standard will not significantly change the timing of revenue that the Group will recognise. However, the Group will continue the assessment of the control principle during 2017, evaluating whether the Group is acting as a principal or an agent in wholesale contracts. This will have an effect whether revenue will be recorded on a gross basis or net basis as fee or commission. The outcome of the evaluation may have significant effect in the amount of revenue the Group will record.

The Group will continue implementation of IFRS 15 during 2017 in order to ensure that the Group has appropriate systems, processes, controls and policies in place in order to efficiently disclose required information.



**Earnings per share**

<b>EUR million</b>	<b>2017 7-9</b>	<b>2016 7-9</b>	<b>2017 1-9</b>	<b>2016 1-9</b>	<b>2016 1-12</b>
Profit attributable to equity owners of the parent					
Continuing operations	8.0	11.8	23.8	31.0	41.8
Discontinued operations	-0.0	0.5	0.6	1.0	1.0
<b>Group total:</b>	<b>8.0</b>	<b>12.3</b>	<b>24.4</b>	<b>32.0</b>	<b>42.8</b>

**Average number of outstanding shares (1000 shares)**

Basic	181,292	181,389	181,357	181,374	181,389
Diluted	181,292	181,389	181,357	181,374	181,389

**Earnings per share (EUR)**

Basic					
Continuing operations	0.04	0.07	0.13	0.17	0.23
Discontinued operations	-0.00	0.00	0.00	0.01	0.01
<b>Group total:</b>	<b>0.04</b>	<b>0.07</b>	<b>0.13</b>	<b>0.18</b>	<b>0.24</b>
Diluted					
Continuing operations	0.04	0.07	0.13	0.17	0.23
Discontinued operations	-0.00	0.00	0.00	0.01	0.01
<b>Group total:</b>	<b>0.04</b>	<b>0.07</b>	<b>0.13</b>	<b>0.18</b>	<b>0.24</b>

**Business combinations**

<b>Acquisitions EUR Million</b>	<b>2017 1-9</b>	<b>2016 1-9</b>	<b>2016 1-12</b>
<b>Consideration</b>			
Cash	2.7	36.5	40.2
Contingent liability	-	12.3	12.3
<b>Total consideration</b>	<b>2.7</b>	<b>48.8</b>	<b>52.5</b>

**Recognised amounts of identifiable assets acquired and liabilities assumed**

Property, plant and equipment	0.0	2.0	2.0
Intangible assets	0.3	7.6	7.6
Deferred tax assets	-	0.5	0.5
Inventories	-	1.5	2.2
Trade and other receivables	1.4	13.6	13.6
<b>Assets total</b>	<b>1.7</b>	<b>25.2</b>	<b>26.0</b>
Deferred tax liabilities	0.1	1.4	1.4
Loans and other long term liabilities	0.3	7.0	7.0
Trade payables and other current liabilities	0.9	8.5	8.5
Borrowings	0.1	1.7	1.7
<b>Liabilities total</b>	<b>1.4</b>	<b>18.5</b>	<b>18.6</b>
<b>Total identifiable net assets</b>	<b>0.2</b>	<b>6.7</b>	<b>7.4</b>
<b>Goodwill</b>	<b>2.5</b>	<b>42.1</b>	<b>45.1</b>
<b>Total</b>	<b>2.7</b>	<b>48.8</b>	<b>52.5</b>

**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 employes around 60 people. The statement of profit and loss and the statement of financial position have been consolidated into the Services segment as of 1 September 2017. The acquisition cost calculation is based on the company's statement of financial position as at 31 August 2017, the essential parts of which have been prepared in accordance with IFRS's accounting principles. The acquisition has been recognised on a preliminary bases, as permitted under IFRS 3. Oriola will make the necessary adjustments to these preliminary assessments during the 12 months following the acquisition.

## 2016

Oriola acquired on 8 February 2016 the Swedish pharmacy company Svensk Dos. The statement of profit and loss and the statement of financial position have been consolidated into the Healthcare segment as of 1 February 2016. At the date of the acquisition of Svensk dos, the company had won the tender for dose dispensing in the Sjuklövern counties, but the contract was under appeal. After the decision of The Swedish Supreme Administrative Court Sjuklövern has confirmed that they will issue a new tender for the dose dispensing in the counties. Consequently, a EUR 6.4 million goodwill impairment charge was recognised in September 2016 and the remaining contingent liability related to the acquisition was released through profit and loss amounting to EUR 6.3 million.

Oriola completed the acquisition of PharmaService Oy, a Finnish company offering dose dispensing supporting services from the Association of Finnish Pharmacies and Orion Corporation on 18 July 2016. The statement of profit and loss and the statement of financial position have been consolidated into the Healthcare segment as of 18 July 2016.

On 1 September 2016 Oriola acquired 70.9 per cent of Farenta, a Finnish company offering services for pharmaceutical companies and pharmacies. Additionally, Oriola agreed on the right to acquire the remaining share of Farenta. The statement of profit and loss and the statement of financial position have been consolidated into the Services segment as of 1 September 2016.

During 2016 Oriola acquired eight pharmacies from Apotek Hjärtat in Sweden. Pharmacies are consolidated into Consumer segment as part of Kronans Apotek AB.

## Discontinued operations

Oriola announced on 13 July 2017 its decision to divest its businesses in the Baltic countries. On 14 August 2017 Oriola announced the sale of Baltic businesses to the companies' existing management. From June 2017 onwards the Baltic businesses are classified as discontinued operations and the assets and related liabilities are classified as Assets held for sale. The sale of the Baltic businesses was completed on 18 October 2017.

<b>Profit for the period from discontinued operations</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>EUR million</b>	<b>7-9</b>	<b>7-9</b>	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
<b>Net sales</b>	16.1	13.1	44.7	40.4	54.1
Other operating income	0.1	0.0	0.1	0.1	0.2
Cost of goods sold	-13.1	-10.6	-36.2	-32.5	-43.6
Employee benefit expenses	-1.0	-0.9	-3.2	-3.1	-4.3
Other operating expenses	-1.1	-1.0	-3.7	-3.5	-5.0
<b>Gross profit</b>	0.9	0.6	1.8	1.3	1.4
Depreciation and amortisation	-0.0	-0.1	-0.2	-0.1	-0.2
<b>EBIT</b>	0.9	0.5	1.6	1.2	1.2
Financial income and expenses	-0.0	-0.0	-0.0	-0.0	-0.0
<b>Profit before taxes</b>	0.9	0.5	1.6	1.2	1.2
Income taxes	-0.2	-0.1	-0.3	-0.2	-0.2
<b>Profit for the period, ordinary activities</b>	<b>0.7</b>	<b>0.5</b>	<b>1.3</b>	<b>1.0</b>	<b>1.0</b>
Impairment loss on assets classified as held for sale	-0.7	-	-0.7	-	-
<b>Profit for the period from discontinued operations</b>	<b>-0.0</b>	<b>0.5</b>	<b>0.6</b>	<b>1.0</b>	<b>1.0</b>

<b>Cash flows from discontinued operations</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>EUR million</b>	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
Net cash flow from operating activities	4.1	-0.6	-0.6
Net cash flow from investing activities	-0.1	-0.1	-0.2
Net cash flow from financing activities	-3.9	0.8	0.7
<b>Total cash flows</b>	<b>0.1</b>	<b>0.1</b>	<b>-0.0</b>

### Tangible and intangible assets

<b>Changes in Property, Plant and Equipment,</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>EUR million</b>	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
Carrying amount at the beginning of the period	71.5	72.7	72.7
Business combinations	0.0	1.9	1.9
Increases	19.8	9.5	16.0
Decreases	-0.4	-0.3	-2.1
Reclassifications	-0.5	-	-
Transferred to non-current assets as held for sale	-0.0	-	-
Depreciation, continuing operations	-11.6	-11.4	-15.1
Depreciation, discontinued operations	-0.1	-0.1	-0.2
Impairments, discontinued operations <sup>1)</sup>	-0.5	-	-
Foreign exchange rate differences	-0.5	-2.1	-1.8
<b>Carrying amount at the end of the period</b>	<b>77.8</b>	<b>70.1</b>	<b>71.5</b>

<b>Changes in Goodwill,</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>EUR million</b>	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
Carrying amount at the beginning of the period	286.8	256.5	256.5
Increases	2.5	42.3	45.1
Impairments, continuing operations	-	-6.4	-6.4
Impairments, discontinued operations <sup>1)</sup>	-0.3	-	-
Foreign exchange rate differences	-2.2	-10.4	-8.4
<b>Carrying amount at the end of the period</b>	<b>286.8</b>	<b>282.0</b>	<b>286.8</b>

<b>Changes in Other Intangible assets,</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>EUR million</b>	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
Carrying amount at the beginning of the period	76.2	63.2	63.2
Business combinations	-	1.6	1.6
Increases	13.1	18.2	24.1
Decreases	-0.0	-	-0.0
Reclassifications	0.5	-	-
Transferred to non-current assets as held for sale	-0.0	-	-
Amortisation, continuing operations	-7.8	-7.6	-10.5
Amortisation, discontinued operations	-0.0	-0.0	-0.0
Impairments, discontinued operations <sup>1)</sup>	-0.0	-	-
Foreign exchange rate differences	-0.5	-2.5	-2.1
<b>Carrying amount at the end of the period</b>	<b>81.5</b>	<b>72.8</b>	<b>76.2</b>

<sup>1)</sup> Net assets related to Baltic business measured at fair value

**Derivatives**

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

<b>30 Sep 2016</b> <b>EUR million</b>	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Nominal values of contracts</b>
<b>Derivatives recognised as cash flow hedges</b>			
Interest rate swaps	-	1.2	54.0
<b>Derivatives measured at fair value through profit and loss</b>			
Foreign currency forward and swap contracts	-	0.1	21.3

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**

<b>30 Sep 2017</b> <b>EUR million</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Derivatives measured at fair value through profit and loss	-	0.1	-	<b>0.1</b>
<b>Liabilities</b>				
Derivatives designated as hedges	-	0.4	-	<b>0.4</b>
Derivatives measured at fair value through profit and loss	-	0.2	-	<b>0.2</b>
Contingent consideration	-	-	2.8	<b>2.8</b>
<b>30 Sep 2016</b>				
<b>EUR million</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Liabilities</b>				
Derivatives designated as hedges	-	1.2	-	<b>1.2</b>
Derivatives measured at fair value through profit and loss	-	0.1	-	<b>0.1</b>
Contingent consideration	-	-	2.5	<b>2.5</b>

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 liabilities recognised at fair value through profit and loss according to the level 3

EUR million	
<b>Book value 31 Dec 2016</b>	<b>2.7</b>
Recognised in financial expenses	0.1
<b>Book value 30 Sep 2017</b>	<b>2.8</b>

Financial liabilities recognised at fair value through profit and loss (level 3) include estimated value of contingent and deferred considerations for acquisitions.

### Commitments and Contingent Liabilities

EUR million	30 Sep 2017	30 Sep 2016	31 Dec 2016
<b>Commitments for own liabilities</b>			
Guarantees on behalf of own companies	8.1	8.0	8.3
Guarantees on behalf of other companies	-	0.9	1.0
Mortgages on company assets	3.4	3.4	3.4
Other guarantees and liabilities	0.8	1.1	1.0
<b>Total</b>	<b>12.3</b>	<b>13.3</b>	<b>13.6</b>
Leasing liabilities (operating liabilities)	1.6	0.9	0.9
Rent liabilities	45.1	40.5	59.2

The most significant guarantees are bank guarantees against trade payables in Sweden. In addition, Oriola Corporation has granted parent company guarantees of EUR 2.9 (2.7) 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 has no significant business transactions with related parties.

### Segment information, continuing operations

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

**1-9/2016**

<b>EUR million</b>	<b>Consumer</b>	<b>Services</b>	<b>Healthcare</b>	<b>Group items</b>	<b>Total</b>
External Invoicing	596.4	1,885.5	23.8	-	<b>2,505.7</b>
Internal Invoicing	-	272.3	-	-272.3	-
<b>Invoicing</b>	<b>596.4</b>	<b>2,157.8</b>	<b>23.8</b>	<b>-272.3</b>	<b>2,505.7</b>
External Net Sales	582.7	570.9	23.8	-	<b>1,177.4</b>
Internal Net Sales	-	272.3	-	-272.3	-
<b>Net Sales</b>	<b>582.7</b>	<b>843.2</b>	<b>23.8</b>	<b>-272.3</b>	<b>1,177.4</b>
EBIT	25.3	24.0	-7.6	1.9	<b>43.6</b>
Adjusted EBIT	25.8	24.5	-1.2	-4.5	<b>44.6</b>
Assets <sup>1)</sup>	436.3	340.6	43.3	109.1	<b>929.3</b>
Liabilities <sup>1)</sup>	74.4	492.3	5.7	164.6	<b>736.9</b>
Investments	10.8	11.0	43.2	8.4	<b>73.3</b>
Depreciation, amortisation and impairments	12.9	4.2	8.2	0.2	<b>25.5</b>
Average number of personnel	1,586	644	69	41	<b>2,340</b>

<sup>1)</sup> Discontinued operations included in Group items

**Geographical information, continuing operations****1-9/2017**

<b>EUR million</b>	<b>Sweden</b>	<b>Finland</b>	<b>Baltic countries</b>	<b>Other countries</b>	<b>Total</b>
Net Sales	788.8	276.5	9.3	57.9	<b>1,132.5</b>
Assets <sup>1)</sup>	690.4	241.9	18.4	0.0	<b>950.8</b>
Investments	24.2	12.8	-	-	<b>37.0</b>
Average number of personnel	1,972	753	-	2	<b>2,727</b>

**1-9/2016**

<b>EUR million</b>	<b>Sweden</b>	<b>Finland</b>	<b>Baltic countries</b>	<b>Other countries</b>	<b>Total</b>
Net Sales	857.4	267.5	0.4	52.1	<b>1,177.4</b>
Assets <sup>1)</sup>	650.7	260.4	18.1	0.1	<b>929.3</b>
Investments	33.7	39.6	-	-	<b>73.3</b>
Average number of personnel	1,909	431	-	0	<b>2,340</b>

<sup>1)</sup> Includes discontinued operations

**Alternative performance measurement reconciliation table**

<b>Invoicing, continuing operations</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>EUR million</b>	<b>7-9</b>	<b>7-9</b>	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
Net sales	377.6	382.9	1,132.5	1,177.4	1,588.6
+ Acquisition cost of consignment stock	441.0	425.0	1,318.0	1,314.5	1,757.1
+ Cash discounts	4.5	4.4	14.3	13.8	18.6
<b>Invoicing, continuing operations</b>	<b>823.1</b>	<b>812.2</b>	<b>2,464.8</b>	<b>2,505.7</b>	<b>3,364.2</b>

<b>Adjusted EBITDA, continuing operations</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>EUR million</b>	<b>7-9</b>	<b>7-9</b>	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
EBIT	10.7	16.3	33.9	43.6	57.6
Depreciations and impairments	5.6	12.8	19.4	25.5	32.0
Share of results in joint venture	0.5	-	0.5	-	-
EBITDA	16.8	29.1	53.8	69.0	89.6
Adjusting items included in EBITDA	-0.1	-6.2	0.7	-5.4	-4.2
<b>Adjusted EBITDA, continuing operations</b>	<b>16.7</b>	<b>23.0</b>	<b>54.5</b>	<b>63.7</b>	<b>85.4</b>

### Adjusting items

Adjustments to 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.

<b>Adjusting items included in EBIT</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>EUR million</b>	<b>7-9</b>	<b>7-9</b>	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
Restructuring costs	-	-0.2	-0.3	-1.0	-1.4
Impairments	-	-6.4	-	-6.4	-6.4
Revaluation of contingent consideration	-	6.4	-	6.4	6.3
Other	1.0	0.0	0.5	0.0	-0.7
<b>Adjusting items total</b>	<b>1.0</b>	<b>-0.2</b>	<b>0.2</b>	<b>-1.0</b>	<b>-2.2</b>

Adjusting items in January–September 2017 include restructuring charges, and preparation costs incurred before the joint venture with Kesko was established, as well as an adjustment to the valuation of non-current assets in the Swedish Consumer segment. Adjusting items in January–September 2016 relate to restructuring charges in Consumer and Services. The impairment and revaluation items in 2016 relate to Svensk Dos.