Health. Wellbeing. Oriola.

Annual Report 2017

Contents

Oriola in brief

Oriola is a Finnish publicly listed company with a strong position in the Swedish and Finnish health and wellbeing market. We have promoted wellbeing for decades, connecting the operators from pharmaceutical companies to pharmacies and consumers.

We promote the wellbeing of people and animals by ensuring that medicines as well as health and wellbeing products are delivered in a safe and customer-friendly manner. Our wide range of services help pharmaceutical companies, pharmacies and other operators in the field to succeed.

In Sweden, we own the third largest pharmacy chain, Kronans Apotek, with over 320 pharmacies that offer expert guidance in health and wellbeing and a large range of products for consumers. In Finland, Hehku store chain established together with Kesko, focuses on comprehensive wellbeing and helps everyone to find their own way of feeling better.

We provide pharmaceutical and dose dispensing services for public and private sector customers in Sweden, and dose dispensing services for pharmacies in Finland.

Our most valuable resource is our highly competent and committed personnel. We offer our personnel interesting work assignments and the most versatile career paths within our field. As a work community, Oriola is equal, just and supports diversity.

We want to be the preferred partner in health and wellbeing industry in the Nordic countries. We constantly develop our operations together with our customers to respond to their and the society's changing needs – together we will build the best solutions to support the wellbeing of people.

Oriola by numbers

Net sales

1.5

billion euros

Employees

2,600

Pharmacies

326

Adjusted operating profit

39.9

million euros

Investments

46.1

million euros

In Finland we deliver

about 3 million

boxes per year

to more than

1,000

customers per day

In Sweden we deliver

about 3 million

boxes per year

to more than

1,500

customers per day

Main events in 2017

We won the contract to supply dose dispensing services to Sweden's four most northern municipalities, and to over 19,500 customers. **Our dose dispensing services** now cover half of the geographic area of Sweden.

In March, we announced with Kesko our intention to build a **chain of comprehensive wellbeing stores** together. The first Hehku stores and the online store opened in January 2018. The aim is to open approximately 30 stores across Finland in 2018. In the coming years, Hehku will expand into a chain of hundred stores, employing approximately 1,000 people.

In April, the corporate name of the company was changed from Oriola-KD Corporation to **Oriola Corporation**.

The extension of our central warehouse in Mölnlycke, Sweden was completed during the second quarter, and we began a substantial cooperation with the pharmaceutical company Meda. The investments made allow us to further grow our business.

In July 2017, **Anders Torell** was appointed **Vice President of Oriola's Consumer Business Area** and member of Oriola's Group Management Team. He started in his new position in the beginning of January 2018.

We acquired **ICTHS Health Support**, a company providing expert services to pharmacies, pharmaceutical companies and healthcare operators in Sweden.

In September, we implemented a **new ERP and warehouse management system** in Finland. The implementation did not proceed as planned and the problems affected considerably both our operational and financial performances in the autumn.

We expanded our cooperation with **Evidensia chain**. The cooperation began in 2016 in Sweden. In 2017 Evidensia centralized their animal product purchases to Oriola in Finland as well.

We completed the sale of our **Baltic businesses**. We will concentrate on developing our business in the Nordic countries.

We began cooperation with **Doktor.se, a Swedish online medical centre**. From January 2018 onwards, our pharmaceutical chain Kronas Apotek and Doktor.se will provide customers with unique healthcare services from online doctors to home delivered medicine.

In December 2017, Oriola Corporation's Board of Directors appointed **Robert Andersson** as the **company´s new President and CEO**. He started in his new position on 12 February 2018.

CEO’s review

FOR ORIOLA, the year 2017 was both eventful and difficult. The new ERP and warehouse management system that was implemented in September challenged our ability to serve our customers and fulfil our role in the Finnish pharmaceutical distribution system. At the end of the year, we continued to concentrate on improving our operations and drove forward actions to improve the customer experience. This work continues in 2018 with the aim of restoring customers' confidence in us, and raising our operational efficiency to an even higher level than before.

In Sweden, we continue the construction of the new automated distribution centre. Its operation is expected to start in the end of 2018. However, we will not be implementing the new ERP system in Sweden this year. We will carefully evaluate the system renewal and it will take place in 2019 at the earliest.

The intense competition in Sweden's pharmacy market was a challenge, but we succeeded well in developing the online store of Kronans Apotek. Our online sales grew faster than online sales of the pharmacy sector as a whole. In Finland, we established Hehku, a new health and wellbeing chain, together with Kesko. The first Hehku stores and online store opened in January 2018, and we aim to open a total of 30 stores in 2018.

We work hard to offer excellent customer experience to every customer, every day.

In Sweden we signed a dose dispensing contract covering the Norrland region and a pharmaceuticals distribution contract with the Västmanland county. The new contracts doubled the sales volume of our dose dispensing services and we now have altogether 68,500 patients that use dose dispensing services in Finland and Sweden.

We operate in the complex field of health and wellbeing, where various changes impact our operations. However, many of these changes are highly favourable for the development of our business. The aging population needs more comprehensive health services, increasingly affluent citizens are more and more interested in their own health and invest in their wellbeing, digitalisation opens opportunities for new services, and the proportion of specialised medicine products in pharmaceutical services is growing.

During recent years, Oriola has embraced many new opportunities and has consolidated its position in the consumer trade and in digital services in both Finland, with the new Hehku chain of stores and online trade, and in Sweden with Kronans Apotek's online services. We also help society produce healthcare services for aging citizens in a safer and more cost-effective way. Furthermore, we develop our expert services that cover all phases of the entire lifecycle of medicine products, to help our customers in the pharmaceutical industry in the Nordic market.

Amid all the changes in the health and wellbeing sector we at Oriola do not compromise on the security of supply or the safety and the quality required by our societal role. We are part of the pharmaceutical service chain, and work closely with the entire industry to take care of the health of the citizens.

We have a year full of work ahead of us, during which we will review and develop our operations. Amidst all the changes we need to take care of our personnel. Our skilled personnel is our most important asset in the constantly changing environment. I want to thank our entire personnel for their tireless work in overcoming the difficulties of last autumn.

I also want to thank all of our customers for their help, cooperation and patience during autumn 2017. I promise that going forward, we will discuss, listen, be open and take responsibility. We work hard to offer excellent customer experience to every customer, every day.

Robert Andersson
President and CEO since 12 February 2018
Oriola Corporation

Business environment and strategy

Oriola as part of society

Oriola is a Finnish publicly listed company with strong roots in the history of Swedish and Finnish health and wellbeing. Our profound mission has not changed over the years, we continue to work every day to enhance the wellbeing of people and animals. We do this by providing a wide range of services for health and wellbeing operators and consumers in Finland and Sweden.

This year marks 70 years since Oriola's Finnish operations were established in order to distribute diabetes medicins in post-war Finland. In Sweden, our roots are in Kronans Droghandel, which started its operations 111 years ago when the company's first pharmacy was established in Gothenburg. Our long history allows us to assess our activities and their impacts in the long run. We always look forward, boldly correct our course when necessary, and learn from our mistakes.

We develop our operations continuously to fulfil the changing needs of our customers and the society. Over the decades, Oriola has transformed from a pharmaceutical distribution company to a comprehensive services company. However, the foundation of our operations remains unchanged: we ensure that medicines and health and wellbeing products are delivered safely and in a customer-friendly manner, and that our high-quality services and products bring added value to our partners and consumers.

We want to be the preferred partner and employer in health and wellbeing in the Nordic countries. We are a central link between the operators in our field and therefore have the oppoturnity to develop the sector together with all the operators. Together we build the best solutions to support the wellbeing of people.

In addition to providing the society with jobs, tax income and medical safety, we offer the best services in the sector. We want to guarantee a steady growth and profitability for our investors. For our personnel, we provide an equal and fair work community that supports diversity and offers excellent development opportunities as well as the most versatile career paths in the field.

We have over 2,600 experts working for us in Finland and in Sweden, out of which over 1,600 are pharmacists. Our personnel's wellbeing is a key priority to us, and we want to ensure that they all have a safe, efficient and pleasant working environment.

Megatrends and changing business environment

The global change forces impacting our business present new opportunities and challenges. We prepare for the changes and constantly develop our business to meet the changing needs of society, consumers and the operators in health and wellbeing market.

Increased spending on health and wellbeing

People are increasingly interested in their health and want to prevent getting ill. Spending on health and wellbeing in on the rise.

- We offer expert advice on health and wellbeing and an extensive, high-quality product selection in our Kronans Apotek pharmacies in Sweden.
- In Finland, we help consumers feel better by offering products and services for comprehensive wellbeing through Hehku store chain.

Digitalisation

Consumers are increasingly demanding, technically advanced and expect services to be available at their convenience. Retail business is becoming increasingly digital, and digital services are becoming a necessity.

- We serve consumers through the online stores of Kronans Apotek in Sweden and Hehku in Finland. Our goal is to provide a seamless and superior customer experience through continuous development.
- We offer additional digital services for example with mobile apps.
- In Sweden, we started cooperation with the online medical centre Doktor.se.

Changing healthcare

Life expectancy is increasing. The share of ageing population is growing, leading to growing healthcare requirements and costs. This offers new business opportunities in services provided to public and private healthcare.

- We provide pharmaceutical and dose dispensing services for public and private sector customers in Sweden and dose dispensing services for pharmacies in Finland.
- We provide expert services to pharmacies, pharmaceutical companies and healthcare operators. We have increased our service offering in 2016–2017 with acquisitions for example Farenta and ICTHS Health Support.

Speciality pharmaceutical's growth

The demand for speciality pharmaceuticals used in hospitals is growing. These expensive biomedicines require special handling, storage and transport

- We provide special handling, storage and transport required by specialty medicines. Unique handling of the pharmaceuticals and new special services for small customer groups will create new business opportunities.

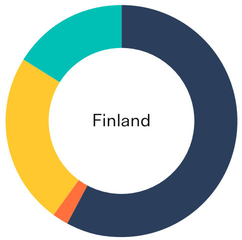
Industry sector and markets

In 2017 we decided to focus on developing our Consumer, Services and Healthcare businesses in Sweden and Finland. As a result, we sold our Baltic businesses to the companies' existing management. Our customers are pharmaceutical companies, health and wellbeing product producers, pharmacies, hospitals, hospital pharmacies and healthcare operators such as dentists and veterinaries as well as municipalities and consumers.

Finland

The value of the Finnish pharmaceutical market was 2.3 billion euros in 2017. The estimated annual growth until 2021 is approximately 1.5 per cent. (Source: IQVIA)

- There are approximately 810 pharmacy outlets and 600 proprietary pharmacists in Finland (source: The Association of Finnish pharmacies)
- Medicines are allowed to be sold only in pharmacies, nicotine replacement therapy products can also be sold at grocery trade stores



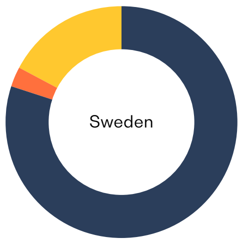
Division of the medicine euro

- Pharmaceutical company **58%**
- Pharmaceutical wholesaler **2%**
- Pharmacy **24%**
- State **16%**

Sweden

The total value of the Swedish pharmaceutical market was 4.2 billion euros in 2017. The estimated annual growth until 2021 is approximately 4 per cent. (Source: IQVIA)

- There are 1,424 pharmacies in Sweden, including 8 online pharmacies (Source: Apoteksföreningen)
- The market share of Oriola's Kronans Apotek chain was 18 per cent in 2017 (Source: Apoteksföreningen)
- Online sales in pharmacy market grew by 58% to 7% of the market by the end of 2017
- Prescription medicines are only sold in pharmacies, part of the OTC products are available in the grocery trade shops



Division of the medicine euro

- Pharmaceutical company **80%**
- Pharmaceutical wholesaler **3%**
- Pharmacy **17%**
- State **0%**

Strategy and targets

We provide a unique meeting point for health and wellbeing operators in Finland and Sweden, and connect them with consumers through our comprehensive service offering.

We offer pharmaceutical companies, pharmacies and other operators in the field a unique service portfolio and improve the wellbeing of people and animals by ensuring the reliable and customer-friendly delivery of pharmaceuticals and consumer health products. We also offer pharmaceutical and dose dispensing services for public and private sector customers in Sweden and dose dispensing services for pharmacies in Finland.

We help consumers feel better. In our Kronans Apotek pharmacies in Sweden and Hehku wellbeing stores co-owned with Kesko in Finland, we provide expert guidance in health and wellbeing as well as a wide range of products both in stores and online.

We are a responsible employer and offer the most versatile career paths in the industry both in Finland and in Sweden.

»

We provide a unique meeting point for health and wellbeing operators in Finland and Sweden.

We respond to the changing business environment by

- Expanding from traditional pharmaceutical distribution into services for pharmaceutical companies and retail trade
- Offering centralized, comprehensive services in the Nordic countries
- Developing digital services and marketplaces
- Providing pharmaceutical and dose dispensing services to the healthcare sector
- Ensuring an excellent customer experience and product offering for both our health sector partners and consumers
- Increasing the efficiency of our operations to enhance competitiveness.

Key objectives in 2018

- Active development of e-business
- Successful implementation of development projects that improve efficiency
- Further development of healthcare business operations

Long-term financial targets

- Business growth at the rate of market growth
- Annual EPS growth over 5 per cent, without adjusting items
- Return on capital employed of over 20 per cent
- Adjusted gearing ratio of 30–60 per cent*

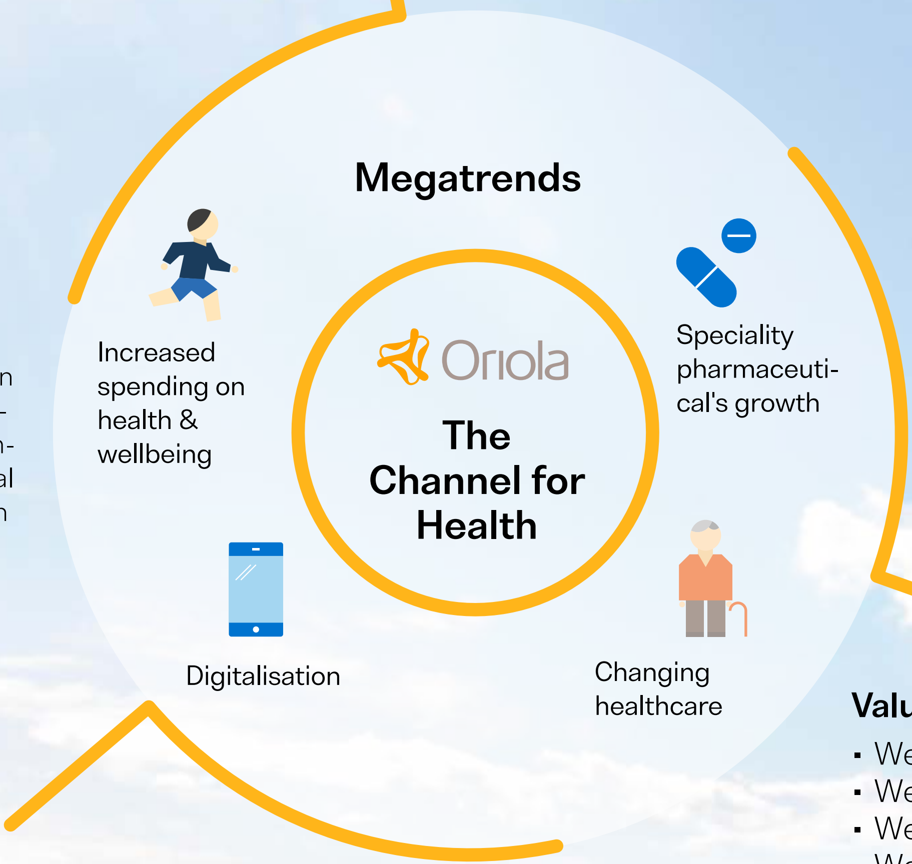
* Non-recourse trade receivables are added to the net debt

Mission

We improve people's wellbeing by ensuring the reliable and customer-friendly delivery of pharmaceuticals and consumer health products.

Vision

We want to be the preferred partner and channel in Northern Europe connecting pharmaceutical manufactures and consumers by providing pharmaceutical manufacturers and other health consumer product producers a reliable access to the markets and by providing consumers excellent and reliable service.



Values

- We are open
- We work together
- We take initiative
- We take responsibility

Our business

Medicine's path

Medicine's path is long from the research and product development to pharmaceutical wholesaler and then to pharmacies and other healthcare operators, and finally the consumer.

Research and product development

Medicine's path starts from the research and product development.

Manufacturing

The manufacturing of medicines is a highly regulated process. Pharmaceutical companies adhere to Good Manufacturing Practices (GMP).

Market Access

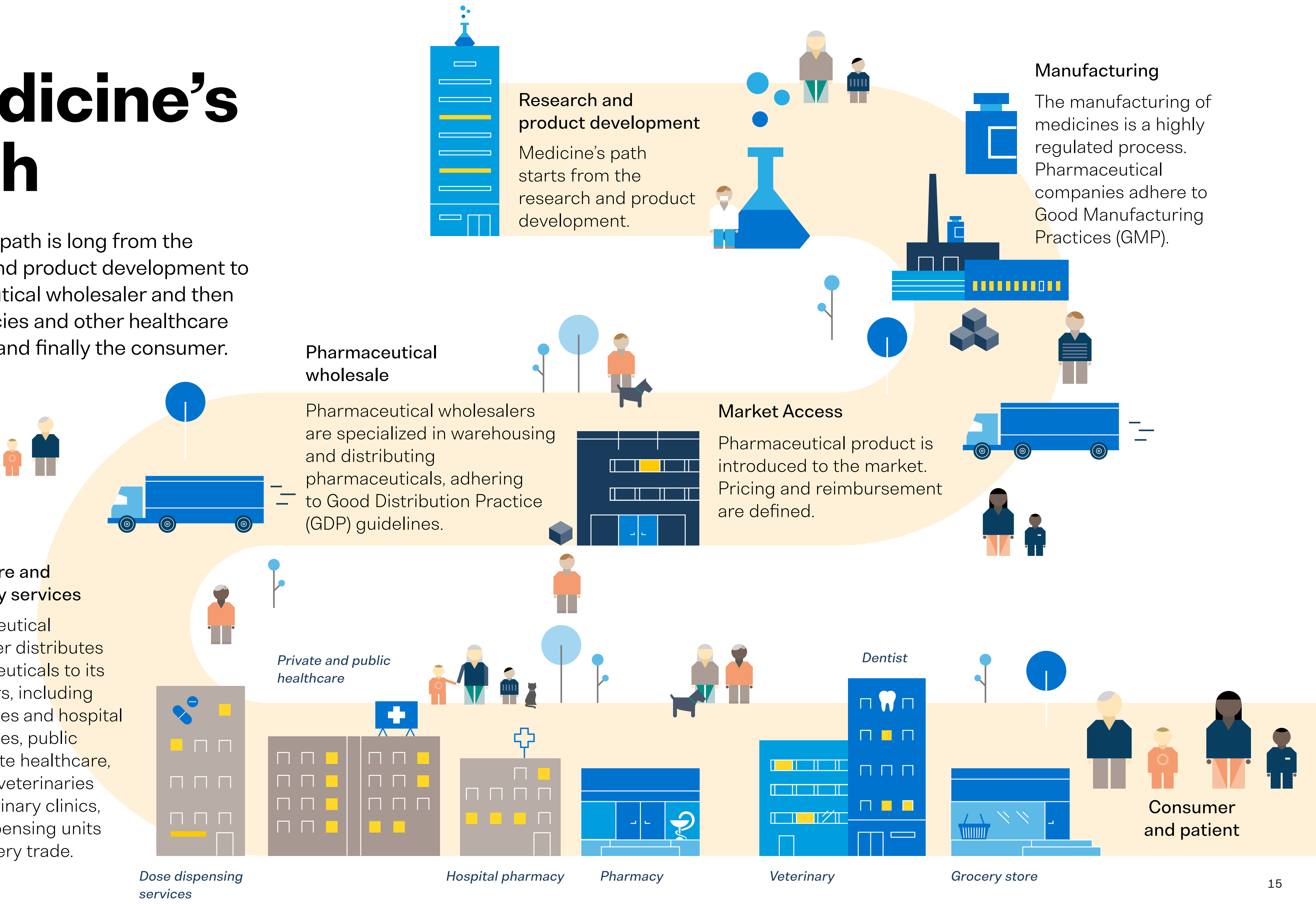
Pharmaceutical product is introduced to the market. Pricing and reimbursement are defined.

Pharmaceutical wholesale

Pharmaceutical wholesalers are specialized in warehousing and distributing pharmaceuticals, adhering to Good Distribution Practice (GDP) guidelines.

Healthcare and pharmacy services

Pharmaceutical wholesaler distributes pharmaceuticals to its customers, including pharmacies and hospital pharmacies, public and private healthcare, dentists, veterinaries and veterinary clinics, dose dispensing units and grocery trade.



Industry's widest range of services

We offer the operators of health and wellbeing market the industry's widest range of services. We know the market from suppliers to consumers. We help our customers succeed and serve their customers even better.

Pharmaceutical manufacturer

Market Access

Support in all phases of pricing and reimbursement applications, hospital tender activities as well as strategic Market Access planning.

Regulatory Life Cycle Management

Medicine's Life Cycle services for pharmaceutical companies, incl. support for marketing authorisations, medical safety and translations.

Research and product development

Clinical research service offering, effectiveness evaluations and market research services for pharmaceutical companies.

Pharmaceutical wholesale

Commercial services

Sales and marketing services, information services and additional logistics services, such as importing services offered to pharmaceutical companies.

Supply chain and logistics

High-quality pharmaceuticals logistics in Finland and Sweden.

Private and public healthcare

Consumers

Services and products for consumers in Sweden at our Kronans Apotek pharmacies, and in Finland at Hehku wellbeing stores. A wide range of traded goods and sales and marketing services to pharmacies in Finland.

Dose dispensing services

Dose dispensing services

Pharmaceutical and dose dispensing services for public and private sector customers in Sweden, dose dispensing services for pharmacies in Finland.

Sourcing and supply chain for pharmacy chains in Sweden

Sourcing and supply chain of OTC pharmaceuticals to pharmacy chains.

Staffing and staff optimizing services

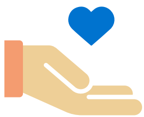
Staffing and staff optimizing and medical information services for pharmacies.

Pharmacy

Hospital pharmacy

Business areas

Our business areas consist of the following reportable business areas: Consumer, Services and Healthcare.

Business area		Share of net sales, continuing operations	Customers
	**CONSUMER** Products and services for health and wellbeing related to consumer needs. Retail business in Sweden and Finland.	49.9 %	· Consumers
	**SERVICES** Tailored services to pharmaceutical companies, pharmacies and other operators in Finland and Sweden. A large assortment of healthcare consumer products for retail in Finland.	45.5 %	· Pharmacies · Pharma companies · Hospital pharmacies · Veterinarians and veterinary clinics · Retail stores
	**HEALTHCARE** Services for hospitals, health centers and other healthcare operators. Pharmaceutical and dose dispensing services for public and private sector customers in Sweden, and dose dispensing services for pharmacies in Finland.	4.6 %	· Public and private healthcare · Dentists · Veterinarians and veterinary clinics · Pharmacies

Business area

Consumer

Our Consumer business area consists of retail business in Sweden and Finland. Over 90 per cent of the net sales originates from the Swedish retail business.

Kronans Apotek, the third-largest pharmacy chain in Sweden
In Sweden, Oriola owns the third-largest pharmacy chain Kronans Apotek. The chain employs over 1,500 pharmacists and a great number of other experts in 326 pharmacies across the country. In our Kronans Apotek pharmacies and online store, we offer consumers expert advice on health and wellbeing - also available through our mobile application - and an extensive, high-quality selection of products. Kronans Apotek's customer loyalty program has over 2.1 million members. The chain also has their own Kronans Apotek product range featuring high-quality health and wellbeing products for consumers.

Hehku – store chain for comprehensive wellbeing
In 2017 Oriola and Kesko founded together a new store chain 'Hehku' in Finland which concentrates on comprehensive wellbeing. The first Hehku stores and the online store opened at the end of January 2018. During 2018, altogether 30 stores will be opened in different parts of Finland, for which approximately 200 wellbeing professionals will be recruited. The aim is to build a nationwide chain of 100 stores in the coming years, creating approximately 1,000 new jobs in Finland. Hehku offers a unique range of products and services for comprehensive wellbeing. The range consists of products and services in five different segments: nutrition, exercise, recovery, beauty and health. Hehku's online store aims to challenge the international cosmetics online stores with its excellent customer service and high-quality range of over 10,000 products.

Digital services at the core of our business
Digital services are an important part of our business, and our goal is to offer a seamless customer experience in stores and digital channels. In 2017, we started cooperation with Doktor.se, an online medical centre, in Sweden. Doktor.se offers for example nurse and physician services online. In future, we will be able to offer even wider range of services to consumers, when we combine Doktor.se's medical services and the home delivery possibility of prescribed and self-care medicines from Kronans Apotek.

The reminder service of mobile application makes everyday life easier

We actively develop new services that benefit our customers. An automatic reminder service of Kronans Apotek's mobile application informs users when it is time to collect their medicines and renew their prescriptions. A recent study shows that the reminder service increased the collection of prescribed medicines from pharmacies by 17–23 %. This result shows that reminders can contribute to better medicine use, which benefits both patients and society.

Business area

Services

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

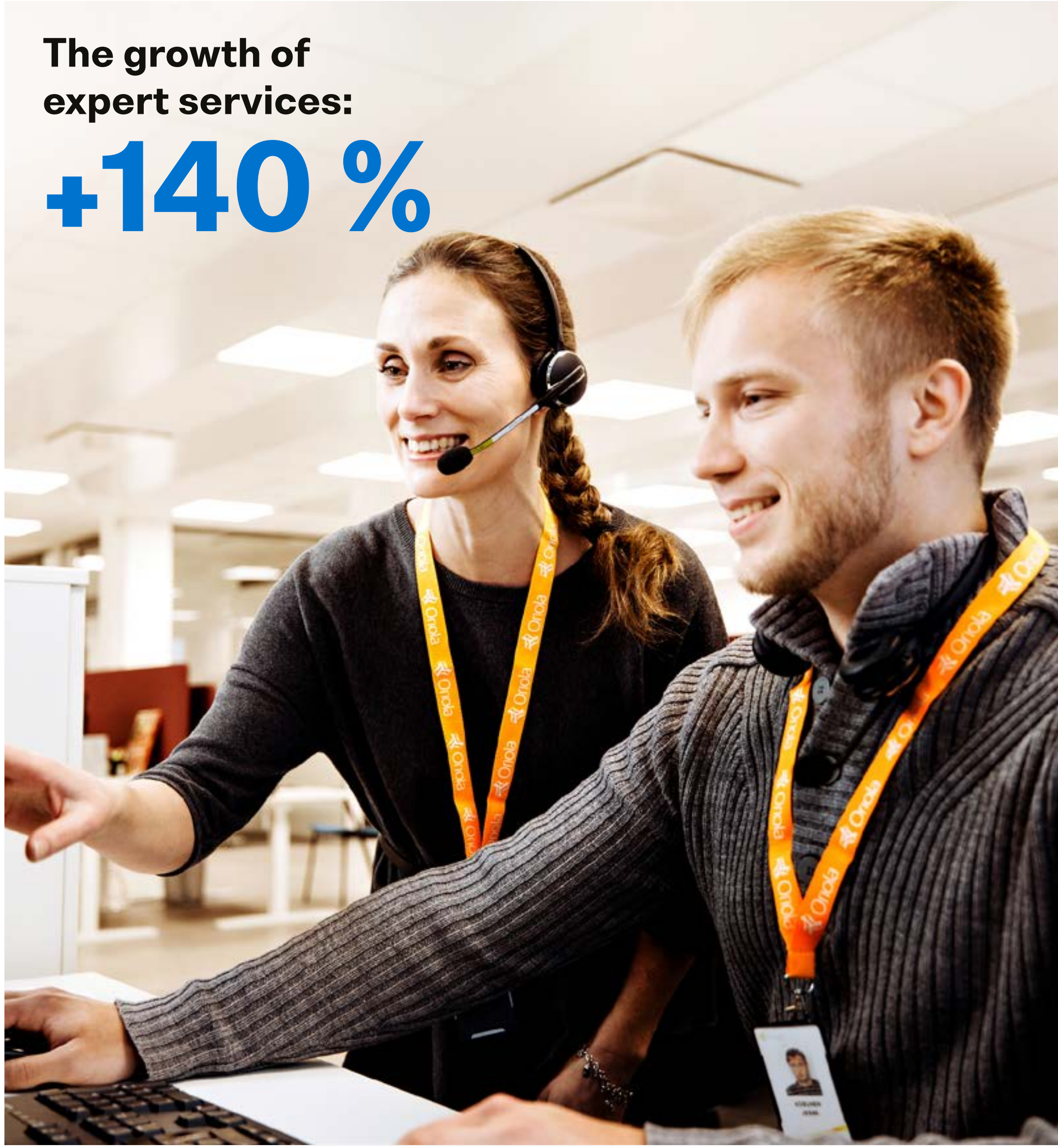
WE PROVIDE a unique service portfolio to healthcare sector operators, from clinical trials to consumer services. We know the market from supplier to consumer and by utilizing our expertise our customers can grow their business, increase profitability and reach their goals.

Our service portfolio is the widest in the sector and covers in addition to pharmaceutical distribution an extensive range of services that make our customers' work easier.

Comprehensive logistics services

Our logistics network covers all of Sweden and Finland. High quality and efficient supply chain are the basis of our operations. We ensure that products are delivered within 24 hours from placing the order safely and following the Good Distribution Practice, to pharmacies, hospitals, hospital pharmacies, veterinaries and our other customers. We also provide additional logistics services such as logistical services for clinical trial medicines between a pharmaceutical company and a research clinic.

In Sweden we offer competitive sourcing and supply chain of OTC products and traded good products to pharmacy chains. Cooperation enables larger purchasing volumes and more competitive prices to pharmacy chains.



Best expert services for the entire medicine lifecycle
Our expert service offering for pharmaceutical companies covers services for the medicine's entire life cycle: cooperation with authorities, clinical research, Market Access, pharmaceutical logistics, sales and marketing services. Our services for pharmacies include, for example, staffing and staff optimizing services that help pharmacies to find a customer-centric and cost-effective staffing solution.

Marketing of healthcare and wellbeing products
We provide a wide range of health and wellbeing products as well as sales and marketing services to pharmacies in Finland. The product portfolio includes, among others, vitamins, dietary supplements, pharmaceutical cosmetics, and wound care products. The well-known brands include Gefilus, Lysi and our own brand Pharmacare. We also have own product selection for grocery trade.

Digital services for pharmacies and pharmaceutical companies
OriolaPro is a digital service that is open around the clock. It enables customers to conduct everyday business with us when most convenient. The continuously developed service, provides our customers with efficient tools that support their business. For the Finnish healthcare professionals, Oriolashop.fi online store offers a wide assortment of health and beauty products. In Sweden, Oriola4Care online store for healthcare professionals serves veterinaries and veterinary clinics, dentists and other healthcare operators. From the online store, customers can effortlessly order pharmaceuticals, medical equipment and wellbeing products and have them delivered directly to them. Or, they can pick their order up at any Kronans Apotek pharmacy.

ICTHS Health Support joins Oriola

In 2017, Oriola acquired the Swedish ICTHS Health Support Ab, a company providing services to pharmacies, pharmaceutical companies and health-care operators. ICTHS specializes in medical support to patients and their families. They offer for example telephone support, pharmaceutical counseling, pharmacy customer service and mobile nurses.

Business area

Healthcare

Our Healthcare business area provides services to hospitals, health centres and other healthcare operators. We offer pharmaceutical and dose dispensing services for public and private sector customers in Sweden and dose dispensing services for pharmacies in Finland.

WE BUILD our healthcare business based on the needs of the market and customers. There are many growing business opportunities in the healthcare market, such as hospital pharmaceutical care, dose dispensing and home distribution of pharmaceuticals.

Oriola's dose dispensing services in Finland and Sweden
We provide pharmaceutical and dose dispensing services for public and private sector customers in Sweden and dose dispensing services for pharmacies in Finland.

During dose dispensing, all daily doses of medicines are packed in pouches for each patient with an automated dose dispensing machine. At the moment, we provide dose dispensing services for approximately 48,500 people in Sweden and 20,000 people in Finland.

ANJA dose dispensing improves the quality of life and medicine safety, and provides savings
Anja is a service for pharmacies, provided by Oriola's subsidiary PharmaService. With Anja, pharmacies can provide their customers a two-week supply of tablets and capsules that are taken regularly, packed in single-dose pouches. The date

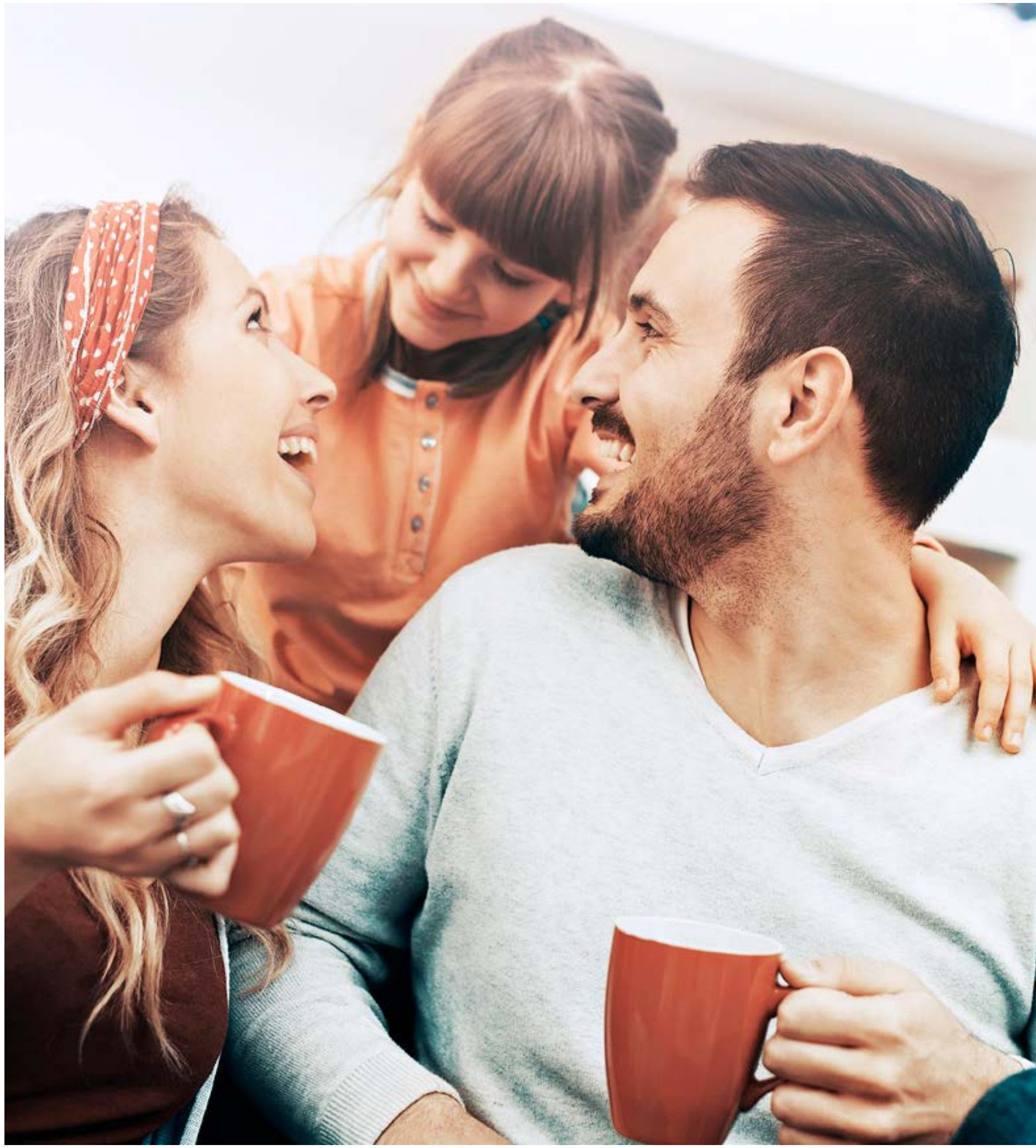
and time for taking the medication is written on the pouch along with other information. The service is intended for private persons, assisted living facilities and home healthcare.

Automated dose dispensing improves the patient's life quality. The patients can always trust that they get the right medication, and the process is simple and safe. The error level in the Anja service is as low as 0.003%, while the error level percentage of manual dose dispensing is between 1–20 %, depending on the study. Medicine safety is also improved as the physician, care personnel and the pharmacy are all aware of the patient's overall medication. The overall medication review done by the pharmacy ensures that the customer will not have unnecessary or overlapping medications. This also ensures that the customer is using medicines that can be used simultaneously. There are no unnecessary medicines around the house, which reduces the amount of pharmaceutical waste and saves money.

We conquered Norrland in Sweden

In the autumn 2016, we won a dose dispensing contract for the four most Northern regions of Sweden. In Northern Sweden, the dose dispensing services serve approximately 19,500 customers. Geographically, the area covers half of the area of Sweden.

With the contract, the dose dispensing volume increased over 75%. The preparations for dose dispensing in the Norrland region started in late autumn 2016. At the beginning of 2017, the automated dose dispensing machine capacity had doubled, a great number of new employees had been recruited and a new office had been opened. After smooth and efficient preparations, dose dispensing services in the Norrland region began on 27 February 2017.



Sustainability

As a pharmaceutical distributor and pharmacy operator, we have a responsible role in the pharmaceutical distribution chain. We adhere to ethical business practices. We invest in the competence and development of our personnel and strive to reduce the environmental impacts of our operations as part of our responsible business.

COMPETENT AND CONTENTED staff constitute the key success factor and the foundation of responsible business operations for us. By investing in the competence and development of our staff, we provide added value to our customers, meet the strict quality requirements of the pharmaceutical sector and ensure our competitiveness in a digitalising market.

Securing pharmaceutical safety takes priority in our operations. Pharmaceuticals must be delivered safely and on time in all conditions. Our operations are designed to ensure that pharmaceuticals are available at all times and that they are handled in a manner that is in compliance with the pharmaceutical sector's regulatory requirements.

The most significant impacts on the environment caused by our business are associated with facility maintenance, transportation of pharmaceuticals, and packaging waste. We strive to minimize our environmental load.

2017

We launched our new Code of Conduct training in 2017. All our employees will complete the training.

100 %

Reutilization rate of waste generated in our everyday business operations is 100 %.

CDP

We disclosed to the CDP program for the first time in 2017. We will continue developing our sustainability reporting in 2018.

Read more about sustainability.

Value creation framework

Resources

- Capital provided by investors

- Skilled personnel

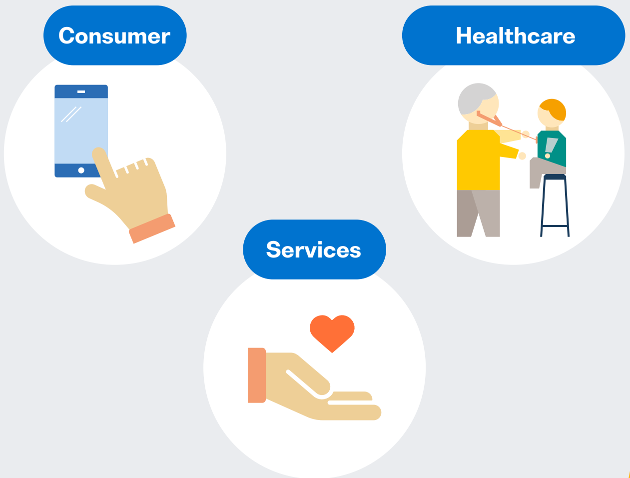
- Distribution centers
- Pharmacies
- Dose dispensing units
- GDP compliant logistics and pharmaceutical expertise

- Regulators, medical agencies
- Pharmaceutical companies
- Patient organizations

- Energy, fuel, water

Business model

We ensure that pharmaceuticals, health products and services are available close to the customer and handled safely and efficiently. We provide advice for safe medicine usage.



Value to the stakeholders

Society	Safe and efficient pharmaceutical distribution
Consumers	Large assortment of health products
Suppliers	Value of goods purchased
Personnel	Wages and salaries
Creditors	Interest
Public sector	Direct and indirect taxes
Shareholders	Dividends and increased shareholder value

Impacts

- Efficiency in public and private healthcare
- Direct and indirect employment
- Development opportunities for personnel
- Environmental impacts

Members of the Board of Directors 2017–2018

Anssi Vanjoki [1956]
Chairman
M.Sc. (Economics)
Independent member of the Board since 2015

Eva Nilsson Bågenholm [1960]
Vice Chairman
Chairman of the Compensation Committee
Physician
Independent member of the Board since 2015

Anja Korhonen [1953]
Chairman of the Audit Committee
M.Sc. (Economics)
Independent member of the Board since 2014

Mariette Kristenson [1977]
M.Sc. (Economics)
Independent member of the Board since 2016

Kuisma Niemelä [1958]
M.Sc. (Economics)
Independent member of the Board since 2014

Lena Ridström [1965]
M.Sc. (Economics)
Independent member of the Board since 2016

Staffan Simberg [1949]
MBA
Independent member of the Board since 2015

Please find more information on the Members of the Board of Directors at our website.

Group Management Team

Robert Andersson [1960]
President and CEO
since 12 February, 2018

Thomas Gawell [1963]
Vice President, Healthcare Business
since 2016

With the company since 2001

Helena Kukkonen [1972]
Chief Financial Officer
since 12 March, 2018

Jukka Mäkelä [1963]
Vice President, Development and Information Management
since 2013

Teija Silver [1964]
Vice President, Human Resources
since 2006

Anders Torell [1967]
Vice President, Consumer Business
since 2 January, 2018

Kimmo Virtanen [1968]
Executive Vice President[1], Services Business
since 2016

With the company since 2006

Chages in Group Management team

Eero Hautaniemi was President and CEO until 18 December 2017. Sari Aitokallio was Chief Financial Officer until 12 February 2018. Stig Torell was Vice President, Consumer Business until 31 March 2017.

[1]Kimmo Virtanen was Interim CEO of Oriola Corporation from 18 December 2017 to 11 February 2018.

Please find more information on the members of the Group Management Team at our website.

Financials 2017

Financials 2017

The financials section of the Annual Report 2017

The financials section includes the Board of Directors' report, audited financial statements and auditors report as well as information about the shares and shareholders and key figures and financial development.

Basis for preparation

The accounting principles are presented in the relevant parts of the notes to the financial statements in order to make the report more user-friendly. The basis for preparation part of the note is highlighted.

Use of estimates

If the accounting area presented in the note involves estimates and judgements, these are described separately in the relevant note. The description of the use of estimate in the note is italicised and highlighted.

Non-financial information

Oriola declares the non-financial information according to Finnish Accounting Act and using Nasdaq ESG Reporting Guide as appropriate in the Report of the Board of Directors. The non-financial information and related Key Performance Indicators are integrated into Corporate Governance Statement, Remuneration Statement and the section on sustainability (chapters 5–8 in the Report of the Board of Directors).

Report of the Board of Directors

1. Business review

Operating environment

In 2017 the pharmaceutical market continued to see moderate growth in line with inflation, both in Finland and in Sweden. The sales of traded goods grew faster, aided by e-commerce and consumers' willingness to invest in health and wellbeing. The consumer confidence is at a good level in both countries.

In Sweden, growth in the pharmacy market has moved online. The pharmacy chains are still opening new stores, but the net rate of establishment is clearly lower than in 2010–2016. E-commerce growth in 2017 was approximately 58 per cent, online sales accounting for 7 per cent of the total market. The online opportunities have brought new competitors into the marketplace, and traditional pharmacy chains are developing online capabilities to match the offerings of new entrants. Price competition is expected to continue, both online and offline. In Finland the online trade is also rapidly growing, but is still behind Sweden.

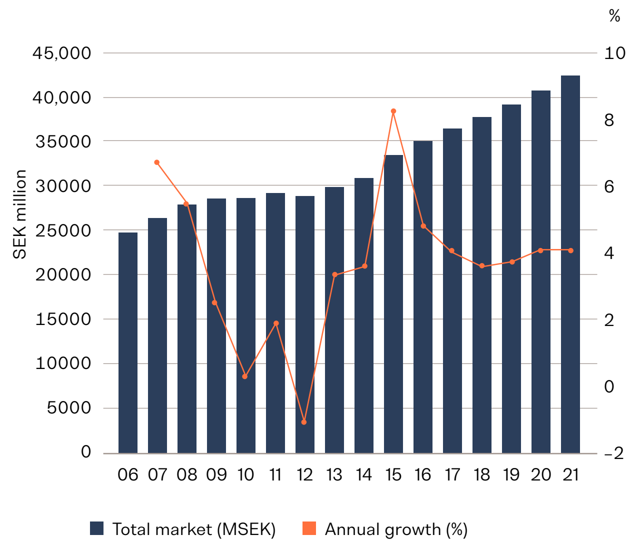
The number of patients in dose dispensing has grown modestly both in Sweden and Finland. In Sweden the competition has strongly affected the dose fee paid by the county councils. The fee has been in the latest tenders zero or negative. It is characteristic for the dose dispensing tendering process in Sweden that decisions on awarding contracts are contested by the competitors, resulting in appeals and repeated tenders.

Health and wellbeing market is strongly developing and offering consumers new products and services. The competition in this marketplace is intense and online sales is impacting both assortment and pricing. The public sector is increasingly seeking for ways to control the increasing costs of healthcare, and these measures offer the pharmaceutical service providers new opportunities, but on the other hand put pressure on pricing of products and services. The growth in the pharmaceutical market will continue also in 2018.

Changes in the pharmaceutical regulatory environment along with changes in pricing and reimbursement of medicines continue to impact the markets in which Oriola operates. In Sweden the governmental committee reports address many areas of the pharmaceutical supply chain. In Finland the social and healthcare reform will change the financing and structures of healthcare, from initial care to specialized treatments. The pharmacy sector regulation will be changing in due course.

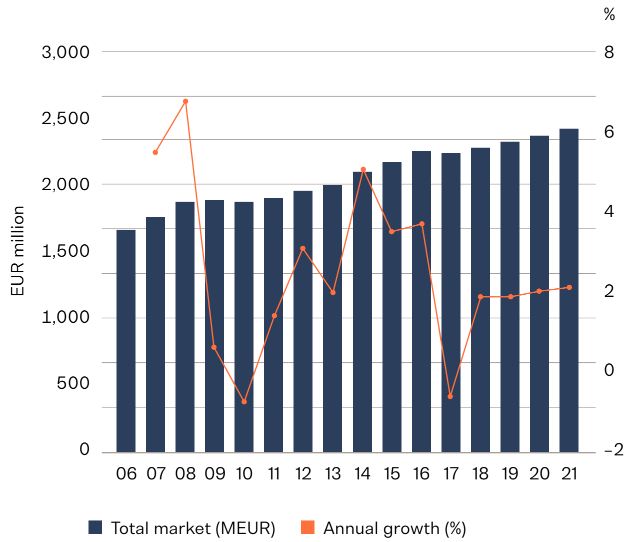
Owing partly to Oriola's difficulties in the commissioning of new IT-systems in 2017, the parties to the Finnish pharmaceutical supply chain, under the leadership of the Finnish Medical Agency, have started the discussions on how to develop the robustness of the distribution system. The aim is to improve the system, in order to better secure the distribution in case of disruptive events. The initial recommendations require further preparation to become concrete regulatory and practical measures, but all participants share the opinion that the system can be improved.

Pharmaceutical market growth Sweden[1]



[1] Source: IQVIA

Pharmaceutical market growth Finland[1]



The Group’s net sales and result for January–December 2017, continuing operations

Oriola’s net sales decreased by 3.8 (increased 0.7) per cent to EUR 1,527.7 (1,588.6) million and adjusted EBIT decreased by 33.3 (increased 0.1) per cent to EUR 39.9 (59.9) million. The adjusting items were EUR -2.1 (-2.2) million, and EBIT was EUR 37.8 (57.6) million. The adjusting items consisted mainly of contractual liabilities due to delivery problems in Finland and restructuring costs incl. compensation for termination of the CEO service contract.

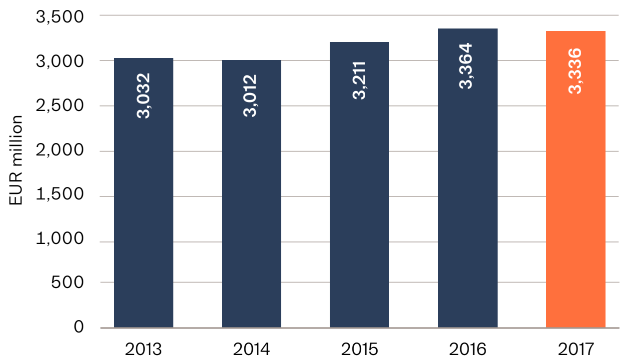
Invoicing decreased by 0.8 (increased 4.8) per cent, at comparable currencies invoicing increased by 0.3 per cent. Invoicing decreased mainly in the Services Business Area due to changes in pharmaceutical distribution in Sweden, where distribution agreement with Abbvie ended in the beginning of the year, and agreement with Meda started only in May. In the Healthcare Business Area invoicing doubled from previous year as the new contracts started in 2017. The profitability decreased in all of the business areas.

January–December net sales at comparable exchange rate EUR/SEK were EUR 1,547.8 million. The depreciation of the Swedish krona from the corresponding period impacted the euro denominated EBIT by EUR -0.6 million, and the adjusted EBIT at comparable currency rate was EUR 40.6 million.

Oriola’s net financial expenses were EUR 3.9 (4.7) million. Profit for the period was EUR 25.9 (41.8) million. Income taxes for January–December were EUR 7.9 (11.1) million, which corresponds to effective tax rate of 23.4 (21.0) per cent. Earnings per share were EUR 0.14 (0.23).

Oriola Corporation and Kesko Corporation announced in March 2017 the establishment in Finland of the new store chain Hehku, specialising in comprehensive wellbeing. The first stores and webshop were opened in January 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. In 2017 Oriola invested EUR 1.6 million in Hehku Kauppa Oy, the EBIT impact was EUR -1.1 million.

Invoicing



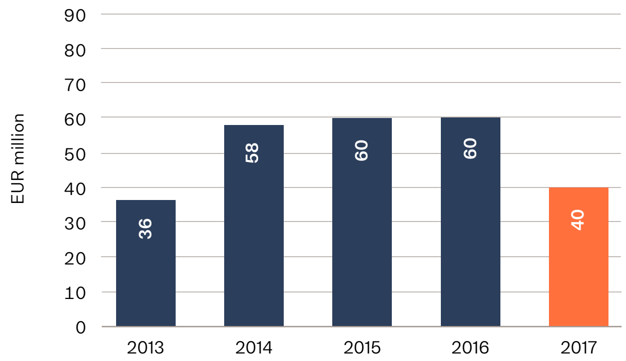
Oriola completed the sale of its Baltic businesses in October 2017. The sold companies were reported under Consumer and Services segments, and are excluded from the continuing operations.

For more information of the Group’s financial performance please see the section Financial Indicators 2013–2017.

Consumer Business Area

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

Adjusted EBIT



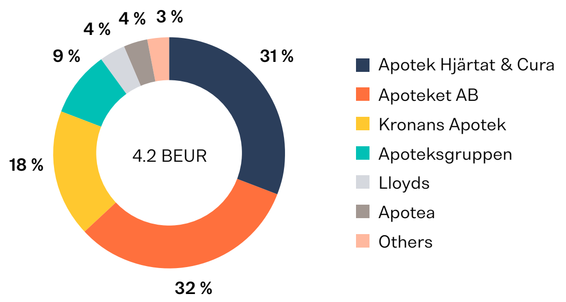
Consumer

Key figures, continuing operations EUR million	2017 1-12	2016 1-12	Change %
Invoicing	780.5	790.2	-1.2
Net Sales	762.0	771.9	-1.3
Adjusted EBIT	25.2	33.1	-24.0
Adjusted EBIT %	3.3	4.3	
Number of personnel at the end of period	1,581	1,630	

The pharmacy market in Sweden grew by 3.2 (5.5) per cent in Swedish krona in the period January–December 2017 (source: Apoteksförening). The share of parallel imports of the Swedish pharmaceutical market was 12.1 (11.5) per cent (source: IQVIA). The number of pharmacies in Sweden increased by 22 in January–December 2017. At the end of December there were 1,424 (1,402) including 8 online pharmacies in Sweden.

Oriola’s market share in the pharmaceutical retail market in Sweden in January–December 2017 was 17.7 (18.1) per cent (source: Apoteksförening). The relative share of OTC and traded goods from the net sales was 26.6 (27.1) per cent. At the end of the reporting period, Oriola had 326 (324) pharmacies in Sweden. Oriola established 8 new pharmacies and closed 6 pharmacies.

Swedish pharmacies – market share %



Online sales in the Swedish pharmaceutical retail market continued to grow at a fast pace and reached approximately 7 per cent of the Swedish pharmaceutical retail market by the end of the year. New entrants from other lines of retail have announced the plans to include pharmacy products into their online offering. Oriola's online sales has developed well, and based on the company's estimates, has grown faster than the market in 2017. The growth has been strongest in OTC and Traded Goods products. The online sales accounts for 1.8 (1.1) per cent of Oriola's Consumer sales in Sweden.

The net sales of the Consumer business decreased by 1.3 (increased 1.9) per cent to EUR 762.0 (771.9) million, and on a constant currency basis, net sales increased by 0.4 per cent. Adjusted EBIT decreased by 24.0 (decreased 1.5) per cent to EUR 25.2 (33.1) million. The cost of newly established pharmacies, store development and online development and marketing weakened profitability. Oriola's share of the loss of Hehku Kauppa Oy was EUR -1.1 million.

Services Business Area

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

Services

Key figures, continuing operations EUR million	2017 1–12	2016 1–12	Change %
Invoicing	2,832.6	2,899.8	-2.3
Net Sales	1,042.9	1,142.6	-8.7
Adjusted EBIT	22.6	33.7	-33.0
Adjusted EBIT %	2.2	2.9	
Number of personnel at the end of period	868	874	

The pharmaceutical market at wholesale prices in Sweden grew by 2.1 (4.8) per cent in Swedish krona in January–December 2017 (source: Reveal). Oriola's share of the Swedish pharmaceutical wholesale market was approximately 35 (40) per cent (Oriola estimate).

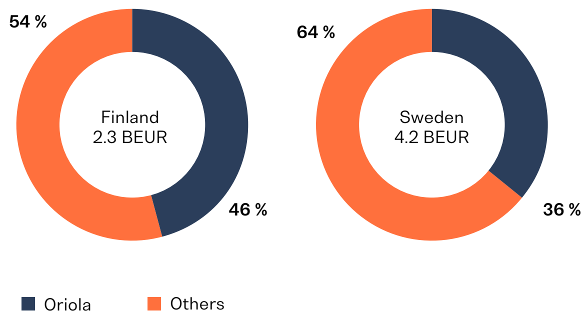
The Finnish pharmaceutical market at wholesale prices grew by 1.2 (3.7) per cent in January–December 2017 (source: LTK). Oriola's share of the Finnish pharmaceutical wholesale market was 46 (46) per cent (source: ATY).

The invoicing of the Services segment decreased from the previous year by 2.3 (increased 4.6) per cent to EUR 2,832.6 (2,899.8) million. On a constant currency basis invoicing decreased by 1.3 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 8.7 (decreased 1.0) per cent to EUR 1,042.9 (1,142.6) million, and on a constant currency basis, net sales decreased by 7.7 per cent. Adjusted EBIT decreased by 33.0 (increased 4.2) per cent to EUR 22.6 (33.7) million. The profitability was burdened in Finland by the IT-systems implementation and the resulting difficulties in distribution. The total impact of the problems in the system start-up for the 2017 adjusted EBIT was EUR -9 million.

At the end of 2017 the Pharmaceutical company Roche's distribution agreement with Oriola ended after a three year contract period. Roche's share of the Finnish pharmaceutical market is 4.7%, and the annual sales of Roche at wholesale price is approximately EUR 120 million in Finland.

Oriola has agreed with the Pharmaceutical company Orion, that Orion can continue during 2018 to place part of their offering into multichannel distribution in Finland. The wholesale value of these products is up to EUR 90 million.

Wholesale – market share %



Healthcare Business Area

The Healthcare Business Area 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.

Healthcare

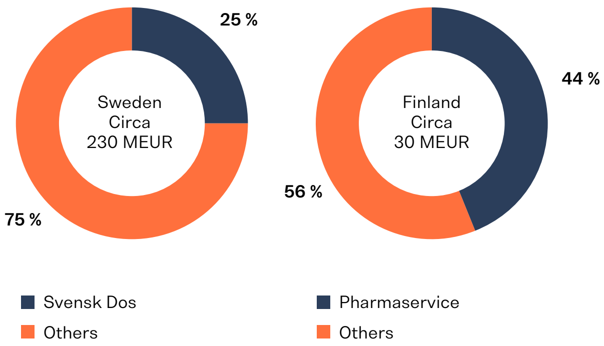
Key figures, EUR million	2017 1–12	2016 1–12	Change %
Invoicing	71.2	36.3	95.8
Net Sales	70.7	36.2	95.1
Adjusted EBIT	-1.7	-1.0	-75.2
Adjusted EBIT %	-2.4	-2.7	
Number of personnel at the end of period	125	120	

The net sales of Healthcare business were EUR 70.7 (36.2) million. On a constant currency basis net sales increased by 97.9 per cent. Adjusted EBIT was EUR -1.7 (-1.0) million. Amortisation related to acquisition of Svensk Dos and Pharmaservice affected Healthcare EBIT by EUR -1.4 (-1.7) million.

The net sales of the Healthcare Business Area doubled in 2017 as a result of the new dose dispensing and county council contracts. The profitability was affected by the competitive tendering in the dose dispensing market in Sweden, because the dose fee paid by the county councils decreased. On the other hand Oriola was successful in partly offsetting the negative trend in pricing with efficiency measures. The new Norrland dose dispensing contract almost doubled the number of dose dispensing patients to 48,500 in Sweden, but it has taken longer than expected to reach the targeted efficiency. The first county council pharmaceutical distribution agreement with Västmanland started in October and required Oriola to develop systems and organisation in order to have the needed delivery capability.

In Finland the number of dose dispensing patients was approximately 20,000 and remained at the same level as in 2016. The Finnish dose dispensing business continued to perform well.

Dose dispensing – market share %[1]



[1] Oriola estimate

Balance sheet, cash flow and financing

Oriola's total assets at 31 December 2017 were EUR 922.4 (925.4) million. Equity attributable to the equity holders was EUR 197.7 (205.2) million. Cash and cash equivalents totalled EUR 17.0 (60.8) million. Net cash flow from operations in January–December 2017 was EUR 23.7 (40.2) million, of which changes in working capital accounted for EUR -18.2 (-41.2) million. Net working capital was negatively impacted by the Finnish ERP and warehouse management system implementation, and the strike in the Finnish banking services at the end of the year. Net cash flow from investing activities was EUR -37.7 (-80.7) million. Net cash flow from financing activities was EUR -29.7 (-20.5) million. The dividend of EUR 25.4 million was distributed to the shareholders in April 2017.

At the end of December 2017, interest-bearing debt was EUR 127.2 (133.1) million. The long-term interest-bearing liabilities were EUR 61.0 (84.6) million and short-term interest-bearing liabilities were EUR 66.3 (48.5) million. Short-term liabilities mainly consist of commercial paper issues of EUR 50.0 (15.0) million and advance payments from Finnish pharmacies EUR 15.0 (21.5) million. Short term liabilities at the end of December 2016 included also syndicated loans EUR 10.5 million. Interest-bearing net debt was EUR 110.2 (72.3) million, and gearing 55.7 (35.2) per cent.

The non-recourse trade receivables sales programmes were continued in Sweden. At the end of December 2017, a total of EUR 94.8 (118.5) million in trade receivables had been sold. Including the sold trade receivables, the adjusted gearing was 103.7 (93.0) per cent. The average interest rate on the interest bearing liabilities was 0.88 (1.26) per cent.

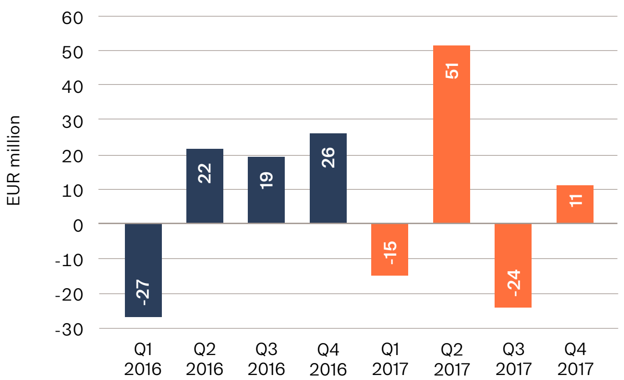
During the second quarter of 2017 Oriola Corporation rearranged its long-term revolving credit facility and term loan agreement. The revolving credit facility of EUR 100 million replaced the earlier financing agreement that was signed on 11 June 2015. The revolving credit facility will mature in five 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. At the end of the reporting period the financial covenants were clearly fulfilled.

The committed long-term revolving credit facility of EUR 100.0 million and EUR 15.1 million of short-term credit limit were unused at the end of December 2017.

At the end of December 2017 Oriola's equity ratio was 21.8 (22.7) per cent. Return on capital employed was 11.7 (17.8) per cent, and Return on equity 13.0 (21.4) per cent.

For more information of the Group's balance sheet and cash flow and the related key figures, see the section Financial Indicators 2013–2017.

Net cash flow from operating activities



Investments and depreciation, continuing operations

Gross investments in January–December 2017 totalled EUR 46.1 (88.6) 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 25.7 (32.0) 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 being re-evaluated.

The capital expenditure in 2018 excluding acquisitions is estimated to be approximately EUR 35 million.

Personnel, continuing operations

On 31 December 2017, Oriola had 2,619 (2,669) employees, 60 (61) per cent of whom worked in the Consumer segment, 33 (33) per cent in Services segment, and 5 (4) per cent in Healthcare segment. The group administration employed 2 (2) percent of the total number of employees. The average number of personnel in 2017 was 2,686 (2,425 in 2016 and 2,172 in 2015). Personnel numbers consist of members of staff in active employment in continuing operations.

The total amount of wages, salaries and bonuses in 2017 was EUR 113.3 million (100.6 in 2016 and 92.2 in 2015).

For more information about the employee benefits please refer to note 4.6. Employee benefits in the Consolidated Financial Statements.

Oriola Corporation shares

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

Trading volume

	Jan-Dec 2017		Jan-Dec 2016	
Trading volume	class A	class B	class A	class B
Trading volume, million	2.7	41.7	1.9	22.5
Trading volume, EUR million	10.1	146.1	7.9	94.1
Highest price, EUR	4.53	4.43	4.50	4.65
Lowest price, EUR	2.96	2.77	3.70	3.65
Closing quotation, end of period, EUR	3.00	2.80	4.25	4.31

Oriola Corporation's market capitalisation on 31 December 2017 was EUR 519.2 (778.9) million.

In the review period, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 24.5 (13.4) per cent of the total number of shares.

At the end of December 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. In the period 1 January–31 December 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.

More information on shares and shareholders is given in the section entitled Information on shares.

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 relating 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.

Flagging announcements

No flagging announcements were received during the period.

Changes in the Group structure in 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 has 60 employees. 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.

Oriola completed the sale of its Baltic businesses on 18 October 2017. On 14 August 2017 Oriola announced that it had signed an agreement to sell its Baltic businesses to the companies' existing management (SIA Oribalt Group). Oriola's Baltic businesses comprise of the following subsidiaries: AS Oriola, Oriola Estonia Oü, SIA Oriola Riga, SIA Panpharmacy, and UAB Oriola Vilnius. The net sales of the Baltic businesses in 2016 were EUR 54 million, the adjusted EBIT was EUR 1.2 million and the number of personnel was 160.

Following subsidiary mergers were completed during the last quarter of 2017: Farenta 3 Oy, Farenta 4 Oy and Secret Files Oy were merged into Farenta Oy.

Events after the period under review

After the reporting period, on 31 January 2018, the Nomination Committee of Oriola Corporation presented to the Board of Directors its recommendation on the proposal to the 2018 Annual General Meeting concerning the composition of the Board of Directors. The proposal has been presented in the section on Governance.

Robert Andersson assumed the position as the President and CEO on 12 February 2018.

Market outlook

Oriola's outlook for 2018 is based on external market forecasts, agreements with pharmaceutical companies and pharmacies, and management assessments. The Finnish pharmaceutical market is expected to grow during 2018–2021, 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 currency (source: IQVIA).

Business outlook for 2018

Adjusted EBIT of continuing operations on constant currency basis is estimated to increase from the 2017 level.

Oriola is undergoing a major development phase which started in 2015. In 2018 Oriola will open an extension to the Enköping Distribution Centre. The start-up of the new automated warehouse is anticipated in the fourth quarter 2018. The phased start-up will impact the efficiency during the fourth quarter. In Finland the improvements to the ERP and warehouse management system taken into use in 2017 will continue, with the aim that the efficiency will improve throughout the year. In Consumer business the building of Hehku-chain continues with opening of new stores.

At the end of 2017 the Pharmaceutical company Roche's distribution agreement with Oriola ended after a three year contract period. Roche's share of the Finnish pharmaceutical market is 4.7%, and the annual sales of Roche at wholesale price is approximately EUR 120 million in Finland.

Oriola has agreed with the Pharmaceutical company Orion, that Orion can continue during 2018 to place part of their offering into multichannel distribution in Finland. The wholesale value of these products is up to EUR 90 million.

Profit distribution proposal

Oriola Group's parent company is Oriola Corporation, whose distributable assets based on the balance sheet on 31 December 2017 were EUR 373.6 (366.3) million. Oriola Corporation's profit for the financial year 2017 was EUR 33.4 (21.1) million. Earnings per share of the Oriola Group were EUR 0.14 (0.24).

The Board proposes to the Annual General Meeting that a dividend of EUR 0.09 (0.14) per share is paid for 2017. The Board of Directors further proposes that the remaining non-restricted equity, EUR 357,328,129.08 be retained and carried forward.

Annual general meeting 2018

Oriola Corporation's Annual General Meeting will be held on 19 March 2018 at 2 p.m. at the Helsinki Convention Centre. The matters specified in article 10 of the Articles of Association and other proposals of the Board of Directors, if any, will be dealt with at the meeting. The Board of Directors will decide on the notice of the Annual General Meeting and the proposals contained in it at a later date. The notice to convene will be available on the company's website at www.oriola.com on 23 February 2018 at the latest.

2. Risk review

Strategic and financial risks

Oriola has specified the company's risk management model, principles, organization and process in the Risk management policy. The Group's risk management seeks to identify, measure and manage risks that may have an adverse or beneficial impact on Oriola's operations and achievement of the set goals. The Group also has a Code of Conduct policy and a Treasury policy covering compliance and financial risks. The internal control and risk management systems related to Oriola's financial reporting are aimed at ensuring the reliability of the company's financial statements and financial reporting, as well as the company's compliance with legislation and generally approved operating principles.

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

In 2017 Oriola's risk management has concentrated on preparing Business continuity plans for Group's distribution centres. The work will continue in the Healthcare and Consumer businesses in 2018. The risk reviews were prepared for each business area during the strategy work, and the updated risk maps have been basis for the plans in 2018.

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 and in 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.

Several regulation changes are under review in Sweden, where a Pharmacy Bill for the parliament is expected in the spring 2018. The bill is anticipated to introduce the obligation to wholesalers to deliver pharmaceuticals to pharmacies within 24 hours from the orders. The bill also includes new rules for the return of the products by the pharmacies. Oriola estimates that the Company will be able to fulfill these new requirements.

At the end of 2018 the final report of the investigation SOU 2016:95 will be presented in Sweden. The investigation introduces the possibility to restrict pharmacies right to negotiate prices with the pharmaceutical manufacturers and source pharmaceuticals directly, benefiting from the lower price level in some other EU-countries. This change, if implemented, could have a negative impact on the profitability of Oriola's Swedish retail business.

In Finland the social and health care reform will affect the roles of public and private healthcare actors. The impacts to pharmaceutical supply chain are still largely unknown. The regulation concerning Finnish pharmacy sector is under scrutiny. The possible re-regulation could open up opportunities for Oriola's and Kesko's joint venture, Hehku health and wellbeing store chain, to develop into a pharmacy chain.

In operational risks more emphasis will be put on Oriola's role in the pharmaceutical patient safety, and ensuring the delivery of critical medicines in all conditions. One risk factor in Oriola's Finnish operation is the concentration of all the pharmaceutical stocks and deliveries into one warehouse. This risk is mitigated through business continuity planning, which describes the detailed recovery plans in case of emergencies. These kind of risks in the Finnish pharmaceutical single channel distribution system are also discussed in the report by the Finnish Medical Agency for The Ministry of Social Affairs and Health. FIMEA report requires a more detailed study on the benefits and/or disadvantages of single and multichannel distribution models.

Oriola assesses ESG-related (Environment, Social and Governance) risks as part of the regular risk management process. Oriola has identified the following biggest ESG risks: Confidentiality of data and information, development of environmental regulation, and responsiveness to increasing public demand for corporate social responsibility and social acceptance. The impact of these risks on the company's financial performance can be material.

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 goodwill write-off. More about financial risk management can be found in note 6.3. to the Consolidated Financial Statements.

Near-term risks and uncertainty factors

Oriola's strategic development projects involve operational risks which may have an effect on the profitability.

In September 2017 Oriola took a new enterprise resource planning and warehouse Management System into production in Finland, covering the operations of the Services business and the Group parent company. The implementation faced difficulties which led to lower efficiency and delivery disruptions in the Finnish pharmaceuticals and health products deliveries. Even though the delivery performance reached normal level during the fourth quarter of 2017, the efficiency was still lower than normal. The overall impact of the operative systems' change to 2017 EBIT was EUR -10 million.

Oriola has planned to implement the same systems into its Swedish Services business. The original plan was to take the systems into production in the autumn 2018. Based on the experience on the Finnish implementation, the plans have been reviewed. The timing and phasing of the implementation in Sweden will be planned and decided upon in 2018. The Enköping distribution center expansion in Sweden, together with new automation will be taken into use during the fourth quarter of 2018. The new automation will be started using the current warehouse management systems. A thorough risk management and phased ramp-up plan is prepared for the start-up phase.

Based on the difficulties faced in Finland, the risk management plan for the Swedish implementations include a stronger focus on critical medicines and the alternative plans to secure their delivery in any conditions.

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

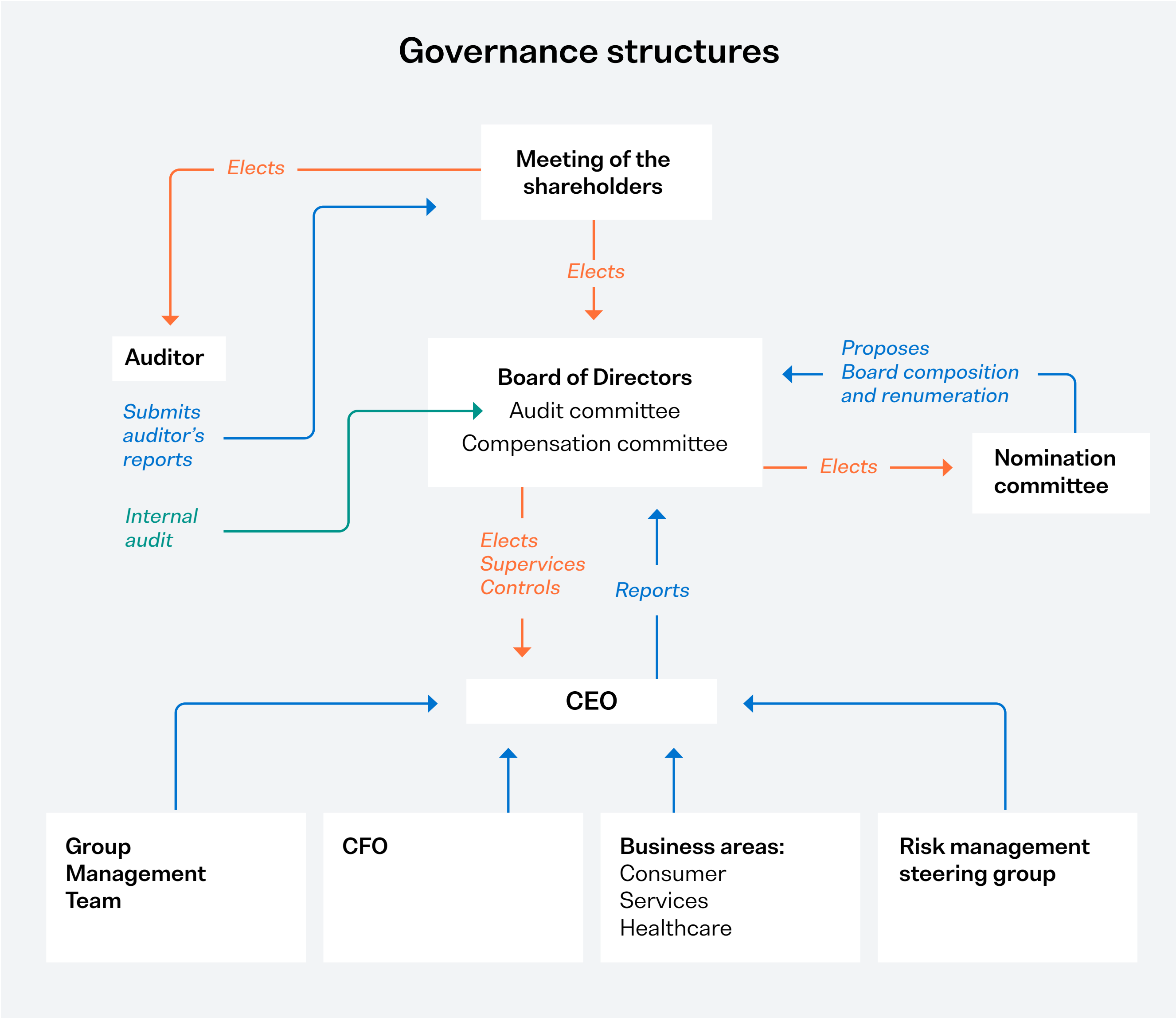
3. Governance

Corporate governance statement 2017

This Corporate governance statement has been prepared in accordance with the Finnish Corporate Governance Code 2015 and chapter 7, section 7 of the Finnish Securities Markets Act. Oriola Corporation complies with the provisions of its articles of association, the Finnish Companies Act, the Finnish Securities Markets Act and other similar legislation. The company also complies with the rules and regulations applying to listed companies issued by Nasdaq Helsinki Ltd (Helsinki Exchange) and the Finnish Financial Supervisory Authority. The company's head office is located in Espoo, Finland.

Oriola applies the Finnish Corporate Governance Code, with the exception that the company's Nomination committee may also have members, who are not members of the company's Board of Directors. This exception is explained below in the section on the Nomination committee. The information required by the Finnish Corporate Governance Code is also available on the company's website www.oriola.com. An unofficial English translation of the Finnish Corporate Governance Code 2015 is in the public domain and available on the Securities Market Association's website at www.cgfinland.fi.

Oriola prepares its consolidated financial statements and interim reports in accordance with the EU-approved IFRS reporting standards, the Securities Markets Act, applicable Financial Supervisory Authority standards and the rules issued by Nasdaq Helsinki Ltd. The report of the Board of Directors and the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Accounting Board. The auditors' report covers the report of the Board of Directors, the consolidated financial statements and the parent company's financial statements.



General meeting of shareholders

The general meeting of shareholders decides on the matters that under the Companies Act and the articles of association of Oriola are within its purview. Each shareholder is entitled to attend general meetings. Each class A share carries 20 votes and each class B share one vote at general meetings. According to the Articles of Association, no shareholder may vote using an amount of votes that exceeds 1/20 of the total number of votes carried by the shares of different share classes represented at the general meeting.

The Board of Directors convenes a general meeting of shareholders. The notice of general meeting is published on the company's website or in one daily newspaper in Finland's capital city no earlier than two months and no later than twenty one days prior to the meeting. Oriola also publishes the notice of general meeting as a stock exchange release. The documents to be submitted to the general meeting and the draft resolutions to the general meeting are also available on the company's website. The notice of the general meeting contains the proposed agenda for the meeting.

A shareholder has the right to have matters that under the Companies Act fall within the competence of the general meeting dealt with by the meeting, if the shareholder so demands in writing to the Board of Directors well in advance of the meeting so that the matter can be included in the notice. The demand will be considered to have arrived in time, when the Board of Directors has been informed about the demand at the latest four weeks in advance of the publication of the notice of the general meeting.

The chairman of the Board of Directors, a sufficient number of members of the Board of Directors and its committees, the President and CEO, and the auditor attend the general meeting. A person proposed for the first time as member of the Board of Directors shall be present at the general meeting that decides on his or her election unless there are well-founded reasons for absence.

The shareholders will according to law and the articles of association exercise their power of decision at the general meeting. The Annual General Meeting is held no later than the end of May each year. The duties of the Annual General Meeting include adoption of the financial statements; use of the profit shown on the balance sheet; election of the members of the Board of Directors and the decision on their fees; discharging from liability for the members of the Board of Directors and the President and CEO; election of the auditor and the decision on compensation and deciding on proposals made by the Board of Directors and shareholders to the Annual General Meeting (e.g. amendments to the articles of association, repurchase of the company's own shares, share issue, giving special authorizations).

Annual General Meeting 2017

The Annual General Meeting of Oriola, 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. According to the decision of the Annual General Meeting, a dividend of EUR 0.14 per share was paid on the basis of the balance sheet adopted for the financial year ending 31 December 2016.

Authorisations

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

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

The Annual General Meeting authorised the Board to decide on repurchasing up to 18,000,000 of the company's own class B shares. Shares may be repurchased also in a proportion other than in which shares are owned by the shareholders. The authorisation is in force for a maximum of 18 months following the decision of the Annual General Meeting.

The Annual General Meeting 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.

All decisions of the Annual General Meeting 2017 are available on the company's website at www.oriola.com.

Board of Directors

The Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations.

The Board of Directors is responsible for managing and supervising the company's operations in accordance with the law, governmental regulations and the articles of association. The Board also ensures that good corporate governance is complied with throughout Oriola Group.

The members of the Board of Directors are elected by the general meeting of shareholders. The Board of Directors exercises the highest decision making power in the Oriola Group between the general meetings of shareholders. In accordance with the articles of association, the Board of Directors consists of no fewer than five and no more than eight members. The term of the members of the Board of Directors expires at the end of the next Annual general meeting following their election. The chairman of the Board of Directors is elected by the general meeting of shareholders. The vice chairman of the Board is elected by the Board of Directors from among its members.

The Nomination Committee's recommendation to the Board for the Board's proposal on the composition and remuneration of the Board is given in the notice of the Annual General Meeting. The biographical details of the proposed Board members are presented on the company's website.

The Board of Directors convenes in accordance with a timetable agreed in advance and also convenes as required. In addition to making decisions, in its meetings the Board of Directors also receives current information about the operations, finances and risks of the Group. Board meetings are also attended by the President and CEO, the CFO and the General Counsel, who acts as secretary to the Board. Members of the Group management team attend Board meetings at the invitation of the Board. Minutes are kept of all meetings.

The main tasks to be dealt with by the Board of Directors are listed in the Board's rules of procedure. Among these are approving the company's strategy; approving financial targets, budgets, major investments and risk management principles; appointment and dismissal of the company's President and CEO; consideration and decision of all significant matters concerning the operations of the Group and the business areas and approving the charters of the Audit Committee, the Compensation Committee and the Nomination Committee.

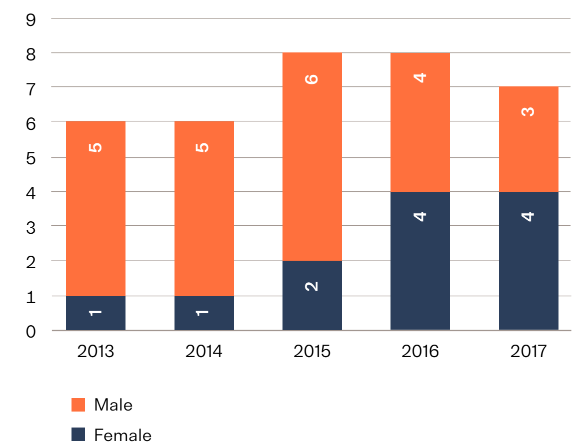
Diversity on the Board

The ultimate goal in electing members to the Board of Directors is to ensure that the Board of Directors as a collegium has a competence profile which supports the Oriola's existing and future business. Diversity supports the overall goal that the Board of Directors has an optimal competence profile to support the company's business and is viewed as an integral part and a success factor enabling the achievement of Oriola's strategic goals. Important factors for the diversity of Oriola's Board of Directors are the mutually complementary expertise of the members, their education and experience in different professional areas and industrial sectors, businesses in various stages of development, leadership experience as well as their personal capacities. The diversity of the Board of Directors is supported by experience in operating environments and industries relevant to the company as well as different cultures and by consideration to the age and gender breakdown of the members.

Oriola's Board of Directors has approved the diversity policy of the Board of Directors in December 2016. According to the diversity policy of the Board of Directors Oriola's objective is to maintain an appropriate balance of representation of both genders on the Board of Directors.

The company has upheld the requirements set for diversity in the composition of the Board of Directors. Oriola's Board of Directors 2017 represents diversity of nationalities, professional competences and genders.

Board diversity



Board of Directors 2017-2018

The Annual general meeting of Oriola held on 14 March 2017 confirmed that the Board of Directors of Oriola shall have seven members and elected the following persons as chairman and members of the Board of Directors:

In its constitutive meeting held later the same day, the Board of Directors elected Eva Nilsson Bågenholm as its vice chairman.

Name	Year of birth	Education and independence	Attendance at Board Meetings	Attendance at Committee Meetings
Anssi Vanjoki (Chairman)	1956	M.Sc. (Economics), independent member of the Board	22/22	
Anja Korhonen	1953	M.Sc. (Economics), independent member of the Board	22/22	Audit Committee 7/7
Mariette Kristenson	1977	M.Sc. (Economics), independent member of the Board	19/22	Compensation Committee 4/4
Kuisma Niemelä	1958	M.Sc. independent member of the Board	21/22	Audit Committee 7/7
Eva Nilsson Bågenholm (Vice Chairman)	1960	Physician, independent member of the Board	22/22	Compensation Committee 4/4
Lena Ridström	1965	M.Sc. (Economics), independent member of the Board	21/22	Compensation Committee 4/4
Staffan Simberg	1949	MBA, independent member of the Board	21/22	Audit Committee 7/7

Members of Oriola's Board of Directors 1 January–14 March 2017:

Name	Year of birth	Education and independence	Attendance at Board Meetings	Attendance at Committee Meetings
Matti Rihko	1962	M.Sc. (Econ.), M.Sc (Psychology), independent member of the Board	4/5	Compensation Committee 1/1

The Board of Directors has evaluated the independence of its members and determined that all members are independent of the company and its major shareholders. The Board has also conducted an assessment of its activities and working practices.

In 2017, the Board of Directors of Oriola convened 22 times, 9 of which were conference call meetings and 5 per capsulam meetings.

Board committees

The Board of Directors has an Audit Committee and a Compensation Committee. In addition, the company has a Nomination Committee. The committees' charters are confirmed by the Board. The committees are preparatory bodies that submit proposals to the Board on matters within their purview. Minutes are kept of the committees' meetings. The committees report to the Board at regular intervals. The committees do not have independent decision-making powers. Their task is to submit recommendations to the Board on matters under consideration.

In its constitutive meeting, held after the Annual General Meeting, the Board of Directors appoints, from among its members, the members and chairman of the Audit Committee and the Compensation Committee. The process of appointing the members of the Nomination Committee is presented below in the section on the Nomination Committee.

In addition to the Audit, Compensation and Nomination committees, the Board of Directors may appoint ad hoc committees for preparing specific matters. Such committees do not have Board-approved charters and the Board does not release information on their term, composition, number of meetings or attendance rates of the members.

Audit Committee

The task of the Audit Committee is to enhance the control of the company's operations and financial reporting. According to the charter, the following in particular shall be addressed and prepared by the Audit Committee: Reviewing the consolidated financial statements and interim reports together with the auditor; reviewing together with the auditor any deficiencies in the supervision systems observed in control inspections and any other deficiencies reported by auditors; reviewing any deficiencies in the control system observed in internal audit and other observations and recommendations made; reviewing the plans of action for the control inspection and internal audit and giving recommendations to company management on focus areas for internal audits; evaluating the appropriateness of the supervision of company administration and risk management, and reviewing changes in the principles of company accounting and external reporting prior to their introduction.

In addition, the Audit Committee's duties include preparatory work on the decision on electing the auditor, evaluation of the independence of the auditor, taking into account particularly the effect of the provision of related services on the independence, and carrying out any other tasks assigned to it by the Board. The Audit Committee has at least three members.

As of 14 March 2017, the chairman of the Audit Committee is Anja Korhonen, and the other members are Kuisma Niemelä and Staffan Simberg. The members of the Audit Committee are independent of the company and its major shareholders.

In 2017 the Audit Committee invited tenders for the audit of the financial year 2018.

Compensation Committee

According to the charter, the Compensation Committee reviews management and personnel remuneration policies and matters related to management appointments, and makes proposals on such matters to the Board of Directors. The committee's responsibilities include reviewing, evaluating and making proposals on the remuneration structure and incentive schemes of management and the personnel of the Oriola Group; monitoring the effectiveness of these systems to ensure that incentive schemes of the management promote achievement of the company's short term and long term goals; reviewing and preparing other matters relating to the remuneration of management and personnel, submitting proposals on these to the Board, and considering and preparing appointments of top management to be decided by the Board.

The Compensation Committee has three members. As of 14 March 2017, the chairman of the committee is Eva Nilsson Bågenholm and the other members are Mariette Kristenson and Lena Ridström. The members of the Compensation Committee are independent of the company and its major shareholders.

Nomination Committee

The Nomination Committee of Oriola is a body established by the Board of Directors for the purpose of preparing and presenting to the Board a recommendation for the proposal to be put by the Board to the Annual General Meeting concerning the composition and remuneration of the Board. The Board has approved the charter of the Nomination Committee.

The committee members are appointed by the Board of Directors, which also appoints one of the members as chairman. The term of office for the committee members' expire the year following the appointment upon the appointment of the committee members pursuant to the charter. Members of the committee need not be members of the Board of Directors. The purpose of this deviation from the Corporate Governance Code is to allow the appointment of major shareholders of the company to the Nomination Committee and thus to ensure that their opinions are heard well before the Annual General Meeting.

Prior to appointing the committee members, the chairman of the Board arranges a meeting to which the chairman invites the company's twenty largest shareholders, by votes, registered by 31 August preceding the Annual General Meetings as shareholders in the company's shareholders register maintained by Euroclear Finland Ltd. The purpose of the meeting is to hear the major shareholders on their views as to the composition of the committee.

The committee presents to the Board no later than on 1 February preceding the Annual General Meeting its recommendation on the proposal to be put before the Annual General Meeting concerning the composition and remuneration of the Board. The Nomination Committee evaluates the independence of the proposed Board members it has recommended. The committee's recommendation does not affect the Board's independent decision-making authority or its right to put proposals before the general meeting.

The Nomination Committee appointed for the term of office ending on 28 September 2017, convened 5 times and the attendance rate of the committee's members was 96 per cent.

On 28 September 2017, the Board of Directors elected the following persons to the Nomination Committee: Peter Immonen, Mikael Aro, Mikko Mursula, Pekka Pajamo and Into Ylppö. Pekka Pajamo was elected as chairman of the committee. The members of the committee are independent of the company. After the reporting period, on 31 January 2018, the Nomination presented to the Board of Directors its recommendation on the proposal to the 2018 Annual General Meeting concerning the composition of the Board of Directors as follows: The number of members of the Board of Directors would be seven. The present members of the Board of Directors Anja Korhonen, Mariette Kristenson, Eva Nilsson Bågenholm, Lena Ridström, Staffan Simberg and Anssi Vanjoki would be re-elected and Juko-Juho Hakala would be elected new member of the Board of Directors. Anssi Vanjoki would be re-elected as Chairman of the Board of Directors. Current member of the Board of Directors Kuisma Niemelä will leave the Board of Directors after the 2018 Annual General Meeting.

President and CEO and deputy to CEO

The Board of Directors appoints and dismisses the President and CEO of Oriola and decides on the terms of his/her employment. In accordance with the Companies Act, the President and CEO is responsible for the day to day executive management of the company in accordance with the instructions and orders given by the Board of Directors. In accordance with the Companies Act, the President and CEO also ensures that accounts of the company complies with Finnish law and that its financial affairs have been reliably arranged. The terms and conditions of the President and CEO's employment are specified in a written service contract approved by the Board.

The Board of Directors appointed Kimmo Virtanen, Executive Vice President, Services Business, M.Sc. (Econ.), born in 1968, as Oriola's acting President and CEO starting from 18 December 2017. Before the appointment Kimmo Virtanen also acted as the company's deputy to the CEO. Eero Hautaniemi, M.Sc. (Econ.), born in 1965 left his position as President and CEO of the Company on 18 December 2017.

The new President and CEO of the company is Robert Andersson, M.Sc., MBA, born in 1960. Robert Andersson assumed the position on 12 February 2018.

Group Management Team

The Group Management Team consists of the President and CEO of Oriola as chairman and persons appointed by the Board. At the end of year 2017, the Group Management Team consisted of five members, including the acting President and CEO, to whom the other Group Management Team members report.

The Group Management Team meets regularly to address matters concerning the entire Group. The Group Management Team is not a decision-making body. Rather, it assists the President and CEO in the implementation of Group strategy and in operational management, and facilitates the group-wide distribution of information concerning the entire Group.

The following persons were members of Oriola's Group Management Team on December 31, 2017: Kimmo Virtanen, Executive Vice President, Services Business Area and acting President and CEO (as of December 18, 2017); Sari Aitokallio, CFO; Thomas Gawell, Vice President, Healthcare Business Area; Jukka Mäkelä, Vice President, Development and Teija Silver, Vice President, Human Resources. Anders Torell, Vice President, Consumer Business Area started in his position January 2, 2018.

Risk management and internal supervision systems

The internal control and risk management systems related to Oriola's financial reporting aim to ensure a reasonable certainty of the reliability of the company's financial statements and financial reporting, as well as the company's compliance to legislation and generally approved accounting principles.

Financial reporting

The Board of Directors and the President and CEO have the overall responsibility for organising the internal control and risk management systems pertaining to financial reporting. The President and CEO, the members of the Group Management Team and the heads of the business units are responsible for the accounting and administration of the areas within their spheres of responsibility complying with legislation, the Group's operating principles, and the guidelines and instructions issued by Oriola's Board of Directors. Organisation and leadership of the financial reporting in the Group has been centralized under the subordination of the CFO.

Oriola Group follows the International Financial Reporting Standards (IFRS) approved for application within the European Union. Instructions and accountancy principles for financial reporting are collected in an accounting manual that is updated as soon as standards change, as well as in the financial department's instructions which are followed in all Group companies. The Group accounting department is responsible for following and keeping up to date with financial statement standards, upholding the principles concerning financial reporting and distributing information about these to the business units.

Measurement and follow-up

The performance of the Group is monitored in the Group Management Team with monthly reports as well as in the monthly operational reviews of the business areas. The financial situation of the Group is also monitored in the meetings of the Board of Directors. The Audit Committee and the Board of Directors examine the interim reports and financial statements before their publication. Monitoring of the monthly reports also ensures the effectiveness of the internal supervision. Each business area must ensure effective supervision of its own operations as part of group-level internal supervision. The business segments and the Group finance organisation are responsible for the evaluation of the processes covering financial reporting. The evaluations must contain balances and analyses, which are compared with budgets, assessments and various economic indicators.

Internal control

Internal control forms an essential part of the company's governance and management systems. It covers all of the Group's functions and organisational levels. The purpose of internal control is to ensure a sufficient certainty that the company will be able to carry out its strategy. Internal control is not a separate process but a procedural measure covering all group-wide operating principles, guidelines and systems.

The purpose of Oriola's internal supervision system is to support the implementation of the Group strategy and to ensure that rules and regulations are observed. The company's internal supervision is based on a Group structure, in which the Group's operations are organised into business areas and group functions. Group functions issue group-level guidelines laying down the operational framework and the persons responsible for the process. The guidelines cover such areas as accounting, reporting, financing, investments and business principles.

The guidelines aim to ensure that all risks connected to the achievement of the company's objectives can be identified and prevented. The control measures cover all Group levels and functions. All new instructions and guidelines are published on the company's internal website and staff members can provide feedback to the management and anonymously report any questionable activities through the company intranet.

Risk management

The Board of Directors of Oriola approves the company's risk management policy in which the risk management operating model, principles, responsibilities and reporting are specified. The Board guides and supervises the planning and implementation of the risk management. The Board-appointed Audit Committee supervises risk management in the Group.

Oriola has specified the company's risk management model, principles, organization and process in the Risk management policy. The Group's risk management seeks to identify, measure and manage risks that may have an adverse or beneficial impact on Oriola's operations and achievement of the set goals. Additionally the Group has a Code of conduct policy and a Treasury policy covering compliance and financial risks. Oriola's risks are classified as strategic, operational and financial. Risk assessment and management are key elements in the strategic planning, operations and daily decision making in the company.

Risk management and the most significant risks are described under Risk management section and on the company's website at www.oriola.com.

Internal audit

Oriola uses an outsourced internal audit function for the purpose of fulfilling its internal audit requirements. The outsourced internal audit function is an independent and objective assurance activity reporting directly to the Audit Committee of the Board of Directors. The internal audit assignments are carried out on the basis of an Internal audit charter approved by the Board of Directors as well as an Internal audit plan annually reviewed and approved by the Audit Committee.

External audit

The company has one auditor, who must be a firm part of a firm of authorised public accountants. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial statements, the financial statements of the parent company, the accounting of the Group and the parent company and the administration of the parent company. The company's auditor submits the auditors' report to the shareholders in connection with the annual financial statements, as required by law, and submits regular reports on its observations to the Audit Committee.

The Board of Directors and the Audit Committee are responsible for monitoring the independence of the auditor. For this reason the company has implemented a policy covering the provision of non-audit services by the elected auditors.

The Annual General Meeting of Oriola held on 14 March 2017 re-elected PricewaterhouseCoopers Oy, a firm of authorised public accountants, as the company's auditor, with Ylva Eriksson, APA, as the principal auditor. The fees for the statutory audit paid to the member firms of PricewaterhouseCoopers Oy network in 2017 totalled EUR 363,137. In addition, EUR 224,798 was paid for other consultation provided to Group companies.

Insider management

Oriola complies with the insider holding guidelines issued by Nasdaq Helsinki Ltd (July 3, 2016) and the Market Abuse Regulation (596/2014, "MAR"). Oriola has issued its insider guidelines ("Guidelines") which are based on applicable EU and Finnish legislation (especially MAR and the Securities Markets Act 746/2012), the insider guidelines of Nasdaq Helsinki Ltd, and the regulations and guidelines of the European Securities Markets Authority and the Finnish Financial Supervisory Authority.

Members of the company's Board of Directors, CEO and his deputy, members of the Group management team that have operational responsibilities leading a business area of the company as well as CFO and VP, Development and Information Management are considered the management of the company ("the Management"). Management and their related parties shall notify all transactions with the company's securities or financial instruments made on his or her own account to the company and the Finnish Financial Supervisory Authority without delay and three working days from the execution of the transaction at the latest. The Guidelines set trade restrictions prohibiting Management and the persons who participate in the preparation of interim and annual financial statements of Oriola from making transactions with the company's securities or financial instruments related to them during a closed period of 30 days before a financial report of Oriola is made public (closed period).

Oriola is obliged to draw up the insider lists and keep them up-to-date. For the time being, Oriola has decided not to include any persons as permanent insiders. Consequently, all persons with inside information will be included in event-based insider list for relevant insider projects. Oriola instructs the persons entered in the event-based insider list on their obligations and any possible consequences. In addition, Oriola monitors and supervises the proper management of insider issues.

Related parties transactions

Oriola's related parties include the Management, their close family members as well as companies in which any of these individuals exercise control, either alone or jointly with others. Oriola assesses and monitors transactions to be made with related parties to ensure that potential conflicts of interest are adequately taken into account in the company's decision-making. Oriola maintains a list of parties that are related to the company.

Management of the company has confirmed for 2017 that neither they nor their related parties have engaged in business transactions with Oriola during the year in question.

Ethical business principles

Oriola Group Code of conduct guides management and staff practices. The Code presents Oriola Group corporate culture, which is based on law and good corporate governance, openness, fairness and confidentiality. The Code of conduct contains the company's policies on fighting bribery and corruption, compliance with competition laws, collaboration and dialogue with stakeholders and employees' secrecy obligation and avoidance of conflicts of interest. The Code also provides confidential channels for reporting actions that are in violation of the Code and the consequences of these actions. The company's Board of Directors monitors compliance with the Code of conduct.

The whistleblower channel was renewed in November 2017. The channel offers a possibility for anonymous announcements of non-ethical business practices within the Group, to Oriola's employees, business partners, investors or other parties. All announcements are brought to the chairman of the Audit Committee for review, and reported to the Board of Directors regularly.

4. Remuneration statement

This Remuneration statement is published in accordance with the Corporate Governance Code 2015.

Remuneration and other benefits of the members of the Board of Directors

The Annual General Meeting decides annually on the remuneration payable to members of the Board of Directors for their term of office. The Nomination Committee of Oriola prepares and presents to the Board a recommendation for the proposal to be put by the Board to the Annual General Meeting concerning the composition and remuneration of the Board.
On 14 March 2017, the Annual General Meeting decided that the chairman of the Board will receive EUR 48,400 in remuneration for his term of office, the vice chairman of the Board and the chairman of the Board's Audit Committee EUR 30,250 and the other members of the Board EUR 24,200 each. The chairman of the Board will receive an attendance fee of EUR 1,000 per meeting, and the other Board members EUR 500 per meeting. Attendance fees will also be paid correspondingly to the chairmen and members of Board and company committees. Travel expenses will be paid in accordance with the travel policy of the company. In accordance with the decision of the Annual General Meeting, 60 per cent of the annual remuneration was paid in cash and 40 per cent in class B shares. Oriola Corporation class B shares were acquired on the market for the Board members as follows: Anssi Vanjoki 5,020 shares, Anja Korhonen 3,137 shares, Mariette Kristenson 2,510 shares, Kuisma Niemelä 2,510 shares, Eva Nilsson Bågenholm 3,137 shares, Lena Ridström 2,510 shares and Staffan Simberg 2,510 shares.

Restriction periods are not included in the remuneration paid in Oriola Corporation class B shares. The members of the Board of Directors have not received any share-based rights as remuneration. They are not included in the company's share incentive scheme. The company has not granted any loans to Board members nor given guarantees on their behalf.

The total fees and other benefits of the Board members for 2017 and shareholdings in the company on 31 December 2017 are available in notes 4.6. and 6.4. to the Consolidated Financial Statements and Remuneration report (http://www.oriola.com/investors/corporate-governance/remuneration-statement).

Main principles and decision-making process on the remuneration of the President and CEO and other executives

The salary of the President and CEO and other members of the Group Management Team consists of a fixed base salary, fringe benefits, a short term performance bonus and a long term share incentive plan. The remuneration commits management to develop the company and its financial success in the long term. The development stage and strategy of the company are considered when determining the principles for remuneration.

In accordance with its charter approved by the Board of Directors, the Compensation Committee monitors the effectiveness of the incentive schemes to ensure that the schemes promote the achievement of the company's short term and long term goals. According to the charter, the Compensation Committee reviews management and personnel remuneration policies and issues related to management appointments, and makes proposals on such matters to the Board of Directors. More about Compensation Committee in Corporate Governance statement.

The Board of Directors reviews and decides annually on the remuneration and benefits of the President and CEO and other members of the Group management team, and the underlying criteria thereof.

The Board of Directors decides annually on the earnings criteria and the determination of the performance bonuses based on the proposal of the Compensation committee.

The company has not granted any loans to the President and CEO or to the members of the Group Management Team, nor given guarantees on their behalf. The company has no share option scheme in place. The President and CEO and the members of the Group Management Team have no supplementary pension scheme, except the vice president Consumer Business Area and the vice president Healthcare Business Area, who have a defined contribution pension benefit typically applied in Sweden.

Short term performance bonuses

The performance bonus is based on the achievement of the company's financial targets and personal targets. The maximum performance bonus in 2017 for the President and CEO was 75 per cent of the annual salary and for the other Group Management Team members 40 per cent of the annual salary. The Board of Directors decides annually on the earnings criteria and the determination of the performance bonuses based on the proposal of the Compensation Committee.

Share based incentive programmes

The members of Oriola's Group Management Team are part of the company's long term share incentive scheme. The scheme unites the objectives of shareholders and key personnel to increase the value of the company, commits the key personnel to the company, and offers key personnel a competitive remuneration system based on ownership of shares in the company.

Executive incentive plan 2013–2015

On 19 December 2012, The Company's Board of Directors approved a share-based incentive plan for the Group executives. At the end of 2017 the scheme covers four persons that remain in the employment of the Oriola Group. The Plan included three performance periods, calendar years 2013, 2014 and 2015. The company's Board of Directors decided on the earning criteria for the earning period and the targets to be set for these at the start of each earning period. The potential reward from the plan for the performance period 2015 was based on Oriola Group's Earnings per Share (EPS). The rewards to be paid on the basis of the performance period 2015 correspond to the value of an approximate maximum total of 148,524 Company's class B shares (including also the proportion to be paid in cash). No reward will be paid if an executive's employment or service in a Group company ends before the reward payment in 2018. There were no payments based on the performance periods 2013 and 2014 since the performance criteria for the Plan were not met.

Executive incentive plan 2016–2018

The Board of Directors established a share-based incentive plan directed to a group of the key personnel (the Plan) on 4 December 2015. The Plan harmonises the Group incentive plans into a single-platform Plan where the Group's key personnel share savings plan and long-term incentive plan are combined.

The Plan includes three performance periods, calendar years 2016, 2017 and 2018 and three vesting periods, calendar years 2017, 2018 and 2019, respectively. The Board of Directors will resolve on the Plan's performance criteria at the beginning of each performance period. Approximately 20 key members of personnel, including members of the Group Management Team belong to the target group of the Plan.

The essential precondition for participation in the Plan and for receipt of reward on the basis of the Plan is that a key person has enrolled in the Share Savings Plan and makes the monthly saving from the fixed gross monthly salary, in accordance with the rules of the Share Savings Plan in force.

The potential reward for the performance period 2016 was based on the Group's Earnings per Share (EPS). The rewards to be paid on the basis of the performance period 2016 corresponded to the value of 119,803 Class B shares (including also the proportion to be paid in cash). The potential reward will be paid partly in Oriola Class B shares and partly in cash in 2018.

The cash proportion is intended to cover taxes and tax-like charges arising from the reward to a key person. The potential reward for the performance period 2017 was based on the Group's Earnings per Share (EPS). The set EPS target was not met in 2017.

Share savings plans

On 18 June 2015 the Board of Directors of Oriola Corporation decided to launch a key personnel share savings plan. The maximum monthly saving was 8.3 percent and the minimum 2 percent of each participant's fixed monthly gross salary. Approximately 45 group key employees participated in the savings period that began on 1 October 2015 and ended on 31 December 2016. The matching shares to be transferred to eligible participants in 2018 correspond to the value of 45,702 Oriola Class B shares, including the proportion to be paid in cash

On 19 October 2016 the Board of Directors decided to launch a savings period 2017, from 1 January to 31 December 2017. Similarly approximately 45 key employees participated in the share savings plan. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January - 31 December 2018. 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. The estimated number of matching shares, including the portion to be paid in cash, is 55,000.

Approximately 60 key employees participate in the Oriola Corporation key personnel share savings plan for the savings period 1 January–31 December 2018. The accumulated savings will be used for purchasing Oriola's class B shares for the participants at market prices. In return, each participant will receive two free class B matching shares for every three acquired savings shares. Matching shares will be paid partly in Oriola's class B shares and partly in cash. The matching shares will be transferred to eligible participants in 2020.

Financial benefits of the President and CEO in 2017

The salary and other remuneration, including fringe benefits, paid in 2017 to the President and CEO Eero Hautaniemi, amounted to a total of EUR 555,701 as follows:

Fixed base salary of EUR 442,183;
Fringe benefits of EUR 28,501;
Performance bonus of EUR 85,017; and
Share-based payments of EUR 0.

The Board of Directors terminated Eero Hautaniemi's service contract as President and CEO as of 18 December 2017. Eero Hautaniemi was given a six-month period of notice and is entitled to severance pay equal to 12 months' salary as a result of the termination. Eero Hautaniemi is not entitled to any future reward under the company's share based incentive schemes. The compensation to Eero Hautaniemi in 2017, in accordance with the service agreement was EUR 656,622.

The salary and other remuneration, inlcuding fringe benefits, paid to the acting President and CEO Kimmo Virtanen for the period 18 December 2017–31 December 2017 amounted to a total of EUR 9,125.

The CEO pay ratio, i.e. the relation of the base salary of the CEO to the median FTE base salary in Oriola Group was 12 (11).

Financial benefits of other Group Management Team members 2017

The salaries and other remuneration, including fringe benefits, paid in 2017 to the members of the Group Management Team totalled EUR 1,150,944 as follows:

Fixed base salaries totalling EUR 990,221;
Fringe benefits totalling EUR 58,665;
Performance bonuses totalling EUR 102,058 and
Share-based payments totalling EUR 0.

The members of the Group Management Team are included in the company's share based incentive scheme. Shareholdings of the members of the Group Management Team in the company are available in note 6.4. to the Consolidated Financial Statements and in the Remuneration report on the company web site.

5. The Channel for Health

Oriola began developing sustainability (non-financial) reporting in 2016. In 2017, the first environmental report was submitted to Carbon Disclosure Project's Climate Change program. The renewed Code of conduct and the related training was launched. Several energy efficiency improvements were implemented in Oriola's premises both in Finland and Sweden.

Oriola is an efficient and reliable channel between pharmaceutical manufacturers and consumers. Quality management and compliance with official regulations applicable to the pharmaceutical sector are the foundation of operations. Oriola business is regulated by numerous international and national pharmaceutical sector laws and other directives.

Value creation

Oriola's business model is complete with procurement, storage and sale of products and services in its wholesale, healthcare and retail operations in both Sweden and Finland. Oriola Group has supporting functions in centralized organizations both in Finland and Sweden.

Oriola's operations are based on professional skilled personnel working in pharmacies, distribution centers and in dose dispensing operations. GDP (good distribution practice) compliant logistics and pharmaceutical expertise are key enables of sustainable operations.

Oriola creates value for different stakeholders, from suppliers to consumers. The impacts from Oriola's operations extend throughout society: efficiency in public and private healthcare, and employment and development of personnel.

Oriola values and Code of conduct

Oriola's values "we are open", "we take responsibility", "we work together" and "we take initiative" are visible across our business operations.

Oriola Group's Code of conduct guides management and staff practices. Compliance with the Code of conduct is monitored by the company's Board of Directors. The whistle blower channel offers possibility for anonymous announcements of non-ethical business practices within the Group.

Oriola organises the training of the Code of conduct to all employees. The latest training material was launched in November 2017, and a renewed training in December 2017. By the reporting date approximately 150 persons had completed the renewed training.

6. People and society

Competent and contented staff constitute the key success factor and the foundation of responsible business operations for Oriola Group. By investing in the competence and development of its staff, Oriola Group provides added value to its customers, meets the strict quality requirements of the pharmaceutical sector and ensures its competitiveness in a market that is undergoing rapid and continual digitalisation.

Ensuring pharmaceutical safety takes priority in Oriola's operations. Pharmaceuticals must be delivered safely and on time irrespective of the conditions. Oriola Group operations are designed to ensure that pharmaceuticals are available at all times and that they are processed in a manner that is in compliance with the pharmaceutical sector's regulatory requirements.

Oriola Group as an employer

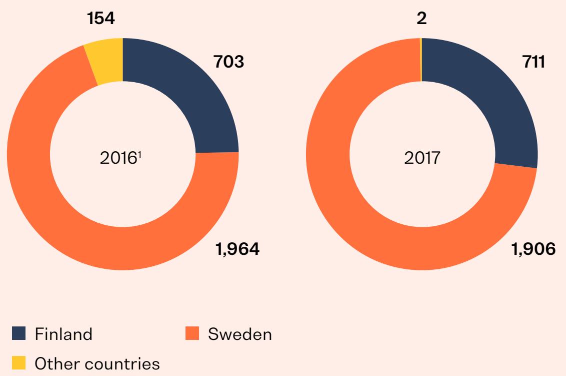
Oriola Code of conduct promotes company's policies on non-discrimination, fair employment and health and safety. Oriola is committed to respecting human rights.

Oriola Group offers a wide variety of tasks in the pharmaceutical sector to some 3,000 employees in Finland and Sweden. Every year hundreds of summer jobs and traineeships in pharmacy and warehouse work are offered to young people and students.

Oriola Group conducts annual performance reviews to establish employees' goals. The reviews cover all personnel. Oriola Group encourages its employees to improve their professional skills through training, internal job rotation and career paths. Opportunities for improving professional competence are available for different areas from on-the-job training in logistics to expert duties in the pharmaceutical sector and pharmacy work. The versatile range of pharmaceutical sector jobs offered by Oriola Group enables learning on the job and career progress within the company.

The Employee turnover ratio, i.e. the relation of permanent employees who leave the company voluntarily to total number of permanent employees was 12 (10 in the previous year).

Employees by country, FTE



[1]Inlcuding discontinued operations

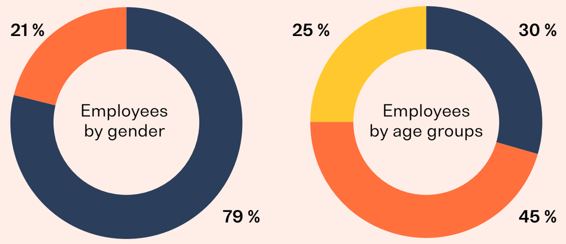
Diversity

Oriola Group is an equal and fair workplace that supports diversity. Oriola Group Code of Conduct defines ethical norms and business practices that each employee must observe in their work.

Oriola Group supports equal employment opportunities and selects and treats its employees on the basis of their professional abilities and competence. Oriola Group does not tolerate harassment, bullying or discrimination on the basis of race, ethnic or national origin, skin colour, gender, civil status, sexual orientation, religion or creed, injury, age, political opinion or any other characteristic by its employees.

Oriola's employees' age distribution is very balanced. The majority of the personnel is female. This due to the fact that pharmacist professionals in our Consumer Business Area are predominantly female. In Services and Healthcare Business Areas and administrative positions the split is very even.

Employees by gender and age groups

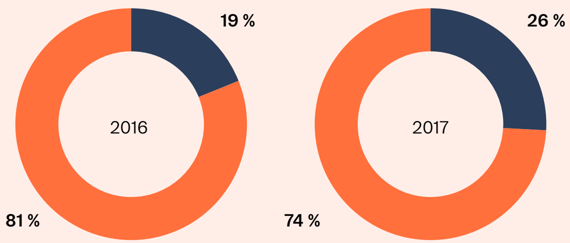


■ Female
■ Male

■ under 30 years
■ 30–49 years
■ 50 years and over

The median male base salary to median female base salary in Oriola was 0.93 (0.94).

Temporary worker ratio



■ Temporary employees ■ Permanent employees

Oriola Group collaborates closely with occupational healthcare service providers and its employment pension companies to improve occupational well-being. Oriola Group uses an early support model to promote staff well-being at work and prevent sickness absences at all career stages.

The injury rate (LTA1), i.e. number of injuries resulting in at least one working day absence from work / 1,000,000 working hours, was 2 in 2017. The rate of sick days to total workdays was 2.2 per cent.

Tax footprint

The tax footprint comprises the tax revenue generated for society by the company's operations and the distribution of the tax effect between countries. Oriola Group supports a transparent corporate culture and publishes its tax footprint, which consists of income taxes and other taxes and corresponding charges related to business operations. Oriola Group pays taxes to each country in which it operates in accordance with local legislation. Oriola doesn't have foreign subsidiaries in countries with tax incentives.

Oriola's business model is complete with procurement, storage and sale of products and services in its wholesale, healthcare and retail operations in both Sweden and Finland. Oriola Group has supporting functions in centralised organisations both in Finland and Sweden. The costs of supporting functions are invoiced to the group companies according to the use of these services.

2017 EUR million	Finland	Sweden
Taxes borne		
Corporate income taxes	1.5	16.4
Employment taxes	7.2	36.2
Other taxes [1]	0.3	0.0
Taxes borne, total	**9.1**	**52.6**
Taxes collected		
Value added taxes, net	33.4	-78.5
Payroll taxes	9.0	53.9
Withholding taxes	2.8	-
Taxes collected, total	**45.2**	**-24.6**
Total tax footprint	**54.3**	**28.1**

2016 EUR million	Finland	Sweden
Taxes borne		
Corporate income taxes	2.2	12.3
Employment taxes	8.0	29.9
Other taxes [1]	0.3	0.0
Taxes borne, total	**10.5**	**42.2**
Taxes collected		
Value added taxes, net	29.2	-94.9
Payroll taxes	8.4	53.4
Withholding taxes	2.5	-
Taxes collected, total	**40.1**	**-41.5**
Total tax footprint	**50.6**	**0.7**

[1] Other taxes include real estate taxes, customs fees, and excise taxes

7. Environment

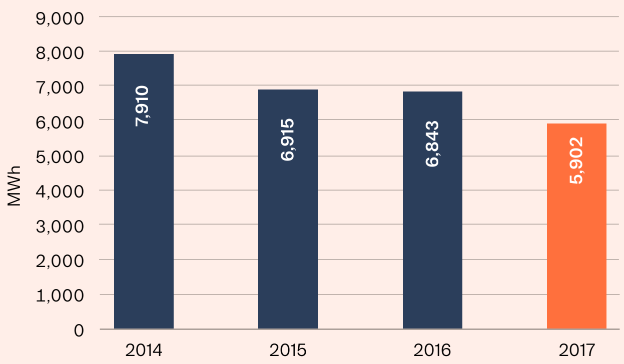
Oriola Code of conduct promotes minimisation of environmental impacts.

The most significant impacts on the environment caused by Oriola Group business are associated with facility maintenance, transportation of pharmaceuticals, and packaging waste. Oriola Sweden AB and Svensk Dos AB in Sweden have ISO 14 001:2015 (Environment Management System) certificates. The best practices for monitoring and measuring environmental impacts will be harmonised between countries to identify where improvements are needed. Oriola Group strives to minimize its environmental load.

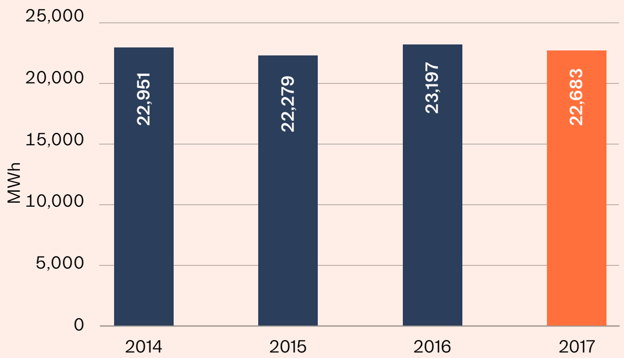
Energy

The most significant impacts on the environment caused by Oriola business are associated with the energy consumed by its facilities. Major part of the total electricity consumption consists of lighting in pharmacies and warehouses and the maintenance of pharmaceutical storage conditions that meet official requirements. Oriola has taken various actions to improve energy efficiency. The energy efficiency projects of its large warehouses and offices in Mölnlycke in Sweden and Mankkaa in Finland are creating major annual savings in energy consumption, emissions and costs. Around 85 per cent of the electricity used by the Group comes from renewable sources.

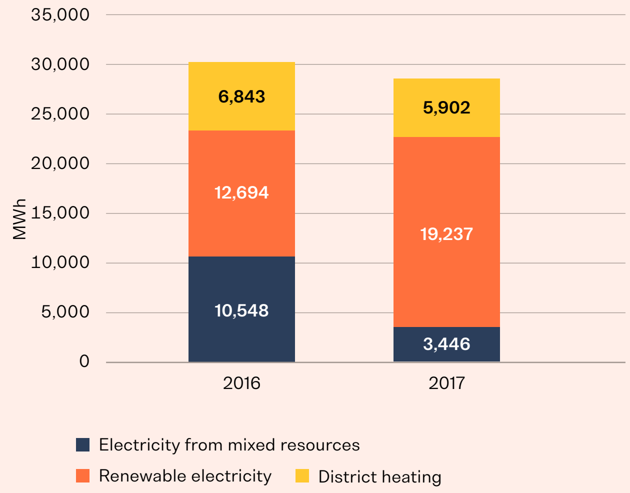
District heating



Electricity



Energy consumption by source



Transportation

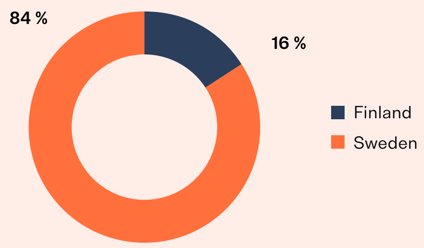
Pharmaceutical transportation is one of the core businesses for Oriola Group. Its distribution network, which mostly consists of road transport, covers all of Finland and Sweden. Pharmaceuticals and other health product are daily delivered to approximately 800 pharmacies in Finland and 1 400 in Sweden. In addition, in Sweden internal transportation between central warehouse and distribution center and exports to Nordic countries are frequent.

Transportation is the largest source of indirect emissions of Oriola's operations. In addition to the regulatory requirements associated with pharmaceutical distribution, transportation is planned so that it is as environmental efficient as possible. Long-running collaboration with transportation companies allows Oriola to ensure a high rate of capacity usage and optimised route planning.

Oriola's transportation network is handled by the suppliers. The emission data is provided by suppliers on regular basis.

The carbon dioxide emissions from goods transports were kg 1,544,181 in 2017.

Goods transports: CO_2 emissions

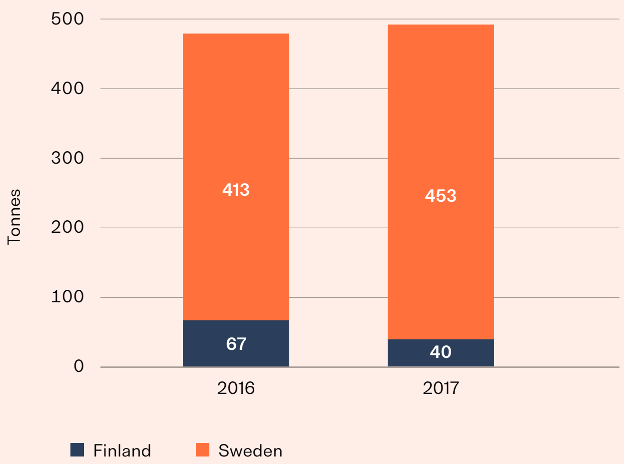


Waste

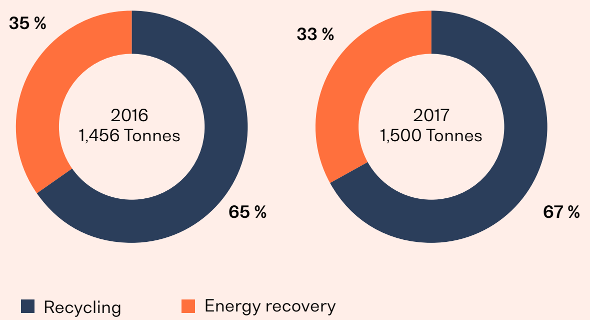
With respect to generation and handling of waste, Oriola complies with the order of precedence laid down in the Waste Act. Generation of waste is first minimised and then the largest possible amount of the generated waste is re-used. Waste can be minimised by using reusable plastic boxes when transporting pharmaceuticals to pharmacies, training staff properly in appropriate and careful handling of pharmaceuticals and monitoring clients' stocks to reduce wastage.

Each year, Oriola processes hundreds of thousands of kilograms of hazardous waste that is disposed. Oriola helps its clients to safely and correctly dispose pharmaceuticals and other hazardous waste that have been damaged in production, have expired or have been recalled from the market. Much of the pharmaceutical waste disposed by Oriola comes from the waste collection points in pharmacies, where consumers bring pharmaceuticals they no longer use or have expired. Hazardous waste is processed in combustion plants to generate energy.

Pharmaceutical waste



Other waste[1]



[1] Waste generated in everyday business operations and collected from Oriola Group facilities

8. Compliance and supply chain

Oriola Group is an efficient and reliable channel between pharmaceutical manufacturers and consumers. Quality management and compliance with official regulations applicable to the pharmaceutical sector are the foundation of our operations. Oriola's business is regulated by numerous international and national pharmaceutical sector laws and other directives.

Regulatory compliance

Oriola's quality management is founded on the laws and regulatory requirements applicable in the pharmaceutical sector and on quality management standards, especially ISO 9001. Pharmaceutical distribution and wholesale are regulated by the Good Distribution Practice (GDP) of the European Medicines Agency (EMA). In Finland, compliance with the GDP is monitored by the Finnish Medicines Agency FIMEA and in Sweden by the Medical Product Agency, MPA. The GDP defines the common rules of handling medicines. Where applicable, Oriola's operations are also guided by the Good Manufacturing Practices (GMP) and other regulation concerning products that come under the regulatory control, such as food and cosmetics regulation.

International regulations have been adopted into national legislation with the supervision of FIMEA in Finland and its Swedish counterpart Läkemedelsverket. Oriola complies with national legislation in both Finland and Sweden. The regulatory requirements are included in Oriola Group internal guidelines, and all staff dealing with pharmaceuticals receive relevant training. The compliance of Oriola is continuously monitored and developed through inspections carried out by the authorities and pharmaceutical companies, and audits conducted by internal quality auditors. Each year, Oriola is audited up to 80 times by the authority and the pharmaceutical companies.

Supply chain management

Procurement principles, supplier selection and approval processes are important for Oriola. Oriola promotes adherence with its principles among the partners and suppliers. Out of 509 direct product suppliers, 222 were audited by Oriola during the past two years (44 per cent). Oriola sells products under its own trademarks and the aim is that in all of these products the country of origin information is clearly indicated. Currently 60% of own brands are marked with country of origin.

Espoo, 12 February 2018
Oriola Corporation
Board of Directors

Information on shares

Shares and shareholders

Shareholders by type of owner 31 December 2017

	Shareholders			% of shareholders			% of shares		
	A shares	B shares	Total	A shares	B shares	Total	A shares	B shares	Total
Individuals	11,403	25,412	32,418	96.8	95.7	95.8	46.1	33.5	37.4
Corporations and partnerships	240	717	901	2.0	2.7	2.7	16.7	11.0	12.7
Banks and insurance companies	12	39	39	0.1	0.1	0.1	12.5	23.8	20.3
Public entities	6	14	17	0.1	0.1	0.1	14.3	7.7	9.7
Non-profit institutions	71	253	297	0.6	1.0	0.9	5.4	3.5	4.1
Foreign shareholders	52	129	158	0.4	0.5	0.5	0.5	2.4	1.8
Total	**11,784**	**26,564**	**33,830**	**100.0**	**100.0**	**100.0**	**95.3**	**81.9**	**86.0**
Nominee registrations							4.6	18.0	13.9
In the joint-book-entry account							0.1	0.0	0.1

Shareholders by number of shares held 31 December 2017

	Shareholders			% of shareholders		
Number of shares	**A shares**	**B shares**	**Total**	**A shares**	**B shares**	**Total**
1–100	1,961	3,040	4,263	16.6	11.4	12.6
101–1,000	6,090	14,517	18,049	51.7	54.6	53.4
1,001–10,000	3,347	8,297	10,359	28.4	31.2	30.6
10,001–100,000	342	634	1,048	2.9	2.4	3.1
over 100,001	44	76	111	0.4	0.3	0.3
Total	**11,784**	**26,564**	**33,830**	**100.0**	**100.0**	**100.0**
Of which nominee registered	7	9	9			

	Shares			% of shares		
Number of shares	**A shares**	**B shares**	**Total**	**A shares**	**B shares**	**Total**
1–100	102,287	173,079	275,366	0.2	0.1	0.2
101–1,000	2,589,367	6,514,863	9,104,230	4.7	5.2	5.0
1,001–10,000	9,454,882	22,736,972	32,191,854	17.1	18.0	17.7
10,001–100,000	8,897,625	14,472,353	23,369,978	16.1	11.5	12.9
over 100,001	34,325,442	82,093,309	116,418,751	61.9	65.1	64.1
Total	**55,369,603**	**125,990,576**	**181,360,179**	**99.9**	**100.0**	**99.9**
Of which nominee registered	2,526,428	22,701,852	25,228,280	4.6	18.0	13.9
In the joint-book-entry account	64,670	61,364	126,034	0.1	0.0	0.1
	55,434,273	126,051,940	181,486,213	100.0	100.0	100.0

Share-related key figures

			2017	2016	2015	2014[2]	2013
Earnings per share		EUR	0.14	0.24	0.25	-1.33	0.04
Earnings per share, continuing operations		EUR	0.14	0.23	0.25	0.27	0.11
Equity per share		EUR	1.09	1.13	1.07	0.69	1.84
Total dividends		EUR million	16.3 [1]	25.4	23.6	-	-
Dividend per share		EUR	0.09 [1]	0.14	0.13	-	-
Payout ratio		%	62.1 [1]	58.3	51.7	-	-
Dividend yield	A	%	3.00 [1]	3.29	3.07	-	-
Dividend yield	B	%	3.21 [1]	3.25	3.01	-	-
P/E ratio, continuing operations	A		20.97	18.43	17.23	12.04	23.90
P/E ratio, continuing operations	B		19.57	18.69	17.55	12.08	23.44
Share price on 31 Dec	A	EUR	3.00	4.25	4.24	3.26	2.60
Share price on 31 Dec	B	EUR	2.80	4.31	4.32	3.27	2.55
Average share price	A	EUR	3.79	4.16	4.01	2.37	2.40
Average share price	B	EUR	3.66	4.20	4.06	2.34	2.38
Lowest share price	A	EUR	2.96	3.70	2.93	1.89	2.24
Lowest share price	B	EUR	2.77	3.65	2.84	1.98	2.18
Highest share price	A	EUR	4.53	4.50	4.52	3.31	2.69
Highest share price	B	EUR	4.43	4.65	4.60	3.30	2.73
Market capitalisation		EUR million	519.2	778.9	779.6	524.4	388.1
Trading volume							
A shares		pc	2,703,394	1,893,721	3,045,353	7,868,093	3,215,623
% of average number of A shares		%	4.9	3.4	5.5	15.7	6.8
B shares		pc	41,746,627	22,488,841	35,816,293	41,162,592	28,601,043
% of average number of B shares		%	33.2	17.9	29.3	37.2	27.5
% of average number of all shares		%	24.5	13.4	21.9	30.5	21.1
Number of shares 31 Dec	A	pcs	55,434,273	55,484,648	55,484,648	50,147,044	47,148,710
	B	pcs	126,051,940	126,001,565	126,001,565	110,729,744	104,109,118
Total number of shares 31 Dec		pcs	181,486,213	181,486,213	181,486,213	160,876,788	151,257,828
Total number of A shares, annual average		pcs	55,434,825	55,484,648	55,204,784	50,147,044	47,148,710
Total number of B shares, annual average		pcs	126,051,388	126,001,565	122,441,865	110,729,744	104,109,118
Total number of shares, annual average		pcs	181,486,213	181,486,213	177,646,649	160,876,788	151,257,828

[1] Proposal by the Board of Directors
[2] Calculated based on the rights issue -adjusted number of shares. The right issue factor was 1.06359

Calculation of share related key figures

$$\text{Earnings per share (EPS), EUR} = \frac{\text{Profit attributable to shareholders of the parent company}}{\text{Average number of shares during the period}}$$

$$\text{Equity per share, EUR} = \frac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares at the end of the period}}$$

$$\text{Dividend per share, EUR} = \frac{\text{Dividends paid for the financial period}}{\text{Number of shares at the end of the period}}$$

$$\text{Payout ratio, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

$$\text{Effective dividend yield, \%} = \frac{\text{Dividend per share}}{\text{Closing price on the last trading day of the financial period}} \times 100$$

$$\text{Price/Earnings ratio (P/E)} = \frac{\text{Closing price on the last trading day of the financial period}}{\text{Earnings per share}}$$

$$\text{Average price of share, EUR} = \frac{\text{Trading volume, EUR}}{\text{Average number of shares traded during the financial period}}$$

Market capitalisation, EUR = Number of shares at the end of the financial period x Closing price on the last trading day of the financial period

Largest shareholdings 31 December 2017

By number of shares held	A shares	B shares	Total shares	% of total shares	Votes	% of total votes
1. Mariatorp Oy	5,380,000	12,500,000	17,880,000	**9.85**	120,100,000	**9.73**
2. Wipunen Varainhallinta Oy	2,600,000	6,250,000	8,850,000	**4.88**	58,250,000	**4.72**
3. Varma Mutual Pension Insurance Company	4,320,600	3,273,000	7,593,600	**4.18**	89,685,000	**7.26**
4. Ilmarinen Mutual Pension Insurance Company	3,606,414	2,680,758	6,287,172	**3.46**	74,809,038	**6.06**
5. Mandatum Life Insurance Company Limited	960,000	3,600,000	4,560,000	**2.51**	22,800,000	**1.85**
6. Mutual Insurance Company Pension-Fennia	200,000	2,086,159	2,286,159	**1.26**	6,086,159	**0.49**
7. Fondita Nordic Micro Cap Placeringsfond	0	2,225,000	2,225,000	**1.23**	2,225,000	**0.18**
8. Medical Investment Trust Oy	1,560,000	510,540	2,070,540	**1.14**	31,710,540	**2.57**
9. The Land and Water Technology Foundation	2,041,832	0	2,041,832	**1.13**	40,836,640	**3.31**
10. The Social Insurance Institution	0	1,991,481	1,991,481	**1.10**	1,991,481	**0.16**
11. Tukinvest Oy	1,983,526	0	1,983,526	**1.09**	39,670,520	**3.21**
12. Ylppö Jukka	1,496,562	286,992	1,783,554	**0.98**	30,218,232	**2.45**
13. Aktia Capital Fund	0	1,747,772	1,747,772	**0.96**	1,747,772	**0.14**
14. Odin Finland	0	1,598,587	1,598,587	**0.88**	1,598,587	**0.13**
15. Evli Finnish Small Cap	0	1,517,640	1,517,640	**0.84**	1,517,640	**0.12**
16. Kaleva Mutual Pension Insurance Company	277,942	1,200,000	1,477,942	**0.81**	6,758,840	**0.55**
17. Nordea Pro Finland Fund	0	1,142,538	1,142,538	**0.63**	1,142,538	**0.09**
18. The State Pension Fund	0	1,000,000	1,000,000	**0.55**	1,000,000	**0.08**
19. The Finnish Cultural Foundation	390,021	603,600	993,621	**0.55**	8,404,020	**0.68**
20. Fim Fenno	0	950,000	950,000	**0.52**	950,000	**0.08**
Total	24,816,897	45,164,067	69,980,964	**38.56**	541,502,007	**43.86**
Nominee registred	2,543,561	27,155,845	29,699,406	**16.36**	78,027,065	**6.32**
Other	28,073,815	53,732,028	81,805,843	**45.08**	615,208,328	**49.83**
All shareholders total	**55,434,273**	**126,051,940**	**181,486,213**	**100.00**	**1,234,737,400**	**100.00**

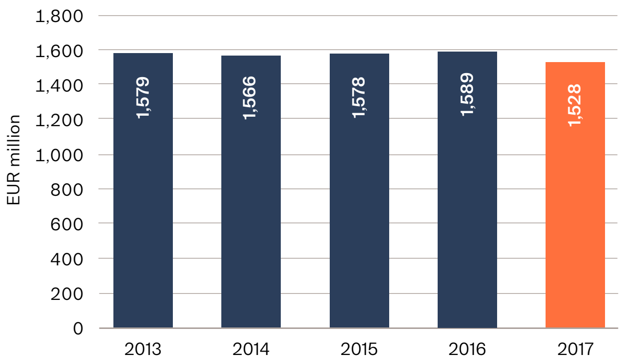
Financial indicators 2013–2017

Consolidated income statement[1]		2017	2016	2015	2014[4]	2013
Net sales	EUR million	1,527.7	1,588.6	1,577.8	1,566.1	1,579.2
International operations	EUR million	1,151.3	1,216.2	1,192.2	1,177.9	1,196.4
% of net sales	%	75.4	76.6	75.6	75.2	75.8
Adjusted EBIT	EUR million	39.9	59.9	59.8	57.8	36.2
% of net sales	%	2.6	3.8	3.8	3.7	2.3
EBIT	EUR million	37.8	57.6	61.6	63.7	28.5
% of net sales	%	2.5	3.6	3.9	4.1	1.8
Financial income and expenses	EUR million	-3.9	-4.7	-6.5	-7.8	-8.4
% of net sales	%	-0.3	-0.3	-0.4	-0.5	-0.5
Profit before taxes	EUR million	33.9	52.9	55.0	55.9	20.1
% of net sales	%	2.2	3.3	3.5	3.6	1.3
Profit for the period	EUR million	25.9	41.8	43.7	45.4	16.4
% of net sales	%	1.7	2.6	2.8	2.9	1.0

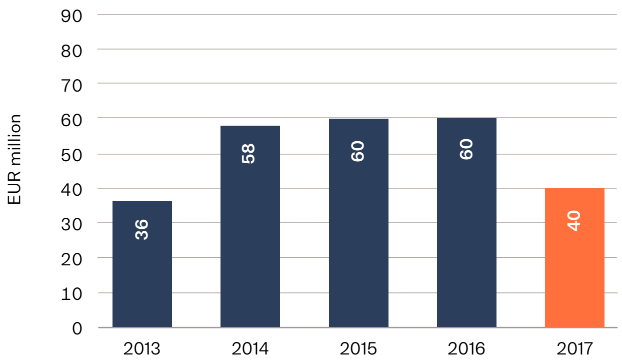
Consolidated balance sheet	EUR million	2017	2016	2015	2014[4]	2013
Non-current assets		446.1	437.2	396.4	390.8	561.8
Goodwill		282.7	286.8	256.5	250.9	379.0
Current assets		476.3	488.3	550.5	483.2	938.3
Inventory		207.8	199.4	201.1	185.0	391.4
Equity attributable to the parent company shareholders[5]		197.7	205.2	194.6	111.5	278.1
Liabilities total[5]		724.7	720.3	752.3	762.5	1,222.0
Interest-bearing liabilities		127.2	133.1	128.6	193.9	318.8
Non-interest-bearing liabilities[5]		597.5	587.2	623.7	568.6	903.2
Total assets		922.4	925.4	946.9	874.0	1,500.1

Key figures		2017	2016	2015	2014[4]	2013
Equity ratio[5]	%	21.8	22.7	21.1	13.1	19.2
Equity per share[5]	EUR	1.09	1.13	1.07	0.69	1.84
Return on capital employed (ROCE)[5]	%	11.7	17.8	19.9	14.4	4.2
Return on equity[2] [5]	%	13.0	21.4	29.1	23.9	2.0
Net interest-bearing debt	EUR million	110.2	72.3	6.6	102.4	181.5
Gearing[5]	%	55.7	35.2	3.4	91.8	65.3
Net interest-bearing debt / EBITDA from continuing operations	ratio	1.7	0.8	0.1	1.2	3.7
Earnings per share from continuing operations[4]	EUR	0.14	0.23	0.25	0.27	0.11
Earnings per share incl. discontinued operations[4]	EUR	0.14	0.24	0.25	-1.33	0.04
Average number of shares[3] [4]	pcs	181,328,408	181,389,391	177,501,818	160,741,152	151,157,494
Average number of personnel from continuing operations	pers.	2,686	2,425	2,172	2,235	2,038
Gross capital expenditure incl. discontinued operations	EUR million	46.2	88.8	20.4	34.0	193.7

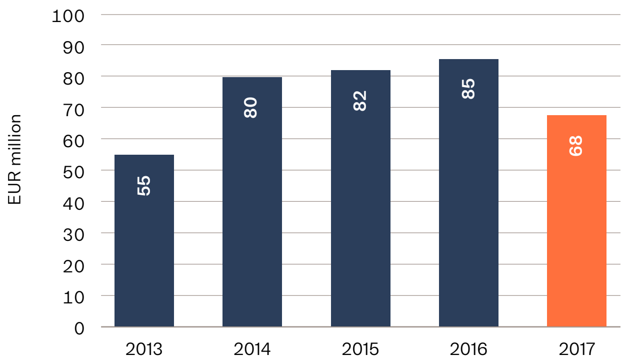
Net sales



Adjusted EBIT



Adjusted EBITDA



[1] Continuing operations
[2] The comparative figures 2013–2017 include discontinued operations, 2015 and 2014 figures excluding Russia
[3] Company-owned treasury shares are not included
[4] Average number of shares has been adjusted for right issue 2014
[5] In 2015 The statement of financial position has been restated due to an error relating to prior periods. The restatement increased the deferred tax liabilities with EUR 2.1 million and decreased equity by the corresponding amount.

Refer to note 10.2. Alternative performance measures, for definitions of key figures

Financial statements

Consolidated statement of comprehensive income (IFRS)

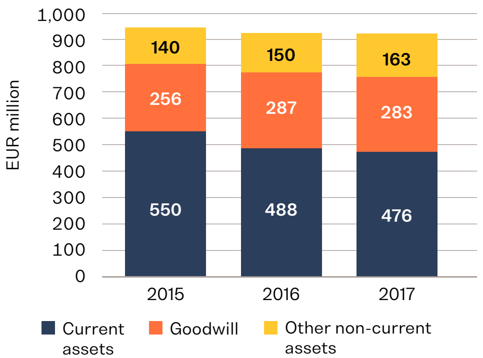
EUR million	Note	2017	2016
Net sales	4.2.	**1,527.7**	**1 588.6**
Other operating income	4.2.	13.8	20.2
Material purchases	4.4.	-1,174.2	-1 248.5
Employee benefit expenses	4.6.	-166.1	-150.2
Other operating expenses	4.4.	-136.5	-120.5
EBITDA		**64.6**	**89.6**
Depreciation, amortisation and impairments	5.1. / 5.3.	-25.7	-32.0
Share of results in joint venture	5.4.	-1.1	-
EBIT		**37.8**	**57.6**
Financial income and expenses	6.1.	-3.9	-4.7
Profit before taxes		**33.9**	**52.9**
Income taxes	7.1.	-7.9	-11.1
Profit for the period from continuing operations		**25.9**	**41.8**
Profit for the period from discontinued operations	8.2.	0.3	1.0
Profit for the period		**26.3**	**42.8**
Other comprehensive income			
Items which may be reclassified subsequently to profit or loss:			
Translation differences recognised in comprehensive income during the reporting period		-7.4	-9.1
Translation differences reclassified to profit and loss during the reporting period		0.3	-
Cash flow hedge	6.2.	0.4	0.8
Income tax relating to other comprehensive income	7.1.	-0.1	-0.2
		-6.7	**-8.5**

EUR million	Note	2017	2016
Items which will not be reclassified to profit or loss:			
Actuarial gains/losses on defined benefit plans	4.6.	-1.6	-0.5
Income tax relating to other comprehensive income	7.1.	0.3	0.1
		-1.2	**-0.4**
Total comprehensive income for the period		**18.3**	**34.0**
Profit attributable to			
Parent company shareholders		26.3	42.8
Total comprehensive income attributable to			
Parent company shareholders		18.3	34.0
Earnings per share attributable to parent company shareholders:			
Basic earnings per share, EUR			
From continuing operations	6.5.	0.14	0.23
From discontinued operations	6.5.	0.00	0.01
From profit for the period	6.5.	0.14	0.24
Diluted earnings per share, EUR			
From continuing operations	6.5.	0.14	0.23
From discontinued operations	6.5.	0.00	0.01
From profit for the period	6.5.	0.14	0.24

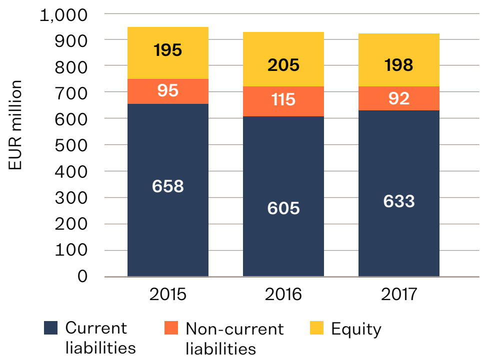
Consolidated statement of financial position (IFRS)

EUR million	Note	31 Dec 2017	31 Dec 2016
Assets			
Non-current assets			
Property, plant and equipment	5.1. / 5.2.	79.0	71.5
Goodwill	5.3.	282.7	286.8
Other intangible assets	5.3.	81.2	76.2
Investments in joint ventures	5.4.	0.5	-
Other non-current assets	5.4.	0.3	0.3
Deferred tax assets	7.2.	2.4	2.4
Non-current assets total		**446.1**	**437.2**
Current assets			
Inventories	4.5.	207.8	199.4
Trade receivables	4.3.	220.5	192.6
Income tax receivables		3.9	9.0
Other receivables	4.3.	27.2	26.4
Cash and cash equivalents	6.2.	17.0	60.8
Current assets total		**476.3**	**488.3**
Assets total		**922.4**	**925.4**

Assets



Equity and liabilities



EUR million	Note	31 Dec 2017	31 Dec 2016
Equity and liabilities			
Equity			
Share capital		36.2	36.2
Hedging reserve		-0.3	-0.6
Contingency fund		19.4	19.4
Invested unrestricted equity reserve		74.8	74.8
Other reserves		0.1	0.1
Translation differences		-19.2	-8.6
Retained earnings		86.8	83.8
Equity attributable to the parent company shareholders	6.4.	**197.7**	**205.2**
Non-current liabilities			
Deferred tax liabilities	7.2.	15.3	16.2
Pension obligations	4.6.	12.3	10.6
Borrowings	6.2.	61.0	84.6
Other non-current liabilities	4.10.	3.5	3.4
Non-current liabilities total		**92.2**	**114.8**
Current liabilities			
Trade payables	4.10.	525.5	504.3
Provisions	4.8.	0.4	-
Borrowings	6.2.	66.3	48.5
Income tax payables		0.7	14.1
Other current liabilities	4.10.	39.6	38.7
Current liabilities total		**632.6**	**605.4**
Equity and liabilities total		**922.4**	**925.4**

Consolidated statement of cash flows (IFRS)

EUR million	Note	2017	2016
Net cash flow from operating activities			
EBIT		38.7	58.8
Adjustments			
Depreciation and amortisation	5.1. / 5.3.	25.8	25.8
Share of result in joint venture	5.4.	1.1	-
Impairment	5.1. / 5.3.	0.7	6.4
Change in pension asset and pension obligation		0.8	0.7
Other adjustments		-1.8	4.9
		65.4	96.6
Change in working capital			
Change in current receivables increase (-)/ decrease (+)		-42.8	-0.6
Change in inventories increase (-)/ decrease (+)		-21.1	2.3
Change in non-interest-bearing current liabilities increase (+)/ decrease (-)		45.7	-43.0
		-18.2	-41.2
Interest paid and other financial expenses		-6.0	-6.1
Interest received and other financial income		0.2	0.3
Income taxes paid		-17.7	-9.4
Net cash flow from operating activities		**23.7**	**40.2**

EUR million	Note	2017	2016
Net cash flow from investing activities			
Investments in property, plant and equipment and intangible assets		-40.2	-35.8
Proceeds from sales of property, plant and equipment and intangible assets		0.3	1.8
Investments in joint ventures	5.4.	-1.6	-
Business acquisitions, net of cash acquired	8.2.	-2.3	-46.7
Sales of business operations, net of cash disposed	8.2.	6.1	-
Received dividends		0.0	-
Net cash flow from investing activities		**-37.7**	**-80.7**
Net cash flow from financing activities			
Proceeds from long-term loans		29.8	30.0
Repayments of long-term loans		-62.1	-
Change in current financing[1)]		28.5	-26.9
Purchasing of own shares		-0.6	-0.1
Dividends paid		-25.4	-23.6
Net cash flow from financing activities		**-29.7**	**-20.5**
Net change in cash and cash equivalents		-43.7	-61.0
Cash and cash equivalents at the beginning of the period		60.8	121.9
Translation differences		-0.1	-0.1
Net change in cash and cash equivalents		-43.7	-61.0
Cash and cash equivalents at the end of the period	6.2.	**17.0**	**60.8**

[1)] Includes cash flows from commercial papers

Consolidated statement of cash flows includes the cash flows from discontinued operations. For more information about the discontinued operations refer to not 8.2. Acquistions and disposals, discontinued operations.

Consolidated statement of changes in equity (IFRS)

EUR million	Note	Share capital	Funds	Translation differences	Retained earnings	Equity total
Equity 1 January 2016		**36.2**	**93.1**	**0.5**	**64.7**	**194.6**
Comprehensive income for the period						
Net profit for the period		-	-	-	42.8	**42.8**
Other comprehensive income:						
Cash flow hedge	6.2.	-	0.8	-	-	**0.8**
Actuarial gains and losses	4.6.	-	-	-	-0.5	**-0.5**
Income tax relating to other comprehensive income	7.1.	-	-0.2	-	0.1	**-0.0**
Translation difference		-	-	-9.1	-	**-9.1**
Comprehensive income for the period total		**-**	**0.6**	**-9.1**	**42.5**	**34.0**
Transactions with owners						
Dividend distribution	6.5.	-	-	-	-23.6	**-23.6**
Share-based incentive	4.6.	-	-	-	0.3	**0.3**
Purchase of own shares		-	-	-	-0.1	**-0.1**
Transactions with owners total		**-**	**-**	**-**	**-23.4**	**-23.4**
Equity 31 December 2016		**36.2**	**93.7**	**-8.6**	**83.8**	**205.2**
Comprehensive income for the period						
Net profit for the period		-	-	-	26.3	**26.3**
Other comprehensive income:						
Cash flow hedge	6.2.	-	0.4	-	-	**0.4**
Actuarial gains and losses	4.6.	-	-	-	-1.6	**-1.6**
Income tax relating to other comprehensive income	7.1.	-	-0.1	-	0.3	**0.2**
Translation difference		-	-	-11.0	3.6	**-7.4**
Translation difference reclassified to profit and loss	8.2.	-	-0.0	0.3	-	**0.3**
Comprehensive income for the period total		**-**	**0,3**	**-10,7**	**28,7**	**18,3**
Transactions with owners						
Dividend distribution	6.5.	-	-	-	-25,4	**-25,4**
Share-based incentive	4.6.	-	-	-	0,3	**0,3**
Purchase of own shares		-	-	-	-0,6	**-0,6**
Sale of subsidiaries		-	-0,1	-	-	**-0,1**
Transactions with owners total		**-**	**-0,1**	**-**	**-25,7**	**-25,8**
Equity 31 December 2017		**36,2**	**94,0**	**-19,2**	**86,8**	**197,7**

Notes to the consolidated financial statement

1. Basic information on the company

Oriola Corporation is a Finnish public limited company, domiciled in Espoo, Finland. Oriola and its subsidiaries together form the consolidated Oriola Group. The consolidated financial statements were approved for publication by the Board of Directors of Oriola Corporation on 12 February 2018. In accordance with Finland's Limited Liability Companies Act, the shareholders have the right to approve or reject the financial statements at the General Meeting held after their publication. The General Meeting may also decide to make amendments to the financial statements. The company's business ID is 1999215-0. Copies of the consolidated financial statements of the Oriola Group are available from the head office of Oriola Corporation at the following address: Orionintie 5, FI-02200 Espoo, Finland (investor.relations@oriola.com)

2. Basis of presentation

Basis of presentation: The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) including the IAS and IFRS standards as well as the SIC and IFRIC interpretations valid as at 31 December 2017. The International Financial Reporting Standards refer to standards and interpretations that have been approved for application in the EU in the Finnish Accounting Act and the provisions issued pursuant to it according to the procedures provided for in EU regulation (EC) No. 1606/2002.

The consolidated financial statements are presented for the 12-month period 1 January–31 December 2017. The financial statements are presented in EUR million and they have been prepared under the historical cost convention, except for financial assets recognised at fair value through profit or loss, financial assets available-for-sale, derivatives and share-based payments. The consolidated statement of comprehensive income comprises of the continuing operations of the company unless otherwise stated. The consolidated statement of financial position for comparative periods includes the assets and liabilities of discontinued operations. The Group has applied the following new and amended standards and interpretations as of 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12: Amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendments do not have an impact on the consolidated financial statements.
- Disclosure initiative – amendments to IAS 7: Entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. As a result of the amendments the Group has included a specification and reconciliation of net debt in note 6.2. Financial assets and liabilities.

3. Use of estimates

Use of estimates: *The preparation of consolidated financial statements in accordance with IFRS requires the application of judgment by management in making estimates and assumptions. Such estimates and assumptions have an impact on the assets and liabilities reported as at the end of the reporting period, and on the presentation of contingent assets and liabilities in the notes to the consolidated financial statements as well as on the income and expenses reported for the financial year. The estimates are based on the management's best knowledge about the facts and as such actual results may differ from the estimates and assumptions used. Accounting estimates have been used in determining the amount of items reported in the consolidated financial statements, such as possible impairment of goodwill and other assets, determination of pension assets and pension obligations related to defined benefit pension plans, economic lives of tangible and intangible assets, provisions and taxes. The application of accounting principles also requires judgement.*

Use of estimates

Item	Uncertainty	Note
Defined benefits	Discount factor	4.6.
Impairment testing	Discount factor / Estimate	5.3.
Deferred taxes	Recognition / Estimate	7.2.
Provisions	Recognition / Estimate	4.8.

4. Operating result

4.1. Segment reporting

Segment reporting: Oriola's operating and reporting segments consist of business areas and are reported as in internal reporting provided to the Chief Executive Officer, the chief operating decision maker responsible for allocating resources and assessing performance of the business areas.

Oriola's business areas and operating and 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 in comparative periods. The result of the discontinued operations is presented in note 8.2. Previously the Baltic businesses were part of the Consumer and Services segments.

The assets and liabilities of reporting segments include items directly attributable to a segment and items which can be allocated to segments. Group items include financial items as well as items related to corporate functions.

Intra-segment pricing is determined on an arm's length basis. The sales between segments are not material.

The geographical areas of Oriola are Finland, Sweden and other countries. Net sales are divided by the countries in which the customers are located. Assets and investments are divided according to the country in which they are located.

In order to reflect the underlying business performance and to enhance comparability between financial periods Oriola discloses Adjusted EBITDA and Adjusted EBIT as permitted in ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures. These measures should not be considered as a substitute for measures of performance in accordance with the IFRS. Reporting segments' EBIT is reported excluding adjustment items. In addition Oriola uses "Invoicing" as the measure to describe the business volume.

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

Oriola's agreements with pharmaceutical companies are either wholesale agreements where Oriola buys the products into own stock or agreements where Oriola delivers the products from consignment stock. Oriola reports invoicing of both type of agreements as it describes the volume of the business.

Reporting segments

EUR million 2017	Note	Consumer	Services	Healthcare	Group items	Group total
External invoicing		780.3	2,484.9	71.1	-	**3,336.3**
Internal invoicing		0.2	347.7	0.0	-347.9	**-**
Invoicing	10.2.	780.5	2,832.6	71.2	-347.9	**3,336.3**
Sales to external customers		761.8	695.2	70.7	-	**1,527.7**
Sales to other segments		0.2	347.7	0.0	-347.9	**-**
Net sales	4.2.	762.0	1,042.9	70.7	-347.9	**1,527.7**
EBIT		25.2	21.4	-1.7	-7.1	**37.8**
Adjusted EBIT	10.2.	25.2	22.6	-1.7	-6.1	**39.9**
Assets		424.1	401.4	48.5	48.5	**922.4**
Liabilities		58.6	526.9	8.2	131.0	**724.7**
Investments	5.1. / 5.3.	9.1	22.3	3.9	10.8	**46.1**
Depreciation, amortisation and impairments	5.1. / 5.3.	17.0	5.4	3.0	0.3	**25.7**
Average number of personnel		1,582	929	129	47	**2,686**

2016						
External invoicing		790.2	2 537.6	36.3	-	**3 364.2**
Internal invoicing		-	362.2	-	-362.2	**-**
Invoicing	10.2.	790.2	2,899.8	36.3	-362.2	**3,364.2**
Sales to external customers		771.9	780.4	36.2	-	**1,588.6**
Sales to other segments		-	362.2	-	-362.2	**-**
Net sales	4.2.	771.9	1,142.6	36.2	-362.2	**1,588.6**
EBIT		32.5	32.6	-7.6	0.1	**57.6**
Adjusted EBIT	10.2.	33.1	33.7	-1.0	-6.0	**59.9**
Assets[1)]		448.1	327.1	44.5	105.7	**925.4**
Liabilities[1)]		71.1	495.1	5.8	148.2	**720.3**
Investments	5.1. / 5.3.	17.4	14.4	44.5	12.2	**88.6**
Depreciation, amortisation and impairments	5.1. / 5.3.	17.1	5.6	9.0	0.3	**32.0**
Average number of personnel		1,602	701	80	42	**2,425**

[1)] Discontinued operations included in Group items

Refer to note 10.2. Alternative performance measures, for definitions of key figures and reconciliation to measures presented in the consolidated income statement and balance sheet prepared in accordance with IFRS.

Adjusting items

Adjusting items included in EBIT EUR million	2017	2016
Restructuring costs	-0.3	-1.4
Costs of termination of the CEO service contract	-0.4	-
Impairments	-	-6.4
Revaluation of contingent consideration	0.2	6.3
Contractual liabilities due to delivery failures in Finland	-1.2	-
Other	-0.4	-0.7
Total	**-2.1**	**-2.2**

Adjusting items in 2017 include restructuring charges, and preparation costs incurred before the joint venture with Kesko was established in the Consumer business area, the costs of termination of the CEO service contract, the contractual liabilities due to delivery failures in Finland and costs of major business development projects, as well as an adjustment to the valuation of non-current assets in the Swedish Consumer segment business. Adjusting items in 2016 relate to restructuring charges in Consumer and Services. The impairment and revaluation items in 2016 relate to Svensk Dos.

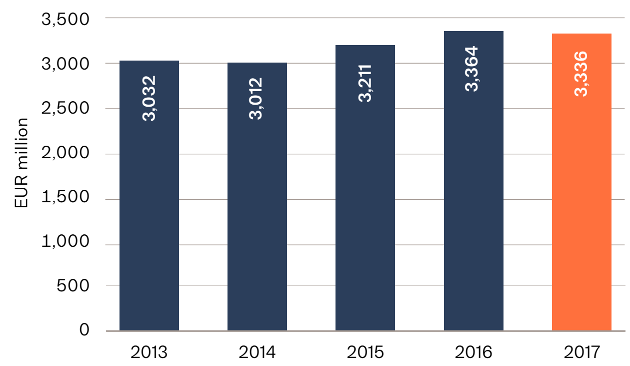
Geographical information

EUR million

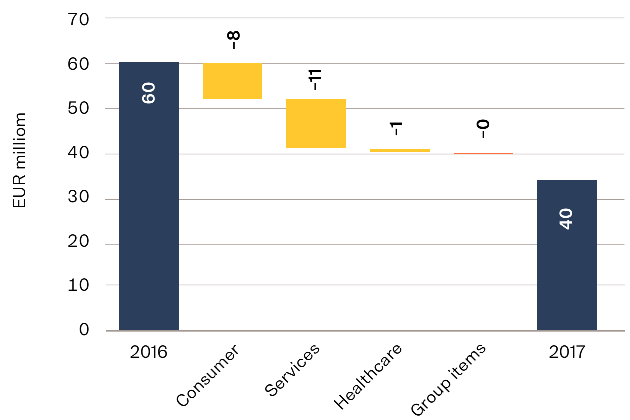
2017	Sweden	Finland	Other countries	Group total
Sales to external customers	1,060.1	376.4	91.2	**1,527.7**
Assets	691.2	231.2	0.0	**922.4**
Investments	30.0	16.0	-	**46.1**
Average number of personnel	1,940	745	2	**2,686**
2016				
Sales to external customers	1,143.1	372.4	73.1	**1,588.6**
Assets[1]	664.1	242.1	19.2	**925.4**
Investments	44.7	43.9	-	**88.6**
Average number of personnel	1,927	498	1	**2,425**

[1] Includes discontinued operations

Invoicing



Adjusted EBIT



4.2. Operating income

Operating income consists of net sales and other operating income as presented on the face of the IFRS income statement.

Net sales

Revenue recognition: The Group's net sales include income from the sale of goods and the sale of services adjusted with indirect taxes, discounts and currency translation differences resulting from sales in foreign currencies. Income from the sale of goods is recognised when the major risks and rewards of ownership of the goods have been transferred to the buyer. Income from services is recognised when the service has been performed. In contracts based on consignment inventory only the logistics services fee is recognised in the net sales.

The Group has retail pharmacies that sell pharmaceuticals and healthcare products. Sale of goods is recognised when the company sells the product to the customer. Sales is adjusted with estimated future bonus discounts out of loyalty program. Retail sales are usually cash or credit card sales to consumers.

Services comprise of various expert services provided to pharmaceutical companies, pharmacies, county councils and private health care providers. Sale of services is recognised over the period during which the service is performed.

Net sales by currency

	2017		2016	
Million	**SEK**	**EUR**	**SEK**	**EUR**
Sweden	11,073.8	1,149.3	11,498.1	1,214.3
Finland		378.4		374.3
Total		**1,527.7**		**1,588.6**

Other operating income

EUR million	2017	2016
Gain on sale of tangible and intangible assets	0.0	0.0
Rental income	0.2	0.3
Service charges	0.1	0.1
Marketing contribution	11.8	11.3
Revaluation of contingent consideration	0.2	6.6
Other operating income	1.4	2.0
Total	**13.8**	**20.2**

Other operating income consists mainly of marketing contribution in retail campaigns.

4.3. Trade and other receivables

Trade receivables: Trade receivables are carried at their anticipated realisable value, which is the original invoice amount less an estimated valuation allowance for the impairment of these receivables. A valuation allowance for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Trade receivables are classified to loans and other receivables.

EUR million	2017	2016
Trade receivables	220.5	192.6
Income tax receivables	3.9	9.0
Prepaid expenses and accrued income	2.8	2.2
Derivatives measured at fair value through profit and loss	-	0.1
VAT receivables	16.5	9.0
Rental prepayments	4.1	4.1
Prepayments	2.6	7.2
Other receivables	1.2	3.8
Total	**251.6**	**228.0**

As a part of managing liquidity risk Oriola has open-ended frame agreements in Sweden that allows the company to sell trade receivables relating to Swedish retail and wholesale businesses to the financial institutions on non-recourse basis. Sold non-recourse trade receivables were EUR 94.8 (118.5) million on the balance sheet date. No significant changes are anticipated in the scope of the programmes in 2018.

The credit risk in Finland is reduced by interest-bearing advance payments from pharmacies. These interest-bearing advance payments are presented as current interest-bearing liabilities in the balance sheet. On the balance sheet date the amount of prepayments was EUR 15.0 (21.5) million. Additional information of the interest bearing advance payments can be found in note 6.2. Financial assets and liabilities.

Ageing and impairment of trade receivables at the closing date

	2017		2016	
EUR million	Gross	Impairment	Gross	Impairment
Not past due	200.0	-	184.4	-
Past due 1–30 days	14.1	-	7.4	-
Past due 31–180 days	6.4	0.0	0.8	-
Past due more than 180 days	0.0	0.0	0.1	0.0
Total	**220.5**	**0.0**	**192.7**	**0.0**

The book value of trade and other receivables corresponds to the maximum amount of credit risk relating to them at the balance sheet date.

4.4. Operating expenses

Operating expenses include material purchases, employee benefit expenses and other operating expenses as presented on the face of the IFRS income statement. Employee benefit expenses are specified in note 4.6. Employee benefits.

Material purchases

Material purchases: The material purchases include the materials, procurement and other costs related to the manufacturing and procurement.

Material purchases

EUR million	2017	2016
Purchases during the period	1,196.8	1,247.1
Change in inventory	-22.7	1.8
Products for own use	-0.2	-0.3
Foreign exchange differences	0.3	0.0
Total	**1,174.2**	**1,248.5**

Material purchases by currency

	2017	
Million	SEK	EUR
Sweden	8,402.7	872.1
Finland	-	302.1
Total		**1,174.2**

	2016	
Million	SEK	EUR
Sweden	8,937.1	943.8
Finland	-	304.7
Total		**1,248.5**

Other operating expenses

EUR million	2017	2016
Freights and other variable costs	25.6	24.8
Marketing	13.8	11.2
Information management	16.9	14.5
Premises	29.4	27.5
External services	23.5	15.9
Other operating expenses	27.3	26.4
Total	**136.5**	**120.5**

4.5. Inventories

Inventories: Inventories are presented in the consolidated statement of financial position at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated necessary direct costs of sale. The cost of inventories is determined on the basis of FIFO principle. If the net realisable value is lower than cost, a valuation allowance is recognised for inventory obsolescence.

The inventories as at 31 December 2017 EUR 207.8 (199.4) million were finished goods, pharmaceutical and health related products. During the financial year 2017 no material inventory write-offs were recognised.

EUR million	2017	2016
Raw materials and consumables	0.1	0.1
Work in progress	0.2	0.5
Finished goods	207.5	198.7
Total	**207.8**	**199.4**

4.6. Employee benefits

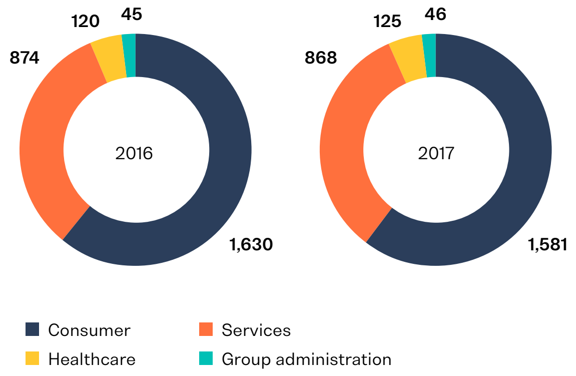
Pension benefits: The Group's pension arrangements are in compliance with each country's local regulations and practices. The pension arrangements of the Group companies comprise both defined contribution plans and defined benefit plans. The payments to the defined contribution plans are recognised as expenses in the income statement in the period in which they incur. Under a defined benefit pension plan, the Group's obligation is not limited to the payments made under the plan but also includes the actuarial and investment risks related to the pension plan in question.

The pension expenses related to defined benefits have been calculated using the projected unit credit method. Pension expenses are recognised as expenses by distributing them over the estimated period of service of the personnel concerned. The amount of the pension obligation is the present value of the estimated future pensions payable.

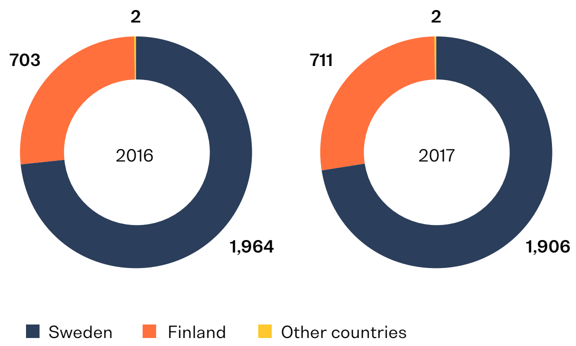
Employee benefits

EUR million	2017	2016
Wages, salaries and bonuses	113.3	100.6
Share-based payments		
Settlement in cash	0.0	0.3
Payment in shares	0.2	0.3
Pension costs		
Defined contribution plans	36.4	33.9
Defined benefit plans	0.5	0.5
Other personnel expenses	15.6	14.6
Total	**166.1**	**150.2**

Employees by business area (at year-end)



Employees by country (at year-end)



Post-employment benefits

Oriola Group has defined benefit pension plans in Finland and Sweden.

In Finland the defined benefits plans consist of a voluntary insurance plan, which is a final average pay pension plan concerning additional pensions. The benefits are insured with OP Life Assurance.

In 2017 Finland adopted a pension reform. Oriola decided not to compensate the deficit due to the change in the pension act in the supplementary pension plan.

In Sweden, some of the office employees are covered by the defined benefit plan ITP 2 and others by the defined contribution plan ITP 1. The employees have a defined contribution plan according to local legislation. In ITP 2, the company can recognize the old age pension liabilities in its statement of financial position or, alternatively, pay the pension expenses to the pension insurance company Alecta. Oriola Sweden AB has recognised its ITP 2 old age pension liabilities in full in its statement of financial position. Oriola Sweden AB's old age pension benefits other than ITP 2 are insured with Alecta. All of Kronans Droghandel Apotek AB's pension benefits are based on defined contribution, and insured with Alecta.

The Group also operates a long-service benefit scheme. The long-service benefit scheme is presented as other non-current liabilities in the statement of financial position.

Employer contributions to post-employment benefit plans are expected to be EUR 0.4 million during 2018 financial year. The weighted average duration of the defined benefit obligation is 21.6 years.

All plan assets of the Group relate to the Finnish voluntary insurance plan and are held by the insurance company. They are part of the insurance company's investment assets and are considered to be unquoted.

Mortality assumptions are made on the basis of actuarial guidelines and they are founded on statistics published in each region and on experience.

Net defined benefit liability in the statement of financial position is defined as follows:

EUR million	2017	2016
Present value of funded obligations	14.7	13.1
Fair value of plan assets	-2.4	-2.5
Deficit/surplus	12.3	10.6
Net liability(+) / assets (-) in the statement of financial position	12.3	10.6

Change in defined benefit obligation and plan assets:

EUR million	Present value of funded obligation	Fair value of plan assets	Total
1 Jan 2016	**12.3**	**-2.3**	**10.0**
Current service cost	0.4	-	**0.4**
Interest cost or income	0.4	-0.1	**0.3**
	13.1	-2.3	**10.7**
Remeasurements			
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	1.3	-0.3	**1.0**
Experience profits (-) or losses (+)	-0.5	-	**-0.5**
	13.9	-2.7	**11.2**
Differences in foreign exchange rates	-0.4	-	**-0.4**
Expenses arising from the plans			
Benefits paid	-0.4	0.2	**-0.2**
31 Dec 2016	**13.1**	**-2.5**	**10.6**
Current service cost	0.5	-	**0.5**
Interest cost or income	0.3	0.0	**0.3**
	13.9	-2.5	**11.4**
Remeasurements			
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	1.2	-0.1	**1.1**
Experience profits (-) or losses (+)	0.4	-	**0.4**
	15.5	-2.5	**13.0**
Differences in foreign exchange rates	-0.3	-	**-0.3**
Contributions			
Plan participants	-	0.0	**0.0**
Expenses arising from the plans			
Benefits paid	-0.5	0.2	**-0.3**
31 Dec 2017	**14.7**	**-2.4**	**12.3**

Significant actuarial assumptions 31 Dec:	**2017**	**2016**
Discount rate (%)	1.5-2.6	1.3-2.8
Salary increases (%)	1.8-2.7	1.6-2.5

Sensitivity of the defined benefit obligation to changes in the most significant assumptions:

Effect on defined benefit pension obligation

Assumption	Change in assumption as percentage point	Effect of change in assumption %
Decrease in discount rate	-0,5	increase by 11.6
Increase in discount rate	+0,5	reduce by 10.2
Increase in salaries	+0,5	increase by 5.2
Increase in benefits	+0,5	increase by 11.6

The table presents a sensitivity analysis for the most significant actuarial assumptions, showing the effect of any change in actuarial assumptions on the defined benefit pension obligation.

The effects of the above sensitivity analysis have been calculated so that when the effect of the change in the assumption is calculated all other assumptions are expected to remain unchanged. This is unlikely to happen and in some assumptions changes may correlate with each other. The sensitivity of the defined benefit obligation has been calculated using the same method as in the calculation of the pension obligation to be entered in the statement of financial position (the current value of the defined benefit obligation at the end of the reporting period using the projected unit credit method).

The most significant risks arising from defined benefit pension plans:

Life expectancy: Most of the plan obligations are connected with generating life-long benefits for employees and for this reason a higher life expectancy will mean more obligations under the plan.

Inflation risk: Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities.

Changes in bond yields: A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' assets.

Use of estimates: *The discounted value of pension obligation is based on several actuarial assumptions. Changes in the assumptions have an impact on the carrying amount of the pension obligation. Discount rate used is one of the assumptions used. The interest rate used is determined at the date of measurement by reference to maturity of corporate bonds issued by financially sound companies that is similar to that of the pension obligation. Other key assumptions impacting pension liabilities are based on the circumstances valid at the time.*

Share-based payments

Share-based payments: Share incentive plans are measured at fair value at the grant date in accordance with IFRS 2, and are recognised as expenses within the vesting period. The fair value of the share is the share price on the date at which the target group has agreed to the conditions of the plan reduced by the estimated dividends. The fair value of the cash part is measured at each balance sheet date until the end of the vesting period based on the share price at the end of the reporting period. The equity-settled component is credited to retained earnings and the cash-settled part is recognised as an accrued liability until paid out.

Executives incentive plan 2013–2015

On 19 December 2012, Oriola Corporation's Board of Directors approved a share-based incentive plan for the Group executives. The scheme covers four persons. The Plan included three performance periods, calendar years 2013, 2014 and 2015. The company's Board of Directors decided on the earning criteria for the earning period and the targets to be set for these at the start of each earning period. The potential reward from the plan for the performance period 2015 was based on Oriola Group's Earnings per Share (EPS) The rewards to be paid on the basis of the performance period 2015 correspond to the value of an approximate maximum total of 148,524 Company's class B shares (including also the proportion to be paid in cash). No reward will be paid if an executive's employment or service in a Group company ends before the reward payment in 2018. There was no payment based on the performance periods 2013 and 2014 since the performance criteria for the Plan was not met.

Expenses recognised for the incentive plan were EUR -0.1 (0.3) million in 2017. Due to changes in Group Management team the impact of the incentive plan on the result of year 2017 was positive.

Executives incentive plan 2016–2018

On 4 December 2015 the Board of Directors of Oriola Corporation resolved to establish a new share-based incentive plan directed to the Group key personnel. Approximately 20 key members of personnel, including the members of the Group Management Team, participate in the plan. The plan includes three performance periods, calendar years 2016, 2017 and 2018, and three vesting periods, calendar years 2017, 2018 and 2019, respectively. The Board of Directors of the Company will resolve on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. The reward of from the performance period 2016 is based on the Group's Earnings per Share (EPS). The rewards to be paid on the basis of the performance period 2016 correspond to the value of 119,803 Company's class B shares (including also the proportion to be paid in cash). The reward will be paid in 2018. Similarly, the potential reward from the performance period 2017 was based on the Group´s EPS. There will be no payment based on the performance period 2017 since the performance criteria for the Plan was not met. The essential precondition for participation in the plan and for receipt of reward on the basis of the Plan is that a key person has enrolled in the OKShares and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the Rules of the OKShares in force. The member of the Group Management Team must hold 50 per cent of the net shares given on the basis of the entire Plan, until his or her shareholding in the Company in total equals the value of his or her gross annual salary.

Expenses recognised for the incentive plan were EUR 0.2 (0.1) million in 2017.

Share savings plans

On 18 June 2015 the Board of Directors of Oriola Corporation decided to launch a key personnel share savings plan. This savings period began on 1 October 2015 and ended on 31 December 2016. The maximum monthly saving was 8.3 percent and the minimum is 2 percent of each participant's fixed monthly gross salary. Approximately 45 key employees participated in the plan. The matching shares to be transferred to eligible participants in 2018 on the basis of the savings period 1 October 2015–31 December 2016 correspond to the value of 45,702 Oriola Corporation class B shares, including the proportion to be paid in cash.

Similarly approximately 45 key employees participated 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. The estimated number of matching shares, including the portion to be paid in cash, is 55,000.

Approximately 60 key employees participate in the Oriola Corporation key personnel share savings plan for the savings period 1 January–31 December 2018. The accumulated savings will be used for purchasing Oriola's class B shares for the participants at market prices. In return, each participant will receive two free class B matching shares for every three acquired savings shares. Matching shares will be paid partly in Oriola's class B shares and partly in cash. The matching shares will be transferred to eligible participants in 2020.

The expenses recognised for the Share savings plans were EUR 0.1 (0.1) million in 2017.

Management benefits

Employee benefits to President and CEO

EUR thousand	2017	2016
Eero Hautaniemi until 18 Dec 2017		
Basic salary	470.7	495.7
Bonuses	85.0	163.2
Termination expenses [1]	656.6	-
Pension expenses (statutory)	332.7	123.0
Total	**1,545.0**	**781.9**
Kimmo Virtanen from 18 Dec 2017 (acting)		
Basic salary	9.1	-
Pension expenses (statutory)	1.6	-
Total	**10.7**	**-**

[1] Termination expenses include the salary for the 6 months notice period and the severance pay equal to 12 months's salary based on the service agreement

Employee benefits to other members of the Group management team

EUR thousand	2017	2016
Basic salary	1,048.9	1,593.5
Bonuses	102.1	226.3
Pension expenses (statutory)	215.3	380.0
Pension expenses (voluntary)	16.6	63.1
Total	**1,382.8**	**2,262.9**

The total salary of the President and CEO of the Group and the Group Management Team include a supplementary health insurance. The President and CEO of the Group and the Group Management Team participate in statutory pension schemes. Two Group Management Team members participate in a voluntary defined contribution plan.

Salaries and benefits of the members of the Board of Directors

EUR thousand	2017	2016
Anssi Vanjoki, chairman	65.4	59.4
Jukka Alho [1]	-	1.5
Eva Nilsson Bågenholm, vice chairman	42.8	38.8
Per Båtelson [1]	-	1.0
Anja Korhonen	44.8	40.8
Mariette Kristenson [2]	33.2	29.7
Kuisma Niemelä	35.2	32.2
Lena Ridström [2]	34.2	29.7
Matti Rihko [3]	1.0	30.7
Staffan Simberg	35.2	32.2
Total	**291.7**	**295.9**

[1] until 14 March 2016
[2] from 14 March 2016
[3] until 14 March 2017

Of the Board of Directors' annual fee, 60 per cent is paid in cash and 40 per cent in the Company's class B shares.

For the apportionment paid in shares, an expense of EUR 0.1 (0.1) million was recognised in 2017.

4.7. Leasing contracts

Leasing: Lease agreements which transfer a significant proportion of the risks and rewards related to the ownership of an asset to the Group are classified as finance lease agreements. Oriola Groups leases classified as finance leases mainly consist of information and communication technology equipment. Finance lease agreements are recognised in the consolidated statement of financial position as an asset and a liability at the inspection of the lease at the lower of fair value of the asset or the present value of the minimum lease payments.

The assets acquired through finance lease are depreciated similarly to non-current assets over the shorter of useful life of the assets or the lease term. Finance lease liabilities are recognised under non-current and current liabilities in the consolidated statement of financial position.

If the risks and rewards associated with the ownership of the asset remain with the lessor, the lease agreement is treated as an operating lease. The resulting lease payments are recognised as an expense, over the entire lease term. At Oriola the leases classified as operating leases mainly relate to office, warehouse and retail premises, also some vehicle and equipment leases have been classified as operating leases.

Committed future minimum lease payments

EUR million	2017	2016
Within one year	17.7	18.5
One to five years	32.8	34.6
Over five years	5.3	7.0
Total	**55.8**	**60.1**

The Group has leased office, warehouse and retail premises under fixed term lease contracts, partly with the right to renew the lease. The Group has a significant portfolio of lease contracts for pharmacies in Sweden. The usual duration of the leases is 3 years, and they are regularly renewed for the next lease period. 8 new leases were signed in 2017 and 7 lease contracts expired.

The leasing expenses were EUR 22.2 (20.0) million in 2017.

4.8. Provisions

Provisions: A provision is recognised in the consolidated statement of financial position when the Group has a present legal or contractual obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A restructuring provision is recognised when the Group has a detailed, formal restructuring plan, has started the implementation of the plan or has informed those affected by the plan. No provision related to costs for continuing operations is recognised.

In 2017 the group recognised provisions totalling EUR 0.4 (-) million. The provisions are related to difficulties in the launch of the new ERP system in Finland and consist of estimated contractual liabilities due to delivery failures, estimated loss of inventories and estimated adjustments to the issued customer invoices based on the reclamations received.

Use of estimates: *Provisions for present obligations require management to assess the best estimate of the expenditure needed to settle the present obligation at the end of the reporting period. The actual amount and timing of the expenditure might differ from the estimates made.*

4.9. Audit fees

EUR million	2017	2016
To member firms of PricewaterhouseCoopers Oy network		
Audit related services	0.4	0.3
Tax and other non-audit services	0.2	0.0
Total	**0.6**	**0.4**

PricewaterhouseCoopers Oy has provided non-audit services to entities of Oriola Group in total EUR 11 thousand during the financial year 2017. These services included auditors's statements (EUR 3 thousand), tax services (EUR 0 thousand) and other services (EUR 8 thousand).

4.10. Trade payables and other liabilities

Trade payables and other current liabilities

EUR million	2017	2016
Trade payables	525.5	504.3
Income tax payables	0.7	14.1
Accrued liabilities	36.7	28.4
Derivatives designated as hedges	0.0	0.6
Other current liabilities	2.9	9.6
Total	**565.9**	**557.0**

Material items included in accrued liabilities

EUR million	2017	2016
Accrued wages, salaries and social security payments	26.0	19.2
Other accrued liabilities	10.7	9.2
Total	**36.7**	**28.4**

Other non-current liabilities

EUR million	2017	2016
Derivatives	0.6	0.3
Contingent consideration	2.5	2.7
Other non-current liabilities[1)]	0.5	0.4
Total	**3.5**	**3.4**

[1)] Other non-current liabilities include long-service benefit liability

5. Tangible and intangible assets and other non-current assets

5.1. Property, plant and equipment

Tangible assets: Tangible assets are initially recognised at historical cost and they are subsequently measured at historical cost less depreciation and impairment losses. The assets are depreciated over their estimated useful life using the straight-line method. The useful life of assets is reviewed at least annually and it is adjusted if necessary. The estimated useful lives are as follows:

- Buildings 20–50 years
- Machinery and equipment 5–10 years
- Other tangible assets 3–10 years

Land areas are not subject to depreciation. Repair and maintenance costs are recognised as expenses for the period. Improvement investments are capitalised providing they are expected to generate future economic benefits. Gains and losses resulting from the disposal of tangible assets are recognised as other operating income or expense in the statement of comprehensive income.

Property, plant and equipment

EUR million 2017	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets[1]	Advance payments and construction in progress	Total
Historical cost 1 Jan 2017	1.9	48.1	81.7	32.1	4.3	**168.0**
Business combinations	-	-	0.0	-	-	**0.0**
Increases	-	1.9	8.7	1.0	13.8	**25.4**
Decreases	-	-	-2.2	-0.1	-	**-2.3**
Reclassifications	-	0.1	1.0	0.4	-2.0	**-0.5**
Foreign exchange rate differences	-0.0	-0.4	-1.8	-0.9	-0.1	**-3.3**
Historical cost 31 Dec 2017	**1.9**	**49.7**	**87.3**	**32.4**	**16.0**	**187.3**
Accumulated depreciation 1 Jan 2017	-	-32.6	-53.2	-10.7	-	**-96.5**
Accumulated depreciation related to decreases and reclassifications	-	-	2.0	-0.0	-	**2.0**
Depreciation for the financial year, continuing operations	-	-1.6	-10.3	-3.2	-	**-15.2**
Depreciation for the financial year, discontinued operations	-	-	-0.1	0.0	-	**-0.1**
Impairments	-	-	-0.5	-	-	**-0.5**
Foreign exchange rate differences	-	0.2	1.4	0.4	-	**2.0**
Accumulated depreciation 31 Dec 2017	**-**	**-34.0**	**-60.8**	**-13.5**	**-**	**-108.3**
Carrying amount 1 Jan 2017	1.9	15.5	28.5	21.3	4.3	**71.5**
Carrying amount 31 Dec 2017	1.9	15.7	26.6	18.9	16.0	**79.0**
2016						
Historical cost 1 Jan 2016	2.0	50.5	80.3	28.8	2.7	**164.4**
Business combinations	-	-	1.9	0.0	-	**1.9**
Increases	-	0.6	8.1	3.6	3.7	**16.0**
Decreases	-0.1	-2.8	-7.2	-0.3	-0.0	**-10.4**
Reclassifications	-	0.2	0.8	1.0	-2.1	**0.0**
Foreign exchange rate differences	-0.0	-0.5	-2.2	-1.1	-0.1	**-3.9**
Historical cost 31 Dec 2016	**1.9**	**48.1**	**81.7**	**32.1**	**4.3**	**168.0**
Accumulated depreciation 1 Jan 2016	-	-32.6	-50.7	-8.3	-	**-91.7**
Accumulated depreciation related to decreases and reclassifications	-	1.5	6.7	0.2	-	**8.4**
Depreciation for the financial year, continuing operations	-	-1.7	-10.4	-2.9	-	**-15.1**
Depreciation for the financial year, discontinued operations	-	-	-0.2	-	-	**-0.2**
Foreign exchange rate differences	-	0.3	1.4	0.3	-	**2.0**
Accumulated depreciation 31 Dec 2016	**-**	**-32.6**	**-53.2**	**-10.7**	**-**	**-96.5**
Carrying amount 1 Jan 2016	2.0	17.9	29.6	20.5	2.7	**72.7**
Carrying amount 31 Dec 2016	1.9	15.5	28.5	21.3	4.3	**71.5**

[1] The most significant share of other tangible assets is made up by refurbishment expenditures for rented premises

5.2 Finance leases

Finance leases: Lease agreements which transfer a significant proportion of the risks and rewards related to the ownership of an asset to the Group are classified as finance lease agreements. Finance lease agreements are recognised in the consolidated statement of financial position as an asset and a liability at the inspection of the lease at the lower of fair value of the asset or the present value of the minimum lease payments.

The assets acquired through finance lease are depreciated similarly to non-current assets over the shorter of useful life of the assets or the lease term. Finance lease liabilities are recognised under non-current and current liabilities in the consolidated statement of financial position.

Assets leased through finance lease agreements consist of mainly of information and communication technology equipment. Terms of the agreements usually include possibility to extend the lease by 3-12 months as well as purchase options. The purchase options are used if the expected useful life of the equipment is significantly longer than the lease period.

Assets leased through finance lease agreements

Tangible assets include following assets leased through finance lease agreements:

EUR million 2017	Machinery and equipment	Total
Historical cost	8.4	8.4
Accumulated depreciation	-6.8	-6.8
Carrying amount	**1.6**	**1.6**
2016		
Historical cost	7.7	7.7
Accumulated depreciation	-5.1	-5.1
Carrying amount	**2.7**	**2.7**

Maturity of finance lease liabilities

EUR million	2017	2016
Within one year	0.9	1.3
Within 1–5 years	0.7	1.4
Unearned financial expense	-0.0	-0.0
Total	**1.7**	**2.7**

Present value of minimum lease payments

EUR million	2017	2016
Within one year	0.9	1.5
Within 1–5 years	0.7	1.2
Total	**1.7**	**2.7**

5.3. Goodwill and other intangible assets

Goodwill: As of 1 January 2010, goodwill arising from business combinations is recognised as the amount by which the aggregate of the fair value of the consideration transferred, the acquisition date fair value of any previously held interest and any non-controlling interest exceeds the fair value of the net assets acquired.

Goodwill is not amortised but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to cash-generating units. Goodwill is measured at cost less accumulated impairment losses. Impairment losses are recognised in the statement of comprehensive income.

Other intangible assets: Other intangible assets are initially recognised at historical cost and they are subsequently measured at historical cost less depreciation and impairment losses. Other intangible assets include sales licences, trademarks, patents, software licences and product and marketing rights. Assets with finite useful life are depreciated over their useful life, using the straight-line method. Research and development costs are normally expensed as other operating expenses for the reporting period in which they are incurred. Expenditures on development is capitalised only when it relates to new products or services that are technically and commercially feasible. The majority of the Group's development expenditure does not meet the criteria for capitalisation and are recognised as expenses as incurred. The estimated useful lives of other intangible assets are as follows:

- Intangible rights
  - Patents and trademarks 10 years
  - Software 5–10 years
- Other intangible assets 3–10 years

Goodwill and other intangible assets

EUR million 2017	Goodwill	Intangible rights	Other intangible assets[1]	Advance payments and construction in progress	Total
Historical cost 1 Jan 2017	286.8	100.9	6.9	15.1	**409.7**
Increases	2.6	5.7	0.1	10.7	**19.2**
Decreases	-	-0.5	-0.3	-0.0	**-0.8**
Impairments	-0.3	-	-	-	**-0.3**
Reclassifications	-	1.9	0.0	-1.4	**0.5**
Foreign exchange rate differences	-6.5	-2.7	-	-0.0	**-9.2**
Historical cost 31 Dec 2017	**282.7**	**105.3**	**6.8**	**24.3**	**419.2**
Accumulated amortisation 1 Jan 2017	-	-42.4	-4.3	-	**-46.7**
Accumulated amortisation related to decreases and reclassifications	-	0.4	0.3	-	**0.7**
Amortisation for the financial year, continuing operations	-	-9.5	-1.0	-	**-10.5**
Amortisation for the financial year, discontinued operations	-	-0.0	-0.0	-	**-0.0**
Impairments	-	-0.0	-	-	**-0.0**
Foreign exchange rate differences	-	1.3	-	-	**1.3**
Accumulated amortisation 31 Dec 2017	**-**	**-50.2**	**-5.0**	**-**	**-55.2**
Carrying amount 1 Jan 2017	286.8	58.5	2.7	15.1	**363.0**
Carrying amount 31 Dec 2017	282.7	55.1	1.8	24.3	**363.9**

2016					
Historical cost 1 Jan 2016	256.5	91.9	6.0	2.9	**357.2**
Business combinations	-	1.5	0.1	-	**1.6**
Increases	45.1	11.0	0.9	12.3	**69.2**
Decreases	-	-0.2	-0.0	-0.0	**-0.2**
Impairments	-6.4	-	-	-	**-6.4**
Reclassifications	-	-	0.1	-0.1	**0.0**
Foreign exchange rate differences	-8.4	-3.4	-	-0.0	**-11.7**
Historical cost 31 Dec 2016	**286.8**	**100.9**	**6.9**	**15.1**	**409.7**
Accumulated amortisation 1 Jan 2016	-	-34.5	-3.1	-	**-37.6**
Accumulated amortisation related to decreases and reclassifications	-	0.1	0.0	-	**0.2**
Amortisation for the financial year, continuing operations	-	-9.3	-1.2	-	**-10.5**
Amortisation for the financial year, discontinued operations	-	-0.0	-0.0	-	**-0.0**
Foreign exchange rate differences	-	1.3	-	-	**1.3**
Accumulated amortisation 31 Dec 2016	**-**	**-42.4**	**-4.3**	**-**	**-46.7**
Carrying amount 1 Jan 2016	256.5	57.4	2.9	2.9	**319.7**
Carrying amount 31 Dec 2016	286.8	58.5	2.7	15.1	**363.0**

[1] Other intangible assets include significant expenses for installation and specialist work related to the implementation of computer software.

Allocation and impairment testing of goodwill

Impairment of tangible and intangible assets: The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of the net sales price or value in use, which is the present value of the expected future cash flows expected to be derived from the asset.

The impairment loss is recognised in the income statement if the carrying amount of the asset exceeds the recoverable amount. An impairment loss is reversed if there is a change in the circumstances and the recoverable amount exceeds the carrying amount. The reversal of impairment loss cannot exceed the asset's carrying amount without any impairment loss.

The goodwill impairment test is conducted at least annually or more frequently if there is any indication that goodwill may be impaired. Impairment is recognised in the statement of comprehensive income under Depreciation, amortisation and impairments. Goodwill impairment losses are not reversed.

Goodwill is allocated as follows:

EUR million	2017	2016
Consumer, Sweden	218.6	224.9
Services, Sweden	28.5	25.9
Services, Finland	7.5	7.5
Healthcare, Sweden	7.8	7.8
Healthcare, Finland	20.4	20.4
Consumer, Baltics	-	0.3
Total	**282.7**	**286.8**

Projection parameters applied

2017	Post-tax discount rate %	Pre-tax discount rate %	EBIT %[1]	Terminal growth[2]	Net Sales growth[3]
Consumer, Sweden	8.0	9.8	4.4	2.0	4.8
Services, Sweden	8.0	9.8	2.7	2.0	6.5
Services, Finland	7.7	9.1	27.8	2.0	11.0
Healthcare, Sweden	8.0	9.7	1.8	2.0	31.0
Healthcare, Finland	7.7	9.2	14.3	2.0	2.8
2016					
Consumer, Baltics	6.5	8.2	3.6	3.0	9.2
Consumer, Sweden	7.1	9.1	6.1	2.0	2.8
Services, Sweden	7.1	9.1	1.6	2.0	10.3
Healthcare, Sweden	7.1	9.1	2.0	2.0	3.8
Healthcare, Finland	6.5	8.2	11.5	2.0	1.5
Services, Finland	6.5	8.2	4.6	2.0	5.9

[1] Average operating profit percentage over a three-year the period
[2] From the beginning of year 2021
[3] CAGR over a three-year-period

Carrying amount of assets and value in use

EUR million 2017	Carrying amount of assets	Value in use
Consumer, Sweden	333.9	476.3
Services, Sweden	25.9	160.6
Services, Finland	10.1	115.9
Healthcare, Sweden	16.5	24.6
Healthcare, Finland	22.1	32.0
2016		
Consumer, Baltics	3.2	17.6
Consumer, Sweden	336.7	598.7
Services, Sweden	34.3	184.5
Healthcare, Sweden	22.7	16.3
Healthcare, Finland	22.3	27.4

A percentage point change in projection parameters that causes the fair value equal to book value[1)]

2017	Discount rate change %	EBIT percentage change %	Terminal growth change %	Net sales growth change %
Consumer, Sweden	2.8	-1.0	-3.6	-5.0
Services, Sweden	36.3	-2.1	-	-27.6
Services, Finland	78.8	-22.3	-	-23.9
Healthcare, Sweden	3.6	-0.5	-5.1	-3.1
Healthcare, Finland	2.6	-4.0	-3.3	-11.3
2016				
Consumer, Baltics	7.1	-1.9	-9.8	-19.0
Consumer, Sweden	4.0	-1.7	-5.7	-7.7
Services, Sweden	27.5	-1.4	-	-29.5
Healthcare, Finland	1.0	-1.9	-1.2	-40.3
Services, Finland	4.0	-2.0	-5.3	-49.6

[1)] A greater percentage point change in the parameter would result in a partial impairment of goodwill, providing other key assumptions remain unchanged

The recoverable amount of the cash-generating units was determined in impairment testing on the basis of value-in-use calculations. Value-in-use has been determined based on discounted cash flows (DCF-model). The cash flow forecasts are based on three-year strategic plans approved by the management, which are consistent with the current business structure. The most important assumptions in the strategic plans are estimates of overall long-term growth in the market and the market position as well as profitability of the Group businesses. The foreign exchange rates used in converting the calculations into euros are those prevailing at the time of testing.

The main parameters used in the impairment testing are net sales growth percentage, EBIT percentage, terminal growth percentage and discount rate.

The three-year net sales forecasts are based on the management's assessment of the net sales growth, market development forecasts available from external information sources (IQVIA) and sales growth based on the Group's actions.

The terminal growth rate used in the calculations is based on the management's assessments of the long-term growth in cash flows. In estimating the terminal growth rate, both country-specific and business sector growth forecasts available from external information sources as well as the characteristic features of each operating segment and cash generating unit are taken into account. Terminal growth rate for both Finnish and Swedish cash generating units was 2.0 per cent from the year 2021. The growth rate estimate by an external information source (IQVIA) for 2018–2021 for Finnish pharmaceutical market is on average 1.5 per cent and for Swedish pharmaceutical market on average 3.9 per cent.

The discount rate used in the calculation is based on the Group's weighted average cost of capital, taking into account the industry and country specific risks in each of the Group's operating segment. The most important component in defining the discount rate is the long-term risk-free interest rate in the operating country. The risk-free interest rate used for the Finnish cash generating units is 1.3 (0.5) per cent. The risk-free interest rate of the Swedish cash generating units is 1.6 (1.1) per cent. When defining the discount rates, Oriola has acquired the necessary information from external information source.

Result of goodwill impairment testing

Oriola announced on 13 July 2017 its decision to divest its businesses in the Baltic countries. From June 2017 onwards the Baltic businesses were classified as discontinued operations and the assets and related liabilities were classified as Assets held for sale. In September 2017 the net assets related to Baltic businesses were impaired to fair value. This impairment included a goodwill impairment charge of EUR 0.3 million.

The impairment testing result shows that the "value in use" in the remaining cash generating units exceeds the book value of the tested assets, and thus no impairment of goodwill was recognised in 2017 for the remaining cash generating units.

On 8 February 2016, at the time of acquisition, Svensk Dos 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 in the Healthcare segment.

Use of estimates: *The Group's assets with an indefinite useful life are subject to annual impairment testing and any indication of impairment of assets is assessed as described in the accounting principles. The recoverable values used in impairment testing are discounted future cash flows that can be obtained through usage and possible sale of the assets. If the carrying amount of the asset exceeds either its recoverable amount or fair value, the difference is recognised as an impairment charge. The preparation of such calculations requires the use of estimates.*

5.4. Other non-current assets

EUR million 2017	Joint ventures	Other non-current assets	Total
Carrying amount 1 Jan 2017	-	0.3	**0.3**
Business combinations	0.0	0.0	**0.0**
Increases	1.6	0.0	**1.6**
Share of result for the period	-1.1	-	**-1.1**
Foreign exchange rate differences	-0.0	-0.0	**-0.0**
Carrying amount 31 Dec 2017	**0.5**	**0.3**	**0.8**
2016			
Carrying amount 1 Jan 2016	-	0.3	**0.3**
Business combinations	-	0.0	**0.0**
Decreases	-	-0.0	**-0.0**
Foreign exchange rate differences	-	-0.0	**-0.0**
Carrying amount 31 Dec 2016	**-**	**0.3**	**0.3**

Summarised financial information for joint venture

	Hehku Kauppa Oy	
Balance sheet, EUR million	**31 Dec 2017**	**31 Dec 2016**
Current assets		
Cash and cash equivalents	0.7	-
Other current assets	0.4	-
Total current assets	1.0	-
Non-current assets	0.7	-
Current liabilities		
Trade payables	0.3	-
Other current liabilities	0.4	-
Total current liabilities	0.8	-
Net assets total	1.0	-
Reconciliation to carrying amounts		
Net assets 1 Jan	-	-
Investment in joint venture	3.3	-
Loss for the period	-2.3	-
Net assets 31 Dec	1.0	-
Group's share in joint venture	50 %	-
Group's share of net assets	0.5	-
Carrying amount	0.5	-

	Hehku Kauppa Oy	
Income statement, EUR million	**31 Dec 2017**	**31 Dec 2016**
Depreciation and amortisation	0.0	-
Interest expenses	0.0	-
Result for the period	-2.3	-

Oriola Corporation and Kesko Corporation announced the establishment of a new store chain in Finland, specialising in comprehensive wellbeing in March 2017. The Finnish Competition and Consumer Authority granted the permission for the establishment of the new store chain in June 2017 and the new joint venture, Hehku Kauppa Oy, was established for building of the store chain. The first stores were opened in January 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 accounts its interest in the joint venture using the equity method. For more information about the accounting principles for joint venture please refer to section 8. Group structure.

6. Capital structure

6.1. Financial income and expenses

Interest income and expenses: Interest income and expenses are recognised on a time-proportion basis using the effective interest method.

The average interest rate on the interest bearing liabilities was 0.88 (1.26) per cent.

Financial income and expenses

EUR million	2017	2016
Financial income		
Interest income from loans and other receivables	0.2	0.3
Foreign exchange rate gains from financial assets and liabilities recognised at fair value, net	0.4	-
Foreign exchange rate gains from loans and other receivables, net	-	0.8
Other financial income	0.0	0.0
Total	**0.6**	**1.1**
Financial expenses		
Interest expenses for financial assets and liabilities recognised at fair value	0.1	0.1
Interest expenses for interest rate swaps	0.9	1.2
Interest expenses for financial liabilities at amortised cost	2.5	2.8
Foreign exchange rate losses from financial assets and liabilities recognised at fair value, net	-	0.8
Foreign exchange losses from loans and other receivables, net	0.1	-
Other financial expenses	0.9	0.9
Total	**4.5**	**5.8**
Financial income and expenses total	**-3.9**	**-4.7**

6.2. Financial assets and liabilities

Financial assets and liabilities: Financial assets and liabilities are recognised at the fair value at settlement date expect derivatives, which are recognised at the trade date in the balance sheet. Group's financial assets and liabilities include cash and cash equivalents, loans and other financial receivables, trade receivables, trade payables, loans and derivatives.

Financial assets and liabilities are classified into the following measurement categories:

- Financial assets and liabilities recognised at fair value through profit and loss
- Loans and other receivables
- Financial liabilities recognised at amortised cost.

The classification of financial assets and liabilities into different measurement categories depends on the purpose for which the financial assets or liabilities were initially acquired and is determined at the acquisition date.

Money market investments and derivatives which are classified as held for trading and that are not designated as hedges are recorded as financial assets and liabilities recognised at fair value through profit and loss. Assets within this category are short-term assets with a maturity of less than 12 months and are measured at fair value using the market price on the balance sheet date. Both realised and unrealised gains and losses arising from the changes in fair value are recognised in the consolidated statement of comprehensive income for the financial period during which they incurred. Financial assets are derecognised when the Group loses the rights to receive the contractual cash flows on the financial asset or it transfers substantially all the risks and rewards of ownership outside the Group.

Cash and cash equivalents consist of cash in hand and cash at the bank accounts.

Loans and other receivables are non-derivative financial assets with payments that are fixed or determinable. Such receivables are not quoted in an active market, the Group does not hold them for trading purposes and they are measured at amortised cost. Receivables are classified as current financial assets unless their maturity date is more than 12 months from the balance sheet date. Trade and other receivables are also included in this category. Trade receivables are recognised at their original book value. A valuation allowance for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability of the debtor's bankruptcy, failure to pay and significant delay of payments are considered to be justified reasons for the impairment of trade receivables. Impairments are recognised as an expense in the consolidated statement of comprehensive income. Sold non-recourse trade receivables' credit risk and contractual rights are transferred from the Group on the selling date and related expenses are recognised as financial expenses.

Financial liabilities recognised at amortised cost are recognised in the consolidated statement financial position at the net value received on the date of acquisition. Transaction costs are included in the original carrying amount of borrowings. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in the income statement using the effective interest method. Borrowings that expire within 12 months from the balance sheet date, including bank overdrafts in use, are recorded within current borrowings, and those expiring in a period exceeding 12 months, are recorded within non-current borrowings.

The Group derecognises financial assets when it has lost its right to receive the cash flow or when it has transferred substantially all the risks and rewards to an external party. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities by category

		2017			2016		
EUR million	**Note**	**Fair value**	**Book value**	**Hierarchy**	**Fair value**	**Book value**	**Hierarchy**
Financial assets recognised at fair value through profit and loss							
Derivatives measured at fair value through profit and loss	4.3.	0.2	0.2	Level 2	0.1	0.1	Level 2
Loans and other receivables							
Cash equivalents		17.0	17.0	Level 2	60.8	60.8	Level 2
Trade receivables and other receivables	4.3.	224.4	224.4	Level 2	209.9	209.9	Level 2
Financial assets total		**241.7**	**241.7**		**270.8**	**270.8**	
Derivatives designated as hedges	4.10.	0.4	0.4	Level 2	0.9	0.9	Level 2
Other non-current liabilities	4.10.	0.5	0.5	Level 2	0.4	0.4	Level 2
Financial liabilities recognised at fair value through profit and loss							
Derivatives measured at fair value through profit and loss	4.10.	0.2	0.2	Level 2	-	-	-
Contingent consideration	4.10.	2.5	2.5	Level 3	2.7	2.7	Level 3
Financial liabilities measured at amortised cost							
Non-current interest-bearing liabilities		61.0	61.0	Level 2	84.6	84.6	Level 2
Current interest-bearing liabilities		66.3	66.3	Level 2	48.5	48.5	Level 2
Trade payables and other current liabilities	4.10.	564.2	564.2	Level 2	542.3	542.3	Level 2
Financial liabilities total		**695.0**	**695.0**		**679.4**	**679.4**	

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	2017	2016
Carrying amount 1 Jan	**2.7**	**12.4**
Recognised to financial expenses	-0.0	0.2
Decrease in fair value recognised in financial liabilities	-0.2	-21.9
Increase in fair value recognised in financial liabilities	-	11.9
Translation differences	-	0.1
Carrying amount 31 Dec	**2.5**	**2.7**

Financial liabilities recognised at fair value through profit and loss (level 3) include estimated value of contingent and deferred considerations for acquisitions. The fair value of the contingent consideration has been calculated using discounted cash flow method. The decrease in fair value of financial liabilities in 2016 relates to the payment of the contingent consideration related to Medstop acquisition.

Cash and cash equivalents

EUR million	2017	2016
Cash and cash equivalents	17.0	60.8
Total	**17.0**	**60.8**

Borrowings

Non-current

EUR million	2017	2016
Loans from financial institutions	60.2	83.4
Finance lease liabilities	0.7	1.2
Total	**61.0**	**84.6**

Current

EUR million	2017	2016
Loans from financial institutions	0.4	10.5
Issued commercial papers	50.0	15.0
Advances received from pharmacies	15.0	21.5
Finance lease liabilities	0.9	1.5
Total	**66.3**	**48.5**

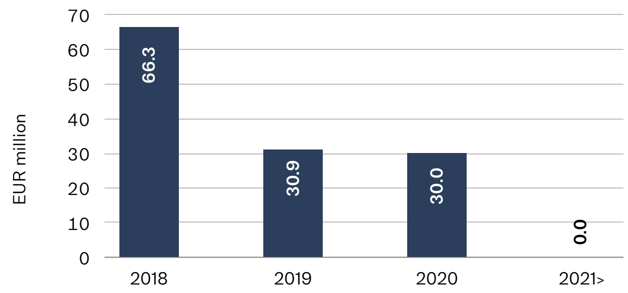
Maturity of non-current interest-bearing liabilities

EUR million	2017	2016
1-5 years	61.0	84.6

Interest-bearing liabilities by currency

EUR million	2017	2016
EUR	96.2	67.8
SEK	31.0	65.3
Total	**127.2**	**133.1**

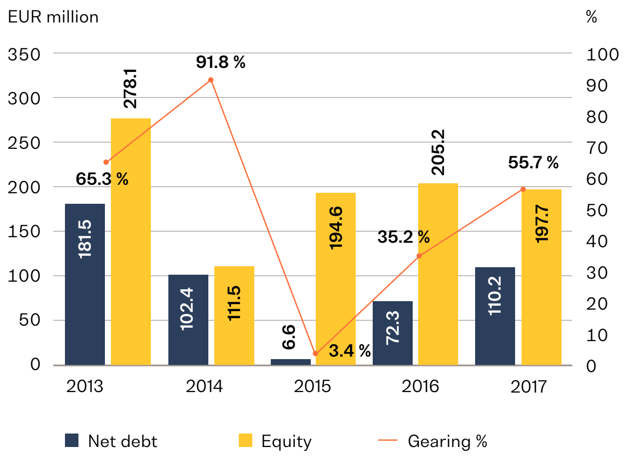
Maturity structure of interest-bearing liabilities



Net debt

EUR million	2017	2016
Loans from financial institutions	60.2	83.4
Finance lease liabilities	0.7	1.2
Non-current interest-bearing liabilities	**61.0**	**84.6**
Loans from financial institutions	0.4	10.5
Issued commercial papers	50.0	15.0
Advances received from pharmacies	15.0	21.5
Finance lease liabilities	0.9	1.5
Current interest-bearing liabilities	**66.3**	**48.5**
Interest-bearing liabilities total	**127.2**	**133.1**
Cash and cash equivalents	**17.0**	**60.8**
Net debt	**110.2**	**72.3**

Net debt, equity, gearing



Change in net debt

EUR million	Loans from financial institutions	Commercial papers	Advances from pharmacies	Finance lease liabilities	Cash and cash equivalents	Total
Carrying value, at 1 January 2017	**-93.9**	**-15.0**	**-21.5**	**-2.7**	**60.8**	**-72.3**
Change in net debt, cash:						
Proceeds from non-current loan	-29.8	-	-	-	-	-29.8
Repayments of non-current loans	62.1	-	-	-	-	62.1
Repayments of leasing liabilities	-	-	-	2.0	-	2.0
Change in current liabilities	-	-35.0	-400.8	-	-	-435.7
Change in cash and cash equivalents	-	-	-	-	-43.7	-43.7
Cash flows total	32.3	-35.0	-400.8	2.0	-43.7	-445.2
Change in net debt, non-cash:						
Increases of finance lease liabilities	-	-	-	-1.0	-	-1.0
Settled against trade receivables	-	-	407.2	-	-	407.2
Business combinations	-0.4	-	-	-	-	-0.4
Foreign exchange adjustments	1.5	-	-	0.1	-0.1	1.4
Other non-cash changes	0.0	-	-	-	-	0.0
Non-cash movements, total	1.1	-	407.2	0.9	-0.1	407.2
Carrying value, at 31 December 2017	**-60.6**	**-50.0**	**-15.0**	**-1.7**	**17.0**	**-110.2**

6.3. Financial risk management

The financial risks relating to the business operations of the Oriola Group are managed in accordance with the treasury policy approved by the Board of Directors. Oriola's centralized Group Treasury is responsible for implementing, monitoring and reporting of the treasury policy.

Oriola's Group Treasury's main objectives are to maintain solid long-term financial position and secure daily liquidity of the Group and to efficiently manage currency and interest rate risks.

The objective of financial risk management is to hedge against unfavourable changes in the financial markets and to minimise the impact of foreign exchange, interest rate, refinancing and liquidity risks on the Group's cash reserves, profits and shareholders' equity. Approved hedging instruments are set in the treasury policy.

Currency risk: The most important country-specific operating currencies for Oriola Group are the euro (EUR) and the Swedish krona (SEK). A substantial proportion of procurements and sales are conducted in the reporting currency of the subsidiaries, which considerably reduces the currency risk. In accordance with its treasury policy, Oriola's internal loans and deposits are denominated in the local currency of each subsidiary.

Transaction risk: Transaction risks arise from commercial and finance-related transactions and payments made by the business units, which are denominated in a currency other than the unit's reporting currency. Due to the nature of business operations, Oriola's transaction risks are minor. In accordance with its treasury policy, Oriola's internal loans and deposits are denominated in the local currency of each subsidiary, mainly in Swedish krona. In addition Oriola Corporation had a EUR 29.5 (62.8) million Swedish krona denominated external loan on the balance sheet date. In accordance of the treasury policy, transaction risk arising from balance sheet items recognised in the income statement is aimed to be fully hedged with derivatives. On the balance sheet date Swedish krona denominated open transaction position was EUR 0.5 (1.2) million.

Translation risk: Oriola's most significant translation risk concerns items in Swedish krona. Translation risks arise from capital investments and goodwill in foreign subsidiaries. On the balance sheet date Oriola had not hedged the equity-related translation risks. On the balance sheet date Swedish krona denominated translation risk position was EUR 227.0 (240.2) million. Translation risk sensitivity: A 10 per cent weakening/ strengthening of Swedish krona would affect in Group equity EUR -/+20.9 (-/+21.8) million.

Liquidity risk: The objective of liquidity risk management is to maintain adequate liquid assets and revolving credit facilities so that Oriola is able to meet all of its financial obligations. The Group's liquidity management is based on 12-month cash flow forecasts and four-week rolling cash flow forecasts drawn up on a weekly basis. Oriola has diversified its refinancing risk among a number of different counterparties and various financing sources.

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. Oriola also has short-term uncommitted credit account limits of EUR 15.1 (15.2) million. Facilities were unused on the balance sheet date. In addition Oriola has a EUR 200 (200) million uncommitted commercial paper program of which EUR 50.0 (15.0) million had been issued on the balance sheet date. Oriola's cash and cash equivalents at the end of 2017 totalled EUR 17.0 (60.8) million.

Oriola's net working capital was EUR -97.3 (-112.2) million on the balance sheet date. Oriola's net working capital was negative on the balance sheet date owing to the terms of payment defined in principal and customer agreements and to the non-recourse factoring programs used in the retail and wholesale businesses in Sweden. The Group's principal and customer agreements are based on established, long-term agreements, and no significant changes are anticipated in them during 2018.

Oriola has open-ended frame agreements in Sweden that allows the company to sell trade receivables relating to Swedish retail and wholesale businesses to the financial institutions on non-recourse basis. Sales of trade receivables were EUR 94.8 (118.5) million in total on the balance sheet date. No significant changes are anticipated in the scope of the programs in 2018.

Interest rate risk: Interest rate risk arise from changes interest payments of floating rate loans due to changes in market interest rates and market value changes of financial instruments (price risk). The objective of the interest rate risk management is to minimise the impact of interest rate fluctuations on the income statement. The interest rate risk is evaluated using sensitivity analysis and interest rate duration.

On the balance sheet date, Oriola's interest rate risk consisted of EUR 17.0 (60.8) million in cash assets, EUR 127.2 (133.1) million in interest-bearing liabilities, and EUR 94.8 (118.5) million from sales of non-recourse trade receivables in Sweden. On the balance sheet date, a total of EUR 52.8 (54.4) million of the interest rate risk was hedged. The average interest rate on liabilities, including the sale of receivables on a non-recourse basis, was 0.88 (1.26) per cent, and the interest rate duration was 12 (5) months. Oriola applies hedge accounting for part of interest rate swaps hedging cash flows relating to selling of non-recourse trade receivables.

Based on the gross debt on the balance sheet date and assuming that the trade receivables sales programmes will continue as normal in Sweden, the effect of a one percentage point increase in market interest rates on the Group's annual earnings after taxes would be EUR -0.6 (-0.9) million (including derivatives) and on equity EUR 1.8 (0.6) million (including derivatives).

Credit and counterparty risks: A credit risk arises from the possibility of a counterparty failing to meet its contractual payment obligations or financial institutions failing to meet their obligations relating to deposits and derivatives trading. Oriola's treasury policy provides the framework for credit-, investment- and counterparty risk management.

Credit limits are determined for investments and derivative agreement counterparties on the basis of creditworthiness and solidity, and are monitored and updated on a regular basis.

Business areas are responsible for the credit risk management arising from commercial receivables. Oriola does not have significant credit risks in its trade receivables due to widely diversified customer base. The Finnish and Swedish wholesale business is based on well-established customer relationships and contractual terms generally observed within the industry, which significantly reduces the credit risk associated with trade receivables. Due to the nature of the operations there are no significant credit risks associated with the Swedish retail business. The credit risk related to the wholesale business in Finland is reduced by interest-bearing advance payments from pharmacies. These interest-bearing advance payments are presented as current interest-bearing liabilities in the balance sheet. In the wholesale and retail business in Sweden, the credit risk is reduced by the sale of non-recourse receivables to financial institutions and by the usage of credit loss insurances.

Credit losses recognised in the income statement for the financial year totalled EUR 0.0 (0.0) million. The ageing of trade receivables is presented in more detail in note 4.3. Trade and other receivables.

Capital management: Oriola's aim is to have an efficient capital structure that allows the company to manage its ongoing obligations and enables cost-effective operations under all circumstances. The Return on Capital Employed (ROCE) and the gearing ratio are the measurements for monitoring capital structure.

Oriola's long-term financial targets are based on growth, profitability and balance sheet key figures. The Group's long-term targets are to grow at the rate of the market, annual EPS growth over 5 per cent (without adjusting items), return on capital employed of over 20 per cent and adjusted gearing ratio of 30-60 per cent. Non-recourse trade receivables are added to the net debt for adjusted gearing. In addition Oriola's aim is to pay out an increasing annual dividend of at least 50 per cent of its earnings per share.

During the second quarter of 2017 Oriola Corporation rearranged its long-term EUR 100 million revolving credit facility and term loan agreement. 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. On the balance sheet date financial covenants were clearly fulfilled.

For definition of key figures, please see note 10.2. Alternative performance measures.

Maturity distribution of financial liabilities and derivative liabilities

31 Dec 2017

EUR million	2018	2019	2020	2021>	Total
Interest-bearing					
Loans from financial institutions and commercial paper loans	50.3	30.3	29.8	-	**110.3**
Finance lease liabilities	0.9	0.5	0.2	0.0	**1.7**
Advance payments received	15.0	-	-	-	**15.0**
Non-interest-bearing					
Trade payables and other current liabilities	564.2	-	-	-	**564.2**
Liabilities from interest rate swaps	-	0.2	-	0.4	**0.6**
Contingent consideration	-	-	-	2.5	**2.5**
Receivables from foreign currency derivatives	-18.2	-	-	-	**-18.2**
Payables on foreign currency derivatives	18.0	-	-	-	**18.0**
Total	**630.2**	**30.9**	**30.0**	**2.9**	**694.1**

31 Dec 2016

EUR million	2017	2018	2019	2020 >	Total
Interest-bearing					
Loans from financial institutions and commercial paper loans	26.6	53.1	30.5	0.4	**110.6**
Finance lease liabilities	1.3	0.9	0.4	0.1	**2.7**
Advance payments received	21.9	-	-	-	**21.9**
Non-interest-bearing					
Trade payables and other current liabilities	557.0	-	-	-	**557.0**
Liabilities from interest rate swaps	0.6	-	0.3	-	**0.9**
Contingent consideration	-	-	-	2.7	**2.7**
Receivables from foreign currency derivatives	-12.0	-	-	-	**-12.0**
Payables on foreign currency derivatives	12.1	-	-	-	**12.1**
Total	**607.6**	**54.0**	**31.2**	**3.1**	**696.0**

Derivatives and hedge accounting

Derivative contracts and hedge accounting: Oriola classifies derivatives as held for trading, unless hedge accounting is applied. The fair value of currency forwards is determined by measuring them at fair value using market rates on the balance sheet date. Positive valuation differences are recognised under trade and other receivables, and negative valuation differences are recognised under trade payables and other current liabilities in the consolidated statement of financial position. Oriola has not applied hedge accounting to currency derivatives that hedge balance sheet items in foreign currencies and forecasted cash flows. The change in the fair value of such derivative contracts is recognised either as other income or expenses or as financial income and expenses, depending on the underlying item being hedged.

Oriola applies hedge accounting for part of interest rate swaps hedging cash flows relating to the selling of non-recourse trade receivables. The fluctuating interest rate has been converted into fixed rate using interest rate swaps. When initiating hedge accounting, the relationship between the hedged item and the hedging instrument is documented along with the objectives of the Group's risk management. Hedge effectiveness is tested at least quarterly. The change in the fair value of the effective portion of the derivatives is recognised in the hedge fund within equity and the ineffective portion, if any, is recognised within the financial items in the statement of comprehensive income.

Derivatives

EUR million 2017	Positive fair value	Negative fair value	Nominal value
Derivatives recognised as cash flow hedges			
Interest rate swaps	-	0.6	52.8
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.2	0.1	18.0
2016			
Derivatives recognised as cash flow hedges			
Interest rate swaps	-	0.9	54.4
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.1	-	12.1

Derivatives that are open on the balance sheet date fall due in next twelve months period except interest rate swaps recognised as cash flow hedges. Interest rate risk relating to cash flow from selling of trade receivables has been hedged with interest rate swaps. The fair value of interest rate derivatives is defined by cash flows due to contracts. Part of these interest rate swaps are designated as cash flow hedges and their changes in fair value related to the effective portion of the hedge are recognised in other comprehensive income and the potential ineffective part is recognised within the financial items in the income statement.

The fair value of foreign currency forwards that fall due in next twelve months is quoted based on market value on the balance sheet date. The Group had no open foreign currency forwards used as cash flow hedges at the end of 2017.

Fair values of the derivatives have been recognised in the 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.

Oriola has derivative positions with several banks and related transactions are effected under master derivative agreements. Master derivative agreements allow to settle on a net basis all outstanding items within the scope of the agreement for example in the event of bankruptcy. On the balance sheet date, the remaining counterparty risk after net settlement, as allowed in master derivative agreements, was EUR 0.2 (0.1) for Oriola and EUR 0.6 (0.9) million for the counterparties.

The nominal amount of foreign currency derivatives is the euro equivalent of the contracts' currency denominated amount on the balance sheet date.

6.4. Equity, shares and authorisations

Share capital: Oriola Corporation's share capital on 31 December 2017 stood at EUR 147,899,766.14. All issued shares have been paid up in full. There were no changes in share capital in 2017.

Hedge fund: The hedge fund includes the effective portion of the change in fair value of derivative financial instruments that are designated as and qualify for cash flow hedges.

Contingency fund: The contingency fund is included in the unrestricted equity of the company. The contingency fund has been formed in 2006 when Oriola Corporation was entered into the Trade Register. In accordance with the decision of the Annual General Meeting of 14 March 2017, the company did not distribute funds to the shareholders. On 31 December 2017, the contingency fund stood at EUR 19.4 million.

Other funds

Invested unrestricted equity reserve: Oriola Corporation executed a directed share issue against payment in June 2009, issuing 9,350,000 new class B shares. The net proceeds received from the share issue amounted to EUR 20.7 million. The proceeds from the share issue were credited to the reserve of invested unrestricted equity. In accordance with the decision of the Annual General Meeting of 6 April 2011, the company distributed on 19 April 2011 EUR 0.13 per share from the reserve of invested unrestricted equity as repayment of equity, totalling EUR 19.7 million.

Oriola Corporation completed a rights offering in the first quarter of 2015. The subscription period of the offering ended on 3 March 2015. In the offering 9,429,742 new A Shares and 20,798,643 new B Shared were subscribed and Oriola Corporation raised gross proceeds of EUR 75.6 million through the offering. Oriola Corporation recognised gross proceeds and the transaction costs less taxes, in total of EUR 73.7 million, in the invested unrestricted equity fund. There were no changes in the invested unrestricted equity reserve in 2017, and the fund stood at EUR 74.8 million on 31 December 2017.

Translation differences: Translation differences include translation differences arisen from the subsidiaries' equity translation during the consolidation, change of the fair values of the net investment in the foreign subsidiary, and foreign exchange rate differences arisen from the conversion of the foreign subsidiaries' income statement using the average exchange rate of the reporting period and the conversion of their balance sheet using the exchange rate quoted on the balance sheet date.

Shares: Of the total number of shares in the company, a maximum of 500,000,000 shall be class A shares and a maximum of 1,000,000,000 class B shares. At year-end 2017, the company had a total of 181,486,213 shares, of which 55,434,273 were class A shares and 126,051,940 were class B shares. The shares do not have a nominal value.

At General Meetings, each class A share carries 20 votes and each class B share one vote. No shareholder may vote using an amount of votes that exceeds 1/20 of the total number of votes carried by the shares of different share classes represented at the General Meeting. Both share classes give the shareholder the same rights to the company's assets and dividend distribution. Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A shares into class B shares.

Oriola Corporation's class A and B shares are quoted on the main list of the Nasdaq OMX Helsinki exchange. The company's field of business on the stock exchange on 31 December 2017 was Health Care Distributors and the company was classified under Health Care. The ticker symbol for the class A shares is OKDAV and for the class B shares OKDBV.

Treasury shares: Treasury shares acquired by the company and the related costs are presented as a deduction of equity. Gain or loss on surrender of treasury shares are recognised in equity net of tax.

The company holds 241,822 of the company's class B shares, representing approximately 0.13 per cent of the total number of company shares and approximately 0.02 per cent of the total number of votes.

Share trading and prices: In 2017 the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 24.5 per cent of the total number of shares. The traded volume of class A shares amounted to 4.9 per cent of the average stock, and that of class B shares, excluding treasury shares, to 33.2 per cent of the average stock.

The average share price of Oriola Corporation's class A shares was EUR 3.79 and of its class B shares EUR 3.66. The market value of all Oriola Corporation shares at 31 December 2017 was EUR 519.2 (778.9) million, of which the market value of class A shares was EUR 166.3 million and of class B shares EUR 352.9 million.

Shareholders: On 31 December 2017, Oriola Corporation had a total of 33,830 registered shareholders. There were 25,228,280 nominee-registered shares on 31 December 2017, corresponding to 13.9 per cent of all shares and 5.9 per cent of all votes.

Share conversions: 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 December 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.

Management shareholdings: On 31 December 2017, the members of the company's Board of Directors and the President and CEO, the deputy to the President and CEO, the members of the Group management team and the companies controlled by them had a total of 425,492 shares, corresponding to 0.23 per cent of the total number of shares in the company and 0.04 per cent of the votes.

Management shareholdings

	Shareholdings 2017		Shareholdings 2016	
EUR million	**A shares**	**B shares**	**A shares**	**B shares**
Board of Directors				
Vanjoki Anssi, chairman	-	14,180	-	9,160
Nilsson Bågenholm Eva (vice chairman)	-	8,267	-	5,130
Korhonen Anja	-	14,891	-	11,754
Kristenson Mariette	-	4,712	-	2,202
Niemelä Kuisma	-	12,001	-	9,491
Ridström Lena	-	4,712	-	2,202
Simberg Staffan	-	4,712	-	2,202
Nez-Invest Ab (controlled by Staffan Simberg)	-	152,378	-	152,378
Rihko Matti (until 14 March 2017)	-	-	-	10,970
President and CEO				
Virtanen Kimmo (acting from 18 Dec 2017 onwards)	1,757	127,638	1,757	121,553
Hautaniemi Eero (until 18 December 2017)	-	-	-	246,497
Group Management team				
Aitokallio Sari	-	5,961	-	2,573
Mäkelä Jukka	-	13,001	-	10,321
Silver Teija	-	37,053	-	33,910
Gawell Thomas	-	24,229	-	20,400
Tornell Stig (until 31 March 2017)	-	-	-	6,142

Authorisations: The Annual General Meeting held on 14 March 2017 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.

The company's Board of Directors holds no other authorisations concerning share issues, share options or other special rights.

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.

Share capital

Share capital		A shares	B shares	Total
Number of shares 1 Jan 2017	pcs	55,484,648	126,001,565	**181,486,213**
Conversion of A shares to B shares	pcs	-50,375	50,375	**0**
Number of shares 31 Dec 2017	**pcs**	**55,434,273**	**126,051,940**	**181,486,213**
Votes 31 Dec 2017	pcs	1,108,685,460	126,051,940	**1 234,737,400**
Share capital per share class 31 Dec 2017	EUR million	45.2	102.7	**147.9**
Percentage from the total shares	%	30.5	69.5	**100.0**
Percentage from the total votes	%	89.8	10.2	**100.0**
Number of shares 1 Jan 2016	pcs	55,484,648	126,001,565	**181,486,213**
Number of shares 31 Dec 2016	**pcs**	**55,484,648**	**126,001,565**	**181,486,213**
Votes 31 Dec 2016	pcs	1,109,692,960	126,001,565	**1,235,694,525**
Share capital per share class 31 Dec 2016	EUR million	45.2	102.7	**147.9**
Percentage from the total shares	%	30.6	69.4	**100.0**
Percentage from the total votes	%	89.8	10.2	**100.0**

EUR million	2017	2016
Parent company share capital 31 Dec	147.9	147.9
Elimination of the revaluation of subsidiary shares in the consolidated financial statements	-111.7	-111.7
Consolidated share capital 31 Dec	**36.2**	**36.2**

6.5 Earnings per share, dividend and other equity distribution

Earnings per share: Basic earnings per share is calculated by dividing the net result attributable to owners of the parent by the weighted share-issue adjusted average number of shares outstanding during the period, excluding shares acquired by the Group and held as treasury shares. When calculating diluted earnings per share, the weighted share-issue adjusted average number of shares outstanding during the period is adjusted by the effect of all dilutive potential shares.

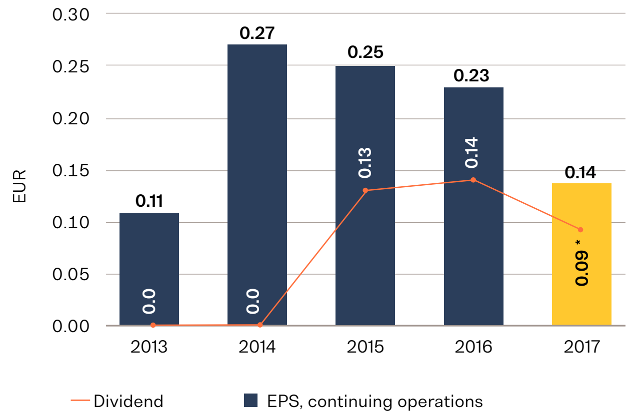
Dividend and other equity distribution: Dividends or other equity distribution includes dividends and other equity distribution. Dividends and other equity distribution proposed by the Board of Directors are not recognised in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Dividend and other equity distribution for shareholders is recognised as a liability in the consolidated statement of financial position for the period during which the dividend is approved by the annual general meeting.

Earnings per share

Profit for the period	Continuing operations		Discontinued operations		Including discontinued operations	
EUR million	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Profit attributable to equity owners of the parent	25.9	41.8	0.3	1.0	26.3	42.8
Average number of outstanding shares						
pcs						
Basic	181,328,408	181,389,391	181,328,408	181,389,391	181,328,408	181,389,391
Diluted	181,412,111	181,389,391	181,412,111	181,389,391	181,412,111	181,389,391
Earnings per share						
EUR						
Basic	0.14	0.23	0.00	0.01	0.14	0.24
Diluted	0.14	0.23	0.00	0.01	0.14	0.24

Dividend policy and distribution proposal: Oriola Corporation will seek to pay out annually as dividends minimum 50 per cent of the Group's earnings per share. The Company's strategy and financial position shall be taken into consideration when determining the annual dividend payout ratio. The dividend paid for 2016 were EUR 25.4 million (EUR 0.14 per share) and for 2015 EUR 23.6 million (EUR 0.13 per share). The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 16.3 million, EUR 0.09 per share is paid for 2017.

EPS and dividend



* Proposal by the Board of Directors

7. Income taxes

7.1. Taxes recognised in the comprehensive income for the period

Income taxes: Tax expense in the consolidated statement of comprehensive income consists of income taxes based on the taxable profit for the financial year, prior period adjustments, and changes in deferred tax assets and liabilities. Income tax for the taxable profit for the period is calculated based of the effective income tax rate for each tax jurisdiction. Taxes are recognised in the income statement, except when they relate to items recognised directly in equity or in other comprehensive income, when the taxes are also recognised in equity or in other comprehensive income respectively.

Income taxes

EUR million	2017	2016
Taxes for current year	8.0	9.7
Taxes for previous years	0.0	0.0
Deferred taxes	-0.1	1.4
Total	**7.9**	**11.1**

Taxes related to other comprehensive income

EUR million 2017	Before taxes	Tax effect	After taxes
Cash flow hedge	0.4	0.1	0.3
Actuarial gains and losses	-1.6	-0.3	-1.2
Translation differences	-7.0	-	-7.0
Total	**-8.2**	**-0.2**	**-7.9**
2016			
Cash flow hedge	0.8	0.2	0.6
Actuarial gains and losses	-0.5	-0.1	-0.4
Translation differences	-9.1	-	-9.1
Total	**-8.8**	**0.0**	**-8.8**

Tax rate reconciliation

EUR million	2017	2016
Profit before taxes	33.9	52.9
Corporate income taxes calculated at Finnish tax rate	6.8	10.6
Effect of different tax rates of foreign subsidiaries	0.7	0.7
Non-deductible expenses and tax-exempt income	0.0	0.0
Share of result in joint venture	0.2	-
Losses for which no deferred tax assets are recognised	0.0	0.0
Adjustments recognised for taxes of previous years	0.2	-0.1
Other items	0.0	0.0
Income taxes in the income statement	**7.9**	**11.1**
Effective tax rate	23.4%	21.0%

Taxes entered with a positive value are recognised as expenses and taxes entered with a negative value are recognised as income.

The Finnish tax rate used to calculate taxes was 20.0 per cent in the 2017 and 2016 financial statements.

7.2. Deferred tax assets and liabilities

Deferred taxes: Deferred tax is calculated on temporary differences between the carrying amounts and the taxable values of assets and liabilities and for tax loss carry-forwards to the extent that it is probable that these can be utilized against future taxable profits. Majority of the Group's deferred tax assets recognised on carry forward losses is attributable to Sweden. In Sweden the carry forward losses do not expire. The group has not recognised deferred tax assets relating to carry forward losses of EUR 0.3 (0.2) million related to the subsidiary in Poland because of the uncertainty of utilization of losses. These carry forward losses expire in 1-5 years. The largest temporary differences are caused by the depreciation of property, plant and equipment, the defined pension benefit plans and by unused losses in taxation. The deferred taxes are determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Deferred tax assets and liabilities

EUR million 2017	1 Jan	Items recognised in income statement	Items recognised in other comprehensive income	Business combinations	Disposals	Translation differences	31 Dec
Deferred tax assets							
Confirmed tax losses	0.6	-0.2	-	-	-	-0.0	0.4
Inventories	0.2	-0.0	-	-	-	-0.0	0.2
Pension liabilities	1.0	0.0	0.3	-	-	-0.0	1.3
Acquisitions	0.3	-0.2	-	-	-	-0.0	0.0
Employee benefits	0.3	-0.0	-	-	0.0	-	0.3
Other temporary diffences	0.0	0.2	-0.1	-	-	-0.0	0.1
Deferred tax assets total	**2.4**	**-0.2**	**0.3**	**-**	**-0.0**	**-0.1**	**2.4**
Deferred tax liabilities							
Depreciation difference and other untaxed reserves	7.3	0.6	-	0.0	-	-0.2	7.8
Acquisitions	8.6	-1.0	-	0.1	-	-0.2	7.4
Other temporary diffences	0.3	-0.2	-	-	0.0	-0.0	0.1
Deferred tax liabilities total	**16.2**	**-0.5**	**-**	**0.1**	**0.0**	**-0.4**	**15.3**

EUR million 2016	1 Jan	Items recognised in income statement	Items recognised in other comprehensive income	Business combinations	Translation differences	31 Dec
Deferred tax assets						
Confirmed tax losses	2.2	-2.1	-	0.5	-	0.6
Inventories	0.2	0.0	-	-	-0.0	0.2
Pension liabilities	0.9	0.0	0.1	-	-0.0	1.0
Acquisitions	0.3	-	-	-	-0.0	0.3
Employee benefits	0.2	0.1	-	-	-	0.3
Other temporary diffences	0.0	0.1	-0.2	-	-	0.0
Deferred tax assets total	**3.7**	**-1.8**	**-0.0**	**0.5**	**-0.0**	**2.4**
Deferred tax liabilities						
Depreciation difference and other untaxed reserves	7.0	0.4	-	-	-0.1	7.3
Acquisitions	8.7	-1.2	-	1.3	-0.3	8.6
Other temporary diffences	-	0.3	-	-	-	0.3
Deferred tax liabilities total	**15.8**	**-0.5**	**-**	**1.3**	**-0.4**	**16.2**

***Use of estimates:** Management estimates are required in determining the amount of recognised deferred tax assets and liabilities. The appropriateness for recognising deferred tax assets is assessed in connection with the preparation of consolidated financial statements. For this purpose, the Group estimates the probability of subsidiaries generating recoverable taxable income against which unused tax losses and unused tax compensations can be utilised. Actual results may differ from the factors used in the estimates, which may lead to the recognition of tax expenses.*

8. Group structure

Consolidation principles: The consolidated financial statements include Oriola Corporation and those directly or indirectly owned subsidiaries over which Oriola Corporation exercises control. Control is presumed to exist when the Group through participation in an investee becomes exposed to its variable returns or is entitled to its variable returns and is able to have an influence on the returns through exercising power over the investee. Subsidiaries are consolidated from the date the Group has gained control and divested companies are consolidated until the date control is lost.

The acquisition method is used in the accounting for the elimination of internal ownership. All intra-group transactions, as well as intra-group receivables, payables, dividends and unrealised internal margins, are eliminated. The Group's profit for the period is attributed to the equity holders of the parent and non-controlling interests. Identifiable assets acquired and assumed liabilities of an acquired entity are measured at their fair value as of the acquisition date. Any contingent consideration is measured at fair value at the date of acquisition and classified under other interest-bearing liabilities. Changes in the contingent consideration and acquisition-related expenses are recognised as an expense in the income statement.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. As at the date when control is lost, any investment retained in the former subsidiary is recognised at fair value and the difference is recorded through income statement.

Joint ventures are joint arrangements where the Group has joint control with other parties and the parties have rights to the arrangements net assets. Interests in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost after which the Group's share of the post-acquisition retained profits and losses is included as part of investments in joint ventures in the consolidated statement of financial position. Under the equity method the share of profits and losses of joint ventures is presented separately in the consolidated income statement.

Foreign currency denominated items: The consolidated financial statements have been presented in euro, which is the functional and presentation currency of the Group's parent company. The items included in the financial statements of the subsidiaries are valued in the currency which best describes the financial operating conditions of each subsidiary.

Transactions in foreign currencies are translated into functional currency/euro at the rates of exchange prevailing at the dates of transactions. Monetary items have been translated into euro using the rates of exchange as at the balance sheet date and non-monetary items using the rates of exchange at the dates of transactions, excluding items measured at fair value, which have been translated using the rates of exchange on the date of valuation. Gains and losses arising from the translation are recognised in the profit or loss. Foreign exchange gains and losses from operations are included within the corresponding items above EBIT. Foreign exchange gains and losses from loans denominated in a foreign currency are included within financial income and expenses.

The income statements of foreign Group companies outside the Euro zone are translated into euro using the weighted average rate of exchange of the financial year and the statements of financial position using the rates of exchange as at the balance sheet date. Differences resulting from the translation of the result for the period at a different rate on the income statement and on the statement of financial position are recognised as a separate item within consolidated statement of comprehensive income. Translation differences arising from the acquisition cost elimination of foreign subsidiaries and from the translation of equity items accrued after acquisition date are recognised in other comprehensive income. When a subsidiary is sold in full or in part, related translation differences are included in the calculation of gain or loss for the sale and recognised in the profit or loss for the period. The parent company's receivables from foreign subsidiaries are considered as part of the net investment if there is no plan for the repayment and repayment cannot be reasonably anticipated in the future. Exchange differences arising from such receivables are recognised in the consolidated financial statements in translation differences within equity.

8.1. Group companies and joint ventures

		Group		Parent company	
Group companies	**Domicile**	**Ownership %**	**Share of votes %**	**Ownership %**	**Share of votes %**
Parent company Oriola Corporation	**Finland**				
Oriola Finland Oy	Finland	100	100	100	100
Oriola Sweden AB	Sweden	100	100	100	100
Kronans Droghandel Apotek AB	Sweden	100	100	100	100
Svensk Dos AB	Sweden	100	100	100	100
Pharmaservice Oy	Finland	100	100	100	100
Farenta Oy	Finland	70.9	70.9	70.9	70.9
Oriola Sweden AB	Sweden	100	100	100	100
ICTHS Health Support AB	Sweden	100	100		
Farenta Oy	Finland	70.9	70.9	70.9	70.9
Farenta 1 Oy	Finland	100	100		
Farenta 2 Oy	Finland	100	100		
Farenta Polska Sp. Z o.o.	Poland	100	100		

Joint ventures					
Hehku Kauppa Oy	Finland	50	50	50	50

Changes in Group structure: 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.

Oriola completed the sale of its Baltic businesses on 18 October 2017. On 14 August 2017 Oriola announced that it had signed an agreement to sell its Baltic businesses to the companies' existing management (SIA Oribalt Group). Oriola's Baltic businesses comprised of the following subsidiaries: AS Oriola, Oriola Estonia Oü, SIA Oriola Riga, SIA Panpharmacy and UAB Oriola Vilnius. The net sales of the Baltic businesses in 2016 were EUR 54 million, the adjusted EBIT EUR 1.2 million and the number of personnel 160.

Following subsidiary mergers were completed during the last quarter of 2017: Farenta 3 Oy, Farenta 4 Oy and Secret Files Oy were merged into Farenta Oy.

In June 2017 Oriola Corporation and Kesko Corporation established a new joint venture, Hehku Kauppa Oy, for building of a new store chain in Finland, specialising in comprehensive wellbeing. The first stores were opened in January 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 of the investment and the result of Hehku Kauppa Oy is 50 per cent.

8.2. Acquisitions and disposals, discontinued operations

Business combinations

Acquisitions

EUR million Consideration	2017	2016
Cash	2.9	40.2
Contingent consideration	-	12.3
Total consideration	**2.9**	**52.5**
Recognised amounts of indentifiable assets acquired and liabilities assumed		
Property, plant & equipment	0.0	2.0
Intangible assets	0.3	7.6
Deferred tax assets	-	0.5
Inventories	-	2.2
Trade and other receivables	1.4	13.6
Assets total	**1.7**	**26.0**
Deferred tax liabilities	0.1	1.4
Loans and other long-term liabilities	0.3	7.0
Trade payables and other current liabilities	0.9	8.5
Borrowings	0.1	1.7
Liabilities total	**1.4**	**18.6**
Total identifiable net assets	**0.2**	**7.4**
Goodwill	**2.6**	**45.1**
Total	**2.9**	**52.5**

2017

Oriola acquired the Swedish services company ICTHS Health Support AB. on 31 August 2017. ICTHS Health Support AB, founded in 2007, provides services to pharmacies, pharmaceutical companies and healthcare operators. In 2016, the company's net sales were approximately 5 million euros, and the company employs around 60 people. The acquisition of ICTHS Health Support is in line with Oriola's strategy to offer a wide range of services to pharmacies, pharmaceutical companies and healthcare operators in Sweden and Finland. The statement of profit and loss and the statement of financial position have been consolidated into the Services segment as of 1 September 2017. The acquisition cost calculation 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.

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, based on the agreement Oriola has an obligation to acquire the remaining share of Farenta. 100 per cent of the statement of profit and loss and the statement of financial position have been consolidated into the Services segment as of 1 September 2016.

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 and disposals

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. Accordingly the Group has also reclassified the comparative periods of the consolidated statement of comprehensive income. The sale of the Baltic business was completed on 18 October 2017.

In September 2017 the net assets related to Baltic businesses were impaired to fair value. The total impairment loss recognised was EUR 0.7 million, which consisted of goodwill EUR 0.3 million and tangible assets EUR 0.5 million.

Profit for the period from discontinued operations

EUR million	2017	2016
Net sales	**48.9**	**54.1**
Other operating income	0.1	0.2
Material purchases	-40.1	-43.6
Employee benefit expenses	-3.2	-4.3
Other operating expenses	-4.0	-5.0
EBITDA	**1.8**	**1.4**
Depreciation and amortisation	-0.2	-0.2
EBIT	**1.6**	**1.2**
Financial income and expenses	-0.0	-0.0
Profit before taxes	**1.6**	**1.2**
Income taxes	-0.3	-0.2
Profit for the period, ordinary activities	**1.3**	**1.0**
Impairment loss on assets classified as held for sale	-0.7	-
Loss on sale of business	-0.3	-
Profit for the period from discontinued operations	**0.3**	**1.0**

Assets and liabilities disposed

EUR million	2017	2016
Goodwill and other intangible assets	0.0	-
Property, plant and equipment	0.0	-
Deferred tax assets	0.0	-
Inventories	8.7	-
Trade and other receivables	10.3	-
Cash and cash equivalents	2.1	-
Total assets	**21.1**	**-**
Trade and other payables	13.3	-
Total liabilities	**13.3**	**-**
Net assets disposed of	**7.8**	**-**

Cash flows from discontinued operations

EUR million	2017	2016
Net cash flow from operating activities	2.2	-0.6
Net cash flow from investing activities	-0.1	-0.2
Net cash flow from financing activities	-0.2	0.7
Total cash flows	**1.9**	**0.0**
Cash consideration received	8.1	-
Cash and cash equivalents disposed of	-2.1	-
Impact on cash flows	**6.1**	**-**

Loss on the sale of the discontinued operations

EUR million	2017	2016
Cash consideration received	8.1	-
Net assets disposed of	-7.8	-
Costs to sell	-0.2	-
Total	**0.1**	**-**
Translation differences reclassified from other comprehensive income	-0.3	-
Loss on the sale of the discontinued operations	**-0.3**	**-**

8.3. Related party transactions

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 companies controlled by the aforementioned persons, the Group's subsidiaries and joint ventures. The Group has no significant business transactions with related parties.

Transactions with joint venture

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 Hehku Kauppa Oy in the Consumer segment EBIT.

Transactions with the joint venture are presented in the following table:

EUR million	2017	2016
Sales	0.1	-
Trade and other receivables	0.9	-

9. Unrecognised items

9.1. Commitments and contingent liabilities

EUR million	2017	2016
Commitments for own liabilities		
Guarantees on behalf of own companies	7.5	8.3
Guarantees on behalf of other companies	-	1.0
Mortgages on company assets	3.3	3.4
Other guarantees and liabilities	1.2	1.0
Total	**12.1**	**13.6**

The most significant guarantees are bank guarantees against trade payables in Sweden. In addition, Oriola Corporation has granted parent company guarantees of EUR 2.1 (2.7) million against other subsidiaries' trade payables.

Guarantees on behalf of other companies in 2016 related to the sold Russian entities. The guarantees on behalf of other companies expired on 31 December 2016.

9.2. Events after the balance sheet date

On 31 January 2018 the Nomination Committee of Oriola Corporation presented to the Board of Directors its recommendation on the proposal to the 2018 Annual General Meeting concerning the composition of the Board of Directors as follows:

- The number of members of the Board of Directors would be seven.
- The present members of the Board of Directors Anja Korhonen, Mariette Kristenson, Eva Nilsson Bågenholm, Staffan Simberg, Lena Ridström and Anssi Vanjoki would be re-elected.
- Juko-Juho Hakala would be elected new member of the Board of Directors.
- Anssi Vanjoki would be re-elected as Chairman of the Board of Directors.

Current member of the Board of Directors Kuisma Niemelä will leave the Board of Directors after the 2018 Annual General Meeting.

Robert Andersson assumed the position as the President and CEO on 12 February 2018.

10. Other notes

10.1. Application of new and amended IFRS standards and IFRIC interpretations

The following new or revised standards and interpretations issued by the International Accounting Standards Board (IASB) have not yet been applied by the Group. The Group will apply each new standard and interpretation from the effective date. If the effective date is other than the first day of a financial year, the Group will apply the standard or interpretation from the beginning of the following financial year.

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. Accounting for the customer loyalty programs in Consumer business in Sweden will slightly change due to the new standard. IFRS 15 requires that the total consideration received must be allocated to the points and goods based on relative stand-alone prices. At Oriola this will result in discounts being allocated to the goods sold earlier than before and result in deferral of recognition of a portion of the revenue. The impact of this change is not material to the Group, it is estimated to decrease the Group's retained earnings by EUR 2-4 million.

Concerning the pharmaceutical distribution the Group started assessment of the control principle in 2017, where it was evaluated whether the Group is acting as a principal or an agent in wholesale contracts and whether revenue will be recorded on a gross basis or net basis as a fee or a commission. According to the standard control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly. When another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). An entity determines whether it is a principal or an agent for each specified good or service promised to the customer. If a contract with a customer includes more than one specified good or service, an entity could be a principal for some specified goods or services and an agent for others. The group has analysed the contracts and the different indicators from them providing evidence on whether the group acts as an agent or principal in those contracts. This evaluation will continue during the first quarter of 2018. The outcome of the evaluation is not expected to have significant impact to the revenue recognition of the Group.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Revenue Streams

	WHOLESALE	RETAIL SALE	SERVICES	DOSE DISPENSING	SALE OF LOGISTICS SERVICES	STAFFING
Contract	Sales order	Sales at pharmacies	Contract of delivering logistics, Web and other value added services	Contract of selling dose dispensed goods	Warehousing and distribution services agreement	Contract of delivering staffing services
Customer	Pharmacies, Veterinarians, Hospitals and other retailers and retail dealers	Private customers	Pharmaceutical companies, Retailers and Hospitals	Pharmacies and County councils	Pharmaceutical companies	Pharmacies, Pharmaceutical companies
Performance obligation	Sale of goods	Sale of goods Customer loyalty program	Sale of services	Sale of goods	Sale of logistics and transportation services	Sale of staffing services
Transaction price	Price of goods	Price of goods	Price of services	Price of goods and dose dispensing	Price of services	Hourly based price according to work performed
Purchase channel	Pharmaceutical and other producers (incl. Distributorship agreement)	Either own sourcing from wholesalers or pharmaceutical and other producers	Own production	Own sourcing from wholesalers	Warehousing and distribution services agreement	Own production

IFRS 9 Financial instruments is effective for periods beginning on or after 1 January 2018. It replaces the current standard IAS 39 Financial instruments: Recognition and measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new standard does not have influence to classification or measurement of the Group's financial assets and liabilities. The financial assets of the group consist of trade and other receivables and cash and cash equivalents currently classified to loans and other receivables and measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9 and derivatives currently classified and measured at fair value through profit and loss which will be measured on the same basis under IFRS 9. The new standard will not have impact on the group's accounting for financial liabilities.

Under IFRS 9 more risk positions will qualify for hedge accounting as hedge accounting is allowed for separate risk components and IFRS 9 relaxes the requirements for hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually uses for risk management purposes. Group's hedging process and hedge accounting will continue under IFRS 9 as earlier.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group will apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Based on the assessments undertaken to date, the Group expects no major effect for recognition of the expected credit losses for sales receivables, as the risk of losses due to the nature of the business is low.

The new standard also introduces expanded disclosure requirements and changes in presentation. They are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IFRS 16 Leases (effective in the financial years beginning on or after 1 January 2019): The new standard requires lessees to recognise a lease liability reflecting the future lease payments and a 'right-of-use' asset for all long-term lease contracts. The Group is currently assessing the full impact of the standard. It will have significant effect in Consumer segment as future lease payments of the rental agreements for pharmacy premises will be recognised as a lease liability and a 'right-of-use' asset. At the end of 2017 the Group had 326 pharmacies in Sweden.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2019 and that comparatives will not be restated.

10.2. Alternative performance measures

In order to reflect the underlying business performance and to enhance comparability between financial periods Oriola discloses certain performance measures of historical performance, financial position and cash flows, as permitted in "Alternative Performance Measures" guidance issued by the European Securities and Markets Authority (ESMA). These measures should not be considered as a substitute for measures of performance in accordance with the IFRS. These alternative performance measures are described in the following table:

Calculation of alternative performance measures

Invoicing = Net sales + acquisition cost of consignment stock + cash discounts

EBIT = Net sales less material purchases, less employee benefit expenses and other operating expenses, less depreciation, amortisation and impairment plus other operating income plus share of results in Joint Venture

Adjusted EBIT = EBIT excluding adjusting items

EBITDA = EBIT before depreciation, amortisation and impairments and share of results in Joint Venture

Adjusted EBITDA = EBITDA excluding adjusting items

Net debt = Interest-bearing liabilities – cash and cash equivalents

Investments = Capitalised investments in property, plant and equipment and in intangible assets including goodwill arising from business combinations, as well as investments in associates and joint ventures

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

$$\text{Return on capital employed (ROCE), \%} = \frac{\text{EBIT}}{\text{Total assets – Non-interest-bearing liabilities (average between the beginning and the end of the year)}} \times 100$$

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit for the period}}{\text{Equity total (average between the beginning and the end of the year)}} \times 100$$

$$\text{Gearing, \%} = \frac{\text{Net debt}}{\text{Equity total}} \times 100$$

$$\text{Net debt/EBITDA} = \frac{\text{Net debt}}{\text{EBIT before depreciation, amortisation and impairments and share of results in Joint Venture}}$$

$$\text{Equity ratio, \%} = \frac{\text{Equity total}}{\text{Total assets – Advances received}} \times 100$$

Reconciliation of alternative performance measures to IFRS

Invoicing

EUR million	2017	2016
Net sales	1,527.7	1,588.6
+ Acquisition cost of consignment stock	1,789.6	1,757.1
+ Cash discounts	19.0	18.6
Invoicing	**3,336.3**	**3,364.2**

Adjusted EBITDA

EUR million	2017	2016
EBIT	37.8	57.6
Depreciations and impairments	25.7	32.0
Share of results in joint venture	1.1	-
EBITDA	**64.6**	**89.6**
- Adjusting items included in EBITDA	3.0	-4.2
Adjusted EBITDA	**67.6**	**85.4**

Adjusted EBIT

EUR million	2017	2016
EBIT	37.8	57.6
- Adjusting items included in EBIT	2.1	2.2
Adjusted EBIT	**39.9**	**59.9**

Parent company financial statements

Parent company income statement (FAS)

EUR thousand	Note	2017	2016
Other operating income	2	8,172.3	7,910.7
Personnel expenses	3	-4,723.9	-3,905.2
Depreciations	4	-350.1	-266.1
Other operating expenses	5	-10,796.1	-8,774.4
Operating profit/ loss		**-7,697.7**	**-5,035.0**
Financial income and expenses	6	32,991.9	13,337.6
Profit before appropriations and taxes		**25,294.2**	**8,302.6**
Appropriations	7	8,429.5	14,909.5
Income taxes	8	-340.0	-2,125.5
Net profit for the period		**33,383.6**	**21,086.7**

Parent company balance sheet (FAS)

EUR thousand	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	9		
Intangible rights		24,526.9	13,735.9
Other intangible assets		930.9	1,078.9
Intangible assets total		**25,457.8**	**14,814.8**
Property, plant and equipment	10		
Land and water areas		77.4	77.4
Machinery and equipment		229.9	351.1
Other tangible assets		7.5	7.5
Tangible assets total		**314.7**	**436.0**
Investments	11		
Shares in Group companies		656,142.8	655,334.8
Investments in associates		1,641.3	-
Receivables from Group companies		101,078.9	140,454.0
Investments total		**758,862.9**	**795,788.7**
Non-current assets total		784,635.5	811,039.6
Current assets			
Receivables			
Long-term receivables			
Deferred tax assets		-	70.7
Short-term receivables	12		
Trade receivables		80.3	1.5
Receivables from Group companies		50,354.8	50,204.3
Other receivables		334.3	549.1
Accrued receivables		1,195.9	425.7
Receivables total		51,965.3	51,251.3
Cash and cash equivalents		13,768.2	57,857.6
Current assets total		65,733.5	109,108.9
Assets total		**850,369.0**	**920,148.5**

EUR thousand	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	13		
Share capital		147,899.8	147,899.8
Other funds		19,418.7	19,418.7
Invested unrestricted equity reserve		76,957.5	76,957.5
Retained earnings		243,880.3	248,796.7
Profit for the financial year		33,383.6	21,086.7
Equity total		521,539.9	514,159.5
Appropriations	14	210.3	199.7
Liabilities	15		
Long-term liabilities			
Borrowings		59,460.2	82,342.3
Other long-term liabilities		2,479.5	2,686.9
Liabilities to Group companies		64,587.6	66,557.2
Accrued liabilities		580.6	308.8
Long-term liabilities total		**127,107.8**	**151,895.2**
Short-term liabilities			
Trade payables		689.3	1,310.5
Liabilities to Group companies		148,935.9	225,133.6
Other liabilities		50,431.3	25,743.9
Accrued liabilities		1,454.5	1,706.1
Short-term liabilities total		201,511.0	253,894.1
Liabilities total		328,618.8	405,789.3
Equity and liabilities total		**850,369.0**	**920,148.5**

Parent company cash flow statement (FAS)

EUR thousand	2017	2016
Cash flow from operating activities		
Operating profit/loss	-7,697.7	-5,035.0
Adjustments		
Depreciations according to plan	350.1	266.1
Unrealised exchange rate gain/loss	-1,637.2	3,254.8
Other non-cash items	-1.9	-2,346.4
	-8,986.8	-3,860.5
Change in working capital		
Change in current receivables	-3,014.5	-775.8
Change in non-interest-bearing current liabilities	-559.1	400.3
	-3,573.6	-375.5
Interest paid and other financial expenses	-1,534.4	-4,528.9
Interest received and other financial income [1]	4,037.4	4,203.7
Net cash flow from operating activities	**-10,057.4**	**-4,561.2**
Cash flow from investing activities		
Investments in subsidiaries	-1,006.8	-43,049.0
Investments in associates	-1,641.3	-
Investments in property, plant and equipment and intangible assets	-10,873.0	-12,190.2
Proceeds from (-) / repayment of long-term receivables net (+)[2]	39,375.1	-8,176.7
Dividends received	31,954.3	12,684.9
Net cash flow from investing activities	**57,808.4**	**-50,731.0**

EUR thousand	2017	2016
Cash flow from financing activities		
Purchase of own shares	-608.7	-131.0
Proceeds from (+) and repayments of (-) long-term borrowings	-58,054.9	30,000.0
Proceeds from (+) and repayments of (-) short-term borrowings	-22,800.1	-18,173.4
Group contributions paid (+) and received (-)	15,000.0	6,961.2
Dividends paid and return of equity	-25,376.7	-23,543.0
Net cash flow from financing activities	**-91,840.4**	**-4,886.2**
Net change in cash and cash equivalents	**-44,089.4**	**-60,178.4**
Cash and cash equivalents at the beginning of the period	57,857.6	118,036.0
Net change in cash and cash equivalents	-44,089.4	-60,178.4
Cash and cash equivalents at the end of the period[3]	**13,768.2**	**57,857.6**

[1] Interest paid by the group companies is included in the net cash flow from operating activities
[2] The changes in liabilities and receivables between Group companies are included in the cash flow from investing activities
[3] Cash and cash equivalents include cash and deposits

Notes to the parent company financial statements (FAS)

1. Accounting principles

Oriola Corporation is the parent company of Oriola Group, domiciled in Espoo, Finland. Oriola Corporation provides administrative services to the group companies. These administrative services are centralized to the parent company. Copies of the consolidated financial statements of the Oriola Group are available at the head office of Oriola Corporation, Orionintie 5, FI-02200 Espoo, Finland (investor.relations@oriola.com).

Oriola Corporation´s financial statements are prepared in euros and according to Generally Accepted Accounting Principles in Finland (Finnish GAAP) and according to corporate legislation. The financial statements are presented in thousand euros.

When appropriate, the financial statements of Oriola Corporation comply with the Group's accounting principles based on IFRS. Below are described those accounting principles in which the financial statements of Oriola Corporation differ from the accounting principles of the consolidated financial statements. The accounting principles for the consolidated financial statements are presented in the notes to the consolidated financial statements.

Financial assets and liabilities: Derivatives and financial assets and liabilities held for trading are valued at fair value as permitted by the Finnish Accounting Act chapter 5 section 2A. Financial items classified as loans and receivables or other financial liabilities are carried at amortised cost.

The change in the fair value of the effective portion of interest rate derivative agreements under hedge accounting made to hedge cash flows is directly recognised against the fair value reserve included in equity. Derivatives acquired to hedge balance sheet items like bank accounts, loans and receivables denominated in foreign currencies and derivatives made to hedge cash flows that are not under hedge accounting are recorded in exchange gains and losses in the financial items.

Share-based payments: The accounting treatment of Oriola Corporations share-based incentive plans is described in the accounting principles for the consolidated financial statements. The share incentive plans of Oriola Corporation are a combination of shares and a cash payment. The granted amount of the incentive plans, settled in shares, is measured at share price of the grant date less expected dividends. The cash-settled part of the plans is measured at fair value, which is the share price at the end of the reporting period. The expenses arising from the incentive plans are recognised in the income statement over the vesting period. In the financial statements of the parent company the component settled in share as well as the cash-settled pare are recognised as accrued liability until paid out. When paid out the share settled part is credited to the equity.

Pension arrangements: The Statutory pension coverage of Oriola Corporation is provided by Ilmarinen Mutual Pension Insurance Company. Supplementary pension coverage is provided by OP Life Assurance Company Ltd. Pension-related payments are recognised as pension expenses on accrual basis. No other pension liabilities arising from pension arrangements are recognised in the balance sheet except for pension-related accruals.

Leases: The lease agreements of Oriola Corporation consist mainly of information and communication technology equipment. Lease payments are expensed over the rental period and they are included in other operating expenses. Assets leased under finance leases and related liabilities are not recognised in the parent company's balance sheet.

2. Other operating income

EUR thousand	2017	2016
Rental income	10.8	10.8
Other service charges	8,159.3	7,408.2
Other operating income	2.3	491.7
Total	**8,172.3**	**7,910.7**

3. Personnel

EUR thousand	2017	2016
Cost of personnel		
Salaries and bonuses	4,004.1	3,152.3
Pension costs	585.0	581.5
Other personnel expenses	134.8	171.3
Total	**4,723.9**	**3,905.2**

Voluntary personnel expenses are included in other operating costs.

Average number of personnel	**39**	**37**
Salaries and bonuses to the Management		
President and CEO and Members of Board of Directors	1,504.0	954.8

4. Depreciations

EUR thousand	2017	2016
Depreciations according to plan	350.1	266.1
Total	**350.1**	**266.1**

Criteria applied for the straight-line depreciation is disclosed in the accounting principles of the financial statements.

Depreciation by asset class is presented in the parent company Notes 9-10.

5. Other operating expenses

EUR thousand	2017	2016
Postage, telephone and banking expenses	230.4	152.2
IT expenses	5,710.9	6,040.4
Travelling and car	243.8	220.0
Representation	10.0	21.2
Administrative consultancy services	3,343.4	1,190.1
Other operating expenses	1,257.5	1,150.5
Total	**10,796.1**	**8,774.4**

Other operating costs are mainly costs related to the ownership.

Audit costs included in other operating costs		
Audit fee	77.9	41.1
Tax consulting services	5.3	0.3
Other fees	8.4	32.0
Total	**91.6**	**73.4**

6. Financial income and expenses

EUR thousand	2017	2016
Income from group companies		
Dividend income from group companies	31,954.3	12,684.9
Other interest and financial income		
Interest income from group companies	4,470.6	4,131.7
Interest income from other companies	21.8	38.5
Other financial income	8,381.6	13,648.4
Interest and other financial expenses		
Interest expenses to group companies	-905.4	-893.5
Interest expenses to other companies	-1,838.9	-2,464.0
Other financial expenses	-9,092.2	-13,808.4
Total	**32,991.9**	**13,337.6**
Financial income and expenses include:		
Interest income	4,492.5	4,170.3
Interest expenses	-2,744.3	-3,357.6
Exchange rate gains/losses	-283.9	-177.5

7. Appropriations

EUR thousand	2017	2016
Change in depreciation difference (+/-)	-10.5	-90.5
Group contribution (+/-)	8,440.0	15,000.0
Total	**8,429.5**	**14,909.5**

8. Income taxes

EUR thousand	2017	2016
Income taxes for the financial period	269.4	-
Change in deferred taxes	70.7	2,125.5
Total	**340.0**	**2,125.5**

The income taxes include taxes based on the company's taxable profit for the financial year.

9. Intangible assets

EUR thousand 2017	Intangible rights	Other intangible assets	Advance payments and construction in progress	Total
Historical cost 1 Jan	165.3	1,482.9	13,659.1	**15.307.4**
Increases	325.9	58.3	10,546.3	**10,930.5**
Reclassifications	-	36.1	-36.1	**0.0**
Historical cost 31 Dec	**491.2**	**1,577.3**	**24,169.3**	**26,237.8**
Accumulated amortisation 1 Jan	88.5	404.0	-	**492.5**
Amortisation for the financial year	45.1	242.4	-	**287.5**
Accumulated amortisation 31 Dec	**133.6**	**646.4**	-	**780.0**
Carrying amount 31 Dec	**357.6**	**930.9**	**24,169.3**	**25,457.8**
2016				
Historical cost 1 Jan	165.3	675.3	2,459.0	**3,299.6**
Increases	-	753.6	11,254.2	**12,007.8**
Reclassifications	-	54.0	-54.0	**0.0**
Historical cost 31 Dec	**165.3**	**1,482.9**	**13,659.1**	**15,307.4**
Accumulated amortisation 1 Jan	55.4	236.1	-	**291.5**
Amortisation for the financial year	33.1	167.9	-	**201.0**
Accumulated amortisation 31 Dec	**88.5**	**404.0**	-	**492.5**
Carrying amount 31 Dec	**76.8**	**1,078.9**	**13,659.1**	**14,814.8**

10. Property, plant and equipment

EUR thousand 2017	Land and water areas	Machinery and equipment	Other tangible assets	Total
Historical cost 1 Jan	77.4	430.1	7.5	**515.0**
Decreases	-	-75.7	-	**-75.7**
Historical cost 31 Dec	**77.4**	**354.4**	**7.5**	**439.3**
Accumulated depreciation 1 Jan	-	79.0	-	**79.0**
Changes in cumulative depreciation due to sales	-	-17.0	-	**-17.0**
Depreciation for the financial year	-	62.6	-	**62.6**
Accumulated depreciation 31 Dec	**-**	**124.6**	**-**	**124.6**
Carrying amount 31 Dec	**77.4**	**229.9**	**7.5**	**314.8**
2016				
Historical cost 1 Jan	149.2	478.0	7.5	**634.7**
Increases	-	105.9	-	**105.9**
Decreases	-71.8	-153.8	-	**-225.6**
Historical cost 31 Dec	**77.4**	**430.1**	**7.5**	**515.0**
Accumulated depreciation 1 Jan	-	62.3	-	**62.3**
Changes in cumulative depreciation due to sales	-	-48.3	-	**-48.3**
Depreciation for the financial year	-	65.0	-	**65.0**
Accumulated depreciation 31 Dec	**-**	**79.0**	**-**	**79.0**
Carrying amount 31 Dec	**77.4**	**351.1**	**7.5**	**436.0**

11. Investments

EUR thousand				
2017	**Shares in group companies**	**Shares in associates**	**Receivables from group companies**	**Total**
Historical cost 1 Jan	655,334.7	-	140,454.0	**795,788.7**
Increases	1,006.8	1,641.3	68,576.3	**71,224.3**
Decreases	-198.7	-	-107,951.4	**-108,150.1**
Historical cost 31 Dec	**656,142.8**	**1,641.3**	**101,078.9**	**758,862.9**
Carrying amount 31 Dec	**656,142.8**	**1,641.3**	**101,078.9**	**758,862.9**
2016				
Historical cost 1 Jan	609,598.8	-	150,241.7	**759,840.5**
Increases	45,998.6	-	6,600.1	**52,598.7**
Decreases	-262.7	-	-16,387.8	**-16,650.5**
Historical cost 31 Dec	**655,334.7**	**-**	**140,454.0**	**795,788.7**
Carrying amount 31 Dec	**655,334.7**	**-**	**140,454.0**	**795,788.7**

12. Receivables

EUR thousand	2017	2016
Trade Receivables		
Trade receivables from non-group companies	80.3	1.5
Total	**80.3**	**1.5**
Receivables from group companies		
Short-term receivables		
Trade receivables	3,475.5	1,318.0
Other receivables	38,200.7	33,886.3
Accrued income and prepaid expenses	8,678.6	15,000.0
Total	**50,354.8**	**50,204.3**
Main items included in accrued receivables and prepared expenses		
Arrangement fees relating to loans	359.3	226.4
Exchange rate profit on hedges	0.0	5.0
Compensations not received	8.4	8.4
Other accrued receivables	828.2	185.9
Total	**1,195.9**	**425.7**

13. Equity

EUR thousand	2017	2016
Share capital 1 Jan	147,899.8	147,899.8
Share capital 31 Dec	**147,899.8**	**147,899.8**
Contingency fund 1 Jan	19,418.7	19,418.7
Contingency fund 31 Dec	**19,418.7**	**19,418.7**
Invested unrestricted equity reserve 1 Jan	76,957.5	76,957.5
Invested unrestricted equity reserve 31 Dec	**76,957.5**	**76,957.5**
Profit/loss from previous years 1 Jan	269,883.4	272,470.8
Dividend paid	-25,394.5	-23,580.6
Share-based compensation	-83.6	-131.0
Purchase of own shares[1)]	-608.7	-93.4
Proceeds from sale of own shares	83.6	131.0
Profit/loss from previous years 31 Dec	**243,880.3**	**248,796.7**
Net profit for the period	33,383.6	21,086.7
Total	**521,539.9**	**514,159.5**

[1)] Shares purchased for the share based incentive program

EUR thousand	2017	2016
Distributable funds 31.12.		
Contingency fund	19,418.7	19,418.7
Invested unrestricted equity reserve	76,957.5	76,957.5
Profit/loss from previous years	243,880.3	248,796.7
Net profit for the period	33,383.6	21,086.7
Total	**373,640.1**	**366,259.7**

14. Appropriations

EUR thousand	2017	2016
Cumulative accelerated depreciation	210.3	199.7
Total	**210.3**	**199.7**

15. Liabilities

EUR thousand	2017	2016
Long-term liabilities		
Liabilities to Group companies		
Long-term liabilities to Group companies	64,587.6	66,557.2
Other long-term liabilities		
Loans from financial institutions	59,460.2	82,342.3
Other long-term liabilities	2,479.5	2,686.9
Accrued liabilities	580.6	308.8
Long-term liabilities total	**127,107.8**	**151,895.2**
Short-term liabilities		
Liabilities to Group companies		
Trade payables	123.7	201.5
Interest-bearing liabilities	148,812.1	224,932.1
Other short-term liabilities		
Trade payables	689.3	1,310.5
Other non-interest-bearing liabilities	448.2	284.8
Interest-bearing liabilities	49,983.1	25,459.0
Accrued liabilities	1,454.5	1,706.1
Short-term liabilities total	**201,511.0**	**253,894.1**
Liabilities total	**328,618.8**	**405,789.3**

EUR thousand	2017	2016
Material items included in accrued liabilities		
Long-term accrued liabilities		
Change of fair value for interest rate swap	580.6	308.8
Short-term accrued liabilities		
Items related to personnel	1,139.4	848.8
Interest	36.6	193.9
Other accrued liabilities	278.5	65.9
Change of fair value for interest rate swap	-	597.5
Total	**2,035.1**	**2,014.9**

16. Commitments

EUR thousand	2017	2016
Commitments for own liabilities		
Guarantees on behalf of own companies	7,522.6	8,311.9
Guarantees on behalf of other companies	-	969.0
Total	**7,522.6**	**9,280.9**

17. Derivatives and financial risk management

EUR thousand	2017	2016
Book values of derivative instruments		
Interest rate swap agreements	52,825.1	54,436.0
Foreign currency forward and swap contracts	-	7,327.9
Total	**52,825.1**	**61,763.9**
Fair values of derivative instruments		
Interest rate swap agreements	-580.6	-906.3
Foreign currency forward and swap contracts	-	4.5
Total	**-580.6**	**-901.8**

Oriola Corporation has interest rate swap agreements hedging Oriola Group's cash flows as well as foreign currency forward and swap contracts with various counterparties. These derivatives are managed in accordance with the treasury policy approved by the Oriola Corporation Board of Directors. While Oriola Group's interest rate risks from Oriola Sweden AB's selling of trade receivables are hedged with derivative agreements on a group level, the hedging presents an interest rate risk to Oriola Corporation.

More information on Oriola Group's financial risk management and derivatives are presented in the Notes to the Consolidated Financial Statement in note 6.3. Financial Risk Management.

18. Ownership in other companies

The Parent company's ownership in other companies is presented in the note 8.1 Group companies and Joint ventures, in the notes to the Consolidated Financial Statements.

The Board of Directors' proposal for profit distribution and Auditor's Note

Proposal for the profit distribution

The parent company's distributable assets on balance sheet date as of 31. December 2017 are EUR 373,640,124.27 from which profit for the period is EUR 33,383,600.26.

The Board of Directors propose to the Annual General Meeting that the distributable funds will be used as follows:

- A dividend of EUR 0.09 per share will be distributed to 181,244,391 shares, EUR 16,311,995.19
- EUR 357,328,129.08 will be retained in equity

There have been no material changes in the financial position of the company after the end of the financial year.

Signatures for the financial statements and the report of the Board of Directors

Espoo 12 February 2018

Anssi Vanjoki
Chairman

Eva Nilsson Bågenholm
Vice chairman

Anja Korhonen

Mariette Kristenson

Kuisma Niemelä

Lena Ridström

Staffan Simberg

Robert Andersson
President and CEO

Auditors' Note

The Auditors' report has been issued today.

Espoo, 12 February 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Auditors' report

Translation of the Finnish original

To the Annual General Meeting of Oriola Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Oriola Oyj (business identity code 1999215-0) for the year ended 31 December 2017. The financial statements comprise:

- the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

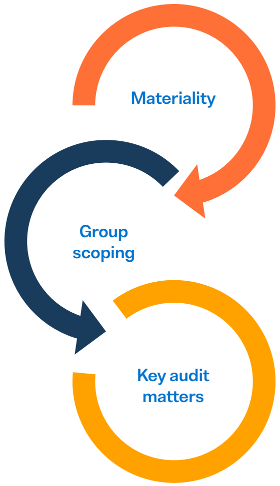
Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 4.9. to the consolidated financial statements.

Our Audit Approach

Overview



Materiality
- Overall group materiality: € 4,5 million.

Group audit scope
- The group audit scope includes all significant companies in Finland and Sweden, covering the vast majority of revenues, assets and liabilities.

Key audit matters in audit
- Revenue recognition
- Goodwill
- Inventories
- Implementation of a new ERP and warehouse management system

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 4,5 million
How we determined it	Net sales and profit before tax
Rationale for the materiality benchmark applied	We chose the combination of net sales and profit before tax as the benchmark because, in our view, the performance of Oriola Group is most commonly measured using these criteria, and these are generally accepted benchmarks.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

We performed a group audit of 5 legal entities in Finland and Sweden. In addition, we performed analytical procedures at group level over the remaining entities.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the Group	How our audit addressed the Key audit matter
Revenue recognition Refer to note 4.2. in the consolidated financial statements	
The Group has different revenue streams under the Consumer, Services and Healthcare segments. Given the different nature of the revenue streams, we consider the related risk profile in each to be different: • In the Services segment, the revenue from pharmacies is recognised on a gross basis if legal title to the goods has transferred to the Group in accordance with the distribution agreement with the pharmaceutical company. If the agreement is based on a consignment arrangement, only the distribution fee is recognised within net sales. The revenue recognition method applied requires management judgement and analysis of the accounting implications of different contractual terms. We have accordingly considered this to be a key audit matter of the audit. • Accounting for revenue in the Consumer and Healthcare segments include a lower audit risk due to revenue consisting of multiple small transactions with a low degree of complexity.	Our testing of revenue streams included both testing of the company's controls, as well as substantive audit procedures. Our testing of the company's controls focused on the controls around contract and cash management. Our substantive testing of the revenue transactions included, among other things, the following: • We performed analytical audit procedures to assess whether the sales margin levels were in line with the expected level • We tested a sample of sales transactions to validate that revenue had been recognised in the correct period. • For revenue in the Service segment, we examined a sample of contracts to ensure that revenue was recognised in accordance with the terms of the contract and the Group's accounting policy. • For revenue in the Consumer and Healthcare segments we matched incoming cash to recorded revenue transactions.
Goodwill Refer to note 5.3. in the consolidated financial statements	
As at 31 December 2017 the Group's goodwill balance amounted to € 282,7 million and is recognized in three reporting segments; Consumer (€ 218,6 million), Services (€ 36,0 million) and Healthcare (€ 28,2 million). The company tests goodwill for potential impairment annually and whenever there is an indication that the carrying value may be impaired by comparing the recoverable amount against the carrying value of the goodwill. The recoverable amounts are determined using "Value In Use" method. The discounted future cash flow projections and the assumptions used in the Group's goodwill impairment model include estimates as set out in the note 5.3. Valuation of goodwill was a key audit matter for our audit due to the size of the goodwill balance and the high level of management judgement involved.	Our audit focused on assessing the appropriateness of management's judgment and estimates used in the goodwill impairment analysis through the following procedures: • We tested the methodology applied in the "Value In Use" calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of management's calculation. • We tested the key underlying assumptions by evaluating the process by which the future cash flow forecasts were drawn up, including comparing them to the latest Board approved budgets. • The discount rates and long-term growth rates applied within the model were assessed by PwC business valuation specialist, including comparison to economic and peer group forecasts. • We compared the current year actual results to the corresponding forecasts included in the prior year impairment model to corroborate the reliability of management's estimates. • We considered whether the sensitivity analysis performed by the management around key parameters of the cash flow forecast was appropriate. We also considered the appropriateness of the related disclosures provided in note 5.3.

Key audit matter in the audit of the Group	How our audit addressed the Key audit matter
Inventories Refer to note 4.5 in the consolidated financial statements	
Net inventories amount to € 207,8 million at the end of 2017. Inventories are measured at the lower of cost or estimated net realisable value. In the Service segment, the Group has different type of distribution agreements with pharmaceutical companies whereby the terms and conditions determine whether the products being held in stock should be accounted for as own inventory or treated as consignment stock. The inventory was a key audit matter in our audit due to the above mentioned classification matter. Additionally, there was an increased risk for errors relating to existence and valuation of inventories after the disruption of distribution process caused by the ERP and warehouse management system implementation in September 2017.	Our audit consisted of testing of company's controls both for valuation and existence of inventories as well as substantive audit procedures, with special focus on physical stock takes carried out after the ERP and warehouse management system implementation. We reviewed all new contracts to ensure that the stock is accounted appropriately in line with the terms of the contract and the Group's accounting policy. In addition our audit procedures included: • We participated in the physical inventory counting at selected locations to obtain audit evidence regarding existence and condition of the goods in stock. During the inventory counting we assessed the appropriateness of the counting procedures and performed independent test counts. • We checked that the obsolescence provision was calculated based on the Group's accounting policy. • We used computer assisted audit techniques to obtain audit evidence over valuation of inventory.
Implementation of a new ERP and warehouse management system	
In September, Oriola Finland Oy implemented a new ERP and warehouse management system in Finland. The new system started with unexpected difficulties, which led to disruptions in the distribution of pharmaceuticals and non-pharmaceuticals in the Services segment in Finland. The financial accounting and reporting processes of the Finnish operations are highly dependent on the new ERP and warehouse management system. The implementation of a new system has an inherent risk of loss of integrity of financial data being migrated or a breakdown in operations within critical business processes. This could lead to errors and inaccurate financial reporting. Due to the pervasive risks involved in migrating to a new ERP and warehouse management system, and the post-implementation problems encountered in operations, this has been noted as a key audit matter.	Our procedures to assess the integrity of financial data included both testing of the company's controls, as well as substantive audit procedures. Our testing of the company's controls focused on IT general controls as well as key manual and automated business process controls with particular focus on sales and purchase processes and inventory management. Our procedures included evaluation of the design and implementation of the control activities and testing of their operating effectiveness. In addition our audit procedures included: • We evaluated management's process for identifying the root causes to post-implementation issues encountered, and actions taken to ensure the integrity of the financial information, such as confirming outstanding balances with counter-parties. • We evaluated the process by which the migration of financial data was performed and tested the reconciliation controls around the data conversion. • For financial reporting areas impacted by the disruptions following the system roll-out, we performed substantive tests of details on those balances. We also assessed whether the information provided in the Board of Directors Report and Financial Statements presented the relevant and fair information of the impacts of the system implementation. These audit procedures gave us sufficient evidence to enable us to rely on the appropriateness of the financial information generated by the Group's IT systems.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 17 March 2008. Our appointment represents a total period of uninterrupted engagement of 10 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 12 February 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant (KHT)

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