

ORIOLA

# Financial review 2019



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## 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.

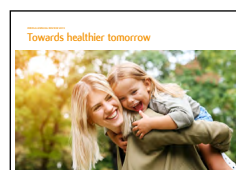
## The Board of Directors' proposal for the profit distribution and Auditor's Note

## Auditor's report

## 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

# 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 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.

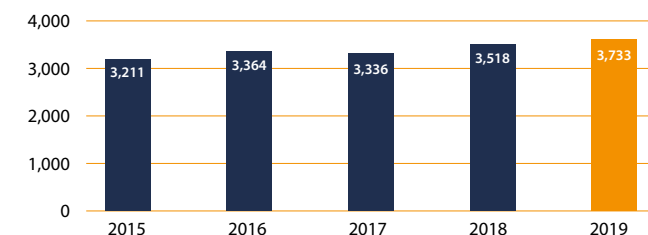
The strategic programme Customer Experience focuses on developing and implementing more customer-oriented processes and tools, organisation and culture. Target for the programme is to strengthen the customer's trust and satisfaction. In 2019, customer satisfaction progressed positively especially in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

Invoicing  
EUR million



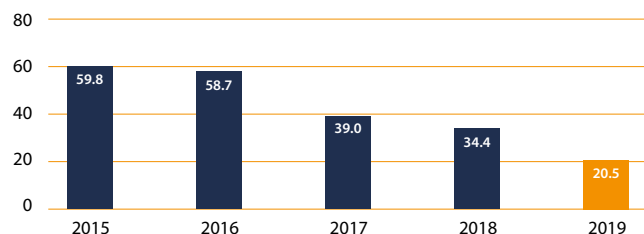
Net sales increased by 10.9% (increased 1.6%) to EUR 1,721.3 (1,552.2) million. On a constant currency basis net sales increased by 13.6%, driven by the growth in the pharmaceuticals sales and changes in the distribution agreements for pharmaceuticals.

### 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<sup>1</sup>

EUR million



<sup>1</sup> 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                              |       | 2018                  | Change |
|------------------------------------------|-------|-----------------------|--------|
| EUR million                              | 2019  | Restated <sup>1</sup> | %      |
| 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                 |        |

<sup>1</sup> 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

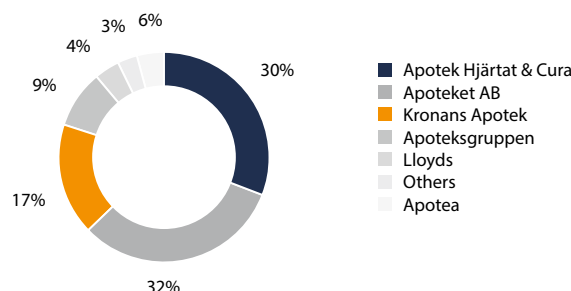
The pharmacy market in Sweden grew by 4.0% (9.7%) in Swedish krona (source: Apoteksförening) and the number of pharmacies increased by 5 in January–December 2019.

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.

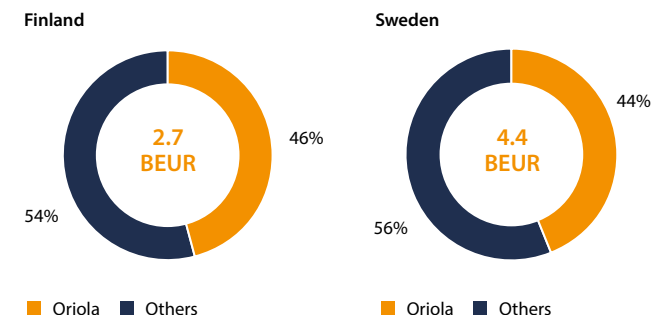
| Key figures                              |         |         | Change |
|------------------------------------------|---------|---------|--------|
| EUR million                              | 2019    | 2018    | %      |
| Invoicing                                | 2,910.6 | 2,697.1 | 7.9    |
| Net 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 %



## 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

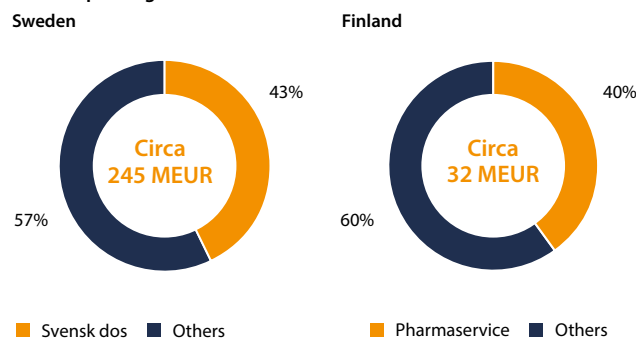
In retail business, Oriola offers a wide range of healthcare products both in traded goods and in OTC pharmaceuticals. Traded goods are sold through pharmacies and grocery stores. In Sweden, the

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



## 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%).

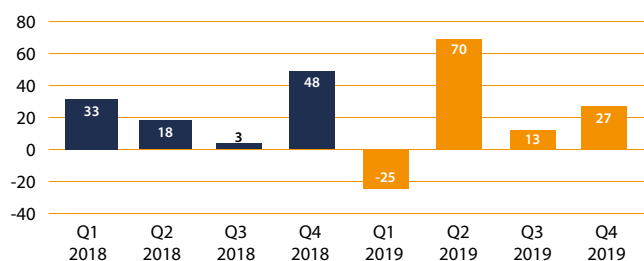
During the second quarter of 2019, Oriola Corporation rearranged and paid off the SEK 290 million term loan, which was due in 2020.

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

| Trading of shares                     | Jan–Dec 2019 |         | Jan–Dec 2018 |         |
|---------------------------------------|--------------|---------|--------------|---------|
|                                       | 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 demand 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 section 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 fully 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 during 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 pharmacies, 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 Decem-

ber 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](http://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 activities 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 deliveries 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. Thorough 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 estimated with reasonable accuracy. Taking into account all available information to date, the legal actions, claims and other proceedings are not expected to have material impact on the financial position of the Group.

### 3. Governance

#### Corporate governance statement 2019

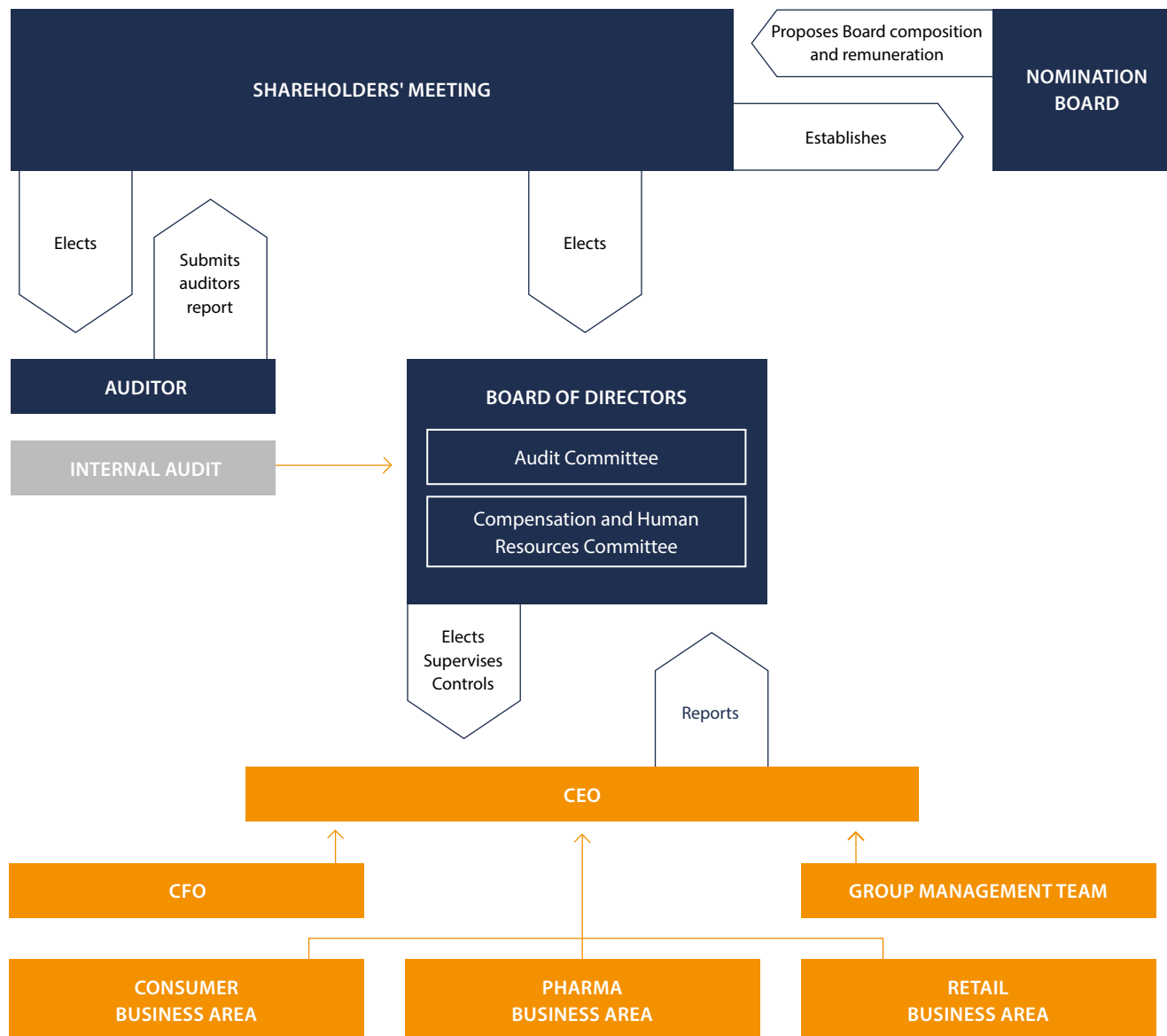
This Corporate governance statement has been prepared in accordance with the Finnish Corporate Governance Code 2015 and chapter 7, section 7 of the Finnish Securities Markets Act.

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](http://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](http://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 An-

nual 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 der-

ogate 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 at [www.oriola.com](http://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](http://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 Pärsinen 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 administration of the areas within their spheres of responsibility complying with legislation, the Group's operating principles, and the guidelines and instructions issued by Oriola's Board of Directors. 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 for following and keeping up to date with financial statement standards, upholding the principles concerning financial reporting and distributing information about these to the business units.

### **Measurement and follow-up**

The performance of the Group is monitored in the Group Management Team with monthly reports as well as in the monthly operational reviews of the business 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 of internal supervision. Each business segment must ensure effective supervision of its own operations as part of Group-level internal supervision. The business segments and the Group Finance organisation are responsible for the evaluation of the processes covering financial reporting. The evaluations must contain balances and analyses, which are compared with budgets, assessments and various economic indicators.

### **Internal control**

Internal control forms an essential part of the company's governance and management systems. It covers all of the Group's functions and organisational levels. The purpose of internal control is to ensure a sufficient certainty that the company will be able to

carry out its strategy. Internal control is not a separate process but a procedural measure covering all Group-wide operating principles, guidelines and systems.

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

The guidelines aim to ensure that all risks connected to the achievement of the company's objectives can be identified and 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 assesses 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](http://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 Ac-

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

Members of the company's Board of Directors, the President and CEO, the members of the Group Management Team that have operational responsibilities leading a business area of the company as well 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 without delay and three working days from the execution of the transaction at the latest. The guidelines set trade restrictions prohibiting Management and the persons who participate in the preparation of interim and annual financial statements of Oriola from making transactions with the company's securities or financial instruments related to them during a closed period of no less than 30 days before a financial report of Oriola is made public (closed period).

Oriola is obliged to draw up the insider lists and keep them up-to-date. For the time being, Oriola has 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 the event-based insider list on their obligations and any possible consequences. In addition, Oriola monitors and supervises the proper management of insider issues.

### Related parties transactions

Oriola's related parties include 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 per-

sonnel 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 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.

### 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. Commit-

ment to reducing CO<sub>2</sub> 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 for 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<sub>2</sub> emissions. The company monitors transportation emissions by obliging transportation partners to report on regular basis. Transportation emissions account for nearly 30% of Oriola's total carbon emission.

Oriola has defined CO<sub>2</sub> emissions as a key indicator for environmental responsibility. In 2019 emissions were 6,956 tCO<sub>2</sub>.

### **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 requirements. 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 investing 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](http://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    | Total       |
| Individuals                     | 12,024        | 25,232        | 32,866        | 96.8              | 95.6         | 95.9         | 44.6        | 35.1        | 38.0        |
| Corporations and partnerships   | 240           | 724           | 901           | 1.9               | 2.7          | 2.6          | 28.5        | 22.1        | 24.1        |
| Banks and insurance companies   | 16            | 50            | 54            | 0.1               | 0.2          | 0.2          | 3.0         | 13.4        | 10.2        |
| Public entities                 | 8             | 14            | 19            | 0.1               | 0.1          | 0.1          | 14.3        | 7.1         | 9.3         |
| Non-profit institutions         | 69            | 242           | 283           | 0.6               | 0.9          | 0.8          | 4.6         | 2.3         | 3.0         |
| Foreign shareholders            | 63            | 129           | 163           | 0.5               | 0.5          | 0.5          | 0.3         | 0.7         | 0.5         |
| <b>Total</b>                    | <b>12,420</b> | <b>26,391</b> | <b>34,286</b> | <b>100.0</b>      | <b>100.0</b> | <b>100.0</b> | <b>95.2</b> | <b>80.6</b> | <b>85.0</b> |
| Nominee registrations           |               |               |               |                   |              |              | 4.7         | 19.4        | 14.9        |
| In the joint-book-entry account |               |               |               |                   |              |              | 0.1         | 0.0         | 0.1         |

### Shareholders by number of shares held, 31 December 2019

| Number of shares            | Shareholders  |               |               | % of shareholders |              |              |
|-----------------------------|---------------|---------------|---------------|-------------------|--------------|--------------|
|                             | A shares      | B shares      | Total         | A shares          | B shares     | Total        |
| 1–100                       | 2,235         | 3,132         | 4,575         | 18.0              | 11.9         | 13.3         |
| 101–1,000                   | 6,434         | 14,251        | 18,118        | 51.8              | 54.0         | 52.8         |
| 1,001–10,000                | 3,361         | 8,260         | 10,408        | 27.1              | 31.3         | 30.4         |
| 10,001–100,000              | 347           | 679           | 1,079         | 2.8               | 2.6          | 3.1          |
| over 100,001                | 43            | 69            | 106           | 0.3               | 0.3          | 0.3          |
| <b>Total</b>                | <b>12,420</b> | <b>26,391</b> | <b>34,286</b> | <b>100.0</b>      | <b>100.0</b> | <b>100.0</b> |
| Of which nominee registered | 8             | 10            | 10            |                   |              |              |

| Number of shares                | Shares            |                    |                    | % of shares  |              |              |
|---------------------------------|-------------------|--------------------|--------------------|--------------|--------------|--------------|
|                                 | A shares          | B shares           | Total              | A shares     | B shares     | Total        |
| 1–100                           | 114,587           | 179,167            | 293,754            | 0.2          | 0.1          | 0.2          |
| 101–1,000                       | 2,756,604         | 6,471,292          | 9,227,896          | 5.0          | 5.1          | 5.1          |
| 1,001–10,000                    | 9,401,694         | 23,252,362         | 32,654,056         | 17.0         | 18.4         | 18.0         |
| 10,001–100,000                  | 8,829,930         | 16,130,994         | 24,960,924         | 15.9         | 12.8         | 13.8         |
| over 100,001                    | 34,266,980        | 79,956,929         | 114,223,909        | 61.8         | 63.4         | 62.9         |
| <b>Total</b>                    | <b>55,369,795</b> | <b>125,990,744</b> | <b>181,360,539</b> | <b>99.9</b>  | <b>100.0</b> | <b>99.9</b>  |
| Of which nominee registered     | 2,578,950         | 24,436,870         | 27,015,820         | 4.7          | 19.4         | 14.9         |
| In the joint-book-entry account | 64,478            | 61,196             | 125,674            | 0.1          | 0.0          | 0.1          |
| <b>Total number of shares</b>   | <b>55,434,273</b> | <b>126,051,940</b> | <b>181,486,213</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

## Share-related key figures

|                                                        |   |             | 2019               | 2018               | 2017               | 2016               | 2015               |
|--------------------------------------------------------|---|-------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Earnings per share <sup>2</sup>                        |   | EUR         | 0.04               | 0.06               | 0.14               | 0.23               | 0.25               |
| Earnings per share, continuing operations <sup>2</sup> |   | EUR         | 0.04               | 0.06               | 0.14               | 0.23               | 0.25               |
| Equity per share <sup>2</sup>                          |   | EUR         | 0.87               | 0.98               | 1.08               | 1.13               | 1.07               |
| Total dividends                                        |   | EUR million | 16.3 <sup>1</sup>  | 16.3               | 16.3               | 25.4               | 23.6               |
| Dividend per share                                     |   | EUR         | 0.09 <sup>1</sup>  | 0.09               | 0.09               | 0.14               | 0.13               |
| Payout ratio <sup>2</sup>                              |   | %           | 203.5 <sup>1</sup> | 151.7              | 63.9               | 60.5               | 51.7               |
| Dividend yield                                         | A | %           | 4.46 <sup>1</sup>  | 4.57               | 3.00               | 3.29               | 3.07               |
| Dividend yield                                         | B | %           | 4.44 <sup>1</sup>  | 4.55               | 3.21               | 3.25               | 3.01               |
| P/E ratio, continuing operations <sup>2</sup>          | A |             | 45.67              | 33.20              | 21.58              | 18.83              | 17.23              |
| P/E ratio, continuing operations <sup>2</sup>          | 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        |
| <b>Total number of A shares, annual average</b>        |   | <b>pcs</b>  | <b>55,434,273</b>  | <b>55,434,273</b>  | <b>55,434,825</b>  | <b>55,484,648</b>  | <b>55,204,784</b>  |
| Total number of B shares, annual average               |   | pcs         | 126,051,940        | 126,051,940        | 126,051,388        | 126,001,565        | 122,441,865        |
| <b>Total number of shares, annual average</b>          |   | <b>pcs</b>  | <b>181,486,213</b> | <b>181,486,213</b> | <b>181,486,213</b> | <b>181,486,213</b> | <b>177,646,649</b> |

<sup>1</sup> Proposal by the Board of Directors. .<sup>2</sup> 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.

## Calculation of share related key figures

|                                 |                                                                                                                              |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Earnings per share (EPS), EUR = | $\frac{\text{Profit attributable to shareholders of the parent company}}{\text{Average number of shares during the period}}$ |
| Equity per share, EUR =         | $\frac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares at the end of the period}}$  |
| Dividend per share, EUR =       | $\frac{\text{Dividends paid for the financial period}}{\text{Number of shares at the end of the period}}$                    |
| Payout ratio, % =               | $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$                                                     |
| Effective dividend yield, % =   | $\frac{\text{Dividend per share}}{\text{Closing price on the last trading day of the financial period}} \times 100$          |
| Price/Earnings ratio (P/E) =    | $\frac{\text{Closing price on the last trading day of the financial period}}{\text{Earnings per share}}$                     |
| 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 <sup>1</sup> |             | 2019    | 2018 restated <sup>8</sup> | 2017 restated <sup>8</sup> | 2016 restated <sup>8</sup> | 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 <sup>8</sup> | 2017 restated <sup>8</sup> | 2016 restated <sup>8</sup> | 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 <sup>8</sup> | 2017 restated <sup>8</sup> | 2016 restated <sup>8</sup> | 2015        |
|-------------------------------------------------------------------------------|-------------|-------------|----------------------------|----------------------------|----------------------------|-------------|
| Equity ratio <sup>4</sup>                                                     | %           | 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) <sup>2,5</sup>                              | %           | 4.1         | 6.2                        | 11.4                       | 17.5                       | 19.9        |
| Return on equity <sup>2,6</sup>                                               | %           | 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 <sup>7</sup>                                                          | %           | 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 <sup>3</sup>                                         | 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        |

<sup>1</sup> Continuing operations.

<sup>2</sup> The comparative figures 2015–2017 include discontinued operations, 2015 figures excluding Russia.

<sup>3</sup> Company-owned treasury shares are not included.

<sup>4</sup> 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%.

<sup>5</sup> 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%.

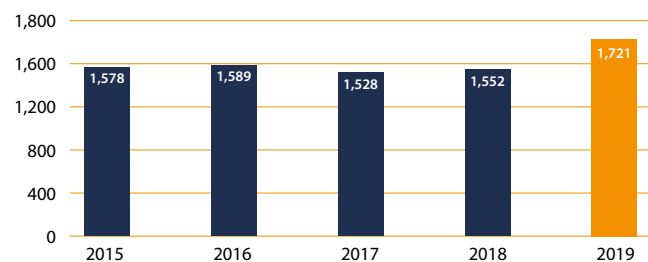
<sup>6</sup> Return on equity in 2019 is impacted by the decrease of retained earnings by EUR 5.7 million due to the application of IFRS 16. Excluding the impact of IFRS 16 return on equity would have been 4.4%.

<sup>7</sup> 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%.

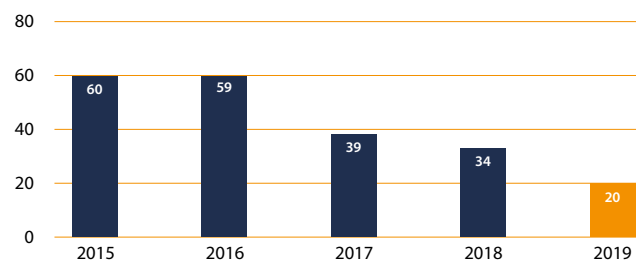
<sup>8</sup> The figures in 2016–2018 have been restated due to an error related to previous periods. For more information on correction of the error please see note 12.2. Correction of error relating to previous periods in the notes to the Financial Statements.

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

#### Net sales EUR million



#### Adjusted EBIT<sup>1</sup> EUR million



<sup>1</sup> 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           |
| <b>Invoicing</b>                        | <b>3,733.1</b> | <b>3,518.4</b> |

| Adjusted EBIT                      |             |                            |
|------------------------------------|-------------|----------------------------|
| EUR million                        | 2019        | 2018 restated <sup>1</sup> |
| EBIT                               | 15.3        | 19.5                       |
| - Adjusting items included in EBIT | 5.1         | 14.9                       |
| <b>Adjusted EBIT</b>               | <b>20.5</b> | <b>34.4</b>                |

<sup>1</sup> 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 measure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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), %       | $\frac{\text{EBIT}}{\text{Total assets} - \text{Non-interest-bearing liabilities (average between the beginning and the end of the year)}} \times 100$                                                                                                                                                                                                                                                      | Return on capital employed measures how efficiently the Group generates profits from its capital employed.                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Return on equity (ROE), %                  | $\frac{\text{Profit for the period}}{\text{Equity total (average between the beginning and the end of the year)}} \times 100$                                                                                                                                                                                                                                                                               | 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, %                                 | $\frac{\text{Net debt}}{\text{Equity total}} \times 100$                                                                                                                                                                                                                                                                                                                                                    | Gearing provides information of the Group's financial risk level and the level on the Group's indebtedness.                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Equity ratio, %                            | $\frac{\text{Equity total}}{\text{Total assets} - \text{Advances received}} \times 100$                                                                                                                                                                                                                                                                                                                     | Equity ratio provides information on the Group's financial risk level and the level of the Group's capital used in operations.                                                                                                                                                                                                                                                                                                                                                                                                                            |

# Financial Statements 2019

## Consolidated statement of comprehensive income (IFRS)

| EUR million                                                                            | Note        | 2019           | 2018 restated <sup>1</sup> |
|----------------------------------------------------------------------------------------|-------------|----------------|----------------------------|
| <b>Net sales</b>                                                                       | <b>4.2.</b> | <b>1,721.3</b> | <b>1,552.2</b>             |
| 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                       |
| <b>EBIT</b>                                                                            |             | <b>15.3</b>    | <b>19.5</b>                |
| Financial income and expenses                                                          | 8.1.        | -5.2           | -3.0                       |
| <b>Profit before taxes</b>                                                             |             | <b>10.1</b>    | <b>16.6</b>                |
| Income taxes                                                                           | 9.1.        | -2.1           | -5.8                       |
| <b>Profit for the period</b>                                                           |             | <b>8.0</b>     | <b>10.8</b>                |
| <b>Other comprehensive income</b>                                                      |             |                |                            |
| <b>Items which may be reclassified subsequently to profit or loss:</b>                 |             |                |                            |
| Translation differences recognised in comprehensive income during the reporting period |             | -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                       |
|                                                                                        |             | <b>-4.2</b>    | <b>-9.3</b>                |
| <b>Items which will not be reclassified to profit or loss:</b>                         |             |                |                            |
| 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                        |
|                                                                                        |             | <b>-2.2</b>    | <b>-1.3</b>                |
| <b>Total comprehensive income for the period</b>                                       |             | <b>1.6</b>     | <b>0.2</b>                 |
| <b>Profit attributable to</b>                                                          |             |                |                            |
| Parent company shareholders                                                            |             | 8.0            | 10.8                       |
| <b>Total comprehensive income attributable to</b>                                      |             |                |                            |
| Parent company shareholders                                                            |             | 1.6            | 0.2                        |
| <b>Earnings per share attributable to parent company shareholders, EUR:</b>            |             |                |                            |
| Basic                                                                                  | 8.5.        | 0.04           | 0.06                       |
| Diluted                                                                                | 8.5.        | 0.04           | 0.06                       |

<sup>1</sup> 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<br>restated <sup>1</sup> |
|---------------------------------|------|----------------|--------------------------------------|
| <b>ASSETS</b>                   |      |                |                                      |
| <b>Non-current assets</b>       |      |                |                                      |
| 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                                  |
| <b>Non-current assets total</b> |      | <b>509.9</b>   | <b>440.0</b>                         |
| <b>Current assets</b>           |      |                |                                      |
| 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                                 |
| <b>Current assets total</b>     |      | <b>520.7</b>   | <b>484.2</b>                         |
| <b>ASSETS TOTAL</b>             |      | <b>1,030.6</b> | <b>924.2</b>                         |

| EUR million                                                   | Note | 31 Dec 2019    | 31 Dec 2018<br>restated <sup>1</sup> |
|---------------------------------------------------------------|------|----------------|--------------------------------------|
| <b>EQUITY AND LIABILITIES</b>                                 |      |                |                                      |
| <b>Equity</b>                                                 |      |                |                                      |
| 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                                 |
| <b>Equity attributable to the parent company shareholders</b> | 8.4. | <b>157.2</b>   | <b>177.9</b>                         |
| <b>Non-current liabilities</b>                                |      |                |                                      |
| 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                                  |
| <b>Non-current liabilities total</b>                          |      | <b>155.7</b>   | <b>89.5</b>                          |
| <b>Current liabilities</b>                                    |      |                |                                      |
| 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                                 |
| <b>Current liabilities total</b>                              |      | <b>717.7</b>   | <b>656.7</b>                         |
| <b>EQUITY AND LIABILITIES TOTAL</b>                           |      | <b>1,030.6</b> | <b>924.2</b>                         |

<sup>1</sup> 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         |
|-------------------------------------------------------------------------------|-----------|--------------|--------------|
| <b>Net cash flow from operating activities</b>                                |           |              |              |
| 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        |
| <b>Net cash flow from operating activities</b>                                |           | <b>84.4</b>  | <b>102.8</b> |
| <b>Net cash flow from investing activities</b>                                |           |              |              |
| 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         |
| <b>Net cash flow from investing activities</b>                                |           | <b>-21.8</b> | <b>-41.5</b> |

| EUR million                                               | Note | 2019         | 2018         |
|-----------------------------------------------------------|------|--------------|--------------|
| <b>Net cash flow from financing activities</b>            |      |              |              |
| Proceeds from long-term loans                             |      | 27.5         | 30.0         |
| Repayments of long-term loans                             |      | -28.2        | -30.4        |
| Change in current financing <sup>1</sup>                  |      | -21.2        | 4.4          |
| Amortisations of lease liabilities                        |      | -19.3        | -            |
| Purchasing of own shares                                  |      | -0.1         | -0.1         |
| Dividends paid                                            |      | -16.3        | -16.3        |
| <b>Net cash flow from financing activities</b>            |      | <b>-57.6</b> | <b>-12.3</b> |
| 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         |
| <b>Cash and cash equivalents at the end of the period</b> | 8.2. | <b>70.8</b>  | <b>65.8</b>  |

<sup>1</sup> 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 |
|--------------------------------------------------------|------|---------------|-------------|-------------------------|-------------------|--------------|
| <b>Equity 1 January 2018</b>                           |      | <b>36.2</b>   | <b>94.0</b> | <b>-19.2</b>            | <b>86.8</b>       | <b>197.7</b> |
| Adjustment of adoption of IFRS 15 <sup>1</sup>         |      | -             | -           | -                       | -2.2              | -2.2         |
| Adjustment of adoption of IFRS 9 <sup>1</sup>          |      | -             | -           | -                       | -0.1              | -0.1         |
| Adjustment of adoption of IFRS 2 amendment             |      | -             | -           | -                       | 0.4               | 0.4          |
| Impact of correction of error <sup>2</sup>             |      | -             | -           | -                       | -1.6              | -1.6         |
| <b>Restated equity 1 January 2018</b>                  |      | <b>36.2</b>   | <b>94.0</b> | <b>-19.2</b>            | <b>83.3</b>       | <b>194.2</b> |
| 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         |
| <b>Comprehensive income for the period, total</b>      |      | <b>-</b>      | <b>0.1</b>  | <b>-9.3</b>             | <b>9.5</b>        | <b>0.2</b>   |
| 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         |
| <b>Transactions with owners, total</b>                 |      | <b>-</b>      | <b>-</b>    | <b>-</b>                | <b>-16.6</b>      | <b>-16.6</b> |
| <b>Equity 31 December 2018</b>                         |      | <b>36.2</b>   | <b>94.0</b> | <b>-28.6</b>            | <b>76.3</b>       | <b>177.9</b> |
| Adjustment of adoption of IFRS 16 <sup>1</sup>         | 2.   | -             | -           | -                       | -6.3              | -6.3         |
| <b>Restated equity 1 January 2019</b>                  |      | <b>36.2</b>   | <b>94.0</b> | <b>-28.6</b>            | <b>70.0</b>       | <b>171.6</b> |
| 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          |
| <b>Comprehensive income for the period, total</b>      |      | <b>-</b>      | <b>0.1</b>  | <b>-4.4</b>             | <b>5.8</b>        | <b>1.6</b>   |
| 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         |
| <b>Transactions with owners, total</b>                 |      | <b>-</b>      | <b>-</b>    | <b>-</b>                | <b>-16.1</b>      | <b>-16.1</b> |
| <b>Equity 31 December 2019</b>                         |      | <b>36.2</b>   | <b>94.2</b> | <b>-32.9</b>            | <b>59.7</b>       | <b>157.2</b> |

<sup>1</sup> Net of tax<sup>2</sup> 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, Ori-

ola 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         |
| <b>Lease liabilities recognised at 1 January 2019</b>                      | <b>100.7</b> |

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 <sup>1</sup>                                |           | 426.3    | 356.5   | 138.5  | 109.2       | 1,030.6 |
| Liabilities <sup>2</sup>                           |           | 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<sup>3</sup>

|                                                    |           |       |         |       |        |         |
|----------------------------------------------------|-----------|-------|---------|-------|--------|---------|
| 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   |

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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         |
| <b>Total</b>                                                                                   | <b>-5.1</b> | <b>-14.9</b> |

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                                        | Sweden  | Finland | Other countries | Total   |
|----------------------------------------------------|---------|---------|-----------------|---------|
| 2019                                               |         |         |                 |         |
| 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   |

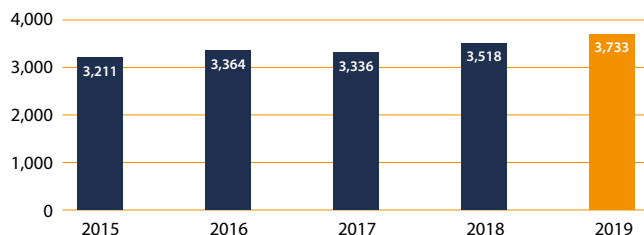
2018 restated<sup>1</sup>

|                                                    |         |       |      |         |
|----------------------------------------------------|---------|-------|------|---------|
| 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   |

<sup>1</sup> 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<sup>1</sup>

EUR million



<sup>1</sup> 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

| Million      | 2019     |                | 2018     |                |
|--------------|----------|----------------|----------|----------------|
|              | SEK      | EUR            | SEK      | EUR            |
| Sweden       | 13,821.1 | 1,305.2        | 11,745.1 | 1,144.9        |
| Finland      |          | 416.1          |          | 407.3          |
| <b>Total</b> |          | <b>1,721.3</b> |          | <b>1,552.2</b> |

### 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          |
| <b>Total</b> | <b>750.0</b> | <b>687.9</b> | <b>283.4</b> | <b>1,721.3</b> |

| 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          |
| <b>Total</b> | <b>751.9</b> | <b>555.6</b> | <b>244.8</b> | <b>1,552.2</b> |

### 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         |
| <b>Total</b>                                                 | <b>2.4</b>  | <b>2.8</b>  |

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         |
| <b>Total</b>                                   | <b>11.1</b> | <b>20.4</b> |

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 <sup>1</sup> |
|------------------------------|----------------|----------------------------|
| 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                        |
| <b>Total</b>                 | <b>1,364.5</b> | <b>1,206.0</b>             |

### Materials and supplies by currency

| Million      | 2019 SEK | EUR            |
|--------------|----------|----------------|
| Sweden       | 10,921.6 | 1,031.4        |
| Finland      | -        | 333.1          |
| <b>Total</b> |          | <b>1,364.5</b> |

| Million      | 2018 restated <sup>1</sup> SEK | EUR            |
|--------------|--------------------------------|----------------|
| Sweden       | 8,920.9                        | 869.6          |
| Finland      | -                              | 336.3          |
| <b>Total</b> |                                | <b>1,206.0</b> |

<sup>1</sup> 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         |
| <b>Total</b>                      | <b>133.9</b> | <b>147.5</b> |

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        |
| <b>Total</b>                       | <b>0.2</b> | <b>0.2</b> |

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

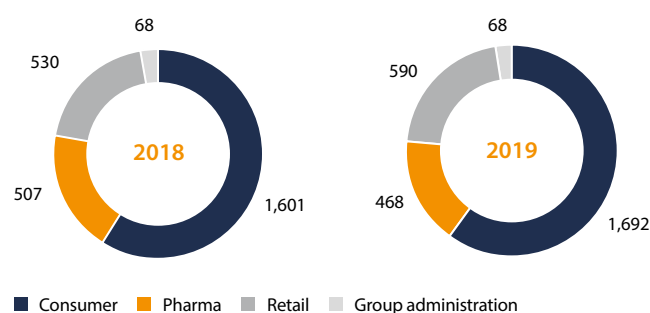
**Pension benefits:** The Group's pension arrangements are in compliance with each country's local regulations and practices. The pension arrangements of the Group companies comprise both defined contribution plans and defined benefit plans. The payments to the defined contribution plans are recognised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

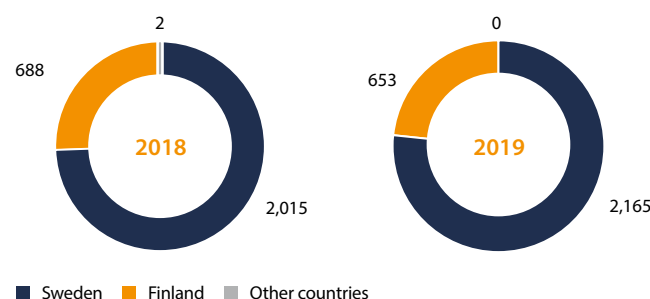
| EUR million                 | 2019         | 2018         |
|-----------------------------|--------------|--------------|
| Wages, salaries and bonuses | 127.5        | 121.4        |
| Share-based payments        | 0.4          | 0.2          |
| Pension costs               |              |      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

Employees by business area<sup>1</sup>



<sup>1</sup> At year-end, full time equivalents

Employees by country<sup>1</sup>



<sup>1</sup> 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 plan 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 company Alecta. Oriola Sweden AB has recognised its ITP 2 old age pension liabilities in full in its statement of financial position. Oriola Sweden AB's old age pension benefits other than ITP 2 are insured with Alecta. All of Kronans Droghandel Apotek AB's pension benefits are based on defined contribution, and insured with Alecta.

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

Employer contributions to post-employment benefit plans are expected to be EUR 0.4 million during 2020 financial year. The weighted 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 guidelines and they are founded on statistics published in each region and on experience.

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

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

|                                                  |             |             |
|--------------------------------------------------|-------------|-------------|
| <b>Significant actuarial assumptions 31 Dec:</b> | <b>2019</b> | <b>2018</b> |
| 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 share-

holder 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 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 trans-

ferred 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         |
| <b>Total</b>                                    | <b>815.9</b> | <b>638.3</b> |
| Kimmo Virtanen 18 Dec 2017–11 Feb 2018 (acting) |              |              |
| Basic salary                                    | -            | 26.7         |
| Bonuses                                         | -            | 33.5         |
| Pension expenses (statutory)                    | -            | 4.7          |
| <b>Total</b>                                    | <b>-</b>     | <b>64.9</b>  |

### 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 <sup>1</sup> | -              | 187.2          |
| Pension expenses (statutory)      | 301.9          | 119.7          |
| Pension expenses (voluntary)      | 57.6           | 38.5           |
| <b>Total</b>                      | <b>2,000.9</b> | <b>2,152.0</b> |

<sup>1</sup> 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 <sup>1</sup>        | 38.5         | 31.2         |
| Anja Korhonen                        | 48.0         | 38.3         |
| Mariette Kristenson                  | 37.0         | 30.7         |
| Harri Pärssinen <sup>2</sup>         | 37.5         | -            |
| Lena Ridström                        | 39.0         | 29.2         |
| Staffan Simberg <sup>3</sup>         | 1.5          | 30.2         |
| <b>Total</b>                         | <b>321.5</b> | <b>256.2</b> |

<sup>1</sup> from 19 March 2018

<sup>2</sup> from 19 March 2019

<sup>3</sup> 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 <sup>1</sup>     | 0.4          | 4.6          |
| Prepayments                         | 1.9          | 3.6          |
| Other receivables                   | 1.6          | 0.8          |
| <b>Total</b>                        | <b>215.7</b> | <b>208.7</b> |

<sup>1</sup> 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

| EUR million                 | 2019         |             | 2018         |             |
|-----------------------------|--------------|-------------|--------------|-------------|
|                             | 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        |
| <b>Total</b>                | <b>187.9</b> | <b>-0.5</b> | <b>180.8</b> | <b>-0.6</b> |

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 <sup>1</sup> |
|-------------------------------|--------------|----------------------------|
| Raw materials and consumables | 0.1          | 0.1                        |
| Work in progress              | 0.5          | 0.5                        |
| Finished goods                | 233.6        | 209.0                      |
| <b>Total</b>                  | <b>234.2</b> | <b>209.6</b>               |

<sup>1</sup> 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        | 536.5        |
| Income tax payables              | 1.0          | 0.7          |
| Accrued liabilities              | 31.9         | 33.3         |
| Derivatives designated as hedges | 0.2          | 0.1          |
| VAT liabilities                  | 6.0          | 10.7         |
| Other current liabilities        | 2.3          | 1.8          |
| <b>Total</b>                     | <b>648.1</b> | <b>583.1</b> |

#### 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        |
| <b>Total</b>                                         | <b>31.9</b> | <b>33.3</b> |

#### Other non-current liabilities

| EUR million                                | 2019       | 2018       |
|--------------------------------------------|------------|------------|
| Derivatives                                | 0.2        | 0.4        |
| Other non-current liabilities <sup>1</sup> | 0.5        | 0.5        |
| <b>Total</b>                               | <b>0.7</b> | <b>0.9</b> |

<sup>1</sup> 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<br>2019                    | Provisions<br>related to<br>Hehku | Restruc-<br>turing<br>provisions | Other<br>provisions | Total      |
|----------------------------------------|-----------------------------------|----------------------------------|---------------------|------------|
| Carrying amount<br>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<br>rate differences   | -                                 | 0.1                              | -                   | 0.1        |
| <b>Carrying amount<br/>31 Dec 2019</b> | <b>-</b>                          | <b>2.8</b>                       | <b>-</b>            | <b>2.8</b> |
| <b>2018</b>                            |                                   |                                  |                     |            |
| Carrying amount<br>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<br>rate differences   | -                                 | 0.0                              | -                   | 0.0        |
| <b>Carrying amount<br/>31 Dec 2018</b> | <b>3.1</b>                        | <b>0.1</b>                       | <b>-</b>            | <b>3.3</b> |

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 re-organising 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<br>2019                                                 | Land and<br>water | Buildings and<br>constructions | Machinery and<br>equipment | Right-of-use<br>assets <sup>1</sup> | Other<br>tangible<br>assets <sup>2</sup> | Advance payments<br>and construction<br>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          |
| <b>Historical cost 31 Dec 2019</b>                                  | <b>1.9</b>        | <b>58.0</b>                    | <b>95.2</b>                | <b>222.0</b>                        | <b>36.3</b>                              | <b>2.3</b>                                          | <b>415.7</b>  |
| 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           |
| <b>Accumulated depreciation 31 Dec 2019</b>                         | <b>-</b>          | <b>-37.4</b>                   | <b>-60.2</b>               | <b>-139.3</b>                       | <b>-20.4</b>                             | <b>-</b>                                            | <b>-257.4</b> |
| Carrying amount 1 Jan 2019                                          | 1.9               | 14.2                           | 21.6                       | 97.3                                | 17.5                                     | 21.0                                                | 173.6         |
| <b>Carrying amount 31 Dec 2019</b>                                  | <b>1.9</b>        | <b>20.6</b>                    | <b>35.0</b>                | <b>82.7</b>                         | <b>15.9</b>                              | <b>2.3</b>                                          | <b>158.3</b>  |
| <b>2018</b>                                                         |                   |                                |                            |                                     |                                          |                                                     |               |
| 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          |
| <b>Historical cost 31 Dec 2018</b>                                  | <b>1.9</b>        | <b>49.7</b>                    | <b>85.4</b>                | <b>-</b>                            | <b>33.7</b>                              | <b>21.0</b>                                         | <b>191.8</b>  |
| 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           |
| <b>Accumulated depreciation 31 Dec 2018</b>                         | <b>-</b>          | <b>-35.5</b>                   | <b>-62.9</b>               | <b>-</b>                            | <b>-16.2</b>                             | <b>-</b>                                            | <b>-114.6</b> |
| Carrying amount 1 Jan 2018                                          | 1.9               | 15.7                           | 26.6                       | -                                   | 18.9                                     | 16.0                                                | 79.0          |
| <b>Carrying amount 31 Dec 2018</b>                                  | <b>1.9</b>        | <b>14.2</b>                    | <b>22.6</b>                | <b>-</b>                            | <b>17.5</b>                              | <b>21.0</b>                                         | <b>77.2</b>   |

<sup>1</sup> For more details about the right-of-use assets please refer to section 7. Leases.<sup>2</sup> 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<br>2018      | Machinery and equipment |
|--------------------------|-------------------------|
| Historical cost          | 8.5                     |
| Accumulated depreciation | -7.5                    |
| <b>Carrying amount</b>   | <b>1.0</b>              |

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 <sup>1</sup> | 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         |
| <b>Historical cost 31 Dec 2019</b>                                  | <b>270.5</b> | <b>103.8</b>      | <b>29.9</b>                          | <b>9.8</b>                                    | <b>414.0</b> |
| 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          |
| <b>Accumulated amortisation 31 Dec 2019</b>                         | <b>-</b>     | <b>-67.0</b>      | <b>-9.5</b>                          | <b>-</b>                                      | <b>-76.6</b> |
| Carrying amount 1 Jan 2019                                          | 274.3        | 44.3              | 21.5                                 | 9.3                                           | 349.4        |
| <b>Carrying amount 31 Dec 2019</b>                                  | <b>270.5</b> | <b>36.7</b>       | <b>20.4</b>                          | <b>9.8</b>                                    | <b>337.5</b> |
| <b>2018</b>                                                         |              |                   |                                      |                                               |              |
| 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        |
| <b>Historical cost 31 Dec 2018</b>                                  | <b>274.3</b> | <b>101.4</b>      | <b>27.8</b>                          | <b>9.3</b>                                    | <b>412.7</b> |
| 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          |
| <b>Accumulated amortisation 31 Dec 2018</b>                         | <b>-</b>     | <b>-57.0</b>      | <b>-6.4</b>                          | <b>-</b>                                      | <b>-63.4</b> |
| Carrying amount 1 Jan 2018                                          | 282.7        | 55.1              | 1.8                                  | 24.3                                          | 363.9        |
| <b>Carrying amount 31 Dec 2018</b>                                  | <b>274.3</b> | <b>44.3</b>       | <b>21.5</b>                          | <b>9.3</b>                                    | <b>349.4</b> |

<sup>1</sup> 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 % <sup>1</sup>             | 2.3              | 3.1              | 4.7               |                    |                     |
| Terminal growth %               | 2.0              | 2.0              | 2.0               |                    |                     |
| Net sales growth % <sup>2</sup> | 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 % <sup>1</sup>             | 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 % <sup>2</sup> | 2.4              | 4.0              | 9.8               | 18.3               | 8.2                 |

<sup>1</sup> Average EBIT percentage over a three-year period

<sup>2</sup> 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                | 20.4                |
| Carrying amount of assets | 293.2            | 28.4             | 9.1               | 14.9               | 21.9                |
| Value in use              | 434.6            | 174.4            | 34.4              | 38.8               | 22.4                |

A percentage point change in projection parameters that causes the fair value equal to book value<sup>1</sup>

| 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                |

<sup>1</sup> 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                        | Joint ventures | Other shares and shareholdings | Other non-current assets | Total       |
|------------------------------------|----------------|--------------------------------|--------------------------|-------------|
| <b>2019</b>                        |                |                                |                          |             |
| Carrying amount 1 Jan 2019         | -              | 9.4                            | 0.3                      | <b>9.7</b>  |
| Increases                          | 0.7            | 0.0                            | -                        | <b>0.7</b>  |
| Impairment                         | -0.7           | -                              | -                        | <b>-0.7</b> |
| Foreign exchange rate differences  | -              | -0.0                           | -0.0                     | <b>-0.0</b> |
| <b>Carrying amount 31 Dec 2019</b> | <b>-</b>       | <b>9.4</b>                     | <b>0.3</b>               | <b>9.7</b>  |
| <b>2018</b>                        |                |                                |                          |             |
| Carrying amount 1 Jan 2018         | 0.5            | 0.0                            | 0.3                      | <b>0.8</b>  |
| Increases                          | 9.2            | 9.4                            | 0.0                      | <b>18.6</b> |
| Share of result for the period     | -4.6           | -                              | -                        | <b>-4.6</b> |
| Impairment                         | -5.1           | -                              | -                        | <b>-5.1</b> |
| Foreign exchange rate differences  | -              | -0.0                           | -0.0                     | <b>-0.0</b> |
| <b>Carrying amount 31 Dec 2018</b> | <b>-</b>       | <b>9.4</b>                     | <b>0.3</b>               | <b>9.7</b>  |

### Summarised financial information for joint venture

|                                                        | Hehku Kauppa Oy    |
|--------------------------------------------------------|--------------------|
| <b>Balance sheet, EUR million</b>                      | <b>31 Dec 2018</b> |
| Current assets                                         | 5.8                |
| Non-current assets                                     | 0.6                |
| Current liabilities, total                             | 5.6                |
| <b>Net assets, total</b>                               | <b>0.8</b>         |
| <b>Reconciliation to carrying amounts, EUR million</b> | <b>2018</b>        |
| 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 <sup>1</sup> |
|-------------------------------|-------------|-------------------------|
| 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                     |
| <b>Total</b>                  | <b>82.7</b> | <b>97.3</b>             |

### Lease liabilities

| EUR million  | 2019        | 1 Jan 2019 <sup>1</sup> |
|--------------|-------------|-------------------------|
| Current      | 18.6        | 19.0                    |
| Non-current  | 65.7        | 81.7                    |
| <b>Total</b> | <b>84.3</b> | <b>100.7</b>            |

<sup>1</sup> 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         |
| <b>Total depreciation</b>                                                             | <b>-18.7</b> |
| 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        |
|--------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>Financial income</b>                                                                          |             |             |
| 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         |
| <b>Total</b>                                                                                     | <b>0.1</b>  | <b>0.4</b>  |
| <b>Financial expenses</b>                                                                        |             |             |
| 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         |
| <b>Total</b>                                                                                     | <b>5.3</b>  | <b>3.3</b>  |
| <b>Financial income and expenses, total</b>                                                      | <b>-5.2</b> | <b>-3.0</b> |

## 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

| EUR million                                                                   | Note | 2019         |              |           | 2018         |              |           |
|-------------------------------------------------------------------------------|------|--------------|--------------|-----------|--------------|--------------|-----------|
|                                                                               |      | Fair value   | Book value   | Hierarchy | Fair value   | Book value   | Hierarchy |
| <b>Derivatives designated as hedges</b>                                       | 8.3. | 0.0          | 0.0          | Level 2   | -            | -            | Level 2   |
| <b>Financial assets recognised at fair value through profit and loss</b>      |      |              |              |           |              |              |           |
| 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   |
| <b>Loans and other receivables</b>                                            |      |              |              |           |              |              |           |
| 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   |
| <b>Financial assets, total</b>                                                |      | <b>271.4</b> | <b>271.4</b> |           | <b>259.2</b> | <b>259.2</b> |           |
| <b>Derivatives designated as hedges</b>                                       | 8.3. | 0.2          | 0.2          | Level 2   | 0.3          | 0.3          | Level 2   |
| <b>Other non-current liabilities</b>                                          | 5.3. | 0.5          | 0.5          | Level 2   | 0.5          | 0.5          | Level 2   |
| <b>Financial liabilities recognised at fair value through profit and loss</b> |      |              |              |           |              |              |           |
| Derivatives measured at fair value through profit and loss                    | 8.3. | 0.1          | 0.1          | Level 2   | 0.1          | 0.1          | Level 2   |
| <b>Financial liabilities measured at amortised cost</b>                       |      |              |              |           |              |              |           |
| 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   |
| <b>Financial liabilities, total</b>                                           |      | <b>831.9</b> | <b>831.9</b> |           | <b>701.9</b> | <b>701.9</b> |           |

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

| EUR million                   | 2019       | 2018       |
|-------------------------------|------------|------------|
| <b>Carrying amount 1 Jan</b>  | <b>9.4</b> | <b>-</b>   |
| Acquisition of shares         | -          | 9.4        |
| <b>Carrying amount 31 Dec</b> | <b>9.4</b> | <b>9.4</b> |

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       |
|----------------------------------------|----------|------------|
| <b>Carrying amount 1 Jan</b>           | <b>-</b> | <b>2.5</b> |
| Recognised to financial expenses       | -        | 0.0        |
| Recognised in other operating expenses | -        | 0.0        |
| Payment of contingent consideration    | -        | -2.5       |
| <b>Carrying amount 31 Dec</b>          | <b>-</b> | <b>-</b>   |

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        |
| <b>Total</b>              | <b>70.8</b> | <b>65.8</b> |

## Interest-bearing liabilities

## Non-current

| EUR million                       | 2019         | 2018        |
|-----------------------------------|--------------|-------------|
| Loans from financial institutions | 57.8         | 58.7        |
| Lease liabilities                 | 65.7         | 0.4         |
| <b>Total</b>                      | <b>123.6</b> | <b>59.1</b> |

## 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         |
| <b>Total</b>                      | <b>66.8</b> | <b>70.3</b> |

## Maturity of non-current interest-bearing liabilities

| EUR million          | 2019         | 2018        |
|----------------------|--------------|-------------|
| 1–5 years            | 111.5        | 59.1        |
| More than five years | 12.0         | -           |
| <b>Total</b>         | <b>123.6</b> | <b>59.1</b> |

## Interest-bearing liabilities by currency

| EUR million  | 2019         | 2018         |
|--------------|--------------|--------------|
| EUR          | 80.5         | 100.3        |
| SEK          | 109.9        | 29.1         |
| <b>Total</b> | <b>190.3</b> | <b>129.4</b> |

## Net debt

| EUR million                                     | 2019         | 2018         |
|-------------------------------------------------|--------------|--------------|
| Loans from financial institutions               | 57.8         | 58.7         |
| Lease liabilities                               | 65.7         | 0.4          |
| <b>Non-current interest-bearing liabilities</b> | <b>123.6</b> | <b>59.1</b>  |
| 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          |
| <b>Current interest-bearing liabilities</b>     | <b>66.8</b>  | <b>70.3</b>  |
| <b>Interest-bearing liabilities, total</b>      | <b>190.3</b> | <b>129.4</b> |
| <b>Cash and cash equivalents</b>                | <b>70.8</b>  | <b>65.8</b>  |
| <b>Net debt</b>                                 | <b>119.6</b> | <b>63.6</b>  |

## Change in net debt

## EUR million

|                                            | Loans from financial institutions | Commercial papers | Advances from pharmacies | Lease liabilities | Cash and cash equivalents | Total         |
|--------------------------------------------|-----------------------------------|-------------------|--------------------------|-------------------|---------------------------|---------------|
| <b>2019</b>                                |                                   |                   |                          |                   |                           |               |
| 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           |
| <b>Cash flows, total</b>                   | <b>0.7</b>                        | <b>22.0</b>       | <b>-335.7</b>            | <b>19.3</b>       | <b>5.0</b>                | <b>-288.8</b> |
| 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           |
| <b>Non-cash movements, total</b>           | <b>0.5</b>                        | <b>-</b>          | <b>334.9</b>             | <b>-102.6</b>     | <b>0.0</b>                | <b>232.8</b>  |
| <b>Carrying value, at 31 December 2019</b> | <b>-57.8</b>                      | <b>-35.0</b>      | <b>-13.2</b>             | <b>-84.3</b>      | <b>70.8</b>               | <b>-119.6</b> |

|                                            | Loans from financial institutions | Commercial papers | Advances from pharmacies | Finance lease liabilities | Cash and cash equivalents | Total         |
|--------------------------------------------|-----------------------------------|-------------------|--------------------------|---------------------------|---------------------------|---------------|
| <b>2018</b>                                |                                   |                   |                          |                           |                           |               |
| 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          |
| <b>Cash flows total</b>                    | <b>0.4</b>                        | <b>-7.0</b>       | <b>-315.1</b>            | <b>1.1</b>                | <b>48.9</b>               | <b>-271.6</b> |
| 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           |
| <b>Non-cash movements, total</b>           | <b>1.2</b>                        | <b>-</b>          | <b>317.6</b>             | <b>-0.5</b>               | <b>-0.1</b>               | <b>318.2</b>  |
| <b>Carrying value, at 31 December 2018</b> | <b>-59.0</b>                      | <b>-57.0</b>      | <b>-12.4</b>             | <b>-1.0</b>               | <b>65.8</b>               | <b>-63.6</b>  |

### 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 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 | Total |
|-------------------------------------------------|---------|--------------------|----------------------|--------------------|-------|
| 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 | Total |
|-------------------------------------------------|---------|--------------------|----------------------|--------------------|-------|
| 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        |
|--------------------------------------------------------------|--------------|-------------|-------------|-------------|--------------|
| <b>Interest-bearing</b>                                      |              |             |             |             |              |
| 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         |
| <b>Non-interest-bearing</b>                                  |              |             |             |             |              |
| 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         |
| <b>Total</b>                                                 | <b>707.7</b> | <b>17.9</b> | <b>15.4</b> | <b>90.5</b> | <b>831.5</b> |

31 Dec 2018

| EUR million                                                  | 2019         | 2020        | 2021       | 2022>       | Total        |
|--------------------------------------------------------------|--------------|-------------|------------|-------------|--------------|
| <b>Interest-bearing</b>                                      |              |             |            |             |              |
| 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         |
| <b>Non-interest-bearing</b>                                  |              |             |            |             |              |
| 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         |
| <b>Total</b>                                                 | <b>641.9</b> | <b>28.9</b> | <b>0.3</b> | <b>30.3</b> | <b>701.3</b> |

## 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 |
|-------------------------------------------------------------------|---------------------|---------------------|---------------|
| <b>Derivatives recognised as cash flow hedges</b>                 |                     |                     |               |
| Interest rate swaps, in hedge accounting                          | 0.0                 | 0.2                 | 30.6          |
| Interest rate swaps, not in hedge accounting                      | -                   | 0.1                 | 19.1          |
| <b>Derivatives measured at fair value through profit and loss</b> |                     |                     |               |
| 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 |
| <b>Derivatives measured at fair value through profit and loss</b> |     |     |      |
| 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 list 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<br>B shares | 2018<br>B shares |
|--------------------------------------------------|------------------|------------------|
| <b>Board of Directors</b>                        |                  |                  |
| 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<br>(controlled by Staffan Simberg) | -                | 152,378          |
| <b>President and CEO</b>                         |                  |                  |
| Robert Andersson                                 | 55,121           | 31,799           |
| <b>Group Management team</b>                     |                  |                  |
| 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](http://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        |
| <b>Number of shares 31 Dec 2019</b>       | <b>pcs</b>  | <b>55,434,273</b> | <b>126,051,940</b> | <b>181,486,213</b> |
| 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        |
| <b>Number of shares 31 Dec 2018</b>       | <b>pcs</b>  | <b>55,434,273</b> | <b>126,051,940</b> | <b>181,486,213</b> |
| 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      |
| <b>Consolidated share capital 31 Dec</b>                                                     | <b>36.2</b> | <b>36.2</b> |

## 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 shall 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 dividend 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 <sup>1</sup> |
|----------------------------------------------------|------|----------------------------|
| Profit attributable to equity owners of the parent | 8.0  | 10.8                       |

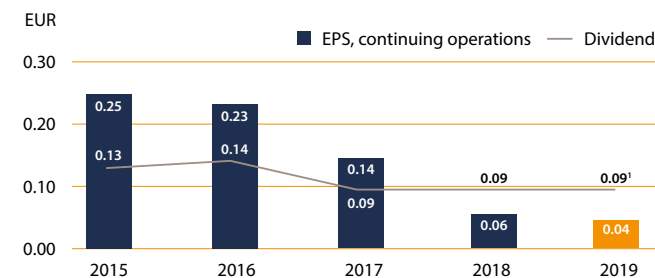
## Average number of outstanding shares

| 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 |

<sup>1</sup> 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<sup>2</sup> and dividend

<sup>1</sup> Proposal by the Board of Directors

<sup>2</sup> 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 <sup>1</sup> |
|--------------------------|------------|----------------------------|
| Taxes for current year   | 1.8        | 5.6                        |
| Taxes for previous years | -0.0       | 0.0                        |
| Deferred taxes           | 0.4        | 0.2                        |
| <b>Total</b>             | <b>2.1</b> | <b>5.8</b>                 |

<sup>1</sup> 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        |
| <b>Total</b>               | <b>-7.0</b>  | <b>-0.6</b> | <b>-6.4</b> |

#### 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         |
| <b>Total</b>               | <b>-10.8</b> | <b>-0.3</b> | <b>-10.5</b> |

#### Tax rate reconciliation

| EUR million                                            | 2019       | 2018 restated <sup>1</sup> |
|--------------------------------------------------------|------------|----------------------------|
| 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                        |
| <b>Income taxes in the income statement</b>            | <b>2.1</b> | <b>5.8</b>                 |
| Effective tax rate                                     | 20.8 %     | 35.1 %                     |

<sup>1</sup> 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 carry-forwards 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 <sup>1</sup> | Items recognised in income statement | Items recognised in other comprehensive income | Translation differences | 31 Dec      |
|----------------------------------------------------|-------------|---------------------------------------------------------------|--------------------------------------|------------------------------------------------|-------------------------|-------------|
| <b>Deferred tax assets</b>                         |             |                                                               |                                      |                                                |                         |             |
| 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         |
| <b>Deferred tax assets, total</b>                  | <b>3.7</b>  | <b>1.7</b>                                                    | <b>-1.4</b>                          | <b>0.6</b>                                     | <b>-0.1</b>             | <b>4.5</b>  |
| <b>Deferred tax liabilities</b>                    |             |                                                               |                                      |                                                |                         |             |
| 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         |
| <b>Deferred tax liabilities, total</b>             | <b>15.6</b> | <b>-</b>                                                      | <b>-1.1</b>                          | <b>-</b>                                       | <b>-0.2</b>             | <b>14.3</b> |

| 2018 restated <sup>2</sup>                         | 1 Jan       | Adjustments to opening balance charged to equity <sup>1</sup> | Items recognised in income statement | Items recognised in other comprehensive income | Translation differences | 31 Dec      |
|----------------------------------------------------|-------------|---------------------------------------------------------------|--------------------------------------|------------------------------------------------|-------------------------|-------------|
| <b>Deferred tax assets</b>                         |             |                                                               |                                      |                                                |                         |             |
| 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         |
| <b>Deferred tax assets, total</b>                  | <b>2.8</b>  | <b>0.0</b>                                                    | <b>0.6</b>                           | <b>0.3</b>                                     | <b>-0.1</b>             | <b>3.7</b>  |
| <b>Deferred tax liabilities</b>                    |             |                                                               |                                      |                                                |                         |             |
| 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         |
| <b>Deferred tax liabilities, total</b>             | <b>15.3</b> | <b>-</b>                                                      | <b>0.7</b>                           | <b>-</b>                                       | <b>-0.4</b>             | <b>15.6</b> |

<sup>1</sup> Adjustment due to adoption of IFRS 16 in 2019 and adjustment due to adoption of IFRS 9 in 2018

<sup>2</sup> 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 companies              | Domicile | Group        |                  | Parent company |                  |
|------------------------------|----------|--------------|------------------|----------------|------------------|
|                              |          | 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 Polska 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        |
|----------------------------------------|-------------|-------------|
| <b>Commitments for own liabilities</b> |             |             |
| 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         |
| <b>Total</b>                           | <b>10.1</b> | <b>11.9</b> |

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         |
| <b>Total</b>      | <b>0.8</b> | <b>51.5</b> |

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 Joko-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 inbound 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)<br>EUR million | 31 Dec 2017<br>(Reported) | Increase (+)/<br>Decrease (-) | 1 Jan 2018<br>(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)<br>EUR million | 31 Dec 2018<br>(Reported) | Increase (+)/<br>Decrease (-) | 31 Dec 2018<br>(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)<br>EUR million | 2018<br>(Reported) | Increase (+)/<br>Decrease (-) | 2018<br>(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        |
| <b>Operating result</b>                           |      | <b>-6,068.3</b> | <b>-399.5</b>    |
| Financial income and expenses                     | 6    | 1,236.1         | -14,786.2        |
| <b>Result before appropriations and taxes</b>     |      | <b>-4,832.2</b> | <b>-15,185.7</b> |
| Appropriations                                    | 7    | 14,480.3        | 1,791.7          |
| Income taxes                                      | 8    | -1,418.3        | -504.8           |
| <b>Result for the period</b>                      |      | <b>8,229.8</b>  | <b>-13,898.7</b> |

### Parent company balance sheet (FAS)

| EUR thousand                                  | Note | 31 Dec 2019      | 31 Dec 2018      |
|-----------------------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                                 |      |                  |                  |
| <b>Non-current assets</b>                     |      |                  |                  |
| <b>Intangible assets</b>                      | 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         |
| <b>Property, plant and equipment</b>          | 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            |
| <b>Investments</b>                            | 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        |
| <b>Non-current assets, total</b>              |      | <b>786,074.3</b> | <b>788,697.6</b> |
| <b>Current assets</b>                         |      |                  |                  |
| <b>Receivables</b>                            | 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          |
| <b>Cash and cash equivalents</b>              |      | <b>68,213.9</b>  | <b>63,488.3</b>  |
| <b>Current assets, total</b>                  |      | <b>85,435.3</b>  | <b>70,408.7</b>  |
| <b>Assets total</b>                           |      | <b>871,509.6</b> | <b>859,106.3</b> |

| EUR thousand                         | Note | 31 Dec 2019      | 31 Dec 2018      |
|--------------------------------------|------|------------------|------------------|
| <b>EQUITY AND LIABILITIES</b>        |      |                  |                  |
| <b>Equity</b>                        | 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        |
| <b>Appropriations</b>                | 14   | 1,288.2          | 1,268.5          |
| <b>Provisions</b>                    | 15   | 5.0              | 3,120.8          |
| <b>Liabilities</b>                   | 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        |
| <b>Liabilities total</b>             |      | <b>387,165.0</b> | <b>363,470.1</b> |
| <b>Equity and liabilities total</b>  |      | <b>871,509.6</b> | <b>859,106.3</b> |

## Parent company cash flow statement (FAS)

| EUR thousand                                          | 2019            | 2018             |
|-------------------------------------------------------|-----------------|------------------|
| <b>Cash flow from operating activities</b>            |                 |                  |
| 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          |
| <b>Change in working capital</b>                      |                 |                  |
| 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           |
| <b>Cash flow from operating activities</b>            | <b>-4,266.0</b> | <b>7,355.1</b>   |
| <b>Cash flow from investing activities</b>            |                 |                  |
| 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          |
| <b>Cash flow from investing activities</b>            | <b>-530.8</b>   | <b>-18,646.6</b> |
| <b>Cash flow from financing activities</b>            |                 |                  |
| 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        |
| <b>Cash flow from financing activities</b>            | <b>9,522.4</b>  | <b>61,011.6</b>  |

| EUR thousand                                          | 2019            | 2018            |
|-------------------------------------------------------|-----------------|-----------------|
| <b>Change in cash and cash equivalents</b>            | <b>4,725.6</b>  | <b>49,720.1</b> |
| 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        |
| <b>Cash and cash equivalents at the end of period</b> | <b>68,213.9</b> | <b>63,488.3</b> |

## 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 flows that are not under hedge accounting are recorded in exchange gains and losses in the financial items.

**Share-based payments:** The accounting treatment of Oriola Corporation's 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         |
| <b>Total</b>           | <b>16,241.3</b> | <b>22,671.0</b> |

**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          |
| <b>Total</b>          | <b>7,257.3</b> | <b>6,038.8</b> |

|                             |    |    |
|-----------------------------|----|----|
| 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        |
| <b>Total</b> | <b>2,552.9</b> | <b>1,463.6</b> |

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         |
| <b>Total</b>                            | <b>12,499.4</b> | <b>15,568.1</b> |

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         |
| <b>Total</b> | <b>47.4</b> | <b>47.3</b> |

**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        |
| <b>Total</b>                                    | <b>1,236.1</b> | <b>-14,786.2</b> |

**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            | 2018           |
|-----------------------------------|-----------------|----------------|
| Change in depreciation difference | -19.7           | -1,058.3       |
| Group contribution received       | 14,500.0        | 2,850.0        |
| <b>Total</b>                      | <b>14,480.3</b> | <b>1,791.7</b> |

**8. Income taxes**

| EUR thousand                                | 2019           | 2018         |
|---------------------------------------------|----------------|--------------|
| Income taxes for the financial period       | 1 427.8        | 504.8        |
| Income taxes for previous financial periods | -9.5           | -            |
| <b>Total</b>                                | <b>1 418.3</b> | <b>504.8</b> |

## 9. Intangible assets

| EUR thousand<br>2019                   | Intangible rights | Other<br>intangible assets | Advance<br>payments and<br>construction<br>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                                                 | -               |
| <b>Historical cost 31 Dec</b>          | <b>966.1</b>      | <b>24,217.8</b>            | <b>6,894.8</b>                                         | <b>32,078.8</b> |
| 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         |
| <b>Accumulated amortisation 31 Dec</b> | <b>317.4</b>      | <b>4,390.4</b>             | <b>-</b>                                               | <b>4,707.8</b>  |
| <b>Carrying amount 31 Dec</b>          | <b>648.7</b>      | <b>19,827.4</b>            | <b>6,894.8</b>                                         | <b>27,371.0</b> |
| <b>2018</b>                            |                   |                            |                                                        |                 |
| 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                                              | -               |
| <b>Historical cost 31 Dec</b>          | <b>711.4</b>      | <b>23,043.6</b>            | <b>6,611.0</b>                                         | <b>30,366.0</b> |
| Accumulated amortisation 1 Jan         | 133.6             | 646.4                      | -                                                      | 780.0           |
| Amortisation for the financial year    | 87.2              | 1,329.4                    | -                                                      | 1,416.6         |
| <b>Accumulated amortisation 31 Dec</b> | <b>220.8</b>      | <b>1,975.8</b>             | <b>-</b>                                               | <b>2,196.6</b>  |
| <b>Carrying amount 31 Dec</b>          | <b>490.6</b>      | <b>21,067.7</b>            | <b>6,611.0</b>                                         | <b>28,169.3</b> |

## 10. Property, plant and equipment

| EUR thousand<br>2019                            | Land and<br>water areas | Machinery<br>and equipment | Other<br>tangible assets | Total        |
|-------------------------------------------------|-------------------------|----------------------------|--------------------------|--------------|
| Historical cost 1 Jan                           | 77.4                    | 265.4                      | 7.5                      | 350.3        |
| <b>Historical cost 31 Dec</b>                   | <b>77.4</b>             | <b>265.4</b>               | <b>7.5</b>               | <b>350.3</b> |
| Accumulated depreciation 1 Jan                  | -                       | 98.5                       | -                        | 98.5         |
| Depreciation for the financial year             | -                       | 41.8                       | -                        | 41.8         |
| <b>Accumulated depreciation 31 Dec</b>          | <b>-</b>                | <b>140.3</b>               | <b>-</b>                 | <b>140.3</b> |
| <b>Carrying amount 31 Dec</b>                   | <b>77.4</b>             | <b>125.2</b>               | <b>7.5</b>               | <b>210.1</b> |
| <b>2018</b>                                     |                         |                            |                          |              |
| Historical cost 1 Jan                           | 77.4                    | 354.4                      | 7.5                      | 439.3        |
| Increases                                       | -                       | 71.1                       | -                        | 71.1         |
| Decreases                                       | -                       | -160.1                     | -                        | -160.1       |
| <b>Historical cost 31 Dec</b>                   | <b>77.4</b>             | <b>265.4</b>               | <b>7.5</b>               | <b>350.3</b> |
| 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         |
| <b>Accumulated depreciation 31 Dec</b>          | <b>-</b>                | <b>98.5</b>                | <b>-</b>                 | <b>98.5</b>  |
| <b>Carrying amount 31 Dec</b>                   | <b>77.4</b>             | <b>166.9</b>               | <b>7.5</b>               | <b>251.8</b> |

**11. Investments**

| EUR thousand<br>2019                  | Holdings in group<br>companies | Holdings in<br>participating<br>interest companies | Other shares   | Receivables<br>from group<br>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       |
| <b>Historical cost 31 Dec</b>         | <b>656,195.8</b>               | <b>-</b>                                           | <b>9,418.5</b> | <b>95,244.5</b>                        | <b>760,858.8</b> |
| 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         |
| <b>Accumulated impairments 31 Dec</b> | <b>-2,365.6</b>                | <b>-</b>                                           | <b>-</b>       | <b>-</b>                               | <b>-2,365.6</b>  |
| <b>Carrying amount 31 Dec</b>         | <b>653,830.3</b>               | <b>-</b>                                           | <b>9,418.5</b> | <b>95,244.5</b>                        | <b>758,493.3</b> |
| <b>2018</b>                           |                                |                                                    |                |                                        |                  |
| 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       |
| <b>Historical cost 31 Dec</b>         | <b>656,195.8</b>               | <b>10,841.3</b>                                    | <b>9,418.5</b> | <b>97,027.7</b>                        | <b>773,483.4</b> |
| Impairments                           | -2,365.6                       | -10,841.3                                          | -              | -                                      | -13,206.8        |
| <b>Accumulated impairments 31 Dec</b> | <b>-2,365.6</b>                | <b>-10,841.3</b>                                   | <b>-</b>       | <b>-</b>                               | <b>-13,206.8</b> |
| <b>Carrying amount 31 Dec</b>         | <b>653,830.3</b>               | <b>-</b>                                           | <b>9,418.5</b> | <b>97,027.7</b>                        | <b>760,276.5</b> |

**12. Receivables**

| EUR thousand                                 | 2019            | 2018           |
|----------------------------------------------|-----------------|----------------|
| <b>Receivables from group companies</b>      |                 |                |
| 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        |
| <b>Total</b>                                 | <b>15,873.3</b> | <b>4,792.2</b> |
| <b>Items included in accrued receivables</b> |                 |                |
| 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          |
| <b>Total</b>                                 | <b>15,347.1</b> | <b>4,103.0</b> |

**13. Equity**

| EUR thousand                                       | 2019             | 2018             |
|----------------------------------------------------|------------------|------------------|
| Share capital 1 Jan                                | 147,899.8        | 147,899.8        |
| <b>Share capital 31 Dec</b>                        | <b>147,899.8</b> | <b>147,899.8</b> |
| <b>Restricted equity</b>                           | <b>147,899.8</b> | <b>147,899.8</b> |
| Contingency fund 1 Jan                             | 19,418.7         | 19,418.7         |
| <b>Contingency fund 31 Dec</b>                     | <b>19,418.7</b>  | <b>19,418.7</b>  |
| Invested unrestricted equity reserve 1 Jan         | 76,957.5         | 76,957.5         |
| <b>Invested unrestricted equity reserve 31 Dec</b> | <b>76,957.5</b>  | <b>76,957.5</b>  |
| 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 <sup>1)</sup>               | -100.8           | -82.3            |
| Delivery of own shares                             | 138.6            | 479.3            |
| <b>Profit/loss from previous years 31 Dec</b>      | <b>230,545.6</b> | <b>260,869.6</b> |
| Result for the period                              | 8,229.8          | -13,898.7        |
| Non-restricted equity                              | 335,151.7        | 343,347.1        |
| <b>Total</b>                                       | <b>483,051.4</b> | <b>491,246.9</b> |

<sup>1)</sup> 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        |
| <b>Distributable funds 31 Dec</b>    | <b>335,151.7</b> | <b>343,347.1</b> |

**14. Appropriations**

| EUR thousand                                   | 2019           | 2018           |
|------------------------------------------------|----------------|----------------|
| Cumulative accelerated depreciation difference | 1,288.2        | 1,268.5        |
| <b>Total</b>                                   | <b>1,288.2</b> | <b>1,268.5</b> |

**15. Provisions**

| EUR thousand     | 2019       | 2018           |
|------------------|------------|----------------|
| Other provisions | 5.0        | 3 120.8        |
| <b>Total</b>     | <b>5.0</b> | <b>3,120.8</b> |

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             |
|----------------------------------------------|------------------|------------------|
| <b>Liabilities to group companies</b>        |                  |                  |
| 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        |
| <b>Short-term liabilities total</b>          | <b>287,795.1</b> | <b>242,956.1</b> |
| <b>Items included in accrued liabilities</b> |                  |                  |
| 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             |
| <b>Total</b>                                 | <b>2,735.5</b>   | <b>2,656.8</b>   |

**17. Guarantees, liability engagements and other liabilities**

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

**18. Derivatives and financial risk management**

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

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 Management 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 applica-

ble 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 judgment 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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