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Oriola-KD Corporation's Financial Statements Release for 1 January – 31 December 2011

Key figures for continuing operations for 1 January - 31 December 2011

- Net sales increased by 11.2 per cent to EUR 2,146.0 million (1–12/2010: EUR 1,929.4 million).
- Operating profit excluding one-off items and impairment charges was EUR 13.2 million (1–12/2010: EUR 22.5 million).
- Operating loss, which includes an impairment charge of EUR 33.4 million related to the Russian Stary Lekar brand in the second quarter, came to EUR 20.2 million (1–12/2010: operating profit of EUR 9.8 million).
- Net result including the impairment charge related to the Stary Lekar brand, was EUR -24.1 million (1–12/2010: EUR 3.5 million), and earnings per share was EUR -0.16 (1–12/2010: EUR 0.02).
- Net cash flow from operations was EUR 28.1 million (1–12/2010: EUR 88.7 million).
- Return on equity was -7.4 per cent (1–12/2010: 1.2 per cent).
- Outlook for 2012: Oriola-KD's net sales are expected to increase 10–15 per cent and operating profit excluding one-off items is expected to be EUR 23–33 million in 2012.
- The Board proposes to the Annual General Meeting that a dividend of EUR 0.05 per share (EUR 0.05 per share) is paid for 2011, and EUR 0.03 per share (EUR 0.13 per share) is distributed from the reserves of unrestricted equity as repayment of equity, totaling EUR 0.08 per share (EUR 0.18 per share) in distributed assets.

Key figures for continuing operations for 1 October - 31 December 2011

- Net sales increased by 5.9 per cent to EUR 558.8 million (10–12/2010: EUR 527.8 million).
- Operating profit excluding one-off items and impairment charges was EUR 5.8 million (10–12/2010: operating profit of EUR 8.4 million).
- Operating profit was EUR 5.8 million (10-12/2010: operating profit EUR 7.3 million).
- Net result was EUR 4.0 million (10–12/2010: EUR 5.5 million) and earnings per share were EUR 0.03 (10–12/2010: EUR 0.04).

Eero Hautaniemi, President and CEO, in conjunction with the financial statements release:

"Oriola-KD's net sales for 2011 increased by 11 per cent to EUR 2,146.0 million and operating profit excluding one-off items and impairment charges was EUR 13.2 million. After the major structural changes carried out in 2007-2010, Oriola-KD has in 2011 invested in IT systems for the retail operations and improving the efficiency and profitability of the wholesale operations. Profitability in 2011 was, however, not on a satisfactory level and performance during the first part of the year in particular was poor due to the low profitability of the Swedish retail business and Russian retail and wholesale business. Retail profitability in Sweden and Russia improved in the latter part of the year through measures launched in the summer of 2011. Despite measures taken to improve efficiency and the strong growth in regional sales, the profitability of the Russian wholesale business did not achieve a satisfactory level due to stiff competition. Steady progress was made in Finland and the Baltics, and the Consumer Health business was particularly successful. In 2012, we will focus on improving profitability. In the pharmacy business in Sweden and in Russia, we will continue to develop our pharmacy portfolio and improve the competitiveness of individual pharmacies. The focus areas in the wholesale business in Russia are to improve logistical efficiency and operational reliability and further increase regional sales. In the wholesale business in Sweden we will develop the services we provide to pharmaceutical companies and invest in developing logistics services for pharmacy chains."

Financial performance

Net sales generated by the continuous operations of the Oriola-KD Group (hereinafter Oriola-KD) in 2011 were EUR 2,146.0 million (EUR 1,929.4 million), and operating profit excluding one-off items and impairment charges decreased to EUR 13.2 million (1-12/2010: EUR 22.5 million) mainly due to the decline in the profitability of the Swedish retail business and the Russian retail and wholesale businesses. Operating loss, including an impairment charge of EUR 33.4 million in the second quarter related to the Russian Stary Lekar brand, came to EUR 20.2 million (operating profit EUR 9.8 million).

Profit after financial items was EUR -28.9 million (EUR 4.5 million) and net result EUR -24.1 million (EUR 3.5 million). Oriola-KD's financial expenses increased to EUR 8.7 million (EUR 5.3 million), mainly due to exchange differences of loans and increased interest expenses. Taxes were EUR 4.8 million positive (EUR -0.9 million), mostly owing to the EUR 6.7 million change in deferred tax related to the brand impairment charge. Taxes corresponding to the result for 2011 are entered under this figure. Earnings per share were EUR -0.16 (EUR 0.02).

Fourth-quarter net sales came to EUR 558.8 million (EUR 527.8 million) and operating profit excluding one-off items and impairment charges was EUR 5.8 million (operating profit EUR 8.4 million). The operating profit of the Swedish retail and wholesale business decreased from the corresponding period last year. Operating profit including one-off items was EUR 5.8 million (EUR 7.3 million). Profit after financial items was EUR 4.2 million (EUR 5.6 million) and net result EUR 4.0 million (EUR 5.5 million). Earnings per share in the fourth quarter were EUR 0.03 (EUR 0.04).

Return on equity was -7.4 per cent (1.2 per cent) in 2011.

Balance sheet, financing and cash flow

Oriola-KD's balance sheet total on 31 December 2011 stood at EUR 1,273.3 million (EUR 1,192.6 million). Cash assets were EUR 153.8 million (EUR 187.8 million), equity was EUR 299.3 million (EUR 352.7 million) and the equity ratio was 24.4 per cent (30.8 per cent). During the second quarter of 2011, Oriola-KD recognised an impairment charge of EUR 33.4 million related to the value of intangible assets of the Stary Lekar brand in Russia. In the changed competitive environment, the pricing power of the Stary Lekar brand has essentially declined.

Of Oriola-KD's group goodwill of EUR 266.8 million, EUR 127.3 million has been allocated in impairment testing to the cash-generating unit of the Russian retail and wholesale companies, EUR 112.4 million to the cash-generating unit of the Swedish pharmaceutical retail business and EUR 27.2 million to the cash-generating unit of the Swedish pharmaceutical wholesale business. According to the impairment tests conducted in conjunction with the 2011 financial statements, Oriola-KD has no need for goodwill write-offs.

Interest-bearing debt at the end of 2011 was EUR 173.0 million (EUR 178.3 million), interest-bearing net debt was EUR 19.2 million (EUR -9.5 million) and the gearing ratio was 6.4 per cent (-2.7 per cent). Interest-bearing debt consists of long-term debt financing, advance payments from pharmacies in Finland and the estimated discounted value of the minority share of the Swedish pharmacy company that Oriola-KD is obliged to acquire. Oriola-KD has hedged the interest rate risk of long-term debt financing.

Oriola-KD's committed long-term credit facilities of EUR 103.7 million and EUR 42.4 million in short-term credit account facilities with banks stood unused at the end of 2011. Oriola-KD's EUR 150 million commercial paper programme was not in use at the end of the review period. The terms of the financial covenants were met by a wide margin at the end of 2011.

Net cash flow from operations in 2011 was EUR 28.1 million (EUR 88.7 million), of which changes in working capital accounted for EUR 11.8 million (EUR 73.4 million). In the Swedish pharmaceutical wholesale business, the trade receivables sales programme was continued during 2011. Net cash flow from investments was EUR -27.1 million (EUR -104.7 million).

In the second quarter of 2011, Oriola-KD paid in dividend EUR 0.05 per share (EUR 0.12 per share) for the financial year 2010, in total EUR 7.6 million (EUR 18.1 million for the financial year 2009), and returned equity EUR 0.13 per share (EUR 0.00 per share), in total EUR 19.7 million (EUR 0.0).

Investments

Gross investments for 2011 came to EUR 28.8 million (EUR 196.9 million) and consisted of pharmacy establishments and investments related to information systems and improvements in logistics efficiency.

In November 2011, Oriola-KD signed a preliminary agreement on the sale of a parcel of land of some 31,000 square metres, located next to its distribution centre in Espoo, to NCC Construction Ltd for residential development. The deal is expected to be concluded during 2012–2013, when a new town plan for the area has been approved. The deal does not affect Oriola-KD's operations in the area. In conjunction with the signing of the preliminary agreement, NCC made an advance payment of EUR 0.5 million to Oriola-KD.

Personnel and Group Management Team

On 31 December 2011, Oriola-KD had a payroll of 4,854 (4,954) employees, 11 per cent (10 per cent) of whom worked in Finland and the Baltic countries, 25 per cent (28 per cent) in Sweden, and 64 per cent (62 per cent) in Russia. Personnel numbers include the members of staff in active employment.

On 31 December 2011, Oriola-KD's Group Management Team was composed of:

- Eero Hautaniemi, President and CEO
- Henry Fogels, Vice President, Pharmaceutical Trade, Russia
- Thomas Gawell, Vice President, Pharmaceutical Wholesale, Sweden
- Jukka Niemi, Vice President, Pharmaceutical Wholesale, Finland and Baltics
- Kimmo Virtanen, Executive Vice President & CFO

Anne Kariniemi, Vice President, Logistics and Sourcing, resigned on 23 June 2011, and Cecilia Marlow, Vice President, Pharmaceutical Retail, Sweden, resigned on 15 August 2011.

The Group also has an Extended Management Team, composed of the Group Management Team and the heads of Group functions: human resources, legal affairs, treasury, finance, IT administration, and corporate communications and investor relations.

Reporting segments

Oriola-KD's reporting segments are Pharmaceutical Trade Finland and Baltics, Pharmaceutical Trade Sweden and Pharmaceutical Trade Russia.

Pharmaceutical Trade Finland and Baltics

The net sales of Pharmaceutical Trade Finland and Baltics in 2011 were EUR 414.8 million (EUR 448.3 million) and operating profit was EUR 20.6 million (EUR 21.4 million). Pharmaceutical Wholesale Finland's invoicing in 2011 was EUR 970.0 million (EUR 959.9 million) and net sales were EUR 335.9 million (EUR 374.3 million). Changes made from stock owned by Oriola-KD to consignment stock, as agreed with pharmaceutical companies, contributed to the decline in net sales during the review period. Net sales of pharmaceutical wholesale in the Baltic countries were EUR 34.1 million (EUR 31.3 million) and net sales of the Consumer Health business, i.e. consumer health products sold under Oriola-KD's own brands or exclusive sales rights, were EUR 45.3 million (EUR 43.1 million).

The Finnish pharmaceutical market grew by 1.0 per cent in 2011 (decreased 1.5 per cent). Oriola-KD's market share in the Finnish pharmaceutical wholesale market was 45.1 per cent (46.0 per cent) in 2011. Oriola-KD signed a new distribution agreement with Eli Lilly, which entered into force on 1 January 2011, and a five-year extension of its agreement with Orion to distribute pharmaceuticals and food supplements, which entered into force on 1 July 2011, and a new distribution agreement with Abbott which entered into force on 1 January 2012. Wyeth's products have not been distributed by Oriola-KD since the beginning of 2011. Eli Lilly accounts for some 2 per cent of the value of pharmaceutical wholesaling in Finland, Orion some 10 per cent, Abbot some 3 per cent and Wyeth some 2 per cent (source: IMS Health). Finnish wholesale operations were certified according to ISO 9001:2008 in November 2011.

The net sales of Pharmaceutical Trade Finland and Baltics in the fourth quarter of 2011 were EUR 105.7 million (EUR 111.5 million) and its operating profit was EUR 4.4 million (EUR 5.3 million). Invoicing of Pharmaceutical Wholesale Finland in the fourth quarter came to EUR 244.9 million (EUR 246.1 million) and net sales to EUR 86.3 million (EUR 92.4 million). Net sales of pharmaceutical wholesale in the Baltic countries were EUR 8.7 million (EUR 8.3 million), while net sales of the Consumer Health business were EUR 10.9 million (EUR 10.9 million).

Pharmaceutical Trade Finland and Baltics had 492 (496) employees at the end of 2011.

Pharmaceutical Trade Sweden

Pharmaceutical Trade Sweden's net sales in 2011 were EUR 1,042.0 million (EUR 908.7 million) and its operating profit excluding one-off items was EUR 10.6 million (2010: EUR 15.3 million, excluding EUR 1.7 million in one-off costs related to the bankruptcy of a pharmaceutical company in Sweden and a EUR 1.1 million provision related to the restructuring of the pharmaceutical wholesale operations). In the pharmaceutical retail business, the operating profit decreased due to lower year-on-year sales in Swedish krona as a result of stiff competition, as well as by costs due to the launch of an information system. Invoicing of the pharmaceutical wholesale business in Sweden was EUR 1,424.5 million (EUR 1,239.1 million) and net sales were EUR 616.5 million (EUR 554.9 million). Net sales of the pharmaceutical retail business in Sweden were EUR 483.0 million (EUR 402.7 million). The pharmaceutical retail business has been consolidated with the Oriola-KD figures as of 19 February 2010.

The Swedish pharmaceutical market grew by 2.0 per cent (1.1 per cent) in 2011. Oriola-KD's market share in the Swedish wholesale market was 38.1 per cent (39.7 per cent) and 13.5 per cent (some 14 per cent) in the Swedish pharmaceutical retail market in 2011. Oriola-KD signed a new distribution agreement with Abbott, in force as of February 2011. As of July 2011, Meda has not been distributed by Oriola-KD. Abbott's market share of the value of Swedish wholesale pharmaceutical sales was some 3 per cent and Meda's some 2 per cent. (source: IMS Health)

A programme launched in the summer of 2011 improved retail profitability markedly in the latter part of the year. At the end of September 2011, Kronans Droghandel Apotek AB completed the implementation of a new information system, which decreased the fixed costs of the retail business starting from the fourth quarter. The company announced in September 2011 that it would start negotiations with the labour unions to reduce a maximum of 40 positions in order to boost the efficiency and improve profitability. The negotiations were completed in December and the company reduced its personnel by 40 full time positions by year end 2011. Oriola-KD had a total of 209 (189) pharmacies in Sweden at the end of 2011.

In 2012 the retail business will focus on improving pharmacy competitiveness, purchasing, expanding the selection of traded goods OTC assortment and opening some 15 new pharmacies. In the wholesale business, the focus areas are improving the distribution services provided to pharmaceutical companies and developing logistics services for pharmacy chains.

Fourth-quarter net sales of Pharmaceutical Trade Sweden came to EUR 258.6 million (EUR 246.8 million), of which retail accounted for EUR 121.4 million (EUR 120.3 million). Wholesale invoicing was EUR 340.9 million (EUR 330.6 million) and net sales were EUR 150.6 million (EUR 140.8 million). Pharmaceutical Trade Sweden's operating profit excluding one-off items was EUR 2.6 million (2010: EUR 4.5 million, excluding EUR 1.1 million in one-off costs). In the pharmaceutical retail business, the operating profit was weakened by decreased year-on-year sales in Swedish krona as a result of stiff competition.

Pharmaceutical Trade Sweden had 1,223 (1,407) employees at the end of December 2011, of whom 988 (1,125) were employed in retail and 235 (282) in wholesale.

Pharmaceutical Trade Russia

Pharmaceutical Trade Russia's net sales in 2011 were EUR 689.4 million (EUR 572.4 million) and its operating loss excluding one-off items was EUR 12.6 million (2010: operating loss of EUR 8.2 million excluding a write-off of a EUR 2.1 million trade receivable and a EUR 7.9 million stock value write-off). Sales margins in retail and wholesale continued to shrink in 2011 as a result of stiff competition. An increase in social taxes due to legislative changes weakened the 2011 operating result by some EUR 3 million. The one-off items include the EUR 33.4 million impairment charge related to the Stary Lekar brand in 2011. In the changed competitive environment, the pricing power of the Stary Lekar brand has essentially declined. The net sales of pharmaceutical wholesale in Russia were 590.9 million (EUR 518.4 million) and of retail EUR 132.3 million (EUR 106.6 million). The figures for the 03 Apteka pharmacy chain have been consolidated with Oriola-KD's figures as of 31 August 2010.

The ruble-denominated growth in the Russian pharmaceutical market was 12.4 per cent (some 5 per cent) in 2011 (source: Pharmexpert). Oriola-KD's net sales increased by 24.9 per cent (some 9 per cent) in rubles in 2011.

At the end of 2011, Oriola-KD had 249 (254) pharmacies in the Moscow area, of which 181 (181) operated under the Stary Lekar brand and 68 (73) under the 03 Apteka brand. A programme launched in the summer of 2011 markedly improved retail profitability in the latter part of the year. In 2011, 32 new pharmacies were opened and 37 were closed. The Stary Lekar and 03 Apteka pharmacy chains were integrated in 2011. The sales of the Stary Lekar pharmacy chain improved as a result of changes in pricing.

The wholesale business has twelve regional logistics centres in addition to its main logistics centre in Moscow. In the wholesale business, regional sales outside Moscow were increased, sales margins were raised, a number of unprofitable operations were discontinued, the organisation was strengthened and the project for boosting the efficiency of logistics was continued during 2011. The sales of the regional distribution centres outside Moscow increased by some 50 per cent compared to 2010.

In 2012, the focus areas in Russian retail are developing the pharmacy portfolio, improving pharmacy competitiveness and strengthening the product assortment. In wholesale, the focus areas are improving logistical efficiency and operational reliability as well as further increasing regional sales.

In Pharmaceutical Trade Russia, the fourth-quarter net sales in 2011 came to EUR 194.5 million (EUR 169.6 million), of which retail accounted for EUR 35.7 million (EUR 33.7 million) and wholesale EUR 164.9 million (EUR 148.9 million). Operating profit excluding non-recurring items was EUR 0.2 million (operating profit of EUR 0.1 million).

Pharmaceutical Trade Russia had 3,139 (3,051) employees at the end of December 2011, of whom 1,464 (1,544) were employed in retail and 1,675 (1,507) in wholesale.

Related parties

Related parties in the Oriola-KD Group are deemed to comprise the members of the Board of Directors and the President and CEO of Oriola-KD Corporation, the other members of the Group Management Team of the Oriola-KD Group, the immediate family of the aforementioned persons, companies controlled by the aforementioned persons, and the Oriola Pension Fund. The Group has no significant business transactions with related parties, except for pension expenses arising from defined benefit plans with the Oriola Pension Fund.

Oriola-KD Corporation shares

Trading volume of the Oriola-KD Corporation's class A and B shares in 2011:

Trading volume	Jan-Dec 2011		Jan-Dec 2010	
	class A	class B	class A	class B
Trading volume, million	2.9	71.8	5.9	93.6
Trading volume, EUR million	8.2	188.2	25.7	379.8
Highest price, EUR	3.83	3.74	5.47	5.49
Lowest price, EUR	1.70	1.57	3.09	3.07
Closing quotation, end of period, EUR	1.89	1.72	3.19	3.19

In the review period, the traded volume of Oriola-KD Corporation shares, excluding treasury shares, corresponded to 49.4 per cent (65,9 per cent) of the total number of shares. The traded volume of class A shares amounted to 6.1 per cent (12.5 per cent) of the average stock, and that of class B shares, excluding treasury shares, 69.0 per cent (90.5 per cent) of the average stock.

Oriola-KD Corporation’s market capitalisation on 31 December 2011 was EUR 268.7 million (EUR 482.5 million).

At the end of December 2011, the company had 151,257,828 shares (151,257,828), of which 47,148,710 were class A shares (47,163,160) and 104,109,118 were class B shares (104,094,668). Pursuant to article 3 of the Articles of Association, a shareholder can request that class A shares be converted to class B shares. During January-December 2011, a total of 14,450 class A shares were converted into class B shares (504,199).

The company has 96,822 treasury shares, all of which are class B shares. These account for 0.06 per cent of the company's shares and 0.009 per cent of the votes.

On 10 February 2010, Oriola-KD Corporation's Board of Directors decided on a new share incentive scheme for the Group's key personnel for the years 2010–2012. No awards have been paid under the incentive scheme for the 2010 and the 2011 earning periods. The Board of Directors of Oriola-KD has determined the earnings criteria for 2012. Any awards for the 2012 earning period will be based on the achievement of business-specific strategic targets.

Decisions of the 2011 Annual General Meeting

The Annual General Meeting of Oriola-KD Corporation, held on 6 April 2011, adopted the 2010 financial statements and discharged the Board members and the President and CEO from liability for the financial year ending 31 December 2010. According to the decisions of the Annual General Meeting, the company paid a dividend of EUR 0.05 per share and distributed EUR 0.13 per share as repayment of equity on 19 April 2011.

The Annual General Meeting authorised the Board to decide on the payment of an additional dividend from undistributed profits and/or distribution of assets from the company's invested unrestricted equity reserves, or both together, totalling a maximum of EUR 0.10 per share. The authorisation will be in force until the next annual general meeting.

The Annual General Meeting re-elected Harry Brade, Per Båtelson, Pauli Kulvik, Outi Raitasuo, Olli Riikkala (Chairman) and Mika Vidgrén as members of the Board of Directors and elected Jukka Alho and Ilkka Salonen as new members. The Annual General Meeting confirmed that the Chairman of the Board will receive EUR 48,400 in remuneration for his term of office, the Vice Chairman EUR 30,250 and the other members of the Board EUR 24,200 each. Of the annual fees, 60 per cent will be paid in cash and 40 per cent in company shares in such a way that Oriola-KD Corporation class B shares will be acquired on the market for Board members and the cash portion of the annual fee will be paid on 20 April 2011. The Chairman of the Board will receive an attendance fee of EUR 800 for each meeting, and the other Board members EUR 400 per meeting. Attendance fees will also be paid in the same manner to members of any committees set up by the Board of Directors or the company.

PricewaterhouseCoopers Oy was re-elected as auditor for the company, with Heikki Lassila APA as principal auditor.

The Annual General Meeting authorised the Board of Directors to decide on repurchasing up to 15 million 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 will remain in force for a maximum of 18 months following the decision of the General Meeting.

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 class B shares or to assign class B shares held by the company. The authorisation covers a combined maximum of 15 million class B shares of the company and includes the right to derogate from the shareholders' pre-emptive subscription right. The authorisation will remain in force for 18 months following the decision of the General Meeting.

At its constitutive meeting held immediately after the Annual General Meeting, the Board of Oriola-KD Corporation elected Outi Raitasuo as Vice Chairman of the Board. The Board of Directors appointed from among its members Outi Raitasuo (Chairman), Harry Brade, Ilkka Salonen and Mika Vidgrén to the Board's Audit Committee, and Olli Riikkala (Chairman), Per Båtelson and Pauli Kulvik to the Board's Remuneration Committee. The Board of Directors has assessed the independence of its members and determined that all members are independent of both the company and its major shareholders.

Composition of Oriola-KD's Nomination Committee

On 3 November 2011, the Board of Directors of Oriola-KD Corporation appointed the following persons as members of the company´s Nomination Committee: Into Ylppö (Chairman), Harry Brade, Timo Maasilta, Risto Murto, Olli Riikkala and Timo Ritakallio.

According to the rules of procedure of the Nomination Committee approved by the Board of Directors, the committee is a body established by the Board of Directors whose duty is to prepare and make a recommendation to the Board of Directors on a proposal to be submitted to the Annual General Meeting regarding the composition and compensation of the Board of Directors. A member of the Committee does not need to be a member of the Board of Directors. The purpose of this deviation from the Corporate Governance Code is to enable election of major shareholders in the company to the Nomination Committee and thus to ensure that their opinions are heard well before the Annual General Meeting.

Risks

Oriola-KD's Board of Directors has approved the company's risk management policy in which the risk management operating model, principles, responsibilities and reporting are specified. The Group's risk management seeks to identify, measure and manage risks that may threaten Oriola-KD's operations and the achievement of goals set. The roles and responsibilities relating to risk management have been determined in the Group.

Oriola-KD's risks are classified as strategic, operational and financial. Risk management is a key element of the strategic process, operational planning and daily decision-making at Oriola-KD.

Oriola-KD has identified the following principal strategic and operational risks in its business:

- growth in the number of pharmacies outperforms growth in the market, leading to intense competition
- competition for market share in pharmaceutical wholesale in a consolidating market
- ensuring cost efficiency, flexibility and quality
- development of processes and infrastructure required by strategic expansion
- requirements and restrictions on pharmaceutical retail and wholesale imposed by the authorities, especially price control
- commitment of key employees.

The major financial risks for Oriola-KD involve currency exchange rates, liquidity, interest rates and credit. Currency risks are the most significant financial risks in Russia and Sweden, as any changes in the value of the Russian rouble or the Swedish krona will have an impact on Oriola-KD's financial performance and equity.

Goodwill and intangible rights are subject to impairment testing at least once every year. Changes in cash flow forecasts based on strategic plans, or in the discount rate or perpetuity growth rate, can cause a goodwill write-off, which would weaken Oriola-KD's result. The impairment test of the goodwill of the Russian cash-generating unit, in particular, is sensitive to changes in the discount rate or cash-flow forecasts.

Near-term risks and uncertainty factors

Intense competition and the number of new pharmacies to be established will have an impact on the profitability of Oriola-KD's pharmacy business in Sweden and Russia. Changes in the exchange rate of the Russian rouble, a potential increase in credit risks concerning customers and changes in the competitive environment may have an impact on the profitability of the wholesale business in Russia.

Events after 2011

Lars Birkeland, M.Sc. (Econ.) (b. 1960) was appointed Managing Director of Kronans Droghandel Apotek AB and member of the Oriola-KD Group Management Team as of 9 January 2012.

On 31 January 2012, the Nomination Committee of Oriola-KD Corporation presented to the Board of Directors its recommendation that the Board propose the following to the 2012 Annual General Meeting regarding the composition of the Board of Directors:

· The number of members of the Board of Directors would remain eight.
· The present members of the Board of Directors, Mr. Jukka Alho, Mr. Harry Brade, Mr. Per Båtelson, Mr. Pauli Kulvik, Ms. Outi Raitasuo, Mr. Olli Riikkala, Mr. Ilkka Salonen and Mr. Mika Vidgrén would be re-elected.

· Mr. Olli Riikkala would be re-elected as Chairman of the Board of Directors.

The Nomination Committee also announced as its recommendation that the following remunerations would be continued to be paid to the members of the Board of Directors:

· Chairman of the Board: annual fee of 48,400 euros, attendance fee of 800 euros per meeting, telephone as a fringe benefit.
· Vice chairman of the Board: annual fee of 30,250 euros, attendance fee of 400 euros per meeting.
· Other members of the Board: annual fee of 24,200 euros, attendance fee of 400 euros per meeting.
· Attendance fees would be paid respectively also to members of company and Board committees.
· Of the annual fee, 60 per cent would be paid in cash and 40 per cent would be used to acquire Oriola-KD Corporation's class B-shares for the members of the Board of Directors on the NASDAQ OMX Helsinki Stock Exchange on 13 April 2012. The cash part of the annual fee would be paid no later than 20 April 2012.
· Travel expenses would be reimbursed in accordance with the travel policy of the company.

The Nomination Committee stated that its recommendation on board remuneration was not given to the Board of Directors, but the matter will be proposed by a shareholder at the 2012 Annual General Meeting.

Distribution proposal

Oriola-KD's parent company is Oriola-KD Corporation, whose distributable assets based on the balance sheet on 31 December 2011, were EUR 221.9 million (EUR 184.5 million). Oriola-KD Corporation's net profit in 2011 was EUR 64.6 million (EUR 106.5 million).

The Board proposes to the Annual General Meeting that a dividend of EUR 0.05 per share (EUR 0.05 per share) is paid for 2011, and that EUR 0.03 per share (EUR 0.13 per share) is distributed from the reserves of unrestricted equity as repayment of equity, totaling EUR 0.08 per share (EUR 0.18 per share) in distributed assets.

Annual General Meeting

Oriola-KD Corporation's Annual General Meeting will be held on 26 March 2012 at 5.00 p.m. at the Helsinki Fair 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 of the Annual General Meeting will be published in the Helsingin Sanomat newspaper on 5 March 2012 at the latest.

Publication of the annual report

Oriola-KD Corporation will publish its annual report for 2011 on 5 March 2012 at the latest.

Corporate governance statement

The company has issued a Corporate Governance Statement prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code. The Corporate Governance Statement is not part of the report of the Board of Directors. The statement is available at www.oriola-kd.com.

Outlook

Oriola-KD's outlook for 2012 is based on external market forecasts, supplier and customer agreements and management assessments. In the period 2012–2014, the pharmaceutical market is expected to grow by some 3 per cent in Finland, 2–3 per cent in Sweden, and 11–13 per cent in Russia, measured in local currencies (source: IMS Health). Competition is expected to remain very tough in the Russian pharmaceutical retail and wholesale business and the Swedish pharmaceutical retail business.

Oriola-KD's net sales are expected to increase 10–15 per cent and operating profit excluding one-off items is expected to be EUR 23–33 million in 2012.

Tables

The financial statements for 1 January-31 December 2011 have been prepared in accordance with the recognition policies of the IAS 34 standard. Oriola-KD adopted new IAS/IFRS standards in 2011: IAS 32 (amendment), IAS 24 (revised) and IFRIC 14 (amendment). The figures have been audited.

Consolidated Statement of Comprehensive Income (IFRS), EUR million	**1 Jan - 31 Dec 2011**	**1 Jan - 31 Dec 2010**	**1 Oct - 31 Dec 2011**	**1 Oct - 31 Dec 2010**
Continuing operations				
Net sales	2,146.0	1,929.4	558.8	527.8
Cost of goods sold	-1,830.1	-1,668.2	-475.1	-448.7
Gross profit	315.9	261.2	83.7	79.1
Other operating income	2.6	4.8	0.7	1.6
Selling and distribution expenses	-248.6	-214.7	-63.6	-62.0
Administrative expenses	-56.8	-41.5	-14.9	-11.4
Operating Profit/Loss before Impairment *	13.2	9.8	5.8	7.3
Impairment **	-33.4	-	-	-
Operating Profit/Loss	-20.2	9.8	5.8	7.3
Financial income	10.7	13.0	3.2	4.6
Financial expenses	-19.4	-18.3	-4.7	-6.4
Profit/Loss before taxes	-28.9	4.5	4.2	5.6
Income taxes ***	4.8	-0.9	-0.2	-0.1
Profit/Loss for the period from continuing operations	-24.1	3.5	4.0	5.5
Discontinued operations				
Profit for the period from discontinued operations	-	98.6	-	37.9
Profit/Loss for the period including discontinued operations	-24.1	102.1	4.0	43.4
Other comprehensive income				
Cash flow hedge	-1.3	1.2	-0.0	1.2
Income tax relating to other comprehensive income	0.4	-1.0	-0.5	-0.3
Translation difference	-1.2	25.1	11.9	6.2
Total comprehensive income for the period including discontinued operations	-26.3	127.4	15.5	50.6
Attribution of Profit/Loss for the period from continuing operations				
To parent company shareholders	-24.1	3.5	4.0	5.5
To non-controlling interest	-	-	-	-
Attribution of Profit/Loss for the period including discontinued operations				
To parent company shareholders	-24.1	102.1	4.0	43.4
To non-controlling interest	-	-	-	-

Attribution of total comprehensive income for the period (including discontinued operations)				
To parent company shareholders	-26.3	127.4	15.5	50.6
To non-controlling interest	-	-	-	-
Earnings per share for the period from continuing operations				
Basic earnings per share, EUR	-0.16	0.02	0.03	0.04
Diluted earnings per share, EUR	-0.16	0.02	0.03	0.04
Earnings per share for the period (including discontinued operations)				
Basic earnings per share, EUR	-0.16	0.68	0.03	0.29
Diluted earnings per share, EUR	-0.16	0.68	0.03	0.29
*) Including depreciation, EUR million	-16.1	-11.1	-5.0	-3.1
**) Stary Lekar -brand impairment, EUR million	-33.4	-	-	-

***) The tax expense for the period corresponds to the taxes calculated from the profit/loss for the financial year and a change in deferred tax caused by impairment of Stary Lekar -brand

Consolidated Balance Sheet (IFRS), EUR million

ASSETS	**31 Dec 2011**	**31 Dec 2010**
Non-current assets		
Property, plant and equipment	74.0	68.0
Goodwill	266.8	266.1
Other intangible assets	52.1	79.3
Other shares and shareholdings	0.0	-
Other non-current assets	9.4	10.6
Deferred tax assets	7.6	3.3
Non-current assets total	410.0	427.2
Current assets		
Inventories	379.8	287.5
Trade and other receivables	329.7	290.1
Cash and cash equivalents	153.8	187.8
	863.3	765.4
Non-current assets held for sale	0.0	-
Current assets total	863.4	765.4
ASSETS TOTAL	**1,273.3**	**1,192.6**

EQUITY AND LIABILITIES	**31 Dec 2011**	**31 Dec 2010**
Equity		
Share capital	36.2	36.2
Funds	31.2	52.1
Retained earnings	231.9	264.5
Equity of the parent company shareholders	299.3	352.7
Non-controlling interests	-	-
Equity total	299.3	352.7
Non-current liabilities		
Deferred tax liabilities	15.1	22.2
Pension obligations	6.3	5.7
Borrowings	127.0	124.5
Other non-current liabilities	0.0	-
Non-current liabilities total	148.4	152.5
Current liabilities		
Trade payables and other current liabilities	779.7	633.6
Borrowings	46.0	53.7
Current liabilities total	825.7	687.4
EQUITY AND LIABILITIES TOTAL	**1,273.3**	**1,192.6**

Consolidated Statement of Changes in Equity (IFRS)

EUR million	**Share capital**	**Hedge fund**	**Con-tin-gency fund**	**Other funds**	**Trans-lation lation diffe-rences**	**Re-tai-ned earnings**	**Equity of the parent com-pany share-hol-ders**	**Non-cont-roll-ing inte-rest**	**Total**
Equity 1 Jan 2010	36.2	-	30.0	20.9	-30.4	186.8	243.4	10.8	254.2
Dividends paid	-	-	-	-	-	-18.1	-18.1	-	-18.1
Change in non-controlling interest	-	-	-	-	-	-	-	-10.8	-10.8
Net profit/loss for the period	-	-	-	-	-	102.1	102.1	-	102.1
Other comprehensive income:									
Cash flow hedge	-	1.2	-	-	-	-	1.2	-	1.2
Income tax relating to other comprehensive income	-	-	-	-	-1.0	-	-1.0	-	-1.0
Translation difference	-	-	-	-	25.1	-	25.1	-	25.1
Equity 31 Dec 2010	36.2	1.2	30.0	20.9	-6.3	270.8	352.7	-	352.7

Equity 1 Jan 2011	36.2	1.2	30.0	20.9	-6.3	270.8	352.7	-	352.7
Dividends paid and return of equity	-	-	-	-19.7	-	-7.6	-27.2	-	-27.2
Net profit/loss for the period	-	-	-	-	-	-24.1	-24.1	-	-24.1
Other comprehensive income:									
Cash flow hedge	-	-1.3	-	-	-	-	-1.3	-	-1.3
Income tax relating to other comprehensive income	-	-	-	-	0.4	-	0.4	-	0.4
Translation difference	-	-	-	-	-1.2	-	-1.2	-	-1.2
Equity 31 Dec 2011	36.2	-0.0	30.0	1.2	-7.2	239.1	299.3	-	299.3

Consolidated Cash Flow Statement * (IFRS), EUR million	**1 Jan - 31 Dec 2011**	**1 Jan - 31 Dec 2010**
Operating profit /loss	-20.2	17.1
Depreciation	16.1	11.5
Impairment	33.4	-
Change in working capital	11.8	73.4
Cash flow from financial items and taxes	-15.1	-18.1
Other adjustments	2.1	4.8
Net cash flow from operating activities	28.1	88.7
Net cash flow from investing activities	-27.1	-104.7
Net cash flow from financing activities	-35.0	61.2
Net change in cash and cash equivalents	-34.1	45.2
Cash and cash equivalents at the beginning of the period	187.8	133.7
Foreign exchange rate differences	0.1	8.9
Net change in cash and cash equivalents	-34.1	45.2
Cash and cash equivalents at the end of the period	153.8	187.8

*) Includes net cash flow of Healthcare Trade until 31 May 2010 and net cash flow of Dental Trade until 28 October 2010.

Change in Property, Plant and Equipment, EUR million	**1 Jan - 31 Dec 2011**	**1 Jan - 31 Dec 2010**
Carrying amount at the beginning of the period	68.0	53.3
Increases through acquisitions of subsidiary shares	-	9.7
Increases	16.2	14.3
Decreases	-0.6	-5.2
Depreciation	-9.6	-7.6
Transferred to assets of disposal group classified as held for sale	-0.0	-
Foreign exchange rate differences	0.1	3.4
Carrying amount at the end of the period	74.0	68.0

Key Figures	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2010
Equity ratio, %	24.4	30.8
Equity per share, EUR	1.98	2.33
Return on capital employed (ROCE) from continuing operations, %	-4.0	2.1
Return on capital employed (ROCE) incl. discontinued operations, %	-4.0	23.3
Return on equity from continuing operations, %	-7.4	1.2
Return on equity incl. discontinued operations, %	-7.4	33.7
Net interest-bearing debt, EUR million	19.2	-9.5
Gearing, %	6.4	-2.7
Earnings per share from continuing operations, EUR	-0.16	0.02
Earnings per share incl. discontinued operations, EUR	-0.16	0.68
Average number of shares, 1000 pcs	151,161	151,164

Derivatives, Commitments and Contingent Liabilities

31 Dec 2011

EUR million	Positive fair value	Negative fair value	Nominal values of contracts
Derivatives recognised as cash flow hedges			
Interest rate swaps	-	-0.0	112.2
Derivatives measured at fair value through profit or loss			
Foreign currency forward and swap contracts	0.2	-	30.5

31 Dec 2010

EUR million	Positive fair value	Negative fair value	Nominal values of contracts
Derivatives recognised as cash flow hedges			
Interest rate swaps	1.2	-	111.5
Derivatives measured at fair value through profit or loss			
Foreign currency forward and swap contracts	0.1	-	58.0

Contingencies for Own Liabilities, EUR million	31 Dec 2011	31 Dec 2010
Guarantees given	138.6	125.4
Mortgages on land and buildings	2.0	2.0
Mortgages on company assets	2.4	2.3
Other guarantees and liabilities	0.7	0.5
Total	143.7	130.3
Leasing-liabilities (operating liabilities)	0.6	0.9
Rent contingencies	61.9	66.5

NUMBER OF PERSONNEL

Average number of personnel	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2010
Continuing operations	4,968	4,512
Group	4,968	4,675

Number of personnel at the end of the period	31 Dec 2011	31 Dec 2010
Continuing operations	4,854	4,954
Group	4,854	4,954

SEGMENT INFORMATION

Net Sales, EUR million	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2010
Pharmaceutical Trade		
Finland and Baltics	414.8	448.3
Pharmaceutical Trade Sweden	1,042.0	908.7
Pharmaceutical Trade Russia	689.4	572.4
Net sales to other segments	-0.2	-0,0
Continuing operations total	2,146.0	1,929.4

Operating Profit/Loss, EUR million	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2010
Pharmaceutical Trade		
Finland and Baltics	20.6	21.4
Pharmaceutical Trade Sweden	10.6	12.5
Pharmaceutical Trade Russia	-46.0	-18.1
Group Administration and Others	-5.5	-6.0
Continuing operations total	-20.2	9.8

One-off costs and Impairment, EUR million	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2010
Pharmaceutical Trade		
Finland and Baltics	-	-
Pharmaceutical Trade Sweden *	-	-2.8
Pharmaceutical Trade Russia **	-33.4	-10.0
Group Administration and Others	-	-
One-off costs and Impairment total	-33.4	-12.7

*) Write-off of a receivable relating to the bankruptcy of a pharmaceutical company EUR -1.7 million and a provision related to restructuring of the pharmaceutical wholesale operations EUR -1.1 million

**) Stary Lekar -brand impairment EUR -33.4 million and a write-off of a trade receivable relating to the bankruptcy of a pharmaceutical chain EUR -2.1 million and purchase-related discounts booked in stock value EUR -7.9 million

Operating Profit/Loss excl. One-off costs and Impairment, EUR million	**1 Jan - 31 Dec 2011**	**1 Jan - 31 Dec 2010**
Pharmaceutical Trade Finland and Baltics	20.6	21.4
Pharmaceutical Trade Sweden	10.6	15.3
Pharmaceutical Trade Russia	-12.6	-8.2
Group Administration and Others	-5.5	-6.0
Continuing operations total excl. One-off costs and Impairment	13.2	22.5
One-off costs and impairment	-33.4	-12.7
Continuing operations total	-20.2	9.8

Quarterly Net Sales, EUR million	**Q4/2011**	**Q3/2011**	**Q2/2011**	**Q1/2011**	**Q4/2010**	**Q3/2010**	**Q2/2010**	**Q1/2010**
Pharmaceutical Trade Finland and Baltics	105.7	101.8	104.8	102.5	111.5	111.1	113.1	112.6
Pharmaceutical Trade Sweden	258.6	249.6	268.6	265.3	246.8	239.5	241.4	181.0
Pharmaceutical Trade Russia	194.5	170.3	162.2	162.4	169.6	147.8	132.8	122.1
Net sales to other segments	-0.0	-0.0	-0.1	-0.1	-0.0	-0.0	-0.0	-0.0
Continuing operations total	558.8	521.6	535.5	530.1	527.8	498.5	487.3	415.7

Quarterly Operating Profit/Loss, EUR million	**Q4/2011**	**Q3/2011**	**Q2/2011**	**Q1/2011**	**Q4/2010**	**Q3/2010**	**Q2/2010**	**Q1/2010**
Pharmaceutical Trade Finland and Baltics	4.4	5.9	4.7	5.6	5.3	6.2	5.2	4.8
Pharmaceutical Trade Sweden	2.6	3.8	1.9	2.3	3.3	4.9	5.6	-1.4
Pharmaceutical Trade Russia	0.2	-5.5	-39.1	-1.6	0.1	-15.7	-2.0	-0.4
Group Administration and Others	-1.4	-0.9	-1.9	-1.2	-1.4	-1.2	-1.9	-1.6
Continuing operations total	5.8	3.4	-34.4	5.0	7.3	-5.8	6.9	1.3

One-off costs and Impairment, EUR million	**Q4/2011**	**Q3/2011**	**Q2/2011**	**Q1/2011**	**Q4/2010**	**Q3/2010**	**Q2/2010**	**Q1/2010**
Pharmaceutical Trade Finland and Baltics	-	-	-	-	-	-	-	-
Pharmaceutical Trade Sweden *	-	-	-	-	-1.1	-1.7	-	-
Pharmaceutical Trade Russia **	-	-	-33.4	-	-	-10.0	-	-
Group Administration and Others	-	-	-	-	-	-	-	-

One-off costs and Impairment total	-	-	-33.4	-	-1.1	-11.7	-	-

*) Write-off of a receivable relating to the bankruptcy of a pharmaceutical company EUR -1.7 million (Q3/2010) and a provision related to restructuring of the pharmaceutical wholesale operations EUR -1.1 million (Q4/2010)
**) Stary Lekar -brand impairment EUR -33.4 million (Q2/2011) and a write-off of a trade receivable relating to the bankruptcy of a pharmaceutical chain EUR -2.1 million (Q3/2010) and purchase-related discounts booked in stock value EUR -7.9 million (Q3/2010)

Quarterly Operating Profit/Loss, excl. One-off costs and Impairment, EUR million	**Q4/2011**	**Q3/2011**	**Q2/2011**	**Q1/2011**	**Q4/2010**	**Q3/2010**	**Q2/2010**	**Q1/2010**
Pharmaceutical Trade Finland and Baltics	4.4	5.9	4.7	5.6	5.3	6.2	5.2	4.8
Pharmaceutical Trade Sweden	2.6	3.8	1.9	2.3	4.5	6.6	5.6	-1.4
Pharmaceutical Trade Russia	0.2	-5.5	-5.7	-1.6	0.1	-5.7	-2.0	-0.4
Group Administration and Others	-1.4	-0.9	-1.9	-1.2	-1.4	-1.2	-1.9	-1.6
Continuing operations total excl. One-off costs and Impairment	5.8	3.4	-1.0	5.0	8.4	5.9	6.9	1.3
One-off costs and impairment	-	-	-33.4	-	-1.1	-11.7	-	-
Continuing operations total	5.8	3.4	-34.4	5.0	7.3	-5.8	6.9	1.3

Net Sales by Market, EUR million	**1 Jan - 31 Dec 2011**	**1 Jan - 31 Dec 2010**
Finland	379.4	417.6
Sweden	1,013.0	882.6
Russia	689.4	572.4
Baltic countries	32.6	30.5
Other countries	31.5	26.4
Continuing operations total	2,146.0	1,929.4

Quarterly Net Sales by Market, EUR million	**Q4/2011**	**Q3/2011**	**Q2/2011**	**Q1/2011**	**Q4/2010**	**Q3/2010**	**Q2/2010**	**Q1/2010**
Finland	96.1	93.6	96.5	93.1	103.5	102.6	106.5	105.0

Sweden	250.7	241.8	262.1	258.4	239.6	233.5	235.3	174.2
Russia	194.5	170.3	162.2	162.4	169.6	147.8	132.8	122.1
Baltic countries	8.3	8.0	7.7	8.7	7.8	7.0	7.3	8.3
Other countries	9.1	8.0	6.9	7.5	7.4	7.4	5.4	6.2
Continuing operations total	558.8	521.6	535.5	530.1	527.8	498.5	487.3	415.7

Espoo, 8 February 2012

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