The Channel for Health

Report of the Board of Directors and Financial Statements 2011

Oriola KD

Information to Shareholders

The 2012 Annual General Meeting

The 2012 Annual General Meeting of Shareholders of Oriola-KD Corporation will be held on Monday, 26 March 2012 at 5pm at the Helsinki Fair Centre, address Helsinki Fair Centre, Conference Wing, Messuaukio 1, 00520 Helsinki, Finland. The notice to convene is available on the company's web site at www.oriola-kd.com and it will be published in Helsingin Sanomat on 3 March, 2012.

Shareholders register and the insider register

The company's shareholder register as well as the insider register are available at Euroclear Finland Ltd. at the following address:

Euroclear Finland Ltd.
Urho Kekkosen katu 5 C, 8th Floor
FI-00100 Helsinki, Finland

The shareholders are requested to make their change of address to the Account Operator who attends to the shareholder's book-entry account.

Analysts following Oriola-KD

The banks and investment service firms listed below have published investment reports on the Oriola-KD Corporation. The analysts' contact details are listed on the Oriola-KD website.

ABG Sundal Collier
Carnegie Investment Bank
Danske Markets
Enskilda Equity Research
Evli Bank Plc
FIM
Handelsbanken Capital Markets
Nordea Markets
Pohjola Bank Plc

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Oriola-KD Corporation is a leading Pharmaceutical Retail and Wholesale company in Northern Europe and Russia.
The net sales of Oriola-KD in 2011 were EUR 2.1 billion and number of personnel at the end of 2011 was some 4,900.
Oriola-KD is listed on NASDAQ OMX Helsinki Ltd.

www.oriola-kd.com

Report of the Board of Directors

In 2011 the Oriola-KD Group (hereinafter "Oriola-KD") focused in accordance with its strategy on pharmaceutical retail and wholesale in Northern Europe and Russia. After the major structural changes carried out in 2007-2010, Oriola-KD invested in 2011 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.

Financial performance

Net sales generated by the continuous operations of the Oriola-KD Group 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 (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).

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 the intangible asset of the Stary Lekar brand in Russia. In the changed competitive environment, the pricing power of the Stary Lekar brand has essentially declined.

Of the 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 million).

Investments

Gross investments in 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 and 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, information management 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). The Finnish wholesale operations were certified according to ISO 9001:2008 in November 2011.

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 (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 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 traded goods and 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.

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 (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.

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.

The Board of Directors and the auditor

In accordance with the company's Articles of Association, the members and the Chairman of the Board of Directors are elected by the General Meeting of Shareholders. The Vice Chairman of the Board is elected by the Board of Directors. The Board of Directors appoints the President and CEO of Oriola-KD and decides on the terms of his/her employment. The terms and conditions of the President and CEO's employment are specified in a written service contract. The period of notice of the President and CEO's service contract is six months and the severance pay equals 12 months' salary.

The Annual General Meeting of Oriola-KD Corporation, held on 6 April 2011, 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. PricewaterhouseCoopers Oy was re-elected as auditor for the company, with Heikki Lassila APA as principal auditor.

At its constitutive meeting held immediately after the Annual General Meeting, the Board of Directors 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.

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 remuneration of the Board of Directors.

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.

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.

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.

Environment

Oriola-KD manages environmental concerns by conforming to environmental systems applicable to its business operations, with the aim of minimising adverse environmental impacts. Important areas in Oriola-KD's environmental responsibility include the logistical management and optimisation of transport movements and major flows of goods in order to reduce environmental loads, waste reduction through means such as recyclable plastic containers and sorting and disposing of pharmaceutical and other hazardous waste using the methods stipulated by the authorities.

Environmental impact is monitored in the businesses by measuring the amount of emissions and waste and the volume of materials used. Annual internal reviews are conducted to monitor the implementation of environmental policies. The company has valid environmental permits as required by its operations.

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.

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.

Notes to the financial statements and the Corporate Governance Statement

The notes to the financial statements contain information supplementing the Report of the Board of Directors and the financial statements.

The company has issued a Corporate Governance Statement 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.

Espoo, February 8, 2012

Oriola-KD Corporation's Board of Directors

Oriola-KD Corporation

Eero Hautaniemi
President and CEO

Consolidated Statement of Comprehensive Income (IFRS)

EUR million	Note	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Continuing operations			
Net sales	1	**2,146.0**	**1,929.4**
Cost of goods sold		–1,830.1	–1,668.2
Gross profit		**315.9**	**261.2**
Other operating income	2	2.6	4.8
Selling and distribution expenses	3, 4	–248.6	–214.7
Administrative expenses	3, 4, 5	–56.8	–41.5
Operating profit/loss before impairment	1	**13.2**	**9.8**
Impairment	3	–33.4	–
Operating profit/loss		**–20.2**	**9.8**
Financial income	6	10.7	13.0
Financial expenses	6	–19.4	–18.3
Profit/loss before taxes		**–28.9**	**4.5**
Income taxes	7	4.8	–0.9
Profit/loss for the period from continuing operations		**–24.1**	**3.5**
Discontinued operations			
Profit for the period from discontinued operations	10	–	98.6
Profit/loss for the period including discontinued operations		**–24.1**	**102.1**
Other comprehensive income			
Cash flow hedge		–1.3	1.2
Income tax relating to other comprehensive income	7	0.4	–1.0
Translation difference		–1.2	25.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD INCLUDING DISCONTINUED OPERATIONS		**–26.3**	**127.4**
Attribution of profit from continuing operations			
To parent company shareholders		–24.1	3.5
To non-controlling interest		–	–
Attribution of profit including discontinued operations			
To parent company shareholders		–24.1	102.1
To non-controlling interest		–	–
Attribution of total comprehensive income (including discontinued operations)			
To parent company shareholders		–26.3	127.4
To non-controlling interest		–	–
Earnings per share from continuing operations			
– basic earnings per share, EUR	8	–0.16	0.02
– diluted earnings per share, EUR	8	–0.16	0.02
Earnings per share (including discontinued operations)			
– basic earnings per share, EUR	8	–0.16	0.68
– diluted earnings per share, EUR	8	–0.16	0.68

Consolidated Balance Sheet (IFRS)

EUR million	Note	31 Dec 2011	31 Dec 2010
ASSETS			
Non-current assets			
Property, plant and equipment	11	74.0	68.0
Goodwill	12	266.8	266.1
Other intangible assets	12	52.1	79.3
Other shares and shareholdings	13	0.0	–
Pension assets	14	9.4	9.2
Other non-current receivables	16	–	1.4
Deferred tax assets	15	7.6	3.3
Non-current assets total		**410.0**	**427.2**
Current assets			
Inventories	17	379.8	287.5
Trade receivables	18	284.0	253.4
Other receivables	18	45.7	36.6
Cash and cash equivalents	19	153.8	187.8
		863.3	**765.4**
Non-current assets held for sale	20	0.0	–
Current assets total		**863.4**	**765.4**
ASSETS TOTAL	1	**1,273.3**	**1,192.6**
EQUITY AND LIABILITES			
Equity			
Share capital	21	36.2	36.2
Funds	21	31.2	52.1
Retained earnings	21	231.9	264.5
Equity of the parent company shareholders	21	**299.3**	**352.7**
Non-controlling interests		–	–
Equity total	21	**299.3**	**352.7**
Non-current liabilities			
Deferred tax liabilities	15	15.1	22.2
Pension obligations	14	6.3	5.7
Borrowings	23	127.0	124.5
Other non-current liabilities	24	0.0	–
Non-current liabilities total	1	**148.4**	**152.5**
Current liabilities			
Trade payables	25	748.1	601.2
Provisions	22	–	1.1
Borrowings	23	46.0	53.7
Other current liabilities	25	31.6	31.3
Current liabilities total	1	**825.7**	**687.4**
EQUITY AND LIABILITIES TOTAL		**1,273.3**	**1,192.6**

Consolidated Cash Flow Statement (IFRS)

EUR million	Note	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010*
Net cash flow from operating activities			
Operating profit/loss		–20.2	17.1
Adjustments			
Depreciation	3	16.1	11.5
Impairment charges	3	33.4	–
Income from associated companies		–	–4.4
Change in pension assets and pension obligations		0.3	–1.0
Other adjustments		1.8	10.3
		31.4	33.4
Change in working capital			
Change in current receivables		–32.5	–13.1
Change in inventories		–90.3	22.4
Change in non-interest-bearing current liabilities		134.6	64.0
		11.8	73.4
Interest paid		–7.7	–8.9
Dividends received		–	4.0
Interest received		1.5	1.5
Income taxes paid		–8.9	–14.7
Net cash flow from operating activities		**28.1**	**88.7**
Net cash flow from investing activities			
Investments in property, plant and equipment and intangible assets		–27.1	–16.1
Proceeds from sales of property, plant and equipment and intangible assets		0.1	0.2
Corporate acquisitions	9	–0.1	–236.7
Discontinued operations	10	–	148.0
Net cash flow from investing activities		**–27.1**	**–104.7**
Net cash flow from financing activities			
Repayment of short-term loans		–7.8	–32.2
Proceeds from long-term loans		–	111.5
Dividends paid and return of equity		–27.2	–18.1
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	19	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	19	**153.8**	**187.8**

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

Consolidated statement of Changes in Equity (IFRS)

EUR million	Note	Share capital	Hedge fund	Contin-gency fund	Other funds	Trans-lation diffe-rences	Re-tained earnigs	Equity of the parent company share-holders	Non-cont-rolling interests	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	16	–	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**
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	16	–	–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	21	**36.2**	**–0.0**	**30.0**	**1.2**	**–7.2**	**239.1**	**299.3**	**–**	**299.3**

Notes to the Consolidated Financial Statements

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Oriola-KD Corporation is a Finnish, public limited company, which is domiciled in Espoo, Finland. Oriola-KD and its subsidiaries together form the consolidated Oriola-KD Group. The consolidated financial statements were approved for publication by the Board of Directors of Oriola-KD Corporation on 8 February 2012. 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-KD Group are available from the head office of Oriola-KD Corporation at the following address: Orionintie 5, FI-02200 Espoo, Finland.

The Oriola-KD Group's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), observing the valid IAS/IFRS standards and SIC and IFRIC interpretations approved by the European Union as per the date of the financial statements, 31 December 2011. The International Financial Reporting Standards refer to the standards and associated interpretations in the Finnish Accounting Act and in regulations issued under it that are approved by the EU for application in accordance with the procedure laid down in Regulation (EC) No 1606/2002. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish accounting and corporate legislation supplementing the IFRS rules.

The consolidated financial statements are presented for the 12-month period 1 January – 31 December 2011. The figures are given in millions of euros and are based on historical costs, except for the financial assets recorded at their fair value in the income statement, the available-for-sale investments, derivatives and share-based payments recorded at their fair value.

The Group has applied the following new and amended standards and interpretations as of 1 January 2011:

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective in financial periods beginning on or after 1 February 2010). The amendment concerns the accounting treatment (classification) of issues of options, subscription rights or other rights relating to shares, issued in a currency other than the issuer's functional currency. The changes have no significant impact on the consolidated financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective in financial periods beginning on or after 1 July 2010). The interpretation clarifies the accounting treatment that applies if a company renegotiates the terms of its financial liabilities and, as a result, issues equity instruments to a creditor in order to extinguish financial liabilities either in full or in part. The interpretation has no impact on the consolidated financial statements for 2011.
- Amendments to interpretation IFRIC 14 Contributions paid in advance and based on a minimum funding requirement (effective in financial periods beginning on or after 1 January 2011). The amendment puts right an undesired effect arising from interpretation IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Following the amendments, companies will be able to enter as balance sheet assets some of the payments based on a minimum funding requirement which were made voluntarily in advance.
- Revised IAS 24 Related Party Disclosures (effective in financial periods beginning on or after 1 January 2011). The definition of related party is further specified, and changes are made to certain disclosure requirements concerning government-related entities. The changes have no significant impact on the consolidated financial statements.
- Improvements to IFRSs, May 2010 (effective mainly in financial periods beginning on or after 1 July 2010). Using the Annual Improvements process, minor and non-urgent amendments to standards are compiled into a single package and applied once a year. The amendments have not yet been approved by the EU for application.

Use of estimates

When compiling the consolidated financial statements in accordance with the IFRS rules, the company's management has to make estimates and assumptions that have an impact on the assets and liabilities reported in the financial statements on the balance sheet date, and on the presentation of conditional assets and liabilities in the notes to the financial statements and the income and expenses reported for the financial year. These estimates are made according to management's best knowledge of the events, and the final outcomes may thus differ from the figures used in the financial statements. Accounting estimates have mainly been used in determining the magnitude of items reported in the financial statements, such as the impairment of goodwill and other asset items, determination of receivables and liabilities related to defined benefit pension plans, economic lives of tangible and intangible assets, provisions and taxes. It has also been necessary to employ judgment in applying the accounting policies.

Uncertainties concerning the estimates

Estimates made in preparing the financial statements are based on the management's considered views at the balance sheet date. These estimates are based on prior experience and on assumptions concerning the future that are considered at the balance sheet date to be the more probable and relate to such matters as anticipated developments in the Group's economic operating environment in terms of sales and costs. Together with its operating units, the Group monitors the actual outcome against these estimates and assumptions and changes in background factors affecting these on a regular basis, using various internal and external information sources. Any changes made to the estimates and assumptions are recorded in the accounting for the financial year in which the changes are made, and in all subsequent years. The main assumptions concerning the future and those key uncertainties concerning estimates on the balance sheet date that cause a significant risk of materially altering the accounting values of the Group's assets and liabilities in the next financial year are presented below.

Impairment testing

The Group's asset items with an unlimited useful life are subject to annual impairment testing, and signs of impairment are assessed as indicated in the accounting principles below. The testing uses future discounted cash flows that can be obtained through use and possible sale of the asset item. If the carrying amount of the asset item exceeds the recoverable amount or the fair value, an impairment expense will be recognised on the difference. These calculations require the use of estimates.

Deferred taxes

Management estimates are required when calculating the amount of deferred tax assets and liabilities. In the financial statements, the Group estimates the grounds for the recognition of deferred tax assets. For this purpose, the Group estimates the probability of subsidiaries having recoverable taxable income against which the unused taxable losses and unused compensations related to taxation can be used. The factors used in the estimates can differ from the actual ones, which is why tax assets can be recognised as expenses in the income statement.

Consolidation principles

The consolidated financial statements include Oriola-KD Corporation and all Group-controlled companies directly or indirectly owned by the Corporation. Group control originates when the Group owns more than 50% of the company's votes or is entitled to define the company's financial and business principles for the purpose of gain from its operation. Internal shareholding is eliminated using the cost method. Investments in associated companies (where the Group has 20–50% of the voting rights or significant influence in the company) are accounted for in the consolidated financial statements under the equity method. The financial statements of associated companies are adjusted to correct for any significant deviations from the IFRS standards.

The subsidiaries acquired are fully consolidated into the financial statements from the date on which the Group obtained control, while the divested subsidiaries are consolidated up to the date on which the Group's control ceased. The transferred consideration and the acquired company's identifiable assets and liabilities assumed have been measured at fair value at the date of acquisition. Any contingent compensation have been measured at fair value at the date of acquisition and classified under other interest-bearing liabilities.

All of the Group's internal transactions, receivables and liabilities, distribution of profit and unrealised internal margins are eliminated in the preparation of the consolidated financial statements. The consolidated profit for the financial year is divided into portions attributable to the parent company shareholders and to the non-controlling interest. The share of equity applicable to the non-controlling interest is included in Group equity and is itemised in the calculation regarding the changes in equity.

Items in foreign currencies

The items included in the financial statements of the subsidiaries will be valued in the currency which best describes the financial operating conditions of each subsidiary. The consolidated financial statements are in euros, which is the operating and reporting currency of the Group's parent company.

Items in foreign currencies are converted into euros using the exchange rate of the transaction date. Monetary receivables and liabilities in foreign currencies that are outstanding on the balance sheet date have been measured using the exchange rates quoted on the same date. The translation gains and losses related to the items in foreign currencies are recognised in the income statement with the exception of internal loans to the wholesale company in Russia which the Group classifies under net capital expenditure made in a foreign unit. Exchange differences arising from these receivables are recognised in the consolidated financial statements under translation differences in equity. Exchange rate gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange rate gains and losses related to loans and receivables in foreign currencies are included in financial income and expenses.

The income statements of the Group companies domiciled outside the Euro zone are converted into euros using the average exchange rate of the reporting period, while the balance sheets are converted using the exchange rate quoted on the balance sheet date. Translation of the financial period income and comprehensive income using different exchange rates in the income statement and statement of comprehensive income and in the balance sheet gives rise to a translation difference recognised in the balance sheet under equity, and a change in translation difference is recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from the translation of equity items accrued after acquisition are recognised in other comprehensive income. When a subsidiary is sold in full or in part, the accrued translation differences are transferred to the income statement as part of capital gains or losses. The receivables from foreign subsidiaries, recorded in the balance sheet of the parent company, are considered part of the net investment if no plan for their payment has been made and payment cannot be reasonably anticipated in the future. Exchange differences arising from these receivables are recognised in the consolidated financial statements under translation differences in equity. The accumulated translation differences related to divested Group companies, recorded under equity, are recognised as gains or losses from transfers under the income statement.

Property, plant and equipment

Tangible assets are measured at their historical cost, less depreciation and impairment. The assets are depreciated over their estimated useful life using the straight-line method. The useful life of assets is reviewed if necessary, adjusting it to correspond to eventual changes in the expected economic use. The estimated useful lives are as follows:

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

Land areas are not subject to depreciation. Repair and maintenance costs are recognised as expenses for the period. Improvement investments are capitalised if they will generate future economic benefits. Capital gains and losses resulting from the transfer of tangible assets are recognised under operating profit in the income statement.

Intangible assets

Goodwill

As of 1 January 2010, goodwill arising in business combinations is recognised at the amount by which the transferred consideration, non-controlling interests in the acquisition and the previous holding, in aggregate, exceed the Group's share of the fair value of the acquired net assets.

Goodwill is not amortised but is tested for impairment at least once a year by using a cash flow based impairment test. For this purpose, the goodwill is allocated to cash-generating units. Goodwill is stated at cost less any accumulated impairment losses. Impairment losses are recognised in the income statement.

Other intangible assets

Other intangible assets include sales licences, trademarks, patents, software licences and product and marketing rights. Acquired intangible assets are measured at their historical cost, less depreciation and impairment. Assets with limited useful life, are depreciated over their useful life, using the straight-line method.

Impairment of tangible and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Should there be such indication, the respective recoverable amount is estimated. The recoverable amount is either the net sales price or the value in use obtained by discounting the present value of the expected future cash flows from that asset item, whichever is the higher.

The impairment loss will be recognised in the income statement if the carrying amount of the asset item exceeds the recoverable amount. An impairment loss will be reversed if there is a change in the circumstances and the recoverable amount exceeds the carrying amount. The impairment loss will not be reversed beyond what the asset's carrying amount would have been without any impairment loss.

The test of impairment of goodwill will be made on an annual basis, or more frequently if there is indication of impairment. Impairment is recognised in the income statement under other operating expenses, which includes expenses not allocable to specific operations. The impairment loss of goodwill is not reversible.

Leases

Group as lessee

Lease agreements where the Group assumes a significant proportion of the risks and benefits of ownership of the assets in question are classified as finance lease agreements. Finance lease agreements are recorded in the balance sheet under assets and liabilities, mainly at the time when the lease period starts, either at the fair value of the asset or the present value of the minimum lease payments, whichever is the lower.

The assets acquired through finance lease agreements will be depreciated in the same way as any non-current assets, either within the useful life of the assets or the lease term, whichever is the shorter. Finance lease liabilities are recorded under non-current and current interest-bearing liabilities in the balance sheet.

If the risks and benefits of ownership remain with the lessor, the lease agreement is treated as an operating lease, and the lease payments made on the basis of such an agreement are recognised as an expense, allocated evenly over the entire lease term.

Group as lessor

Agreements where the Group acts as lessor and a significant proportion of the risks and benefits of ownership of the assets in question is transferred to lessee are treated as finance lease agreements. These leased assets are recognised in the balance sheet as a receivable corresponding to the present value of the lease payments under the lease agreement. Capital gains will be entered as income upon the entry into force of the agreement. Determination of the financial income from the agreements is made in such a way as to ensure that the remaining net investment generates the same percentage return over the entire lease period. Financial income is recognised under financial items.

Assets leased under arrangements other than finance lease agreements are included under property, plant and equipment in the balance sheet. Rental income is recognised in the income statement and allocated evenly over the entire lease term. The depreciation on these items is made during the useful life of the asset, as is the case for corresponding non-current assets in the Group's use.

Non-current assets held for sale and discontinued operations

Non-current assets (or a disposal group) and assets and liabilities concerning discontinued operations are classified as held for sale if the sum corresponding to their carrying amount is to be accrued mainly from the sale of the assets instead of continued use. The requirements for being classified as held for sale are deemed to be met when the sale is highly probable and the asset (or disposal group) is immediately saleable in its existing condition under general and conventional terms, when the management is committed to the sale and the sale is expected to take place within one year from the classification.

Immediately prior to classification as held for sale, the assets or the disposal group assets and liabilities in question are measured in accordance with the applicable IFRS standards. From the moment of classification, the assets (or disposal group) held for sale are measured at the lower of their carrying amount and fair value less selling costs. Depreciation on these assets is discontinued from the time of classification. Assets forming part of the items included in a disposal group that do not fall within the scope of the IFRS 5 measuring rules, as well as liabilities are also measured after the time of classification, in line with the IFRS standards applying to them.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and meets one of the following requirements:

- It represents a separate major line of business or geographical area of operations.
- It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.
- It is a subsidiary acquired exclusively with a view to resale.

The result of discontinued operations is presented as a separate item in the Group's statement of comprehensive income. Assets held for sale, disposal groups, items recognised in other comprehensive income concerning assets held for sale, and liabilities included in a disposal group are all presented in the balance sheet separately from other items.

Employee benefits

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 Group operates a share incentive plan in which payments are made as a combination of shares and cash. The shares granted are measured at fair value at their grant date and recognised in equity. The portion paid as cash is recognised as a liability and the change in its fair value is amortised as an expense. The fair value of the share-based payment at the date the reward is granted is taken as the share price of Oriola-KD

Corporation's class B shares. The fair value of the payment portion settled as cash is adjusted on each reporting day up to the end of the earning period, and the fair value of the debt changes according to the share price of Oriola-KD Corporation's class B shares.

Pension liabilities

The Group's pension arrangements are in line 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, allocating them to the financial year in question. In defined benefit plan arrangements, the Group's obligation is not limited to the payments made under the arrangement but also covers the actuarial and investment risks related to the pension arrangement in question.

In Finland, statutory pension security under the Employees' Pensions Act (TyEL) is arranged through the Oriola Pension Foundation for the Group's employees, with some of the office employees enjoying a supplementary pension scheme. The TyEL pension arrangements at the Oriola Pension Foundation comprise both defined contribution plans and defined benefit plans. The TyEL-related national disability pension obligation is recognised on the basis of the employment relationship.

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 the Balance Sheet or, alternatively, pay the pension expenses to the pension insurance company Alecta according to the pension arrangement. Oriola AB has recognised its ITP 2 old age pension liabilities in full in the Balance Sheet. Oriola AB's old age pension benefits other than ITP 2 are insured with Alecta. All of Kronans Droghandel Apotek AB's pension benefits are insured with Alecta. Defined benefit plans arranged at Alecta are processed as defined contribution arrangements, since Alecta is unable to submit sufficient information for the calculation of liabilities related to defined benefits.

The Group's subsidiaries in Russia have no defined benefit plans.

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, with the discount rate being the interest rate applied to financially sound companies' debenture bonds with a maturity that corresponds to that of the pension liability as closely as possible.

Any actuarial gains and losses, to the extent that they exceed the variation range defined in IAS 19, are recognised in the income statement, allocated over the average remaining term of service of the personnel. The variation range refers to the greater of the following: 10% of the present value of the obligation resulting from the arrangement, or 10% of the fair value of the funds involved in the arrangement.

Inventories

Inventories are presented in the balance sheet as the value of either the expenses incurred in purchasing and production or the net realisable value, whichever is the lower. The net realisable value is the estimated sales price obtainable through normal business, less the provision for non-marketability. The cost is determined on the basis of the FIFO principle (first in, first out).

Financial assets and liabilities

Financial assets and liabilities of the Oriola-KD Group are classified in accordance with the standard IAS 39 Financial Instruments: Recognition and Measurement, as follows:

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

The classification is based on the acquisition purpose of the financial asset or liability and takes place upon the original acquisition. The financial instruments are recognised in the balance sheet on the settlement date.

Money market investments and derivatives which are classified as held for trading and that do not meet the IAS 39 criteria for hedge accounting are booked as financial assets and liabilities recognised at fair value through profit and loss. Assets in 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 income statement for the financial period during which they occurred.

Cash and cash equivalents consist of liquid money market investments, bank deposits and cash at banks. Money market investments are characterised by low risk and maturity of generally less than three months. The fair values of money market investments do not differ significantly from their carrying amounts.

Loans and other receivables are non-derivative financial assets with fixed or determinable payments. These receivables are not quoted in an active market, the Group does not hold them for trading purposes and these are measured at amortised cost. Receivables are classified as current financial assets unless their maturity date is more than 12 months after the balance sheet date. Trade and other receivables are also included in this category. Trade receivables are recognised at their original book value. An impairment of trade receivables is recognised when there is a justified reason to assume that the Group will not obtain all its receivables under the original terms. 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 impairment is recognised as an expense in the income statement. Oriola AB has sold non-recourse trade receivables from Apoteket AB and Apoteket Farmaci AB to the finance company within the framework of limits stipulated in the agreement. The credit risk associated with these trade receivables and contractual rights for the receivables are transferred from the Group on the selling date and related expenses are booked to the financial expenses.

Available-for-sale financial assets are non-derivative financial assets that are especially classified as belonging to this category or which cannot be classified in any other category. They are included in non-current financial assets in the balance sheet unless there is an intention to sell these assets during the 12 month period following the balance sheet date.

Financial liabilities recognised at amortised cost are booked in the balance sheet at the net value on the date of acquisition. Transaction costs are included in the original carrying amount of interest-bearing liabilities. Financial liabilities are subsequently recognised at amortised cost using the effective interest method. Interest expenses are recognised in the income statement using the effective interest method. Interest-bearing liabilities expiring during the subsequent 12 months after the balance sheet date, including credit account limits in use, are booked under current interest-bearing liabilities, and those expiring in more than 12 months, are booked under non-current interest-bearing liabilities.

Derivative contracts and hedge accounting

Oriola-KD treats derivative contracts in accordance with the standard IAS 39 Financial Instruments: Recognition and Measurement. The Group has categorised derivatives as derivatives held for trading, unless it applies hedge accounting within the framework of the IAS 39 standard. 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. Positive valuation differences are recognised under trade and other receivables, and negative valuation differences are recognised under trade payables and other current liabilities in the balance sheet. Oriola-KD has not applied the IAS 39 hedge accounting to currency derivatives that hedge balance sheet items in foreign currencies and forecasted cash flows. The change in the fair value of these derivative contracts is recognised in the income statement either as other income or expenses or under financial income and expenses, depending on the item to which operative hedging has been applied.

Oriola-KD applies IAS 39 -standard hedge accounting in its cash flow hedging of interest rate relating to the long-term interest-bearing debt. Fluctuating interest has been converted to fixed using interest rate swaps. When initiating hedge accounting, the relationship between the hedged item and the hedging instrument is documented, as are the objectives of the Group's risk management. The effectiveness of hedging is tested monthly, and the main principle is that derivative does not generate ineffectiveness. The effective portion of the change in the fair value of the derivatives is recognised in the hedge fund under the equity and the ineffective portion, if any, is recognised in the Group's financial items.

Provisions and contingent liability

A provision is recognised in the balance sheet when the Group has an existing legal or factual obligation resulting from an earlier event and the fulfilment of the payment obligation is probable and its magnitude can be reliably quantified.

A restructuring provision is made when the Group has compiled a detailed restructuring plan, launched its implementation or informed the affected parties accordingly. No provisions related to costs arising from continuing operations, are booked.

A contingent liability is a liability that may arise as a consequence of earlier transactions. Its existence is confirmed only when a doubtful transaction beyond the Group's control is realised. An existing obligation that is not likely to require fulfilment of a payment obligation, or the magnitude of which cannot be defined reliably, is also deemed a contingent liability. A contingent liability assumed in a business combination is measured at fair value on the final day of each reporting period, and the gain or loss arising from this is recognised in other comprehensive income.

Income taxes related to the taxable profit for the period and deferred taxes

The Group's taxes include taxes based on the Group companies' taxable profits for the financial year, tax adjustments for earlier financial years, and changes in deferred tax assets and liabilities. Income tax is paid on the taxable income for the financial year, calculated on the basis of the valid tax rate for the country in question. Taxes are recognised in the income statement, except when they concern items entered directly in equity or items of other comprehensive income. In such cases the tax is also recognised under the items in question.

Deferred tax is calculated on all temporary differences between carrying amount and taxable value. A tax receivable is calculated on adopted taxable losses of the Group companies only to the extent that they can be utilised in the future. 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 calculated using the official tax rates valid on the balance sheet date.

Recognition of sales

Consolidated net sales include income from the sale of goods and services, with adjustments for indirect taxes, discounts and currency translation differences resulting from sales in foreign currencies. Income from the sale of goods is recognised when the major risks and benefits from the ownership of the goods have been transferred to the buyer. Income from services is recognised when the service has been performed.

Sale of goods - wholesale

In contracts in which the distributor owns the entire inventory of its principal, sales income from products is recognised in invoicing and net sales. In contracts based on trading on commission and agency agreements, only the share of the distribution fee is recognised in the distributor's net sales.

Sale of goods - retail

The Group has pharmacy chains that sell pharmaceuticals and health-care products. Sale of goods is recognised when the company sells the product to the customer. Retail sales is usually cash or credit card sales to consumers.

Sale of services

Services comprise various added value services provided by wholesale in distribution and warehousing. Sale of services is recognised for the period during which the service is delivered.

Income from royalties

Income from royalties is recognised as accrually-based according to the actual contents of the respective agreements.

Dividend distribution

Dividend distribution for shareholders is recognised as debt in the consolidated balance sheet for the period during which the dividend is approved by the annual general meeting.

Contents of income statement by function

Cost of goods sold

The cost of goods sold includes the materials, procurement and other costs related to the manufacturing and procurement.

Sales and distribution expenses

Sales and distribution expenses include the costs of product distribution, field sales force operations, marketing, advertising and other sales promotion activities, including wages and salaries. Sales and distribution expenses include those incurred in dispatching and distributing the products.

Administrative expenses

Administrative expenses include general administrative expenses and Group management expenses. Depreciation and amortisation of the assets used by each function are also allocated to the different functions, as is a share of the administrative expenses based on the matching principle.

Operating profit

The standard IAS 1 Presentation of Financial Statements does not give a definition for operating profit. The Oriola-KD Group has defined operating profit as follows: net sales less the cost of goods sold, less sales and distribution expenses, less administrative expenses and other operating expenses, plus other operating income. Exchange rate differences and changes in the fair values of derivatives are recognised in operating profit, provided that they arise from items related to regular business operations; otherwise they are included in the financial items.

Non-recurring items refer to exceptional returns and expenses that have a significant impact on the company's income. Non-recurring items include significant capital gains or losses on assets, major costs related to business restructuring, and significant changes in the value of assets.

Application of the new and revised IFRS standards

The following is a list of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) which are not yet effective and which the Oriola-KD Group has therefore not yet applied. The Group will apply each new standard and interpretation from the date it becomes effective, although if this date is other than the first day of the financial year, it will apply the standard or interpretation from the beginning of the following financial year.

- Amendment to the standard IFRS 7 Financial Instruments: Disclosures (effective in financial years beginning on or after 1 July 2011). The amendment will increase transparency in the presentation of business transactions concerning the transfer of financial instruments. The amendment has not yet been approved by the EU for application.
- Amendment to the standard IAS 12 Income Taxes (effective in financial years beginning on or after 1 January 2012). According to the amendment, as a general rule, the carrying amount of certain assets measured at fair value is assumed to be accrued by the sales of assets. The assumption can be applied to deferred taxes incurred by investment properties, material non-current assets and intangible assets measured at fair value or remeasured. The amendment has not yet been approved by the EU for application.
- Amendment to the standard IAS 1 Presentation of Financial Statements (effective in financial years beginning on or after 1 July 2012). The main change is the requirement for separate subtotals for those elements in other comprehensive income which may be transferred to the income statement when certain conditions are met. The amendment has not yet been approved by the EU for application.
- Amendment to the standard IAS 19 Employee Benefits (effective in financial years beginning on or after 1 January 2013). The amendment means giving up the corridor method and recognising all actuarial gains and losses immediately in other comprehensive income. The amendment has not yet been approved by the EU for application.
- IFRS 9 Financial Instruments (effective date still open). Financial assets are divided on the basis of measurement into two main groups: assets measured at amortised acquisition cost and assets measured at fair value. The classification will depend on the company's business model and the characteristics of its contract-based cash flows. According to the new standard, the recognition and measurement of financial liabilities should remain the same except for those financial liabilities to which the fair value option is applied. The standard has not yet been approved by the EU for application.
- IFRS 10 Consolidated Financial Statement (effective in financial years beginning on or after 1 January 2013). The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard has not yet been approved by the EU for application.
- IFRS 12 Disclosure of Interests in Other Entities (effective in financial years beginning on or after 1 January 2013). The standard contains the disclosure requirements for various interests in other entities, including subsidiaries, associates and joint arrangements and unconsolidated SPEs/structured entities as well as other companies outside the balance sheet. The standard has not yet been approved by the EU for application.
- IFRS 13 Fair Value Measurement (effective in financial years beginning on or after 1 January 2013). The standard provides guidance on fair value measurement and also includes the requirements for fair value measurement as well as disclosure requirements. The scope of fair value is not expanded but guidance is provided for its measurement in situations when its use is allowed or it has been required by another standard. The standard has not yet been approved by the EU for application.
- IAS 27 (revised in 2011) Separate Financial Statements (effective in financial years beginning on or after 1 January 2013). The revised standard contains requirements for separate financial statements remaining after the items concerning control were included in the new IFRS 10. The revised standard has not yet been approved by the EU for application.
- IAS 28 (revised in 2011) Investments in Associates (effective in financial years beginning on or after 1 January 2013). The revised standard contains requirements for the processing of associated and jointly owned companies with the equity method as a result of the publication of IFRS 11. The revised standard has not yet been approved by the EU for application.

1. Segment information

The chief operative decision maker of Oriola-KD is the president and CEO of Oriola-KD Group, who makes strategic decisions, allocates resources to the operating segments and assesses their performance.

Oriola-KD's operating segments, based on the Group's organisational structure are Pharmaceutical Trade Finland and Baltics, Pharmaceutical Trade Sweden and Pharmaceutical Trade Russia.

The figures of Pharmaceutical Trade Finland and Baltics have been reported under one operating segment from the first quarter of year 2011. Prior to 2011 Pharmaceutical Trade Finland and Pharmaceutical Trade Baltics were separate operating segments.

The assets and liabilities include items directly attributable to a segment and items which can be allocated. Group items include tax and financial items as well as items related to corporate functions. Investments are constituted by increases in property, plant and equipment and intangible assets.

Oriola-KD's geographical areas are Finland, Sweden, Russia, the Baltic countries and other countries. Net sales are divided by the countries in which the customers are located. Assets and liabilities are divided according to the country in which they are located.

Reporting segments

EUR million **1 Jan 2011–31 Dec 2011**	**Pharmaceutical Trade Finland and Baltics**	**Pharmaceutical Trade Sweden**	**Pharmaceutical Trade Russia**	**Group items**	**Continuing operations total**	**Discontinued operations**	**Group total**
Sales of goods	404.4	1,034.0	683.4	–	2,121.8	–	**2,121.8**
Sales of services	10.2	8.0	5.9	–	24.1	–	**24.1**
Royalties	0.0	0.0	0.1	–	0.1	–	**0.1**
Sales to external customers	414.6	1,042.0	689.4	–	2,146.0	–	**2,146.0**
Sales to other segments	0.2	0.1	–	–0.2	0.0	–	**0.0**
Net sales	**414.8**	**1,042.0**	**689.4**	**–0.2**	**2,146.0**	**–**	**2,146.0**
Operating profit/loss excluding impairment	20.6	10.6	–12.6	–5.5	13.2	–	**13.2**
Impairment	–	–	–33.4	–	–33.4	–	**–33.4**
Operating profit/loss including impairment	20.6	10.6	–46.0	–5.5	–20.2	–	**–20.2**
Assets	147.3	472.9	482.0	171.3	1,273.3	–	**1,273.3**
Liabilities	187.2	314.5	284.5	187.9	974.1	–	**974.1**
Investments	5.1	17.3	6.3	0.0	28.8	–	**28.8**
Depreciation	2.7	7.9	5.4	0.0	16.1	–	**16.1**
Average number of personnel	494	1,301	3,148	25	4,968	–	**4,968**

EUR million **1 Jan 2010–31 Dec 2010**							
Sales of goods	439.4	901.2	567.6	–	1,908.2	62.1	**1,970.3**
Sales of services	8.6	7.0	4.8	–	20.4	2.3	**22.8**
Royalties	0.0	–	–	–	0.0	0.0	**0.0**
Sales to external customers	448.0	908.2	572.4	–	1,928.7	64.4	**1,993.1**
Sales to other segments	0.3	0.5	–	–0.0	0.7	0.9	**1.6**
Sales between continuing and discontinued operations	–	–	–	–	–	–	**–1.6**
Net sales	**448.3**	**908.7**	**572.4**	**–0.0**	**1,929.4**	**65.3**	**1,993.1**
Operating profit/loss excluding one-off items	21.4	15.3	–8.2	–6.0	22.5	99.3	**121.7**
One-off items	–	–2.8	–10.0	–	–12.7	–	**–12.7**
Operating profit/loss including one-off items	21.4	12.5	–18.1	–6.0	9.8	99.3	**109.0**
Assets	143.7	470.4	382.8	195.7	1,192.6	–	**1,192.6**
Liabilities	159.5	328.2	150.0	202.1	839.9	–	**839.9**
Investments	2.9	178.0	15.6	0.0	196.6	0.3	**196.9**
Depreciation	2.4	5.0	3.7	–	11.1	0.4	**11.5**
Average number of personnel	508	1,251	2,727	26	4,512	163	**4,675**

Net sales by quarter

EUR million	Q1	Q2	Q3	Q4	2011 Total
Pharmaceutical Trade Finland and Baltics	102.5	104.8	101.8	105.7	**414.8**
Pharmaceutical Trade Sweden	265.3	268.6	249.6	258.6	**1,042.0**
Pharmaceutical Trade Russia	162.4	162.2	170.3	194.5	**689.4**
Sales to other segments	–0.1	–0.1	–0.0	–0.0	**–0.2**
Continuing operations total	**530.1**	**535.5**	**521.6**	**558.8**	**2,146.0**
Discontinued operations	–	–	–	–	**–**
Sales to other segments	–	–	–	–	**–**
Group total	**530.1**	**535.5**	**521.6**	**558.8**	**2,146.0**

EUR million	Q1	Q2	Q3	Q4	2010 Total
Pharmaceutical Trade Finland and Baltics	112.6	113.1	111.1	111.5	**448.3**
Pharmaceutical Trade Sweden	181.0	241.4	239.5	246.8	**908.7**
Pharmaceutical Trade Russia	122.1	132.8	147.8	169.6	**572.4**
Sales to other segments	–0.0	–0.0	–0.0	–0.0	**–0.0**
Continuing operations total	**415.7**	**487.3**	**498.5**	**527.8**	**1,929.4**
Discontinued operations	34.4	30.9	–	–	**65.3**
Sales to other segments	–1.1	–0.5	–	–	**–1.6**
Group total	**449.0**	**517.7**	**498.5**	**527.8**	**1,993.1**

Operating profit/loss by quarter

EUR million	Q1	Q2	Q3	Q4	2011 Total
Pharmaceutical Trade Finland and Baltics	5.6	4.7	5.9	4.4	**20.6**
Pharmaceutical Trade Sweden	2.3	1.9	3.8	2.6	**10.6**
Pharmaceutical Trade Russia	–1.6	–39.1	–5.5	0.2	**–46.0**
Group Administration and Others	–1.2	–1.9	–0.9	–1.4	**–5.5**
Continuing operations total	**5.0**	**–34.4**	**3.4**	**5.8**	**–20.2**
Discontinued operations	–	–	–	–	**–**
Group total	**5.0**	**–34.4**	**3.4**	**5.8**	**–20.2**

EUR million	Q1	Q2	Q3	Q4	2010 Total
Pharmaceutical Trade Finland and Baltics	4.8	5.2	6.2	5.3	**21.4**
Pharmaceutical Trade Sweden	–1.4	5.6	4.9	3.3	**12.5**
Pharmaceutical Trade Russia	–0.4	–2.0	–15.7	0.1	**–18.1**
Group Administration and Others	–1.6	–1.9	–1.2	–1.4	**–6.0**
Continuing operations total	**1.3**	**6.9**	**–5.8**	**7.3**	**9.8**
Discontinued operations	2.9	57.1	1.3	37.9	**99.3**
Group total	**4.2**	**64.0**	**–4.5**	**45.2**	**109.0**

One-off costs and impairment by quarter

EUR million	Q1	Q2	Q3	Q4	2011 Total
Pharmaceutical Trade Finland and Baltics	–	–	–	–	**–**
Pharmaceutical Trade Sweden	–	–	–	–	**–**
Pharmaceutical Trade Russia	–	–33.4	–	–	**–33.4**
Group Administration and Others	–	–	–	–	**–**
One-off costs and impairment total	**–**	**–33.4**	**–**	**–**	**–33.4**

EUR million	Q1	Q2	Q3	Q4	2010 Total
Pharmaceutical Trade Finland and Baltics	–	–	–	–	**–**
Pharmaceutical Trade Sweden	–	–	–1.7	–1.1	**–2.8**
Pharmaceutical Trade Russia	–	–	–10.0	–	**–10.0**
Group Administration and Others	–	–	–	–	**–**
One-off costs and impairment total	**–**	**–**	**–11.7**	**–1.1**	**–12.7**

Operating profit/loss without one-off costs and impairment by quarter

EUR million	Q1	Q2	Q3	Q4	2011 Total
Pharmaceutical Trade Finland and Baltics	5.6	4.7	5.9	4.4	**20.6**
Pharmaceutical Trade Sweden	2.3	1.9	3.8	2.6	**10.6**
Pharmaceutical Trade Russia	–1.6	–5.7	–5.5	0.2	**–12.6**
Group Administration and Others	–1.2	–1.9	–0.9	–1.4	**–5.5**
Continuing operations total excluding one-off costs and impairment	**5.0**	**–1.0**	**3.4**	**5.8**	**13.2**
One-off costs and impairment	–	–33.4	–	–	**–33.4**
Continuing operations total	**5.0**	**–34.4**	**3.4**	**5.8**	**–20.2**
Discontinued operations	–	–	–	–	**–**
Group total	**5.0**	**–34.4**	**3.4**	**5.8**	**–20.2**

EUR million	Q1	Q2	Q3	Q4	2010 Total
Pharmaceutical Trade Finland and Baltics	4.8	5.2	6.2	5.3	**21.4**
Pharmaceutical Trade Sweden	–1.4	5.6	6.6	4.4	**15.3**
Pharmaceutical Trade Russia	–0.4	–2.0	–5.7	0.1	**–8.1**
Group Administration and Others	–1.6	–1.9	–1.2	–1.4	**–6.0**
Continuing operations total excluding one-off costs and impairment	**1.3**	**6.9**	**5.9**	**8.4**	**22.5**
One-off costs and impairment	–	–	–11.7	–1.1	**–12.7**
Continuing operations total	**1.3**	**6.9**	**–5.8**	**7.3**	**9.8**
Discontinued operations	2.9	57.1	1.3	37.9	**99.3**
Group total	**4.2**	**64.0**	**–4.5**	**45.2**	**109.0**

Geographical information

EUR million **1 Jan 2011–31 Dec 2011**	Finland	Sweden	Russia	Baltic countries	Other countries	Continuing operations total
Sales to external customers	379.4	1,013.0	689.4	32.6	31.5	**2,146.0**
Assets	279.3	486.3	495.9	11.9	–	**1,273.3**
Investments	5.0	17.3	6.3	0.1	–	**28.8**
1 Jan 2010–31 Dec 2010						
Sales to external customers	417.6	882.6	572.4	30.5	26.4	**1,929.4**
Assets	310.3	481.2	390.8	10.3	–	**1,192.6**
Investments	2.7	178.0	15.6	0.3	–	**196.6**

Net sales by geographical area by quarter

EUR million	Q1	Q2	Q3	Q4	2011 Total
Finland	93.1	96.5	93.6	96.1	**379.4**
Sweden	258.4	262.1	241.8	250.7	**1,013.0**
Russia	162.4	162.2	170.3	194.5	**689.4**
Baltic countries	8.7	7.7	8.0	8.3	**32.6**
Other countries	7.5	6.9	8.0	9.1	**31.5**
Continuing operations total	**530.1**	**535.5**	**521.6**	**558.8**	**2,146.0**

EUR million	Q1	Q2	Q3	Q4	2010 Total
Finland	105.0	106.5	102.6	103.5	**417.6**
Sweden	174.2	235.3	233.5	239.6	**882.6**
Russia	122.1	132.8	147.8	169.6	**572.4**
Baltic countries	8.3	7.3	7.0	7.8	**30.5**
Other countries	6.2	5.4	7.4	7.4	**26.4**
Continuing operations total	**415.7**	**487.3**	**498.5**	**527.8**	**1,929.4**

2. Other operating income

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Gains on sales of tangible and intangible assets	0.1	0.0
Rental income	1.0	1.1
Service charges	0.8	1.6
Other operating income	0.8	2.0
Total	**2.6**	**4.8**

3. Depreciation and impairment

Depreciation and impairment by function

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Selling and distribution expenses	13.8	10.0
Administrative expenses	2.2	1.1
Impairment	33.4	–
Total	**49.5**	**11.1**

Depreciation by type of asset

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Tangible assets		
Buildings and constructions	2.0	1.8
Machinery and equipment	6.7	5.1
Other tangible assets	0.9	0.3
Total	**9.6**	**7.2**
Intangible assets		
Intangible rights	5.8	3.2
Other capitalised expenditure	0.7	0.7
Total	**6.5**	**3.9**

Impairment by type of asset

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Intangible rights	33.4	–
Total	**33.4**	**–**

Oriola-KD group recognised an impairment on intangible rights of EUR 33.4 million in year 2011 related to the Russian Stary Lekar brand. Criteria applied for the depreciations are disclosed in the accounting principles for the consolidated financial statements.

4. Cost of employee benefits

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Wages, salaries and bonuses	110.0	93.7
Pension costs		
Defined contribution plans	32.7	24.3
Defined benefit plans	–0.9	–3.2
Other personnel expenses	10.4	7.6
Total	**152.2**	**122.4**
Average number of personnel	4,968	4,512

Number of personnel by segment is shown under Note 1 Segment information.
Management's employee benefits are shown under Note 31 Group companies and related-party transactions.

5. Audit fees

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
To member firms of PricewaterhouseCoopers network		
Audit	0.3	0.3
Consulting services	0.1	0.7
Total	**0.4**	**1.0**

6. Financial income and expense

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Financial income		
Interest income from financial assets and liabilities recognized at fair value	0.3	–
Interest income from loans and other receivables	1.5	1.6
Foreign exchange rate gains from financial assets and liabilities recognised at fair value	2.8	7.8
Foreign exchange rate gains from loans and other receivables	6.1	3.0
Other financial income	–	0.6
Total	**10.7**	**13.0**
Financial expenses		
Interest expenses for financial liabilities at amortized cost	8.5	6.7
Interest expenses for financial assets and liabilities recognised at fair value	–	0.7
Foreign exchange rate losses from financial assets and liabilities recognised at fair value	4.6	4.8
Foreign exchange rate losses from loans and other receivables	4.5	4.1
Other financial expenses	1.8	2.1
Total	**19.4**	**18.3**
Financial income and expenses total	**–8.7**	**–5.3**

Foreign exchange rate differences from loans and other receivables include EUR -0.2 million (EUR 1.8 million) of exchange rate gains from the Group's internal financial transactions.

7. Income taxes

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Taxes for current year	5.9	4.9
Taxes for previous years	–0.0	–2.2
Deferred taxes	–10.6	–1.8
Total	**–4.8**	**0.9**

Taxes booked directly into equity

EUR million

2011	Before taxes	Tax effect	After taxes
Invested unrestricted equity reserve	1.1	–	1.1
Total	**1.1**	**–**	**1.1**

2010	Before taxes	Tax effect	After taxes
Invested unrestricted equity reserve	20.7	–	20.7
Total	**20.7**	**–**	**20.7**

Taxes related to other comprehensive income

EUR million

2011	Before taxes	Tax effect	After taxes
Cash flow hedge	–1.3	–	–1.3
Translation differences	–1.2	0.4	–0.9
Total	**–2.5**	**0.4**	**–2.1**

2010	Before taxes	Tax effect	After taxes
Cash flow hedge	1.2	–	1.2
Translation differences	25.1	–1.0	24.1
Total	**26.3**	**–1.0**	**25.3**

Reconciliation of taxes in the income statement with corporate income taxes calculated at Finnish tax rate

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Profit/loss before taxes	–28.9	4.5
Corporate income taxes calculated at Finnish tax rate	–7.5	1.2
Tax losses of subsidiaries for which no deferred income tax asset was recognised	–	0.1
Effect of different tax rates of foreign subsidiaries	3.0	0.9
Changes in tax rate	0.0	–
Tax exempt income and non-deductible expenses	1.3	1.7
Utilisation of previously unrecognised tax losses	–1.5	–0.6
Taxes for previous years	–0.0	–2.2
Other items	0.0	0.0
Income taxes in the corporate income statement	**–4.8**	**0.9**
Effective tax rate	16.4%	20.8%

8. Earnings per share

		1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Profit/loss for the financial year from continuing operations attributable to parent company shareholders	EUR million	–24.1	3.5
Average number of shares during the financial year	1,000 pcs	151,161	151,164
Earnings per share from continuing operations	EUR	–0.16	0.02
Diluted earnings per share from continuing operations	EUR	–0.16	0.02
Profit for the financial year including discontinued operations attributable to parent company shareholders	EUR million	–24.1	102.1
Average number of shares during the financial year	1,000 pcs	151,161	151,164
Earnings per share including discontinued operations	EUR	–0.16	0.68
Diluted earnings per share including discontinued operations	EUR	–0.16	0.68

9. Business combinations disclosure

Acquisitions 2011

Oriola-KD did not make any acquisitions in 2011.

Acquisitions 2010

Pharmacy Company Sweden 2 AB

Oriola-KD acquired Pharmacy Company Sweden 2 AB, a nationwide pharmacy cluster in February 2010. Pharmacy Company Sweden 2 AB was consolidated into Oriola-KD's Pharmaceutical Trade Sweden segment. The purchase price was EUR 161.5 million.

The acquisition was presented using provisional values as permitted under IFRS 3R (revised) in the 2010 financial statements of Oriola-KD. The acquisition has been accounted for as final in the 2011 financial statements of Oriola-KD as presented in the 2010 specifications.

Consideration
as of 19 February 2010

EUR million	Fair value
Cash	161.5
Total consideration	**161.5**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2.4
Property, plant and equipment	8.6
Pharmacy licences and rental agreements (included in intangible assets)	25.4
Inventories	22.4
Trade receivables	44.0
Other receivables	6.8
Trade and other payables	–42.8
Deferred tax liabilities	–6.7
Total identifiable net assets	**60.2**
Goodwill	**101.3**

OOO 03 Apteka

Oriola-KD acquired 03 Apteka, a pharmacy chain with 70 pharmacies in Moscow area in August 2010. 03 Apteka was consolidated into Oriola-KD's Pharmaceutical Trade Russia segment. The purchase price was EUR 11.9 million.

The acquisition was presented using provisional values as permitted under IFRS 3R (revised) in the 2010 financial statements of Oriola-KD. During the 12 months following the acquisition, Oriola-KD has made the necessary adjustments to the provisional values. The acquisition has been accounted for as final in the 2011 financial statements of Oriola-KD. The fair value of the identifiable net assets was EUR -0.4 million (EUR 0.3 million).

Consideration
as of 31 August 2010

EUR million	**Fair value**
Cash	11.9
Total consideration	**11.9**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	0.3
Property, plant and equipment	0.4
Pharmacy licences and rental agreements (included in intangible assets)	3.3
Deferred tax assets	0.3
Inventories	2.2
Trade receivables	0.5
Other receivables	0.0
Trade and other payables	–6.7
Deferred tax liabilities	–0.7
Total identifiable net assets	**–0.4**
Goodwill	**12.3**

10. Discontinued operations

Income Statement (IFRS)

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Discontinued operations		
Net sales	**–**	**65.3**
Cost of goods sold	–	–46.6
Gross profit	**–**	**18.6**
Other operating income	–	92.2
Selling and distribution expenses	–	–15.0
Administrative expenses	–	–1.0
Profit from associated companies	–	4.4
Operating profit	**–**	**99.3**
Financial income	–	0.1
Financial expenses	–	–0.1
Profit before taxes	**–**	**99.3**
Income taxes*	–	–0.7
Profit for the period from discontinued operations	**–**	**98.6**
Attibution of profit from discontinued operations		
To parent company shareholders	–	98.6
To non-controlling interest	–	–
Earnings per share from discontinued operations		
Basic earnings per share, EUR	–	0.65
Diluted earnings per share, EUR	–	0.65

*) The tax expense for the period corresponds to the taxes calculated from the profit for the financial year.

Cash Flow Statement (IFRS)

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Net cash flow from operating activities	–	6.7
Net cash flow from investing activities	–	–0.9
Net cash flow from financing activities	–	0.2
Net change in cash and cash equivalents	–	6.1

Impact of sale of Healthcare Trade and Dental Trade businesses on the Group's financial position

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Non-current assets	–	52.3
Current assets	–	49.3
Non-current liabilities	–	–8.0
Current liabilities	–	–31.5
Assets and liabilities total	**–**	**62.1**
Consideration received in cash	–	154.1
Cash and cash equivalents of the sold company	–	–6.1
Cash flow impact	**–**	**148.0**

Healthcare Trade business of Oriola-KD was sold to Mediq N.V. as of 31 May 2010.
The 30 percent holding in the associated company Lifco Dental International AB was sold to Lifco AB as of 28 October 2010.

11. Property, plant and equipment

EUR million 2011	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Historical cost 1 Jan 2011	5.7	65.8	53.7	7.4	1.5	**134.2**
Increases	0.1	0.8	9.8	4.0	1.6	**16.2**
Decreases	–	–	–3.0	–0.1	–0.1	**–3.2**
Reclassifications	–	0.3	1.0	–	–1.3	**0.0**
Transferred to non-current assets held for sale	–0.0	–	–	–	–	**–0.0**
Foreign exchange rate differences	0.0	0.2	–0.1	0.0	0.0	**0.2**
Historical cost 31 Dec 2011	**5.8**	**67.0**	**61.5**	**11.3**	**1.7**	**147.4**
Accumulated depreciation 1 Jan 2011	–	–34.4	–31.3	–0.5	–	**–66.2**
Accumulated depreciation related to decreases and reclassifications	–	–	2.4	0.1	–	**2.5**
Depreciation for the financial year	–	–2.0	–6.7	–0.9	–	**–9.6**
Foreign exchange rate differences	–	–0.1	0.1	–0.0	–	**–0.1**
Accumulated depreciation 31 Dec 2011	**–**	**–36.4**	**–35.6**	**–1.3**	**–**	**–73.3**
Carrying amount 1 Jan 2011	5.7	31.4	22.4	6.9	1.5	**68.0**
Carrying amount 31 Dec 2011	5.8	30.6	25.9	10.0	1.7	**74.0**
2010						
Historical cost 1 Jan 2010	5.2	60.7	45.3	0.4	1.5	**113.1**
Increases through acquisitions	–	–	5.7	3.4	0.6	**9.7**
Increases	–	0.0	5.3	1.6	7.5	**14.3**
Decreases	–	–0.0	–4.7	–0.1	–0.0	**–4.8**
Divestment of business	–	–	–5.1	–0.0	–0.0	**–5.1**
Reclassifications	–	1.2	3.6	2.2	–8.0	**–1.0**
Foreign exchange rate differences	0.6	3.9	3.5	0.0	0.0	**8.0**
Historical cost 31 Dec 2010	**5.7**	**65.8**	**53.7**	**7.4**	**1.5**	**134.2**
Accumulated depreciation 1 Jan 2010	–	–30.8	–28.8	–0.2	–	**–59.8**
Accumulated depreciation related to decreases and reclassifications	–	–	2.3	–0.0	–	**2.3**
Accumulated depreciation of divested business	–	0.0	3.5	0.0	–	**3.5**
Depreciation for the financial year, continuing operations	–	–1.8	–5.1	–0.3	–	**–7.2**
Depreciation for the financial year, discontinued operations	–	–0.0	–0.3	–0.0	–	**–0.4**
Foreign exchange rate differences	–	–1.7	–2.9	–0.0	–	**–4.6**
Accumulated depreciation 31 Dec 2010	**–**	**–34.4**	**–31.3**	**–0.5**	**–**	**–66.2**
Carrying amount 1 Jan 2010	5.2	29.9	16.5	0.2	1.5	**53.3**
Carrying amount 31 Dec 2010	5.7	31.4	22.4	6.9	1.5	**68.0**

Assets leased through finance lease agreements

Tangible assets include following assets leased through finance lease agreements:

EUR million 31 Dec 2011	Machinery and equipment	Total
Historical cost	4.6	**4.6**
Accumulated depreciation	–3.8	**–3.8**
Carrying amount	**0.8**	**0.8**
31 Dec 2010		
Historical cost	4.1	**4.1**
Accumulated depreciation	–3.7	**–3.7**
Carrying amount	**0.4**	**0.4**

12. Intangible assets

EUR million 2011	Intangible rights	Goodwill	Group Goodwill	Other capitalised expenditure	Total
Historical cost 1 Jan 2011	97.1	–	266.1	4.2	**367.5**
Increases	11.2	–	0.6	0.8	**12.6**
Decreases	–0.1	–	–0.0	–0.0	**–0.1**
Reclassifications	0.1	–	–	–0.1	**–0.0**
Foreign exchange rate differences	0.5	–	0.2	–0.1	**0.7**
Historical cost 31 Dec 2011	**108.9**	**–**	**266.8**	**4.8**	**380.6**
Accumulated depreciation 1 Jan 2011	–20.5	–	–	–1.5	**–22.0**
Accumulated depreciation related to decreases and reclassifications	–0.0	–	–	0.1	**0.1**
Depreciation for the financial year	–5.8	–	–	–0.7	**–6.5**
Impairment	–33.4	–	–	–	**–33.4**
Foreign exchange rate differences	0.2	–	–	0.0	**0.2**
Accumulated depreciation 31 Dec 2011	**–59.6**	**–**	**–**	**–2.0**	**–61.7**
Carrying amount 1 Jan 2011	76.6	–	266.1	2.7	**345.4**
Carrying amount 31 Dec 2011	49.3	–	266.8	2.8	**318.9**
2010					
Historical cost 1 Jan 2010	54.1	3.0	140.2	3.1	**200.4**
Increases through acquisitions	32.4	–	126.0	0.1	**158.6**
Increases	7.0	–	–	0.7	**7.7**
Decreases	–1.1	–	–	–	**–1.1**
Divestment of business	–0.1	–3.1	–8.2	–0.3	**–11.8**
Reclassifications	0.4	–	–	0.6	**1.0**
Foreign exchange rate differences	4.3	0.1	8.1	0.1	**12.7**
Historical cost 31 Dec 2010	**97.1**	**0.0**	**266.1**	**4.2**	**367.5**
Accumulated depreciation 1 Jan 2010	–16.6	–1.5	–	–1.1	**–19.3**
Accumulated depreciation related to decreases and reclassifications	1.1	–	–	–	**1.1**
Accumulated depreciation of divested business	0.1	1.5	–	0.3	**1.9**
Depreciation for the financial year, continuing operations	–3.2	–	–	–0.7	**–3.9**
Depreciation for the financial year, discontinued operations	–0.0	–	–	–0.0	**–0.0**
Foreign exchange rate differences	–1.9	–	–	–0.0	**–1.9**
Accumulated depreciation 31 Dec 2010	**–20.5**	**0.0**	**–**	**–1.5**	**–22.0**
Carrying amount 1 Jan 2010	37.5	1.4	140.2	2.0	**181.1**
Carrying amount 31 Dec 2010	76.6	–	266.1	2.7	**345.4**

In 2011 Oriola-KD recognised an impairment charge of EUR 33.4 million in the value of the intangible asset related to the Stary Lekar brand. In the changed competitive environment in Russia, the pricing power of the Stary Lekar brand has essentially declined.

Impairment testing of goodwill

In the impairment testing, EUR 127.3 million of the Group's total goodwill of EUR 266.8 million was allocated to the cash-generating unit consisting of the Russian retail and wholesale companies, EUR 112.4 million was allocated to the Swedish retail cash-generating unit and EUR 27.2 million – to the Swedish wholesale cash-generating unit.

The recoverable amount of the goodwill was determined on the basis of value-in-use calculations. The cash flow forecasts are based on the three-year strategic plans approved by the management, which are consistent with the current business structure, and on the assumptions made in these plans concerning developments in the operating environment. The most important assumptions of the strategic plans are the estimates of overall long-term growth in the market and the market position and the level of profitability of the Group companies. The Group's investments are expected to consist of ordinary replacement investments. Euro rates at the time of testing have been used as the exchange rates.

The main parameters used in the impairment testing are discount rate, operating profit percentage and terminal growth percentage.

The growth rate after the three-year forecasting period used in the calculations is based on the management's assessments of the long-term growth in cash flow. The estimation of the growth factor took into account country-specific and business sector growth forecasts available from external information sources and the characteristic features of each operating segment and cash-generating unit. The long-term growth factors used in the calculations were 3% starting from 2017 for all cash-generating units. The residual value, consisting of discounted cash flows after year 2016 formed 93% of the value of the Russian cash-generating unit, 92% of the value of Swedish retail cash-generating unit and 84% of the value of the Swedish wholesale cash-generating unit.

The discount rate used in the calculation was based on the Group's weighted average cost of capital, taking into account the risks for each country in which the Group has operations, and the risks for each operating segment. The post-tax discount rate used in the impairment testing in 2011 was 10.2% for the Russian cash generating unit (12.1% discount rate before taxes), 5.4% for the Swedish retail cash-generating unit (6.6% discount rate before taxes) and 5.4% for the Swedish wholesale cash-generating unit (6.3% discount rate before taxes).

The most important component in defining the discount rate is the long-term risk-free interest rate. The risk-free interest rate of the Russian cash-generating unit was 8.2% (7.6% in 2010). The risk-free interest rate of the Swedish cash-generating units was 1.8% (3.1% in 2010).

The allocation of the goodwill to the cash-generating units, the key assumptions of the impairment testings and the sensitivity of the key assumptions are described in the tables below.

Goodwill

EUR million	31 Dec 2011	31 Dec 2010
Russia	127.3	127.3
Swedish retail	112.4	111.6
Swedish wholesale	27.2	27.1
Carrying amount	**266.8**	**266.1**

Assumptions 31 December 2011	Discount rate	Operating profit % *	Terminal growth **
Russia	10.2%	1.7%	3.0%
Swedish retail	5.4%	3.3%	3.0%
Swedish wholesale	5.4%	1.4%	3.0%

Sensitivity 31 December 2011	Discount rate change	Operating profit % change	Terminal growth change
Russia	+1.8%	−0.4%	−2.3%
Swedish retail	+3.9%	−2.2%	−5.0%
Swedish wholesale	+29.7%	−1.0%	–

Assumptions 31 December 2010	Discount rate	Operating profit %	Terminal growth
Russia	10.4%	3.8%	3.0%
Swedish retail	7.7%	3.6%	3.0%
Swedish wholesale	7.7%	2.3%	3.0%

Sensitivity 31 December 2010	Discount rate change	Operating profit % change	Terminal growth change
Russia	+5.4%	−1.6%	−8.1%
Swedish retail	+3.6%	−1.6%	−4.5%
Swedish wholesale	+12.4%	−1.9%	−22.4%

*) Operating profit percentage is the average operating profit percentage for the period 2012–2016.
**) From the beginning of year 2017.

The sensitivity analysis conducted for the Russian cash-generating unit revealed that an increase of more than 1.8% in the discount rate, a decrease of more than 0.4% in the operating profit percentage or a decrease of more than 2.3% in the terminal growth percentage would create a need for impairment of goodwill. For example, a decrease of average operating profit percentage by one percentage unit would create a need for impairment of goodwill of some EUR 110 million provided that other assumptions stay unchanged.

The sensitivity analysis conducted for the Swedish retail cash-generating unit revealed that an increase of more than 3.9% in the discount rate, a decrease of more than 2.2% in the operating profit percentage or a decrease of more than 5.0% in the terminal growth percentage would create a need for impairment of goodwill.

The sensitivity analysis conducted for the Swedish wholesale cash-generating unit revealed that an increase of more than 29.7% in the discount rate or a decrease of more than 1.0% in the operating profit percentage would create a need for impairment of goodwill. Since the discounted cash flows from the period 2012–2016 clearly exceed the value of the tested assets, the goodwill is not sensitive to changes in terminal growth percentage.

13. Other shares and shareholdings

EUR million	2011	2010
Carrying amount 1 Jan	–	30.7
Increases	0.0	–
Share of profit after tax	–	–
Dividend income	–	–
Translation differences	–	–
Divestment of business	–	–30.7
Carrying amount 31 Dec	**0.0**	**–**

The 30 per cent holding in the associated company Lifco Dental International AB was sold to Lifco AB as of 28 October 2010.

14. Pension and other post-employment benefit plans

Finland

The funded status and amounts recognised in the balance sheet for the defined benefit plans

EUR million	31 Dec 2011	31 Dec 2010
Present value of obligations	49.9	53.3
Fair value of plan assets	–54.5	–63.5
Deficit / Surplus	–4.6	–10.3
Unrecognised net actuarial gains (+) or losses (-)	–5.1	0.7
Unrecognised past service cost	0.2	0.4
Liability (+) / assets (-) recognised in the balance sheet	**–9.4**	**–9.2**

The defined benefit plans are presented in the non-current receivables.

The benefit expense recognised in the income statement for the defined benefits plans

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Current service cost	0.9	0.9
Interest cost	2.4	2.4
Expected return on plan assets	–4.0	–3.8
Actuarial gains (-) or losses (+) recognised in year	–0.6	–0.9
Past service cost recognised in year	–0.1	–0.4
Effect of settlement	0.0	–1.6
Total	**–1.5**	**–3.4**

During the financial year 2011 the actual return on plan assets was EUR -6.1 million, which consists of EUR 4.0 million related to expected return on plan assets and actuarial loss of EUR -10.1 million.

Changes in the present value of obligation

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Present value of obligation at 1 Jan	53.3	47.8
Current service cost	0.9	0.9
Interest cost	2.4	2.4
Actuarial gains (+) or losses (-) on obligation	–5.0	5.7
Benefits paid	–1.6	–1.7
Settlements	0.0	–1.6
Amendments	0.0	–0.3
Present value of obligation at 31 Dec	**49.9**	**53.3**

Changes in plan assets

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Fair value of plan assets at 1 Jan	63.5	60.6
Expected return on plan assets	4.0	3.8
Actuarial gains (+) or losses (-) on plan assets	–10.1	3.4
Employer pension contribution	–2.1	–2.5
Employee pension contribution	0.8	1.0
Benefits paid	–1.6	–1.7
Settlements	0.0	–1.0
Fair value of plan assets at 31 Dec	**54.5**	**63.5**

Plan assets per asset category, as a percentage of the total fair values	**2011**	**2010**
Money-market instruments, bonds and deposits	60.1%	49.3%
Equities and funds	39.9%	50.7%
Total	**100.0%**	**100.0%**

The benefit expense recognised in the income statement by function

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Selling and distribution expenses	–1.2	–2.6
Administrative expenses	–0.4	–0.8
Total	**–1.5**	**–3.4**

The plan assets include shares issued by Oriola-KD Corporation with a fair value of EUR 2.2 million at the end of 2011.

Background Information	**31 Dec 2011**	**31 Dec 2010**
Discount rate	5.0%	4.5%
Expected return on plan assets	6.0%	6.5%
Future salary increases	3.5%	3.5%

Expected long-term return on plan assets	**31 Dec 2011**	**31 Dec 2010**
Money-market instruments, bonds and deposits	3–5%	3–5%
Equities and funds	8%	8%

Expected return on shares is correlating with the long-term actual returns at the market.

Amounts during the financial year are as follows:

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Present value of obligations	–49.9	–53.3
Fair value of plan assets	54.5	63.5
Surplus (+) or deficit (-)	**4.6**	**10.3**
Experience-based adjustments on plan assets, gain (+) or loss (-)	–10.1	–2.0
Experience-based adjustments on plan liabilities, gain (+) or loss (-)	–0.2	–3.2

Oriola-KD estimates to pay in Finland to benefit plan EUR 2.0 million during the financial year 2012.

Other countries

The funded status and amounts recognised in the balance sheet for the defined benefit plans

EUR million	31 Dec 2011	31 Dec 2010
Present value of obligations	6.6	7.0
Fair value of plan assets	-	-
Deficit / Surplus	6.6	7.0
Unrecognised net actuarial gains (+) or losses (-)	–0.3	–1.2
Liability (+) / assets (-) recognised in the balance sheet	**6.3**	**5.7**

The group does not have plan assets outside Finland.

The benefit expense recognised in the income statement for the defined benefit plans

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Current service cost	0.3	0.3
Interest cost	0.3	0.3
Actuarial gains (-) or losses (+) recognised in year	0.0	0.0
Effect of settlement	–	–0.4
Total	**0.6**	**0.2**

Changes in the present value of obligation

EUR million	2011	2010
Present value of obligation at 1 Jan	7.0	6.0
Current service cost	0.3	0.3
Interest cost	0.3	0.3
Actuarial gains (+) or losses (-) on obligation	–0.9	0.3
Foreign exchange rate differences	0.0	0.9
Benefits paid	–0.1	–0.1
Settlements	0.0	–0.7
Present value of obligations at 31 Dec	**6.6**	**7.0**

The benefit expense recognised in the income statement by function

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Selling and distribution expenses	0.5	0.1
Administrative expenses	0.1	0.1
Total	**0.6**	**0.2**

Background Information	31 Dec 2011	31 Dec 2010
Discount rate	3.8%	3.8%
Future salary increases	2.7%	3.0%

Amounts during the financial year

EUR million	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Present value of obligations	–6.6	–7.0
Fair value of plan assets	–	–
Surplus (+) or deficit (-)	**–6.6**	**–7.0**
Experience-based adjustments on plan liabilities, gain (+) or loss (-)	0.5	–0.3

15. Deferred tax assets and liabilities

EUR million 2011	1 Jan	Items booked in income statement	Translation differences	Acquisitions/ divestments of subsi-diaries	31 Dec
Deferred tax assets					
Confirmed tax losses	0.8	6.2*	0.1	–	7.2
Inventories	1.7	−1.9	0.2	–	0.0
Trade receivables	0.4	−0.3	−0.1	–	0.0
Translation difference of net investment	–	−0.4	0.4	–	–
Pension liabilities	0.4	−0.0	–	–	0.4
Other	0.0	–	–	–	0.0
Total	**3.3**	**3.6**	**0.6**	**–**	**7.6**
Deferred tax liabilities					
Depreciation difference and other untaxed reserves	2.4	0.1	–	–	2.5
Pension assets	4.4	0.1	–	–	4.5
Corporate acquisitions	15.3	−7.1**	−0.2	–	8.0
Other	0.1	−0.1	–	–	−0.0
Total	**22.2**	**−7.0**	**−0.2**	**–**	**15.1**

2010					
Deferred tax assets					
Confirmed tax losses	1.7	−0.6	−0.3	–	0.8
Inventories	0.1	1.6	–	–	1.7
Trade receivables	0.0	0.4	–	–	0.4
Accrued liabilities and deferred income	0.3	−0.3	–	–	–
Translation difference of net investment	–	1.0	−1.0	–	–
Pension liabilities	0.0	0.3	0.0	–	0.4
Other	0.4	−0.4	0.0	–	0.0
Total	**2.5**	**2.1**	**−1.3**	**–**	**3.3**
Deferred tax liabilities					
Depreciation difference and other untaxed reserves	2.9	−0.7	–	0.2	2.4
Pension assets	3.1	0.9	0.4	–	4.4
Corporate acquisitions	7.3	0.1	0.5	7.4	15.3
Other	0.3	–	–	−0.2	0.1
Total	**13.6**	**0.3**	**0.9**	**7.4**	**22.2**

*) The asset of EUR 6.2 million booked through income statement relate to confirmed tax losses of foreign subsidiaries of which the most significant arise from subsidiaries in Sweden and Russia.
**) Includes EUR 6.7 million change in deferred tax caused by impairment of Stary Lekar -brand.

On 31 December 2011, the Group had a total of EUR 12.3 million (on 31 December 2010: EUR 5.4 million) of temporary differences with no ensuing deferred tax asset recorded in the balance sheet.

16. Other non-current receivables

EUR million	2011 Fair value	2011 Carrying amount	2010 Fair value	2010 Carrying amount
Derivatives designated as hedges	–	–	1.2	1.2
Other non-current receivables	–	–	0.2	0.2
Total	**–**	**–**	**1.4**	**1.4**

17. Inventories

EUR million	2011	2010
Raw materials and consumables	0.0	–
Work in progress	0.3	0.2
Finished goods	379.5	287.3
Total	**379.8**	**287.5**

During the financial year 2011 no material write-offs were booked.
During the financial year 2010 EUR 7.9 million of discounts related to purchases was booked in Russia as non-recurring item decreasing the value of inventories.

18. Trade and other receivables

EUR million	2011 Fair value	2011 Carrying amount	2010 Fair value	2010 Carrying amount
Trade receivables	284.0	284.0	253.4	253.4
Prepaid expenses and accrued income	9.6	9.6	16.2	16.2
Derivatives measured at fair value through profit and loss	0.2	0.2	0.1	0.1
Other receivables	35.9	35.9	20.4	20.4
Total	**329.7**	**329.7**	**290.1**	**290.1**

Aging of trade receivables and impairment booked to the balance sheet at the closing date

EUR million	2011 Gross	2011 Impairment	2010 Gross	2010 Impairment
Not past due	267.9	–	237.2	–
Past due 1–30 days	12.3	–	11.7	–
Past due 31–180 days	3.6	–	3.6	–
Past due more than 180 days	6.6	–6.4	8.6	–7.6
Total	**290.4**	**–6.4**	**261.0**	**–7.6**

Carrying amount of trade and other receivables corresponds to the maximum amount of credit risk relating to them at the balance sheet date. Credit risk management is described in more details in the note 26 Financial risk management.

Material items included in prepaid expenses and accrued income

EUR million	2011	2010
Income tax receivable	4.0	5.6
Compensations not received	0.1	0.1
Accrued interest income	0.1	0.1
Other receivables	5.4	10.4
Total	**9.6**	**16.2**

19. Cash and cash equivalents

EUR million	2011 Fair value	2011 Carrying amount	2010 Fair value	2010 Carrying amount
Cash equivalents and deposits	103.5	103.5	96.9	96.9
Money market investments	50.4	50.4	90.9	90.9
Total	**153.8**	**153.8**	**187.8**	**187.8**

20. Non-current assets held for sale

A land-area, with a book-value of EUR 35.5 thousand, was booked as a non-current asset held for sale during the reporting year 2011.

21. Equity, shares and authorisations

EQUITY

Share Capital

Oriola-KD Corporation's share capital on 31 December 2011 stood at EUR 147,899,766.14. All issued shares have been paid up in full.

Contingency fund

The contingency fund is included in the unrestricted equity of the company. The contingency fund has been formed in 2006 when Oriola-KD was entered into the Trade Register.

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.

Other funds

Invested unrestricted equity reserve

Oriola-KD 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, totaling EUR 19.7 million. On 31 December 2011, the reserve of invested unrestricted equity stood at EUR 1.1 million.

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 2011, the company had a total of 151,257,828 shares, of which 47,148,710 were class A shares and 104,109,118 were class B shares.

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-KD Corporation's class A and B shares are quoted on the main list of the NASDAQ OMX Helsinki exchange. The company's field of business on the stock exchange is Health Care Distributors and the company is classified under Health Care. The ticker symbol for the class A shares is OKDAV and for the class B shares OKDBV.

Decisions regarding share issues

The company has not during the financial year ending on 31 December 2011 decided on or executed any share issues.

Treasury shares

The company holds 96,822 of the company's class B shares, representing approximately 0.06% of the total number of company shares and approximately 0.009% of the total number of votes.

Share trading and prices

A total of 74.7 million Oriola-KD Corporation shares, corresponding to 49.4% of all outstanding shares (excluding class B treasury shares held by the Company), were traded on the NASDAQ OMX Helsinki exchange between 1 January and 31 December 2011. The traded volume of class A shares amounted to 6.1% of the average number of class A shares, while the traded volume of class B shares was 69.0% of the average number of class B shares (excluding class B treasury shares held by the Company).

The average share price of Oriola-KD Corporation's class A shares was EUR 2.76 and of its class B shares EUR 2.51. The market value of all Oriola-KD Corporation shares at 31 December 2011 was EUR 268.7 million, of which the market value of class A shares was EUR 89.6 million and of class B shares EUR 179.1 million.

Shareholders

On 31 December 2011, Oriola-KD Corporation had a total of 36,463 registered shareholders. There were 13,316,789 nominee-registered shares on 31 December 2011, corresponding to 8.8% of all shares and 1.5% of all votes. Private individuals accounted for 94.8% of all shareholders and their holdings accounted for 46.7% of all shares and 57.6% of all votes.

Share conversions

Pursuant to Article 3 of the Articles of Association, a total of 14,450 class A shares were converted into class B shares during the financial year.

Management shareholdings

On 31 December 2011, the members of the company's Board of Directors and the President and CEO, the deputy to the President and CEO and the companies controlled by them had a total of 324,001 shares, corresponding to 0.21% of the total number of shares in the company and 0.08 % of the votes.

Dividend policy and distribution proposal

The Board of Directors of Oriola-KD Corporation has on 24 November 2010 confirmed the dividend policy of the Oriola-KD Group. Oriola-KD will seek to pay out annually as dividends approximately 50% of earnings per share. The Company's strategy and financial position shall be taken into consideration when determining the annual dividend payout ratio.

The Board proposes to the Annual General Meeting (AGM) that a dividend of EUR 0.05 per share (EUR 0.05 per share) is paid for the financial year ending on 31 December 2011, and EUR 0.03 per share (EUR 0.13 per share) be distributed from the unrestricted equity reserves as repayment of equity, totaling EUR 0.08 per share (EUR 0.18 per share) in distributed assets.

AUTHORISATIONS

Authorisation for the Board of Directors to decide on the distribution of additional dividend or the distribution of assets from the reserves of unrestricted equity

The AGM authorised the Board of Directors to decide on the distribution of additional dividend from the retained earnings and/or distribution of assets from the reserves of unrestricted equity or both so that the maximum distribution of dividend and/or return of equity based on the authorisation is no more than EUR 0.10 per share in total. The distribution of additional dividend and/or return of equity can be made in one or more installments. The Board of Directors can also decide not to use this authorisation. The authorisation includes the right for the Board of Directors to decide on all other conditions relating to the distribution of additional dividend and returnof equity. The authorisation is in effect until the next AGM.

Authorisation for the Board of Directors to decide on the repurchase of the company's own class B shares

In accordance with the proposal of the Board of Directors, the AGM held on 6 April 2011 authorized the Board of Directors to decide on repurchasing of the company's own class B shares. The authorisation entitles the Board of Directors to decide on the repurchase of no more than fifteen million (15,000,000) of the company's own class B shares, which currently represents approximately 9.92 per cent of all shares in the company. The authorisation may only be used in such a way that in total no more than one tenth (1/10) of all shares in the company may from time to time be in the possession of the company and its subsidiaries.

Shares may be repurchased in accordance with the resolution of the Board of Directors also in a proportion other than in which shares are owned by the shareholders, using funds belonging to the company's unrestricted equity and at the market price of class B shares on the NASDAQ OMX Helsinki Ltd or otherwise established on the market at the time of the repurchase. The Board of Directors decides how shares will be repurchased. Among other means, derivatives may be used in acquiring the shares. The acquisition of shares reduces the company's distributable unrestricted equity. Shares may be repurchased to develop the company's capital structure, to execute corporate transactions or other business arrangements, to finance investments, to be used as a part of the company's incentive schemes or to be otherwise relinquished, held by the company or cancelled.

According to the authorisation, the Board of Directors decides on all other matters related to the repurchase of class B shares. The authorisation to repurchase own shares is in force for a period of not more then eighteen (18) months from the decision of the AGM. This authorisation revokes the authorisation given to the Board of Directors by the AGM on 7 April 2010 in respect of repurchase of the company's own class B shares.

Authorisation for the Board of Directors to decide on the issuance of class B shares against payment

In accordance with the proposal of the Board of Directors, the AGM held on 6 April 2011 authorized the Board of Directors to decide on a share issue against payment in one or more issues. The authorisation comprises the right to issue new class B shares or assign class B treasury shares held by the company. The authorisation covers a combined maximum of fifteen million (15,000,000) class B shares of the company, representing currently approximately 9.92 per cent of all shares in the company.

The authorisation given to the Board of Directors includes the right to derogate from the shareholders' pre-emptive subscription right provided that there is, in respect of the company, a weighty financial reason for the derogation. Subject to the above restrictions, the authorisation may be used i.a. as payment of consideration when financing and executing corporate acquisitions or other business arrangements and investments, to expand the Company's ownership base, to develop the capital structure, to secure the commitment of employees or in incentive schemes. Pursuant to the authorisation, class B shares held by the Company as treasury shares may also be sold in public trading organised by NASDAQ OMX Helsinki Ltd. The authorisation includes the right for the Board to decide on the terms of the share issue in the manners provided for in the Companies Act including the right to decide whether the subscription price is credited in part or in full to the invested unrestricted equity reserves or to the share capital. The authorisation is in effect for a period of eighteen (18) months from the decision of the AGM.

The authorisation revokes all previous share issue authorisations given to the Board of Directors, except for the authorisation given to the Board of Directors by the AGM held on 7 April 2010, pursuant to which the Board of Directors may decide upon directed share issues against or without payment concerning no more than 1,200,000 class B shares in order to execute the share-based incentive plan for the Oriola-KD Group's key personnel for the years 2010–2012.

Authorization for the Board of Directors to decide on a directed issue of class B shares without payment to the Company and on a directed share issue in order to execute the new share-based incentive plan for the Oriola-KD Group's key personnel

On 7 April 2010, Oriola-KD Corporation's AGM also authorised the Board of Directors to decide on a share issue without payment to the company in one or more instalments. The maximum number of new class B shares to be issued under this authorization is 1,200,000, which represented of 0.79% of all shares in the company and 0.11% of the total number of votes. The Board of Directors decides upon all other matters related to the issuing of class B shares. The purpose of the authorization is to enable the creation of own shares to be used in the new share-based incentive plan for the Oriola-KD Group's key personnel, as follows.

In deviation from the shareholders' pre-emptive right, the Board of Directors was also authorized to issue the company's class B shares. The class B shares to be issued can be either new shares or own class B treasury shares. The total amount of the authorization is 1,200,000 class B shares. The share issue may be without payment. The shares concerned represented approximately 0.79% of all shares in the company and 0.11% of the total number of votes. The Board of Directors may exercise this authorization in the new share-based incentive plan of the Oriola-KD Group's key personnel for 2010–2012. The Board of Directors decides upon all other matters related to share issues and incentive plan for the key personnel. Deciding upon a directed share issue without payment requires that there is a particularly weighty financial reason for the deviation in respect of the company and taking into account the interest of all of its shareholders.

These authorizations are valid four (4) years from the resolution of the AGM.

Other authorisations

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

Share capital

		A shares	B shares	Shares total
Number of shares 1 Jan 2010	pc	47,667,359	103,590,469	151,257,828
Conversion of A shares to B shares	pc	–504,199	504,199	0
Number of shares 31 Dec 2010	pc	47,163,160	104,094,668	151,257,828
Votes 31 Dec 2010	pc	943,263,200	104,094,668	1,047,357,868
Share capital per share class 31 Dec 2010	EUR million	46.1	101.8	147.9
Percentage from the total shares	%	31.2%	68.8%	100.0%
Percentage from the total votes	%	90.1%	9.9%	100.0%

		A shares	B shares	Shares total
Number of shares 1 Jan 2011	pc	47,163,160	104,094,668	151,257,828
Conversion of A shares to B shares	pc	–14,450	14,450	0
Number of shares 31 Dec 2011	pc	47,148,710	104,109,118	151,257,828
Votes 31 Dec 2011	pc	942,974,200	104,109,118	1,047,083,318
Share capital per share class 31 Dec 2011	EUR million	46.1	101.8	147.9
Percentage from the total shares	%	31.2%	68.8%	100.0%
Percentage from the total votes	%	90.1%	9.9%	100.0%

EUR million	2011	2010
Parent company share capital 31 Dec	147.9	147.9
Elimination of the revaluation of subsidiary shares in the consolidated financial statements	–111.7	–111.7
Consolidated share capital 31 Dec	36.2	36.2

22. Provisions

In 2011 Oriola-KD did not have provisions.
In 2010 Oriola-KD had EUR 1.1 million of short-term provision related to restructuring of Swedish pharmaceutical wholesale.

23. Borrowings

EUR million	2011 Fair value	2011 Carrying amount	2010 Fair value	2010 Carrying amount
Non-current				
Loans from financial institutions	112.2	112.2	111.5	111.5
Finance lease liabilities	0.6	0.6	0.2	0.2
Other non-current borrowings	14.2	14.2	12.8	12.8
Total	**127.0**	**127.0**	**124.5**	**124.5**

EUR million	2011 Fair value	2011 Carrying amount	2010 Fair value	2010 Carrying amount
Current				
Issued commercial papers	–	–	4.9	4.9
Advances received	45.8	45.8	48.7	48.7
Finance lease liabilities	0.2	0.2	0.2	0.2
Total	**46.0**	**46.0**	**53.7**	**53.7**

Maturity of non-current borrowings

EUR million	2011	2010
1–5 years	127.0	124.5
More than five years	–	–
Total	**127.0**	**124.5**

Borrowings by currency

EUR million	2011	2010
EUR	46.6	53.9
SEK	126.4	124.4
Total	**173.0**	**178.3**

Maturity of finance lease liabilities

EUR million	2011	2010
Within one year	0.2	0.2
Within 1–5 years	0.6	0.2
Total	**0.8**	**0.4**

Present value of minimum lease payments

EUR million	2011	2010
Within one year	0.2	0.2
Within 1–5 years	0.6	0.2
Total	**0.8**	**0.4**
Unearned financial expense	0.0	0.0
Finance lease liabilities total	**0.8**	**0.4**

24. Other non-current liabilities

EUR million	2011 Fair value	2011 Carrying amount	2010 Fair value	2010 Carrying amount
Derivatives designated as hedges	0.0	0.0	–	–
Total	**0.0**	**0.0**	**–**	**–**

25. Trade payables and other current liabilities

EUR million	2011 Fair value	2011 Carrying amount	2010 Fair value	2010 Carrying amount
Trade payables	748.1	748.1	601.2	601.2
Accrued liabilities and deferred income	19.9	19.9	23.0	23.0
Other current liabilities	11.7	11.7	9.4	9.4
Total	**779.7**	**779.7**	**633.6**	**633.6**

Material items included in accrued liabilities and deferred income

EUR million	2011	2010
Accrued wages, salaries and social security payments	16.4	16.3
Income tax liability	1.4	1.7
Other accrued liabilities and deferred income	2.1	5.1
Total	**19,9**	**23,0**

26. Financial risk management

The financial risks relating to the business operations of the Oriola-KD Group (hereinafter Oriola-KD) are managed in accordance with the treasury policy adopted by the Board of Directors of Oriola-KD Corporation. The treasury policy provides the framework for Oriola-KD's financing activities. Detailed operating instructions defining the principles for managing financial risk and liquidity have been prepared for the Group's financial management. Oriola-KD's treasury is responsible for the implementing, monitoring and communicating the policy within the Group. The treasury policy is updated at least once a year.

The objective of financial risk management is to ensure long-term financial position and secure daily liquidity, to optimise the balance sheet of the Group, to control guarantees and to secure terms of financial covenants, to promote cost-efficient operations and to minimize currency, interest rate, market price and credit risks. The treasury identifies, assesses and hedges financial risks in close cooperation with the business segments.

Currency, liquidity, interest rates and credit risks are the major financial risks for Oriola-KD. Currency and credit risks are the most significant financial risks in Russia and Sweden, as any changes in the value of Russian ruble and Swedish krona have an impact on Oriola-KD's earnings and equity. In the Russian wholesale business credit risks are associated with customer relationships and this might have essential impact on Oriola-KD's earnings.

Currency risk

The most important country-specific operating currencies of Oriola-KD are euro, Swedish krona (SEK) and Russian ruble (RUB). A substantial proportion of procurements and sales are conducted in the operating currencies of the subsidiaries, which considerably reduces currency risks. In accordance with its treasury policy, Oriola-KD's internal loans and deposits are denominated in the local currency of each subsidiary. Internal euro-denominated loans granted to the wholesale company in Russia are an exception to this rule.

Transaction risk

Transaction risks arise from commercial and finance-related transactions and payments made by the business units, where these are denominated in a currency other than the unit's operating currency. Transaction risks can be hedged separately for each company against its operating currency. Due to the nature of the business operations in Finland and Sweden, the transaction risks involved in these operations are minor. Oriola-KD's biggest operating currency risk concerns the euro-denominated procurements of the wholesale company in Russia. In accordance with the treasury policy, open currency position on the balance sheet of subsidiaries with non-domestic currency items is hedged 100 per cent. The currency risk concerning open currency positions of the Russian wholesale company is minimised by negotiating procurement contracts denominated in rubles and settling the outstanding foreign-currency denominated trade payables under short payment terms.

In accordance with the treasury policy, Oriola-KD's internal loans and deposits have not been hedged. Exceptions are short-term internal loans and deposits of Oriola AB and Kronans Droghandel Apotek AB with Oriola-KD Corporation with a maturity of less than one month, which, contrary to the normal practice, are hedged due to their short-term nature.

The table below illustrates Oriola-KD´s transaction position from foreign currency denominated balance sheet items and foreign currency denominated derivatives recognised directly in the income statement. Hedge accounting is not used to hedge transaction risks and foreign exchange gains and losses on hedged items are recognised directly in the income statement. Due to the nature of the business operations, the Group does not hedge its forecasted transaction position.

Transaction position on the balance sheet date EUR million	**2011** **Net risk**	**2010** **Net risk**
SEK	–0,1	1,2
RUB	–13,6	–11,6
USD	0,1	–0,1

Translation risk

Oriola-KD's most significant translation risks concern items in Swedish krona and Russian ruble. Translation risks arise from capital investments in foreign subsidiaries. Oriola-KD is also exposed to a translation risk from the existing foreign currency denominated goodwill of the Swedish and Russian companies and internal loans given to the retail and wholesale companies in Russia. These loans are classified in the Group as a part of the net investment made in the foreign operation, which implies that exchange rate differences are recognised under Oriola-KD's translation differences in equity.

The currency risk in the Group companies' equity is not hedged. However, the Board of Oriola-KD can make hedging decisions, in which case permitted hedging instruments could be foreign currency denominated loans, currency swaps and forward contracts. On the balance sheet date, Oriola-KD has not hedged the equity-related translation risks.

Translation position on the balance sheet date EUR million	**2011** **Net investment**	**2010** **Net investment**
SEK	244.9	222.3
RUB	222.1	244.8

Currency risk sensitivity analysis

The tables below illustrate the effects of transaction and translation risks on Oriola-KD's earnings before taxes and on the translation differences in the Group equity. The calculations are based on a possible 10 per cent change in currency rates in relation to the company's operating and reporting currency, with other variables remaining unchanged.

Transaction risk

Effect of a 10% weakening of the operating currency against euro EUR million	**2011** **Income statement**	**2010** **Income statement**
EUR/SEK	–0.0	0.1
EUR/RUB	–1.2	–1.1
EUR/USD	0.0	–0.0

Translation risk

Effect of a 10% weakening of the reporting currency against euro EUR million	**2011** **Equity**	**2010** **Equity**
EUR/SEK	–22.3	–20.2
EUR/RUB	–20.2	–22.3

Interest rate risk

The objective of Oriola-KD's interest rate risk management is to reduce the impact of interest rate fluctuations on the income statement. On the balance sheet date, Oriola-KD's interest rate risk consisted of EUR 153.8 million (EUR 187.8 million) of interest-bearing assets, EUR 173.0 million (EUR 178.3 million) of interest-bearing liabilities, and EUR 61.1 million (EUR 64.1 million) from sales of non-recourse receivables in Sweden. The management and monitoring of interest rate risks is centralised to the treasury. According to the Group´s treasury policy, withdrawn long-term floating rate debts are hedged fully using fixed income derivatives. Cash flow hedge accounting is applied to open fixed income derivatives. The treasury manages and monitors interest rate risk by sensitivity analysis and duration. The basis for interest rate risk sensitivity analysis is the total company-level interest rate risk, and the targeted interest rate duration is 6–18 months.

Based on the total debt on the balance sheet date and expecting that the sales of non-recourse receivables will be continued, the effect of a one percentage point increase in market interest rates on the Group's annual interest rate expenses before taxes would be EUR –2.3 million (EUR –2.4 million), and, as a consequence of a fair value change in cash flow hedging, the effect on equity would be EUR 0.9 million (EUR 0.8 million). The average interest rate on liabilities, including the sales of non-recourse receivables was 3.7% (3.0%) on the balance sheet date, and the interest rate duration was 9 months (15 months).

Liquidity risk

The objective of liquidity risk management is to maintain adequate liquid assets and revolving credit facilities so that Oriola-KD is able to meet all its financial obligations. The Group's liquidity management is based on 12-month cash flow forecasts and four-week rolling daily liquidity forecasts drawn up on a weekly basis. Oriola-KD has diversified its refinancing risk among a number of different counterparties and various financing sources. In accordance with its treasury policy, Oriola-KD uses binding long-term revolving credit facilities at least to the extent of the Group's net debt position excess of the rolling 12-month operating profit.

To secure Oriola-KD's long-term financial position, Oriola-KD Corporation signed EUR 70 million long-term revolving credit facility, and Kronans Droghandel Apotek AB SEK 1,300 million long-term revolving credit facility, with four banks in 2009. SEK 1,000 million of the revolving credit facility has been withdrawn and the arrangements will mature in the first quarter of 2013. Oriola-KD's short-term liquidity risk is managed by the use of Oriola-KD Corporation's commercial paper programme of EUR 150.0 million, by selling non-recourse trade receivables in Sweden and by advance payments from pharmacies in Finland. The Group's liquidity is also secured with EUR 42.4 million (EUR 42.3 million) of credit account limits. On the balance sheet date, a total of EUR 0.0 million (EUR 4.9 million) of the commercial paper programme was in use and EUR 61.1 million (EUR 64.1 million) of non-recourse trade receivables had been sold. Revolving credit facilities and credit account limits securing Oriola-KD's liquidity were not in use.

Oriola-KD's assets can be invested in short-term money market instruments when short-term liquidity is secured and cash reserve requirement in accordance with the treasury policy is met. The cash reserve requirement is deemed to constitute an amount equivalent to the Oriola-KD's fixed costs of one month. The investments must be made in instruments with the lowest possible credit and price risk. The management and monitoring of liquidity have been centralised to the treasury. EUR 50.4 million (EUR 90.9 million) of Oriola-KD's liquid assets were invested in money market instruments on the balance sheet date.

Cash, cash equivalents and unused credit facilities 31 December 2011

EUR million	2012	2013	2014	2015	Total
Cash and cash equivalents	153.8	–	–	–	**153.8**
Credit account limits, to mature within 12 months	42.4	–	–	–	**42.4**
Revolving credit facilities, to mature in more than 12 months	–	103.7	–	–	**103.7**
Total	**196.3**	**103.7**	**–**	**–**	**299.9**

Cash, cash equivalents and unused credit facilities 31 December 2010

EUR million	2011	2012	2013	2014	Total
Cash and cash equivalents	187.8	–	–	–	**187.8**
Credit account limits, to mature within 12 months	42.3	–	–	–	**42.3**
Revolving credit facilities, to mature in more than 12 months	–	–	103.5	–	**103.5**
Total	**230.1**	**–**	**103.5**	**–**	**333.6**

Cash flows of financial liability payments and financial expenses 31 December 2011

EUR million	2012	2013	2014	2015	Total
Interest-bearing					
Loans from financial institutions and commercial paper loans	3.9	112.5	–	–	**116.5**
Finance lease liabilities	0.2	0.2	0.2	0.2	**0.8**
Advance payments received	46.3	–	–	–	**46.3**
Other interest-bearing liabilities	–	–	17.9	–	**17.9**
Non-interest-bearing					
Trade payables and other current liabilities	779.7	–	–	–	**779.7**
Liabilities from interest rate swaps	0.0	0.0	–	–	**0.0**
Receivables from foreign currency derivatives	–30.7	–	–	–	**–30.7**
Payables on foreign currency derivatives	30.5	–	–	–	**30.5**
Total	**830.0**	**112.7**	**18.1**	**0.2**	**960.9**

Cash flows of financial liability payments and financial expenses 31 December 2010

EUR million	2011	2012	2013	2014	Total
Interest-bearing					
Loans from financial institutions and commercial paper loans	9.0	4.5	111.9	–	**125.4**
Finance lease liabilities	0.2	0.2	–	–	**0.4**
Advance payments received	48.7	–	–	–	**48.7**
Other interest-bearing liabilities	–	–	–	17.7	**17.7**
Non-interest-bearing					
Trade payables and other current liabilities	633.6	–	–	–	**633.6**
Receivables from interest rate swaps	–0.4	–0.7	–0.1	–	**–1.2**
Receivables from foreign currency derivatives	–58.1	–	–	–	**–58.1**
Payables on foreign currency derivatives	58.0	–	–	–	**58.0**
Total	**692.9**	**3.9**	**111.8**	**17.7**	**826.4**

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. The objective of Oriola-KD's treasury policy and customer credit policy is to minimise credit and counterparty risks.

Oriola-KD's treasury policy provides the framework for credit risk management, cash management and counterparties in financial transactions. The aim is to ensure that assets are invested at a low credit risk and with a diversified counterparty risk. Credit limits are determined for investments and derivative agreements counterparties on the basis of creditworthiness and solidity, and are monitored and updated on a regular basis. Money market investments are made in marketable fixed income instruments or deposits primarily of less than three months.

The creditworthiness requirements for commercial counterparties are defined in the customer credit policy. The business segments are responsible for the credit risk from commercial receivables according to the customer credit policy. The Finnish and Swedish wholesale businesses are based on well-established and reliable customer relationships and contractual terms generally observed within the industry, which significantly reduces credit risk related to trade receivables. Due to the nature of the operations credit risks associated with the Swedish and Russian retail businesses are not significant. In the Russian wholesale business credit risks are associated with customer relationships and this might have an essential impact on the profitability of the business.

On the balance sheet date, Oriola-KD had no significant risk exposures in its trade receivables, due to the large number and geographically diversified nature of its customers. The largest individual receivables on the balance sheet date were from the Swedish state concerning the reimbursement programme of pharmaceuticals, 17 per cent of trade receivables (8% trade receivables), and the trade receivable from the Apotek Hjärtat pharmacy chain related to the delivery of pharmaceuticals, 6 per cent of trade receivables (8% of trade receivables). Trade receivables and credit loss risks of the Russian wholesale business are monitored actively due to the long payment terms generally observed in Russia, general payment behaviour of the customers and the uncertainty in the financial markets. In Russia, individual counterparty risks on the balance sheet date were less than 2.5 per cent of trade receivables (less than 2.0% of trade receivables).

The development of trade receivables is monitored systematically in the businesses by the customer on the basis of defined credit limits and aging of receivables. Collaterals are not used in the management of customer credit risks. Interest-bearing advance payments from pharmacies in Finland reduce the credit risk related to the wholesale business in Finland. These interest-bearing advance payments are presented in the financial statements as current interest-bearing liabilities in the balance sheet.

During the 2011 financial year, Oriola-KD did not book any significant individual credit losses and the total amount of credit losses was not significant. In 2010 Oriola-KD recognised two significant credit losses: the write-off of EUR 1.7 million receivable in Sweden related to the pharmaceutical company bankruptcy, and the write-off of EUR 2.1 million trade receivable in Russia related to the pharmacy chain bankruptcy. The aging of trade receivables is presented in more detail in the Note 18 Trade and other receivables.

Capital management

Oriola-KD'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 Equity (ROE) and the gearing ratio are the means for monitoring capital structure.

The long-term targets and dividend policy of the Oriola-KD Group have been confirmed by the Board of Directors of Oriola-KD Corporation. The targets are based on growth, profitability (ROE) and balance sheet figures. The Group's long-term targets are to grow faster than the relevant markets, ROE (Return on Equity) target is over 15 per cent, and long-term average gearing ratio is between 40–60 per cent. In addition, Oriola-KD will seek to pay out annually as dividends approximately 50 per cent of the earnings per share. The company's strategy and financial position shall be taken into consideration when determining the annual dividend payout ratio.

Oriola-KD's long-term loan agreements include covenant terms that are based on the ratio of net debt to EBITDA and on the gearing ratio. Under the loan agreements, the gearing ratio must not exceed 100 per cent at the balance sheet date, and the ratio of net debt to the rolling 12-month EBITDA must not exceed 3.0. Key figures associated with the covenants are monitored on a monthly basis. The figures of the financial covenants were met with a wide margin at the end of 2011.

Key figures for continuing operations

EUR million	2011	2010
Interest-bearing liabilities	173.0	178.3
Cash assets	153.8	187.8
Interest-bearing net debt	19.2	–9.5
Operating profit/loss	–20.2	9.8
Depreciation and impairment charge	49.5	11.1
EBITDA	29.3	20.8
Equity	299.3	352.7
Return on equity (ROE), %	–7.4	1.2
Gearing ratio, %	6.4	–2.7
Net debt / EBITDA	0.7	–0.5

Key figures, according to the loan agreements

EUR million	2011	2010
Interest-bearing liabilities	158.8	165.4
Cash assets	153.8	187.8
Interest-bearing net debt	5.0	–22.3
Operating profit/loss	–20.2	19.2
Depreciation and impairment charge	49.5	11.5
EBITDA	29.3	30.7
Equity	299.3	352.7
Gearing ratio, %	1.7	–6.3
Net debt / EBITDA	0.2	–0.7

27. Commitments and contingencies

EUR million	2011	2010
Contingencies for own liabilities		
Mortgages on land and buildings	2.0	2.0
Mortgages on company assets	2.4	2.3
Guarantees	138.6	125.4
Other	0.7	0.5
Total	**143.7**	**130.3**
Leasing commitments	0.6	0.9

The most significant reported guarantees relate to the issued parent company guarantees from Oriola-KD Corporation to secure external loan EUR 112.4 million (EUR 111.7 million) of Kronans Droghandel Apotek AB and to secure the trade payables EUR 22.5 million (EUR 8.7 million) of OOO Oriola.

28. Derivatives

EUR million **2011**	**Positive fair value**	**Negative fair value**	**Nominal value**
Derivatives recognised as cash flow hedges			
Interest rate swaps	–	–0.0	112.2
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.2	–	30.5

2010	**Positive fair value**	**Negative fair value**	**Nominal value**
Derivatives recognised as cash flow hedges			
Interest rate swaps	1.2	–	111.5
Derivatives measured at fair value through profit and loss			
Foreign currency forward and swap contracts	0.1	–	58.0

Derivatives that are open on the balance sheet date fall due in next twelve months period except interest rate swaps.

The fair value of interest rate derivatives is defined by cash flows due to contracts. Interest rate swaps are wholly 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 in the income statement.

The fair value of foreign currency forward and swap contracts is quoted based on market value on the balance sheet date.

The group had no open foreign currency forward and swap contracts used as cash flow hedges at the end of 2011.

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

29. Carrying amounts and fair values of financial assets and financial liabilities

EUR million	Note	2011 Fair value	2011 Carrying amount	2010 Fair value	2010 Carrying amount
Derivatives designated as hedges	16	–	–	1.2	1.2
Financial assets recognised at fair value through profit and loss					
Derivatives measured at fair value through profit and loss	18	0.2	0.2	0.1	0.1
Money market investments	19	50.4	50.4	90.9	90.9
Loans and other receivables					
Cash equivalents and deposits	19	103.5	103.5	96.9	96.9
Other non-current receivables	16	0.0	0.0	0.2	0.2
Trade and other receivables	18	329.5	329.5	290.0	290.0
Financial assets total		**483.5**	**483.5**	**479.2**	**479.2**
Derivatives designated as hedges	24	0.0	0.0	–	–
Financial liabilities recognised at fair value through profit and loss					
Non-current interest-bearing liabilites	23	14.2	14.2	12.8	12.8
Financial liabilities measured at amortised cost					
Non-current interest-bearing liabilites	23	112.8	112.8	111.7	111.7
Current interest-bearing liabilities	23	46.0	46.0	53.7	53.7
Trade payables and other current liabilities	25	779.7	779.7	633.6	633.6
Financial liabilities total		**952.7**	**952.7**	**811.9**	**811.9**

Fair value hierarchy

EUR million

2011	Level 1	Level 2	Level 3	Total
Assets				
Financial assets recognised at fair value through profit and loss	–	50.4	–	**50.4**
Liabilities				
Derivatives designated as hedges	–	0.0	–	**0.0**
Financial liabilities recognised at fair value through profit and loss	–	–	14.2	**14.2**

2010	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedges	–	1.2	–	**1.2**
Financial assets recognised at fair value through profit and loss	–	90.9	–	**90.9**
Liabilities				
Financial liabilities recognised at fair value through profit and loss	–	–	12.8	**12.8**

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

Reconciliation of financial liabilities recognised at fair value through profit and loss according to the level 3

EUR million	2011	2010
Balance at the beginning	12.8	63.6
Increases	1.4	12.8
Decreases	–	–63.6
Balance at the end	**14.2**	**12.8**

Financial liabilities recognised at fair value through profit and loss (level 3) include the liability related to the estimated discounted value of the minority share of Kronans Droghandel Apotek AB at the end of 2010 and 2011. Fair value of the financial liability is calculated based on discounted cash flow method. The liability is based on the management´s best estimation, and the amount of the liability is analyzed quarterly.

30. Operating leases

Group as lessee

Minimum lease payments payable on the basis of other non-terminable leases

EUR million	2011	2010
Within one year	23.7	25.8
Over one year	38.2	40.7
Total	**61.9**	**66.5**

Group has leased office, warehouse and pharmacy locations under uneven rental agreements which are non-terminable. Part of the rental agreements can be renewed based on the current agreement.

31. Group companies and related-party transactions

Group companies	**Group**		**Parent company**	
	Ownership %	**Share of votes %**	**Ownership %**	**Share of votes %**
Parent company Oriola-KD Corporation (Finland)				
Oriola Oy (Finland)	100%	100%	100%	100%
Oriola-KD Holding Sverige AB (Sweden)	100%	100%	100%	100%
Oriola-KD Holding Russia Oy (Finland)	100%	100%	100%	100%
Oriola Oy (Finland)	100%	100%	100%	100%
Aloiro AB (Sweden)*	100%	100%		
AS Oriola (Estonia)	100%	100%		
SIA Oriola Riga (Latvia)	100%	100%		
UAB Oriola Vilnius (Lithuania)	100%	100%		
Panpharmacy Oy (Finland)*	100%	100%		
SIA Panpharmacy (Latvia)	100%	100%		
Oriola-KD Holding Sverige AB (Sweden)	100%	100%	100%	100%
Oriola AB (Sweden)	100%	100%		
Kronans Droghandel Apotek AB (Sweden)	80%	80%		
Oriola-KD Holding Russia Oy (Finland)	100%	100%	100%	100%
OOO Oriola (Russia)	100%	100%		
OOO Vitim & Co (Russia)	100%	100%		
OOO 03 Apteka (Russia)	100%	100%		

*) The companies are not engaged in any operating activities.

Transactions with the 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.

Management benefits

Salaries and benefits of the Group Management Team

EUR 1,000	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Basic salary	1,653.0	1,827.9
Bonuses	272.2	551.4
Share-based benefits	–	1,928.4
Total	**1,925.2**	**4,307.7**

Salaries and benefits of the president and CEO

EUR 1,000	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Basic salary	417.2	401.6
Bonuses	97.0	187.2
Share-based benefits	–	607.2
Total	**514.2**	**1,196.0**

Salaries and benefits of the members of the Board of Directors

EUR 1,000	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Olli Riikkala, Chairman	61.2	65.2
Outi Raitasuo, Vice Chairman	39.1	31.0
Antti Remes, Vice Chairman	1.6	38.7
Jukka Alho	28.2	–
Harry Brade	32.6	33.8
Per Båtelson	28.2	27.8
Pauli Kulvik	30.2	31.8
Ilkka Salonen	29.8	–
Jaakko Uotila	1.2	31.8
Mika Vidgrén	30.6	30.6
Total	**282.7**	**290.7**

On 10 February 2010, Oriola-KD's Board of Directors decided on a new share based incentive scheme for the Group's key personnel for the years 2010–2012. The scheme has three earning periods, which are the calendar years 2010, 2011 and 2012. The company's Board of Directors decides on the earning criteria for the earning period and the targets to be set for these at the start of each earning period. Any payment under the scheme for the earning period 2011 will be based on Oriola-KD Group's earnings per share (EPS) and return on equity (ROE). The Board of Directors has the opportunity to change the earning criteria in the subsequent earning periods.

The potential reward from the earning period 2011 will be paid in 2012 partly in company's class B-shares and partly in cash. The proportion paid as cash will cover the taxes and tax-like charges associated with the reward. No reward will be paid if a key person's employment or service with a Group company ends before the reward payment. The shares cannot be transferred during a restriction period, which ends two years from the end of the earning period. Should a key person's employment or service with a Group Company end during the restriction period for reasons attributable to the key person, he/she must gratuitously return to the company the shares given as reward, which are subject to the transfer restriction. The President and CEO of the Company and the members of the Group Management Team must hold 50% of the shares received on the basis of the Plan as long as his/her employment or service with a Group company continues.

The new incentive scheme's target group consists of about 40 employees, and the company's class B shares under the scheme can total a maximum of 1,200,000 shares. The payments to be made under the scheme correspond in total to a value of no more than approximately 2,400,000 Oriola-KD Corporation class B shares (including the proportion to be paid as cash).

Under IFRS 2, share incentive schemes should be measured at the grant date fair value and recognised as an expense within the vesting period. Since the share incentive is paid as a combination of shares and cash, the fair value measurement of the bonus is divided under IFRS 2 into two parts: an equity-settled and a cash-settled component. The equity-settled component is recognised in equity and the cash-settled payment in liabilities. The fair value of the share-based payment at the bonus grant date was the Oriola-KD Corporation share price. Similarly, the fair value of the cash-settled component is readjusted on each reporting day up to the end of the earning period, and the fair value of the debt thus changes in accordance with the Oriola-KD Corporation share price.

There were no expenses recognised for share-based payments in the period January–December 2011 nor in the period January–December 2010 since the share incentive earning criteria were not met.

In 2010, the company assigned a total of 171,500 class B treasury shares to related parties as part of the 2007–2009 share-based incentive scheme. The shares were assigned to the President and CEO, the EVP and CFO and to the members of the Group Management Team.

Further details concerning the shareholdings of the members of the Board of Directors and the management are given in the section on shares and shareholders.

Key Financial Figures

Consolidated statement of comprehensive income		1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008*	1 Jan–31 Dec 2007*
Net sales	EUR million	2,146.0	1,929.4	1,569.2	1,580.8	1,377.3
International operations	EUR million	1,766.6	1,511.8	1,059.4	962.6	807.1
% of net sales	%	82.3	78.4	67.5	60.9	58.6
Operating profit/loss	EUR million	–20.2	9.8	52.6	36.4	29.1
% of net sales	%	–0.9	0.5	3.3	2.3	2.1
Financial income and expenses	EUR million	–8.7	–5.3	–2.0	–1.8	1.9
% of net sales	%	–0.4	–0.3	–0.1	–0.1	0.1
Profit/loss before taxes	EUR million	–28.9	4.5	50.6	34.6	31.0
% of net sales	%	–1.3	0.2	3.2	2.2	2.3
Profit/loss for the period	EUR million	–24.1	3.5	39.1	27.5	23.7
% of net sales	%	–1.1	0.2	2.5	1.7	1.7
Profit/loss available for parent company shareholders	EUR million	–24.1	3.5	40.1	27.4	23.3
Return on capital employed (ROCE)*	%	–4.0	2.1	18.7	13.5	14.2
Return on equity (ROE)*	%	–7.4	1.2	22.1	14.1	12.0

Consolidated balance sheet		31 Dec 2011	31 Dec 2010	31 Dec 2009*	31 Dec 2008*	31 Dec 2007*
Non-current assets	EUR million	410.0	427.2	275.2	240.5	132.5
Current assets	EUR million	863.4	765.4	647.8	550.1	512.9
Equity of the parent company shareholders	EUR million	299.3	352.7	243.4	184.4	195.5
Non-controlling interests	EUR million	–	–	10.8	1.0	8.1
Liabilities	EUR million	974.1	839.9	668.9	605.1	441.8
Interest-bearing liabilities	EUR million	173.0	178.3	149.7	108.7	41.0
Non-interest-bearing liabilities	EUR million	801.0	660.5	519.1	496.4	400.8
Total assets	EUR million	1,273.3	1,192.6	923.1	790.6	645.4
Equity ratio	%	24.4	30.8	29.2	25.1	33.7
Gearing	%	6.4	–2.7	6.3	33.5	–44.2

Key figures		31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
Equity ratio*	%	24.4	30.8	29.2	25.1	33.7
Equity per share*	EUR	1.98	2.33	1.61	1.30	1.38
Return on capital employed (ROCE)*	%	–4.0	2.1	18.7	13.5	14.2
Return on capital employed (ROCE) incl. discontinued operations	%	–4.0	23.3	18.7	13.5	14.2
Return on equity*	%	–7.4	1.2	22.1	14.1	12.0
Return on equity incl. discontinued operations	%	–7.4	33.7	22.1	14.1	12.0
Net interest-bearing debt*	EUR million	19.2	–9.5	16.0	62.2	–90.0
Gearing*	%	6.4	–2.7	6.3	33.5	–44.2
Net interest-bearing debt / EBITDA*	ratio	0.7	–0.5	0.2	1.3	–2.3
Earnings per share from continuing operations	EUR	–0.16	0.02	0.27	0.14	0.08
Earnings per share incl. discontinued operations	EUR	–0.16	0.68	0.34	0.19	0.16
Average number of shares	1,000 pcs	151,161	151,164	147,034	141,393	141,258
Average number of personnel from continuing operations	person	4,968	4,512	3,603	3,177	802
Average number of personnel incl. discontinued operations	person	4,968	4,675	4,035	3,629	1,379
Gross capital expenditure incl. discontiued operations	EUR million	28.8	196.9	47.4	125.7	32.1

*) Key figures for years 2007–2009 include discontinued operations.

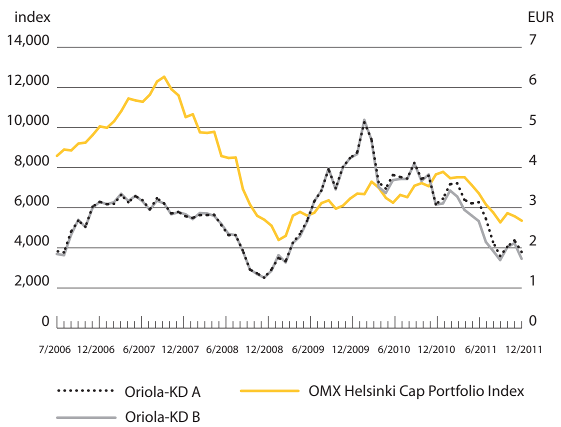
Share-Related Key Figures

			1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Earnings per share		EUR	–0.16	0.68	0.34	0.19	0.16
Equity per share		EUR	1.98	2.33	1.61	1.30	1.38
Total dividends		EUR million	7.6*	7.6	18.1	11.3	11.3
Dividend per share		EUR	0.05*	0.05	0.12	0.08	0.08
Payout ratio		%	– *	7.4	35.3	42.1	50.0
Dividend yield	A	%	2.65*	1.6	2.7	6.2	2.7
Dividend yield	B	%	2.91*	1.6	2.7	6.2	2.7
P/E ratio	A		–	4.72	13.03	6.84	18.75
P/E ratio	B		–	4.72	13.06	6.84	18.75
Share price on 31 Dec	A	EUR	1.89	3.19	4.39	1.30	3.00
Share price on 31 Dec	B	EUR	1.72	3.19	4.40	1.30	3.00
Average share price	A	EUR	2.76	4.14	2.86	2.41	3.32
Average share price	B	EUR	2.51	4.12	2.84	2.42	3.24
Lowest share price	A	EUR	1.70	3.09	1.29	1.22	2.64
Lowest share price	B	EUR	1.57	3.07	1.30	1.20	2.57
Highest share price	A	EUR	3.83	5.47	4.41	3.10	3.70
Highest share price	B	EUR	3.74	5.49	4.43	3.10	3.68
Market capitalisation		EUR million	268.7	482.5	665.1	184.5	423.8
Trading volume							
A shares		1,000 pcs	2,890	5,906	7,190	5,553	12,099
% of average number of A shares		%	6.1	12.5	14.9	11.2	23.1
B shares		1,000 pcs	71,804	93,634	104,548	41,332	71,595
% of average number of B shares		%	69.0	90.5	105.8	45.0	80.5
% of average number of all shares		%	49.4	65.9	76.0	33.0	59.2
Number of shares 31 Dec	A	pc	47,148,710	47,163,160	47,667,359	48,692,203	51,245,405
	B	pc	104,109,118	104,094,668	103,590,469	93,215,625	90,012,423
Total number of shares 31 Dec		pc	151,257,828	151,257,828	151,257,828	141,907,828	141,257,828
Total number of A shares, annual average		pc	47,161,339	47,372,881	48,228,407	49,599,941	52,319,911
Total number of B shares, annual average		pc	104,096,489	103,791,038	98,805,193	91,792,558	88,937,917
Total number of shares, annual average		pc	151,257,828	151,163,919	147,033,600	141,392,499	141,257,828
Total number of shares 31 Dec		pc	151,257,828	151,257,828	151,257,828	141,907,828	141,257,828

*) Proposal by the Board of Directors. In addition, the Board proposes that EUR 0.03 per share is distributed from the invested unrestricted equity reserve as repayment of equity.

Calculations of Key Figures are given on the page 52.

The share price development of Oriola-KD share series and comparison index



Calculation of Key Figures

Equity ratio, % =

$$\frac{\text{Equity total}}{\text{Total assets – Advances received}} \times 100$$

Return on capital employed (ROCE), % =

$$\frac{\text{Profit/loss before taxes + interest and other financial expenses}}{\text{Total assets – Non-interest-bearing liabilities (average between the beginning and the end of the year)}} \times 100$$

Return on equity(ROE), % =

$$\frac{\text{Profit/loss for the period}}{\text{Equity total (average between the beginning and the end of the year)}} \times 100$$

Gearing, % =

$$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Equity total}} \times 100$$

Net interest-bearing debt/EBITDA =

$$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Operating profit/loss before depreciation, amortization and impairment}}$$

Earnings per share (EPS), EUR =

$$\frac{\text{Profit/loss attributable to shareholders of the parent company}}{\text{Average number of shares during the period}}$$

Equity per share, EUR =

$$\frac{\text{Profit/loss attributable to shareholders of the parent company}}{\text{Number of shares at the end of the period}}$$

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

Parent Company Income Statement (FAS)

EUR 1,000	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Other operating income	1,883.5	36,449.3
Personnel expenses	–2,744.5	–4,563.8
Other operating expenses	–3,302.2	–4,310.3
Operating profit/loss	**–4,163.1**	**27,575.2**
Financial income and expenses	68,886.7	76,379.7
Profit/loss before extraordinary items	**64,723.6**	**103,954.9**
Extraordinary items	–	1,565.3
Profit/loss before appropriations and taxes	**64,723.6**	**105,520.2**
Income taxes	–147.8	961.1
PROFIT/LOSS FOR THE FINANCIAL YEAR	**64,575.7**	**106,481.4**

Parent Company Balance Sheet (FAS)

EUR 1,000	31 Dec 2011	31 Dec 2010
ASSETS		
Non-current assets		
Tangible assets		
Land and water area	149.2	149.2
Other tangible assets	7.5	5.6
	156.7	154.7
Investments		
Shares in Group companies	314,335.0	314,255.7
Receivables from Group companies	122,101.2	91,899.3
Other shares and receivables	10.0	–
	436,446.3	406,155.0
Current assets		
Receivables		
Short-term		
Trade receivables	4.5	4.0
Receivables from Group companies	923.6	4,509.7
Other receivables	1.7	5.2
Accrued receivables	582.9	781.3
	1,512.7	5,300.3
Other short-term investments	70,342.6	144,845.3
Cash and bank	69,405.3	31,273.1
ASSETS TOTAL	**577,863.5**	**587,728.4**
LIABILITIES		
Equity		
Share capital	147,899.8	147,899.8
Other funds	30,000.0	30,000.0
Invested unrestricted equity reserve	1,386.6	21,037.5
Retained earnings	125,906.5	26,983.2
Profit for the financial year	64,575.7	106,481.4
	369,768.5	332,401.8
Liabilities		
Short-term		
Received prepayments	500.0	–
Trade payables	381.9	1,298.2
Liabilities to other Group companies	206,248.0	247,865.0
Other liabilities	177.5	5,194.9
Accrued liabilities	787.5	968.5
	208,094.9	255,326.7
LIABILITIES TOTAL	**577,863.5**	**587,728.4**

Shares and Shareholders

Shareholders by type of owner 31 December 2011

A shares	**Shareholders**	**% of shareholders**	**% of shares**
Individuals	11,953	96.0	59.4
Corporations and partnerships			
Government and municipal corporations	0	0.0	0.0
Private corporations and partnerships	308	2.5	10.6
Housing associations	2	0.0	0.0
Banks and insurance companies	16	0.1	1.0
Public entities	10	0.1	21.0
Associations and foundations	107	0.9	6.8
Foreign shareholders	60	0.5	0.8
Total	12,456	100.0	99.6
Nominee registrations			0.3
In the joint book-entry account			0.1
			100.0

B shares	**Shareholders**	**% of shareholders**	**% of shares**
Individuals	27,757	94.6	40.9
Corporations and partnerships			
Government and municipal corporations	0	0.0	0.0
Private corporations and partnerships	987	3.4	9.0
Housing associations	5	0.0	0.0
Banks and insurance companies	68	0.2	17.0
Public entities	32	0.1	12.2
Associations and foundations	373	1.3	6.2
Foreign shareholders	120	0.4	1.9
Total	29,342	100.0	87.2
Nominee registrations			12.7
In the joint book-entry account			0.1
			100.0

A and B shares total	**Shareholders**	**% of shareholders**	**% of shares**
Individuals	34,550	94.8	46.7
Corporations and partnerships			
Government and municipal corporations	0	0.0	0.0
Private corporations and partnerships	1,214	3.3	9.5
Housing associations	6	0.0	0.0
Banks and insurance companies	77	0.2	12.0
Public entities	35	0.1	15.0
Associations and foundations	431	1.2	6.4
Foreign shareholders	150	0.4	1.5
Total	36,463	100.0	91.1
Nominee registrations			8.8
In the joint book-entry account			0.1
			100.0

Shareholders by number of shares held 31 December 2011

A shares

Shares, pc	Shareholders	% of shareholders	Shares	% of shares
1–100	1,889	15.2	116,164	0.2
101–500	4,336	34.8	1,230,508	2.6
501–1,000	2,223	17.8	1,711,097	3.6
1,001–5,000	3,081	24.7	6,853,966	14.5
5,001–10,000	511	4.1	3,605,435	7.6
10,001–50,000	320	2.6	6,388,276	13.6
50,001–100,000	45	0.4	3,067,704	6.5
100,001–500,000	40	0.3	7,577,568	16.1
Over 500,001	11	0.1	16,531,536	35.1
Total	12,456	100.0	47,082,254	99.9
Of which nominee registered	9		131,709	0.3
In joint book-entry account			66,456	0.1
			47,148,710	100.0

B shares

Shares, pc	Shareholders	% of shareholders	Shares	% of shares
1–100	3,422	11.7	241,799	0.2
101–500	10,150	34.6	2,986,042	2.9
501–1,000	6,200	21.1	4,898,362	4.7
1,001–5,000	7,721	26.3	17,454,509	16.8
5,001–10,000	1,059	3.6	7,575,624	7.3
10,001–50,000	650	2.2	12,860,296	12.4
50,001–100,000	57	0.2	3,921,135	3.8
100,001–500,000	62	0.2	14,901,807	14.3
Over 500,001	21	0.1	39,206,156	37.7
Total	29,342	100.0	104,045,730	99.9
Of which nominee registered	10		13,185,080	12.7
In joint book-entry account			63,388	0.1
			104,109,118	100.0

A and B shares total

Shares, pc	Shareholders	% of shareholders	Shares	% of shares
1–100	4,435	12.2	305,773	0.2
101–500	12,463	34.2	3,653,812	2.4
501–1,000	7,249	19.9	5,704,162	3.8
1,001–5,000	9,438	25.9	21,745,285	14.4
5,001–10,000	1,576	4.3	11,219,689	7.4
10,001–50,000	1,069	2.9	20,952,791	13.9
50,001–100,000	105	0.3	7,472,929	4.9
100,001–500,000	96	0.3	19,880,850	13.1
Over 500,001	32	0.1	60,192,693	39.8
Total	36,463	100.0	151,127,984	99.9
Of which nominee registered	10		13,316,789	8.8
In joint book-entry account			129,844	0.1
			151,257,828	100.0

Major shareholders 31 December 2011

By number of shares held	A shares	B shares	Total shares	% of total shares	Votes	% of total shares	By number of votes
1. Varma Mutual Pension Insurance Company	3,600,500	2,727,500	6,328,000	**4.18**	74,737,500	**7.14**	1.
2. Ilmarinen Mutual Pension Insurance Company	2,464,256	2,681,536	5,145,792	**3.40**	51,966,656	**4.96**	2.
3. Mandatum Life Insurance Company Limited	0	4,292,078	4,292,078	**2.84**	4,292,078	**0.41**	
4. The State Pension Fund	0	1,950,000	1,950,000	**1.29**	1,950,000	**0.19**	
5. Etera Mutual Pension Insurance Company	1,280,153	638,803	1,918,956	**1.27**	26,241,863	**2.51**	6.
6. Nordea Investment Fund	0	1,900,000	1,900,000	**1.26**	1,900,000	**0.18**	
7. Investment Fund Alfred Berg Finland	0	1,795,021	1,795,021	**1.19**	1,795,021	**0.17**	
8. Medical Investment Trust Oy	1,300,000	425,450	1,725,450	**1.14**	26,425,450	**2.52**	5.
9. Mutual Insurance Company Pension-Fennia	1,576,619	141,300	1,717,919	**1.14**	31,673,680	**3.02**	4.
10. The Land and Water Technology Foundation	1,659,860	0	1,659,860	**1.10**	33,197,200	**3.17**	3.
11. The Social Insurance Institution	0	1,659,568	1,659,568	**1.10**	1,659,568	**0.16**	
12. Tukinvest Oy	1,111,272	500,000	1,611,272	**1.07**	22,725,440	**2.17**	8.
13. Ylppö Jukka	1,247,136	286,992	1,534,128	**1.01**	25,229,712	**2.41**	7.
14. Säästöpankki Kotimaa Equity Fund	200,000	1,274,359	1,474,359	**0.97**	5,274,359	**0.50**	
15. Oriola Pension Fund*	863,804	305,685	1,169,489	**0.77**	17,581,765	**1.68**	9.
16. The Finnish Cultural Foundation	321,946	761,307	1,083,253	**0.72**	7,200,227	**0.69**	
17. OP-Suomi Pienyhtiöt	0	1,050,000	1,050,000	**0.69**	1,050,000	**0.10**	
18. Odin Finland	0	1,040,978	1,040,978	**0.69**	1,040,978	**0.10**	
19. Verita Mutual Pension Insurance Company	0	962,956	962,956	**0.64**	962,956	**0.09**	
20. Kaleva Mutual Pension Insurance Company	0	870,000	870,000	**0.58**	870,000	**0.08**	
Total	15,625,546	25,263,533	40,889,079	**27.03**	337,774,453	**32.26**	
Nominee registrations	131,709	13,185,080	13,316,789	**8.80**	15,819,260	**1.51**	
Other	31,391,455	65,660,505	97,051,960	**64.16**	693,489,605	**66.21**	
All shareholders total	**47,148,710**	**104,109,118**	**151,257,828**	**100.0**	**1,047,083,318**	**100.00**	

*) Not entitled to vote at shareholder's meetings.

Proposal for Profit Distribution, Signatures for the Board of Directors' Report and the Financial Statements and Auditor's Note

Proposal for profit distribution

The parent company's distributable equity on balance sheet as of 31 December, 2011 is EUR 221,868,762.96, from which profit for the period is EUR 64,575,735.49.
The Board of Directors proposes to the Annual General Meeting that the distributable equity will be used as follows:

• a dividend of EUR 0.05 per share will be distributed on 151,161,006 shares	EUR	7,558,050.30
• capital will be distributed from the unrestricted equity reserves of EUR 0.03 per share on 151,161,006 shares	EUR	4,534,830.18
• will be retained in the equity	EUR	209,775,882.48
	EUR	**221,868,762.96**

There have not been any material changes in the financial position of the company after the end of financial year. Company's liquidity situation is good, and the proposal for profit distribution is not a danger to the company's liquidity situation, according to the Board of Directors.

Signatures for the financial statements and Board of Directors' report

Espoo, February 8, 2012

Olli Riikkala
Chairman

Outi Raitasuo
Vice Chairman

Jukka Alho

Harry Brade

Per Båtelson

Pauli Kulvik

Ilkka Salonen

Mika Vidgrén

Eero Hautaniemi
President and CEO

Auditor's Note

The auditor's report has been issued today.

Espoo, February 8, 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Oriola-KD Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Oriola-KD Corporation for the year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Espoo, February 8, 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Corporate Governance

The responsibilities of the Board of Directors and the President and CEO for overseeing the administration and management of the company are mainly based on the Finnish Companies Act. The company applies the Finnish Corporate Governance Code 2010.

The following pages present Oriola-KD's Corporate Governance Statement 2011, which accords with the recommendations of the Finnish Corporate Governance Code , information on board and management remuneration and details concerning the members of the Board of Directors and the Group Management Team.

CORPORATE GOVERNANCE STATEMENT 2011

This Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code and chapter 2, section 6 of the Finnish Securities Markets Act. This Statement is not part of the Report of the Board of Directors.

Oriola-KD Corporation (hereinafter "Oriola-KD" or "the company") complies with the provisions of its Articles of Association, the Finnish Companies Act and the Finnish Securities Markets Act. The company also complies with the rules issued by NASDAQ OMX Helsinki Exchanges, where it is listed, and the regulations issued by the Finnish Financial Supervisory Authority. The company's head office is located in Espoo, Finland.

Oriola-KD applies the Finnish Corporate Governance Code, with the exception that the company's Nomination Committee may also have members, who are not members of the company's Board of Directors. This exception is explained below in the section on the Nomination Committee. The information required by the Finnish Corporate Governance Code is also available on the company's website www.oriola-kd.com. The Finnish Corporate Governance Code 2010 is available at www.cgfinland.fi.

Oriola-KD 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 OMX Helsinki Exchanges. The Report of the Board of Directors and the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Accounting Board. The auditors' report covers the Report of the Board of Directors, the consolidated financial statements and the parent company's financial statements.

Governing bodies

The management of the company is the responsibility of the General Meeting of Shareholders, the Board of Directors and the President and CEO. Their duties are mainly laid down in the Finnish Companies Act and the Securities Markets Act. The management and administration of the company are also based on the decisions made by the General Meeting of Shareholders and the company.

General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision making body in the company. At the General Meeting of Shareholders the shareholders exercise their powers in accordance with the Companies Act and the Articles of Association. The General Meeting of Shareholders decides on the matters that under the Companies Act and the Articles of Association are within its purview. A General Meeting of Shareholders is convened by the Board of Directors. Under the Articles of Association, the Annual General Meeting is held annually by the end of May on a date determined by the Board of Directors. An Extraordinary Meeting of Shareholders may be convened in the manner provided for in the Companies Act. Pursuant to the Articles of Association, the Notice of General Meeting must be published in one daily newspaper in the capital city no earlier than two months and no later than twenty-one days prior to the meeting. The Notice must however be published at the latest nine days before the record date of the General Meeting. Oriola-KD also publishes the Notice of General Meeting as a stock exchange release and on its website. The documents to be submitted to the General Meeting and the draft resolutions to the General Meeting are also published on Oriola-KD's website. The Notice to the General Meeting contains the proposed agenda for the meeting.

The matters on which the Annual General Meeting decides include the adoption of the financial statements, the distribution of profits, discharging liable parties from liability, and the election of the members of the Board of Directors, the Chairman of the Board and the auditor, as well as their remuneration. Decisions to amend the Articles of Association are also taken by a General Meeting of Shareholders. An amendment to the Articles of Association must be supported by at least 2/3 of the votes cast and of the shares represented at the meeting.

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. To amend this provision of the Articles of Association, a resolution is required that must be supported by at least 4/5 of the votes cast and of the shares represented.

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 on 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, the President and CEO, and the auditor attend the General Meeting. A person proposed for the first time as director participates in the General Meeting that decides on his or her election unless there are well-founded reasons for absence.

Annual General Meeting 2011

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

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 unrestricted equity reserves, or both together, totalling a maximum of EUR 0.10 per share. The authorisation is in force until the next annual general meeting.

The Annual General Meeting authorised the Board to decide on repurchasing up to fifteen 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 is in force for a maximum of eighteen months following the decision of the Annual 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 fifteen million 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 eighteen months following the decision of the Annual General Meeting.

All decisions of the Annual General Meeting 2011 are available at the company's website at www.oriola-kd.com.

The 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 and the Articles of Association. The Board also ensures that good corporate governance is complied with throughout the Oriola-KD Group.

The members of the Board of Directors are elected by the General Meeting 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. Persons aged 67 and above may not be elected to the Board of Directors. The Chairman of the Board of Directors is elected by the General Meeting of Shareholders. The Vice Chairman of the Board is elected by the Board of Directors from among its members.

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

The most important matters to be dealt with by the Board are listed in the Board's rules of procedure. Accordingly, the Board's responsibilities include approving the company's strategy, financial targets, budgets, major investments and risk management principles. The Board appoints and dismisses the company's President and CEO. The Board of Oriola-KD also serves as the board of directors for the Oriola-KD Group. The Board of Directors considers and decides on all the most significant matters concerning the operations of the Group and the business segments. The Board has also approved the rules of procedure of the Audit Committee, the Compensation Committee and the Nomination Committee.

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 Executive Vice President and CFO, and the General Counsel (who acts as secretary to the Board). Members of the Group Management Team attend Board meetings at the invitation of the Board. Minutes are kept of all meetings.

The Board of Directors 2011–2012

The Annual General Meeting of Oriola-KD held on 6 April 2011 confirmed that the Board of Directors of Oriola-KD shall have eight members and elected the following persons as members of the Board of Directors:

- Mr. Olli Riikkala, b. 1951, Chairman of the Board, M.Sc. (Eng.), M.Sc. (Econ.), MBA
- Ms. Outi Raitasuo, b. 1959, Vice Chairman, Master of Laws (Helsinki), LL.M (Toronto), Advocate
- Mr. Jukka Alho, b. 1957, M.Sc. (Eng.), CEO of Itella Corporation
- Mr. Harry Brade, b. 1969, M.Sc. (Eng.), MBA
- Mr. Per Båtelson, b. 1950, M.Sc. (Eng.), CEO of Global Health Partner Plc
- Mr. Pauli Kulvik, b. 1951, M.Sc. (Eng.) MBA
- Mr. Ilkka Salonen, b. 1955, M.Pol.Sc., Septem Partners Ltd, partner
- Mr. Mika Vidgrén, b. 1960, Doctor of Pharmacy, Adjunct Professor, Pharmacist

In its constitutive meeting held later the same day, the Board of Directors elected Ms. Outi Raitasuo as its Vice Chairman.

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

In 2011, the Board of Directors of Oriola-KD convened 14 times, 2 of which were conference call meetings. The Board members' average attendance rate was 92.1%.

Board Committees

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

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

In addition to the Audit, Compensation and Nomination Committees, the Board of Directors may appoint ad hoc committees for preparing specific matters. Such committees do not have Board-approved rules of procedure 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. The Audit Committee's responsibilities include reviewing the consolidated financial statements and interim reports, and the basis of these reports, together with the company's principal auditor; reviewing together with the company's principal auditor any deficiencies in the supervision systems observed in control inspections during the financial year and any other deficiencies reported by auditors; reviewing any deficiencies in the control system observed in internal audit during the financial year and other observations and recommendations made; reviewing the plans of action for the control inspection and internal audit and giving recommendations to company management on focus areas for internal audits; evaluating the appropriateness of the supervision of company administration and risk management; and reviewing changes in the principles of company accounting and external reporting prior to their introduction. In addition, the Audit Committee's duties include preparatory work on the decision on electing the auditor; to evaluate the independence of the statutory auditor, particularly the provision of related services to the company, and carrying out any other tasks assigned to it by the Board. The Audit Committee has at least three members.

In 2011, the Audit Committee convened 4 times and the attendance rate of the Committee members was 93.7%.

As of 6 April 2011, the Chairman of the Committee is Ms Outi Raitasuo and the other members are Mr. Harry Brade, Mr. Ilkka Salonen and Mr .Mika Vidgrén. The members of the Audit Committee are independent of the company and its major shareholders.

Compensation Committee

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

In 2011, the Compensation Committee convened 2 times and the attendance rate of the Committee's members was 100%.

As of 6 April 2011, the Chairman of the Committee is Mr. Olli Riikkala and the other members are Mr. Per Båtelson and Mr. Pauli Kulvik. The members of the Compensation Committee are independent of the company and its major shareholders.

Nomination Committee

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

The Committee members are appointed by the Board of Directors, which also appoints one of the members as Chairman. The term of office for the committee members' expire at the end of the Annual General Meetings following their appointment. Members of the Committee need not be members of the Board of Directors. The purpose of this deviation from the Corporate Governance Code is to allow the 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.

Prior to appointing the Committee members, the Chairman of the Board arranges a meeting to which the Chairman invites the company's twenty largest shareholders, by votes, registered by the 1st of October preceding the Annual General Meetings as shareholders in the Company's shareholders register maintained by Euroclear Finland Ltd. The purpose of the meeting is to hear the major shareholders on their views as to the composition of the Committee.

Not later than on the 1st of February preceding the Annual General Meeting, the Committee presents to the Board its recommendation on the proposal to be put before the Annual General Meeting concerning the composition and remuneration of the Board. The Nomination Committee evaluates the independence of the proposed Board members it has recommended. The Committee's recommendation does not affect the Board's independent decision-making authority or its right to put proposals before the General Meeting.

The Nomination Committee appointed for the term of office ending at the Annual Genetal Meeting held on 6 April 2011, convened 5 times and the attendance rate of the Committee's members was 89,8%.

On 3 November 2011, the Board of Directors elected the following persons to the Nomination Committee for a term of office, which expires at the end of the Annual General Meeting 2012: Mr. Harry Brade, Mr. Timo Maasilta, Mr. Risto Murto, Mr. Olli Riikkala, Mr. Timo Ritakallio and Mr. Into Ylppö. Mr. Into Ylppö was elected Chairman of the Committee. The members of the Committee are independent of the company.

The President and CEO and the Executive Vice President

The Board of Directors appoints the President and CEO of Oriola-KD and decides on the terms of his/her employment. The current President and CEO of the company is Mr. Eero Hautaniemi, M.Sc. (Econ.), born in 1965. 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 complies 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.

The Board of Directors also appoints, as necessary, an Executive Vice President. The company's Executive Vice President and deputy to the CEO is Mr. Kimmo Virtanen, CFO, M.Sc. (Econ.), born in 1968.

The Group Management Team

The Group Management Team consists of the President and CEO of Oriola-KD as Chairman and persons appointed by the Board. At the end of 2011, the Group Management Team consisteds of five 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.

External audit

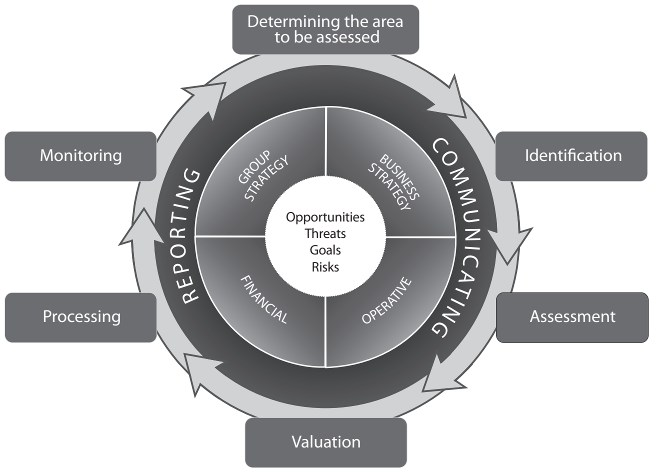
The company has one auditor, which must be a firm of authorised public accountants. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial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

The Annual General Meeting of Oriola-KD Corporation held on 6 April 2011 elected PricewaterhouseCoopers Oy, a firm of authorised public accountants, as the company's auditor, with Heikki Lassila, APA, as the principal auditor. The fees for the audit proper paid to the auditing firm PricewaterhouseCoopers in 2011 totalled EUR 310,000. In addition, EUR 86,000 was paid for other consultation provided to Group companies.

Internal audit

The Group does not have its own separate internal audit organisation. Oriola-KD meets its internal audit requirements by assigning reporting and audit tasks to the company's auditing firm in accordance with an audit plan approved each year by the Audit Committee of the Board of Directors.

The risk management and internal supervision systems connected with financial reporting



A model for coordinated risk management

Risk management system

The purpose of risk management is to help the Group to achieve its objectives. The risks threatening the achievement of the objectives can only be managed if they are identified and assessed.

The Board of Directors of Oriola-KD Corporation approves the risk management policy and the risk management objectives and guides and supervises the planning and implementation of the risk management. The Board-appointed Audit Committee supervises risk management in the Group.

The management of the Oriola-KD Group has the operative responsibility for risk management. Risk management and the principles governing risk management and their development, coordination and monitoring are the responsibility of the Risk Management Steering Group, which is chaired by the Oriola-KD Group's Executive Vice President. The Risk Management Steering Group reports to the President and CEO of Oriola-KD.

Oriola-KD's risk management policy is part of the Group's management process and its different components. The purpose of the policy is to ensure that risks can be comprehensively identified, assessed, managed and monitored throughout the Group. It is an integral part of Oriola-KD's planning and management system, decision-making, daily management, monitoring and reporting.

The principle governing the risk management policy is illustrated above. The risks that may interfere with the achievement of the objectives in the sector in question are identified and assessed as part of business operations planning. Risk management is also an integral part of the Group strategy process.

The first steps in the risk management process are:

1) Risk identification
2) Evaluation of the likelihood of the risks occurring if no preventive measures are taken
3) Evaluation of the consequences of the risks occurring, by calculating the cumulative financial losses during the strategy period
4) Preparation of a risk management plan (measures helping to avoid risks, to make them less likely or to mitigate the consequences)
5) Risk management is incorporated into the monitoring reports regularly submitted to the management

The Group Management Team and the Board of Directors receive yearly reports on the risk management situation.

Supervision environment

The purpose of Oriola-KD'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 segments 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 and investments.

Supervisory measures

The supervisory measures are instructions and guidelines that help to ensure the proper management of all functions. They help to ensure that all risks that are connected with the achievement of the company's objectives can be identified and prevented. The measures cover all Group levels and functions and information systems play an important role in them. Information systems are of vital importance to effective internal supervision as many of the supervisory measures rely on information technology.

Communications and distribution of information

Effective communications and distribution of information help to ensure the reliability and correct timing of financial reporting, for example by making instructions and guidelines on financial reporting as widely known as possible. Oriola-KD's accounting manual contains instructions and guidelines on accounting and financial reporting that must be observed in the Group. The instructions are based on the international IFRS standards. Changes in IFRS standards are monitored in the Group and the manual is updated whenever changes are introduced. The manual helps to ensure that the Group can meet all reliability requirements concerning its financial reporting.

In addition to a Group-level accounting manual, individual business segments also have as needed their own sets of instructions that have been drawn up in accordance with their needs. These instructions are consistent with the Group-level accounting manual.

New instructions are regularly published on the company's internal website. Staff members can provide feedback to the management and anonymously report any questionable activities through the company intranet. Corporate Communications is responsible for all external communications, as laid down in the Group's communications policy.

Monitoring

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 the 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.

REMUNERATION STATEMENT

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.

On 6 April 2011, the Annual General Meeting decided that the Chairman of the Board will receive EUR 48,400 in remuneration for his term of office, the Vice Chairman EUR 30,250 and the other members of the Board EUR 24,200 each. The Chairman of the Board will receive an attendance fee of EUR 800 per meeting, and the other Board members EUR 400 per meeting. Attendance fees will also be paid in the same manner to members of committees set up by the Board of Directors or the company. The Chairman of the Board also has a company-paid phone. Travel expenses will be paid in accordance with the travel policy of the company. In accordance with the decision of the Annual General Meeting, 60% of the annual remuneration was paid in cash and 40% in class B shares. Oriola-KD Corporation class B shares were acquired on the market for the Board members as follows: Olli Riikkala 6,073 shares, Outi Raitasuo 3,796 shares, Jukka Alho 3,037 shares, Harry Brade 3,037 shares, Per Båtelson 3,037 shares, Pauli Kulvik 3,037 shares, Ilkka Salonen 3,037 shares, and Mika Vidgrén 3,037 shares.

Restriction periods are not included in the remuneration paid in Oriola-KD 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 2011 and shareholdings in the company are available in the annual report on the next page.

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

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

In accordance with its charter approved by the Board of Directors, the Compensation Committee monitors the effectiveness of the incentive schemes to ensure that the schemes promote the achievement of short term and long term the company's short term and long term goals.

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 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 Pharmaceutical Wholesale Sweden and Vice President Pharmaceutical Retail Sweden, who have a defined contribution pension benefit typically applied in the Swedish market.

Short term performance bonus

The performance bonus is based on the achievement of the company's financial targets and personal targets. The maximum performance bonus in 2011 for the President and CEO is 58% of the annual salary and for the other Group Management Team members 33% of the annual salary. The Board of Directors decides annually on the earnings criteria and the determination of the performance bonuses based on the proposal of the Compensation Committee.

Long term share based incentive scheme

The President and CEO, members of the Group Management Team and certain key personnel in the Group are also covered by a 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.

On 10 February 2010, Oriola-KD's Board of Directors decided on a new share incentive scheme for the Group's key personnel for the years 2010–2012. The new scheme is a continuation of the 2007–2009 share incentive scheme. The scheme has three earning periods, which are the calendar years 2010, 2011 and 2012. The company's Board of Directors decides on the earning criteria for the earning period and the targets to be set for these at the start of each earning period. Any payment under the scheme for the earning period 2011 will be based on Oriola-KD Group's earnings per share (EPS) and return on equity (ROE). The Board of Directors has the opportunity to change the earning criteria in the subsequent earning periods.

The potential reward from the earning period 2011 will be paid in partly in the company's class B-shares and partly in cash. The proportion paid as cash will cover the taxes and tax-like charges associated with the payment. If, at the time of payment of a reward based on the Plan, a key person's total earnings exceed his/her previous year's total salary multiplied by 3.5, the reward to be paid on the basis of this plan will be reduced for such exceeding part. Total earnings mean total salary together with annual bonus and long-term incentive plan, and total salary means basic salary together with fringe benefits.

The shares cannot be transferred during a restriction period, which ends two years from the end of the earning period. No reward will be paid if a key person's employment or service with a Group company ends before the reward payment. Should a key person's employment or service with a Group Company end during the restriction period for reasons attributable to the key person, he/she must gratuitously return to the company the shares given as reward, which are subject to the transfer restriction. The President and CEO of the Company and the members of the Group Management Team must hold 50% of the shares received on the basis of the plan as long as his/her employment or service with a Group company continues.

The target group of the new incentive scheme consists of some 40 employees and the company's class B shares under the scheme can total a maximum of 1,200,000 shares during 2010–2012. The payments to be made under the scheme correspond in total to a value of no more than approximately 2,400,000 Oriola-KD Corporation class B shares (including the proportion to be paid as cash).

Financial benefits of the President and CEO in 2011

The salary and other remuneration, including fringe benefits, paid in 2011 to the President and CEO Eero Hautaniemi, amounted to a total of EUR 514,170.54 as follows:

- fixed base salary of EUR 401,475.62;
- fringe benefits of EUR 15,720;
- performance bonus of EUR 96,974.92; and
- share-based payments of EUR 0.00 (including 0 company class B-shares).

The President and CEO has a six-month period of notice and is entitled to severance pay equal to 12 months' salary. The retirement age of the President and CEO is 63 years and his pension is in accordance with the Employees' Pensions Act. The President and CEO is included in the company's share based incentive scheme. Shareholdings of the President and CEO in the company are available below.

Financial benefits of other executives

The salaries and other remuneration, including fringe benefits, paid in 2011 to the members of the Group Management team totalled EUR 1,411,010.09 as follows:

- fixed base salaries totalling EUR 1,146,049.84;
- fringe benefits totalling EUR 89,726.41;
- performance bonuses totalling EUR 175,233.84; and
- share-based payments totalling EUR 0.00 (including 0 company class B-shares).

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 below.

INSIDER ADMINISTRATION

Oriola-KD complies with NASDAQ OMX Helsinki Exchange's Guidelines for Insiders, which serve as the basis for the company's internal insider guidelines adopted by the Board of Directors. Oriola-KD's public insiders are the company's Board members, auditors, President and CEO, Executive Vice President, board secretary and other Group Management Team members. Persons employed by the company who, by virtue of their position or duties, receive insider information on a regular basis comprise the company-specific insiders. The register of public and company-specific insiders is held in the SIRE system of Euroclear Finland Ltd. Under the company's insider guidelines, the company's insiders are prohibited from trading in the company's shares for one month prior to the publication of the financial statements bulletin and for three weeks prior to publication of interim reports. The company also keeps, as necessary, a separate project-specific insider register in connection with the preparation of significant projects, and the persons entered in that register are prohibited from trading in the company's shares for the duration of the project in question.

COMMUNICATION

Up-to-date information complying with the Corporate Governance Code is available on the internet site of Oriola-KD at www.oriola-kd.com. An annual summary of the company's stock exchange releases is featured on page 70.

Salaries and benefits of the members of the Board of Directors, President and CEO and other members of the Group Management Team in 2011 and their shareholdings (including controlled entities) 31 December 2011

		Salaries and benefits 2011	Salaries and benefits 2010	Shareholdings 31 Dec 2011		
		EUR 1,000	EUR 1,000	A shares	B shares	Total
Board of Directors						
Riikkala Olli (Chairman)		61.2	65.2	13,000	12,414	25,414
Raitasuo Outi (Deputy Chairman)		39.1	31.0	0	6,426	6,426
Alho Jukka		28.2	-	0	3,037	3,037
Brade Harry		32.6	33.8	15,676	5,667	21,343
Båtelson Per		28.2	27.8	0	5,667	5,667
Kulvik Pauli		30.2	31.8	0	5,667	5,667
Salonen Ilkka		29.8	-	0	3,037	3,037
Vidgren Mika		30.6	30.6	0	6,000	6,000
Apotrading Consulting Oy		-	-	0	25,000	25,000
Remes Antti		1.6	38.7			
Uotila Jaakko		1.2	31.8			
President and CEO						
Hautaniemi Eero	Fixed basic salary	401.5	385.8	0	155,850	155,850
	Fringe benefits	15.7	15.7			
	Performance bonus	97.0	187.2			
	Share-based payments	0.0	607.2			
	Total:	**514.2**	**1,196.0**			
Other Group Management Team members						
Fogels Henry				0	0	0
Gawell Thomas				0	0	0
Niemi Jukka				1,000	33,745	34,745
Virtanen Kimmo				0	66,560	66,560
Salaries and benefits of the other Group Management Team members		**1,411.0**	**3,111.7**			

Board of Directors 2011–2012

Chairman
Olli Riikkala, b. 1951
M.Sc. (Eng.), M.Sc. (Econ.),
MBA (Claremont Graduate University, California, USA)
Chairman of the Compensation Committee
Independent member of the Board since 2006
Shares in Oriola-KD Corporation 31 Dec 2011:
13,000 class A shares; 2,414 class B shares

Primary career
2003–2006 GE Healthcare, Senior Executive
1997–2004 Instrumentarium Corporation, Managing Director
1979– Employed with Instrumentarium Corporation, holding several international management positions involving profit responsibility from 1982 onwards

Key positions of trust
Chairman of the Board of Comptel Corporation, Helvar Oy Ab, Helvar Merca Oy Ab
Vice Chairman of the Board of Tieto Corporation
Member of the Board of Clinical Research Institute Helsinki University Central Hospital Ltd, Biomedicum Helsinki Foundation, Instrumentarium Scientific Foundation, Mendor Oy, Vice Chairman of the Board of Nextim Oy

Former key positions of trust
Chairman of the Board of Fiskars Corporation
Member of the Board of Efore Corporation, Instrumentarium Corporation and Palodex Oy

Vice Chairman
Outi Raitasuo, b. 1959
Advocate, Master of Laws University of Helsinki,
LL.M. University of Toronto
Chairman of the Audit Committee
Independent member of the Board since 2006
Shares in Oriola-KD Corporation 31 Dec 2011:
0 class A shares; 6,426 class B shares

Primary career
1989– Hannes Snellman Attorneys Ltd , advocate, partner since 1997
1986–1987 Hollola district court, trainee district judge

Key positions of trust
Member of the Board of RF Micro Devices (Finland) Oy, Mundipharma Oy

Former key positions of trust
Member of the Board of Efore Plc 2004–2008

Jukka Alho, b. 1952
M.Sc. (Eng.)
Independent member of the Board since 2011
Shares in Oriola-KD Corporation 31 Dec 2011:
0 class A shares; 3,037 class B shares

Primary career
2000– Itella Corporation, CEO
1981–2000 Elisa Corporation, Executive Vice President

Key positions of trust
Chairman of the Board of Itella Bank Ltd
Member of the Board of Ilmarinen Mutual Pension Insurance Company, Service Sector Employers PALTA
Member of the Executive Board of Luottokunta, Finnish Fair
Member of Delegation of the Central Chamber of Commerce of Finland, The Finnish National Committee of the International Chamber of Commerce (ICC)

Harry Brade, b. 1969
M.Sc. (Eng.), MBA (London Business School), CEFA
Independent member of the Board since 2007
Shares in Oriola-KD Corporation 31 Dec 2011:
15,676 class A shares; 5,667 class B shares

Primary career
2002– Lamy Corporation, Investment Director
2004–2006 GE Health Care, Regional Leader
2003–2004 GE Health Care, Integration Manager and Business Development Leader
1999–2000 Nokia Networks, Austria, Manager, Marketing and Sales
1996–1999 Nokia Networks, Finland, Marketing Manager
1994–1996 Datex-Ohmeda, Product Specialist

Key positions of trust
Chairman of the Board of Lamy Corporation
Member of the Board of Medical Investment Trust Oy

Per Båtelson, b. 1950
M.Sc. (Physics)
Independent member since 2010
Shares in Oriola-KD Corporation 31 Dec 2011:
0 class A shares; 5,667 class B shares

Primary career
2006– Global Health Partner Plc, Managing Director
Capio AB, Managing Director

Key positions of trust
Member of the Board of Humana AB and Unilabs AB

Former key positions of trust
Chairman of the Board of Apoteket AB 2006–2009

Pauli Kulvik, b. 1951

M.Sc. (Eng.), MBA (Centre des Études Industrielles, Geneva, Switzerland)
Independent member of the Board since 2006
Shares in Oriola-KD Corporation 31 Dec 2011:
0 class A shares; 5,667 class B shares

Primary career

2002– Helmet Capital, partner
1998–2002 Tamro Group, CEO
1977–1998 Neste plc
1994–1998 Senior Corporate Vice President, IR, Planning, R&D and EU affairs
1990–1994 Senior Executive Vice President, Neste Oil division
1986–1989 Executive Vice President, Marketing division
1979–1980 Vice President, E&P division, Commercial coordination unit
1977–1979 Corporate Planning

Key positions of trust

Chairman of the Board of Helmet Venture Management Oy, L-Fashion Group Oy, Termorak Oy
Member of the Board of Euracon Oy, Pomarfin Oy, Tikli Group Oy

Former key positions of trust

Chairman of the Board of Apokjeden AS, Nynäs Petroleum AB
Member of the Board of Mölnlycke Health Care AB

Ilkka Salonen, b. 1955

M.Pol.Sc.
Independent member of the Board since 2011
Shares in Oriola-KD Corporation 31 Dec 2011:
0 class A shares; 3,037 class B shares

Primary career

2010– Septem Partners Ltd., Partner
2008–2009 Sberbank Rossii, Deputy Chairman of Board, Moscow
2007–2008 Renaissance Investment Management, President and Deputy CEO, Moscow
1998–2007 International Moscow Bank, President of the Board of Management, Moscow
1997–1998 Merita Bank Ltd., First Vice President, Regional Director
1994–1997 International Moscow Bank, Deputy President, Moscow
1985–1994 Kansallis-Osake-Pankki, Vice President of East European Desk in Country Risk and Financial Institutions Division, Vice President and Area Manager for the Soviet Union/CIS countries, Vice President in charge of domestic Asset and Liability Management, Chief Representative in Moscow

Key positions of trust

Member of the Board of SRV Oy, Sysmän Kirjakylä Oy, Trigon Agri A/S, Promsvyazbank and Kamaz as well as Kreditprombank, Kiev.
Chairman of the Audit Committee in Kreditprombank, Kiev and member of the Board of Trustees of Small Enterprise Fund, Moscow

Former key positions of trust

Member of the Board of Directors of Estonian Industrial Leasing and Latvian Industrial Leasing, 1997–1998
Chairman of the National Member Group of SWIFT users in Russia 1999–2000

Mika Vidgrén, b. 1960

Pharmacist, Doctor of Pharmacy, Adjunct Professor (Universities of Helsinki and Kuopio)
Independent member of the Board since 2006
Shares in Oriola-KD Corporation 31 Dec 2011:
0 class A shares; 6,000 class B shares

Primary career

2006- Espoonlahden Apteekki pharmacy, pharmacist
2002–2005 Savonlinnan III Apteekki pharmacy, pharmacist
1982–2001 Between 1982 and 2001 Mr Vidgrén has been involved in the Finnish and international pharmaceutical industry as well as held the highest research and teaching positions in pharmacy at the Universities of Helsinki and Kuopio. He has also worked at such renowned international research institutes as Baylor College of Medicine in Houston, TX and the Harvard School of Public Health in Boston, MA.

Key positions of trust

Member of the Board of Pharmaservice Oy
Member of Supervisory Board of Helsinki OP Bank Plc

Former key positions of trust

Chairman of the Board of Medifon Oy, Pharmadata Oy, Pharmadomus Oy (2011)
Chairman of the Board of the Association of Finnish Pharmacists (2010)
Vice President of the Pharmaceutical Group of the European Union (2007 and 2009)
President of the Pharmaceutical Group of the European Union (2008)

Group Management Team 2011

President and CEO
Eero Hautaniemi, **b.1965**
M. Sc. (Econ.)

Mr. Hautaniemi has been President and CEO of Oriola-KD Corporation since the beginning of 2006. Mr Hautaniemi worked as President of GE Healthcare Finland Oy 2004–2005, and as General Manager and Vice President of the Oximetry, Supplies and Accessories business area of GE Healthcare IT in 2003–2004. In Instrumentarium Corporation he held different positions in financial and business management in 1990–2003.

Key positions of trust

Mr. Hautaniemi is a member of the Board of Directors of Lassila & Tikanoja Corporation, L&T Recoil Plc and Nurminen Logistics Corporation. He is also a member of the GIRP Management Board and GIRP Treasurer (GIRP=The European Association of Pharmaceutical Full-Line Wholesalers)

Executive Vice President and CFO
Kimmo Virtanen, **b. 1968**
M. Sc. (Econ.)

Mr. Virtanen was appointed CFO of Oriola-KD Corporation in 2006. Mr.Virtanen joined Oriola-KD from Componenta Corporation where he was CFO in 2003–2006. Before that, Mr. Virtanen served as CFO of Danisco Sweeteners in the UK and Finland in 1999–2003 and in several financial management positions of Cultor in 1995–1999.

Other members of the Group Management Team

Henry Fogels, **b. 1963**
MBA, Doctor
Vice President, Pharmaceutical Retail and Wholesale, Russia

Henry Fogels joined the Oriola-KD Group as General Director of the Russian pharmaceutical retail business in April 2009. As of November 2010, Mr. Fogels has also been responsible for the wholesale business in Russia. Mr. Fogels has previously held the positions of CEO of JSC Riga Dairy, CEO of Aldaris Baltic Beverages Holding and General Director of Kesko Food Latvia (2001–2004). Mr Fogels has held several leading positions in marketing, sales and logistics

Thomas Gawell, **b. 1963**
M.Sc. (Econ)
Vice President, Pharmaceutical Wholesale, Sweden

Thomas Gawell joined Oriola AB (formerly Kronans Droghandel AB) as Financial Manager in June 2001. In August 2008 he was appointed Business Manager for Pharma Distribution and in June 2009 Managing Director. Gawell has a degree from the Gothenburg School of Economics and has worked as financial manager for 10 years before joining the company.

Jukka Niemi, **b. 1964**
M.Sc. (Pharmacy)
Vice President, Pharmaceutical Wholesale, Finland and the Baltic Countries

Mr. Jukka Niemi joined Oriola in 1993. He has held several positions as head of business area in sales, marketing and pharmaceutical distribution. During 1999–2003 Mr. Niemi worked as Assistant Vice President in OTC-Marketing at Orion Pharma. Mr. Niemi worked during 2004-2008 in Oriola Oy as Vice President, Pharmacy and Retail Marketing, Finland and the Baltic Countries. From 2008 he has held the position of Vice President, Pharmaceutical Wholesale, Finland and the Baltic countries. He was appointed Managing Director of Oriola Oy in 2010.

Mr. Niemi is the Chairman of the Pharmaceutical Wholesale Association and Board member of Finnish Wholesale Association, member of Health Care Sector Pool of the Ministry of Social Affairs and Health, and member of the GIRP Advisory Council and GIRP Technical Committee (GIRP=The European Association of Pharmaceutical Full-line Wholesalers).

Changes in the Group Management Team in 2011

Anne Kariniemi
Vice President, Logistics and Sourcing, 1 January–23 June 2011

Cecilia Marlow
Vice President, Pharmaceutical Retail Sweden, 1 January–15 August 2011

Stock Exchange Releases in 2011

12 January 2011	Oriola-KD Corporation's Annual Summary 2010
26 January 2011	Publishing of Oriola-KD Corporation's financial statements for 2010
1 February 2011	Recommendation by the Nomination Committee of Oriola-KD Corporation concerning the Board of Directors to be elected by the 2011 AGM
11 February 2011	Oriola-KD Corporation's Financial Statements for 1 January – 31 December 2010
7 March 2011	Oriola-KD Corporation's Annual Report for 2010 published on 7 March 2011
7 March 2011	Notice to the Annual General Meeting of Oriola-KD Corporation 2011
6 April 2011	Resolutions of the Annual General Meeting of Oriola-KD Corporation and decisions of the constitutive meeting of the Board of Directors
19 April 2011	Oriola-KD Corporation will publish the interim report 1 January – 31 March 2011 on Thursday, 28 April 2011 at 8.30 a.m.
28 April 2011	Oriola-KD Corporation's Financial Statements for 1 January – 31 March 2011
23 May 2011	Changes in Oriola-KD's Group Management Team
19 July 2011	Oriola-KD's revised guidelines for 2011 and impairment charge
20 July 2011	Oriola-KD Corporation will publish the interim report 1 January – 30 June 2011 on Thursday, 4 August 2011 at 8.30 a.m.
4 August 2011	Oriola-KD Corporation's Interim Report for 1 January – 30 June 2011
15 August 2011	Changes in Oriola-KD's Group Management Team
21 September 2011	Oriola-KD to improve efficiency in Swedish pharmaceutical retail operations
3 October 2011	Publication schedule for Oriola-KD Corporation's financial reporting in 2012
17 October 2011	Oriola-KD Corporation will publish the interim report 1 January – 30 September 2011 on Thursday, 27 October 2011 at 8.30 a.m.
27 October 2011	Oriola-KD Corporation's Interim Report for 1 January – 30 September 2011
3 November 2011	The composition of Oriola-KD's Nomination Committee
15 November 2011	Oriola-KD Corporation's 14,450 A-shares converted into B-shares
9 December 2011	Oriola-KD completed negotiations to reduce positions in Swedish pharmacy chain
16 December 2011	Oriola-KD's new guidelines for net sales and operating profit in 2011
22 December 2011	Changes in Oriola-KD's Group Management Team

Some of the information in the releases might be out-of-date.

Stock Exchange Releases are available at Oriola-KD Corporation's websites www.oriola-kd.com

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Contact information of the regional network at www.oriola.ru

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Contact information of the KronansDroghandel pharmacies at www.kronansdroghandel.se

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www.oldlekar.ru

Contact information of the Stary Lekar pharmacies at www.oldlekar.ru

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Contact information of the 03 Apteka pharmacies at www.03apteka.com

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