

# **Oriola Corporation's Interim Report for 1 January – 31 March 2017**

**Released on 28 April 2017 at 8.30 a.m.**



**Oriola Corporation Stock Exchange Release 28 April 2017 at 8.30 a.m.****Oriola Corporation's Interim Report January-March 2017****Financial performance January–March 2017**

- Invoicing decreased by 2.6 (increased 5.2) per cent to EUR 812.5 (834.4) million
- Net sales decreased by 4.9 (decreased 2.4) per cent to EUR 381.7 (401.3) million
- Adjusted EBITDA decreased by 7.9 (increased 7.6) per cent to EUR 18.5 (20.1) million
- Adjusted EBIT was EUR 11.6 (13.9) million
- Profit for the period totalled EUR 8.0 (10.1) million and earnings per share were EUR 0.04 (0.06)

**Outlook for 2017**

Oriola is undergoing a major development phase which started in 2015 and is estimated to be completed by the end of 2018. The costs related to these development projects and the intensified competition in the Swedish retail, especially online, will negatively impact the 2017 profitability.

Adjusted EBIT on constant currency basis is estimated to remain at 2016 level.

**President and CEO Eero Hautaniemi:**

The beginning of 2017 was characterized by intense competition in the Swedish retail market. Especially this was the case in Traded Goods. We are developing and improving our competitiveness in the Consumer business with a number of programs focused on Rx availability, pricing and with a new, more streamlined regional organization. We are also actively developing our pharmacy chain and online operation. These programs will have a positive effect from the end of the second quarter onwards.

In the Services business the discontinuation of the distribution of Abbvie pharmaceuticals in Sweden contributed to lower net sales as expected. For the full year 2017 this will be partly offset by the start of distribution of Meda in Sweden, during the second quarter of this year. Profitability was supported by high efficiency in logistic operations. Our new IT-system will go live in Finland in June.

In the Healthcare business dose dispensing for the Norrland region commenced, adding some 19,000 patients and roughly doubling our Swedish dose dispensing volume. The ramp-up of dose production had a negative impact in the first quarter, but will result in a positive effect in the second half of 2017.

Together with Kesko Oyj in Finland, we are planning to enter the Finnish consumer market with a chain of health, beauty and wellbeing stores. The establishment of a joint venture was announced in March 2017, and is subject to the approval of the competition authorities.

<b>Key figures</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>2016</b>
<b>EUR million</b>	<b>1-3</b>	<b>1-3</b>	<b>%</b>	<b>1-12</b>
Invoicing	812.5	834.4	-2.6	3,420.0
Net sales	381.7	401.3	-4.9	1,642.1
Adjusted EBITDA <sup>1)</sup>	18.5	20.1	-7.9	86.8
Adjusted EBITDA %	4.9	5.0		5.3
Adjusted EBIT <sup>1)</sup>	11.6	13.9	-16.9	61.1
EBIT	11.1	13.9	-20.4	58.8
Adjusted EBIT %	3.0	3.5		3.7
EBIT %	2.9	3.5		3.6
Profit for the period	8.0	10.1	-20.7	42.8
Earnings per share, EUR	0.04	0.06	-20.8	0.24
Net cash flow from operating activities	-14.6	-26.8		40.1
Gross capital expenditure	13.5	25.6		88.8
Total assets	908.4	950.5		925.4
Net interest-bearing debt	100.7	50.9		72.3
Gearing, %	53.5	28.2		35.2
Net debt / 12-month EBITDA	1.1	0.6		0.8
Equity per share, EUR	1.04	1.00		1.13
Equity ratio, %	21.2	19.6		22.7
Return on equity (ROE), %	17.2	23.2		21.4
Return on capital employed (ROCE), %	14.3	18.3		17.8
Average number of shares, 1000 pcs <sup>2)</sup>	181,389	181,362		181,389
Average number of personnel	2,851	2,404		2,582
Number of personnel at the end of the period	2,865	2,425		2,821

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

<sup>2)</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-March 2017. The complete report is attached to this release in pdf format and is also available on Oriola's website at [www.oriola-kd.com/investors](http://www.oriola-kd.com/investors).

## Analyst and investor meeting

Oriola Corporation will organize a meeting for investors, analysts and the press on Friday, 28 April 2017 at 10.00 a.m. at Hotel Scandic Simonkenttä, meeting room Balsa, 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-kd.com/investors](http://www.oriola-kd.com/investors). The language of the teleconference will be English.

## Next financial report

Oriola Corporation will publish the half year financial report of 2017 on 21 July 2017.

## Further information:

Eero Hautaniemi,  
President and CEO  
tel. +358 (0)10 429 2109  
e-mail: eero.hautaniemi@oriola.com

Sari Aitokallio  
CFO  
tel. +358 (0)10 429 2112  
e-mail: sari.aitokallio@oriola.com

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Corporate Communications  
Orionintie 5, 02200 Espoo  
www.oriola-kd.com

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

### The Group's net sales and result for January–March 2017

Oriola's net sales decreased by 4.9 (decreased 2.4) per cent to EUR 381.7 (401.3) million and adjusted EBIT decreased by 16.9 (increased 6.2) per cent to EUR 11.6 (13.9) million. The adjusting items were EUR -0.5 (-) million, and EBIT was EUR 11.1 (13.9) million.

Invoicing decreased by 2.6 (increased 5.2) per cent due to changes to pharmaceutical distribution agreements in Sweden. The profitability weakened in Swedish retail and stayed approximately at previous year level in Services and Healthcare businesses.

January–March net sales at comparable exchange rate EUR/SEK was EUR 387.1 million. The depreciation of the Swedish krona from the corresponding period impacted the euro denominated EBIT by EUR -0.2 million, and the adjusted EBIT at comparable currency rate was EUR 11.7 million.

Oriola's net financial expenses were EUR 0.9 (1.0) million. Profit for the period was EUR 8.0 (10.1) million. Income taxes for January–March were 2.2 (2.8) which corresponds to effective tax rate of 21.8 (22.0) per cent. Earnings per share were EUR 0.04 (0.06).

### Reporting segments

Oriola's reporting segments are Consumer, Services and Healthcare.

#### 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, Finland and Latvia, whereof over 90 per cent of the net sales originates from the Swedish retail business.

Key Figures	2017	2016	Change	2016
EUR million	1-3	1-3	%	1-12
Invoicing	202.1	203.9	-0.9	811.5
Net Sales	197.3	199.2	-1.0	792.5
Adjusted EBIT	5.3	7.7	-30.3	33.4
Adjusted EBIT %	2.7	3.9		4.2
Number of personnel at the end of period	1,680	1,616		1,668

## January–March 2017

The net sales of the Consumer business stayed at the same level as in the comparison period in Swedish Krona. Profitability was weakened by intensive competition, phasing of campaigns, and the new pharmacies established in 2016.

The pharmaceutical retail market in Sweden grew by 3.3 (5.2) per cent in Swedish krona in January–March 2017 (source: Apoteksförening). The number of pharmacies in Sweden increased by 2 in the first quarter 2017. At the end of March there were 1,396 (1,372) pharmacies in Sweden.

Oriola's market share of the pharmaceutical retail market in Sweden in January–March 2017 was 17.8 (18.4) per cent (source: Apoteksförening). The relative share of OTC and traded goods from the net sales was 26.3 (27.0) per cent in the Swedish consumer business. At the end of the reporting period, Oriola had a total of 327 (314) pharmacies of which 325 (312) were in Sweden and 2 (2) were in Latvia. Net increase in January–March was 1 pharmacy.

In Sweden Oriola's market share in certain traded goods categories where Oriola traditionally has had a strong position was challenged by intensified competition. At the same time increased price sensitivity has moved more of this trade online. The market share in prescription medicines was approximately on the same level as in 2016.

The net sales decreased by 1.0 (increased 3.3) per cent to EUR 197.3 (199.2) million, and on a constant currency basis, net sales increased by 0.9 per cent. Adjusted EBIT decreased by 30.3 (increased 0.9) per cent to EUR 5.3 (7.7) million. On a constant currency basis adjusted EBIT decreased by 29.0 per cent.

Oriola Corporation and Kesko Corporation announced the establishment of a new store chain in Finland, specialising in comprehensive wellbeing. The first phase objective is to build a chain of 100 stores and an online store. In the first phase, Oriola and Kesko will make a total investment of approximately EUR 25 million in the new company. The Companies have signed an agreement to establish a joint venture and applied for approval of the competition authorities.

## Services

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

<b>Key Figures</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>2016</b>
<b>EUR million</b>	<b>1-3</b>	<b>1-3</b>	<b>%</b>	<b>1-12</b>
Invoicing	680.3	717.5	-5.2	2,934.6
Net Sales	254.4	289.1	-12.0	1,175.8
Adjusted EBIT	8.2	8.5	-3.2	34.7
Adjusted EBIT %	3.2	2.9		2.9
Number of personnel at the end of period	996	715		989

## January–March 2017

The Services segment's invoicing decreased during the first quarter, due to the discontinuation of the distribution agreement with Abbvie in Sweden. Profitability was supported by high logistics efficiency.

The pharmaceutical market at wholesale prices in Sweden grew by 4.7 (3.8) per cent in Swedish krona (source: Reveal) in January–March 2017. 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 1.8 (2.4) per cent in January–March 2017 (source: LTK). Oriola's share of the Finnish pharmaceutical wholesale market was 47 (46) per cent (source: ATY).

The invoicing of the Services segment decreased from the previous year by 5.2 (increased 5.6) per cent to EUR 680.3 (717.5) million. On a constant currency basis invoicing decreased by 4.1 (increased 5.2) per cent. Net sales decreased by 12.0 (decreased 4.2) per cent to EUR 254.4 (289.1) million, and on a constant currency basis, net sales decreased by 10.9 per cent. Adjusted EBIT decreased by 3.2 (increased 19.6) per cent to EUR 8.2 (8.5) million. On a constant currency basis adjusted EBIT decreased by 2.5 per cent.

## 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.

Key Figures	2017	2016	Change	2016
EUR million	1-3	1-3	%	1-12
Invoicing	14.2	5.0	186.4	36.3
Net Sales	14.1	5.0	184.2	36.2
Adjusted EBIT	-0.5	-0.6	20.2	-1.0
Adjusted EBIT %	-3.3	-11.7		-2.7
Number of personnel at the end of period	142	55		120

### January–March 2017

The net sales of Healthcare business were EUR 14.2 (5.0) million. Adjusted EBIT was EUR -0.5 (-0.6) million. Amortization related to acquisition of Svensk dos and PharmaService affected Healthcare EBIT by EUR -0.5 (-0.3) million.

Dose dispensing for Norrland region started in February 2017 and covers service for approximately 19,000 persons. Oriola serves approximately 67,000 persons with dose dispensing in Sweden and Finland.

### Balance sheet, cash flow and financing

Oriola's total assets at 31 March 2017 were EUR 908.4 (950.5) million. Equity attributable to the equity holders was EUR 188.3 (180.9) million. Cash and cash equivalents totalled EUR 26.0 (95.6) million. Net cash flow from operations in January–March 2017 was EUR -14.6 (-26.8) million, of which changes in working capital accounted for EUR -22.9 (-46.0) million. Net cash flow from investing activities was EUR -13.9 (-16.2) million. Net cash flow from financing activities was EUR -6.2 (16.6) million.

At the end of March 2017, interest-bearing debt was EUR 126.8 (146.6) million. On 31 March 2017, long-term interest bearing-liabilities were EUR 84.5 (67.2) million and short-term interest-bearing liabilities were EUR 42.2 (79.4) million. Short-term liabilities mainly consist of syndicated loans EUR 10.5 (10.8) million, commercial paper issues of EUR 9.0 (40.0) million, and advance payments from Finnish pharmacies EUR 21.2 (26.0) million. Interest-bearing net debt was EUR 100.7 (50.9) million, and gearing 53.5 (28.2) per cent.

The non-recourse trade receivables sales programmes were continued in Sweden in January–March 2017. At the end of March 2017, a total of EUR 105.7 (115.5) million in trade receivables had been sold. Including the sold trade receivables, the adjusted gearing was 109.7 (92.0) per cent. The average interest rate on the interest bearing liabilities was 1.35 (1.35) per cent.

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 March.

At the end of March 2017 Oriola's equity ratio was 21.2 (19.6) percent. Return on capital employed was 14.3 (18.3) per cent.

### Investments

Gross investments in January–March 2017 totalled EUR 13.5 (25.6) million and consisted of investments into opening of new pharmacies, information and dose dispensing systems and improvements in logistics efficiency. Depreciation, amortisation and impairment amounted to EUR 7.0 (6.2) million.

Oriola continues to invest into Group operative IT platform and logistics efficiency in Distribution Centres. The investment program started in 2015 and it is estimated to continue until the end of 2018. The capital expenditure in 2017 is estimated to be approximately EUR 50 million, including the planned investment into the Finnish wellbeing store chain.

## Personnel

At the end of March 2017, Oriola had a payroll of 2,865 (2,425) employees, 59 (67) per cent of whom worked in the Consumer segment, 35 (29) per cent in Services segment, and 5 (2) per cent in Healthcare segment. The group administration employed 1 (2) percent of the total number of employees. Personnel numbers consist of members of staff in active employment.

## Corporate Governance

Oriola's Group Management Team:

- Eero Hautaniemi, President and CEO
- Sari Aitokallio, CFO
- Thomas Gawell, Vice President, Healthcare Business
- Jukka Mäkelä, Vice President, Development
- Teija Silver, Vice President, HR
- Kimmo Virtanen, Executive Vice President, Services Business

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

Oriola applies the Finnish Corporate Governance Code 2015, with the exception that the Company deviates from recommendation 15 of the Corporate Governance Code as the company's Nomination Committee may also have members who are not members of the company's Board. The purpose of this deviation from the Corporate Governance Code is to allow the election of major shareholders in the company to the Nomination Committee and thus to ensure that their opinions are heard well before the Annual General Meeting. The Nomination Committee is a body established by the Board for the purpose of preparing and presenting to the Board a recommendation for the proposal to be put to the Annual General Meeting concerning the composition and remuneration of the Board. On 23 September 2016 the Board of Directors of Oriola appointed the company's Nomination Committee. The committee members are: Pekka Pajamo (chairman), Peter Immonen, Timo Leino, 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-kd.com/CorporateGovernance>. The Corporate Governance Statement and the Remuneration Statement for 2016 have been prepared in accordance with the Finnish Corporate Governance Code 2015.

## Resolutions of the Annual General Meeting

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 dividend is paid to shareholders registered in the company's shareholders register held by Euroclear Finland Ltd on the dividend record date 16 March 2017. The payment date of the dividend was 12 April 2017.

The AGM confirmed that the Board of Directors is composed of seven members:

- Anssi Vanjoki, Chairman
- Eva Nilsson Bågenholm, Vice Chairman
- Mariette Kristenson
- Anja Korhonen
- Kuisma Niemelä
- Lena Ridström
- Staffan Simberg

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 shall be used to acquire Oriola Corporation's class B shares for the Board members on the NASDAQ Helsinki Stock Exchange within two weeks from the release of the Interim Report 1 January - 31 March

2017 of the company. The Chairman of the Board of Directors receives an attendance fee of EUR 1,000 per meeting and the other members EUR 500 per meeting. Attendance fees are correspondingly also paid to the chairmen and members of Board and company committees. Travel expenses are compensated in accordance with the travel policy of the company.

Board's Audit Committee members are: Anja Korhonen (Chairman), Kuisma Niemelä and Staffan Simberg. Board's Remuneration Committee members are: Eva Nilsson Bågenholm (Chairman), Mariette Kristenson, and Lena Ridström.

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-kd.com](http://www.oriola-kd.com).

## 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–March 2017:

Trading volume	Jan-Mar 2017		Jan-Mar 2016	
	class A	class B	class A	class B
Trading volume, million	0.8	6.8	0.4	5.3
Trading volume, EUR million	3.1	27.7	1.6	21.9
Highest price, EUR	4.53	4.43	4.35	4.40
Lowest price, EUR	3.90	3.85	3.70	3.65
Closing quotation, end of period, EUR	4.00	3.97	4.32	4.33

Oriola Corporation's market capitalisation on 31 March 2017 was EUR 722.2 (785.3) million.

In the review period, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 4.1 (3.2) per cent of the total number of shares.

At the end of March 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 96,822 (124,024) treasury shares, all of which are class B shares. They account for 0.05 (0.07) per cent of the company's shares and 0.01 (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–31 March 2017, Oriola Corporation's 50,375 (0) A-shares 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 covered six 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 50 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 55,174 Oriola Corporation class B shares, including the proportion to be paid in cash.

A total of 57 key employees enrolled 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.

### Changes in Group Structure January-March 2017

There were no changes in the Group Structure during the period.

## 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 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 and operational risks that can have an adverse impact on the results: Changes in the pharmaceutical market regulation, pricing and public reimbursement, as well as increased competition through growing number of pharmacies and companies in e-commerce, decreasing share of single channel distribution in public healthcare, and 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 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 has been planned for June 2017.

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: IMS Health).

## Outlook for 2017

Oriola is undergoing a major development phase which started in 2015 and is estimated to be completed by the end of 2018. The costs related to these development projects and the intensified competition in the Swedish retail, especially online, will negatively impact the 2017 profitability.

Oriola estimates that the adjusted EBIT on constant currency basis will remain at 2016 level.

## Events after the period

There were no reportable events after the period.

Espoo, 27 April 2017

Oriola Corporation  
Board of Directors

**Oriola's Interim report January–March 2017**

<b>Consolidated Statement of Comprehensive Income (IFRS), EUR million</b>	<b>2017 1-3</b>	<b>2016 1-3</b>	<b>2016 1-12</b>
<b>Net sales</b>	381.7	401.3	1,642.1
Other operating income	2.9	5.0	20.2
Cost of goods sold	-290.4	-317.2	-1,291.6
Employee benefit expenses	-42.9	-37.7	-154.5
Other operating expenses	-33.3	-31.2	-125.2
<b>Gross profit</b>	18.0	20.1	91.0
Depreciation and impairment	-7.0	-6.2	-32.2
<b>EBIT</b>	11.1	13.9	58.8
Financial income and expenses	-0.9	-1.0	-4.7
<b>Profit before taxes</b>	10.2	12.9	54.1
Income taxes	-2.2	-2.8	-11.3
<b>Profit for the period</b>	<b>8.0</b>	<b>10.1</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	0.5	-0.4	-9.1
Cash flow hedge	-0.1	-0.1	0.8
Income tax relating to other comprehensive income	0.0	0.0	-0.2
	<b>0.4</b>	<b>-0.5</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>-0.4</b>
<b>Total comprehensive income for the period</b>	<b>8.4</b>	<b>9.6</b>	<b>34.0</b>
<b>Profit attributable to</b>			
Parent company shareholders	8.0	10.1	42.8
<b>Total comprehensive income attributable to</b>			
Parent company shareholders	8.4	9.6	34.0
<b>Earnings per share attributable to parent company shareholders:</b>			
<b>EUR</b>			
Basic earnings per share, EUR	0.04	0.06	0.24
Diluted earnings per share, EUR	0.04	0.06	0.24

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

<b>ASSETS</b>	<b>31 Mar 2017</b>	<b>31 Mar 2016</b>	<b>31 Dec 2016</b>
<b>Non-current assets</b>			
Property, plant and equipment	76.0	73.0	71.5
Goodwill	287.3	269.9	286.8
Other intangible assets	78.5	70.6	76.2
Other non-current assets	0.3	0.4	0.3
Deferred tax assets	2.7	4.6	2.4
<b>Non-current assets total</b>	<b>444.7</b>	<b>418.4</b>	<b>437.2</b>
<b>Current assets</b>			
Inventories	196.9	204.3	199.4
Trade receivables	206.9	205.7	192.6
Other receivables	33.8	26.6	35.4
Cash and cash equivalents	26.0	95.6	60.8
<b>Current assets total</b>	<b>463.6</b>	<b>532.1</b>	<b>488.3</b>
<b>ASSETS TOTAL</b>	<b>908.4</b>	<b>950.5</b>	<b>925.4</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	36.2	36.2	36.2
Hedging reserve	-0.7	-1.3	-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	-8.1	0.1	-8.6
Retained earnings	66.5	51.5	83.8
<b>Equity attributable to the parent company shareholders</b>	<b>188.3</b>	<b>180.9</b>	<b>205.2</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	15.6	16.6	16.2
Pension obligations	10.7	10.0	10.6
Borrowings	84.5	67.2	84.6
Other non-current liabilities	3.7	2.1	3.4
<b>Non-current liabilities total</b>	<b>114.6</b>	<b>95.9</b>	<b>114.8</b>
<b>Current liabilities</b>			
Trade payables	480.7	515.6	504.3
Borrowings	42.2	79.4	48.5
Other current liabilities	82.5	78.8	52.7
<b>Current liabilities total</b>	<b>605.4</b>	<b>673.7</b>	<b>605.4</b>
<b>EQUITY AND LIABILITIES TOTAL</b>	<b>908.4</b>	<b>950.5</b>	<b>925.4</b>

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

EUR million	Equity attributable to the parent company shareholders				
	Share capital	Funds	Translation differences	Retained earnings	Equity total
<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	-	-	-	10.1	<b>10.1</b>
Other comprehensive income:					
Cash flow hedge	-	-0.1	-	-	<b>-0.1</b>
Income tax relating to other comprehensive income	-	0.0	-	-	<b>0.0</b>
Translation difference	-	-	-0.4	-	<b>-0.4</b>
Comprehensive income for the period total	-	-0.1	-0.4	10.1	<b>9.6</b>
Transactions with owners					
Dividends paid and repayment of equity	-	-	-	-23.6	<b>-23.6</b>
Share-based incentive	-	-	-	0.3	<b>0.3</b>
Transactions with owners total	-	-	-	-23.3	<b>-23.3</b>
<b>Equity</b>					
<b>31 Mar 2016</b>	<b>36.2</b>	<b>93.1</b>	<b>0.1</b>	<b>51.5</b>	<b>180.9</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	-	-	-	8.0	<b>8.0</b>
Other comprehensive income:					
Cash flow hedge	-	-0.1	-	-	<b>-0.1</b>
Income tax relating to other comprehensive income	-	0.0	-	-	<b>0.0</b>
Translation difference	-	-	0.5	-0.0	<b>0.5</b>
Comprehensive income for the period total	-	-0.1	0.5	8.0	<b>8.4</b>
Transactions with owners					
Dividends distribution	-	-	-	-25.4	<b>-25.4</b>
Share-based incentive	-	-	-	0.1	<b>0.1</b>
Transactions with owners total	-	-	-	-25.3	<b>-25.3</b>
<b>Equity</b>					
<b>31 Mar 2017</b>	<b>36.2</b>	<b>93.7</b>	<b>-8.1</b>	<b>66.5</b>	<b>188.3</b>

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

<b>EUR million</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>1-3</b>	<b>1-3</b>	<b>1-12</b>
EBIT	11.1	13.9	58.8
Depreciation and amortisation	7.0	6.2	25.8
Impairment	-	-	6.4
Change in working capital	-22.9	-46.0	-43.7
Cash flow from financial items and taxes	-9.1	-3.6	-15.1
Other adjustments	-0.7	2.7	7.9
Net cash flow from operating activities	-14.6	-26.8	40.1
Net cash flow from investing activities	-13.9	-16.2	-80.7
Net cash flow from financing activities	-6.2	16.6	-20.4
Net change in cash and cash equivalents	-34.8	-26.3	-61.0
Cash and cash equivalents at the beginning of the period	60.8	121.9	121.9
Foreign exchange rate differences	0.0	0.0	-0.1
Net change in cash and cash equivalents	-34.8	-26.3	-61.0
Cash and cash equivalents at the end of the period	26.0	95.6	60.8

**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 new standard. According to the Groups current assessment 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. 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**

	2017	2016	2016
EUR million	1-3	1-3	1-12
Profit attributable to equity owners of the parent	8.0	10.1	42.8

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

Basic	181,389	181,362	181,389
Diluted	181,389	181,362	181,389

**Earnings per share (EUR)**

Basic	0.04	0.06	0.24
Diluted	0.04	0.06	0.24

**Business combinations**

There were no business combinations during the first quarter in 2017.

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.

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.

**Tangible and intangible assets**

Changes in Property, Plant and Equipment, EUR million	2017 1-3	2016 1-3	2016 1-12
Carrying amount at the beginning of the period	71.5	72.7	72.7
Business combinations	-	1.4	1.9
Increases	8.8	3.0	16.0
Decreases	0.0	-0.2	-2.1
Reclassifications	-0.5	-	-
Depreciation	-3.9	-3.8	-15.2
Foreign exchange rate differences	0.1	-0.2	-1.8
<b>Carrying amount at the end of the period</b>	<b>76.0</b>	<b>73.0</b>	<b>71.5</b>

Changes in Intangible assets, EUR million	2017 1-3	2016 1-3	2016 1-12
Carrying amount at the beginning of the period	363.0	319.7	319.7
Business combinations	-	1.1	1.6
Increases	4.7	22.6	69.2
Decreases	-0.0	-	-0.0
Reclassifications	0.5	-	-
Impairments and Amortisation	-3.1	-2.4	-16.9
Foreign exchange rate differences	0.6	-0.6	-10.5
<b>Carrying amount at the end of the period</b>	<b>365.7</b>	<b>340.4</b>	<b>363.0</b>

**Derivatives**

<b>31 Mar 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	-	1.0	96.5
<b>Derivatives measured at fair value through profit and loss</b>			
Foreign currency forward and swap contracts	0.1	-	73.3

<b>31 Mar 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	-	1.7	56.4
<b>Derivatives measured at fair value through profit and loss</b>			
Foreign currency forward and swap contracts	0.4	-	38.6

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 booked 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****EUR million**

<b>31 Mar 2017</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	-	1.0	-	<b>1.0</b>
Contingent consideration	-	-	2.7	<b>2.7</b>

**EUR million**

<b>31 Mar 2016</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	-	0.4	-	<b>0.4</b>
<b>Liabilities</b>				
Derivatives designated as hedges	-	1.7	-	<b>1.7</b>
Derivatives measured at fair value through profit and loss	-	0.0	-	<b>0.0</b>
Contingent consideration	-	-	9.8	<b>9.8</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	0.0
<b>Book value 31 Mar 2017</b>	<b>2.7</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	31 Mar 2017	31 Mar 2016	31 Dec 2016
<b>Commitments for own liabilities</b>			
Guarantees on behalf of own companies	8.2	8.4	8.3
Guarantees on behalf of other companies	-	0.8	1.0
Mortgages on company assets	3.4	2.3	3.4
Other guarantees and liabilities	0.9	1.0	1.0
<b>Total</b>	<b>12.5</b>	<b>12.5</b>	<b>13.6</b>
Leasing liabilities (operating liabilities)	0.8	0.8	0.9
Rent liabilities	54.1	43.7	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 2.7 (2.8) 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****Reportable segments****1-3/2017**

<b>EUR million</b>	<b>Consumer</b>	<b>Services</b>	<b>Healthcare</b>	<b>Group items</b>	<b>Total</b>
External Invoicing	202.0	596.3	14.2	-	<b>812.5</b>
Internal Invoicing	0.0	84.0	-	-84.0	-
<b>Invoicing</b>	<b>202.1</b>	<b>680.3</b>	<b>14.2</b>	<b>-84.0</b>	<b>812.5</b>
External Net Sales	197.3	170.4	14.1	-	<b>381.7</b>
Internal Net Sales	0.0	84.0	-	-84.0	-
<b>Net Sales</b>	<b>197.3</b>	<b>254.4</b>	<b>14.1</b>	<b>-84.0</b>	<b>381.7</b>
EBIT	5.1	8.2	-0.5	-1.8	<b>11.1</b>
Adjusted EBIT	5.3	8.2	-0.5	-1.5	<b>11.6</b>
Assets	454.0	348.9	48.5	56.9	<b>908.4</b>
Liabilities	72.4	483.9	7.8	156.0	<b>720.1</b>
Investments	2.9	3.8	3.7	3.1	<b>13.5</b>
Depreciation and impairments	4.6	1.4	0.9	0.1	<b>7.0</b>
Average number of personnel	1,668	1,004	133	46	<b>2,851</b>

**1-3/2016**

<b>EUR million</b>	<b>Consumer</b>	<b>Services</b>	<b>Healthcare</b>	<b>Group items</b>	<b>Total</b>
External Invoicing	203.9	625.6	5.0	-	<b>834.4</b>
Internal Invoicing	-	91.9	-	-91.9	-
<b>Invoicing</b>	<b>203.9</b>	<b>717.5</b>	<b>5.0</b>	<b>-91.9</b>	<b>834.4</b>
External Net Sales	199.2	197.1	5.0	-	<b>401.3</b>
Internal Net Sales	-	91.9	-	-91.9	-
<b>Net Sales</b>	<b>199.2</b>	<b>289.1</b>	<b>5.0</b>	<b>-91.9</b>	<b>401.3</b>
EBIT	7.7	8.5	-0.6	-1.6	<b>13.9</b>
Adjusted EBIT	7.7	8.5	-0.6	-1.6	<b>13.9</b>
Assets	458.0	350.0	27.0	115.5	<b>950.5</b>
Liabilities	74.2	507.8	6.2	181.3	<b>769.6</b>
Investments	3.3	0.8	19.0	2.5	<b>25.6</b>
Depreciation	4.3	1.4	0.4	0.1	<b>6.2</b>
Average number of personnel	1,607	722	36	38	<b>2,404</b>

## Geographical information

### 1-3/2017

EUR million	Sweden	Finland	Baltic countries	Other countries	Total
Net Sales	262.1	86.1	12.8	20.6	381.7
Assets	671.6	219.0	17.7	0.0	908.4
Investments	9.7	3.7	0.0	-	13.5
Average number of personnel	1,978	718	153	2	2,851

### 1-3/2016

EUR million	Sweden	Finland	Baltic countries	Other countries	Total
Net Sales	288.0	82.9	12.8	17.6	401.3
Assets	685.7	246.1	18.7	-	950.5
Investments	22.2	3.3	0.1	-	25.6
Average number of personnel	1,878	367	160	-	2,404

### Alternative performance measurement reconciliation table

Invoicing EUR million	2017 1-3	2016 1-3	2016 1-12
Net sales	381.7	401.3	1,642.1
+ Acquisition cost of consignment stock	425.4	427.9	1,757.2
+ Cash discounts	5.5	5.3	20.6
<b>Invoicing</b>	<b>812.5</b>	<b>834.4</b>	<b>3,420.0</b>

Adjusted EBITDA EUR million	2017 1-3	2016 1-3	2016 1-12
EBIT	11.1	13.9	58.8
Depreciations and impairments	7.0	6.2	32.2
EBITDA	18.0	20.1	91.0
Adjusting items included in EBITDA	0.5	-	-4.2
<b>Adjusted EBITDA</b>	<b>18.5</b>	<b>20.1</b>	<b>86.8</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.

Adjusting items included in EBIT EUR million	2017 1-3	2016 1-3	2016 1-12
Restructuring costs	-0.2	-	-1.4
Impairments	-	-	-6.4
Revaluation of contingent consideration	-	-	6.3
Other	-0.3	-	-0.7
<b>Adjusting items total</b>	<b>-0.5</b>	<b>-</b>	<b>-2.2</b>

Adjusting items in January-March 2017 relate to restructuring charges in Consumer, and Group development. The impairment and revaluation items in 2016 relate to Svensk dos.