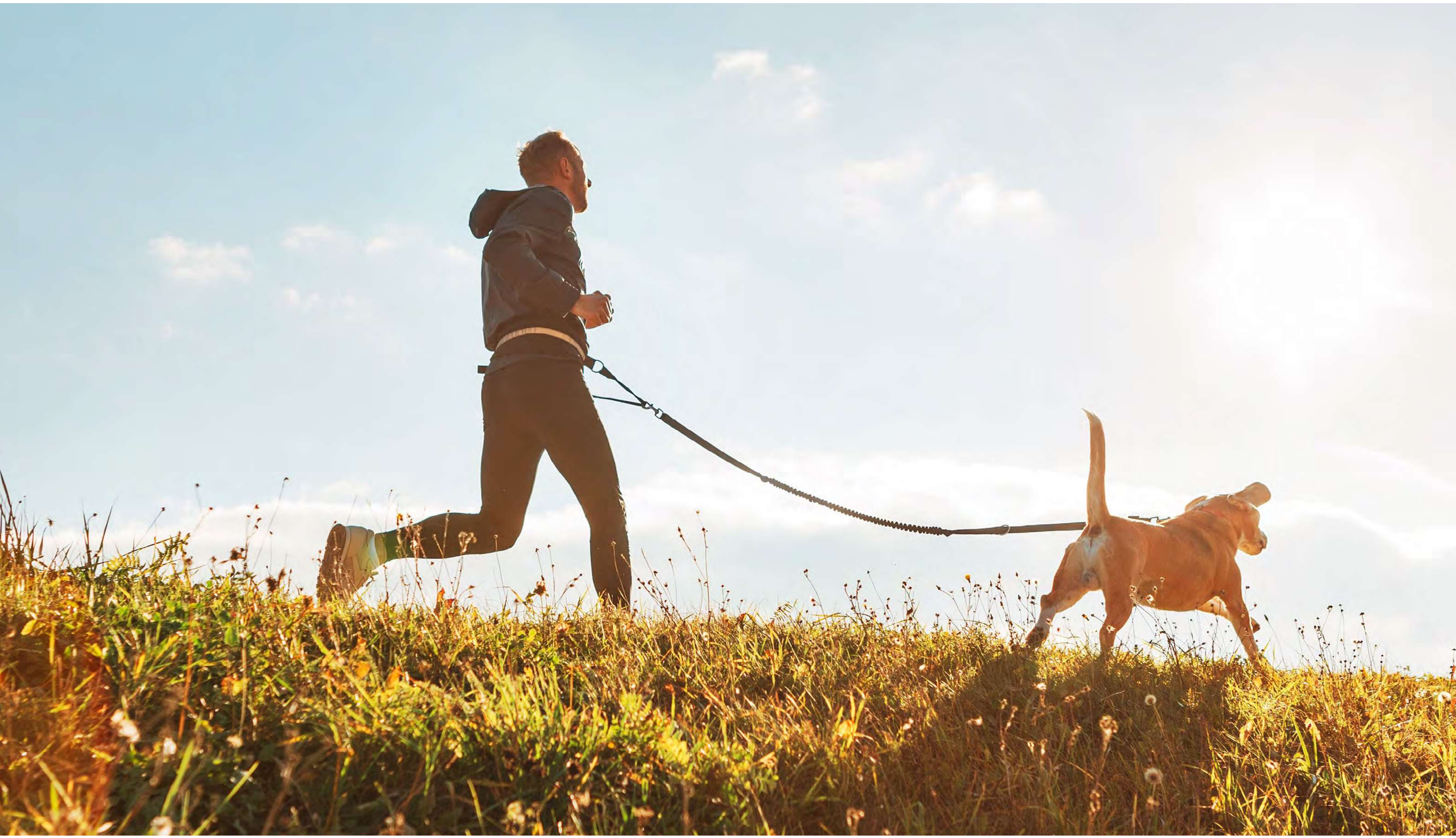
ORIOLA

Financial review 2019



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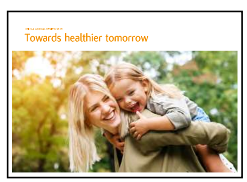
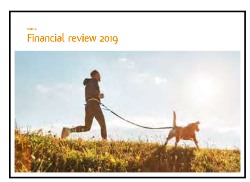
About this report

Oriola's Annual report 2019 consists of three separate reports, in which integrated reporting elements are applied. The Annual review presents Oriola's strategy, business, value creation and sustainability work. The Financial review includes the Board of Directors' report, audited financial statements and auditor's report as well as information about the shares and shareholders and key figures and financial development. GRI supplement includes sustainability information compliant with the GRI standards.

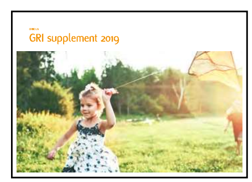
All reports are available in Finnish and in English on our **website.**



Oriola Annual review 2019



Oriola Financial review 2019



Oriola GRI supplement 2019

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 judgement, those estimates and judgements are described separately in the relevant note. The description of the use of estimate in the note is marked with italic font and highlighted.

Non-financial information

Oriola gives the non-financial information according to the Finnish Accounting Act and using the Nasdaq ESG Reporting Guide as appropriate in the Report of the Board of Directors. The non-financial information and related key performance indicators are presented in chapter 5. Non-financial information of the Report of the Board of Directors.

Report of the Board of Directors

1. Business review

Operating environment
Oriola has a strong position in the health and wellbeing markets in Sweden and Finland. The main businesses are distribution and wholesale of medical and health and wellbeing products, sales of services and products, as well as pharmacy operations.

Ageing population and growth in speciality pharmaceuticals are driving the growth of the pharmaceutical market in both of Oriola's operating countries. In January–December 2019, the pharmaceutical wholesale market grew by 7.6% in Sweden (source: IQVIA) and 5.2% in Finland in local currencies (source: LTK). Parallel imports' share of the Swedish pharmaceutical market was 9.2% (11.5%) (source: Apoteksförening).

Health and wellbeing trends, as well as the growth in e-commerce are growing the pharmacy business in Sweden. The pharmacy market is experiencing a digital transformation driven by fast growing e-commerce, accounting already for 12% (8%) of the total pharmacy market in Sweden by the end of December 2019. The pharmacy market in Sweden grew by 4.0% (9.7%) in Swedish krona in January–December 2019 driven by strong online market (source: Apoteksförening). At the end of December there were 1,426 (1,421) pharmacies in Sweden.

The pharmacy network in Finland has remained unchanged. There are 819 pharmacy outlets in Finland and over 109 service points of pharmacies in remote areas. Pharmacies are owned by approximately 600 proprietary pharmacists and the two Universities of Helsinki and Kuopio.

In the first quarter of 2019 the Falsified Medicines Directive (FMD) came into force in European Union. The directive aims to prevent counterfeit prescription medicines entering the pharmaceutical supply chain. As part of the full implementation of the FMD, all medicine packs must feature a 2-D barcode containing a unique serial number as well as a product code, batch number and expiry date. The change impacted the entire pharmaceutical distribution chain from pharmaceutical companies to wholesale and pharmacies.

Strategic programmes
Oriola has two ongoing Group-wide strategic programmes: one focusing on cost savings and operational excellence, and the other on strengthening and developing customer experience.

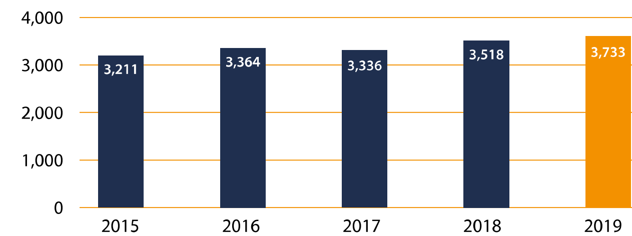
The 20by20 Excellence programme focuses on Oriola's efficiency and profitability. Target is to deliver EUR 20 million annualised savings compared to 2018 cost level. Savings are expected to materialise with full effect by the end of 2020. The programme will systematically review all operations and resources to ensure efficient and high-quality operations, as well as to reduce costs. The planned actions include improving logistics efficiency, savings in indirect and direct purchasing, product and service portfolio optimisation, as well as lean and simplified processes throughout the Group. During 2019, savings have been realised especially in costs of resources in Finnish logistic operations, as well as in IT costs.

As part of the programme, Oriola announced in June to start cooperation negotiations, which were finalised on 30 September. During the process, the pharmacy network in Sweden was also evaluated, and a decision was made to close nine pharmacies. Five of them were closed in 2019 and the rest will be closed by the end of the first the quarter of 2020. The estimated annual cost savings will be approximately 4.5 million euros in personnel costs. The savings are expected to materialise with full effect by the end of 2020.

The strategic programme Customer Experience focuses on developing and implementing more customer-oriented processes and tools, organisation and culture. Target for the programme is to strengthen the customer's trust and satisfaction. In 2019, customer satisfaction progressed positively especially in Finland.

The Group's financial performance for January–December 2019

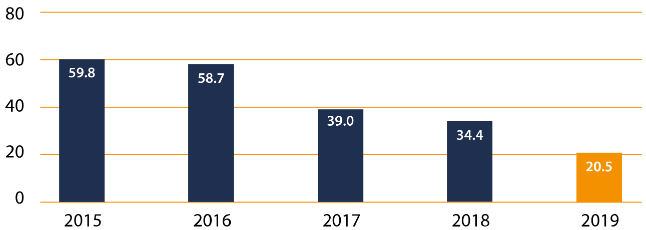
Invoicing and net sales
Invoicing increased by 6.1% (increased 5.5%). On a constant currency basis invoicing increased by 8.4%, which was mainly due to continued growth in pharmaceutical market.



Net sales increased by 10.9% (increased 1.6%) to EUR 1,721.3 (1,552.2) million. On a constant currency basis net sales increased by 13.6%, driven by the growth in the pharmaceuticals sales and changes in the distribution agreements for pharmaceuticals.

Profitability
Adjusted EBIT decreased by 40.6% (decreased 11.7%) to EUR 20.5 (34.4) million, which was mainly due to additional costs and inefficiencies caused by slower than planned ramp-up of the new distribution centre in Sweden as well as strong price competition in e-commerce. Also, the adjusted EBIT in 2018 includes a settlement totalling EUR 9 million received from the provider of the logistics and warehouse IT system as a contribution to costs incurred. Adjusting items during the reporting period, which consist of restructuring costs, impairment of intangible assets as well as a provision release related to Hehku, totalled EUR -5,1 (-14.9) million, and the EBIT was EUR 15.3 (19.5) million. The adjusted EBIT at constant currencies was EUR 20.9 million.

Adjusted EBIT[1]
EUR million



[1] The figures in 2016-2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods in the notes to the consolidated financial statements.

Net financial expenses were EUR 5.2 (3.0) million. The figure in 2019 includes interest expenses totalling EUR 2.0 million on lease liabilities recognised due to the application of IFRS 16. Profit for the period was EUR 8.0 (10.8) million. Income taxes for January–December were EUR 2.1 (5.8) million, which corresponds to an effective tax rate of 20.8% (35.1%). Earnings per share were EUR 0.04 (0.06).

For more information on the Group's financial performance, please see the section Financial indicators 2015–2019.

Consumer

Consumer business area offers products and services for health and wellbeing for customers through Kronans Apotek, the third largest pharmacy chain in Sweden.

Key figures EUR million	2019	2018 Restated[1]	Change %
Invoicing	768.1	769.5	-0.2
Net sales	750.1	751.9	-0.2
Adjusted EBIT	11.7	16.3	-28.2
EBIT	5.3	15.2	-65.2
Adjusted EBIT %	1.6	2.2	
EBIT %	0.7	2.0	
Number of personnel at the end of period	1,692	1,601	

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods in the notes to the consolidated financial statements.

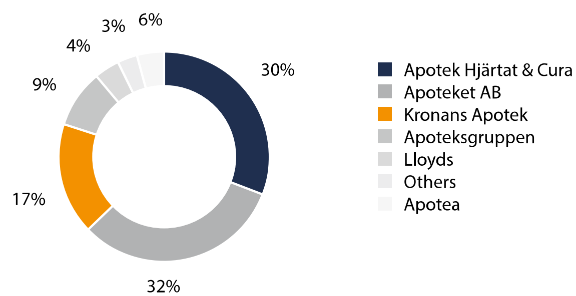
Market environment

The pharmacy market in Sweden grew by 4.0% (9.7%) in Swedish krona (source: Apoteksförening) and the number of pharmacies increased by 5 in January–December 2019.

Online sales in the Swedish pharmacy market continued to grow fast and reached approximately 12% (8%) of the pharmacy market by the end of December 2019.

Oriola's market share in the pharmacy market in Sweden in January–December 2019 was 16.9% (17.1%) (source: Apoteksförening). The relative share of OTC and traded goods from the net sales was 25.0% (25.6%). At the end of the reporting period, Oriola had 324 (327) pharmacies in Sweden. Oriola established 7 new pharmacies and closed 10 pharmacies during the reporting period.

Swedish pharmacies
Market share



Financial performance

The net sales decreased by 0.2% (decreased 1.3%) to EUR 750.1 (751.9) million. On a constant currency basis net sales increased by 3.0%, driven by the high priced RX pharmaceuticals sales and online sales. Oriola's online sales grew by 35%, at the same rate with the market, and it accounts for 3.7% (2.8%) of Oriola's Consumer sales in Sweden.

Adjusted EBIT decreased by 28.2% (decreased 32.6%) to EUR 11.7 (16.3) million. Increasing share of low margin RX pharmaceuticals sales, further tightened competition in traded goods coming especially from online, as well as increase in cost level in general weakened the profitability. Adjusting items during the reporting period, which consist of restructuring costs and impairment of intangible assets, totalled EUR -6.4 (-1.1) million, and EBIT was EUR 5.3 (15.2) million.

Pharma

Pharma business area provides tailored logistics, expert and advisory services for pharmaceutical companies, as well as a wide range of pharmaceutical products for pharmacies, hospital pharmacies and veterinarians.

Key figures EUR million	2019	2018	Change %
Invoicing	2,910.6	2,697.1	7.9
Net sales	918.1	749.9	22.4
Adjusted EBIT	17.7	21.1	-16.3
EBIT	17.1	21.1	-18.7
Adjusted EBIT %	1.9	2.8	
EBIT %	1.9	2.8	
Number of personnel at the end of period	468	507	

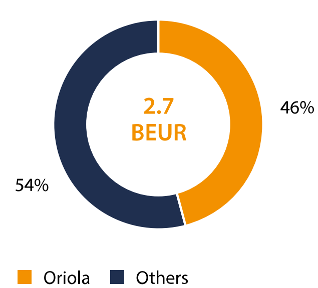
Market environment

The pharmaceutical market at wholesale prices in Sweden grew by 7.6% (8.7%) in Swedish krona in January–December 2019 (source: IQVIA). According to Oriola's estimate, Oriola's share of the Swedish pharmaceutical wholesale market was approximately 44% (40%).

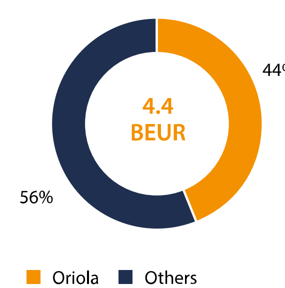
The Finnish pharmaceutical market at wholesale prices grew by 5.2% (8.5%) in January–December 2019 (source: LTK). According to Oriola's estimate, Oriola's share of the Finnish pharmaceutical wholesale market was approximately 46% (43%).

Wholesale - market share %

Finland



Sweden



Financial performance

Invoicing increased from the previous year by 7.9% (increased 7.8%) to EUR 2,910.6 (2,697.1) million. On a constant currency basis invoicing increased by 10.0%. Net sales increased by 22.4% (increased 5.1%) to EUR 918.1 (749.9) million, and on a constant currency basis, net sales increased by 24.8%. This was driven by continued growth in pharmaceutical markets, especially in the high-priced pharmaceuticals, as well as changes in distribution agreements for pharmaceuticals.

Adjusted EBIT decreased by 16.3% (increased 39.7%) to EUR 17.7 (21.1) million. The adjusted EBIT in 2018 includes a contribution for costs incurred totalling EUR 7.2 million received from the provider of the logistics and warehouse IT system. In Finland, the increased efficiency and savings lowered costs, but at the same time the slower than planned ramp-up of the distribution centre kept the cost level high in Sweden. Adjusting items during the reporting period, which consist of restructuring costs, totalled EUR -0.5 (-0.0) million, and EBIT was EUR 17.1 (21.1) million.

Retail

Retail business area offers a wide range of health and wellbeing products to pharmacies, groceries, veterinarians, private and public healthcare operators and retailers, as well as services for pharmacies, including staffing and dose dispensing services.

Key figures EUR million	2019	2018	Change %
Invoicing	456.9	431.2	6.0
Net sales	455.5	429.8	6.0
Adjusted EBIT	-0.9	5.9	-115.0
EBIT	-1.4	1.3	-208.5
Adjusted EBIT %	-0.2	1.4	
EBIT %	-0.3	0.3	
Number of personnel at the end of period	590	530	

Market environment

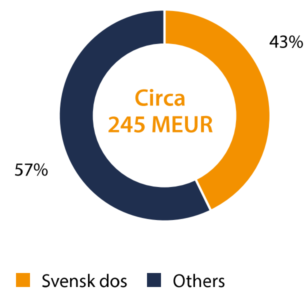
In retail business, Oriola offers a wide range of healthcare products both in traded goods and in OTC pharmaceuticals. Traded goods are sold through pharmacies and grocery stores. In Sweden, the traded goods and OTC pharmaceuticals market grew 6.2% in January–December 2019.

In dose dispensing business, Oriola offers pharmaceuticals and dose dispensing for private and public healthcare sectors. The total market size for dose dispensing is approximately 225,000 patients in Sweden and 55,000 patients in Finland. Oriola is the market leader in Sweden serving over 95,000 patients. In Finland, Oriola serves approximately 22,000 patients.

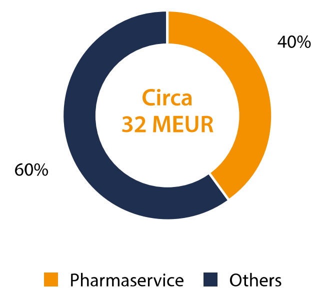
In staffing business in Finland, 155 pharmacies out of 819 pharmacies are using Oriola's services at the end of reporting period.

Dose dispensing - market share

Sweden



Finland



Financial performance

Net sales increased by 6.0% (increased 6.8%) to EUR 455.5 (429.8) million. On a constant currency basis net sales increased by 8.9%, mainly driven by increased number of dose dispensing patients in Sweden.

Adjusted EBIT was EUR -0.9 (5.9) million. Profitability was mainly impacted by the high logistics costs in Sweden as well as changes in product portfolio and customer agreements. The adjusted EBIT in 2018 includes a contribution for costs incurred totalling EUR 1.8 million received from the provider of the logistics and warehouse IT system. Adjusting items during the reporting period, which mainly consist of restructuring costs, totalled EUR -0.5 (-4.6) million, and EBIT was EUR -1.4 (1.3) million.

Balance sheet, cash flow and financing

Oriola's total assets at the end of December 2019 were EUR 1,030.6 (924.2) million. At the date of initial application of IFRS 16 on 1 January 2019, the Group recognised right-of-use assets totalling EUR 96.4 million. Equity attributable to the equity holders was EUR 157.2 (177.9) million, which was decreased by the dividend of EUR 16.3 million for 2018 distributed to the shareholders in April 2019. The impact of the adoption of IFRS 16 in the retained earnings was EUR -6.3 million. Cash and cash equivalents totalled EUR 70.8 (65.8) million. Net cash flow from operating activities in January–December 2019 was EUR 84.4 (102.8) million, of which changes in working capital accounted for EUR 26.5 (59.7) million. Net cash flow from investing activities was EUR -21.8 (-41.5) million. Net cash flow from financing activities was EUR -57.6 (-12.3) million.

At the end of December 2019, interest-bearing debt was EUR 190.3 (129.4) million, of which EUR 83.9 million consisted of lease liabilities recognised due to the application of IFRS 16. The non-current interest-bearing liabilities amounted to EUR 123.6 (59.1) million and current interest-bearing liabilities amounted to EUR 66.8 (70.3) million. Non-current interest-bearing liabilities mainly consist of loans from financial institutions totalling EUR 57.8 (58.7) million and non-current lease liabilities totalling EUR 65.7 (0.4) million. Current interest-bearing liabilities mainly consist of commercial paper issues of EUR 35.0 (57.0) million, advance payments from Finnish pharmacies totalling EUR 13.2 (12.4) million and current lease liabilities totalling EUR 18.6 (0.6). Interest-bearing net debt was EUR 119.6 (63.6) million, and gearing 76.1% (35.8%).

The non-recourse trade receivables sales programmes are in use in Sweden. At the end of December 2019, a total of EUR 166.5 (140.5) million in trade receivables had been sold. Including the sold trade receivables, the adjusted gearing was 182.0% (114.7%). The figure in 2019 was impacted by the increase of interest-bearing liabilities by EUR 83.9 million due to the application of IFRS 16. The average interest rate on the interest bearing liabilities excluding lease liabilities recognised due to the application of IFRS 16 was 0.97% (0.91%)

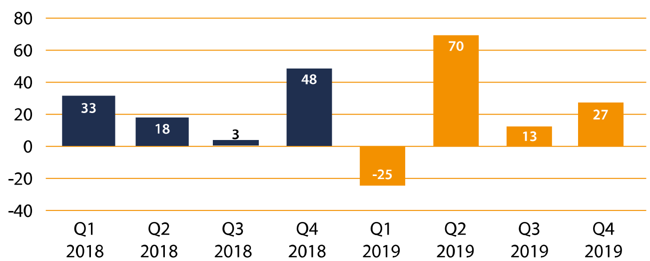
During the second quarter of 2019, Oriola Corporation rearranged and paid off the SEK 290 million term loan, which was due in 2020.

In the same context, the company raised a new five-year bilateral term loan with same value. The committed long-term revolving credit facility of EUR 100.0 million and EUR 14.8 million of short-term credit limit were unused at the end of December 2019.

At the end of the reporting period Oriola's equity ratio was 15.5% (19.5%). Return on capital employed was 4.1% (6.2%), and return on equity 4.9% (5.8%).

For more information on the Group's balance sheet and cash flow and the related key figures, see the section Financial Indicators 2015–2019.

Net cash flow from operating activities
EUR million



Investments and depreciation

Gross investments in January–December 2019 totalled EUR 21.8 (39.6) million and consisted mainly of investments in logistics, information systems, and opening of new pharmacies.

Depreciation, amortisation and impairment amounted to EUR 45.3 (24.1) million. The figure in 2019 includes impairment charges relating to restructurings and the renewal of the Swedish pharmacy online shop totalling EUR 3.5 million as well as depreciation charges totalling EUR 18.1 million on right-of-use assets recognised due to the application of IFRS 16.

The capital expenditure in 2020 excluding acquisitions is estimated to be approximately EUR 35 million.

Personnel

At the end of December 2019, Oriola had 2,818 (2,706) employees, 60% (59%) of whom worked in Consumer, 17% (19%) in Pharma, and 21% (20%) in Retail. The group administration employed 2% (2%) of the total number of employees. The average number of personnel in January-December 2019 was 2,800 (2,699 in 2018 and 2,686 in 2017). Personnel numbers consist of members of staff in active employment calculated as full time equivalents.

The total amount of wages, salaries and bonuses in 2019 was EUR 127.5 million (EUR 121.4 million in 2018 and EUR 122.5 million in 2017).

For more information about the employee benefits please refer to note 4.4. Employee benefits in the Consolidated Financial Statements.

Oriola Corporation shares

	Jan–Dec 2019		Jan–Dec 2018	
Trading of shares	**class A**	**class B**	**class A**	**class B**
Trading volume, million	3.8	24.1	3.1	41.0
Trading volume, EUR million	7.7	50.9	8.4	110.6
Highest price, EUR	2.56	2.53	3.38	3.17
Lowest price, EUR	1.86	1.86	1.92	1.94
Closing quotation, end of period, EUR	2.02	2.03	1.97	1.98

Oriola Corporation's market capitalisation on 31 December 2019 was EUR 367.2 (358.8) million.

In the review period, the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 15.3% (24.3%) of the total number of shares.

At the end of December 2019, the company had a total of 181,486,213 (181,486,213) shares, of which 55,434,273 (55,434,273) were class A shares and 126,051,940 (126,051,940) were class B shares. The company holds a total of 84,903 (103,773) treasury shares, all of which are class B shares. They account for 0.05% (0.06%) of the company's shares and 0.01% (0.01%) of the votes.

Under Article 3 of the Articles of Association, a shareholder may de mand conversion of class A-shares into class B shares. During the period 1 January–31 December 2019, no class A shares were converted into class B shares (-).

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

Changes in the Group structure in 2019

In the last quarter of 2019 Farenta Polska Sp. Z o.o., a subsidiary full owned by Farenta Oy, was liquidated.

The following mergers were completed during the last quarter of 2019: Farenta 1 Oy and Farenta 2 Oy were merged into Farenta Oy and Farenta Oy was merged into Oriola Finland Oy.

On 5 November Oriola Corporation sold its share in Hehku Kauppa Oy a joint venture established in 2017, to Kesko Corporation.

Flagging announcements

Oriola Corporation did not receive flagging announcements durin the reporting period.

Business outlook for 2020

The adjusted EBIT on a constant currency basis is estimated to increase from the 2019 level.

Oriola's business outlook for 2020 is based on external market forecasts, agreements with pharmaceutical companies and pharmacie and management assessments.

Events after the period

After the reporting period, on 28 January the Shareholders' Nomination Board of Oriola Corporation presented its proposal to the 2020 Annual General Meeting concerning the composition of the Board of Directors. The proposal has been presented under section Governance.

Profit distribution proposal

Oriola Group's parent company is Oriola Corporation, whose distributable funds according to the balance sheet as at 31 December 2019 were EUR 335.2 (343.3) million. Oriola Corporation's result for the financial year 2019 was EUR 8.2 (-13.9) million. Earnings per share of the Oriola Group were EUR 0.04 (0.06).

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 (0.09) per share is paid for 2019. The Board of Directors further proposes that the remaining non-restricted equity, EUR 318,825,537.06 be retained and carried forward.

Annual General Meeting 2020

Oriola Corporation's Annual General Meeting will be held on 17 March 2020 at 3 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 24 February 2020 at the latest.

2. Risk review

Strategic and financial risks

Oriola has specified the company's risk management model, principles, organisation and process in its 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 monitored by authorities in both operating countries. The main megatrends impacting Oriola's business environment are ageing of the population, increased spending on health and wellbeing, growth in specialty pharmaceuticals, the digitalisation of the retail trade and services, and sustainability.

Oriola has identified the following principal strategic and operational risks that may have an adverse impact on the results: Changes in the pharmaceutical market regulation and related licences, pricing, parallel import and public reimbursement, as well as increased competition through the growing number of companies and pharmacies in e-commerce, the decreasing share of single channel distribution in public healthcare, and the loss of several key pharmaceutical company agreements.

In 2020 regulatory changes that impact the Swedish pharmacy market, specifying the role and responsibilities between pharmacists and pharmacy technicians, will take place. The change will impact managing pharmacy staffing. Oriola expects to fulfill these new requirements.

The final report of the investigation SOU 2016:95 was presented in Sweden in the beginning of 2019. 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 EEA-countries. The results of the report were widely criticized by stakeholders in the Swedish pharmacy market. The Swedish government is now evaluating the potential next steps. Based on Oriola's assessment the risks of negative impact on Oriola's profitability have decreased.

In addition, an investigation to increase the use of generic substitution in the Swedish dose dispensing market was presented by the Swedish Dental and Pharmaceutical Benefits Agency. There is currently no decision on the implementation of such a change, which, if implemented, would have a negative impact on the efficiency and profitability of its Swedish dose dispensing business.

In Finland, the Ministry of Social Affairs and Health published at the beginning of 2019 a roadmap for overall reform of pharmaceutical matters for the following government terms. In the government term 2019–2023, a comprehensive reform of the pharmaceutical law is meant to commence, as well as a review on the legislation on obligatory stock, and a reform on the legislation on medication list. The roadmap and government programme outline the Finnish pharmacy system as a topic for further investigation. In addition, the health and social services reform left incomplete by the previous government will progress in the ministry and impact public and private health-care actors when completed. The impact of these possible changes on Oriola´s pharmaceutical distribution in Finland or other activitie are largely unknown, but according to company's estimation not material.

In operational risks, continued emphasis will be put on Oriola's role in 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 deliver ies into one warehouse. This risk is mitigated through business continuity planning, which describes the detailed recovery plans in case of emergencies.

Oriola assesses ESG-related (Environment, Social and Governance) risks as part of the regular risk management process.

The main financial risks for Oriola involve currency rate, liquidity, interest rate and credit risks. Changes in the value of the Swedish krona have an impact on Oriola's net sales, earnings and consolidated statement of financial position. Changes in cash flow forecasts may cause impairment of goodwill. More information about financial risk management can be found in note 8.3. 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. The ramp-up of the expansion and automation of the distribution centre in Sweden, which started during the first quarter of 2019, is ongoing. Thorougl risk management and action plans have been prepared for the ramp-up phases. Oriola systematically improves the readiness and compatibility of its IT systems. The company has defined separate risk management plans for all IT projects and aims to ensure the go lives of the systems through thorough planning.

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 estimatec with reasonable accuracy. Taking into account all available informatior to date, the legal actions, claims and other proceedings are not expect ed to have material impact on the financial position of the Group.

3. Governance

Corporate governance statement 2019

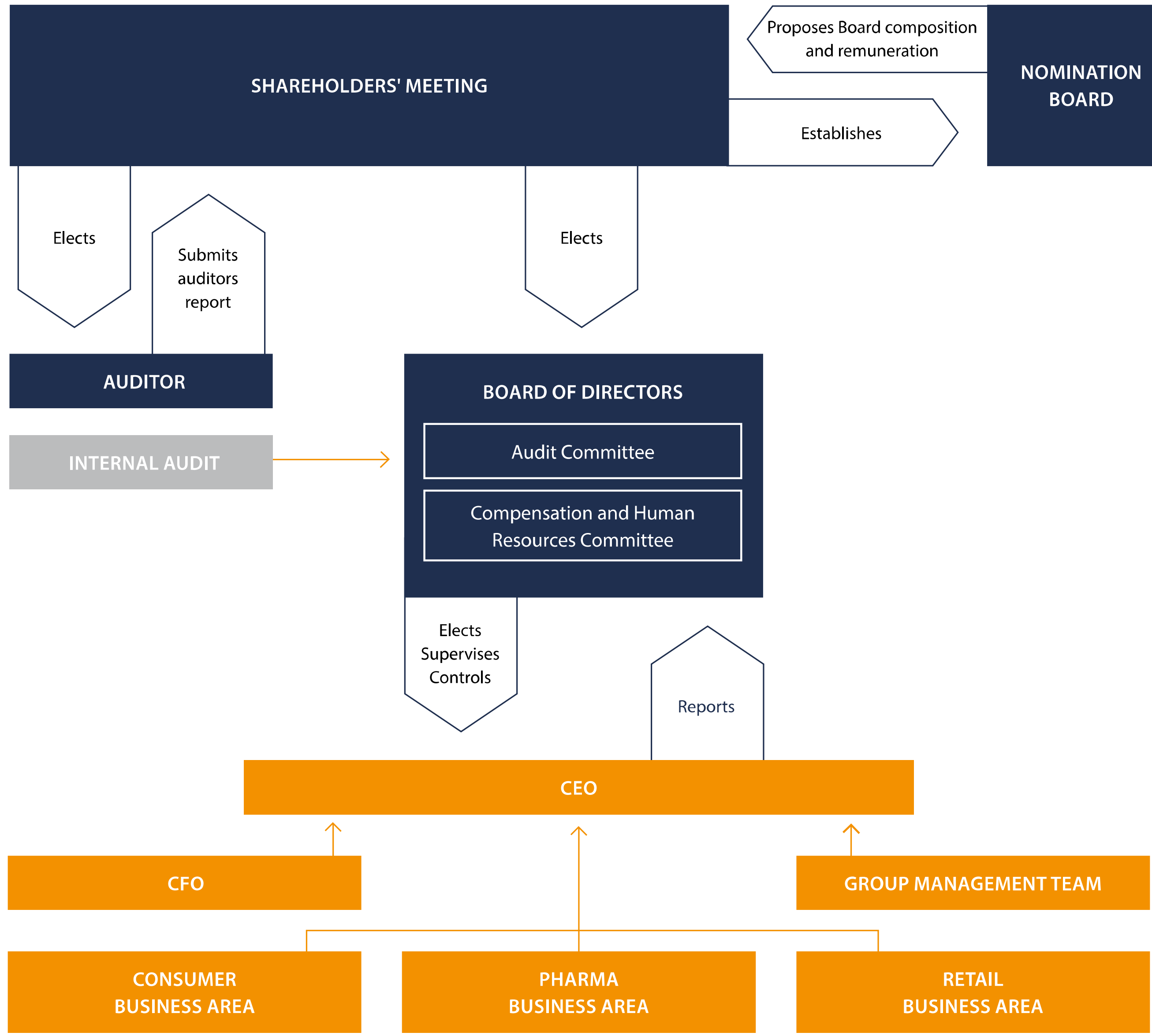
This Corporate governance statement has been prepared in accordance with the Finnish Corporate Governance Code 2015 and chapter 7, section 7 of the Finnish Securities Markets Act.

Oriola Corporation (hereinafter "Oriola" or "the company") 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 in its entirety without any exceptions. 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 auditor's report covers the Report of the Board of Directors, the consolidated financial statements and the parent company's financial statements.

Governing structures of Oriola



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 1 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 2 months and no later than 21 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 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 falls within the competence of the general meeting dealt with by the general 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 of general meeting. The demand shall 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 shall according to law and the articles of association exercise their power of decision at the general meeting. The Annual General Meeting is held by 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
- 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 authorisations).

Annual General Meeting 2019

The Annual General Meeting of Oriola, held on 19 March 2019, adopted the financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the financial year ending 31 December 2018. According to the decision of the Annual General Meeting, a dividend of EUR 0.09 per share was paid on the basis of the balance sheet adopted for the financial year ending 31 December 2018.

Authorisations

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

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

The Annual General Meeting authorised the Board to decide on a share issue of class B shares without payment to the Company and on a directed share issue of class B shares in order to execute the share-based incentive plan for Oriola Group's executives and the share savings plan for Oriola Group's key personnel. The maximum number of new class B shares to be issued under this authorisation is 250,000, which represents of 0.14 % of all shares in the Company The authorisation is in force for eighteen (18) months from the dec sion 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 whic shares are owned by the shareholders. The authorisation is in force for a maximum of 18 months following the decision of the Annual General Meeting.

All decisions of the Annual General Meeting 2019 are available on the company's website at www.oriola.com.

Shareholders' Nomination Board

The Shareholders' Nomination Board consists of five members appointed by the shareholders. In addition, the Chairman of the Board of Directors acts as an expert member of the Nomination Board.

The Chairman of the Board of Directors annually arranges a meeting to which the Chairman invites the company's 20 largest shareholders, by votes, registered as shareholders in the company's shareholders' register maintained by Euroclear Finland Ltd by 31 August preceding the Annual General Meeting. The meeting of the 20 largest shareholders, by votes, elects the members of the Shareholders' Nomination Board. One of the members is elected to serve as the Chairman of the Shareholders' Nomination Board.

The term of office of the members of the Shareholders' Nomination Board expires the year following the appointment upon the appointment of the new members of the Shareholders' Nomination Board pursuant to the rules of procedure of the Shareholders' Nomination Board.

The Shareholders' Nomination Board is established to exist and serve until the Annual General Meeting decides otherwise.

The Nomination Board shall prepare a proposal concerning the composition of the Board of Directors for the company's Annual General Meeting. The Nomination Board must submit its proposals to the Board of Directors no later than on the first day of February preceding the Annual General Meeting. The proposals are published as a stock exchange release and included in the invitation to the Annual General Meeting. The Nomination Board shall also present and provide grounds for its proposals to the Annual General Meeting.

The rules of procedure of the Shareholders' Nomination Board are available on the Company's website www.oriola.com.

The largest shareholders of Oriola Corporation elected on 23 September 2019 the following persons as members of the Nomination Board:

Mikael Aro
Peter Immonen
Mikko Mursula
Pekka Pajamo
Into Ylppö

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

On 28 January 2020, the Shareholders' Nomination Board submitted its proposal to the 2020 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 Juko-Juho Hakala, Anja Korhonen, Mariette Kristenson, Eva Nilsson Bågenholm, Harri Pärssinen and Lena Ridström would be re-elected and Panu Routila would be elected new member of the Board of Directors. Panu Routila would be elected as new Chairman of the Board of Directors. Current Chairman of the Board of Directors, Anssi Vanjoki, has informed the Nomination Board that he is not available for re-election to the Board of Directors.

The biographical details of the proposed Board members are presented on the company's website.

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 the Oriola Group.

The members of the Board of Directors are elected by the general meeting of shareholders. The Board of Directors uses the highest decision-making power in the Oriola Group between the general meetings of Shareholders. Pursuant to 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 Board of Directors convenes in accordance with a timetable agreed in advance and also convenes as required. In addition to making decisions, the Board of Directors also receives during its meetings 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.

Main tasks of the Board of Directors

The main tasks to be dealt with by the Board of Directors are listed in the Board's rules of procedure. Accordingly, these are among others:

- 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 segments; and
- approving the charters of the Audit Committee and the Compensation and Human Resources 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 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 of 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 2019 represents diversity related of nationalities, professional competencies and genders.

Board of Directors 2019–2020

The Annual General Meeting of Oriola held on 19 March 2019 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:

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	13/13	
Juko-Juho Hakala	1970	M.Sc. (Economics), independent member of the Board	13/13	Compensation and HR Committee 6/6
Anja Korhonen	1953	M.Sc. (Economics), independent member of the Board	13/13	Audit Committee 6/6
Mariette Kristenson	1977	M.Sc. (Economics), independent member of the Board	9/13	Compensation and HR Committee 6/6
Eva Nilsson Bågenholm (Vice Chairman)	1960	Physician, independent member of the Board	13/13	Compensation and HR Committee 6/6
Lena Ridström	1965	M.Sc. (Economics), independent member of the Board	13/13	Audit Committee 6/6
Harri Pärssinen	1963	M.Sc. (Economics), independent member of the Board	11/11	Audit Committee 5/5

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

Members of Oriola's Board of Directors 1 January–19 March 2019:

Name	Year of birth	Education and independence	Attendance at Board Meetings	Attendance at Committee Meetings
Staffan Simberg	1949	MBA, independent member of the Board	2/2	Audit 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 practises.

In 2019, the Board of Directors of Oriola convened 13 times, 3 of which were conference call meetings and 1 per capsulam meeting.

Board committees

The Board of Directors has an Audit Committee and a Compensation and Human Resources 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 and Human Resources Committee.

In addition to the Audit Committee and Compensation and Human Resources Committee, 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, the number of meetings or the members' attendance rates.

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; and
- 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 of 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 19 March 2019, the Chairman of the Audit Committee is Anja Korhonen and the other members are Lena Ridström and Harri Pärssinen. The members of the Audit Committee are independent of the company and its major shareholders.

Compensation and Human Resources Committee

According to the charter, the Compensation and Human Resources Committee reviews management and personnel remuneration policies and issues related to management appointments and makes proposals on such matters to the Board of Directors. The Committee's responsibilities include:

- Developing and monitoring effective compensation principles that promote achievement of the goals of the company
- Making proposals to the Board on compensation and incentive schemes for management and other key personnel
- Evaluating performance management, succession planning and talent development processes and programmes
- Considering and preparing appointments of top management to be decided by the Board. Supporting and advising the President and CEO in the appointments of the Group Management Team
- Monitoring and evaluating the performance of the President and CEO
- Monitoring and evaluating the performance of the members of the Group Management Team based on the CEO´s proposal.

The Compensation and Human Resources Committee has three members. As of 19 March 2019, the Chairman of the Committee is Eva Nilsson Bågenholm and the other members are Juko-Juho Hakala and Mariette Kristenson. The members of the Compensation and Human Resources Committee are independent of the company and its major shareholders.

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. The current President and CEO of the company is Robert Andersson, M.Sc., MBA, born in 1960. 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 addition, the President and CEO also ensures that accounts of the company comply with Finnish law and that its financial affairs have been arranged in a reliable manner. 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 also appoints, as necessary, a deputy to the President and CEO. At the end of the year 2019 the Company does not have an appointed deputy to the President and CEO.

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 the year 2019, the Group Management Team consisted of ten members, including the 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. 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 31 December 2019:

- Robert Andersson, President and CEO
- Helena Kukkonen, CFO
- Katarina Gabrielson, Vice President, Retail business area
- Thomas Gawell, Vice President, Pharma business area
- Anne Kariniemi, Vice President, Operations
- Tuula Lehto, Group Communications Director
- Charlotta Nyström, CIO
- Petter Sandström, General Counsel
- Teija Silver, Vice President, Human Resources
- Anders Torell, Vice President, Consumer business area

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 admin istration 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. The organising and leading of the financial reporting in the Group has been centralised 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 that are followed in all Group companies. Group accounting is responsible fo 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 segments. 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 o internal supervision. Each business segment must ensure effective supervision of its own operations as part of Group-level internal su pervision. 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 managed. 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 assess the Company's long-term strategic risks and oversees the effectiveness of the risk management. The Board-appointed Audit Committee regularly reviews and monitors the implementation of the risk management policy in the Group and the risk management process.

Oriola has specified the company's risk management model, principles, organisation and process in the Group 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, a Treasury policy and an Approval policy covering compliance and financial risks.

Oriola's risks are classified as strategic, operational, financial and hazard risks. 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 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, which must be 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 auditor's report to the shareholders in connection with the annual financial statements, as required by law, and submits regular reports on its observations to the Board's 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 19 March 2019 re-elected KPMG Oy Ab, a firm of authorised public accountants, as the company's auditor, with Kirsi Jantunen, Authorised Public Accountant, KHT, as the principal auditor. The fees for the statutory audit paid to the auditing firm KPMG in 2019 totalled EUR 218,600. In addition, EUR 17,700 was paid for other consultation provided to Group companies.

Insider management

Oriola complies with the insider holding guidelines issued by Nasdaq Helsinki Ltd (January 3, 2018) and the Market Abuse Regulatio (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 insid er guidelines of Nasdaq Helsinki Ltd, and the regulations and guide lines of the European Securities Markets Authority and the Finnish Financial Supervisory Authority.

Members of the company's Board of Directors, the President and CEO, the members of the Group Management Team that have opera tional responsibilities leading a business area of the company as wel as the CFO, CIO and Vice President Operations are considered the management of the company ("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 witl out 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 relatec to them during a closed period of no less than 30 days before a finar cial 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 determined not to include any persons as permanent insiders. Consequently, all persons with inside information will be included in the event-based insider list for relevant insider projects. Oriola instructs the persons entered in th 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 Management, their close family members as well as companies in which the individuals mentioned, alone or jointly with others, exercise control. 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 2019 that neither they nor their related parties have engaged in business transactions with Oriola during the year in question.

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 Shareholders' Nomination Board prepares a proposal concerning the composition of the Board of Directors for the company's Annual General Meeting.

On 19 March 2019, the Annual General confirmed that the fee for the term of office of the Chairman of the Board of Directors is EUR 60,000, the fee for the term of office of the Vice Chairman of the Board of Directors and for the Chairman of the Board's Audit Committee is EUR 36,000 and the fee for the term of office of other members of the Board of Directors is EUR 30,000. The Chairman of the Board of Directors receives an attendance fee of EUR 1,000 per meeting and the other members EUR 500 per meeting. Attendance fees are correspondingly also paid to the chairmen and members of Board and company committees. Travel expenses are compensated in accordance with the travel policy of the company.

In accordance with the decision of the Annual General Meeting, 60% of the annual remuneration was paid in cash and 40% in class B shares. Oriola Corporation class B shares were acquired on the market for the Board members as follows: Anssi Vanjoki 11,631 shares, Anja Korhonen 6,978 shares, Mariette Kristenson 5,815 shares, Juko-Juha Hakala 5,815 shares, Eva Nilsson Bågenholm 6,978 shares, Lena Ridström 5,815 shares and Harri Pärssinen 5,815 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 2019 and shareholdings in the company on 31 December 2019 are available in notes 4.4. and 8.4. 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 and Human Resources 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 and Human Resources 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 information about the Compensation and Human Resources Committee can be found in the 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 and Human Resources 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, the Vice President Pharma business area and the Vice President Retail 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 2019 for the President and CEO was 85% of the annual salary and for the other Group Management Team members 60% 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 and Human Resources 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 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, participated in the plan. The plan included 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 resolved on the plan's performance criteria and on the required performance level for each criterion at the beginning of each performance period.

The essential precondition for participation in the plan and for receipt of reward on the basis of the plan was that a key person was enrolled in the OKShares and made 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% 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.

The rewards paid in February 2018 on the basis of the performance period 2016 were based on the Group's earnings per share (EPS) and corresponded to the value of 119,803 Company's class B shares (including also the proportion to be paid in cash). Similarly, the potential rewards from the performance periods 2017 and 2018 were based on the Group´s earnings per share (EPS). There will be no payment based on the performance periods 2017 and 2018 since the performance criteria for the plan was not met.

Executive incentive plan 2019–2023

On 14 December 2018 The Board of Directors of Oriola Corporation resolved to establish a new share-based long-term incentive plan 2019–2023 directed to the Group's key personnel. The long-term incentive plan arrangement has three three-year performance periods 2019–2021, 2020–2022 and 2021–2023. 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. Approximately 30 key persons, including the members of the Group Management Team, belong to the target group of the plan.

The prerequisite for participation in the plan and for receipt of reward on the basis of the plan is that the key person has enrolled in the key personnel share savings plan and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force during the first year of the three-year performance period. A member of the Group Management Team must hold 50% of the net shares given on the basis of the long-term incentive plans, until his or her shareholding in the Company in total equals the value of his or her gross annual salary. Such number of shares must be held as long as the key person holds a position as a Group Management Team member.

The potential reward from the performance period 2019–2021 will be based on the Group's earnings per share (EPS) and Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of an approximate maximum total of 1,700,000 Oriola Corporation Class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation Class B shares and partly in cash in spring 2022 after the end of the performance period. The potential reward from the performance period 2020–2022 will be based on the Group's earnings per share (EPS) and Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2020–2022 correspond to the value of an approximate maximum total of 1,820,000 Oriola Corporation Class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation Class B shares and partly in cash in spring 2023 after the end of the performance period. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

One-off incentive plan 2019–2020

On 14 December 2018 The Board of Directors of Oriola Corporation resolved to establish a two-year one-off incentive plan 2019-2020 directed to the Group's key personnel to enable the prolonging of the long-term incentive plan performance period to three years and with that change better answer to the requirements of the investors and corporate governance and to be more aligned with the market practice. The one-off long-term incentive plan has a two-year performance period 2019–2020. The Board of Directors of the Company resolved on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. Approximately 30 key persons, including the members of the Group Management Team, belong to the targe group of the plan.

The prerequisite for participation in the plan and for receipt of rewar on the basis of the plan is that a key person has enrolled in the key personnel share savings plan and makes the monthly saving from hi or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force. The member of the Group Management Team must hold 50% of the net shares given on the ba sis of the long-term incentive plans, until his or her shareholding in the Company in total equals the value of his or her gross annual salary. Such number of shares must be held as long as the key person holds a position as a Group Management Team member.

The potential reward from the performance period 2019-2020 will be based on the Group's earnings per share (EPS) and separately defined two-year strategic projects. The rewards to be paid on the basis of the performance period 2019–2020 correspond to the value of an approximate maximum total of 1,700,000 Oriola Corporation Class B shares (including also the proportion to be paid in cash). The potential reward will be paid partly in Oriola Corporatio class B shares and partly in cash in spring 2021 after the end of the performance period. The cash proportion is intended to cover taxe and tax-related costs arising from the reward to a key person.

Share savings plans

Oriola Corporation has had since 2013 a key personnel share savings plan in force. The Board of Directors of Oriola Corporation always decides on the launch of a new savings period in the plan separately. According to the rules of the share savings plan in force, the maximum monthly saving is 8.3% and the minimum is 2% of each participant's fixed monthly gross salary. The accumulated savings will be used for purchasing Oriola Corporation class B shares for the participants at the market price quarterly. In return, each participant will receive two free class B matching shares for every three acquired savings shares if the participant holds the acquired shares from the savings period until the end of the designated holding period and if his or her employment with a company has not been terminated on bad leaver terms. The matching shares are paid partly in Oriola's class B shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

Approximately 40 key employees participated in the share savings plan for the savings period 1 January–31 December 2017. The matching shares transferred to eligible participants in May 2019 corresponded to the value of 40,398 Oriola Class B shares, including the proportion paid in cash.

Approximately 50 key employees participated in the Oriola Corporation key personnel share savings plan for the savings period 1 January–31 December 2018. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January–31 December 2019. The matching shares will be transferred to eligible participants in 2020. The estimated number of matching shares, including the portion to be paid in cash, is 79,435.

Approximately 62 key employees participated in the share savings plan for the savings period 1 January–31 December 2019. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January–31 December 2020. The matching shares will be transferred to eligible participants in 2021.

Approximately 67 key employees will participate in the share savings plan for the savings period 1 January–31 December 2020. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January–31 December 2021. The matching shares will be transferred to eligible participants in 2022. Assuming all eligible employees will participate and will save the maximum of 8.3% of their fixed monthly gross salary the aggregated estimated number of new shares to be issued or treasury shares held by the Company to be transferred as matching shares based on the savings period 2020 is approximately 250,000 class B shares.

Financial benefits of the President and CEO in 2019

The salary and other remuneration, including fringe benefits, paid in 2019 to the President and CEO Robert Andersson, amounted to a total of EUR 690,862 as follows:

Fixed base salary of EUR 623,700;
Fringe benefits of EUR 22,761;
Performance bonus of EUR 44,401; and
Share-based payments of EUR 0.

Financial benefits of other Group Management Team members 2019

The salaries and other remuneration, including fringe benefits, paid in 2019 to the members of the Group Management Team totalled EUR 1,641,477 as follows:

Fixed base salaries totalling EUR 1,451,653;
Fringe benefits totalling EUR 91,594;
Performance bonuses totalling EUR 79,106; and
Share-based payments totalling EUR 19,124.

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 8.4. to the Consolidated Financial Statements and in the Remuneration report on the company web site.

5. Non-financial information

Oriola has reported its sustainability progress and data since 2017. The company's sustainability work is based on a stakeholder materiality review conducted in 2018 to ensure that Oriola's sustainability program focuses on material topics.

This year, Oriola has moved towards integrated reporting. Targets and achievements of material sustainability themes are covered on more detailed level in the Annual review. This non-financial information report covers sustainability key themes (society, people and planet) according to the Finnish Accounting Act. For the first time this year, the GRI supplement is part of the annual report. GRI supplement includes key sustainability information compliant with the GRI Standards and the information has been assured (limited assurance).

Business model

Oriola operates in the health and wellbeing market in Sweden and in Finland. Oriola serves the customers in three business areas: Consumer, Pharma and Retail. In addition, group level Operations function serves all business areas and includes logistics operations, operational sourcing and dose manufacturing. Oriola employs nearly 4,300 people in Finland and Sweden.

Oriola serves the health and wellbeing market with a modern and customer focused assortment and services, and connects all actors within the field, from pharmaceutical companies to pharmacies and consumers. Oriola promotes wellbeing by ensuring that medicines as well as health and wellbeing products are delivered in a safe and customer friendly manner. Oriola's wide range of services help pharmaceutical companies, pharmacies and other operators in the healthcare field to succeed and promote a healthier life for people. Oriola does not have its own product manufacturing.

Quality management and compliance with pharmaceutical sector regulations are the foundation for operations. Oriola's business is regulated by numerous international and national pharmaceutical sector laws and regulations.

Oriola creates value for different stakeholders, from suppliers to consumers and owners. More detailed value creation framework with inputs, outputs and impacts is described in Oriola's value creation model in Annual Review page 9.

Purpose, values and Code of Conduct

The purpose of Oriola is "Health for life" and company's vision is to promote a healthier tomorrow. Purpose gives meaning to Oriola's employees' work. Oriola's values: "we are open", "we take responsibility", "we work together" and "we take initiative", reflect all Oriola's business operations.

The Oriola Group Code of Conduct guides management and personnel. The Code of Conduct presents the Oriola corporate culture, which is based on law and good corporate governance, openness, fairness and confidentiality. The Code of Conduct contains the company's commitment to fighting bribery and corruption, compliance with all competition laws, engaging in collaboration and dialogue with stakeholders as well as the requirements on all employees' committing to confidentiality obligations and avoiding conflicts of interest. Oriola has a confidential whistleblowing channel for reporting actions that are suspected to be in violation of the Code of Conduct. The company's Board of Directors monitors compliance with the Code of Conduct. Oriola organises Code of Conduct trainings to all employees and the training has been completed by over 3,000 employees (10/2017–12/2019).

ESG risk management

Oriola assesses ESG risks (environment, social and governance) as part of the regular risk management process. Oriola has identified the following biggest ESG risks: changes in environmental regulation and fossil fuel pricing due to climate change impacts, consumers' increasing demands for ethical, transparent and environmentally sustainable products and services, and information security.

Oriola responds to the challenges and sees business opportunities in systematic development of the environmental work. Oriola follows the development of environmental legislation. Commitment to reducing CO_2 emissions is a selection criteria for Oriola's transportation partners. Oriola evaluates product sustainability in its selection decisions and develops its own products to meet the increasing demands of consumers. In addition, Oriola is developing consumer-oriented health services such as Drop-In clinics in Oriola's pharmacies in Sweden. In Finland, Oriola participates in Sitra's IHAN® project on Fair Data Economy, which creates new services and solutions by utilising personal information with the permission of the users.

Environmental responsibility

Oriola´s Environmental Policy outlines the commitment to reduce the environmental impacts of the company's operations. The most significant impacts on the environment caused by Oriola's business are associated with facility maintenance, packing waste and transportation. Oriola's Swedish subsidiaries Oriola Sweden AB and Svensk dos AB have ISO 14 001:2015 (Environment Management System) certificates.

In 2019, Oriola defined the carbon footprint of its operations and set long-term goal to achieve carbon neutrality by 2030. Carbon neutrality means reducing company's carbon emissions to zero. As an interim goal towards carbon neutrality, Oriola has set a target to use 100% renewable energy and to reach 85% recycling rate by 2022. Emissions from energy and waste account for nearly 30% of Oriola's total carbon emissions.

In Finland, 100% of electricity used by Oriola comes from renewable sources. In 2019, Oriola has continued to switch to renewable electricity in Sweden through negotiations with the landlords of the pharmacies in rented premises. Oriola uses district heating in Finland, and has started negotiations on the transition to renewable energy sources. District heating accounts for nearly 20% of Oriola's carbon dioxide emissions.

Improving the recycling of waste was one of the key initiatives of Oriola's environmental work in 2019. Oriola's primary goal in waste management is to reduce waste; the secondary goal is to make material usage more effective. In the spring 2019, as part of the recycling improvement initiative in distribution centre in Mankkaa, Oriola started sorting of plastic film and improved the recycling of other waste categories. As a result, Oriola's recycling rate increased from 67.0% to 70.6%.

Pharmaceutical logistic operations is one of the core businesses fo Oriola. The company's distribution network, which mostly consists of road transport, covers all of Finland and Sweden. In addition to the regulatory requirements associated with pharmaceutical distribution, transportation routes are planned so that they are as environmentally efficient as possible. Oriola's transportation network is handled by the suppliers. Oriola works closely with its transportation partners who are committed to reduce CO_2 emissions. The company monitors transportation emissions by obliging transportation partners to report on regular basis. Transportation emission account for nearly 30% of Oriola's total carbon emission.

Oriola has defined CO_2 emissions as a key indicator for environmen tal responsibility. In 2019 emissions were 6,956 tCO_2.

Social responsibility

Ensuring pharmaceutical safety and the availability of pharmaceuticals is a high priority in Oriola's operations. Pharmaceuticals must be delivered safely and on time irrespective of external conditions. Oriola's operations are designed to ensure that pharmaceuticals are available on the market and that they are handled in a manner that is in compliance with the pharmaceutical sector's regulatory require ments. Oriola's pharmacy chain Kronans Apotek in Sweden, comprehensive patient support services and dose dispensing services promote safe usage of medicines.

Competent and committed personnel is the key success factor and foundation of Oriola´s responsible business operations. By investin in its personnel, Oriola can provide added value to its customers, meet the strict quality requirements of the pharmaceutical sector and ensure its competitiveness in the market.

Oriola conducts annual performance reviews covering all employees in the company. The results of the reviews form the basis for the process of setting future action plans and goals for the employees. Oriola is an equal and fair workplace that supports diversity. Oriola Code of Conduct defines ethical norms that each employee must comply with in their work.

Oriola has defined employee engagement index as a key indicator for social responsibility. The 2019 employee engagement index was 77 (76 in 2018).

Oriola supports a transparent company culture and publishes its tax footprint, which consists of income taxes and other taxes, as well as corresponding charges related to business operations. Oriola pays taxes to each country in which it operates in accordance with local legislation. Oriola does not have subsidiaries in countries seen as tax havens. Oriola´s tax footprint can be found on the company's website www.oriola.com.

Governance

Oriola operates on a regulated market. Oriola's quality management is based 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 Good Distribution Practice (GDP) of the European Medicines Agency (EMA). In Finland, compliance with the GDP is monitored by Finnish Medicines Agency FIMEA and in Sweden by Medical Product Agency (MPA). GDP defines the common rules for handling medicines. Where applicable, Oriola's operations are also guided by Good Manufacturing Practices (GMP) and other regulation concerning products that come under regulatory control, such as food and cosmetics regulation.

Procurement principles, as well as supplier selection and approval processes are important to Oriola, and the most significant human rights impacts of Oriola are associated with supply chains. Oriola promotes adherence with ethical principles among its business partners and suppliers, and requires suppliers and other business partners to commit to Oriola Business Partner Code of Conduct. Business Partner Code of Conduct covers principles related to human rights, environmental impacts and transparency, as well as fighting bribery, corruption and discrimination.

In 2019, Oriola continued to align the procurement practices and implementation of Business Partner Code of Conduct with the direct product suppliers. In 2019, the company also conducted a geographical risk assessment of direct non-pharmaceutical products and suppliers. The main part of Oriola's direct non-pharmaceutical product purchases come from Europe. By the end of 2019, 223 out of 385 identified direct product suppliers had been benchmarked against Oriola's supplier practices included in the Oriola Business Partner Code of Conduct.

Espoo, 6 February 2020
Oriola Corporation

Board of Directors

Information on shares

Shares and shareholders

Shareholders by type of owner, 31 December 2019

	Shareholders			% of shareholders			% of shares		
	A shares	B shares	Total	A shares	B shares	Total	A shares	B shares	Tota
Individuals	12,024	25,232	32,866	96.8	95.6	95.9	44.6	35.1	38.
Corporations and partnerships	240	724	901	1.9	2.7	2.6	28.5	22.1	24.
Banks and insurance companies	16	50	54	0.1	0.2	0.2	3.0	13.4	10.
Public entities	8	14	19	0.1	0.1	0.1	14.3	7.1	9.
Non-profit institutions	69	242	283	0.6	0.9	0.8	4.6	2.3	3.
Foreign shareholders	63	129	163	0.5	0.5	0.5	0.3	0.7	0.
Total	**12,420**	**26,391**	**34,286**	**100.0**	**100.0**	**100.0**	**95.2**	**80.6**	**85.**
Nominee registrations							4.7	19.4	14.
In the joint-book-entry account							0.1	0.0	0.

Shareholders by number of shares held, 31 December 2019

	Shareholders			% of shareholders		
Number of shares	A shares	B shares	Total	A shares	B shares	Tota
1–100	2,235	3,132	4,575	18.0	11.9	13.
101–1,000	6,434	14,251	18,118	51.8	54.0	52.
1,001–10,000	3,361	8,260	10,408	27.1	31.3	30.
10,001–100,000	347	679	1,079	2.8	2.6	3.
over 100,001	43	69	106	0.3	0.3	0.
Total	**12,420**	**26,391**	**34,286**	**100.0**	**100.0**	**100.**
Of which nominee registered	8	10	10			

	Shares			% of shares		
Number of shares	A shares	B shares	Total	A shares	B shares	Tota
1-100	114,587	179,167	293,754	0.2	0.1	0.
101-1,000	2,756,604	6,471,292	9,227,896	5.0	5.1	5.
1,001-10,000	9,401,694	23,252,362	32,654,056	17.0	18.4	18.
10,001-100,000	8,829,930	16,130,994	24,960,924	15.9	12.8	13.
over 100,001	34,266,980	79,956,929	114,223,909	61.8	63.4	62.
Total	**55,369,795**	**125,990,744**	**181,360,539**	**99.9**	**100.0**	**99.**
Of which nominee registered	2,578,950	24,436,870	27,015,820	4.7	19.4	14.
In the joint-book-entry account	64,478	61,196	125,674	0.1	0.0	0.
Total number of shares	**55,434,273**	**126,051,940**	**181,486,213**	**100.0**	**100.0**	**100.**

Share-related key figures

			2019	2018	2017	2016	2015
Earnings per share[2]		EUR	0.04	0.06	0.14	0.23	0.25
Earnings per share, continuing operations[2]		EUR	0.04	0.06	0.14	0.23	0.25
Equity per share[2]		EUR	0.87	0.98	1.08	1.13	1.07
Total dividends		EUR million	16.3[1]	16.3	16.3	25.4	23.6
Dividend per share		EUR	0.09[1]	0.09	0.09	0.14	0.13
Payout ratio[2]		%	203.5[1]	151.7	63.9	60.5	51.7
Dividend yield	A	%	4.46[1]	4.57	3.00	3.29	3.07
Dividend yield	B	%	4.44[1]	4.55	3.21	3.25	3.01
P/E ratio, continuing operations[2]	A		45.67	33.20	21.58	18.83	17.23
P/E ratio, continuing operations[2]	B		45.78	33.37	20.14	19.10	17.55
Share price on 31 Dec	A	EUR	2.02	1.97	3.00	4.25	4.24
Share price on 31 Dec	B	EUR	2.03	1.98	2.80	4.31	4.32
Average share price	A	EUR	2.10	2.82	3.79	4.16	4.01
Average share price	B	EUR	2.11	2.72	3.66	4.20	4.06
Lowest share price	A	EUR	1.86	1.92	2.96	3.70	2.93
Lowest share price	B	EUR	1.86	1.94	2.77	3.65	2.84
Highest share price	A	EUR	2.56	3.38	4.53	4.50	4.52
Highest share price	B	EUR	2.53	3.17	4.43	4.65	4.60
Market capitalisation		EUR million	367.2	358.8	519.2	778.9	779.6
Trading volume							
A shares		pc	3,758,001	3,067,789	2,703,394	1,893,721	3,045,353
% of average number of A shares		%	6.8	5.5	4.9	3.4	5.5
B shares		pc	24,054,806	40,993,419	41,746,627	22,488,841	35,816,293
% of average number of B shares		%	19.1	32.5	33.2	17.9	29.3
% of average number of all shares		%	15.3	24.3	24.5	13.4	21.9
Number of shares 31 Dec	A	pcs	55,434,273	55,434,273	55,434,273	55,484,648	55,484,648
Number of shares 31 Dec	B	pcs	126,051,940	126,051,940	126,051,940	126,001,565	126,001,565
Total number of shares 31 Dec		pcs	181,486,213	181,486,213	181,486,213	181,486,213	181,486,213
Total number of A shares, annual average		**pcs**	**55,434,273**	**55,434,273**	**55,434,825**	**55,484,648**	**55,204,784**
Total number of B shares, annual average		pcs	126,051,940	126,051,940	126,051,388	126,001,565	122,441,865
Total number of shares, annual average		**pcs**	**181,486,213**	**181,486,213**	**181,486,213**	**181,486,213**	**177,646,649**

[1] Proposal by the Board of Directors. .

[2] The figures in 2016–018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods in the notes to the Financial Statements.

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 shareholders, 31 December 2019

By number of shares held	A shares	B shares	Total shares	% of total shares	Votes	% of total votes
1. Mariatorp Oy	6,000,000	14,000,000	20,000,000	**11.02**	134,000,000	**10.85**
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	2,299,018	5,905,432	**3.25**	74,427,298	**6.03**
5. Mandatum Life Insurance Company Limited	973,500	3,835,610	4,809,110	**2.65**	23,305,610	**1.89**
6. Mutual Insurance Company Pension-Fennia	209,985	2,412,779	2,622,764	**1.45**	6,612,479	**0.54**
7. Medical Investment Trust Oy	1,560,000	510,540	2,070,540	**1.14**	31,710,540	**2.57**
8. The Land and Water Technology Foundation	2,041,832	0	2,041,832	**1.13**	40,836,640	**3.31**
9. The Social Insurance Institution of Finland	0	1,991,481	1,991,481	**1.10**	1,991,481	**0.16**
10. Tukinvest Oy	1,983,526	0	1,983,526	**1.09**	39,670,520	**3.21**
11. Evli Finnish Small Cap	0	1,834,000	1,834,000	**1.01**	1,834,000	**0.15**
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. Fondita Nordic Micro Cap Placeringsfond	0	1,605,500	1,605,500	**0.88**	1,605,500	**0.13**
15. Kaleva Mutual Pension Insurance Company	277,942	1,200,000	1,477,942	**0.81**	6,758,840	**0.55**
16. Ylppö Into	693,522	240,200	933,722	**0.51**	14,110,640	**1.14**
17. Laakkonen Mikko	196,320	689,080	885,400	**0.49**	4,615,480	**0.37**
18. Ehrnrooth Helene	0	804,333	804,333	**0.44**	804,333	**0.07**
19. Drumbo Oy	0	800,000	800,000	**0.44**	800,000	**0.06**
20. The State Pension Fund	0	800,000	800,000	**0.44**	800,000	**0.06**
Total	25,960,203	44,580,305	70,540,508	**38.87**	563,784,365	**45.66**
Nominee registred	2,578,950	24,436,870	27,015,820	**14.89**	76,015,870	**6.16**
Oriola Corporation	0	84,903	84,903	**0.05**	84,903	**0.01**
Other	26,895,120	56,949,862	83,844,982	**46.20**	594,852,262	**48.18**
All shareholders total	**55,434,273**	**126,051,940**	**181,486,213**	**100.00**	**1,234,737,400**	**100.00**

Financial indicators and performance measures

Financial indicators 2015–2019

Consolidated income statement[1]		2019	2018 restated[8]	2017 restated[8]	2016 restated[8]	2015
Net sales	EUR million	1,721.3	1,552.2	1,527.7	1,588.6	1,577.8
Adjusted EBIT	EUR million	20.5	34.4	39.0	58.7	59.8
% of net sales	%	1.2	2.2	2.6	3.7	3.8
EBIT	EUR million	15.3	19.5	36.9	56.5	61.6
% of net sales	%	0.9	1.3	2.4	3.6	3.9
Financial income and expenses	EUR million	-5.2	-3.0	-3.9	-4.7	-6.5
% of net sales	%	-0.3	-0.2	-0.3	-0.3	-0.4
Profit before taxes	EUR million	10.1	16.6	32.9	51.8	55.0
% of net sales	%	0.6	1.1	2.2	3.3	3.5
Profit for the period	EUR million	8.0	10.8	25.2	40.9	43.7
% of net sales	%	0.5	0.7	1.7	2.6	2.8

Consolidated balance sheet	EUR million	2019	2018 restated[8]	2017 restated[8]	2016 restated[8]	2015
Non-current assets		509.9	440.0	446.6	437.4	396.4
Goodwill		270.5	274.3	282.7	286.8	256.5
Current assets		520.7	484.2	474.2	487.1	550.5
Inventories		234.2	209.6	205.7	198.3	201.1
Equity attributable to the parent company shareholders		157.2	177.9	196.1	204.3	194.6
Liabilities total		873.4	746.2	724.7	720.3	752.3
Interest-bearing liabilities		190.3	129.4	127.2	133.1	128.6
Non-interest-bearing liabilities		683.1	616.8	597.5	587.2	623.7
Total assets		1,030.6	924.2	920.8	924.5	946.9

Key figures		2019	2018 restated[8]	2017 restated[8]	2016 restated[8]	2015
Equity ratio[4]	%	15.5	19.5	21.7	22.6	21.1
Equity per share	EUR	0.87	0.98	1.08	1.13	1.07
Return on capital employed (ROCE)[2 5]	%	4.1	6.2	11.4	17.5	19.9
Return on equity[2 6]	%	4.9	5.8	12.8	21.0	29.1
Net interest-bearing debt	EUR million	119.6	63.6	110.2	72.3	6.6
Gearing[7]	%	76.1	35.8	56.2	35.4	3.4
Earnings per share from continuing operations	EUR	0.04	0.06	0.14	0.23	0.25
Earnings per share incl. discontinued operations	EUR	0.04	0.06	0.14	0.23	0.25
Average number of shares[3]	pcs	181,394,589	181,360,503	181,328,408	181,389,391	177,501,818
Average number of personnel from continuing operations, full time equivalents	pers.	2,800	2,699	2,686	2,425	2,172
Gross capital expenditure incl. discontinued operations	EUR million	21.8	39.6	46.2	88.8	20.4

[1] Continuing operations.

[2] The comparative figures 2015–2017 include discontinued operations, 2015 figures excluding Russia.

[3] Company-owned treasury shares are not included.

[4] Equity ratio in 2019 is impacted by the decrease of retained earnings by EUR 5.7 million and increase of total assets by EUR 78.2 million due to the application of IFRS 16. Excluding the impact of IFRS 16 equity ratio would have been 17.3%.

[5] Return on capital employed in 2019 is impacted by the increase of total assets by EUR 78.2 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on capital employed would have been 4.4%.

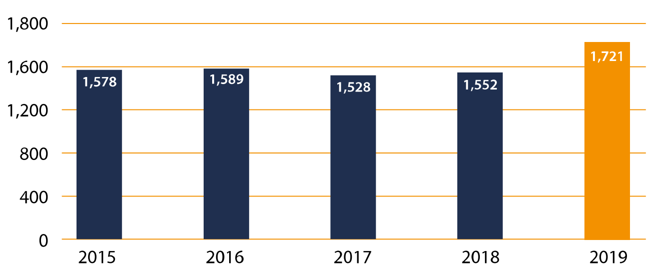
[6] Return on equity in 2019 is impacted by the decrease of retained earnings by EUR 5.7 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on equity would have been 4.4%.

[7] Gearing in 2019 is impacted by the increase of net debt by EUR 83.9 million and the decrease of retained earnings by EUR 5.7 million due to the application of IFRS 16. Excluding the impact of IFRS 16 gearing would have been 21.9%.

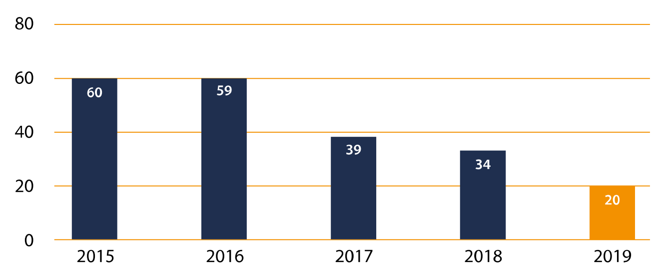
[8] The figures in 2016–2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods in the notes to the Financial Statements.

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

Net sales
EUR million



Adjusted EBIT[1]
EUR million



[1] The figures in 2016–2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods in the notes to the consolidated financial statements.

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 tables:

Reconciliation of alternative performance measures to IFRS

Invoicing

EUR million	2019	2018
Net sales	1,721.3	1,552.2
+ Acquisition cost of consignment stock	1,993.2	1,948.0
+ Cash discounts	18.6	18.2
Invoicing	**3,733.1**	**3,518.4**

Adjusted EBIT

EUR million	2019	2018 restated[1]
EBIT	15.3	19.5
- Adjusting items included in EBIT	5.1	14.9
Adjusted EBIT	**20.5**	**34.4**

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods in the notes to the Financial Statements.

Calculation of alternative performance measures

Alternative performance measure		Definitions		Reason for use of the alternative performance measur
Invoicing	=	Net sales + acquisition cost of consignment stock + cash discounts		Invoicing describes the volume of the business.
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		EBIT shows result generated by the business.
Adjusted EBIT	=	EBIT excluding adjusting items		Oriola discloses adjusted EBIT in order to reflect the underlying business performance and to enhance comparability between financial periods. Adjusted EBIT excludes gains or losses from the sale or discontinuation of business operations or assets, gains or losses from restructuring business operations, and impairment losses of goodwill and other non-current assets, or other income or expenses arising from rare events and, changes in estimates regarding the realisation of contingent consideration arising from business acquisitions.
Adjusting items		Adjusting items include gains or losses from the sale or discontinuation of business operations or assets, gains or losses from restructuring business operations, and impairment losses of goodwill and other non-current assets, or other income or expenses arising from rare events, and changes in estimates regarding the realisation of contingent consideration arising from business acquisitions.		
Invoicing on a constant currency basis		Invoicing calculated with the average exchange rate of the corresponding period of the comparative year.		Invoicing, net sales, and adjusted EBIT on a constant currency basis describe the development of the business without changes due to fluctuating foreign exchange rates and thus enhance the comparability between financial periods.
Net sales on a constant currency basis		Net sales calculated with the average exchange rate of the corresponding period of the comparative year.		
Adjusted EBIT on a constant currency basis		Adjusted EBIT calculated with the average exchange rate of the corresponding period of the comparative year.		
Net debt	=	Interest-bearing liabilities – cash and cash equivalents		Net debt is an indicator to measure the total external debt financing of the company.
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		Investments provide additional information of the cash flow need of the business operations.
Return on capital employed (ROCE), % =	=	$\frac{\text{EBIT}}{\text{Total assets – Non-interest-bearing liabilities (average between the beginning and the end of the year)}}$	x 100	Return on capital employed measures how efficiently the Group generates profits from its capital employed.
Return on equity (ROE), %	=	$\frac{\text{Profit for the period}}{\text{Equity total (average between the beginning and the end of the year)}}$	x 100	Return on equity measures the Group's profitability by showing how much profit is generated with the funds invested to the Group by the shareholders.
Gearing, %	=	$\frac{\text{Net debt}}{\text{Equity total}}$	x 100	Gearing provides information of the Group's financial risk level and the level on the Group's indebtedness.
Equity ratio, %	=	$\frac{\text{Equity total}}{\text{Total assets – Advances received}}$	x 100	Equity ratio provides information on the Group's financial risk level and the level of the Group's capital used i operations.

Financial Statements 2019

Consolidated statement of comprehensive income (IFRS)

EUR million	Note	2019	2018 restated[1]
Net sales	**4.2.**	**1,721.3**	**1,552.2**
Other operating income	4.2.	11.1	20.4
Materials and supplies	4.3.	-1,364.5	-1,206.0
Employee benefit expenses	4.4.	-173.4	-165.8
Other operating expenses	4.3.	-133.9	-147.5
Depreciation, amortisation and impairments	6.1./6.2.	-45.3	-24.1
Share of results in joint venture	6.3.	-	-4.6
Impairment on investment in joint venture	6.3.	-	-5.1
EBIT		**15.3**	**19.5**
Financial income and expenses	8.1.	-5.2	-3.0
Profit before taxes		**10.1**	**16.6**
Income taxes	9.1.	-2.1	-5.8
Profit for the period		**8.0**	**10.8**
Other comprehensive income			
Items which may be reclassified subsequently to profit or loss:			
Translation differences recognised in comprehensive income during the reporting period		-4.4	-9.3
Translation differences reclassified to profit and loss during the reporting period		0.0	-
Cash flow hedge	8.3.	0.2	0.1
Income tax relating to other comprehensive income	9.1.	-0.0	-0.0
		-4.2	**-9.3**
Items which will not be reclassified to profit or loss:			
Actuarial gains/losses on defined benefit plans	4.4.	-2.8	-1.6
Income tax relating to other comprehensive income	9.1.	0.6	0.3
		-2.2	**-1.3**
Total comprehensive income for the period		**1.6**	**0.2**
Profit attributable to			
Parent company shareholders		8.0	10.8
Total comprehensive income attributable to			
Parent company shareholders		1.6	0.2
Earnings per share attributable to parent company shareholders, EUR:			
Basic	8.5.	0.04	0.06
Diluted	8.5.	0.04	0.06

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

Consolidated statement of financial position (IFRS)

EUR million	Note	31 Dec 2019	31 Dec 2018 restated[1]
ASSETS			
Non-current assets			
Property, plant and equipment	6.1.	158.3	77.2
Goodwill	6.2.	270.5	274.3
Other intangible assets	6.2.	66.9	75.1
Other non-current assets	6.3.	9.7	9.7
Deferred tax assets	9.2.	4.5	3.7
Non-current assets total		**509.9**	**440.0**
Current assets			
Inventories	5.2.	234.2	209.6
Trade receivables	5.1.	187.4	180.2
Income tax receivables	5.1.	6.1	6.6
Other receivables	5.1.	22.2	22.0
Cash and cash equivalents	8.2.	70.8	65.8
Current assets total		**520.7**	**484.2**
ASSETS TOTAL		**1,030.6**	**924.2**

EUR million	Note	31 Dec 2019	31 Dec 2018 restated
EQUITY AND LIABILITIES			
Equity			
Share capital		36.2	36.2
Hedging reserve		-0.1	-0.3
Contingency fund		19.4	19.4
Invested unrestricted equity reserve		74.8	74.8
Other reserves		0.1	0.1
Translation differences		-32.9	-28.6
Retained earnings		59.7	76.3
Equity attributable to the parent company shareholders	8.4.	**157.2**	**177.9**
Non-current liabilities			
Deferred tax liabilities	9.2.	14.3	15.6
Pension obligations	4.4.	17.1	13.9
Interest-bearing liabilities	8.2.	123.6	59.1
Other non-current liabilities	5.3.	0.7	0.9
Non-current liabilities total		**155.7**	**89.5**
Current liabilities			
Trade payables	5.3.	606.7	536.5
Provisions	5.4.	2.8	3.3
Interest-bearing liabilities	8.2.	66.8	70.3
Income tax payables	5.3.	1.0	0.7
Other current liabilities	5.3.	40.4	45.9
Current liabilities total		**717.7**	**656.7**
EQUITY AND LIABILITIES TOTAL		**1,030.6**	**924.2**

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

Consolidated statement of cash flows (IFRS)

EUR million	Note	2019	2018
Net cash flow from operating activities			
EBIT		15.3	19.5
Adjustments			
Depreciation and amortisation	6.1./6.2.	41.8	24.1
Impairment	6.1./6.2.	3.5	-
Share of result in joint venture	6.3.	-	4.6
Impairment on investment in joint venture	6.3.	-	5.1
Change in pension asset and pension obligation		0.7	0.8
Other adjustments		1.0	2.3
		62.3	56.4
Change in working capital			
Change in current receivables increase (-)/ decrease (+)		-15.1	37.9
Change in inventories increase (-)/ decrease (+)		-27.2	-9.8
Change in non-interest-bearing current liabilities increase (+)/ decrease (-)		68.7	31.5
		26.5	59.7
Interest paid and other financial expenses		-3.7	-3.2
Interest received and other financial income		0.6	0.1
Income taxes paid		-1.2	-10.2
Net cash flow from operating activities		**84.4**	**102.8**
Net cash flow from investing activities			
Investments in property, plant and equipment and intangible assets	6.1./6.2.	-21.2	-20.8
Proceeds from sales of property, plant and equipment and intangible assets	6.1./6.2.	0.1	0.4
Investments in joint ventures	6.3.	-0.7	-9.2
Investments in other shares and shareholdings	6.3.	-0.0	-9.4
Business acquisitions, net of cash acquired	10.1.	-	-2.5
Net cash flow from investing activities		**-21.8**	**-41.5**

EUR million	Note	2019	2018
Net cash flow from financing activities			
Proceeds from long-term loans		27.5	30.0
Repayments of long-term loans		-28.2	-30.4
Change in current financing[1]		-21.2	4.4
Amortisations of lease liabilities		-19.3	-
Purchasing of own shares		-0.1	-0.1
Dividends paid		-16.3	-16.3
Net cash flow from financing activities		**-57.6**	**-12.3**
Net change in cash and cash equivalents		5.0	48.9
Cash and cash equivalents at the beginning of the period		65.8	17.0
Translation differences		-0.0	-0.1
Net change in cash and cash equivalents		5.0	48.9
Cash and cash equivalents at the end of the period	8.2.	**70.8**	**65.8**

[1] Includes cash flows from commercial papers.

Consolidated statement of changes in equity (IFRS)

EUR million	Note	Share capital	Funds	Translation differences	Retained earnings	Equity total
Equity 1 January 2018		**36.2**	**94.0**	**-19.2**	**86.8**	**197.7**
Adjustment of adoption of IFRS 15[1]		-	-	-	-2.2	**-2.2**
Adjustment of adoption of IFRS 9[1]		-	-	-	-0.1	**-0.1**
Adjustment of adoption of IFRS 2 amendment		-	-	-	0.4	**0.4**
Impact of correction of error[1 2]		-	-	-	-1.6	**-1.6**
Restated equity 1 January 2018		**36.2**	**94.0**	**-19.2**	**83.3**	**194.2**
Comprehensive income for the period						
Net profit for the period		-	-	-	10.8	**10.8**
Other comprehensive income:						
Cash flow hedge	8.3.	-	0.1	-	-	**0.1**
Actuarial gains and losses	4.4.	-	-	-	-1.6	**-1.6**
Income tax relating to other comprehensive income	9.1.	-	-0.0	-	0.3	**0.3**
Translation difference		-	-	-9.3	-	**-9.3**
Comprehensive income for the period, total		**-**	**0.1**	**-9.3**	**9.5**	**0.2**
Transactions with owners						
Dividend distribution	8.5.	-	-	-	-16.3	**-16.3**
Share-based incentive	4.4.	-	-	-	-0.2	**-0.2**
Purchase of own shares		-	-	-	-0.1	**-0.1**
Transactions with owners, total		**-**	**-**	**-**	**-16.6**	**-16.6**
Equity 31 December 2018		**36.2**	**94.0**	**-28.6**	**76.3**	**177.9**
Adjustment of adoption of IFRS 16[1]	2.	-	-	-	-6.3	**-6.3**
Restated equity 1 January 2019		**36.2**	**94.0**	**-28.6**	**70.0**	**171.6**
Comprehensive income for the period						
Net profit for the period		-	-	-	8.0	**8.0**
Other comprehensive income:						
Cash flow hedge	8.3.	-	0.2	-	-	**0.2**
Actuarial gains and losses	4.4.	-	-	-	-2.8	**-2.8**
Income tax relating to other comprehensive income	9.1.	-	-0.0	-	0.6	**0.6**
Translation difference		-	-	-4.4	-	**-4.4**
Translation difference reclassified to profit and loss		-	-	0.0	-	**0.0**
Comprehensive income for the period, total		**-**	**0.1**	**-4.4**	**5.8**	**1.6**
Transactions with owners						
Dividend distribution	8.5.	-	-	-	-16.3	**-16.3**
Share-based incentive	4.4.	-	-	-	0.4	**0.4**
Purchase of own shares		-	-	-	-0.1	**-0.1**
Transactions with owners, total		**-**	**-**	**-**	**-16.1**	**-16.1**
Equity 31 December 2019		**36.2**	**94.2**	**-32.9**	**59.7**	**157.2**

[1] Net of tax
[2] For more information on correction of errors please refer to note 12.2. Correction of error relating to previous periods

Notes to the consolidated financial statements

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 6 February 2020. 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 2019. 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 2019. 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 recognised at fair value through other comprehensive income, derivatives and share-based payments. The Group has applied the following new and amended standards and interpretations as of 1 January 2019:

IFRS 16 Leases: The Group applied IFRS 16 with the date of initial application of 1 January 2019. The Group adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption was recognised in retained earnings as of 1 January 2019 and comparative information has not been restated. As permitted in the standard, the Group measured right-of-use assets retrospectively using transition discount rate when applicable.

The Group applied the practical expedient to grandfather the definition of a lease on transition. This means that it applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The assets and liabilities recognised on leases include real estate leases for pharmacies, warehouses and offices, leases of vehicles consisting mainly of company cars, leases of IT equipment and leases of other machinery and equipment such as waste presses, dose dispensing machinery and office equipment. The Group applies the recognition exemption for low-value asset to the leases of IT equipment and other machinery and equipment and the recognition exemption for short-term leases to the real estate leases and leases of vehicles.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The standard has a significant effect in Consumer segment as future lease payments of the rental agreements for pharmacy premises are recognised as a lease liability and a right-of-use asset. At the end of 2018 Oriola had 327 pharmacies in Sweden. The leasing contracts for retail premises in Sweden typically include a renewal option. Oriola has to use management judgement in determining, whether it will renew the contracts or terminate them. For those pharmacies, which are in attractive locations, which are or are expected to be profitable and which support the Group's strategy, Oriola considers it is reasonably certain to exercise the renewal option.

On transition to IFRS 16 the Group recognised additional lease liabilities totalling EUR 99.7 million and right-of-use assets totalling EUR 96.4 million as at 1 January 2019. The impact of the adoption of IFRS 16 in retained earnings was EUR -6.3 million. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied was 1.92%.

A reconciliation of the operating lease commitment at 31 December 2018 and the lease liabilities recognised at 1 January 2019 is presented in the following table:

Reconciliation of operating lease commitment and lease liabilities

EUR million	1 Jan 2019
Operating lease commitment at 31 Dec 2018	51.5
Discounted at 1 January 2019	49.7
Finance lease liabilities recognised as at 31 December 2018	1.0
Recognition exemption for:	
- Short-term leases	-0.2
- Leases of low-value assets	-0.1
Extension options reasonably certain to be exercised	40.7
Non-lease components included in lease payments	10.4
Contracts classified as service agreements according to previous standards	0.2
Contracts for premises not yet in use 31 December 2018	-1.1
Lease liabilities recognised at 1 January 2019	**100.7**

The Group's activities as a lessor are not material and hence IFRS 16 does not have any significant impact on the financial statements regarding the Group's activities as a lessor.

3. Use of estimates

Use of estimates: *The preparation of consolidated financial statements in accordance with IFRS requires the application of judgement 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, lease liabilities, provisions and taxes. The application of accounting principles also requires judgement.*

Item	Uncertainty	Note
Defined benefits	Discount factor	4.4.
Provisions	Recognition / Estimate	5.4.
Impairment testing	Discount factor / Estimate	6.2.
Other non-current assets	Recognition / Estimate	6.3.
Lease liabilities	Lease term / Estimate	7.
Deferred taxes	Recognition / Estimate	9.2.

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 as of 1 January 2019 are Consumer, Pharma and Retail. The comparative figures have been adjusted according to the new segments.

Consumer offers products and services for health and wellbeing for customers through Kronans Apotek, the third largest pharmacy chain in Sweden.

Pharma provides tailored logistics, expert and advisory services for pharmaceutical companies, as well as a wide range of pharmaceutical products for pharmacies, hospital pharmacies and veterinarians.

Retail offers a wide range of health and wellbeing products to pharmacies, groceries, veterinarians, private and public healthcare operators and retailers, as well as services for pharmacies, including staffing and dose dispensing services.

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 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. The reporting segments' EBIT is reported excluding adjusting items. In addition Oriola uses "invoicing" as the measure to describe the business volume.

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

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 2019	Note	Consumer	Pharma	Retail	Group items	Total
External invoicing		767.9	2,680.5	284.8	-	**3,733.1**
Internal invoicing		0.2	230.2	172.1	-402.5	**-**
Invoicing		768.1	2,910.6	456.9	-402.5	**3,733.1**
Sales to external customers		750.0	687.9	283.4	-	**1,721.3**
Sales to other segments		0.2	230.2	172.1	-402.5	**-**
Net sales	4.2.	750.1	918.1	455.5	-402.5	**1,721.3**
EBIT		5.3	17.1	-1.4	-5.7	**15.3**
Adjusted EBIT		11.7	17.7	-0.9	-8.1	**20.5**
Assets[1]		426.3	356.5	138.5	109.2	**1,030.6**
Liabilities[2]		119.1	594.4	47.7	112.1	**873.4**
Investments	6.1./6.2.	9.2	6.1	5.8	0.7	**21.8**
Depreciation, amortisation and impairments	6.1./6.2.	31.3	8.2	5.7	0.1	**45.3**
Average number of personnel, full time equivalents		1,674	486	570	70	**2,800**
2018 restated[3]						
External invoicing		769.5	2,502.8	246.1	-	**3,518.4**
Internal invoicing		0.1	194.3	185.1	-379.4	**-**
Invoicing		769.5	2,697.1	431.2	-379.4	**3,518.4**
Sales to external customers		751.9	555.6	244.8	-	**1,552.2**
Sales to other segments		0.1	194.3	185.1	-379.4	**-**
Net sales	4.2.	751.9	749.9	429.8	-379.4	**1,552.2**
EBIT		15.2	21.1	1.3	-18.1	**19.5**
Adjusted EBIT		16.3	21.1	5.9	-8.9	**34.4**
Assets		374.4	324.0	117.4	108.3	**924.2**
Liabilities		51.0	508.1	51.6	135.5	**746.2**
Investments	6.1./6.2.	7.0	9.1	1.9	21.7	**39.6**
Depreciation, amortisation and impairments	6.1./6.2.	14.8	4.8	4.0	0.5	**24.1**
Average number of personnel, full time equivalents		1,591	506	540	62	**2,699**

[1] Assets in 2019 include right-of-use assets totalling EUR 82.3 million recognised due to the application of IFRS 16, of which EUR 65.0 million are reported in Consumer, EUR 13.5 million in Pharma and EUR 3.7 million in Retail.

[2] Liabilities in 2019 include leasing liabilities totalling EUR 83.9 million recognised due to the application of IFRS 16, of which EUR 66.0 million are reported in Consumer, EUR 14.2 million in Pharma and EUR 3.6 million in Retail.

[3] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

Refer to section 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	2019	2018
Restructuring costs	-5.1	-0.8
Costs and impairment charges relating to Hehku	2.4	-12.7
Impairment of other intangible assets	-2.5	-
Revaluation of contingent consideration	-	-0.1
Legal fees related to the change of the provider for the new logistics and warehouse IT system	-	-0.3
Other	-	-0.9
Total	**-5.1**	**-14.9**

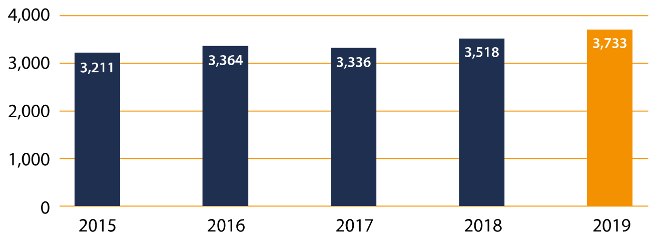
Adjusting items in 2019 consist of restructuring costs including impairment charges totalling EUR 1.0 million, impairment charges on intangible assets related to the Consumer business in Sweden as well as a provision release relating to Hehku. Adjusting items in 2018 include costs and impairment charges relating to Hehku, restructuring charges related to changes in the Group Management Team and in the organisation, legal fees related to the change of the provider for the new logistics and warehouse IT system, an adjustment to pension liabilities in Sweden as well as an adjustment to other current assets related to the Swedish Consumer business.

Geographical information

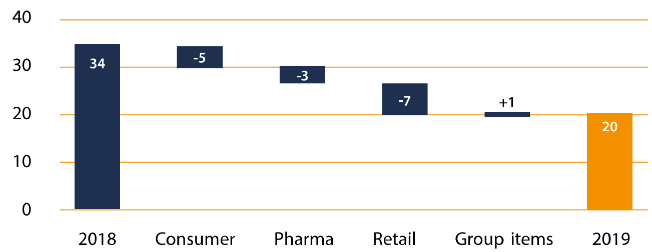
EUR million 2019	Sweden	Finland	Other countries	Total
Sales to external customers	1,218.8	407.9	94.6	**1,721.3**
Assets	760.5	270.1	-	**1,030.6**
Investments	18.1	3.8	-	**21.8**
Average number of personnel, full time equivalents	2,097	701	1	**2,800**
2018 restated[1]				
Sales to external customers	1,066.6	400.5	85.1	**1,552.2**
Assets	642.7	281.4	0.0	**924.2**
Investments	14.5	25.2	-	**39.6**
Average number of personnel, full time equivalents	1,987	710	2	**2,699**

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

Invoicing
EUR million



Group adjusted EBIT[1]
EUR million



[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

4.2. Net sales and other operating income

Revenue recognition: The Group's net sales include income from the sale of goods, distribution fees and the sale of services adjusted with indirect taxes, discounts and currency translation differences resulting from sales in foreign currencies. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

The Group's revenues derive from the following revenue streams: Wholesale, retail sale, sale of logistics services, dose dispensing, staffing and sale of other services. In the following section the principal activities of the different revenue streams are described as well as the nature of performance obligations.

Wholesale: The Group sells pharmaceutical products and traded goods to pharmacies, veterinarians, hospitals and other retailers. The performance obligation is sale of goods, which is based on sales order. The transaction price is the price of goods. Revenue is recognised when the Group transfers control of goods to customer at the amount which the Group expects to be entitled, i.e. the price of goods sold less any possible discounts.

Retail sale: The Group has retail pharmacies that sell pharmaceuticals and healthcare products to private customers. The performance obligation is sale of goods. The performance obligation is satisfied, when the products are sold to customers in pharmacies. The Group has a customer loyalty bonus discount programme related to the non-prescription retail sale in Sweden. In the customer loyalty programme the customers earn customer loyalty points based on their purchases of non-prescription products. The points are converted to digital vouchers, which the customers can use to pay for their purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide digital vouchers to the customer is a separate performance obligation. The points expire in one year from purchase if not converted to digital vouchers. The digital vouchers expire in two months, if not used before that. The net sales are adjusted with customer loyalty points earned by the customers. A contract liability is recognised for the points customers in the customer loyalty programme have earned based on their purchases and for the outstanding digital vouchers. The contract liability is recognised until the points are redeemed or expire.

Services: The Group offers a variety of services to the customers. These services can be divided to the following revenue streams: Sale of logistics services, dose dispensing, staffing and sale of other services.

- **Sales of logistics services:** The Group has contracts based on consignment inventory with pharmaceutical companies. In such contracts the Group acts as an agent between the pharmaceutical company and the end-customer and the performance obligation is sale of logistics and transportation services to pharmaceutical companies. The revenue is recognised on a net basis as a fee or commission.
- **Dose dispensing:** The Group offers dose dispensing services to pharmacies in Sweden and Finland and county councils in Sweden. The performance obligation is sale of dose dispensed goods. The transaction price includes the price of goods sold and the price of dose dispensing. The revenue is recognised when the control of the dose dispensed goods is transferred to the customer.
- **Staffing:** The Group offers staffing services to pharmacies and pharmaceutical companies. The performance obligation is the delivery of the staffing services. The transaction price is the hourly based price according to work performed. The revenue is recognised over the period during which the service is performed.
- **Sale of other services:** The Group sells logistics, web and other value added services to pharmaceutical companies, retailers and hospitals. The performance obligation is sales of services, which is based on a contract for delivering services to the customer. The revenue is recognised over the period during which the service is performed at the amount totalling the price of service performed less any possible discounts.

Net sales by currency

	2019		2018	
Million	**SEK**	**EUR**	**SEK**	**EUR**
Sweden	13,821.1	1,305.2	11,745.1	1,144.9
Finland		416.1		407.3
Total		**1,721.3**		**1,552.2**

Disaggregation of revenue

In the following table, the Group's external revenue is disaggregated by the Group's major revenue streams and reconciled with the Group's reportable segments.

EUR million

2019	Consumer	Pharma	Retail	Total
Wholesale	-	623.8	166.6	**790.4**
Retail sale	750.0	-	-	**750.0**
Services	-	64.2	116.7	**180.9**
Total	**750.0**	**687.9**	**283.4**	**1,721.3**

2018	Consumer	Pharma	Retail	Total
Wholesale	-	499.1	167.9	**667.0**
Retail sale	751.9	-	-	**751.9**
Services	-	56.4	76.9	**133.3**
Total	**751.9**	**555.6**	**244.8**	**1,552.2**

Contract balances

The Group has recognised the following liabilities related to contracts with customers:

EUR million	31 Dec 2019	31 Dec 2018
Contract liabilities (included in other current liabilities)		
- Customer loyalty programme	2.3	2.7
- Advances received related to staffing	-	0.1
- Advances received related to other services	0.1	0.1
Total	**2.4**	**2.8**

The amount of EUR 2.8 million recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2019.

No revenue was recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

No information is provided about remaining performance obligations at the end of the reporting period that have an original expected duration of one year or less.

Other operating income

EUR million	2019	2018
Gain on sale of tangible and intangible assets	0.0	0.1
Rental income	0.2	0.2
Service charges	0.3	0.0
Marketing contribution	9.2	10.3
Other operating income	1.3	9.9
Total	**11.1**	**20.4**

Other operating income in 2018 includes a settlement totalling EUR 9 million received from the provider of the logistics and warehouse IT system.

4.3. 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 4.4. Employee benefits.

Materials and supplies

Materials and supplies: The materials and supplies include materials, procurement and other costs related to manufacturing and procurement.

Materials and supplies

EUR million	2019	2018 restated[1]
Purchases during the period	1,386.7	1,215.8
Change in inventory	-22.3	-9.8
Products for own use	-0.2	-0.2
Foreign exchange differences	0.2	0.1
Total	**1,364.5**	**1,206.0**

Materials and supplies by currency

Million	2019 SEK	2019 EUR
Sweden	10,921.6	1,031.4
Finland	-	333.1
Total		**1,364.5**

Million	2018 restated[1] SEK	2018 restated[1] EUR
Sweden	8,920.9	869.6
Finland	-	336.3
Total		**1,206.0**

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

Other operating expenses

EUR million	2019	2018
Freights and other variable costs	34.6	29.0
Marketing	13.5	12.7
Information management	19.3	19.1
Premises	12.0	29.0
External services	31.3	29.6
Other operating expenses	23.2	28.2
Total	**133.9**	**147.5**

Costs for premises in 2019 are EUR 20 million lower than in previous year due to the application of IFRS 16. Other operating expenses in 2019 include restructuring costs totalling EUR 2.3 million as well as a provision release totalling EUR 2.4 million relating to Hehku. Other operating expenses in 2018 include costs and impairment charges relating to Hehku totalling EUR 3.4 million.

Audit fees

EUR million	2019	2018
To member firms of KPMG network		
Audit related services	0.2	0.2
Tax and other non-audit services	0.0	0.0
Total	**0.2**	**0.2**

Non-audit services provided by KPMG to the entities of Oriola Group totalled EUR 17.7 (19.0) thousand during the financial year 2019.

4.4. Employee benefits

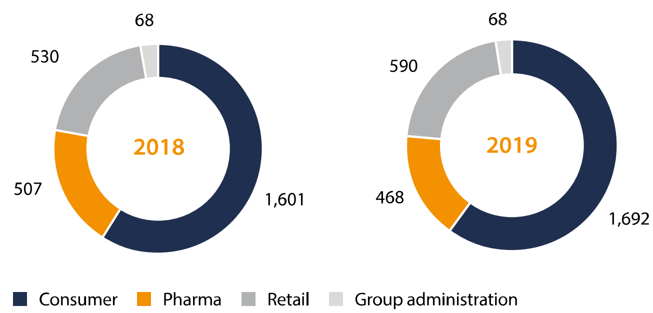
Pension benefits: The Group's pension arrangements are in compliance with each country's local regulations and practices. The pension arrangements of the Group companies comprise both defined contribution plans and defined benefit plans. The payments to the defined contribution plans are recognised as 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 benefit expenses

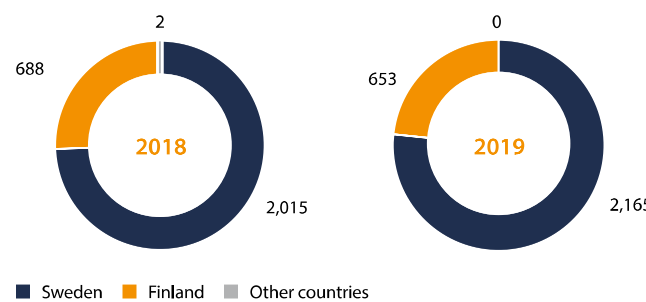
EUR million	2019	2018
Wages, salaries and bonuses	127.5	121.4
Share-based payments	0.4	0.2
Pension costs		
Defined contribution plans	12.3	12.3
Defined benefit plans	0.7	0.5
Other personnel expenses	32.5	31.4
Total	**173.4**	**165.8**

Employees by business area[1]



[1] At year-end, full time equivalents

Employees by country[1]



[1] At year-end, full time equivalents

Post-employment benefits

The 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 Sweden, some of the office employees are covered by the defined benefit plan ITP 2 and others by the defined contribution pla ITP 1. The employees have a defined contribution plan according to local legislation. In ITP 2, the company can recognise the old age pension liabilities in its statement of financial position or, alternatively, pay the pension expenses to the pension insurance compan 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 2020 financial year. The weight ed average duration of the defined benefit obligation is 22.1 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 guideline 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	2019	201
Present value of funded obligations	19.5	16.2
Fair value of plan assets	-2.4	-2.3
Deficit/surplus	17.1	13.9
Net liability(+) / assets (-) in the statement of financial position	17.1	13.9

Change in defined benefit obligation and plan assets:

EUR million	Present value of funded obligation	Fair value of plan assets	Total
1 Jan 2018	**14.7**	**-2.4**	**12.3**
Current service cost	0.5	-	**0.5**
Interest cost or income	0.3	-0.0	**0.3**
	15.5	-2.4	**13.2**
Remeasurements			
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	1.5	-0.1	**1.4**
Experience profits (-) or losses (+)	0.2	-	**0.2**
	17.2	-2.5	**14.7**
Differences in foreign exchange rates	-0.5	-	**-0.5**
Contributions			
Plan participants	-	-0.1	**-0.1**
Expenses arising from the plans			
Benefits paid	-0.5	0.2	**-0.3**
31 Dec 2018	**16.2**	**-2.3**	**13.9**
Current service cost	0.7	-	**0.7**
Interest cost or income	0.3	-0.0	**0.3**
	17.3	-2.3	**14.9**
Remeasurements			
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	3.2	-0.3	**3.0**
Experience profits (-) or losses (+)	-0.2	-	**-0.2**
	20.3	-2.6	**17.7**
Differences in foreign exchange rates	-0.2	-	**-0.2**
Contributions			
Plan participants	-	-0.0	**-0.0**
Expenses arising from the plans			
Benefits paid	-0.5	0.2	**-0.3**
31 Dec 2019	**19.5**	**-2.4**	**17.1**

Significant actuarial assumptions 31 Dec:	**2019**	**2018**
Discount rate (%)	0.40–1.45	1.20–2.35
Salary increases (%)	1.40–3.45	1.80–3.50

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

Assumption	Change in assumption as percentage point	Effect of change in assumption %
Decrease in discount rate	-0,5	increase by 12.1
Increase in discount rate	+0,5	reduce by 10.6
Increase in salaries	+0,5	increase by 5.5
Increase in benefits	+0,5	increase by 11.9

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 the 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 the 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. Both the equity-settled component and the unpaid cash-settled part are credited to retained earnings.

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, participated in the plan. The plan included 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 resolved on the plan's performance criteria and on the required performance level for each criterion at the beginning of each performance period. The essential precondition for participation in the plan and for receipt of reward on the basis of the plan was that a key person was enrolled in the OKShares and made 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% 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.

The rewards paid in February 2018 on the basis of the performance period 2016 were based on the Group's earnings per share (EPS) and corresponded to the value of 119,803 Company's class B shares (including also the proportion to be paid in cash). Similarly, the potential rewards from the performance periods 2017 and 2018 were based on the Group´s earnings per share (EPS). There will be no payment based on the performance periods 2017 and 2018 since the performance criteria for the plan was not met.

No expenses were recognised for the incentive plan in 2019 (EUR 0.1 million in 2018).

Executive incentive plan 2019–2023

On 14 December 2018 The Board of Directors of Oriola Corporation resolved to establish a new share-based long-term incentive plan 2019–2023 directed to the Group's key personnel. The long-term incentive plan arrangement has three three-year performance periods 2019–2021, 2020–2022 and 2021–2023. 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. Approximately 30 key persons, including the members of the Group Management Team, belong to the target group of the plan. The prerequisite for participation in the plan and for receipt of reward on the basis of the plan is that the key person has enrolled in the key personnel share savings plan and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force during the first year of the three-year performance period. A member of the Group Management Team must hold 50% of the net shares given on the basis of the long-term incentive plans, until his or her shareholding in the Company in total equals the value of his or her gross annual salary. Such number of shares must be held as long as the key person holds a position as a Group Management Team member.

The potential reward from the performance period 2019–2021 will be based on the Group's earnings per share (EPS) and Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of an approximate maximum total of 1,700,000 Oriola Corporation Class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation Class B shares and partly in cash in spring 2022 after the end of the performance period. The potential reward from the performance period 2020–2022 will be based on the Group's earnings per share (EPS) and Group's total shareholder return (TSR). The rewards to be paid on the basis of the performance period 2020–2022 correspond to the value of an approximate maximum total of 1,820,000 Oriola Corporation Class B shares including also the proportion to be paid in cash. The potential reward will be paid partly in Oriola Corporation Class B shares and partly in cash in spring 2023 after the end of the performance period. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

Expenses recognised for the incentive plan were EUR 0.0 (-) million in 2019.

One-off incentive plan 2019–2020

On 14 December 2018 The Board of Directors of Oriola Corporation resolved to establish a two-year one-off incentive plan 2019-2020 directed to the Group's key personnel to enable the prolonging of the long-term incentive plan performance period to three years and with that change better answer to the requirements of the investors and corporate governance and to be more aligned with the market practice. The one-off long-term incentive plan has a two-year performance period 2019–2020. The Board of Directors of the Company resolved on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. Approximately 30 key persons, including the members of the Group Management Team, belong to the target group of the plan. The prerequisite 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 key personnel share savings plan and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the rules of the key personnel share savings plan in force. The member of the Group Management Team must hold 50% of the net shares given on the basis of the long-term incentive plans, until his or her shareholding in the Company in total equals the value of his or her gross annual salary. Such number of shares must be held as long as the key person holds a position as a Group Management Team member.

The potential reward from the performance period 2019–2020 will be based on the Group's earnings per share (EPS) and separately defined two-year strategic projects. The rewards to be paid on the basis of the performance period 2019–2020 correspond to the value of an approximate maximum total of 1,700,000 Oriola Corporation Class B shares (including also the proportion to be paid in cash). The potential reward will be paid partly in Oriola Corporation class B shares and partly in cash in spring 2021 after the end of the performance period. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

Expenses recognised for the incentive plan were EUR 0.1 (-) million in 2019.

Share savings plan

Oriola Corporation has had since 2013 a key personnel share savings plan in force. The Board of Directors of Oriola Corporation alway decides on the launch of a new savings period in the plan separately. According to the rules of the share savings plan in force, the maximum monthly saving is 8.3% and the minimum is 2% of each participant's fixed monthly gross salary. The accumulated savings will be used for purchasing Oriola Corporation class B shares for the participants at the market price quarterly. In return, each participant will receive two free class B matching shares for every three acquired savings shares if the participant holds the acquired shares from the savings period until the end of the designated holding period and if his or her employment with a company has not been terminated on bad leaver terms. The matching shares are paid partly in Oriola's class B shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

Approximately 40 key employees participated in the share savings plan for the savings period 1 January–31 December 2017. The matching shares transferred to eligible participants in May 2019 corresponded to the value of 40,398 Oriola Class B shares, including the proportion paid in cash.

Approximately 50 key employees participated in the Oriola Corporation key personnel share savings plan for the savings period 1 January–31 December 2018. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January–31 December 2019. The matching shares will be transferred to eligible participants in 2020. The estimated number of matching shares, including the portion to be paid in cash, is 79,435.

Approximately 62 key employees participated in the share savings plan for the savings period 1 January–31 December 2019. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January–31 December 2020. The matching shares will be transferred to eligible participants in 2021.

Approximately 67 key employees will participate in the share savings plan for the savings period 1 January–31 December 2020. The holding period will end on the publication date of the Oriola's Financial Statements Release 1 January–31 December 2021. The matching shares will be transferred to eligible participants in 2022. Assuming all eligible employees will participate and will save the maximum of 8.3% of their fixed monthly gross salary the aggregated estimated number of new shares to be issued or treasury shares held by the Company to be transferred as matching shares based on the savings period 2020 is approximately 250,000 class B shares.

The expenses recognised for the Share savings plans were EUR 0.2 (0.1) million in 2019.

Management benefits

Employee benefits to President and CEO

EUR thousand	2019	2018
Robert Andersson from 12 Feb 2018		
Basic salary	646.5	541.6
Bonuses	44.4	-
Pension expenses (statutory)	125.1	96.7
Total	**815.9**	**638.3**
Kimmo Virtanen 18 Dec 2017–11 Feb 2018 (acting)		
Basic salary	-	26.7
Bonuses	-	33.5
Pension expenses (statutory)	-	4.7
Total	**-**	**64.9**

Employee benefits to other members of the Group Management Team

EUR thousand	2019	2018
Basic salary	1,543.2	1,153.7
Bonuses	98.2	652.9
Termination expenses [1]	-	187.2
Pension expenses (statutory)	301.9	119.7
Pension expenses (voluntary)	57.6	38.5
Total	**2,000.9**	**2,152.0**

[1] Termination expenses include the severance pay equal to 6 months' salary.

The total benefits 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. Three Group Management Team members participate in a voluntary defined contribution plan.

Salaries and benefits of the members of the Board of Directors

EUR thousand	2019	2018
Anssi Vanjoki, Chairman	72.0	56.4
Eva Nilsson Bågenholm, Vice Chairman	48.0	40.3
Juko-Juho Hakala[1]	38.5	31.2
Anja Korhonen	48.0	38.3
Mariette Kristenson	37.0	30.7
Harri Pärssinen[2]	37.5	-
Lena Ridström	39.0	29.2
Staffan Simberg [3]	1.5	30.2
Total	**321.5**	**256.2**

[1] from 19 March 2018
[2] from 19 March 2019
[3] until 19 March 2019

Of the Board of Directors' annual fee, 60% is paid in cash and 40% 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 2019.

5. Working capital

5.1 Trade and other receivables

Trade receivables: Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are initially recognised when they are originated and subsequently carried at their anticipated realisable value, which is the original invoice amount less than 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. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Trade receivables are measured at amortised cost. The part of the trade receivables, which is held for sale, is classified to measurement category fair value through profit and loss.

EUR million	2019	2018
Trade receivables	187.4	180.2
Income tax receivables	6.1	6.6
Prepaid expenses and accrued income	2.2	2.9
VAT receivables	16.2	10.0
Rental prepayments[1]	0.4	4.6
Prepayments	1.9	3.6
Other receivables	1.6	0.8
Total	**215.7**	**208.7**

[1] Rental prepayments in 2019 are EUR 4.6 million lower than in previous year due to the application of IFRS 16.

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 166.5 (140.5) million on the balance sheet date. No significant changes are anticipated in the scope of the agreements to sell trade receivables in 2020.

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 13.2 (12.4) million. Additional information on the interest-bearing advance payments can be found in note 8.2. Financial assets and liabilities.

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 8.3. Financial risk management.

Ageing and impairment of trade receivables at the closing date

	2019		2018	
EUR million	**Gross**	**Impairment**	**Gross**	**Impairment**
Not past due	162.8	-0.0	165.8	-0.0
Past due 1–30 days	19.1	-0.0	10.5	-0.0
Past due 31–180 days	5.2	-0.2	3.5	-0.2
Past due more than 180 days	0.7	-0.3	1.0	-0.4
Total	**187.9**	**-0.5**	**180.8**	**-0.6**

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

5.2. 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.

EUR million	2019	2018 restated[1]
Raw materials and consumables	0.1	0.1
Work in progress	0.5	0.5
Finished goods	233.6	209.0
Total	**234.2**	**209.6**

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

The inventories of EUR 234.2 (209.6) million as at 31 December 2019 included finished goods, pharmaceutical and health related products. In 2018 a write-off from inventories totalling EUR 4.2 million was recognised related to Hehku.

In the last quarter of 2019, an error relating to the valuation of inventories was discovered in the Consumer business area in Sweden. The error was corrected by restating the value of inventories in 2016–2018. More information on the correction of the error can be found in note 12.2. Correction of error relating to previous periods.

5.3. Trade payables and other liabilities

EUR million	2019	2018
Trade payables	606.7	536.
Income tax payables	1.0	0.
Accrued liabilities	31.9	33.
Derivatives designated as hedges	0.2	0.
VAT liabilities	6.0	10.
Other current liabilities	2.3	1.
Total	**648.1**	**583.**

Material items included in accrued liabilities

EUR million	2019	2018
Accrued wages, salaries and social security payments	23.0	20.7
Other accrued liabilities	8.9	12.6
Total	**31.9**	**33.**

Other non-current liabilities

EUR million	2019	2018
Derivatives	0.2	0.
Other non-current liabilities[1]	0.5	0.
Total	**0.7**	**0.**

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

5.4. 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.

EUR million 2019	Provisions related to Hehku	Restructuring provisions	Other provisions	Total
Carrying amount 1 Jan 2019	3.1	0.1	-	**3.3**
Increases	-	4.5	-	**4.5**
Used	-0.7	-1.5	-	**-2.2**
Reversed	-2.4	-0.5	-	**-2.9**
Foreign exchange rate differences	-	0.1	-	**0.1**
Carrying amount 31 Dec 2019	**-**	**2.8**	**-**	**2.8**
2018				
Carrying amount 1 Jan 2018	-	-	0.4	**0.4**
Increases	3.1	0.1	-	**3.3**
Used	-	-	-0.4	**-0.4**
Reversed	-	-	-0.1	**-0.1**
Foreign exchange rate differences	-	0.0	-	**0.0**
Carrying amount 31 Dec 2018	**3.1**	**0.1**	**-**	**3.3**

At the end of 2019 the Group's provisions in the consolidated statement of financial position totalled EUR 2.8 (3.3) million.

Provisions related to Hehku consisted of liabilities relating to Hehku, which Oriola recognised as a provision in the last quarter of 2018. In the last quarter of 2019, Oriola sold its share in Hehku Kauppa Oy to Kesko Corporation and the rest of the provision was reversed. Of these provisions, a total of EUR 2.4 million was reversed and EUR 0.7 used in 2019.

Restructuring provisions in 2019 are related to co-operation negotiations aiming to improve operational efficiency and continue reorganising operations in Finland and in Sweden. Restructuring provisions in 2018 related to the organisation changes.

Other provisions in the beginning of 2018 were related to difficulties in the launch of the new ERP system in Finland and consisted 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. These provisions were released in 2018.

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.*

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

6.1. 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 2019	Land and water	Buildings and constructions	Machinery and equipment	Right-of-use assets[1]	Other tangible assets[2]	Advance payments and construction in progress	Total
Historical cost 1 Jan 2019	1.9	49.7	85.4	-	33.7	21.0	**191.8**
Adjustment of adoption of IFRS 16 1 Jan 2019	-	-	-8.5	222.9	-	-	**214.4**
Increases	-	0.0	4.0	6.4	2.5	6.8	**19.8**
Decreases	-	-	-0.5	-3.3	-0.1	-0.0	**-3.9**
Reclassifications	-	8.5	15.9	-	0.7	-25.2	**-0.2**
Foreign exchange rate differences	-0.0	-0.2	-1.1	-3.9	-0.6	-0.4	**-6.2**
Historical cost 31 Dec 2019	**1.9**	**58.0**	**95.2**	**222.0**	**36.3**	**2.3**	**415.7**
Accumulated depreciation 1 Jan 2019	-	-35.5	-62.9	-	-16.2	-	**-114.6**
Adjustment of adoption of IFRS 16 1 Jan 2019	-	-	7.5	-125.5	-	-	**-118.0**
Accumulated depreciation related to decreases and reclassifications	-	-	0.5	2.9	0.1	-	**3.4**
Depreciation for the financial year	-	-2.0	-6.1	-18.7	-3.5	-	**-30.3**
Impairments	-	-	-	-	-1.0	-	**-1.0**
Foreign exchange rate differences	-	0.1	0.7	2.0	0.2	-	**3.1**
Accumulated depreciation 31 Dec 2019	-	**-37.4**	**-60.2**	**-139.3**	**-20.4**	-	**-257.4**
Carrying amount 1 Jan 2019	1.9	14.2	21.6	97.3	17.5	21.0	**173.6**
Carrying amount 31 Dec 2019	**1.9**	**20.6**	**35.0**	**82.7**	**15.9**	**2.3**	**158.3**
2018							
Historical cost 1 Jan 2018	1.9	49.7	87.3	-	32.4	16.0	**187.3**
Increases	-	0.5	3.6	-	1.8	7.8	**13.6**
Decreases	-	-	-4.0	-	-0.0	-	**-4.0**
Reclassifications	-	0.0	1.3	-	0.8	-2.1	**-**
Foreign exchange rate differences	-0.0	-0.5	-2.8	-	-1.3	-0.6	**-5.2**
Historical cost 31 Dec 2018	**1.9**	**49.7**	**85.4**	**-**	**33.7**	**21.0**	**191.8**
Accumulated depreciation 1 Jan 2018	-	-34.0	-60.8	-	-13.5	-	**-108.3**
Accumulated depreciation related to decreases and reclassifications	-	-	3.6	-	-0.0	-	**3.6**
Depreciation for the financial year	-	-1.8	-7.7	-	-3.2	-	**-12.7**
Foreign exchange rate differences	-	0.3	2.0	-	0.5	-	**2.8**
Accumulated depreciation 31 Dec 2018	-	**-35.5**	**-62.9**	-	**-16.2**	-	**-114.6**
Carrying amount 1 Jan 2018	1.9	15.7	26.6	-	18.9	16.0	**79.0**
Carrying amount 31 Dec 2018	**1.9**	**14.2**	**22.6**	**-**	**17.5**	**21.0**	**77.2**

[1] For more details about the right-of-use assets please refer to section 7. Leases.
[2] The most significant share of other tangible assets is made up by refurbishment expenditures for rented premises.

At the end of 2018, machinery and equipment included the following amounts where the Group was a lessee under finance leases.

Assets leased through finance lease agreements

EUR million 2018	Machinery and equipment
Historical cost	8.5
Accumulated depreciation	-7.5
Carrying amount	**1.0**

Assets leased through finance lease agreements consist 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.

From 2019 onwards leased assets are presented in right-of-use assets. For details about leases please refer to section 7. Leases. For details about the changes in accounting policy please refer to section 2. Basis of presentation.

6.2. Goodwill and other intangible assets

Goodwill: 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 according to the business structure in force at the time of impairment testing. 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 2019	Goodwill	Intangible rights	Other intangible assets[1]	Advance payments and construction in progress	Total
Historical cost 1 Jan 2019	274.3	101.4	27.8	9.3	412.7
Increases	-	1.9	0.6	4.2	6.7
Decreases	-	-0.1	-	-	-0.1
Reclassifications	-	2.3	1.5	-3.6	0.2
Foreign exchange rate differences	-3.7	-1.7	-	-0.0	-5.5
Historical cost 31 Dec 2019	**270.5**	**103.8**	**29.9**	**9.8**	**414.0**
Accumulated amortisation 1 Jan 2019	-	-57.0	-6.4	-	-63.4
Accumulated amortisation related to decreases and reclassifications	-	0.5	-0.5	-	0.0
Amortisation for the financial year	-	-8.8	-2.7	-	-11.5
Impairments	-	-2.5	-	-	-2.5
Foreign exchange rate differences	-	0.8	-	-	0.8
Accumulated amortisation 31 Dec 2019	**-**	**-67.0**	**-9.5**	**-**	**-76.6**
Carrying amount 1 Jan 2019	274.3	44.3	21.5	9.3	349.4
Carrying amount 31 Dec 2019	**270.5**	**36.7**	**20.4**	**9.8**	**337.5**
2018					
Historical cost 1 Jan 2018	282.7	105.3	6.8	24.3	419.2
Increases	-	0.9	2.6	3.9	7.4
Decreases	-	-1.1	-0.4	-	-1.5
Reclassifications	-	0.1	18.8	-18.9	-
Foreign exchange rate differences	-8.5	-3.8	-	-0,0	-12.3
Historical cost 31 Dec 2018	**274.3**	**101.4**	**27.8**	**9.3**	**412.7**
Accumulated amortisation 1 Jan 2018	-	-50.2	-5.0	-	-55.2
Accumulated amortisation related to decreases and reclassifications	-	1.1	0.4	-	1.5
Amortisation for the financial year	-	-9.6	-1.8	-	-11.4
Foreign exchange rate differences	-	1.8	-	-	1.8
Accumulated amortisation 31 Dec 2018	**-**	**-57.0**	**-6.4**	**-**	**-63.4**
Carrying amount 1 Jan 2018	282.7	55.1	1.8	24.3	363.9
Carrying amount 31 Dec 2018	274.3	44.3	21.5	9.3	349.4

[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 testing is conducted according to the business structure in force at the time of impairment testing. Impairment is recognised in the statement of comprehensive income under Depreciation, amortisation and impairments. Goodwill impairment losses are not reversed.

Projection parameters applied

2019	Consumer	Pharma	Retail
Post-tax discount rate %	6.7	6.9	6.8
Pre-tax discount rate %	7.9	8.2	8.3
EBIT %[1]	2.3	3.1	4.7
Terminal growth %	2.0	2.0	2.0
Net sales growth %[2]	4.2	3.3	7.5

2018	Consumer, Sweden	Services, Sweden	Services, Finland	Healthcare, Sweden	Healthcare, Finland
Post-tax discount rate %	7.5	7.5	7.9	7.5	7.9
Pre-tax discount rate %	9.0	9.1	9.5	9.3	9.4
EBIT %[1]	3.8	2.7	13.2	5.9	9.4
Terminal growth %	2.0	2.0	2.0	2.0	2.0
Net sales growth %[2]	2.4	4.0	9.8	18.3	8.2

[1] Average EBIT percentage over a three-year period
[2] CAGR over a three-year-period

Goodwill, carrying amount of assets and value in use

2019	Consumer	Pharma	Retail
Goodwill	206.5	33.0	31.0
Carrying amount of assets	329.7	34.1	43.3
Value in use	401.0	380.5	81.0

2018	Consumer, Sweden	Services, Sweden	Services, Finland	Healthcare, Sweden	Healthcare, Finland
Goodwill	210.2	28.4	7.5	7.8	20.
Carrying amount of assets	293.2	28.4	9.1	14.9	21.
Value in use	434.6	174.4	34.4	38.8	22.

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

2019	Consumer	Pharma	Retail
Discount rate change %	1.1	n/a	7.5
EBIT percentage change %	-0.5	-3.5	-1.6
Terminal growth change %	-1.3	n/a	-16.3
Net sales growth change %	-2.0	-38.4	-4.8

2018	Consumer, Sweden	Services, Sweden	Services, Finland	Healthcare, Sweden	Healthcare, Finland
Discount rate change %	2.8	58.5	19.3	13.6	0.2
EBIT percentage change %	-1.0	-1.8	-6.0	-1.5	-0.2
Terminal growth change %	-3.5	-	-65.1	-37.9	-0.2
Net sales growth change %	-4.7	-27.4	-7.7	-7.8	-0.6

[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 the 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 the Finnish and Swedish cash generating units was 2.0% from the year 2022. The yearly growth rate estimate by an external information source (IQVIA Market prognosis 2018-2022) for the Finnish pharmaceutical market is on average 1.5% and for the Swedish pharmaceutical market on average 5.0%.

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 business area. 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 0.2% (1.2%). The risk-free interest rate of the Swedish cash generating units is 0.2% (1.2%). When defining the discount rates, Oriola has acquired the necessary information from an external information source.

Result of goodwill impairment testing

The impairment testing result shows that the "value in use" in the tested cash generating units exceeds the book value of the tested assets, and thus no impairment of goodwill was recognised in 2019.

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.*

6.3. Other non-current assets

EUR million 2019	Joint ventures	Other shares and share-holdings	Other non-current assets	Total
Carrying amount 1 Jan 2019	-	9.4	0.3	**9.7**
Increases	0.7	0.0	-	**0.7**
Impairment	-0.7	-	-	**-0.7**
Foreign exchange rate differences	-	-0.0	-0.0	**-0.0**
Carrying amount 31 Dec 2019	**-**	**9.4**	**0.3**	**9.7**
2018				
Carrying amount 1 Jan 2018	0.5	0.0	0.3	**0.8**
Increases	9.2	9.4	0.0	**18.6**
Share of result for the period	-4.6	-	-	**-4.6**
Impairment	-5.1	-	-	**-5.1**
Foreign exchange rate differences	-	-0.0	-0.0	**-0.0**
Carrying amount 31 Dec 2018	**-**	**9.4**	**0.3**	**9.7**

Summarised financial information for joint venture

Balance sheet, EUR million	Hehku Kauppa Oy 31 Dec 2018
Current assets	5.8
Non-current assets	0.6
Current liabilities, total	5.6
Net assets, total	**0.8**

Reconciliation to carrying amounts, EUR million	2018
Net assets 1 Jan	1.0
Investment in joint venture	18.4
Loss for the period	-18.6
Net assets 31 Dec	0.8
Group's share in joint venture	50%
Group's share of net assets	0.4
Impairment	-0.4
Carrying amount	-

Joint ventures

In 2018, it was decided to close down the business of Hehku Kauppa Oy, a joint venture established by Oriola Corporation and Kesko Corporation in 2017. In the last quarter of 2018 Oriola recognised in EBIT impairment charges and provisions for liabilities as well as other costs related to Hehku totalling EUR 12.7 million. In 2019, EUR 2.4 million of these provisions were reversed to the income statement. On 5 November 2019 Oriola sold its share in Hehku to Kesko Corporation. The impact related to Hehku is reported as adjusting items to EBIT. The accounting principles for joint ventures are presented in section 10. Group Structure.

Other shares and shareholdings

In 2018 Oriola Corporation invested EUR 9.4 million in the Swedish online medical centre Doktor.se. Oriola's ownership at the end of the reporting period was approximately 16% of the total number of shares in Doktor.se. Doktor.se offers personal digital healthcare services to its customers. Doktor.se has a comprehensive organisation with specialist nurses, doctors and psychologists.

Oriola's share of the voting rights in Doktor.se is less than 20%. Management has analysed possible indicators of significant influence. Based on the analysis the management is of the view that at this stage Oriola does not have such control over the company on its own, that it would result in significant influence, even though Oriola has a right to appoint two members to the Board of Directors of Doktor.se. As a result, the investment is accounted for as a financial asset according to IFRS 9 Financial instruments. Oriola classifies the shares of Doktor.se as fair value through other comprehensive income, as the shares are not held for trading and the contractual cash flows are not solely payments of principal and interest. Oriola elects to present in other comprehensive income the subsequent changes in the fair value of the investment in Doktor.se, as the investment in Doktor.se is seen as strategic investment, which supports Oriola's business operations. The purchase price of the shares is recognised in the consolidated statement of financial position in other non-current assets. Possible changes in fair value of the investment are recognised in other comprehensive income and they shall not subsequently be transferred to profit and loss. Possible dividends are recognised as dividend income in the profit and loss.

In 2019 there were no changes in the fair value of the investment.

Use of estimates: *The management has to evaluate at each balance sheet date whether there has been any changes to the fair value of the shares measured at fair value through other comprehensive income. The applied valuation method for the shares in Doktor.se is based on realised transactions and the present value of discounted cash flows. The valuation model requires management judgement concerning the estimate of the cash flows and interest rates at the end date of each reporting period.*

7. Leases

Leases: The Group leases various assets, which are divided into following asset classes:

- Real estate
- IT equipment
- Vehicles
- Other machinery and equipment

The Group's real estate leases include leases of pharmacies, office premises and warehouse premises. Also leases for parking space as well as machinery and equipment of buildings are included the real estate class. The Group has a significant portfolio of lease contracts for pharmacy premises in Sweden. The usual duration of the leases is 3 years, and the contracts are regularly renewed for the next lease period. For most of the contracts the lease payments are adjusted every year based on the change of the consumer price index.

The Group leases of vehicles consist of company cars, which are used as part of employee benefits and forklifts, which are used in warehouses. The lease period for the company cars is usually 3 years and for forklifts 3-5 years.

The Group leases IT equipment such as servers, printers and laptops. The lease period for IT equipment is usually 3-5 years.

Leases of other machinery and equipment include waste presses in the warehouses and dose dispensing equipment, containers, furniture and other machinery and equipment such as franking machines and coffee machines.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases according to IAS 17. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. For details about the changes in accounting policy please refer to section 2. Basis of presentation.

At inception of a contract it is assessed whether a contract contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to assess whether a contract conveys the right to control the use of an identified asset, it is assessed whether:

- The contract involves the use of an identified asset
- Oriola has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use
- Oriola has the right to direct the use of the asset.

The right-of-use asset is initially measured at cost, which comprises:

- The initial amount of lease liability
- Any lease payments made at or before the commencement date
- Any initial direct costs incurred by Oriola
- An estimate of costs to be incurred by Oriola in dismantling and removing the underlying assets or restoring the site on which the assets are located.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments included in the measurement of the lease liability include the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or the rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee

- The exercise price of a purchase option that Oriola is reasonably certain to exercise
- Penalties for early termination of a lease if the termination is taken into account in determining lease period.

The lease payments included in the measurement of lease liability exclude variable elements which are dependent on external factors such as e.g. sales volume in pharmacies. Variable payments not included in the initial measurement of the lease liability are recognised as an expense over the lease term.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. At Oriola, the incremental borrowing rates are defined for the lease terms of 1, 3, 5 and 10 years. The components of the incremental borrowing rate are:

- Risk free rate which reflect the different jurisdictions and currencies: SEK and EUR swap rates for 1 to 3 years and Government bonds for Finland and Sweden for 5 to 10 years
- Oriola's internal credit rating for the parent company as a company specific margin. As all the Group's treasury functions are centralized to the parent company and all funding for the Group is managed centrally by the parent company resulting in the parent providing a guarantee of the lease payments to the lessor, the pricing of the lease is more significantly influenced by the credit standing of the parent than that of the subsidiary.
- The incremental borrowing rates are reviewed monthly.

The lease term comprises of:

- Non-cancellable period of lease contract
- Periods covered by an option to extend the lease if Oriola is reasonably certain to exercise that option
- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The exemption for short term leases is applied to real-estate leases and the exemption for low-value assets is applied to leases of IT equipment and other machinery and equipment. For short term leases of real-estate leases that have a lease term of 12 months or less and for low-value leases of IT equipment and other machinery equipment the right-of-use asset and lease liability is not recognised. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term. An asset is considered to be a low-value asset, if the value of the asset when it is new is less than EUR 5,000 or SEK 50,000.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and less any accumulated impairment losses and adjusted for any remeasurements of the lease liability. Depreciation is calculated using the straight-line method from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, if there is a change in Oriola's estimate of the amount expected to be payable under a residual value guarantee, or if Oriola changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use assets are presented in property, plant and equipment and the lease liabilities in interest-bearing liabilities in the statement of financial position. The lease liabilities with the maturity of more than 12 months are presented in the non-current interest-bearing liabilities and the lease liabilities with the maturity of 12 months or less are presented in the current interest-bearing liabilities.

The depreciations of right-of-use assets are presented in depreciation, amortisation and impairments in the statement of comprehensive income. The interest expense on the lease liability is presented within the financial expenses. The lease payments of low-value assets and short-term leases are included in other operating expenses in the statement of comprehensive income.

In the statement of cash flows the cash payments for the principal portion of the lease liability are presented within financing activities. The cash payments for the interest portion of the lease liability as well as short term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liabilities are presented within operating activities.

Use of estimates: *In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). In Sweden the leasing contracts for pharmacy premises are usually automatically renewed for the next lease period if not terminated by Oriola. For such contracts Oriola has to use management judgement in* *determining, whether it will renew the contracts or terminate them. For those pharmacies, which are in attractive locations, which are or are expected to be profitable and which support the Groups strategy, Oriola considers it is reasonably certain to exercise the renewal option.*

7.1. Leases in the balance sheet

The Group has recognised following amounts in the balance sheet relating to leases:

Right-of-use assets

EUR million	2019	1 Jan 2019[1]
Real estate	80.9	95.4
IT equipment	0.7	1.2
Vehicles	1.1	0.7
Other machinery and equipment	0.0	0.1
Total	**82.7**	**97.3**

Lease liabilities

EUR million	2019	1 Jan 2019[1]
Current	18.6	19.0
Non-current	65.7	81.7
Total	**84.3**	**100.7**

[1] In the previous year, the Group only recognised lease assets and lease liabilities related to leases classified as finance leases under IAS 17 leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's interest bearing liabilities. For details about the changes in accounting policy please refer to section 2. Basis of presentation.

Additions to the right-of-use assets during year 2019 were EUR 6.4 million.

7.2. Leases in the statement of profit and loss

The Group has recognised following amounts in the statement of profit and loss relating to leases:

EUR million	2019
Depreciation charge of right-of-use assets	
Real estate	-17.6
IT equipment	-0.6
Vehicles	-0.5
Other machinery and equipment	-0.0
Total depreciation	-18.7
Interest expense (included in financial expenses)	-2.0
Expense relating to short-term leases (included in other operating expenses)	-0.3
Expense relating to leases of low-value assets (included in other operating expenses)	-0.3
Gains from changes in leases (included in other operating income)	0.2

The total cash outflow for leases in 2019 was EUR 21.9 million.

8. Capital structure

8.1. 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 excluding lease liabilities recognised due to the application of IFRS 16 was 0.97% (0.91%) in 2019.

Financial income and expenses

EUR million	2019	2018
Financial income		
Interest income from loans and other receivables	0.1	0.1
Foreign exchange rate gains from financial assets and liabilities recognised at fair value, net	-	0.3
Foreign exchange rate gains from loans and other receivables, net	0.0	0.0
Other financial income	0.0	0.0
Total	**0.1**	**0.4**
Financial expenses		
Interest expenses for financial assets and liabilities recognised at fair value	0.0	0.0
Interest expenses for interest rate swaps	0.3	0.5
Interest expenses for financial liabilities at amortised cost	1.3	1.2
Interest expenses on leases	2.0	-
Foreign exchange rate losses from financial assets and liabilities recognised at fair value, net	0.1	-
Other financial expenses	1.5	1.6
Total	**5.3**	**3.3**
Financial income and expenses, total	**-5.2**	**-3.0**

8.2. Financial assets and liabilities

Financial assets and liabilities: Financial assets and liabilities are recognised at the fair value at the settlement date except derivatives, which are recognised at the trade date in the balance sheet. The 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:

- Fair value through profit and loss
- Fair value through other comprehensive income
- Amortised cost

The classification of financial assets into different measurement categories depends on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification of financial liabilities into different measurement categories depends on the purpose for which the financial liabilities were initially acquired. The measurement category for financial assets and liabilities is determined at the acquisition date.

Money market investments, trade receivables held for sale and derivatives which are not designated as hedges are measured 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 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 included in this category except for trade receivables held for sale, which are measured at fair value through profit and loss. 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. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. 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. Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 8.3. Financial risk management.

In 2018 the Oriola Corporation invested EUR 9.4 million in the Swedish online medical centre Doktor.se. The investment is accounted for as a financial asset according to IFRS 9 Financial instruments. Oriola classifies the shares of Doktor.se as fair value through other comprehensive income. The shares are not held for trading and the contractual cash flows are not solely payments of principal and interest. The investment in Doktor.se is seen as strategic investment, which supports Oriola's business operations. The purchase price of the shares is recognised in the consolidated statement of financial position in other non-current assets. Possible changes in fair value of the investment are recognised in other comprehensive income and they shall not subsequently be transferred to profit and loss. Possible dividends are recognised as dividend income in the profit and loss.

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

The Group derecognises financial assets when it has lost its right to receive the cash flows 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

		2019			2018		
EUR million	**Note**	**Fair value**	**Book value**	**Hierarchy**	**Fair value**	**Book value**	**Hierarchy**
Derivatives designated as hedges	8.3.	0.0	0.0	Level 2	-	-	Level 2
Financial assets recognised at fair value through profit and loss							
Derivatives measured at fair value through profit and loss	8.3.	0.0	0.0	Level 2	0.0	0.0	Level 2
Other investments measured at fair value through OCI	6.3.	9.4	9.4	Level 3	9.4	9.4	Level 3
Trade receivables for sale	5.1.	15.6	15.6	Level 2	17.6	17.6	Level 2
Loans and other receivables							
Cash equivalents		70.8	70.8	Level 2	65.8	65.8	Level 2
Trade receivables and other receivables	5.1.	175.5	175.5	Level 2	166.3	166.3	Level 2
Financial assets, total		**271.4**	**271.4**		**259.2**	**259.2**	
Derivatives designated as hedges	8.3.	0.2	0.2	Level 2	0.3	0.3	Level 2
Other non-current liabilities	5.3.	0.5	0.5	Level 2	0.5	0.5	Level 2
Financial liabilities recognised at fair value through profit and loss							
Derivatives measured at fair value through profit and loss	8.3.	0.1	0.1	Level 2	0.1	0.1	Level 2
Financial liabilities measured at amortised cost							
Non-current interest-bearing liabilities		123.6	123.6	Level 2	59.1	59.1	Level 2
Current interest-bearing liabilities		66.8	66.8	Level 2	70.3	70.3	Level 2
Trade payables and other current liabilities	5.3.	640.8	640.8	Level 2	571.5	571.5	Level 2
Financial liabilities, total		**831.9**	**831.9**		**701.9**	**701.9**	

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

Reconciliation of financial assets recognised at fair value according to the level 3

EUR million	2019	2018
Carrying amount 1 Jan	**9.4**	-
Acquisition of shares	-	9.4
Carrying amount 31 Dec	**9.4**	**9.4**

Financial assets recognised at fair value through other comprehensive income (level 3) include Oriola's holding in the Swedish online medical centre Doktor.se. More information on the investment in Doktor.se and its valuation can be found in note 6.3. Other non-current assets.

Reconciliation of financial liabilities recognised at fair value according to the level 3

EUR million	2019	2018
Carrying amount 1 Jan	-	**2.5**
Recognised to financial expenses	-	0.0
Recognised in other operating expenses	-	0.0
Payment of contingent consideration	-	-2.5
Carrying amount 31 Dec	-	-

Financial liabilities recognised at fair value through profit and loss (level 3) included in the beginning of 2018 estimated value of contingent and deferred considerations for acquisitions. The fair value of the contingent consideration was calculated using the discounted cash flow method. On 28 September 2018 Oriola acquired the remaining share of Farenta Oy, a subsidiary acquired in 2016. The difference between the consideration paid for the remaining shares and the contingent consideration in the consolidated statement of financial position was recognised in other operating expenses in the consolidated statement of comprehensive income in September 2018.

Cash and cash equivalents

EUR million	2019	2018
Cash and cash equivalents	70.8	65.8
Total	**70.8**	**65.8**

Interest-bearing liabilities

Non-current

EUR million	2019	2018
Loans from financial institutions	57.8	58.7
Lease liabilities	65.7	0.4
Total	**123.6**	**59.1**

Current

EUR million	2019	2018
Loans from financial institutions	0.0	0.4
Issued commercial papers	35.0	57.0
Advances received from pharmacies	13.2	12.4
Lease liabilities	18.6	0.6
Total	**66.8**	**70.3**

Maturity of non-current interest-bearing liabilities

EUR million	2019	2018
1–5 years	111.5	59.1
More than five years	12.0	-
Total	**123.6**	**59.1**

Interest-bearing liabilities by currency

EUR million	2019	2018
EUR	80.5	100.3
SEK	109.9	29.1
Total	**190.3**	**129.4**

Net debt

EUR million	2019	2018
Loans from financial institutions	57.8	58.7
Lease liabilities	65.7	0.4
Non-current interest-bearing liabilities	**123.6**	**59.1**
Loans from financial institutions	0.0	0.4
Issued commercial papers	35.0	57.0
Advances received from pharmacies	13.2	12.4
Lease liabilities	18.6	0.6
Current interest-bearing liabilities	**66.8**	**70.3**
Interest-bearing liabilities, total	**190.3**	**129.4**
Cash and cash equivalents	**70.8**	**65.8**
Net debt	**119.6**	**63.6**

Change in net debt

EUR million

2019	Loans from financial institutions	Commercial papers	Advances from pharmacies	Lease liabilities	Cash and cash equivalents	Total
Carrying value, at 1 January 2019	-59.0	-57.0	-12.4	-1.0	65.8	-63.6
Change in net debt, cash:						
Proceeds from non-current loans	-27.5	-	-	-	-	-27.5
Repayments of non-current loans	28.2	-	-	-	-	28.2
Repayments of lease liabilities	-	-	-	19.3	-	19.3
Change in current liabilities	-	22.0	-335.7	-	-	-313.7
Change in cash and cash equivalents	-	-	-	-	5.0	5.0
Cash flows, total	**0.7**	**22.0**	**-335.7**	**19.3**	**5.0**	**-288.8**
Change in net debt, non-cash:						
Change due to application of IFRS 16	-	-	-	-99.7	-	-99.7
Change in lease liabilities	-	-	-	-4.7	-	-4.7
Settled against trade receivables	-	-	334.9	-	-	334.9
Foreign exchange adjustments	0.5	-	-	1.8	0.0	2.3
Non-cash movements, total	**0.5**	**-**	**334.9**	**-102.6**	**0.0**	**232.8**
Carrying value, at 31 December 2019	**-57.8**	**-35.0**	**-13.2**	**-84.3**	**70.8**	**-119.6**

2018	Loans from financial institutions	Commercial papers	Advances from pharmacies	Finance lease liabilities	Cash and cash equivalents	Total
Carrying value, at 1 January 2018	-60.6	-50.0	-15.0	-1.7	17.0	-110.2
Change in net debt, cash:						
Proceeds from non-current loans	-30.0	-	-	-	-	-30.0
Repayments of non-current loans	30.4	-	-	-	-	30.4
Repayments of finance lease liabilities	-	-	-	1.1	-	1.1
Change in current liabilities	-	-7.0	-315.1	-	-	-322.1
Change in cash and cash equivalents	-	-	-	-	48.9	48.9
Cash flows total	**0.4**	**-7.0**	**-315.1**	**1.1**	**48.9**	**-271.6**
Change in net debt, non-cash:						
Increases of finance lease liabilities	-	-	-	-0.5	-	-0.5
Settled against trade receivables	-	-	317.6	-	-	317.6
Foreign exchange adjustments	1.2	-	-	0.1	-0.1	1.1
Non-cash movements, total	**1.2**	**-**	**317.6**	**-0.5**	**-0.1**	**318.2**
Carrying value, at 31 December 2018	**-59.0**	**-57.0**	**-12.4**	**-1.0**	**65.8**	**-63.6**

8.3. 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 centralised 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 the 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 an EUR 27.8 (28.3) 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 0.3 (-0.3) 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 227.5 (241.8) million. Translation risk sensitivity: A 10% weakening/strengthening of Swedish krona would have an impact of EUR -/+20.7 (-/+22.0) million in the Group's equity.

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 4-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 2019 Oriola Corporation rearranged and paid off the SEK 290 million term loan, which was due in 2020. In the same context, the company raised a new five-year bilateral term loan with same value. The agreement includes financial covenants that are maximum net debt to EBITDA -ratio of 3.0 and maximum net debt to equity ratio of 100%. Regarding the new standard IFRS 16 Leases, the Group has agreed with financial institutions on applying the financial reporting standards in force at the end of 2018 to all of the current long-term agreements. At the end of the reporting period the financial covenants were fulfilled.

Oriola has a revolving credit facility of EUR 100 million, which will mature during the second quarter of 2022, and short-term uncommitted credit account limits of EUR 14.8 (14.9) million. Facilities were unused on the balance sheet date. In addition, Oriola has a EUR 200 (200) million uncommitted commercial paper programme of which EUR 35.0 (57.0) million had been issued on the balance sheet date. Oriola's cash and cash equivalents at the end of 2019 totalled EUR 70.8 (65.8) million.

Oriola's net working capital was EUR -185.1 (-146.6) 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 programmes 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 2019.

Oriola has open-ended frame agreements in Sweden that allow the company to sell trade receivables relating to Swedish retail and wholesale businesses to the financial institutions on a non-recourse basis. Sales of trade receivables were EUR 166.5 (140.5) million in total on the balance sheet date. No significant changes are anticipated in the scope of the agreements to sell trade receivables in 2020.

Interest rate risk: Interest rate risk arise from changes in 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 70.8 (65.8) million in cash assets, EUR 190.3 (129.4) million in interest-bearing liabilities, and EUR 166.5 (140.5) million from sales of non-recourse trade receivables in Sweden. The interest-bearing liabilities at the end of 2019 include lease liabilities totalling EUR 83.9 million recognised due to application of IFRS 16. On the balance sheet date, a total of EUR 49.8 (50.7) million of the interest rate risk was hedged. The average interest rate on interest-bearing liabilities excluding lease liabilities recognised due to the application of IFRS 16, including the sale of receivables on a non-recourse basis was 0.97% (0.91%), and the interest rate duration was 8 (8) months. All of the interest rate hedges are long-term contracts. 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 -0.8 (-0.8) million (including derivatives) and on equity EUR 1.1 (1.3) 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. 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.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group uses a provision matrix for loss allowance provision. The matrix is based on historical observed default rates and incorporates forward looking information. On that basis, the loss allowance for trade receivables as at 31 December 2019 was determined as follows:

Expected credit losses

Expected credit losses matrix 31 Dec 2019	Current	1–30 days past due	31–180 days past due	>180 days past due	Tota
Expected loss rate, %	0.01	0.11	0.64	10.93	
Carrying amount 31 Dec 2019, EUR million	162.8	19.1	5.1	0.5	**187.5**
Expected credit losses 31 Dec 2019, EUR million	0.0	0.0	0.0	0.1	**0.1**

Expected credit losses matrix 31 Dec 2018	Current	1–30 days past due	31–180 days past due	>180 days past due	Tota
Expected loss rate, %	0.01	0.11	0.64	10.93	
Carrying amount 31 Dec 2018, EUR million	165.8	10.5	3.3	0.7	180.3
Expected credit losses 31 Dec 2018, EUR million	0.0	0.0	0.0	0.1	0.1

Credit losses recognised in the income statement for the financial year totalled EUR 0.4 (0.6) million. The ageing of trade receivables is presented in more detail in note 5.1. 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% (without adjusting items), return on capital employed of over 20% and adjusted gearing ratio lower than 70%. 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% of its earnings per share. The targets have been calculated excluding the impact of application of IFRS 16.

For a definition of key figures, please see the section Alternative performance measures.

Maturity distribution of financial liabilities and derivative liabilities

31 Dec 2019

EUR million	2020	2021	2022	2023>	Total
Interest-bearing					
Loans from financial institutions and commercial paper loans	35.0	-	-	57.8	**92.8**
Lease liabilities	18.6	17.8	15.2	32.8	**84.3**
Advance payments received	13.2	-	-	-	**13.2**
Non-interest-bearing					
Trade payables and other current liabilities	640.8	-	-	-	**640.8**
Receivables from interest rate swaps	-	-	-	-0.0	**-0.0**
Liabilities from interest rate swaps	0.0	0.1	0.2	-	**0.3**
Receivables from foreign currency derivatives	-71.9	-	-	-	**-71.9**
Payables on foreign currency derivatives	72.1	-	-	-	**72.1**
Total	**707.7**	**17.9**	**15.4**	**90.5**	**831.5**

31 Dec 2018

EUR million	2019	2020	2021	2022>	Total
Interest-bearing					
Loans from financial institutions and commercial paper loans	57.4	28.6	0.0	30.0	**116.0**
Finance lease liabilities	0.6	0.3	0.1	0.0	**1.0**
Advance payments received	12.4	-	-	-	**12.4**
Non-interest-bearing					
Trade payables and other current liabilities	571.5	-	-	-	**571.5**
Liabilities from interest rate swaps	0.1	-	0.1	0.2	**0.5**
Receivables from foreign currency derivatives	-45.2	-	-	-	**-45.2**
Payables on foreign currency derivatives	45.1	-	-	-	**45.1**
Total	**641.9**	**28.9**	**0.3**	**30.3**	**701.3**

Derivatives and hedge accounting

Derivative contracts and hedge accounting: Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting month. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument. Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

Oriola has the following derivative instruments:

- Instruments held for trading: Foreign currency forward and swap contracts, interest rate swaps
- Cash flow hedges: Interest rate swaps

The change in fair value of derivatives held for trading is recognised either as other income or expense or as financial income or expense depending on the underlying item being hedged.

Oriola applies hedge accounting for part of the interest rate swaps hedging cash flows relating to 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. The effective portion of the changes in the fair value of interest rate swaps that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the reserves in equity. The ineffective portion, if any, is recognised immediately in the profit and loss within the financial items.

The fair value of currency forward and swap contracts is determined by measuring them at fair value using market rates on the balance sheet date.

Derivatives

EUR million 2019	Positive fair value	Negative fair value	Nominal value
Derivatives recognised as cash flow hedges			
Interest rate swaps, in hedge accounting	0.0	0.2	30.6
Interest rate swaps, not in hedge accounting	-	0.1	19.1
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.1	0.2	71.9
2018			
Derivatives recognised as cash flow hedges			
Interest rate swaps, in hedge accounting	-	0.4	31.2
Interest rate swaps, not in hedge accounting	-	0.1	19.5
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.0	0.0	45.1

Derivatives that are open on the balance sheet date fall due in the 12-month period except part of the 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.

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 settlement on a net basis of all outstanding items within the scope of the agreements for example in the event of bankruptcy. On the balance sheet date, the remaining counterparty risk after net settlement, as allowed in the master derivative agreements, was EUR 0.1 (0.0) for Oriola and EUR 0.4 (0.5) 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.

8.4. Equity, shares and authorisations

Share capital: Oriola Corporation's share capital on 31 December 2019 stood at EUR 147,899,766.14. All issued shares have been paid up in full. There were no changes in share capital in 2019.

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 There were no changes in the contingency fund in 2019, and the fund stood at EUR 19.4 million on 31 December 2019.

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 shares 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, totalling EUR 73.7 million, in the invested unrestricted equity fund. There were no changes in the invested unrestricted equity reserve in 2019, and the fund stood at EUR 74.8 million on 31 December 2019.

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 2019, 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 lis of the Nasdaq OMX Helsinki exchange. The company's field of business on the stock exchange on 31 December 2019 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 84,903 of the company's class B shares, representing approximately 0.05% of the total number of company shares and approximately 0.01% of the total number of votes.

Share trading and prices: In 2019 the traded volume of Oriola Corporation shares, excluding treasury shares, corresponded to 15.3% of the total number of shares. The traded volume of class A shares amounted to 6.8% of the average stock, and that of class B shares, excluding treasury shares, to 19.1% of the average stock.

The average share price of Oriola Corporation's class A shares was EUR 2.10 and of its class B shares EUR 2.11. The market value of all Oriola Corporation shares at 31 December 2019 was EUR 367.2 (358.8) million, of which the market value of class A shares was EUR 112.0 million and of class B shares EUR 255.3 million.

Shareholders: On 31 December 2019 Oriola Corporation had a total of 34,286 registered shareholders. There were 27,015,820 nominee-registered shares on 31 December 2019, corresponding to 14.9% of all shares and 6.2% 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 2019 no conversions were made.

Management shareholdings: On 31 December 2019 the members of the company's Board of Directors and the President and CEO, the members of the Group Management Team and the companies controlled by them had a total of 418,013 shares, corresponding to 0.23% of the total number of shares in the company and 0.03% of the votes.

Management shareholdings

	2019 B shares	2018 B shares
Board of Directors		
Anssi Vanjoki, Chairman	47,145	35,514
Eva Nilsson Bågenholm, Vice Chairman	19,540	12,562
Juko-Juho Hakala	21,001	15,186
Anja Korhonen	26,164	19,186
Mariette Kristenson	13,963	8,148
Harri Pärssinen (from 19 March 2019)	5,815	-
Lena Ridström	13,963	8,148
Staffan Simberg (until 19 March 2019)	-	8,148
Nez-Invest Ab (controlled by Staffan Simberg)	-	152,378
President and CEO		
Robert Andersson	55,121	31,799
Group Management team		
Katarina Gabrielson (from 1 January 2019)	32,814	-
Thomas Gawell	55,301	47,604
Anne Kariniemi (from 21 January 2019)	10,134	-
Helena Kukkonen	9,868	2,804
Tuula Lehto	4,697	1,154
Charlotta Nyström	7,353	1,267
Petter Sandström	14,384	10,311
Teija Silver	67,291	60,649
Anders Torell	13,459	5,784

Authorisations: The Annual General Meeting of Oriola Corporation held on 19 March 2019 authorised the Board to decide on a share issue against payment in one or more issues, including the right to issue new shares or to assign treasury shares held by the company. The authorisation covers a combined maximum of 5,650,000 class A shares and 12,500,000 class B shares of the company and includes the right to derogate from the shareholders' pre-emptive subscription right. The authorisation is in force for 18 months following the decision of the Annual General Meeting.

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

The Annual General Meeting authorised the Board to decide on a share issue of class B shares without payment to the Company and on a directed share issue of class B shares in order to execute the share-based incentive plan for Oriola Group's executives and the share savings plan for Oriola Group's key personnel. The maximum number of new class B shares to be issued under this authorisation is 250,000, which represents of 0.14 % of all shares in the Company. The authorisation is in force for eighteen (18) months from the decision of the Annual General Meeting.

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

All decisions of the Annual General Meeting 2019 are available on the company's website www.oriola.com.

Share capital

Share capital		A shares	B shares	Total
Number of shares 1 Jan 2019	pcs	55,434,273	126,051,940	**181,486,213**
Number of shares 31 Dec 2019	**pcs**	**55,434,273**	**126,051,940**	**181,486,213**
Treasury shares 31 Dec 2019	pcs	-	84,903	**84,903**
Votes 31 Dec 2019	pcs	1,108,685,460	126,051,940	**1,234,737,400**
Share capital per share class 31 Dec 2019	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 2018	pcs	55,434,273	126,051,940	**181,486,213**
Number of shares 31 Dec 2018	**pcs**	**55,434,273**	**126,051,940**	**181,486,213**
Treasury shares 31 Dec 2018	pcs	-	103,773	**103,773**
Votes 31 Dec 2018	pcs	1,108,685,460	126,051,940	**1,234,737,400**
Share capital per share class 31 Dec 2018	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**

EUR million	2019	2018
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**

8.5 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 company 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 approved by the Annual General Meeting. 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.

Dividend policy and distribution proposal: Oriola Corporation will seek to pay out annually as dividends a minimum 50% of the Group's earnings per share. The Company's strategy and financial position shal be taken into consideration when determining the annual dividend payout ratio. The dividend paid for 2018 was EUR 16.3 million (EUR 0.09 per share) and for 2017 EUR 16.3 million (EUR 0.09 per share). The Board of Directors proposes to the Annual General Meeting that a divi dend of EUR 16.3 million, EUR 0.09 per share is paid for 2019.

Earnings per share

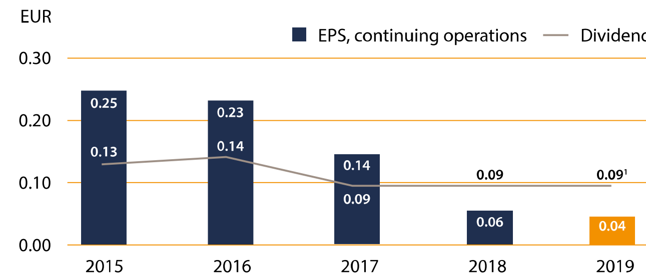
Profit for the period EUR million	2019	2018 restated[1]
Profit attributable to equity owners of the parent	8.0	10.8

Average number of outstanding shares pcs		
Basic	181,394,589	181,360,503
Diluted	181,486,213	181,464,276

Earnings per share EUR		
Basic	0.04	0.06
Diluted	0.04	0.06

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

EPS[2] and dividend



[1] Proposal by the Board of Directors
[2] The figures in 2016–2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

9. Income taxes

9.1. 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 on 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	2019	2018 restated[1]
Taxes for current year	1.8	5.6
Taxes for previous years	-0.0	0.0
Deferred taxes	0.4	0.2
Total	**2.1**	**5.8**

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

Taxes related to other comprehensive income

EUR million			
2019	**Before taxes**	**Tax effect**	**After taxes**
Cash flow hedge	0.2	0.0	0.1
Actuarial gains and losses	-2.8	-0.6	-2.2
Translation differences	-4.4	-	-4.4
Total	**-7.0**	**-0.6**	**-6.4**
2018			
Cash flow hedge	0.1	0.0	0.1
Actuarial gains and losses	-1.6	-0.3	-1.3
Translation differences	-9.3	-	-9.3
Total	**-10.8**	**-0.3**	**-10.5**

Tax rate reconciliation

EUR million	2019	2018 restated[1]
Profit before taxes	10.1	16.6
Corporate income taxes calculated at Finnish tax rate	2.0	3.3
Effect of different tax rates of foreign subsidiaries	0.0	0.5
Non-deductible expenses and tax-exempt income	-0.0	1.5
Share of result in joint venture	-	0.9
Losses for which no deferred tax assets are recognised	-	0.0
Adjustments recognised for taxes of previous years	-0.0	0.1
Changes in tax rates	0.1	-0.6
Other items	0.0	0.0
Income taxes in the income statement	**2.1**	**5.8**
Effective tax rate	20.8 %	35.1 %

[1] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

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% in the 2019 and 2018 financial statements. In Sweden the following changes in future tax rates were enacted in 2018: The corporate tax rate decreased from 22.0% to 21.4% in 2019 and will further decrease to 20.6% in 2021. The Group remeasured the deferred tax assets and deferred tax liabilities accordingly in 2018.

9.2. 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 carryforwards to the extent that it is probable that these can be utilised against future taxable profits. The 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 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

2019	1 Jan	Adjustments to opening balance charged to equity[1]	Items recognised in income statement	Items recognised in other comprehensive income	Translation differences	31 Dec
Deferred tax assets						
Confirmed tax losses	0.3	-	-0.1	-	-0.0	**0.2**
Inventories	1.2	-	-1.0	-	-0.0	**0.2**
Pension liabilities	1.6	-	0.1	0.6	-0.0	**2.2**
Acquisitions	0.0	-	-0.0	-	-0.0	**0.0**
Employee benefits	0.2	-	0.0	-	-	**0.2**
Lease agreements	-	1.7	-0.2	-	-0.0	**1.5**
Other temporary differences	0.4	-	-0.3	-	-0.0	**0.2**
Deferred tax assets, total	**3.7**	**1.7**	**-1.4**	**0.6**	**-0.1**	**4.5**
Deferred tax liabilities						
Depreciation difference and other untaxed reserves	9.6	-	-0.2	-	-0.1	**9.2**
Acquisitions	6.0	-	-0.9	-	-0.1	**5.0**
Other temporary differences	0.1	-	0.0	-	-	**0.1**
Deferred tax liabilities, total	**15.6**	**-**	**-1.1**	**-**	**-0.2**	**14.3**

2018 restated[2]	1 Jan	Adjustments to opening balance charged to equity[1]	Items recognised in income statement	Items recognised in other comprehensive income	Translation differences	31 Dec
Deferred tax assets						
Confirmed tax losses	0.4	-	-0.1	-	-0.0	**0.3**
Inventories	0.6	-	0.5	-	-0.0	**1.2**
Pension liabilities	1.3	-	-0.0	0.3	-0.1	**1.6**
Acquisitions	0.0	-	-0.0	-	-0.0	**0.0**
Employee benefits	0.3	-	-0.1	-	-	**0.2**
Other temporary differences	0.1	0.0	0.3	-	-0.0	**0.4**
Deferred tax assets, total	**2.8**	**0.0**	**0.6**	**0.3**	**-0.1**	**3.7**
Deferred tax liabilities						
Depreciation difference and other untaxed reserves	7.8	-	2.0	-	-0.3	**9.6**
Acquisitions	7.4	-	-1.3	-	-0.1	**6.0**
Other temporary differences	0.1	-	0.1	-	-	**0.1**
Deferred tax liabilities, total	**15.3**	**-**	**0.7**	**-**	**-0.4**	**15.6**

[1] Adjustment due to adoption of IFRS 16 in 2019 and adjustment due to adoption of IFRS 9 in 2018

[2] The figures in 2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods.

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.*

10. 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 the 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 euros, 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 euros 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 eurozone are translated into euros 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 the 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 the 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.

10.1. Group companies and joint ventures

		Group		Parent company	
Group companies	**Domicile**	**Owner-ship %**	**Share of votes %**	**Owner-ship %**	**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
Oriola Sweden AB	Sweden	100	100	100	100
ICTHS Health Support AB	Sweden	100	100		

Changes in group structure: In the last quarter of 2019 Farenta Polsk Sp. Z o.o., a subsidiary fully owned by Farenta Oy, was liquidated.

Following mergers were completed during the last quarter of 2019: Farenta 1 Oy and Farenta 2 Oy were merged into Farenta Oy, and Farenta Oy was merged into Oriola Finland Oy.

On 5 November 2019 Oriola Corporation sold its share in Hehku Kauppa Oy, a joint venture established in 2017, to Kesko Corporation.

10.2. 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's transactions with the joint venture are described below. The Group has no significant business transactions with other related parties.

Transactions with the joint venture

Oriola Corporation and Kesko Corporation established in 2017 a joint venture, Hehku Kauppa Oy. Oriola reported 50% of the result of the joint venture in the Consumer segment EBIT. In the last quarter of 2018, it was decided to close down Hehku Kauppa Oy, and Oriola recognised in its result of 2018 a provision totalling EUR 3.1 million consisting of liabilities relating to Hehku. On 5 November 2019 Oriola Corporation sold its share in Hehku Kauppa Oy to Kesko Corporation. In 2019, EUR 0.7 million of the provision was used and EUR 2.4 million was reversed to the income statement. Transactions with the joint venture are presented in the following table:

Transactions with joint venture

EUR million	2019	2018
Sales	0.2	8.8
Purchases of goods and services	-	-0.3
Trade and other receivables	-	0.6

Investments in Hehku amounted to EUR 0.7 (9.2) million in 2019.

11. Unrecognised items

11.1. Commitments and contingent liabilities

EUR million	2019	2018
Commitments for own liabilities		
Guarantees on behalf of own companies	7.0	7.3
Mortgages on company assets	2.0	3.5
Other guarantees and liabilities	1.1	1.1
Total	**10.1**	**11.9**

The most significant guarantees are bank guarantees against trade payables in Sweden. In addition, Oriola Corporation has granted parent company guarantees of EUR 0.4 (0.4) million against other subsidiaries' trade payables.

11.2. Future lease payments

The Group has leased office, warehouse and retail premises, machinery and equipment and vehicles under fixed term lease contracts, partly with the right to renew the lease. The usual duration of the leases is three years, and they are regularly renewed for the next lease period.

From 1 January 2019, the Group has recognised lease liabilities for these leases, except for short term leases and leases of low-value assets. For details about leases please refer to section 7. Leases. For details about the changes in accounting policy please refer to section 2. Basis of presentation. The committed future minimum lease payments are presented in the following table. The amounts in 2019 consist of leasing commitments related to low-value assets and short-term leases, to which the Group elected to apply recognition exemptions permitted by IFRS 16. The amounts in 2018 consist of minimum lease payments related to leases classified as other leases according to IAS 17.

Committed future minimum lease payments:

EUR million	2019	2018
Within one year	0.5	17.6
One to five years	0.4	30.4
Over five years	-	3.4
Total	**0.8**	**51.5**

The leasing expenses from other leases were EUR 22.0 million in 2018. The leasing expenses for year 2019 related to short-term leases and leases of low-value assets are presented in note 7.2. Leases in the statement of profit and loss.

11.3. Events after the balance sheet date

On 28 January 2020 the Shareholders' Nomination Board of Oriola Corporation presented its proposal to the 2020 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 Juko-Juho Hakala, Anja Korhonen, Mariette Kristenson, Eva Nilsson Bågenholm, Harri Pärssinen and Lena Ridström would be re-elected.
- Panu Routila would be elected new member of the Board of Directors.
- Panu Routila would be elected as new Chairman of the Board of Directors.

Current Chairman of the Board of Directors, Anssi Vanjoki, has informed the Nomination Board that he is not available for re-election to the Board of Directors.

12. Other notes

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

Certain new or revised standards and interpretations have been published by the International Accounting Standards Board (IASB) that are not mandatory for 31 December 2019 reporting periods and have not yet been applied by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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.

12.2. Correction of error relating to previous periods

During 2019, the Group discovered an error relating to the valuation of inventories in Consumer business area in Sweden. Deficiencies were discovered in inbounding and return processes, which resulted in an overstatement of inventories.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Correction of error

Consolidated statement of financial position (extract) EUR million	31 Dec 2017 (Reported)	Increase (+)/ Decrease (-)	1 Jan 2018 (Restated)
Inventories	207.8	-2.1	**205.7**
Deferred tax assets	2.4	0.4	**2.8**
Assets total	922.4	-1.6	**920.8**
Retained earnings	86.8	-1.6	**85.2**
Equity attributable to the parent company shareholders	197.7	-1.6	**196.1**

Consolidated statement of financial position (extract) EUR million	31 Dec 2018 (Reported)	Increase (+)/ Decrease (-)	31 Dec 2018 (Restated)
Inventories	214.1	-4.5	**209.6**
Deferred tax assets	2.7	1.0	**3.7**
Assets total	927.7	-3.5	**924.2**
Retained earnings	79.8	-3.5	**76.3**
Equity attributable to the parent company shareholders	181.5	-3.5	**177.9**

Consolidated statement of comprehensive income (extract) EUR million	2018 (Reported)	Increase (+)/ Decrease (-)	2018 (Restated)
Material purchases	-1,203.5	-2.4	**-1,206.0**
Income taxes	-6.3	0.5	**-5.8**
Profit for the period	12.7	-1.9	**10.8**
Total comprehensive income for the period	2.1	-1.9	**0.2**
Basic earnings per share, EUR	0.07	-0.01	**0.06**
Diluted earnings per share, EUR	0.07	-0.01	**0.06**

There is no impact on the total operating, investing or financing cash flows for the year 2018.

Parent company financial statements

Parent company income statement (FAS)

EUR thousand	Note	2019	2018
Other operating income	2	16,241.3	22,671.0
Personnel expenses	3	-7,257.3	-6,038.8
Depreciation, amortisation and impairment charges	4	-2,552.9	-1,463.6
Other operating expenses	5	-12,499.4	-15,568.1
Operating result		**-6,068.3**	**-399.5**
Financial income and expenses	6	1,236.1	-14,786.2
Result before appropriations and taxes		**-4,832.2**	**-15,185.7**
Appropriations	7	14,480.3	1,791.7
Income taxes	8	-1,418.3	-504.8
Result for the period		**8,229.8**	**-13,898.7**

Parent company balance sheet (FAS)

EUR thousand	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	9		
Intangible rights		648.7	490.6
Other intangible assets		19,827.4	21,067.7
Advance payments and construction in progress		6,894.8	6,611.0
		27,371.0	28,169.3
Property, plant and equipment	10		
Land and water areas		77.4	77.4
Machinery and equipment		125.2	166.9
Other tangible assets		7.5	7.5
		210.1	251.8
Investments	11		
Holdings in group companies		653,830.3	653,830.3
Other shares		9,418.5	9,418.5
Receivables from group companies		95,244.5	97,027.7
		758,493.3	760,276.5
Non-current assets, total		786,074.3	788,697.6
Current assets			
Receivables	12		
Short-term receivables			
Trade receivables		-	37.0
Receivables from group companies		15,873.3	4,792.2
Other receivables		501.0	838.2
Accrued receivables		847.1	1,253.0
		17,221.4	6,920.4
Cash and cash equivalents		68,213.9	63,488.3
Current assets, total		85,435.3	70,408.7
Assets total		**871,509.6**	**859,106.3**

EUR thousand	Note	31 Dec 2019	31 Dec 2018
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		230,545.6	260,869.6
Result for the financial year		8,229.8	-13,898.7
		483,051.4	491,246.9
Appropriations	14	1,288.2	1,268.5
Provisions	15	5.0	3,120.8
Liabilities	16		
Long-term liabilities			
Borrowings		57,759.7	58,279.4
Liabilities to group companies		63,252.6	64,436.9
Accrued liabilities		213.8	379.5
		121,226.1	123,095.8
Short-term liabilities			
Trade payables		1,858.1	2,239.3
Liabilities to group companies		224,542.5	178,519.2
Other liabilities		37,016.5	57,338.5
Accrued liabilities		2,521.7	2,277.3
		265,938.9	240,374.3
Liabilities total		387,165.0	363,470.1
Equity and liabilities total		**871,509.6**	**859,106.3**

Parent company cash flow statement (FAS)

EUR thousand	2019	2018
Cash flow from operating activities		
Result before appropriations and taxes	-4,832.2	-15,185.7
Adjustments		
Depreciation, amortisation and impairment charges	2,552.9	1,463.6
Unrealised foreign exchange gains and losses	2,224.7	65.0
Other non-cash items	-3,090.3	1,460.1
Financial income and expenses	-3,460.7	14,721.2
	-6,605.7	2,524.2
Change in working capital		
Change in current non-interest-bearing receivables	-1,750.2	3,122.5
Change in non-interest-bearing current liabilities	1,079.6	1,810.2
	-7,276.4	7,456.9
Paid and received other financial expenses and income	3,577.7	-541.3
Interest received	2,782.9	3,192.2
Interest paid	-2,179.9	-2,480.6
Income taxes paid	-1,170.3	-272.2
Cash flow from operating activities	**-4,266.0**	**7,355.1**
Cash flow from investing activities		
Investments in tangible and intangible assets	-1,589.1	-1,610.8
Proceeds from sale of tangible and intangible assets	-	89.1
Investments to holdings and shares	-725.0	-21,175.9
Change in loan receivables	1,783.26	4,051.1
Cash flow from investing activities	**-530.8**	**-18,646.6**
Cash flow from financing activities		
Purchase of own shares	-100.8	-82.3
Repayments of long-term loans	-27,535.1	-30,000.0
Proceeds from long-term loans	27,535.1	30,000.0
Change in short-term loans	23,011.4	68,955.0
Group contributions received	2,850.0	8,440.0
Dividends paid	-16,238.2	-16,301.1
Cash flow from financing activities	**9,522.4**	**61,011.6**

EUR thousand	2019	2018
Change in cash and cash equivalents	**4,725.6**	**49,720.1**
Cash and cash equivalents at the beginning of period	63,488.3	13,768.2
Net change in cash and cash equivalents	4,725.6	49,720.1
Cash and cash equivalents at the end of period	**68,213.9**	**63,488.3**

Notes to the parent company financial statements (FAS)

1. Accounting principles

Oriola Corporation is the parent company of the Oriola Group, domiciled in Espoo, Finland. Oriola Corporation provides administrative services to 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: 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 flow 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 shares as well as the cash-settled part 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 an 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 and related liabilities are not recognised in the parent company's balance sheet.

2. Other operating income

EUR thousand	2019	2018
Rental income	11.0	10.9
Other service charges	16,094.1	13,646.7
Other operating income	136.2	9,013.4
Total	**16,241.3**	**22,671.0**

3. Personnel

EUR thousand	2019	2018
Personnel costs		
Salaries and fees	6,069.7	4,909.4
Pension costs	983.2	937.5
Other personnel costs	204.5	191.8
Total	**7,257.3**	**6,038.8**
Average number of personnel	64	49
Salaries and bonuses to the Management		
CEO and Members of the Board of Directors	1,012.4	797.8

Remuneration and pension liabilities for the CEO and the members of the Board of Directors are disclosed in the consolidated financial statement in note 4.4. Employee benefits.

4. Depreciation, amortisation and impairment charges

EUR thousand	2019	2018
Depreciation	2,552.9	1,463.6
Total	**2,552.9**	**1,463.6**

Criteria applied for the straight-line depreciation is disclosed in notes 6.1. and 6.2. to the consolidated financial statement. Depreciation by asset class is presented in notes 9–10.

5. Other operating expenses

EUR thousand	2019	2018
Postage, telephone and banking expenses	204.3	230.2
IT expenses	9,454.5	9,276.8
Travelling and car expenses	384.1	261.6
Administrative consultancy services	2,255.6	2,946.2
Other operating expenses	200.8	2,853.3
Total	**12,499.4**	**15,568.1**

Other operating costs are mainly costs related to the ownership.

Audit costs included in other operating costs	2019	2018
Audit fees	40.0	40.0
Other fees	7.4	7.3
Total	**47.4**	**47.3**

6. Financial income and expenses

EUR thousand	2019	2018
Other interest and financial income		
Interest income from group companies	2,753.3	3,185.9
Interest income from other companies	29.6	6.3
Other financial income	9,887.5	11,408.3
Interest and other financial expenses		
Interest expenses to group companies	-942.6	-992.6
Interest expenses to other companies	-1,232.2	-1,488.0
Other financial expenses	-8,534.5	-12,040.6
Impairment on investments		
Impairment on investments in non-current assets	-725.0	-14,865.6
Total	**1,236.1**	**-14,786.2**
Financial income and expenses include:		
Interest income	2,782.9	3,192.2
Interest expenses	-2,174.9	-2,480.6
Exchange rate gains/losses	-163.7	-262.7

7. Appropriations

EUR thousand	2019	201
Change in depreciation difference	-19.7	-1,058.
Group contribution received	14,500.0	2,850.
Total	**14,480.3**	**1,791.**

8. Income taxes

EUR thousand	2019	201
Income taxes for the financial period	1 427.8	504.
Income taxes for previous financial periods	-9.5	-
Total	**1 418.3**	**504.**

9. Intangible assets

EUR thousand 2019	Intangible rights	Other intangible assets	Advance payments and construction in progress	Total
Historical cost 1 Jan	711.4	23,043.6	6,611.0	**30,366.0**
Increases	9.8	626.7	1,200.2	**1,836.6**
Decreases	-123.8	-	-	**-123.8**
Reclassifications	368.8	547.6	-916.4	**-**
Historical cost 31 Dec	**966.1**	**24,217.8**	**6,894.8**	**32,078.8**
Accumulated amortisation 1 Jan	220.8	1,975.8	-	**2,196.6**
Amortisation for the financial year	96.6	2,414.6	-	**2,511.2**
Accumulated amortisation 31 Dec	**317.4**	**4,390.4**	**-**	**4,707.8**
Carrying amount 31 Dec	**648.7**	**19,827.4**	**6,894.8**	**27,371.0**
2018				
Historical cost 1 Jan	491.2	1,577.3	24,169.3	**26,237.8**
Increases	220.2	2,640.6	1,267.3	**4,128.2**
Reclassifications	-	18,825.7	-18,825.7	**-**
Historical cost 31 Dec	**711.4**	**23,043.6**	**6,611.0**	**30,366.0**
Accumulated amortisation 1 Jan	133.6	646.4	-	**780.0**
Amortisation for the financial year	87.2	1,329.4	-	**1,416.6**
Accumulated amortisation 31 Dec	**220.8**	**1,975.8**	**-**	**2,196.6**
Carrying amount 31 Dec	**490.6**	**21,067.7**	**6,611.0**	**28,169.3**

10. Property, plant and equipment

EUR thousand 2019	Land and water areas	Machinery and equipment	Other tangible assets	Total
Historical cost 1 Jan	77.4	265.4	7.5	**350.3**
Historical cost 31 Dec	**77.4**	**265.4**	**7.5**	**350.3**
Accumulated depreciation 1 Jan	-	98.5	-	**98.5**
Depreciation for the financial year	-	41.8	-	**41.8**
Accumulated depreciation 31 Dec	**-**	**140.3**	**-**	**140.3**
Carrying amount 31 Dec	**77.4**	**125.2**	**7.5**	**210.1**
2018				
Historical cost 1 Jan	77.4	354.4	7.5	**439.3**
Increases	-	71.1	-	**71.1**
Decreases	-	-160.1	-	**-160.1**
Historical cost 31 Dec	**77.4**	**265.4**	**7.5**	**350.3**
Accumulated depreciation 1 Jan	-	124.6	-	**124.6**
Changes in cumulative depreciation due to sales	-	-73.0	-	**-73.0**
Depreciation for the financial year	-	46.9	-	**46.9**
Accumulated depreciation 31 Dec	**-**	**98.5**	**-**	**98.5**
Carrying amount 31 Dec	**77.4**	**166.9**	**7.5**	**251.8**

11. Investments

EUR thousand 2019	Holdings in group companies	Holdings in participating interest companies	Other shares	Receivables from group companies	Total
Historical cost 1 Jan	656,195.8	10,841.3	9,418.5	97,027.7	**773,483.3**
Increases	9,207.2	725.0	-	143,309.9	**153,267.1**
Decreases	-9,207.2	-11,591.3	-	-145,093.1	**-165,891.6**
Historical cost 31 Dec	**656,195.8**	**-**	**9,418.5**	**95,244.5**	**760,858.8**
Accumulated impairments 1.1.	-2,365.6	-10,841.3	-	-	**-13,206.9**
Impairments	-	-725.0	-	-	**-750.0**
Reversed impairments	-	11,591.3	-	-	**11,591.3**
Accumulated impairments 31 Dec	**-2,365.6**	-	-	-	**-2,365.6**
Carrying amount 31 Dec	**653,830.3**	**-**	**9,418.5**	**95,244.5**	**758,493.3**
2018					
Historical cost 1 Jan	656,142.8	1,641.3	-	101,078.9	**758,863.0**
Increases	53.0	9,200.0	9,418.5	109,114.2	**127,785.7**
Decreases	-	-	-	-113,165.3	**-113,165.3**
Historical cost 31 Dec	**656,195.8**	**10,841.3**	**9,418.5**	**97,027.7**	**773,483.4**
Impairments	-2,365.6	-10,841.3	-	-	**-13,206.8**
Accumulated impairments 31 Dec	**-2,365.6**	**-10,841.3**	**-**	**-**	**-13,206.8**
Carrying amount 31 Dec	**653,830.3**	**-**	**9,418.5**	**97,027.7**	**760,276.5**

12. Receivables

EUR thousand	2019	2018
Receivables from group companies		
Short-term receivables		
Trade receivables	314.4	8.9
Other receivables	1,058.9	1,933.3
Accrued income and prepaid expenses	14,500.0	2,850.0
Total	**15,873.3**	**4,792.2**
Items included in accrued receivables		
Arrangement fees relating to loans	282.4	294.1
Exchange rate profit on hedges	44.5	40.7
Compensations not received	16.4	8.4
Group contribution	14,500.0	2,850.0
Other accrued receivables	503.8	909.9
Total	**15,347.1**	**4,103.0**

13. Equity

EUR thousand	2019	2018
Share capital 1 Jan	147,899.8	147,899.8
Share capital 31 Dec	**147,899.8**	**147,899.8**
Restricted equity	**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	246,970.9	277,263.9
Dividend paid	-16,324.4	-16,312.0
Share-based compensation	-138.6	-479.3
Purchase of own shares [1]	-100.8	-82.3
Delivery of own shares	138.6	479.3
Profit/loss from previous years 31 Dec	**230,545.6**	**260,869.6**
Result for the period	8,229.8	-13,898.7
Non-restricted equity	335,151.7	343,347.1
Total	**483,051.4**	**491,246.9**

[1] Shares purchased for the share based incentive programme.

Distributable funds 31 Dec	2019	2018
Contingency fund	19,418.7	19,418.7
Invested unrestricted equity reserve	76,957.5	76,957.5
Profit/ loss from previous years	230,545.6	260,869.6
Net profit for the period	8,229.8	-13,898.7
Distributable funds 31 Dec	**335,151.7**	**343,347.1**

14. Appropriations

EUR thousand	2019	2018
Cumulative accelerated depreciation difference	1,288.2	1,268.5
Total	**1,288.2**	**1,268.5**

15. Provisions

EUR thousand	2019	2018
Other provisions	5.0	3 120.8
Total	**5.0**	**3,120.8**

Other provisions recognized in 2019 relate to reorganisation of business functions. The change in provision is recognised in other operating expenses. Other provisions recognised in 2018 relate to the closure of Hehku Kauppa Oy's business operations. The change in provisions is recognised in other operating expenses and in financial income.

16. Liabilities

EUR thousand	2019	2018
Liabilities to group companies		
Long-term liabilities		
Other liabilities	63,252.6	64,436.9
Short term liabilities		
Trade payables	13.8	-
Other liabilities	224,528.7	178,519.2
Short-term liabilities total	**287,795.1**	**242,956.1**
Items included in accrued liabilities		
Long-term accrued liabilities		
Change of fair value for interest rate swap	213.8	379.5
Short-term accrued liabilities		
Items related to personnel	1,659.3	850.9
Interest	21.0	26.0
Other accrued liabilities	841.5	1,316.8
Change of fair value for interest rate swap	-	83.6
Total	**2.735,5**	**2,656.8**

17. Guarantees, liability engagements and other liabilities

EUR thousand	2019	2018
Guarantees		
For group companies	379.8	429.9
Total	**379.8**	**429.9**
Rental liabilities on real estate		
Maturity within one year	33.0	33.0
Total	**33.0**	**33.0**
Rental liabilities on machinery and fixtures		
Maturity within one year	308.0	267.4
Maturity within 1–5 years	307.5	366.0
Total	**615.5**	**633.3**

18. Derivatives and financial risk management

EUR thousand	2019	2018
Book values of derivative instruments		
Interest rate swap agreements	49,776.0	50,708.0
Foreign currency forward and swap contracts	62,698.6	39,006.1
Total	**112,474.6**	**89,714.1**
Fair values of derivative instruments		
Interest rate swap agreements	-213.8	-463.0
Foreign currency forward and swap contracts	-22.2	37.5
Total	**-236.0**	**-425.6**

Oriola Corporation has interest rate swap agreements hedging the 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 the 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 the Oriola Group's financial risk management and derivatives are presented in note 8.3. Financial Risk Managemen in the notes to the consolidated Financial Statements.

19. Ownership in other companies

The Parent company's ownership in other companies is presented in the note 10.1. Group companies and joint ventures, in the notes to the Consolidated Financial Statements.

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

Proposal for the profit distribution

According to the parent company's balance sheet as at 31 December 2019, the total distributable funds are:

Other funds, EUR	19,418,729.58
Invested unrestricted equity reserve, EUR	76,957,531.72
Retained earnings, EUR	230,545,640.85
Profit for the period, EUR	8.229.752,81
Total distributable funds, EUR	335.151.654,96

The Board of Directors proposes 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 181,401,310 shares, EUR 16,326,117.90
• EUR 318,825,537.06 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 6 February 2020

Anssi Vanjoki
Chairman

Eva Nilsson Bågenholm
Vice Chairman

Juko-Juho Hakala

Anja Korhonen

Mariette Kristenson

Harri Pärssinen

Lena Ridström

Robert Andersson
President and CEO

Auditor's Note

The Auditor's report has been issued today.

Espoo, 6 February 2020

KPMG Oy Ab
Authorised Public Accountants

Kirsi Jantunen
Authorised Public Accountant

Auditor’s Report

To the Annual General Meeting of Oriola Corporation

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Oriola Corporation (business identity code 1999215-0) for the year ended 31 December, 2019. 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, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

In our opinion
- the consolidated financial statements give a true and fair view of the group’s financial position, 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 financial statements in Finland and comply with statutory requirements.

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

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 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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 4.3. to the consolidated financial statements.

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

Materiality
The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Valuation of goodwill (refer to accounting principles for the consolidated financial statements and note 6.2.)	
At December 31, 2019, the total carrying value of goodwill amounted to EUR 271 million, representing 26% of the consolidated total assets. Goodwill is tested for impairment when indicators of impairment exist, or at least annually. Goodwill impairment testing is conducted by comparing the carrying value with the recoverable amount. Management estimates the recoverable amount using a discounted cash flow model. Determining the key assumptions used in the impairment tests requires management judgement and estimates especially relating to long term growth, profitability and discount rates Valuation of goodwill is considered a key audit matter due to the significant carrying values and high level of management judgement involved.	We obtained an understanding of management's impairment assessment process and assessed the impairment tests prepared by the Company. Our detailed audit work with the involvement of KPMG valuation specialists included testing the integrity of the calculations and the technical model. We challenged the assumptions used by management in respect of forecasted growth rates and profitability as well as the appropriateness of the discount rates used. We also validated the assumptions used in relation to market and industry information. We also evaluated the cash flows used by comparing them to the group's budgeting process, external sources and the understanding we gained from our audit. Furthermore, we considered the appropriateness of the group's disclosures in respect of goodwill and impairment testing.
Revenue recognition (refer to accounting principles for the consolidated financial statements and note 4.2.)	
Revenue is mainly generated through the sale of goods and services. The revenue earned is recognized when the control is transferred to the customer in accordance with the terms of delivery or agreement. In the Pharma segment there are two types of agreements with the pharmaceutical companies in which Oriola acts either as a principal or an agent. For agreements in which Oriola acts as a principal the legal title, control and payment liability has been transferred to Oriola and the revenue is recognized on gross basis. For consignment agreements where Oriola acts as an agent, only the distribution fee is recognized as revenue. Analysis of the agreements and the related revenue recognition method requires management judgement, considering the various contractual terms. Due to the large volumes of transactions and management judgement involved revenue recognition has been identified as an area of focus in the audit.	We obtained an understanding of the revenue recognition processes and evaluated the design and tested the controls over revenue recognition. With special focus on identifying unusual sales transactions we also performed substantive procedures such as testing samples of sales agreements and year-end transactions to ensure appropriate application of revenue recognition criteria. For revenue in the Pharma segment, we examined sales contracts to ensure that revenue was recognized in accordance with the terms of the contract and the group's accounting policy. Audit procedures were performed over revenue recognition at the group level and at each of the reporting components that were in scope for the group audit. In addition, we have assessed the appropriateness of accounting policy and disclosure information related to revenue recognition in the financial statements.
Valuation of Inventories (refer to accounting principles for the consolidated financial statements and notes 5.2. and 12.2.)	
The carrying value of inventories amounted to EUR 234 million at the end of the financial year. The valuation of inventories in a Swedish subsidiary was corrected by -6.8 million euro, of which -4.5 million euro was recorded in previous years and retained earnings. Inventory management, stocktaking routines and pricing of inventories are key factors in the valuation of inventories. In the Pharma segment Oriola has different types of contracts with pharmaceutical companies which are either accounted for as own inventory or consignment stock. In addition, the valuation of inventories requires management estimates in respect of obsolescence assessment. Due to management judgement and the significant carrying amount involved, valuation of inventories is determined a key audit matter that our audit is focused on.	We evaluated the appropriateness of the accounting policies by reference to IFRS standards, as well as the functionality of the key IT systems of inventory management. We tested the controls over inventory management, accuracy of inventory amounts and valuation of inventories. We performed substantive audit procedures in relation to pricing of inventory and provision for obsolete inventory. We reviewed a sample of contracts to ensure that inventory is accounted appropriately in line with the terms of the contract and the group's accounting policy. We also attended physical inventory counting at selected locations to assess the appropriateness of stocktaking routines. Furthermore, we assessed the appropriateness of the disclosures provided on the consolidated financial statements. We also determined whether the note 12.2. was supported by appropriate calculations and adequate management investigations.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO 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 President and CEO 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 President and CEO 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 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 the 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 President and CEO'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 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

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 19, 2018, and our appointment represents a total period of uninterrupted engagement of 2 years.

Other Information

The Board of Directors and the President and CEO 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 and 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, February 6, 2020

KPMG OY AB

Kirsi Jantunen
Authorized Public Accountant, KHT

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ORIOLA ANNUAL REVIEW 2019

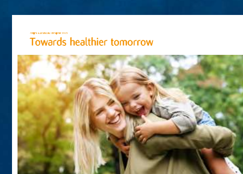
Towards a healthier tomorrow

Table of contents

About this report

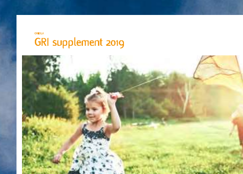
Oriola's Annual report 2019 consists of three separate reports in which integrated reporting elements are applied. The Annual review presents Oriola's strategy, business, value creation and sustainability work. The Financial review includes the Board of Directors' report, audited financial statements and auditor's report as well as information about the shares and shareholders and key figures and financial development. GRI supplement includes sustainability information compliant with the GRI standards.

All reports are available in Finnish and in English on our **website**.



Oriola Annual review 2019

Oriola Financial review 2019



Oriola GRI supplement 2019

Oriola in brief

Oriola is a health and wellbeing company operating in the Nordic countries.

We help people to lead healthier lives by giving them access to sustainable health and wellbeing products and services. Our pharmacists serve and advise thousands of people every day in Finland and Sweden, where Oriola owns the country's third-largest pharmacy chain, Kronans Apotek. In addition to pharmacies, our dose-dispensing, medical information and patient support services enhance the safety and effectiveness of pharmaceutical care.

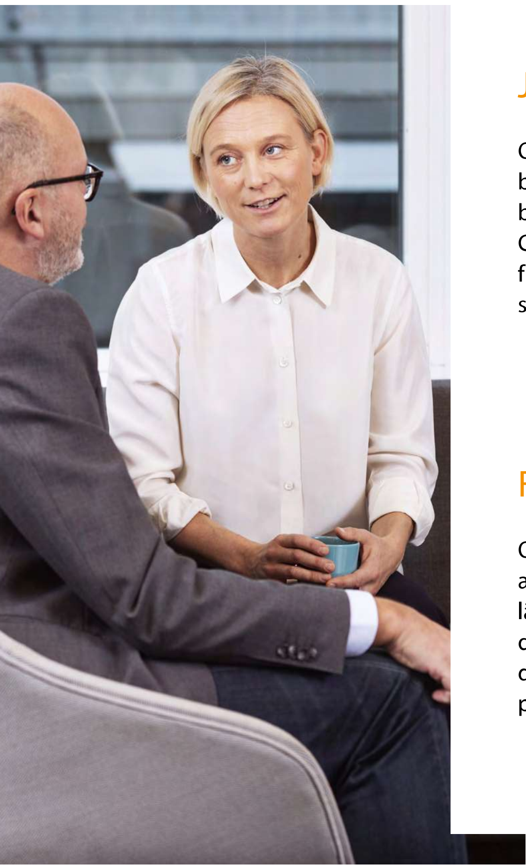
With other healthcare operators, we develop a solution-driven service portfolio to fulfil the needs of society at large and to promote the sector's success. Our expert services support pharmaceutical companies throughout the entire lifecycle of medicines. Oriola's supply chain ensures reliable and safe delivery of pharmaceuticals to pharmacies, hospital pharmacies, veterinarians and other healthcare operators.

To our employees, we offer meaningful work and the most versatile career paths in the sector. Together we work for a healthier tomorrow for everyone.

Net sales EUR billion	1.7	**Adjusted EBIT EUR million**	20.5
Pharmacies	324	**Online sales growth in Sweden**	35%
Daily logistics customers	2,500	**Dose-dispensing patients**	117,000
Employees nearly	4,300[1]	**Products under our private labels**	+500

[1] In Annual review 2019, personnel reporting changed from full-time equivalents to headcount.

Main events in 2019



January

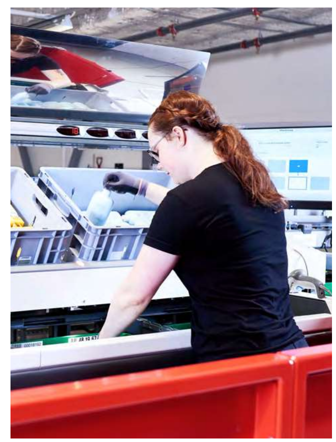
Oriola's new organisation was introduced at the beginning of the year. We have organised our business in customer-centric business areas: Consumer, Pharma and Retail. Our Operations function focuses on logistics and operational sourcing, and serves all business areas.

February

Oriola started dose-dispensing deliveries in accordance with an agreement signed with Stockholms läns landsting and became the market leader in dose dispensing in Sweden. By the end of the year, our dose-dispensing services covered in total 117,000 patients in Sweden and Finland.

February

The ramp-up of our new automated distribution centre started in Enköping, Sweden.



February

Oriola launched the 20by20 Excellence programme to achieve savings of EUR 20 million in annual costs compared to 2018. The programme aims to ensure efficient high-quality operations and to reduce costs.

March

Oriola shared 4th place in the FINDIX report, which assessed the diversity of Finnish company managements and boards of directors in a comparison of 89 companies.

April

For the first time, Oriola reported its actions and progress in alignment with the ten principles of the UN Global Compact framework for corporate responsibility. Oriola joined this initiative in February 2018.

August

Oriola signed significant distribution agreements with pharmaceutical companies in the autumn. In August, Oriola and Orion signed a distribution agreement for Oriola to continue providing warehousing and distribution services for Orion's human and veterinary pharmaceuticals in Finland. In October, Oriola and MSD signed a new distribution agreement, under which Oriola is responsible for the warehousing and distribution of MSD's human medicines in Sweden. In November, we renewed a similar distribution agreement with MSD in Finland.

October

Kronans Apotek, Oriola's Swedish pharmacy chain, opened its 4th Drop-In clinic. Primary care services offered in pharmacies promote better access to care.

October

Farenta merged with Oriola at the end of October. Oriola acquired Farenta, a provider of expert services and pharmacy staffing services, in September 2016. The merger aims to provide customers with seamless service in the Nordic market.

November

Kronans Apotek introduced MinDos - a dose-dispensing service for private customers.

CEO’s review

On a transformation journey towards a healthier tomorrow

Oriola has started a transformation journey centred around our purpose: “Health for life”. Together with our vision and mission, this purpose guides our operations. In 2019, we renewed our strategy to lead all company businesses towards a common goal.

2019 was not an easy year. We know the root causes, and many of them can be fixed by developing our own operations. We have set high quality, efficiency and excellent customer experience as our strategic goals. Our strategic programmes 20by20 Excellence and Customer Experience support the attainment of these goals. We also continue building OneOriola culture to ensure common practices and processes, and to create a strong and unified identity.

The development in 2019 demonstrated that the transformation of Sweden’s consumer market is accelerating. Consumers are increasingly buying online and expect seamless multi-channel services. The fact that business is moving online reduces profitability, but our strong pharmacy network offers us an opportunity to develop our pharmacies into comprehensive primary healthcare meeting points. Our strategic goal is to strengthen digitalisation and to further develop our full range of pharmacy services. The Drop-In clinics and MinDos dose-dispensing service introduced in our pharmacies in 2019 have already given us a foretaste of this. In Finland, we continue developing our pharmacy service portfolio to support our customers’ business.

Oriola is in an interesting position in the middle of the lifecycle of pharmaceuticals, providing us several data-related opportunities. Our aim is to build an ecosystem based on partnerships for the benefit of the entire pharmaceutical sector and patients. Innovations and partnerships offer excellent opportunities for new business and creating a unique service portfolio for our customers.

We are a knowledge company, and our success is based on the competence of our people. In our strategy work, we set building our personnel’s competence and ensuring Oriola’s strategic capabilities as our goals. We need good change management to promote the wellbeing and motivation of our personnel, and to advance our transformation journey.

We operate in a sector that has an impact on society, and especially on the health and wellbeing of individuals. This is why sustainability is at the core of our new strategy. We promote health with accessible services, offer our employees meaningful work and aim to achieve carbon neutrality by 2030. Working towards these goals brings us all closer to a healthier tomorrow.

Robert Andersson

Our strategy ensures a common direction

Oriola's purpose, "Health for life", guides the company and our employees in everyday operations. Our goal is to enable a healthier tomorrow by providing sustainable health and wellbeing products and services.

Our strategy ensures that the company is working towards a common goal. Our operations are diverse, but we share common objectives. We have defined six strategic goals to ensure our success. We focus on assuring the excellence of our operations, utilise data and innovate by keeping our finger on the pulse and listening to our customers, encourage our employees to succeed together and strengthen our strategic capabilities.

Through our strategy, we create added value for society, our customers, our personnel and our owners. At Oriola, we care, find our inspiration as experts and build a sustainable tomorrow in cooperation with the entire sector.

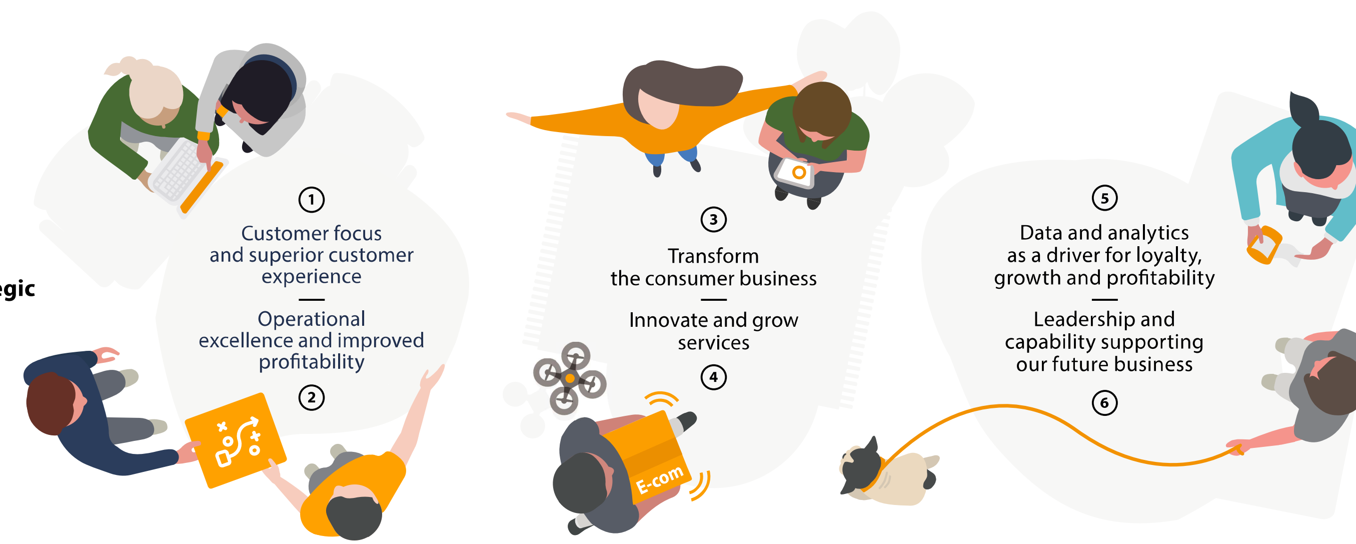
Purpose

Health for life

Vision – The caring enabler for a healthier tomorrow

Mission – We bring you sustainable products and solutions for health and wellbeing

Strategic goals



Key strategic initiatives

Focus on improving the current business

Develop our business

Develop best-of-breed capabilities

Megatrends: Digitalisation • Ageing population • Increased spending on wellbeing • Growth in speciality pharmaceuticals • Sustainability

Our business

Consumer

44% **share of net sales**

Retail services and products for consumer health and wellbeing in Sweden in the Kronans Apotek pharmacy chain and online store. Strong cooperation with online medical centre Doktor.se, which Oriola partly owns – for example, in Drop-In clinics at pharmacies.

Pharma

40% **share of net sales**

Tailored logistics, expert and advisory services for pharmaceutical companies, such as clinical research, market access, medical information and patient support. A wide range of pharmaceutical products for pharmacies, hospital pharmacies and veterinarians.

Retail

16% **share of net sales**

A wide range of health and wellbeing products for pharmacies, veterinarians, private and public healthcare operators and retailers, as well as services for pharmacies, including dose dispensing and staffing.

Operations function

Serves all business areas and covers logistics operations, operational sourcing and dose manufacturing. In Finland, our distribution centre and central warehouse is located in Espoo. In Sweden, our distribution centre is in Enköping, and our central warehouse in Mölnlycke. Dose manufacturing units are located in Helsinki in Finland and in Uppsala in Sweden.

We create value through the entire healthcare value chain

Inputs

Financial:
Capital employed

Personnel:
Nearly 4,300 employees, more than 1,500 of whom are pharmacists

Infrastructure:
- 2 distribution centres
- 2 central warehouses
- 324 pharmacies
- 2 dose-dispensing units

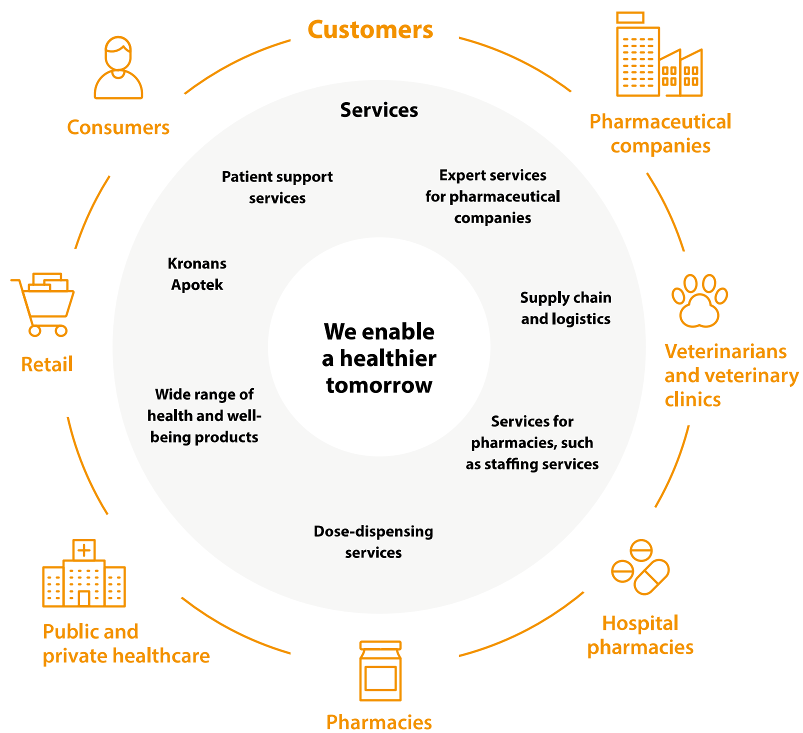
Social/Relationship:
- Open dialogue with customers, employees and other stakeholders, including authorities and legislators
- Partnerships and collaboration, such as a comprehensive network of research pharmacies
- Active participation in various associations

Natural resources:
- Energy consumption 28.3 GWh
- Fuel and water

Intellectual:
- Pharmaceutical knowledge
- Service concepts and processes
- Leadership
- Brands

All figures are for 2019

Our business



We serve our customers in the entire healthcare value chain. Our expert and logistics services help our customers succeed, and our pharmacy expertise promotes safe use of pharmaceuticals. Our extensive portfolio of health and wellbeing products support health throughout life.

Outputs & impacts

Society
- Availability and safe distribution of medicines
- Pharmaceutical advice to improve people's health and wellbeing
- Efficiency in public and private healthcare
- Taxes

Customers
- Health and wellbeing products for consumers
- Products and services for pharmacies
- Expert services for pharmaceutical companies
- Warehousing and distribution services

Shareholders
- Growth of profitability based on cost-effectiveness and quality of services
- Earnings per share EUR 0.04
- Equity per share EUR 0.87

People
- Strong Oriola culture, equal and fair workplace
- Direct and indirect employment
- Versatile career opportunities
- Training and development
- Wages, salaries and bonuses EUR 127.5 million

Planet
- Efficient use of resources
- Minimising environmental impact
- CO_2 emissions 6,956 tCO_2
- Waste 1,846 tonnes

Oriola's sustainability strategy

Sustainability is at the core of our business

Oriola's sustainability strategy is strongly linked with our purpose: "Health for life". We have committed to the UN Sustainable Development Goals. As a health and well-being company, we improve the prerequisites for a healthier life – in the context of society, employees and environment.

We are a part of the healthcare system. Approximately half of the pharmaceuticals used in Finland and Sweden pass through Oriola. In addition, we serve consumers in over 320 pharmacies of our own in Sweden. We further develop our services to facilitate primary healthcare and bring sustainable wellbeing products to the market.

Our professional employees are the key to our success. We are an equal, encouraging and fair workplace where people are happy to work. Our goal is to have competent and committed personnel.

The wellbeing of the planet is another key element of a healthier future. This is why our goal is to reach carbon neutrality by 2030. To reach this goal we work together with various partners.

Health for life

Society
Improving people's health

Medicine availability
Safe medicine usage
Promoting preventive healthcare
Reducing healthcare costs
Sustainable products and services

Planet
Towards a healthier planet

Reducing CO_2 emissions
Waste handling, energy efficiency and circular economy

People
Healthy and sustainable workplace

Employee wellbeing
Fair, equal and diverse employment
Good corporate citizenship and ethics

Sustainability goals

UN's Sustainable Development Goals	Long-term goals	Goals for 2020–2022	In 2019
12 Responsible consumption and production; 3 Good health and well-being	**Society** Improving people's health	Our goal is to introduce new services to promote people's health.	In 2019, we opened four Drop-In clinics and started the MinDos dose-dispensing service for private customers in our Kronans Apotek pharmacies.
		In our private label products, we want to increase the share of sustainable products in the sales.	Defining process for sustainable product criteria on-going.
		We want to always ensure a high quality of pharmaceutical deliveries in our operating countries.	We are developing a Group level key indicator, based on industry standards, for our deliveries.
5 Gender equality; 16 Peace, justice and strong institutions; 8 Decent work and economic growth	**People** Best-in-class employee engagement	Our goals are a high employee engagement and raising the engagement index to an excellent level.	The employee engagement survey was conducted twice for all employees in the Group in 2019. The employee engagement index was 77 (76 in 2018).
		We strive to be an attractive employer and invest in the competence of our personnel. Our goal is to minimise employee turnover.	Employee turnover was 9.2% in 2019.
6 Clean water and sanitation; 7 Affordable and clean energy; 13 Climate action	**Planet** Carbon neutrality by 2030	The most significant emissions in our own operations come from energy use. Our goal is to use 100% renewable energy.	The share of renewable electricity was 92% in 2019 (90% in 2018).
		We want to recycle the waste from our own operations, consisting mainly of packaging waste, as much as possible. Our goal is to increase our recycling rate to 85%.	In 2019, we enhanced recycling in our Mankkaa distribution centre. We achieved our earlier goal ahead of time, so we raised the target level. Our recycling rate was 70.6% in 2019 (67% in 2018).

We promote the availability and safe use of medicines

We facilitate the introduction of new medicines to the market, and distribute pharmaceuticals and other health and wellbeing products. Our professional pharmacists working in pharmacies and our medical information and dose-dispensing services help people use medicines safely.

Our pharmacies in Sweden serve

65,000

customers daily.

The solutions Oriola offers to healthcare operators support the society at large. We promote the availability and safe use of medicines. In cooperation with other healthcare operators, we develop digital solutions that can help to improve the effectiveness of patient care.

Our expert services support pharmaceutical companies in bringing new medicines to the market and developing pharmaceutical care. By combining real-world data and national registry data, our real-world evidence (RWE) studies collect information about the effectiveness of medicines and how well they work in patients' everyday life. These studies help to develop more effective treatments that often also benefit society in reduced healthcare costs.

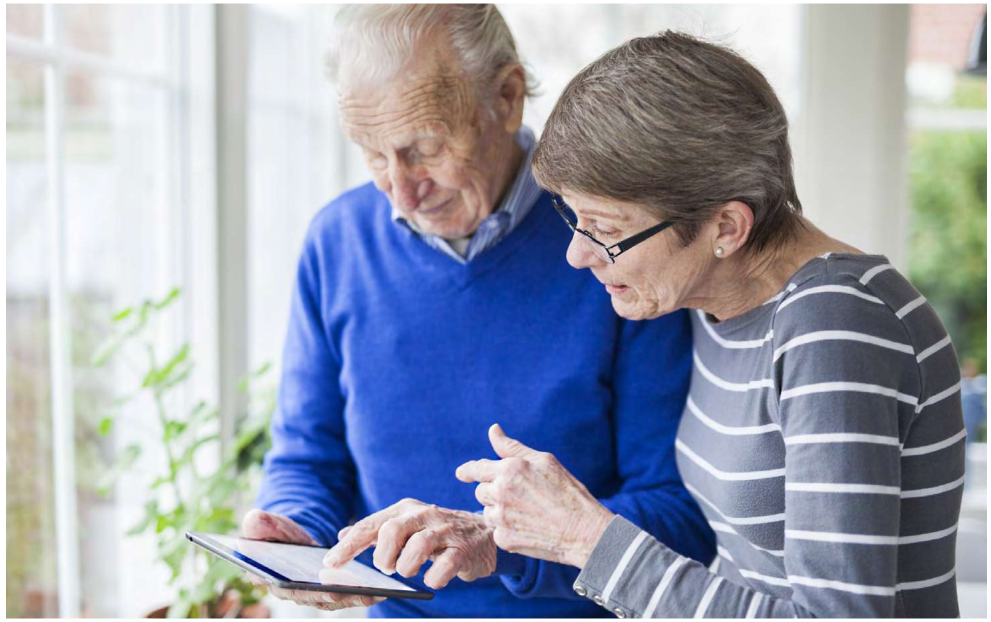
Availability of medicines is the foundation of healthcare

The path of medicines to consumers is a long one. We help to ensure the availability of medicines throughout their lifecycle, starting with clinical research and Market Access services. Once medicines enter the country, we deliver them safely and reliably to pharmacies, hospital pharmacies and veterinarians.

24-hour delivery service

A high-quality and efficient supply chain is the foundation of our operations, and it calls for strong expertise. We deliver medicines to customers within 24 hours, and some products, such as insulin for diabetes, have special temperature requirements during storage and transport. In addition, special biomedicines are a growing product group and require unique solutions.

Oriola ships approximately 30,000 transport boxes daily to a total of 2,500 customers around Finland and Sweden. In Finland, our distribution centre and central warehouse are based in Espoo. In Sweden, our distribution centre is based in Enköping, and our central warehouse in Mölnlycke.



We serve customers online and in over 320 pharmacies in Sweden

Our Swedish Kronans Apotek pharmacy chain ensures the availability of health and well-being products for consumers. Our more than 320 pharmacies serve approximately 65,000 customers daily, and we customise the assortment in each pharmacy to their individual

Primary healthcare services from pharmacies

In 2019, the Kronans Apotek pharmacy chain opened four Drop-In clinics that offer primary healthcare services in pharmacies without an appointment. These services make care more accessible and offer patients a convenient way to look after their health when they visit a pharmacy.

Services include vaccinations, medication reviews and measuring of blood pressure, haemoglobin, blood glucose and inflammation markers (CRP). Digital physician services are offered in cooperation with Doktor.se, a Swedish online medical centre partly owned by Oriola.

Special licensed medicine to secure treatment

In some situations, there is no suitable licensed pharmaceutical for a patient due to allergies, for example, incompatible dosage forms, a lack of the necessary pharmaceutical agent or disruptions in the supply chain. In this case, a physician may decide to apply for special licence for use of a medicine that has no licence in the country.

Oriola's special licence service helps to import medicines for human and veterinary use. Suitable options for the patient's needs are investigated with pharmaceutical companies and foreign authorities. In the best-case scenario, the patient receives the medicine the very next day.

needs. In 2019, the customer satisfaction index at Kronans Apotek was 89, and our customer loyalty programme had nearly 2.8 million members.

In Sweden, pharmacy transactions happen increasingly online, and their share is approximately 12% of the market. Our online business increased by 35% in 2019. Our aim is to offer a seamless customer experience, both online and in brick-and-mortar pharmacies.

Minimising disruptions in the pharmaceutical supply chain is a collective effort

In the Nordic countries, the availability of medicines has long remained at a high level, but disruptions in the supply chain have increased significantly in recent years. There are several reasons for this, from global supply problems or challenges with the availability of a single raw material to the small size of the Finnish and Swedish markets.

It takes collaboration between all operators in the pharmaceutical market to ensure the continued availability of medicines. Oriola is actively working with the authorities and other operators to develop the pharmaceutical market and ways of operating.

Medical information and dose dispensing promote the safe use of medicines

We work on many fronts to enhance safe medicine usage, starting with a reliable supply chain. We follow good distribution practices and ensure the appropriate storage and transport of medicines. We also contribute to preventing counterfeit pharmaceuticals entering the market by dealing directly with pharmaceutical companies and complying with the EU Falsified Medicines Directive, which came into force in February 2019.

We supply daily medications as ready-to-use pouches to

117,000

patients every day.

Medical information supports commitment to treatment

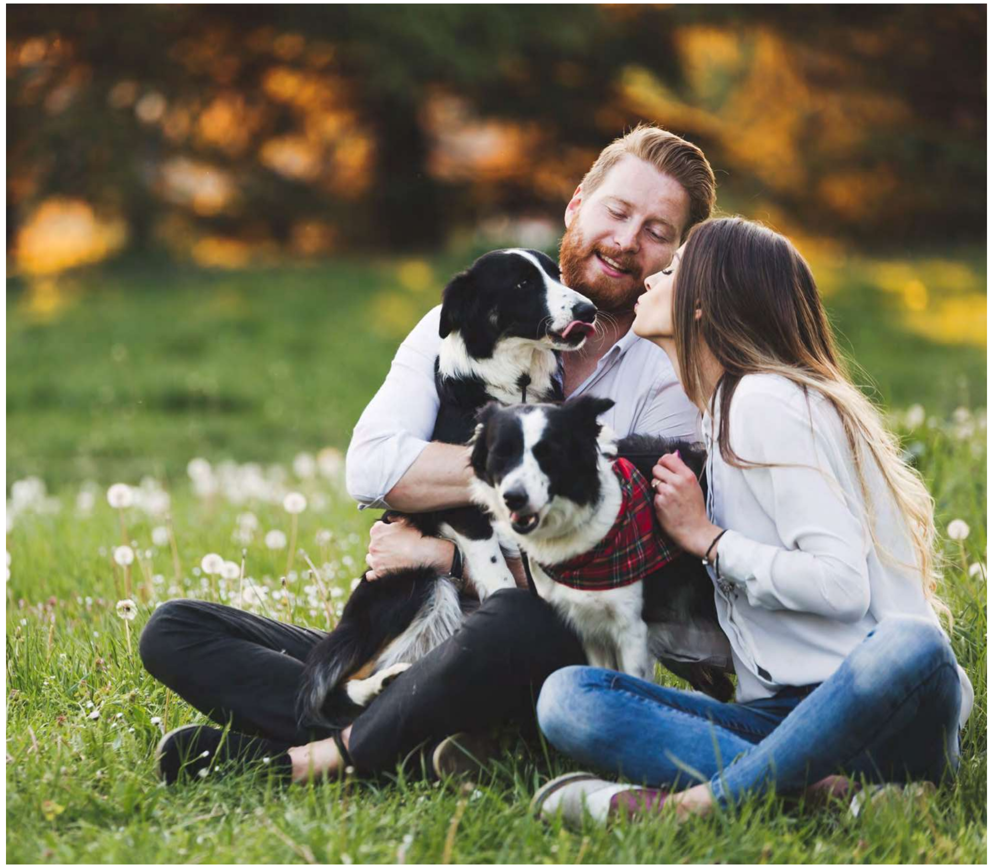
Our professional personnel in pharmacies in Finland and Sweden help and advise people on the safe use of medicines every day. Approximately 1,400 pharmacists serve customers in our Kronans Apotek pharmacies, and our staffing services provide staff to approximately 310 pharmacies every year.

Kronans Apotek also offers a mobile app that customers can use to manage their prescriptions, get advice on prescription medicines and check the availability of medicines. The app has 152,000 users.

In addition to our pharmacy employees, our medical information and patient support services help patients with the use of medicines. In 2019, we handled more than 32,000 medical information cases in total in Finland and Sweden. Support and advice also promote commitment to pharmaceutical care. Incomplete courses of prescribed medications can expose patients to prolonged or recurring illnesses, leading to increased healthcare costs and absences from work.

Daily medications in ready-to-use dose pouches

We deliver daily medications in ready-to-use dose pouches to 117,000 patients in Sweden and Finland. Once an automated dose-dispensing machine has packed the medicines, they are delivered to pharmacies or home care, for example.



This service promotes medicine safety, since automated dose dispensing is more reliable than manual dispensing. We conduct a medication review for each new patient to ensure that all of their medicines are compatible and necessary. The service also reduces pharmaceutical waste, because there is no need to keep several packages at home. Yet another benefit is that automated dose dispensing allows the staff in nursing homes and home care more time for patients.

Safe pharmaceutical care for the elderly

According to a survey conducted in Sweden at the beginning of 2019, 85% of people aged over 75 use at least one medicine daily. Half the people in this age group use at least four medicines daily.

The survey showed that 43% of patients have made medication errors. The most common error was to forget to take the medication.

To support safe medicine usage for the elderly, Kronans Apotek started a dose-dispensing service for private customers in November 2019. Ready-to-use medication pouches reduce the risk of medication errors. In Finland, pharmacies have offered dose-dispensing services for a long time, and in Sweden, the service expanded from public healthcare to pharmacies in the autumn of 2019.

Wellbeing personnel are our strongest asset

We employ nearly 4,300 professionals in various roles in pharmacies, logistics centres and expert roles. Our goal is to ensure the commitment and wellbeing of our personnel. We want to offer the most versatile career paths in the pharmaceutical sector, as well as a fair and equal workplace.

Approximately
50
managers participated in change management training in 2019.

We support our employees' development and wellbeing

Our personnel are our strongest asset: their expertise and competence is critical to our ability to offer an excellent customer experience. Our investment in the development and wellbeing of our employees helps to build Oriola's competitiveness in a rapidly changing market.

Versatile opportunities for competence building

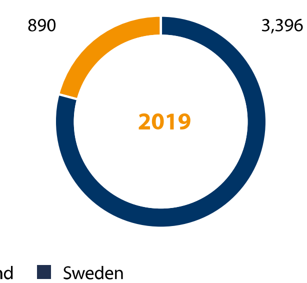
The diversity of tasks in the pharmaceutical industry enables learning at work and career advancement within Oriola. All employees are in the scope of annual development discussions, in which personal goals are set to guide work, and individual development goals and measures are mapped.

We offer in-house training programmes, and encourage individual training to build expertise. However, most development is achieved through learning at work. Several development projects offer the opportunity to build and share one's experience across organisational and country borders. In Sweden, pharmacists can sign in to a competence pool to work in customer support and dose dispensing, in addition to various pharmacies.

The pharmaceutical sector is strictly regulated, and many tasks require training, for example, in quality requirements. Oriola also offers training programmes for pharmacists. In Sweden, Kronans Apotek has a trainee programme for pharmacists to become pharmacy managers, and the chain also provides training for pharmacists from other EU countries. In Finland, our training programmes coach pharmacists to work in expert roles in the pharmaceutical sector, but also to return to customer work in pharmacies. Every year, we also offer our pharmacy workers the opportunity to participate in professional training organised by third parties.

We continue to develop opportunities for modern online learning. In 2019, we carried out online training on Oriola's new strategy for all of the Group's employees and sales training for our pharmacy workers in Sweden.

Employees by country, headcount



Back to pharmacy work through training

A growing number of pharmacists choose to work in other pharmaceutical roles outside pharmacies after completing their studies. As a result, pharmacies are suffering from a shortage of staff. To alleviate the situation, Oriola has started to offer Back to Pharmacy training in Finland. This training programme enables participants to return to customer work in a pharmacy alongside their full-time jobs. It supports individual opportunities for maintaining professional skills and increases the availability of a flexible workforce for pharmacies.

During the training, participants update their expertise, for example, in the systems used in pharmacies, e-prescriptions and pharmacy regulations. After completing the training, they work in pharmacies through Oriola´s Farenta staffing services.

From behind the counter to management

Kronans Apotek's annual trainee programme provides pharmacists with the proficiency to manage a pharmacy. The training lasts a little over a year, combining leadership skills, business understanding and pharmacist skills. The participants work in pharmacies in different parts of Sweden. In the final phase of the training, they work as pharmacy managers.

In 2019, nine pharmacists completed the training programme. Approximately 80% of the people who have participated in the training over the years now work as pharmacy managers in the Kronans Apotek chain.

Change management plays a key role

As part of strategy work, we have defined Oriola's strategic capabilities that will also guide personnel development in the future. Change management is one of the key development areas, because our business environment, culture and ways of working are undergoing a major transformation. We want to support the managers' capabilities and offer tools for change management. In 2019, we organised change management training for managers in Finland and Sweden.

To ensure that we are on the right track, we measure the quality of leadership twice a year as part of our employee survey. The survey is a management tool that helps to plan measures to further enhance personnel's commitment and wellbeing.

A safe and healthy working environment

In modern working life, the balance between work and other areas of life is a critical element in employee well-being. Managing one's own work, stress management and recovery are typical challenges, particularly in expert work. Flexible practices like remote work and part-time work facilitate the adaptation to different life situations. In 2019, Oriola introduced new digital tools for cooperation and information sharing to support opportunities for flexible work across the organisation.

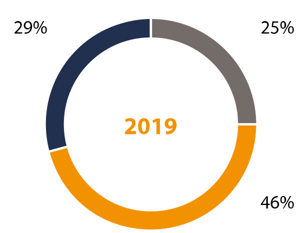
All our employees are covered by occupational health services, with the main focus on preventive services. We invest in improving occupational safety, especially in our logistics centres and pharmacies.

We promote equality

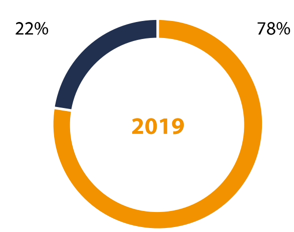
As an employer, promoting equality is a priority for us. Oriola is a fair and equal workplace that supports diversity. Our Code of Conduct outlines the principles with which all our employees and businesses are expected to comply.

We support equal employment opportunities and select employees based on their suitability for the task and professional skills. Our top management, for example, is very gender-equal, and the age distribution among our personnel is well balanced. We do not approve discrimination in any form. Oriola also has an anonymous reporting channel, and we encourage all our employees to report misconduct, or conduct that does not accord with our values.

Employees by age group



Employees by gender



Employment of vulnerable groups

Work is essential for people's social relationships and their sense of inclusion in society. We support the employment of vulnerable groups, such as people with disabilities and migrants. With Samhall, a state-owned Swedish company, Kronans Apotek has employed people with disabilities to pack B2B customers' online orders. In 2019, we hired 12 people with functional impairments through Samhall.

For many years now, Kronans Apotek has also offered a programme that provides pharmacists from other EU countries with the opportunity to work in Swedish pharmacies. We support their language learning to accelerate their entry into employment. Pharmacists from other EU countries have been recruited for pharmacies especially in small towns, where it is difficult to find competent staff. We also participate in Senna, a project funded by the Swedish government that offers trainee positions for pharmacists who have recently arrived in Sweden.

Our goal is to achieve carbon neutrality by 2030

Minimising our environmental impact is a high priority for us. In accordance with our vision, we want to promote a healthier tomorrow and be a forerunner in our industry. This is why we have set an ambitious goal.

In 2019, our recycling rate was

70.6%

Oriola's goal is to achieve carbon neutrality by 2030. This is an ambitious goal, because Finland, for example, aims to achieve carbon neutrality by 2035, and Sweden by 2045.

Achieving carbon neutrality means that we must reduce our operations' CO_2 emissions to zero. The primary tool in reducing our carbon footprint is to make changes in our operations and supply chain by switching to renewable energy sources, for example. Carbon offset is a secondary means for us, to be used when it is not possible to further reduce our emission levels.

Oriola's carbon footprint consists mainly of three emission groups: direct emissions; emissions from purchased energy; and other emissions from our supply chain. The carbon footprint has been calculated according to the Greenhouse Gas Protocol reporting principles, and covers the entire Oriola Group.

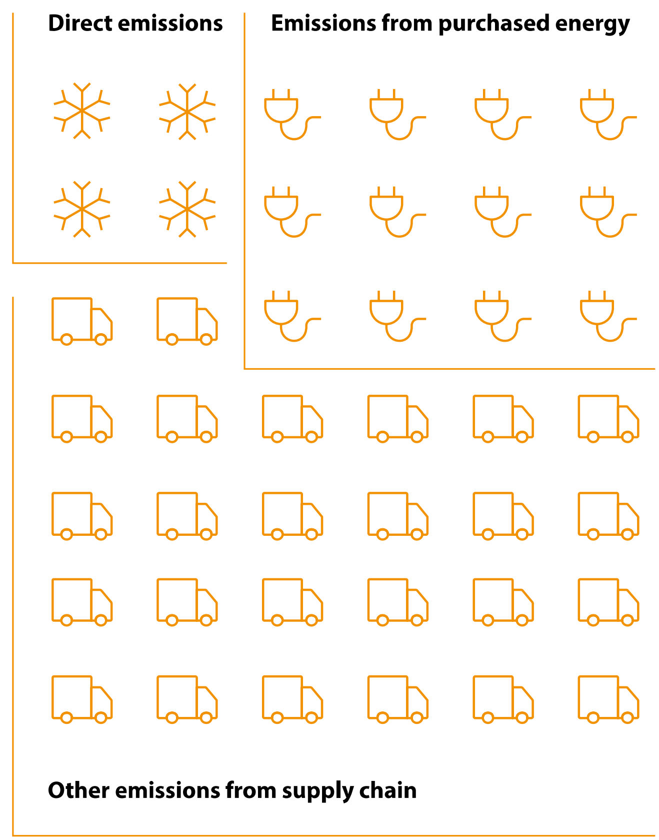
Transport is our largest source of indirect emissions, as subcontractors are responsible for our entire transport network. With our transport partners, we seek constantly to reduce emissions through route optimisation, the efficient usage of capacity and the broader use of alternative fuels, among other things. For example, in 2019, our transport partner PostNord introduced new biofuel vehicles for Oriola's deliveries in the Helsinki Metropolitan Area.

We also influence the transport emissions in our distribution centres by improving the filling rate of transport boxes to reduce the number of boxes delivered to our customers. In Sweden, we also deliver part of our online orders as joint deliveries with pharmacy orders.

92%

of our electricity was renewable in 2019.

Oriola's carbon footprint



Our direct emissions (Scope 1) come from leasing cars and refrigerators. Share of total emissions approximately 10%.

Emissions from purchased energy (Scope 2) come from electricity and heating. Share of total emissions approximately 25%.

Other emissions from supply chain (Scope 3) include packaging materials, transport, waste, business travel and employee commuting. Share of total emissions approximately 65%.

We invest in improving recycling

Our primary goal in waste management is to avoid the production of waste; our secondary goal is to make material recycling more effective. A significant share of waste consists of the packaging material of the goods delivered to our warehouses and distribution centres. Efficient recycling allows the reuse of packaging waste as raw material instead of combusting it for energy. This saves natural resources, reduces CO_2 emissions and minimises material waste.

In our distribution centre in Mankkaa, Finland, energy consumption has decreased by

14%

since 2017.

One of our environmental goals at the Group level is to increase the recycling rate to 85%, and recycling of waste was one of the key initiatives of our 2019 environmental work. In Finland, we began to recycle clear plastic film, for example, and enhanced the recycling of other types of waste as well. In Sweden, our dose-dispensing production in Uppsala began to sort all types of waste in 2018, and this translated into an increase in the recycling rate from 52.7% to 58.8% in 2019.

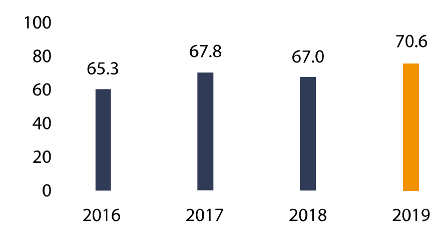
We collect hundreds of tonnes of pharmaceutical waste annually

Returning unused medicines to a pharmacy prevents them from entering the environment through mixed waste or sewage systems. Our Swedish pharmacy chain, Kronans Apotek, collects hundreds of tonnes of pharmaceutical waste annually and delivers it for appropriate disposal. We encourage consumers to return unused or expired medicines to a pharmacy. In Finland, we collect pharmacies' pharmaceutical waste and deliver it for appropriate disposal.

In 2019, we also participated in the joint campaign of the pharmaceutical sector in Finland to protect the Baltic Sea, which aimed to raise consumer awareness of the importance of the appropriate disposal of pharmaceutical waste

The most efficient way to avoid medicines entering the environment is to prevent the production of pharmaceutical waste. There are numerous ways to promote the responsible use of medicines throughout the sector, from optimising packaging sizes to providing expert pharmaceutical advice in pharmacies. Dose dispensing is another way to minimise pharmaceutical waste, because patients receive their daily medication as ready-to-use doses.

Recycling rate[1]



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

100% renewable energy

The most significant environmental impacts of our operations stem from energy consumption in our facilities. This includes lighting and ventilation in warehouse and office facilities, and our pharmacies in Sweden. Our energy consumption also includes the control of conditions required for pharmaceutical warehousing, such as cooling or heating.

Our goal is that all the energy we use will be renewable by 2022. In 2019, 92% of our total electricity consumption was renewable.

In addition to renewable energy sources, we are developing the long-term energy efficiency in large warehouse and office facilities. For example, in the Mankkaa distribution centre, we have managed to increase energy efficiency, decreasing energy consumption by 14% since 2017. Meanwhile, our Mölnlycke central warehouse in Sweden switched from district heating to geothermal heating in 2015, reducing the annual energy consumption by 980 MWh. In 2020, solar panels will be installed on the facility's roof.

Recycling rate in Mankkaa increased to 71%

Enhancing recycling in our distribution centre in Mankkaa, Espoo, in 2019 is one example of our efforts to increase our recycling rate. In Mankkaa, we started to sort the plastic film used to protect pallets, standardised recycling bins, issued clearer recycling and sorting instructions, and trained our entire warehouse personnel.

In 2019, this development work increased the total recycling rate to 71.0% in Mankkaa (61.5% in 2018), reduced the amount of combustible waste by 26% and increased the amount of recycled cardboard by 11%. The most impressive results were gained in the recycling of plastic, of which we collected 17.3 tonnes during the year.

Investors

Oriola has a strong position in the Finnish and Swedish health and wellbeing markets. Oriola's market share is approximately 46% of the pharmaceutical wholesale market in Finland and approximately 44% in Sweden. Oriola's share of the Swedish pharmacy market is 17%, and share of the dose-dispensing market is 40% in Finland and 43% in Sweden. Oriola Corporation is listed on Nasdaq Helsinki.

4 reasons to invest in Oriola

Oriola's wide selection of health and wellbeing products and services helps people to lead healthier lives. Oriola offers expert services to healthcare operators for the entire life cycle of the medicine, as well as a high-quality and reliable supply chain for pharmaceuticals.

Oriola Corporation is listed on Nasdaq Helsinki. 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 is Health Care Distributors, and the company is classified under Health Care. The ticker symbol for the class A shares is OKDAV and for the class B shares OKDBV.

1 Oriola's main markets offer a stable, attractive operating environment

- Megatrends, such as ageing population and increasing interest in wellbeing, strengthen Oriola's main markets and create structural market growth.
- Oriola's demand has developed steadily during the accounting period and over the cycles. Market shares have also been relatively stable.
- A significant share of Oriola's business is heavily regulated, which creates a high threshold for entering the market and enables local competitive advantage through scale and services.

2 Oriola offers customer-oriented services throughout the lifecycle of the medicine

- As an expert partner, Oriola meets pharmaceutical companies' growing need for full-services.
- Oriola has a strong position in the consumer market – the company's Kronans Apotek is the third-largest omnichannel pharmacy chain in Sweden
- The demand for dose-dispensing services is increasing, and Oriola has a strong market position.

3 Oriola's short-term focus is on transformation and profitability improvement

- The company culture is being transformed from the fundamentals – purpose, vision and strategy have been renewed.
- Oriola is executing the 20by20 Excellence programme to ensure efficient and high-quality operations and to improve profitability.
- The aim is to achieve a steady cash flow that enables predictable dividends and selected investments for growth.

4 Sustainability is at the core of Oriola's business

- Oriola creates societal value and effectiveness for healthcare at large.
- Oriola has committed to the UN's Global Compact principles, and the company's sustainability strategy covers ESG topics. This reflects beyond the financial statements to Oriola's business risk management.
- Oriola has set long-term sustainability goals to create value for stakeholders.

Members of the Board of Directors 2019–2020

Anssi Vanjoki (1956)

Chairman
M.Sc. (Economics)
Independent member of the Board since 2015

Eva Nilsson Bågenholm (1960)

Vice Chairman
Chairman of the Compensation and Human Resources Committee
Physician
Independent member of the Board since 2015

Juko Hakala (1970)

M.Sc. (Economics)
Independent member of the Board since 2018

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

Harri Pärssinen (1963)

M.Sc. (Economics), APA
Independent member of the Board since 2019

Lena Ridström (1965)

M.Sc. (Economics)
Independent member of the Board since 2016

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

Group Management Team

Robert Andersson (1960)

President and CEO[1]
since 2018

Katarina Gabrielson (1969)

Vice President, Business Area Retail
since 1 January 2019
With the company since 2012

Thomas Gawell (1963)

Vice President, Business Area Pharma
since 1 January 2019
With the company since 2001

Anne Kariniemi (1970)

Vice President, Operations
since 21 January 2019

Helena Kukkonen (1972)

Chief Financial Officer
since 2018

Tuula Lehto (1973)

Group Communications Director
since 2017

Charlotta Nyström (1972)

Chief Information Officer
since 2018

Petter Sandström (1976)

General Counsel
since 2012
With the company since 2008

Teija Silver (1964)

Vice President, Human Resources
since 2006

Anders Torell (1967)

Vice President, Business Area Consumer
since 2018

Changes in Group Management Team

[1] Robert Andersson was interim leader for the Operations function from 1 January to 21 January 2019.

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

Oriola

Oriola Corporation
Orionintie 5
P.O. Box 8
FI-02101 Espoo
www.oriola.com

ORIOLA

GRI supplement 2019

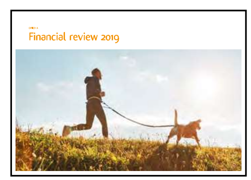
Contents

About this report

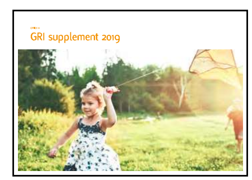
Oriola's Annual report 2019 consists of three separate reports in which integrated reporting elements are applied. The Annual review presents Oriola's strategy, business, value creation and sustainability work. The Financial review includes the Board of Directors'report, audited financial statements and auditor's report as well as information about the shares and shareholders and key figures and financial development. GRI supplement includes sustainability information compliant with the GRI standards.

All reports are available in Finnish and in English on our **website.**

Oriola Annual review 2019



Oriola Financial review 2019



Oriola GRI supplement 2019

Oriola's sustainability reporting 2019

Oriola publishes sustainability information annually, at the same time with annual report. This is Oriola's first GRI supplement and it has been prepared in accordance with the Core option of the GRI Standards from the Global Reporting Initiative (GRI Standards 2016, 2018). Oriola has reported on its sustainability progress and data since 2017.

This supplement contains data about Oriola Group, unless otherwise stated. The GRI principles regarding the content of this supplement have been taken into account in the preparation of sustainability information. Sustainability information is presented in different sections of this supplement and key figures are summarised in the GRI Index. Mitopro Oy has provided limited assurance on the environmental information presented in Oriola's 2019 Annual Report as an independent third party. The scope of assured information is indicated in the independent assurance statement on page 12 of this report.

Sustainability governance and management

Oriola's Board of Directors steers and guides sustainability strategy, follows up progress against targets and approves relevant policies. Oriola's Group Management Team decides on and follows up Group's sustainability strategy including plans, targets and performance indicators. The Group Management Team is responsible for sustainability strategy implemenation, follows up regularly sustainability progress against targets and supports sustainability work in the Group.

Communications and Sustainability function in Oriola is managed by Group Communications Director who reports to CEO and is a member of the Group Management Team. Communications and Sustainability function is responsible for sustainability development in line with the strategy, follow up the implementation, coordination and reporting.

Head of Sustainability reports to Group Communications Director and is responsible for the development, management and coordination of sustainability strategy and actions in Oriola. Head of Sustainability coordinates the development and implementation of sustainability matters in compliance with the Group's strategy, policies and principles. Duties include developing, implementing and monitoring of Group's sustainability objectives, sustainability reporting as well as implementation of sustainability projects and initiatives together with the business.

Oriola's sustainability management approach by focus area are described on page 7 of this report.

GRI Index

Abbreviations
AR Annual review
FR Financial review

GRI GRI supplement
SDG United Nations' Sustainable Development Goa
UNGC United Nations' Global Compact

General standard disclosures GRI 102 (2016)

GRI material topic	Disclosure number	Disclosure title	Location	Additional information	Cross reference
Organisational profile					
GRI 102	102-1	Name of the organisation		Oriola Oyj	
GRI 102	102-2	Activities, brands, products, and services	AR p. 3, 8		
GRI 102	102-3	Location of headquarters		Orionintie 5, P.O. Box 8 FI-02101 Espoo, Finland	
GRI 102	102-4	Location of operations	FR p. 3		
GRI 102	102-5	Ownership and legal form	FR p. 19		
GRI 102	102-6	Markets served	FR p. 3, AR p. 3		
GRI 102	102-7	Scale of the organisation	FR p. 4-5		
GRI 102	102-8	Information on employees and other workers	FR p. 6, AR p. 16-19		SDG 8 UNGC 6
GRI 102	102-9	Supply chain	FR p. 18	Major part of Oriola's direct non-pharmaceutical product purchases are from Europe.	
GRI 102	102-10	Significant changes to the organisation and its supply chain		No significant changes in 2019	
GRI 102	102-11	Precautionary principle or approach	FR p. 13		
GRI 102	102-12	External initiatives	GRI p. 8		
GRI 102	102-13	Membership of associations	GRI p. 8		
Strategy					
GRI 102	102-14	Statement from senior decision-maker	AR p. 6		
Ethics and integrity					
GRI 102	102-16	Values, principles, standards, and norms of behavior	FR p. 17		SDG 16 UNGC 1, 4, 5, 10
GRI 102	102-17	Mechanisms for advice and concerns about ethics	FR p. 17		SDG 16 UNGC 1, 4, 5, 10
Governance					
GRI 102	102-18	Governance structure	FR p. 8, GRI p. 3		
Stakeholder engagement					
GRI 102	102-40	List of stakeholder groups	GRI p. 8		
GRI 102	102-41	Collective bargaining agreements	GRI p. 8		
GRI 102	102-42	Identifying and selecting stakeholders	GRI p. 8		
GRI 102	102-43	Approach to stakeholder engagement	GRI p. 8		
GRI 102	102-44	Key topics and concerns raised	GRI p. 8		

GRI Inde

Abbreviations
AR Annual review
FR Financial review

GRI GRI supplement
SDG United Nations' Sustainable Development Goa
UNGC United Nations' Global Compact

GRI material topic	Disclosure number	Disclosure title	Location	Additional information	Cross reference
Reporting practice					
GRI 102	102-45	Entities included in the consolidated financial statements	FR p. 60		
GRI 102	102-46	Defining report content and topic boundaries	GRI p. 3		
GRI 102	102-47	List of material topics	GRI p.8		
GRI 102	102-48	Restatements of information		Some previously reported data have been restated based on internal data validation review. Restated data is indicated for each reported information.	
GRI 102	102-49	Changes in reporting		This is Oriola's first report following GRI Standards .	
GRI 102	102-50	Reporting period		1 January 2019 - 31 December 2019	
GRI 102	102-51	Date of most recent report		This is Oriola's first report following GRI Standards .	
GRI 102	102-52	Reporting cycle		Annually	
GRI 102	102-53	Contact point for questions regarding the report		tuula.lehto@oriola.com katja.tolkki@oriola.com	
GRI 102	102-54	Claims of reporting in accordance with the GRI Standards	GRI p. 3	This supplement has been prepared in accordance with the Core option of the GRI Standards from the Global Reporting Initiative (GRI Standards 2016, 2018).	
GRI 102	102-55	GRI content index	GRI p. 4		
GRI 102	102-56	External assurance	GRI p. 12	Limited external assurance on the environmental information by Mitopro Oy.	

Specific standard disclosures GRI 102 (2016, 2018)

GRI material topic	Disclosure number	Disclosure title	Location	Additional information	Cross reference
Economic performance					
GRI 201 (2016)	201-1	Direct economic value generated and distributed	AR p. 9		
Anti-corruption					
GRI 205 (2016)	205-2	Communication and training about anti-corruption policies and procedures	FR p. 17, GRI p. 9		UNGC 10
GRI 205 (2016)	205-3	Confirmed incidents of corruption and actions taken	GRI p. 9		UNGC 10
Energy					
GRI 302 (2016)	302-1	Energy consumption within the organisation	GRI p. 9		SDG 7, 8, 12, 13 UNGC 7,8,9
Emissions					
GRI 305 (2016)	305-1	Direct GHG emissions (Scope 1)	GRI p. 9		SDG 3, 12, 13 UNGC 7, 8, 9
GRI 305 (2016)	305-2	Energy indirect GHG emissions (Scope 2)	GRI p. 9		SDG 3, 12, 13 UNGC 7, 8, 9
GRI 305 (2016)	305-3	Other indirect GHG emissions (Scope 3)	GRI p. 9		SDG 3, 12, 13 UNGC 7, 8, 9

Abbreviations
AR Annual review
FR Financial review

GRI GRI supplement
SDG United Nations' Sustainable Development Goa
UNGC United Nations' Global Compact

GRI material topic	Disclosure number	Disclosure title	Location	Additional information	Cross reference
Effluents and waste					
GRI 306 (2016)	306-2	Waste by type and disposal method	GRI p. 10		SDG 3, 6, 12 UNGC 7, 8
Employment					
GRI 401 (2016)	401-1	New employee hires and employee turnover	GRI p. 10		SDG 5, 8 UNGC 3, 6
Occupational health and safety					
GRI 403 (2018)	403-1	Occupational health and safety management system	AR p. 18 GRI p. 11		SDG 3, 8
GRI 403 (2018)	403-3	Occupational health services	GRI p. 11		SDG 3, 8
GRI 403 (2018)	403-4	Worker participation, consultation, and communication on occupational health and safety	GRI p. 11		SDG 3, 8
GRI 403 (2018)	403-5	Worker training on occupational health and safety	GRI p. 11		SDG 3, 8
GRI 403 (2018)	403-6	Promotion of worker health	AR p. 18		SDG 3, 8
GRI 403 (2018)	403-9	Work-related injuries	GRI p. 11	Not reported by region, calculation method will be developed.	SDG 3, 8
Training and education					
GRI 404 (2016)	404-1	Average hours of training per year per employee	GRI p. 11	So far there is no training hours tracking system.	
GRI 404 (2016)	404-2	Programs for upgrading employee skills and transition assistance programs	AR p.17, 19		
GRI 404 (2016)	404-3	Percentage of employees receiving regular performance and career development reviews	GRI p. 11		UNGC 6
Diversity and equal opportunity					
GRI 405 (2016)	405-1	Diversity of governance bodies and employees	GRI p. 11		SDG 5, 8 UNGC 6
GRI 405 (2016)	405-2	Ratio of basic salary and remuneration of women to men		Calculation method will be developed.	SDG 5, 8 UNGC 6
Non-discrimination					
GRI 406 (2016)	406-1	Incidents of discrimination and corrective actions taken	GRI p. 9		SDG 5, 16 UNGC 6

Management approach

Society	Description
Material topic (GRI)	Oriola's own topic: medicine availability and promoting health
Key topics	Safe and timely delivery of medicines Sustainable usage of medicines Taking forward health and wellbeing in the society Cooperation with etchical partners
Targets	Sustainability goals, AR p. 11
Policies, processes, management model	Code of Conduct, Social responsibility FR p. 17–18
Actions and results	Society, AR p. 12–5
Disclosures	Oriola's key indicator under development.
Topic boundary	External impacts within value chain: customers, authorities, suppliers, employees

People	Description
Material topic (GRI)	GRI 404 (2016): Training and education, GRI 403 (2018): Occupational health and safety, GRI 405 (2016): Diversity and equal opportunity, GRI 406 (2016): Non-discrimination
Key topics	Competence and development of personnel Taking health, wellbeing and safety forward as an employer An equal and fair workplace supporting diversity
Targets	Sustainability goals, AR p. 11
Policies, processes, management model	Code of conduct, We promote equality, AR p. 19, Social responsibility FR p. 17–18
Actions and results	People, AR p. 16-19, GRI p. 10–11
Disclosures	401-1, 403-1, 403-3, 403-4, 403-5, 403-6, 403-9 404-1, 404-2, 404-3, 405-1, 405-2, 406-1
Topic boundary	Internal impacts within operations: employees

Planet	Description
Material topic (GRI)	GRI 302: Energy, GRI 305 Emissions, GRI 306 Effluents and waste
Key topics	Minimise environmental impact of pharmaceutical waste Minimise waste and increase recycling rate Energy efficiency Reduce CO_2 emissions
Targets	Sustainability goals, AR p. 11
Policies, processes, management model	Environmental policy, Environmental responsibility FR p. 17
Actions and results	Planet, AR p. 20–23, GRI p. 9–10
Disclosures	302-1, 305-1, 305-2, 305-3, 305-5, 306-2
Topic boundary	External impacts within value chain: customers, authorities, suppliers

Information on general standard disclosures

This section provides information on the general standard disclosures that are not reported in the Annual review, the Financial review or the GRI index.

External initiatives (102-12)

Oriola joined the UN Global Compact Initiative in 2018. Oriola is committed to communicating annually on the UN Global Compact website on company's actions and progress in alignment with the 10 principles of the Global Compact.

Membership of associations (102-13)

Oriola is involved in various professional organisations in the sector. Below are listed the international memberships and key memberships in Finland and Sweden.

International memberships

- European Association of Pharmaceutical Full-line Wholesalers, (GIRP), Oriola's representative is a board member
- United Nations' Global Compact

Finland

- Lääke- ja terveyshuolto, LTH ry, 3 Oriola's representatives are board members
- Pharma Industry Finland
- The Association of Products and Services Trade ETU, Oriola's representative is a board member
- Finnish Commerce Federation
- FIBS, Finland's leading promoter of sustainable business

Sweden

- Sveriges apoteksförening, Oriola's representative is the chairman of the board
- Läkemedelsdistributörernas Förening LDF, Oriola has 2 representatives in the board
- Farmaceuter utan Gränser Sverige
- Svenskt Näringsliv
- Västsvenska Handelskammaren
- Nordic Council of Shopping Centers
- Svensk Handel
- Trygghetsrådet

Stakeholder engagement (102)

List of stakeholder groups (102-40), Identifying and selecting stakeholders (102-42), Approach to stakeholder engagement (102-43), Key topics and concerns raised (102-44), List of material topics (102-47)

Oriola's stakeholders include current and potential customers (including e.g. pharmaceutical companies, pharmacies, grocery stores and consumers), current and potential employees, investors and analysts, suppliers and subcontractors, authorities, legislators and media. Understanding stakeholder expectations requires regular dialogue with them. In 2018, Oriola conducted a sustainability survey to company's key stakeholders (including customers, employees, investors, and other business partners) to ensure that company's sustainability efforts focus on the material topics.

The table below describes the interactions with key stakeholder and their key expectations.

Collective bargaining agreements (102-41)

Oriola supports the freedom of association and the right to collective bargaining of all its employees. In 2019, approximately 80% of Oriola Group's employees were covered by collective agreements.

Key stakeholder	Stakeholder interaction	Stakeholder expectations
Customers	Daily customer interactions Customer forums Customer service channels Customer surveys Social media	Safe and timely delivery of medicines Taking forward health and wellbeing in society Minimise environmental impacts
Employees	Daily interactions Development discussions Employee engagement surveys Cooperation with employees Whistleblower channel	Safe and timely delivery of medicines Competence and development of personnel Taking health, wellbeing and safety forward as an employer An equal and fair workplace supporting diversity
Investors and analysts	Annual General Meeting Results announcements Investor meetings Press conferences	Transparency and reliable reporting on performance Sustainable growth and financial profitability Minimise environmental impacts
Suppliers and subcontractors	Supplier events and meetings Business Partner Code of Conduct	*The number of respondents was too low in sustainability survey in 2018 to define material topics*

Information on specific standard disclosures

This section provides information on the specific standard disclosures that are not reported in the Annual review, the Financial review or the GRI index.

Anti-corruption (205), Non-discrimination (406)

Communication and training about anti-corruption policies and procedures (205-2), Confirmed incidents of corruption and actions taken (205-3), Incidents of discrimination and corrective actions taken (406-1)
Oriola's anti-corruption principles are included in Oriola's Code of Conduct published in 2017. Code of Conduct is available in Finnish, Swedish and English. Oriola has a Code of Conduct online training and it is included in onboarding programs. During 2019, Oriola also organised training for managers to improve leadership skills in ethically difficult situations. 3,023 people (10/2017-12/2019) have completed Oriola's Code of Conduct training.

Oriola has a confidential channel where violations of Code of Conduct can be anonymously reported. In 2019, the channel received 17 reports (2018: 15) related to, among other things, leadership, occupational safety and discrimination.

In 2019, one report received via confidential channel was related to discrimination. The case was investigated and a written warning was given.

Oriola expects also its business partners to follow the same ethical principles and to adhere to the Business Partner Code of Conduct.

In 2019, no corruption cases were reported.

Energy (302)

Energy consumption within the organisation (302-1), MWh

	2019	2018	2017
Electricity[1]	22,996	23,259	22,683
Heat[2]	5,277	6,230	6,015
Total energy consumption	**28,273**	**29,489**	**28,698**

[1] 2018 data has been restated based on internal data validation review. Data for December 2019 for Oriola AB (~5% of total annual electricity consumption of the Group) is estimated and will be updated in the next report.

[2] 2017 data have been restated based on internal data validation review. Data for December 2018 has been updated based on actual consumption. Data for December 2019 for Oriola AB is estimated and will be updated in the next report. Kronans Apotek's consumption data is not included.

Emissions (305)

Direct GHG emissions (Scope 1) (305-1), Energy indirect GHG emissions (Scope 2) (305-2), tCO_2

	2019	2018	2017
Scope 1 emissions[1]	750	577	N/A
Scope 2 emissions (location based)[2]	1,832	2,328	2,491
Scope 2 emissions (market based)[2]	1,445	1,717	1,641

[1] Fugitive emissions and company owned and leased cars. 2019 leased cars consumption data for Oriola Finland and Oriola Corporation is estimated and will be updated in the next report. Source for emission factors of fugitive emissions is EPA. Emission factors for the emissions of company owned and leased cars are from suppliers.

[2] Sources for Scope 2 emission factors are AIB and energy suppliers.

Oriola reports Scope 1 and 2 greenhouse gas (GHG) emissions from its operations according to the GHG Protocol standard.

Greenhouse gas emissions reporting covers only CO2.

Other indirect GHG emissions (Scope 3) (305-3), tCO_2

	2019	2018	2017
Category 1: Purchased goods and services[1]	803	726	N/A
Category 4: Upstream transportation and distribution[2]	2,318	2,140	1,518
Category 5: Waste[3]	327	318	260
Category 6: Business travel[4]	732	649	409
Category 7: Employee commuting[5]	581	615	N/A

[1] Category "Purchased goods and services" covers purchased packaging materials.

[2] Category "Upstream transportation and distribution" covers transportation and distribution of goods. Data for 2017 has been restated based on internal data validation review. Data for 2019 includes also Kronans Apotek's transportation.

[3] Category "Waste" covers non-hazardous waste generated in everyday business operations and collected from Oriola Group facilities, excluding Kronans Apotek pharmacies.

[4] Category "Business travel" covers business travel by air and car. Data for 2017 includes only flights.

[5] Category "Employee commuting" covers travelling between home and work place. Data covers only employees in Finland. Calculations are based on an employee commuting survey conducted in 2018, and 2019 data is updated based on employee headcount change.

Oriola reports Scope 3 greenhouse gas (GHG) emissions according to the GHG Protocol standard.

Oriola has analysed its Scope 3 emission categories. Based on the analysis, five emission categories were identified: purchased goods and services, transportation and distribution, waste, business travel and employee commuting.

Greenhouse gas emissions reporting covers only CO2.

Effluents and waste (306)

Waste by type and disposal method (306-2), tons

Non-hazardous waste[1]	2019	2018	2017
Recycling	1,303	1,090	1,031
Recovery (energy)	543	538	490
Landfill	0	0	0
Total	**1,846**	**1,628**	**1,521**

Hazardous waste[2]	2019	2018	2017
Recycling	0	0	0
Recovery (energy)	631	625	493
Landfill	0	0	0
Total	**631**	**625**	**493**

[1] Figure does not include non-pharmaceutical waste collected from Kronans Apotek pharmacies.

[2] Hazardous waste is pharmaceutical waste that is used for energy. Most of this pharmaceutical waste is collected from consumers at Kronans Apotek pharmacies.

The waste disposal method is determined based on information provided by the waste disposal contractor.

Employment (401)

New employee hires and employee turnover (401-1)

Category	Indicator	Number of new hires	% of total no. of new hires	New hire rate %
New hires by age group	< 30	168	40%	26%
	30–49	195	45%	11%
	> 50	62	15%	8%
New hires by gender	Female	316	75%	13%
	Male	107	25%	15%
New hires by region	Finland	101	24%	13%
	Sweden	324	76%	14%
Total new hires	**Total**	**425**	**100%**	**13,4%**

Category	Indicator	Number of leavers	% of total no. of leavers	Turnover rate %
Leavers by age group	< 30	87	30%	14%
	30–49	155	53%	9%
	> 50	49	17%	6%
Leavers by gender	Female	223	77%	9%
	Male	68	23%	9%
Leavers by region	Finland	109	37%	13%
	Sweden	182	63%	8%
Total leavers	**Total**	**291**	**100%**	**9,2%**

New hires are calculated as new permanent employees per total number of permanent employees during the reporting period. Gender of 2 employees not known.

Leavers are calculated as resigned permanent employees per total number of permanent employees during the reporting period.

Occupational health and safety (403)

Occupational health and safety management system (403-1), Occupational health services (403-3), Worker participation, consultation, and communication on occupational health and safety (403-4), Worker training on occupational health and safety (403-5), Work-related injuries (403-9)

Occupational health and safety is organised in Oriola in compliance with local legislation. In Finland, the statutory labor protection activity is represented by an occupational safety organisation in which all personnel groups are represented. Occupational healthcare is also involved in labor protection activities. Labor protection committee meets at least four times a year to promote the health, safety and working capacity of Oriola's employees, and to prevent occupational accidents and diseases. Together with occupational healthcare and supervisors, the labor protection committee plays a key role in developing and providing information on health and safety issues. Oriola's businesses provide tailored occupational safety training as needed. In Sweden, occupational health and safety is organised in compliance with Swedish legislation, with support from occupational health suppliers and in cooperation with local unions.

In 2019, there were no fatal injuries in Oriola. Oriola is committed to developing lost time incident frequency (LTA1) calculation method to be reported by region.

Training and education (404)

Average hours of training per year per employee (404-1)

Professional development of Oriola's personnel is a critical success factor in a rapidly changing market. Oriola provides its employees with in-house training programmes and also encourages employees to participate in individual professional trainings. At the moment, Oriola has no training hours tracking system, but will develop training monitoring, reporting and impact assessment.

Programmes for upgrading employee skills and transition assistance programs (404-2)

Oriola encourages its personnel to continuously develop their skills throughout their career. Oriola operates in a heavily regulated sector and provides training for its personnel in line with industry requirements. Company favors continuous and diverse development and estimates that about 70% of learning takes place at work, 20% in model learning and 10% in traditional trainings. Oriola organises and tailors training according to the needs identified. Employees can also seek external training that meets the needs of their current job or enhances skills needed in the future.

Percentage of employees receiving regular performance and career development reviews (404-3)

Annual development discussions cover all Oriola employees.

Diversity and equal opportunity (405)

Diversity of governance bodies and employees (405-1)

	Category	2019	2018	2017
Board of Directors	**By gender**			
	Female	57%	57%	57%
	Male	43%	43%	43%
	By age group			
	< 30	0%	0%	0%
	30–49	29%	29%	14%
	> 50	71%	71%	86%
Group Management Team	**By gender**			
	Female	60%	60%	29%
	Male	40%	40%	71%
	By age group			
	< 30	0%	0%	0%
	30–49	50%	60%	29%
	> 50	50%	40%	71%
Employees	**By gender**			
	Female	77%	78%	79%
	Male	23%	22%	21%
	By age group			
	< 30	20%	24%	25%
	30–49	55%	45%	45%
	> 50	25%	31%	30%

Independent assurance statement

To the Management and Stakeholders of Oriola Corporation

Scope and Objectives

The Management of Oriola Corporation ("Oriola") commissioned us to perform a limited third-party assurance engagement regarding environmental performance data ("Environmental information") disclosed in pages 9–10 in the Oriola GRI supplement ("Report") for the period of 1 January to 31 December 2019. The assurance engagement was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information'.

Responsibilities

Oriola is responsible for the collection, calculation, and presentation of the Environmental information according to the reporting criteria. The Management of Oriola has approved the Environmental information disclosed in the GRI supplement. Our responsibility as assurance providers is to express an independent conclusion on the Environmental information subject to the limited assurance engagement. To assess the Environmental Information, which includes an assessment of the risk of material misstatement in the Report, we have used Global Reporting Initiative's GRI-standards (2016) and Oriola's internal reporting instructions, (the "Reporting criteria", see page 3).

Assurance Provider's Independence and Competence

We have conducted our assessment as independent and impartial from the reporting organisation. We were not committed to any assignments for Oriola that would conflict with our independence, nor were we involved in the preparation of the Report. Our team consists of competent and experienced sustainability reporting experts, who have the necessary skills to perform an assurance process.

Basis of Our Opinion

Assurance providers are obliged to plan and perform the assurance process so as to ensure that they collect adequate evidence for the necessary conclusions to be drawn. The procedures selected depend on the assurance provider's judgement, including their assessment of the risk of material misstatement adhering to the Reporting criteria.

Our opinion is based on the following procedures performed:

- Interviews with Oriola's specialists responsible for data collection and reporting of the Environmental information.
- Review of systems and procedures to generate, collect and report the Environmental information for the Report.
- Assessment of calculations and data consolidation procedures and internal controls to ensure the accuracy of the Environmental information.
- Testing the accuracy and completeness of the Environmental information from original documents and systems on a sample basis.

Conclusion

Based on the work described in this statement, nothing has come to our attention that causes us to believe that the Environmental information disclosed in the Oriola GRI supplement has not been prepared, in all material respects, in accordance with the reporting criteria.

Helsinki, Finland, 31 January 2020

Mitopro Oy

Mikael Niskala Independent Sustainability Expert	Tomi Pajunen Independent Sustainability Expert

Oriola

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