



# Oriola-KD Corporation

## January-September 2011

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President and CEO  
27 October 2011



## Key Figures January-September 2011

	1-9/11	1-9/10	Change %	Q3/11	Q3/10	Change %
Net sales, Me	1587	1401	13%	522	499	5%
Operating result, Me	-26.0*	2.4		3.4	-5.8	
Operating result excluding one-off costs and impairment charges, Me	7.4	14.2	-48%	3.4	5.9	-43%
Profit before taxes, Me	-33.1*	-1.1		0.3	-7.0	
Net result, Me	-28.2**	-2.0		-0.6	-6.3	
Earnings/share, Euro	-0.19**	-0.01		0.00	-0.04	
ROE, %	-11.8%	-0.9 %				

\*) Includes 33.4 impairment charge related to the intangible assets of the Stary Lekar brand

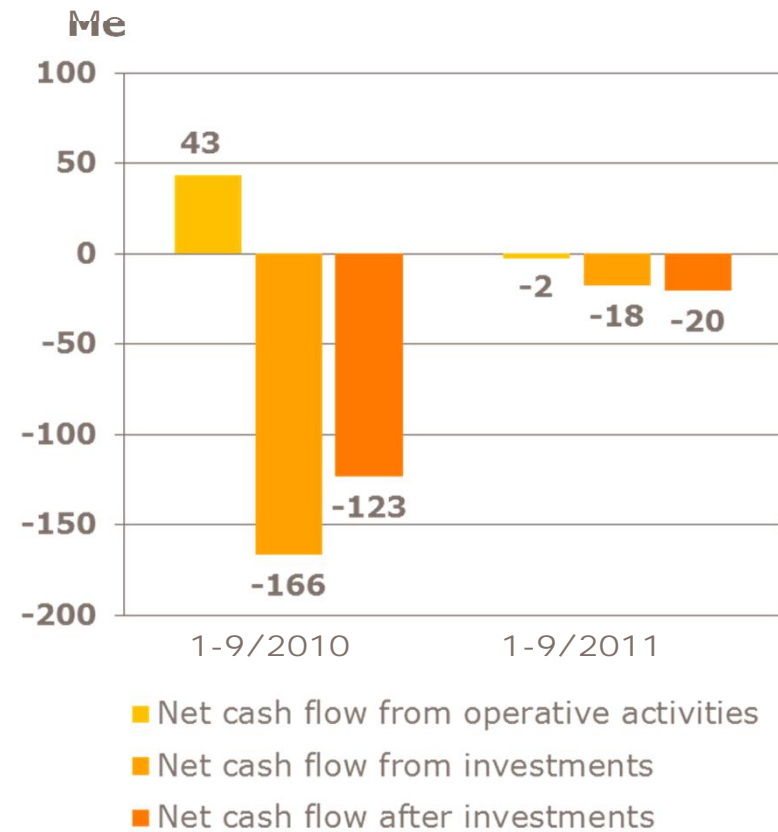
\*\*\*) Includes 26.7 Me profit impact of impairment charge related to the intangible assets of Stary Lekar brand

## Measures to Improve Profitability during the Third Quarter

- Retail Sweden
  - New IT system successfully launched in all pharmacies by the end of September according to plan
    - Decreases fixed costs
  - Negotiations to reduce personnel started
- Retail Russia
  - Integration of Sary Lekar- and O3 Apteka pharmacy chains
  - Closing of unprofitable pharmacies
  - Changes in Sary Lekar pharmacy chain's pricing with resulting increase in sales
- Wholesale Russia
  - Measures to increase regional sales outside Moscow
  - Raising of sales margins
  - Closing of unprofitable operations
  - Strengthening of the organisation
  - Enhancing efficiency of logistics

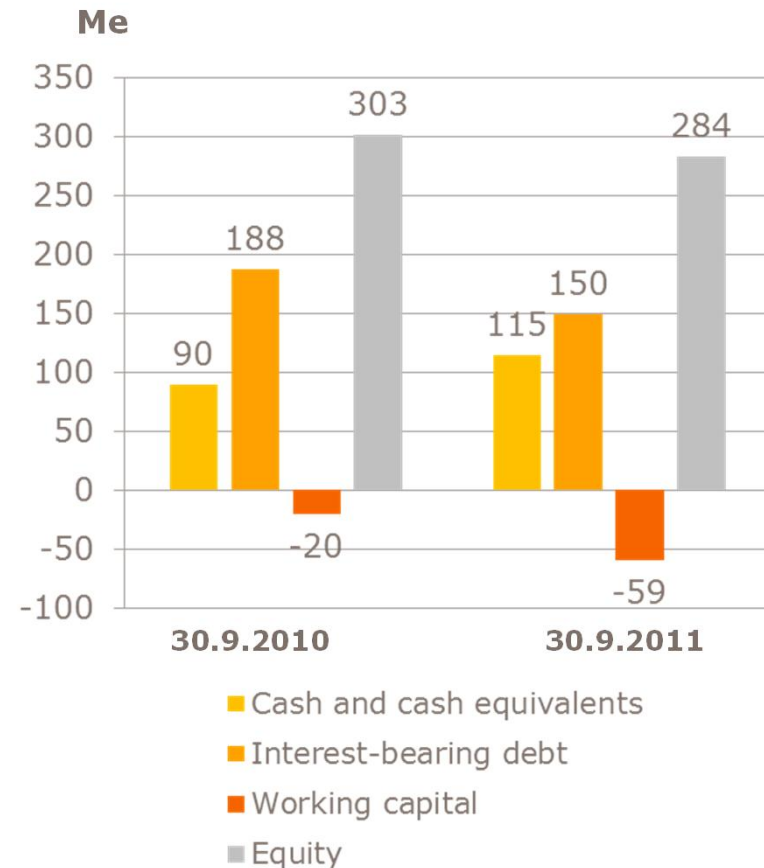
## Cash Flow January-September 2011

- Changes in working capital -6.2 Me (32.1 Me)
- Gross investments 20.3 Me (186.1 Me)
  - New establishment of pharmacies in Sweden and Russia
  - Efficiency of wholesale operations
  - IT systems

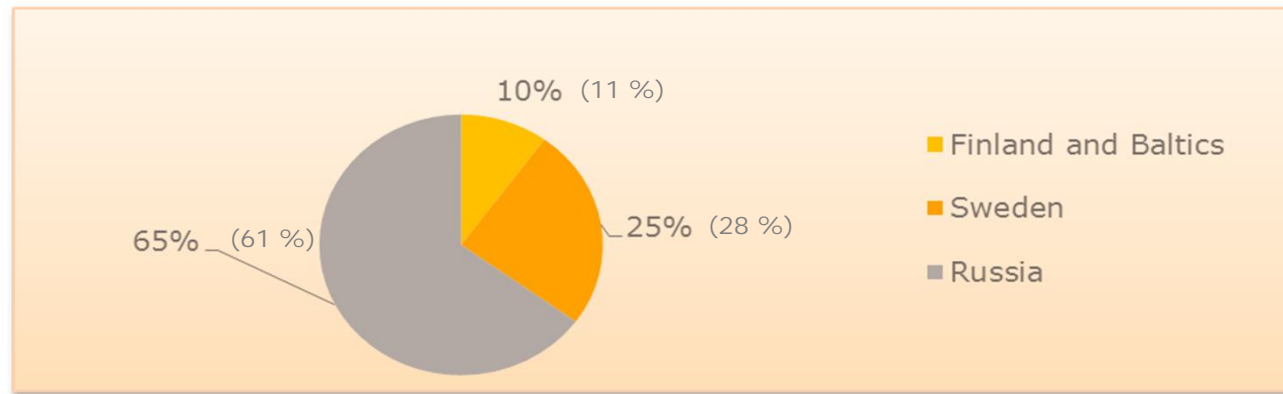


## Balance Sheet 30 September 2011

- Total assets 1137 Me (1144 Me)
- Equity ratio 25.6% (27.1%)
- Net gearing 12.4% (32.5%)
- Interest bearing net debt 35.1 Me (98.4 Me)
- Goodwill of Oriola-KD Group 256 Me
  - Pharmmaceutical retail and wholesale Russia 121 Me
  - Pharmaceuticl retail Sweden 108 Me
  - Pharmaceutical wholesale 26 Me
- Oriola-KD's committed long-term credit facilities of 102 Me and short-term credit account facilities of 42 Me stood unused at the end of September 2011
- Oriola-KD's 150 Me commercial paper programme was not in use at the end of September 2011
- The terms of the financial covenants were met with a wide margin at the end of September 2011



## Personnel 30 September 2011



Operating segment	30 Sep 2011	30 Sep 2010	Change %
Pharmaceutical Wholesale Finland and Baltics	496	497	0%
Pharmaceutical Retail Sweden	1002	1082	-7%
Pharmaceutical Wholesale Sweden	252	299	-16%
Pharmaceutical Retail Russia	1585	1533	+3%
Pharmaceutical Wholesale Russia	1646	1466	+12%
<b>Total</b>	<b>4981</b>	<b>4877</b>	<b>+2%</b>



# Reporting Segments



## Net Sales and EBIT January-September 2011

	Net sales, Me		EBIT, Me		Net sales, Me		EBIT, Me	
	1-9/11	1-9/10	1-9/11	1-9/10	Q3/11	Q3/10	Q3/11	Q3/10
Pharmaceutical Trade Finland and Baltics	309	337	16.2	16.1	102	111	5.9	6.2
Pharmaceutical Trade Sweden	784	662	8.0	10.9	250	240	3.8	6.6
Pharmaceutical Trade Russia	495	403	-12.8	-8.2	170	148	-5.5	-5.7
Group administration	-	-	-4.0	-4.6	-	-	-0.9	-1.2
Total, excluding one-off items and impairment charges	1587	1401	7.4	14.2	522	499	3.4	5.9
One-off items and impairment charges*	-	-	-33.4	-11.7	-	-	-	-11.7
Total, including one-off items and impairment charges	1587	1401	-26.0	2.4	522	499	3.4	-5.8

\*) Year 2010: 1.7 Me in Sweden and 10.0 Me in Russia  
 Year 2011: 33.4 Me impairment charge of Sary Lekar brand in Russia

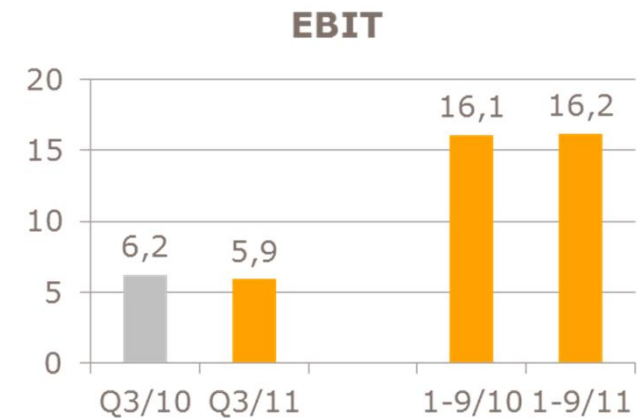
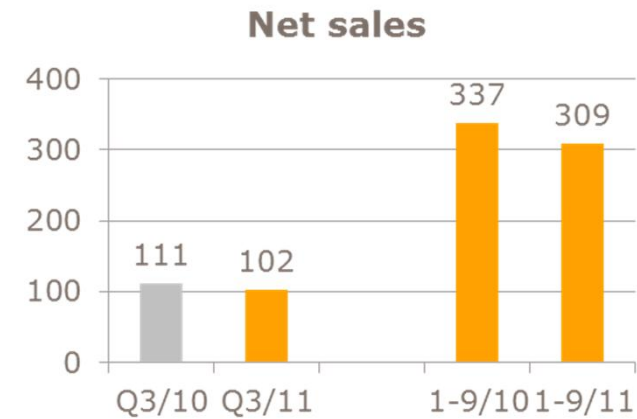






## Pharmaceutical Trade Finland and Baltics January-September 2011

- **Pharmaceutical wholesale Finland**
  - Invoicing 725 Me (714 Me)
  - Net sales 250 Me (282 Me)
  - Market share 45.6 % (46.5%)\*
  - Pharmaceutical market grew by 1.0% (declined 0.9%)\*
- **Pharmaceutical wholesale Baltics**
  - Net sales 25 Me (23 Me)
- **Consumer Health business**
  - Net sales 34 Me (32 Me)



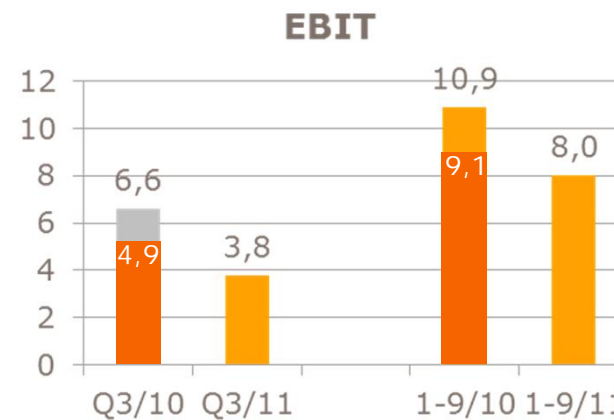
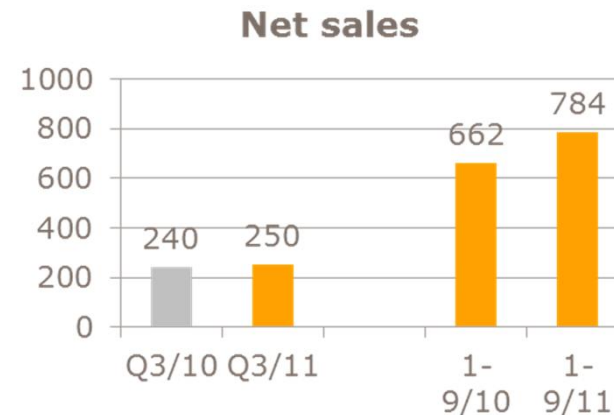
\*) source: IMS Health





# Pharmaceutical Trade Sweden January-September 2011

- **Pharmaceutical retail**
  - Net sales 362 Me (282 Me, as of 19 February 2010)
  - Market share 13,5% (14%)
  - Pharmacies 202 (176)
  - Implementation of IT system completed in September
    - Decreases fixed costs starting from the fourth quarter enabling implementation of efficiency program
    - Negotiations with labour unions started in September for decreasing personnel
  
- **Pharmaceutical wholesale**
  - Invoicing 1084 Me (909 Me)
  - Net sales 466 Me (414 Me)
  - Market share 38.7% (40.5%)\*
  
- **Pharmaceutical market grew by 2.8% (0.8%)\***



Operating result in Sweden include 1.7 Me one-off items in 2010

\*) source: IMS Health



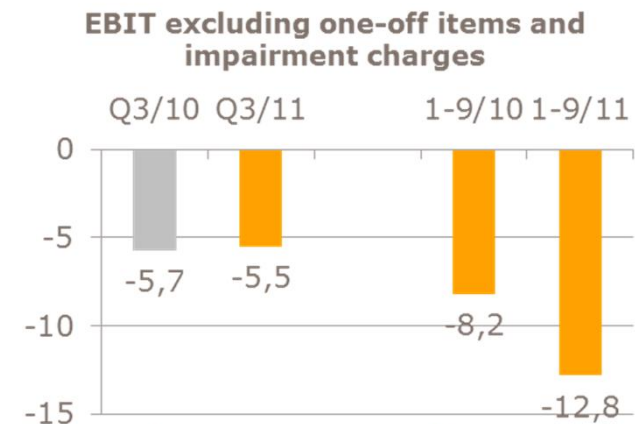
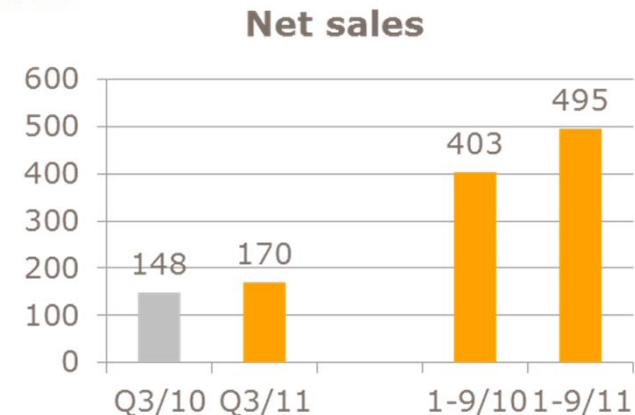


# Oriola KD

## Pharmaceutical Trade Russia January-September 2011

- **Pharmaceutical retail**
  - Net sales 97 Me (73 Me)
  - Pharmacies 264 (251) in Moscow
    - Sary Lekar 189 (181)
    - O3 Apteka 75 (70)
  - Sary Lekar- and O3 Apteka pharmacy chains were integrated, 19 unprofitable pharmacies were closed and change in pricing was accomplished
  - Sales of the Sary Lekar pharmacy chain increased as a result of changes in pricing
- **Pharmaceutical wholesale**
  - Net sales 426 Me (370 Me)
  - Regional sales outside Moscow were increased, sales margins were raised, a number of unprofitable operations were discontinued, the organisation was strengthened and project for enhancing the efficiency of logistics was continued
- Net sales increased by some 26% in Russian Rubles (some 9%)
- Commercial pharmaceutical market grew by 9.9% (10.0%) in Russian Rubles\*

\*) Source: Pharmexpert



- Year 2010: Includes 10.0 Me one-off items
- Year 2011: 33.4 Me impairment charge of Sary Lekar brand of



## Traded Volume of Shares January-September 2011

- Market capitalisation on 30 September 2011 was 260 Me (645 Me)
- The traded volume of all shares amounted to 39.9% (48.6%)\*
- Number of shares at the end of September 2011 in total 151,257,828 (151.257.828)
  - Number of class A shares 47,163,160 (47,217,359)
  - Number of class B shares 104,094,668 (104,040,469)
  - In January-September 2011 no class A shares were converted to class B shares (450,000)
  - The company held 96,822 class B shares

Share class	1-9/2011		1-9/2010	
	Class A	Class B	Class A	Class B
Trading volume, million	2.1	58.2	4.5	68.8
Trading volume, Me	6.5	163.2	20.5	287.3
High, EUR	3.83	3.74	5.47	5.49
Low, EUR	1.76	1.57	3.30	3.30
Close at 30 September 2011, EUR	1.79	1.69	4.26	4.27
Traded volume, %*	4.5%	56.0%	9.5%	66.6%

\*) The traded volume of average outstanding stock in the review period, excluding treasury shares

## Risks

- Oriola-KD has identified the following principal strategic and operational risks in its business
  - Growth in 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 regulation
  - Commitment of key employees
- The major financial risks for Oriola-KD involve currency exchange rates, liquidity, interest rates and credit
  - Expansion of operations into new business areas and new markets has increased the financial risks
  - Currency risks are the most significant financial risks in Russia and Sweden
    - Changes in the value of the Russian Ruble 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 made at least once a year
  - Changes in cash flow forecasts based on strategic plans, or in the discount rate or perpetuity growth rate, can cause a goodwill write-down, which would weaken Oriola-KD's profit
  - Especially the impairment test of the goodwill of the Russian cash-generating unit is more sensitive than before to changes in the discount rate or cash-flow forecasts
- Near-term risks and uncertainty factors
  - Stiff competition and the number of new pharmacies to be established has an impact on the profitability of Oriola-KD's pharmacy business
  - Changes in the exchange rate of the Russian Ruble due to uncertainties in the global economy and increasing customer credit risks may have an impact on the profitability of the wholesale business in Russia

## Outlook 2011 - Market Development

- Oriola-KD's outlook for 2011 is based on external market forecasts, supplier and customer agreements and management assessments.
  - In the period 2011-2014, the pharmaceutical market is expected to grow annually in average 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)
  - Growth in the Russian pharmaceutical market in 2011 is expected to be lower than the longer term trend and the tough competition is expected to continue
  - The visibility in the Russian pharmaceutical market development continues to be poor
  - Competition in the Swedish retail market is expected to continue to be stiff as a result of the deregulation



## Outlook unchanged for 2011

- Oriola-KD's net sales are expected to increase over 10 per cent in 2011 compared to the previous year
- Operating profit excluding the one-off items and impairment charges is expected to exceed EUR 20 million in 2011









## Disclosure Aspects

- The assumptions, opinions, estimates and views expressed in this presentation are solely the opinions and views of the company unless a reference to the source of the information is stated
- They reflect the current view of the company with regard to the discussed issues
- Several factors can however cause changes to these opinions and views
- Neither the company nor its management can answer for any future accuracy of the opinions or views expressed in this presentation or the actual occurrence of any forecasts

