



## **Oriola-KD Corporation January – June 2014**

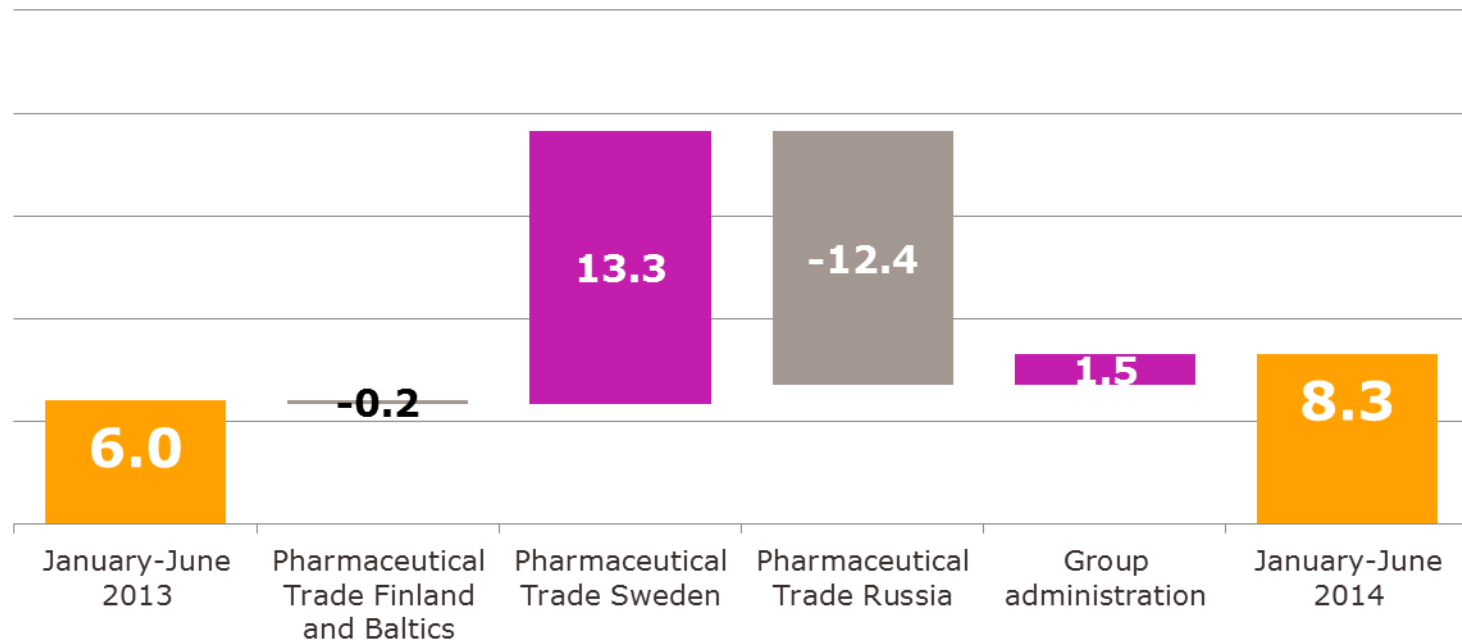
Eero Hautaniemi  
President and CEO  
24 July 2014



# Oriola-KD January – June 2014

- Oriola-KD's operating profit excl. non-recurring items was EUR 8.3 (6.0) million
  - Profitability of the Swedish wholesale business improved clearly
  - Swedish retail business has developed as planned
  - Profitability of Russian wholesale business was very poor
    - Operative results were clearly behind the goals set
    - Significant impairment and other charges for second quarter
  - Solid development of Pharmaceutical Trade Finland and Baltics

# Operating profit excluding non-recurring items January – June 2014 (EUR million)



# Key Focus Areas in 2014

Key Focus Area	January– June 2014
<b>1</b> Successful implementation of the new main logistics centre in Russia in spring 2015.	<ul style="list-style-type: none"><li>• Construction work has been completed and the project is proceeding according to the plan. Transfer of the logistics operations is scheduled to begin in the last quarter in 2014. A full production capacity will be reached by the end of the first quarter in 2015.</li></ul>
<b>2</b> Improvement of the profitability in pharmaceutical wholesale Russia.	<ul style="list-style-type: none"><li>• Profitability of Russian wholesale business was very poor. Operative results were clearly behind the goals set and significant impairment charges were recognized during the second quarter.</li><li>• Efficiency measures have led to a decrease of 490 employees from Russian businesses. Personnel of Russian wholesale business has decreased by 284 from the corresponding period.</li><li>• Efficiency measures to improve the performance of the pharmaceutical wholesale Russia will be continued and enhanced during the second half of the year.</li></ul>
<b>3</b> Completing the integration of the Swedish retail business by the end of the second quarter.	<ul style="list-style-type: none"><li>• Kronans Apotek is recognized as one of the main players in Swedish pharmacy market with approximately 21 per cent market share.</li><li>• Targeted EUR 8-10 million synergies from Medstop acquisition have been realized according to the plan</li></ul>

# Key Figures

EUR milloin	2014 Q2	2013 Q2	Change %	2014 1-6	2013 1-6	Change %
Net sales	593.1	652.1	-9.1	1,186.9	1,264.5	-6.1
EBITDA excl. non-recurring items	6.9	9.3	-25.6	21.5	16.7	29.1
EBITDA	6.6	5.2	26.3	20.2	12.7	59.9
Operating profit excl. non-recurring items	0.2	3.7	-94.3	8.3	6.0	38.1
Operating profit	-71.2	-0.3		-64.1	2.0	
Profit for the period	-82.1	-2.8		-79.5	-2.1	
Earnings per share (EPS), EUR	-0.55	-0.02		-0.53	-0.01	
Net cash flow from operating activities				-8,7	-1,5	

# Balance Sheet and Key Ratios

EUR million	30 June 2014	30 June 2013	31 Dec 2013
Goodwill	294.8	389.3	379.0
Equity	227.4	279.7	278.1
Interest-bearing debt	274.6	330.0	318.8
Interest-bearing net debt	166.1	199.8	181.5
Balance sheet total	1,335.0	1,466.5	1,500.1
Equity ratio, %	17.6	19.5	19.2
Return on equity (ROE), %	-53.0	-1.4	2.0
Return on capital employed (ROCE), %	-22.0	0.8	4.2
Gearing, %	73.0	71.4	65.3
Net debt / 12 month rolling EBITDA	3.1	5.1	3.9
Equity per share, EUR	1.50	1.85	1.84
Earnings per share (EPS), EUR	-0.53	-0.01	0.04
Average number of shares, 1000 pcs	151,137	151,161	151,157

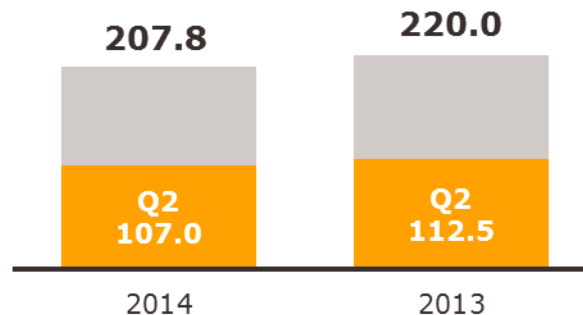
## Reporting segments January – June 2014

# Pharmaceutical Trade Finland and Baltics

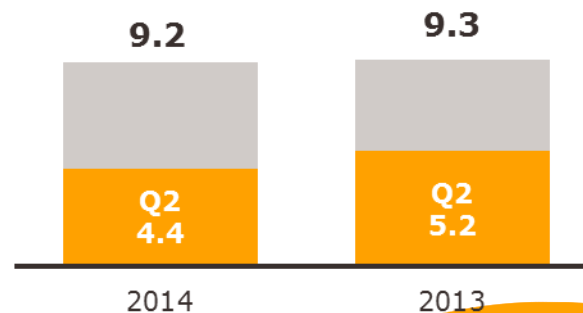
- Finnish pharmaceutical market grew by 3.7 (1.0) per cent\*.
- Operating profit percentage for Finland and Baltics was 4.4 (4.2) per cent.
  - As expected, the discontinuation of the distribution of Astra Zeneca's products by Oriola-KD in the third quarter of 2013 reduced the net sales.
  - Pharmaceutical distribution and marketing cooperation with MSD progressed as planned in the Baltics.
  - Sales growth in main Consumer Health brands (Avène, Lysi and Gefilus).

\*Source: IMS Health

## Net sales



## Operating profit

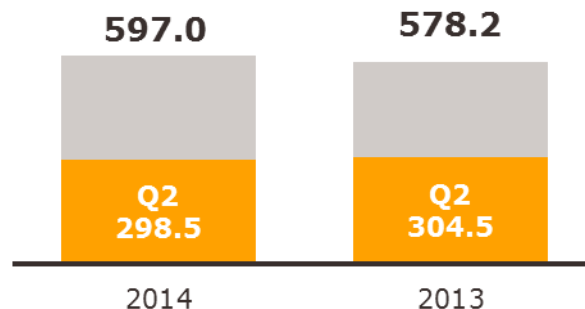




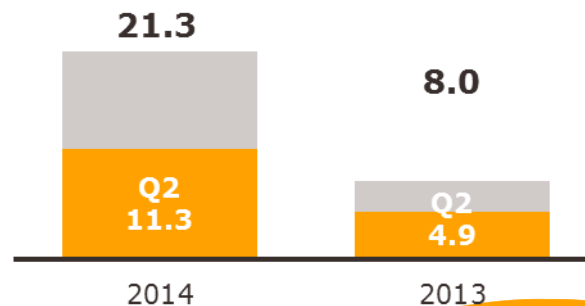
# Pharmaceutical Trade Sweden

- Pharmaceutical market in Sweden increased by 1.7 (-2.7) per cent\* OTC and Traded Goods market increased by 3.6 (6.0) per cent\*\*.
- Swedish retail business' net sales increased by 3.2 per cent, on a constant currency basis increase was 8.4 per cent.
- Retail business' EBITDA percentage excl. non-recurring items and management fee was 6.5 (4.3) per cent.
  - Targeted EUR 8-10 million synergies from Medstop acquisition have been realized according to the plan.
- Wholesale business' operating profit percentage was 1.4 (0.3) per cent
- Strong development was driven by increased volume and profitability programs carried out.

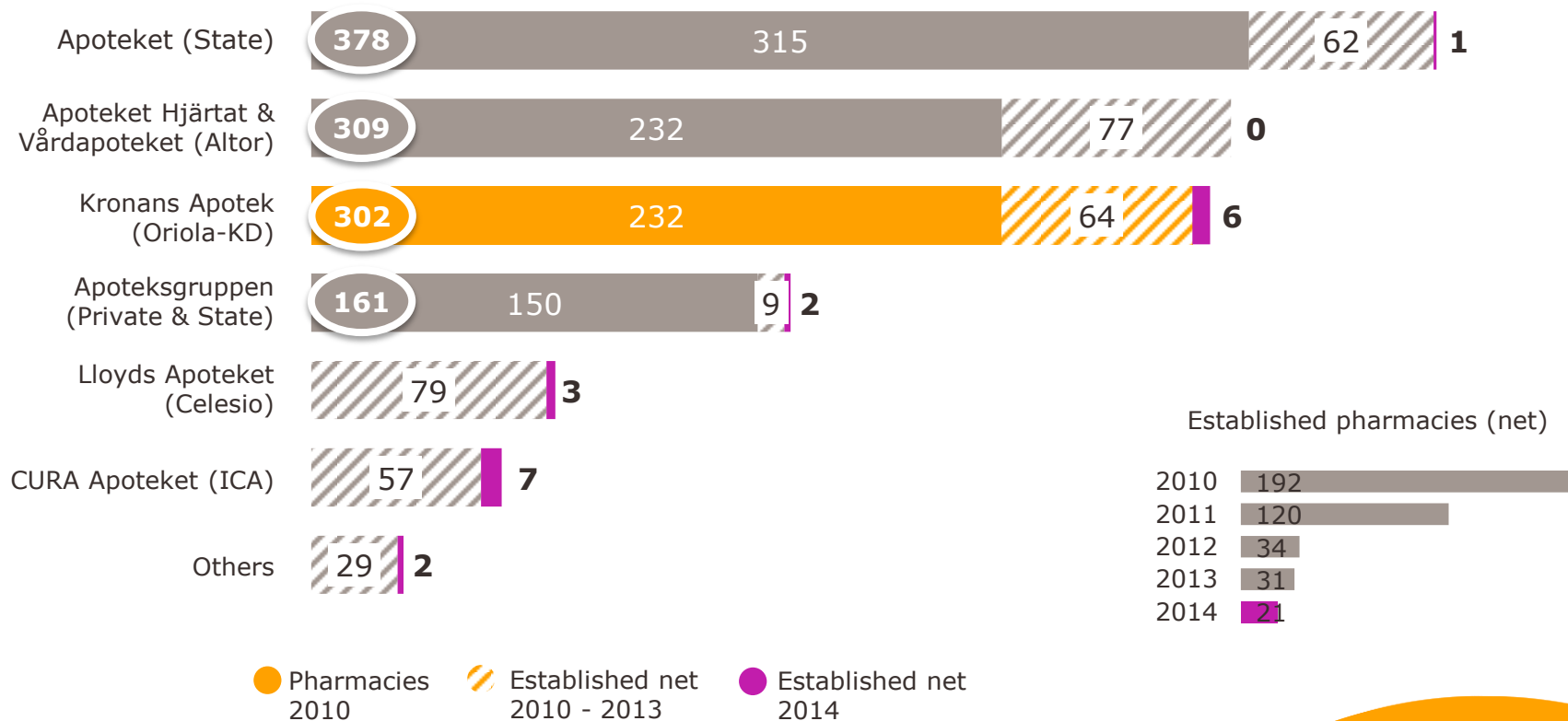
## Net sales



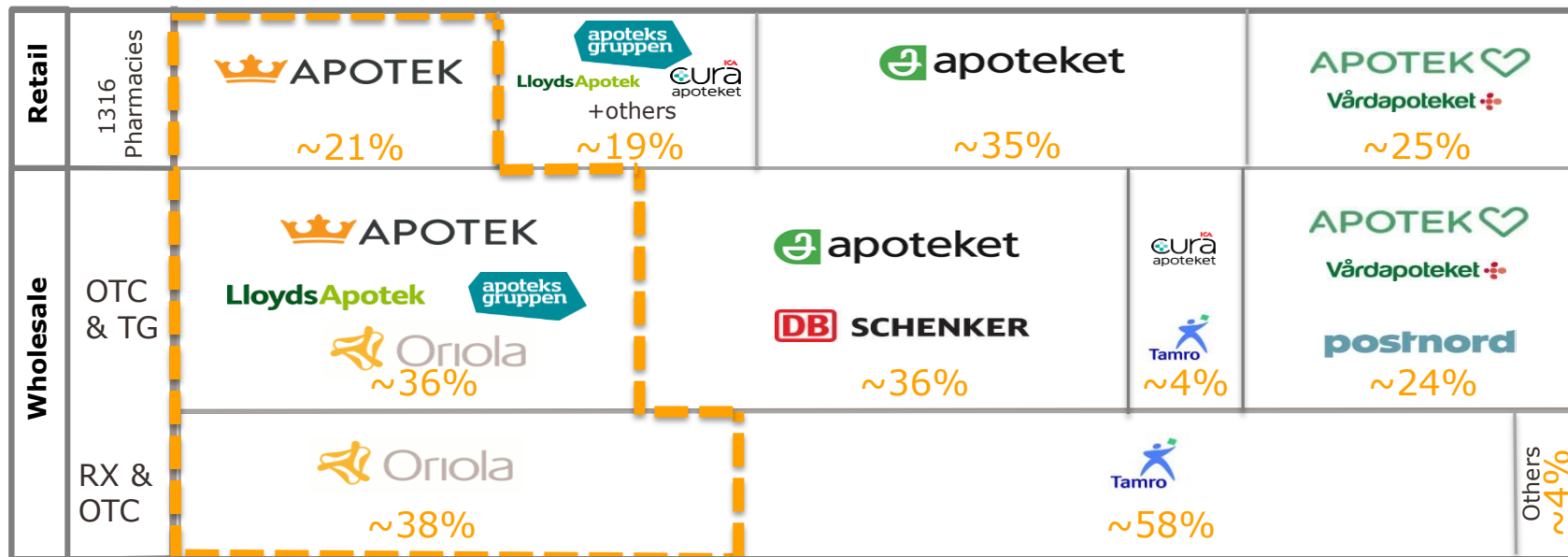
## Operating profit (excl. non-recurring items)



# Pharmacy Chains in Sweden



# Swedish pharma market structure

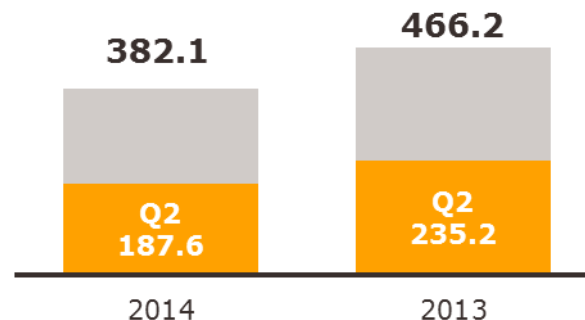


Source: Nielsen, IMS Health, Oriola-KD

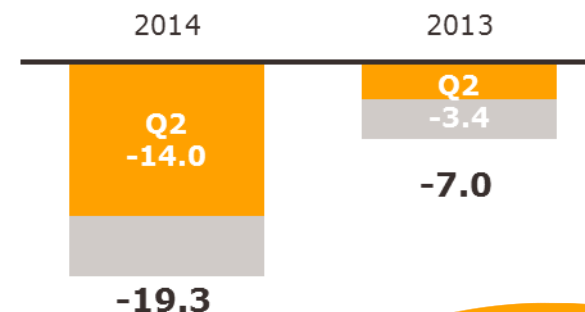
# Pharmaceutical Trade Russia

- The weak performance of the Russian businesses had a negative impact on Oriola-KD's January-June net sales and operating profit.
- The profitability of the Russian wholesale business was very poor, operating profit excl. non-recurring items was EUR -12.9 (-3.3) million.
  - During the second quarter, a change in the marketing income and bonus receivables estimate regarding the Russian wholesale business pharmaceutical principle contracts led to a EUR 7.2 million expense
  - EUR 77.2 (-) million impairment charge for Russian pharmaceutical wholesale for the second quarter.
  - Efficiency measures to improve the performance of the pharmaceutical retail Russia will be continued during the second half of the year.
  - Oriola-KD recognized EUR 77.2 (-) million impairment charge for Russian pharmaceutical wholesale for the second quarter.
- Russian retail business' net sales decreased by 24.7 per cent, on a constant currency basis decrease was 11.3 per cent
- At the end of June, Oriola-KD had 222 (242) pharmacies in the Moscow area.

## Net Sales



## Operating profit (excl. non-recurring items)



# Financial Position

- Interest-bearing debt was EUR 274.6 (330.0) million
- Interest-bearing net debt was EUR 166.1 (199.8) million
- Net debt / 12 month rolling EBITDA was 3.1 (5.1)
- Gearing ratio was 73.0 (71.4) per cent
- EUR 40 million hybrid bond was issued in February 2014 in order to strengthen Oriola-KD's balance sheet

Financial covenants according to the financing agreement	Actual 30 June 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Net debt / 12-month rolling EBITDA	2.8x	4.0x	3.5x	3,5x	3.0x
Gearing ratio	66.6 %	120 %	100 %	100 %	100 %

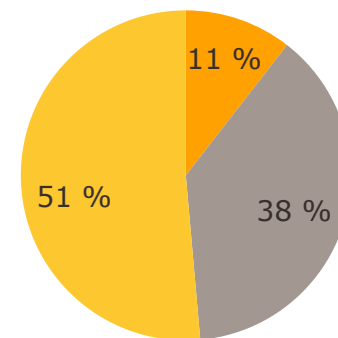
# Consolidated Cash Flow

EUR million	2014 1-6	2013 1-6	2013 1-12
Change in working capital	-24.0	-5.6	3.5
Net cash flow from operating activities	-8.7	-1.5	29.8
Net cash flow from investing activities	-17.9	-83.1	-97.8
Net cash flow from financing activities	-1.7	127.3	118.4
Net change in cash and cash equivalents	-28.3	42.7	50.4
Cash and cash equivalents at the end of the period	108.5	130.2	137.3

# Personnel

Personnel by Reporting Segments	30 June 2014	30 June 2013	31 Dec 2013
Pharmaceutical Trade Finland and Baltics	515	535	505
Pharmaceutical Trade Sweden	1,866	1,870	1,849
Pharmaceutical Trade Russia	2,518	3,008	2,901
<b>Total</b>	<b>4,899</b>	<b>5,414</b>	<b>5,256</b>

Personnel by country



■ Finland and Baltics ■ Sweden ■ Russia

# Outlook for 2014

- Oriola-KD estimates that operating profit excluding non-recurring items will increase compared to 2013 actual. Net sales is estimated to decrease from 2013 level.
- Oriola-KD revised its guidance announced in interim report April 22, 2014 with stock exchange release on July 15, 2014.





# Oriola KD

*The Channel for Health*

