

# HEALTH. WELLBEING. ORIOLA-KD.



**Annual Report 2016**

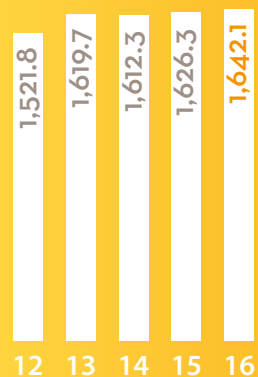
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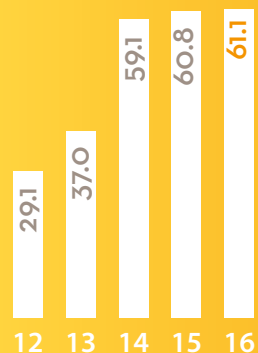


**Net sales**

MEUR

**Adjusted Operating Profit**

MEUR



Oriola-KD unites consumers and pharmaceutical companies in a unique way. Oriola-KD provides pharmaceutical companies an effective access to markets and improves consumers' wellbeing by ensuring that pharmaceuticals, health products and services are delivered in a safe and customer-friendly manner.

net sales 2016

**EUR 1.6 billion**

investments 2016

**88.8**

EUR million

pharmacies

**325**

employees

**2,821**

# Oriola-KD in Brief

Oriola-KD is a Finnish stock-listed company that operates in pharmaceutical and health and well-being products retail and wholesale. Oriola-KD has a solid position in consumer and services business in the pharmaceutical markets in Sweden, Finland and Baltic countries. We improve people's wellbeing by ensuring that pharmaceuticals and consumer health products are delivered in a safe and customer-friendly manner.

In our own pharmacies we offer expert advice on health and wellbeing, and an extensive and high-quality selection of products. We offer operators in the healthcare sector a broad selection of services. We provide an effective and reliable link between pharmaceutical companies and consumers in Sweden, Finland, Estonia, Latvia and Lithuania.



## Unique Position

We improve people's wellbeing by ensuring that pharmaceuticals and consumer health products are delivered in a safe and customer-friendly manner. We provide an effective and reliable link between pharmaceutical companies and consumers.



net sales ► EUR **1.6** billion

**2,821** personnel

**325** pharmacies



## Preferred Partner in the Nordic Countries

Oriola-KD operates in Sweden, Finland and the Baltic Countries.



## Our Customers:

- *Pharmacies & Hospital Pharmacies*
- *Consumers*
- *Pharmaceutical Companies*
- *Veterinarians*
- *Groceries*
- *Dentists*
- *Public & Private Healthcare*

A young child with blonde hair, wearing a bright blue hooded raincoat, is captured in a moment of joy during a rainstorm. The child's mouth is wide open in a shout or laugh, and their hands are raised in front of them, palms facing outwards. Raindrops are visible as white streaks falling all around the child. The background is a soft-focus green, suggesting foliage. A solid blue rectangular box is overlaid on the lower-left portion of the image, containing white text.

**in big  
and small  
moments**





# We Improve People's Wellbeing

**Mission //** The channel for health

We improve people's wellbeing by ensuring the reliable and customer-friendly delivery of pharmaceuticals and consumer health products.

**Vision //** Oriola-KD is the Pharmaceutical Channel in Northern Europe.

We want to be the preferred channel in Northern Europe connecting pharmaceutical manufactures and consumers by providing pharmaceutical manufacturers and other health consumer product producers a reliable access to the markets and by providing consumers excellent and reliable service.

*We are open • We work together • We take initiative • We take responsibility*

# CEO's Review

Year 2016 was the first whole year when we operated with a structure which was set according to our new strategy and were able to improve our services to all our customer groups. The realization of our new strategy was visible also in acquisitions and large logistics and IT projects.

## **New Innovations in Logistics Value Chain**

In the beginning of the year we finalised our acquisition of Svensk Dos dose dispensing company and it was intergrated into our new Healthcare Business area during spring 2016. There is a significant growth potential in dose dispensing both in Finland and in Sweden and I'm pleased in our progress during the last year. In addition we acquired Farenta service company which complements our Services business first in Finland but in the coming years hopefully also in Sweden. All acquired companies have been successfully integrated and we have been able to offer added value to our customers through new services.

The whole services IT-system renewal and Enköping and Mölnlycke enlargement projects have progressed according to the plans. The efficiency of the logistics processes in Finland was much improved when we concentrated all Finnish distribution to Espoo during second quarter. With these initiatives we are preparing to market change that is already clearly visible in Sweden where e-commerce is growing strongly. We are also able even better to answer our customers' and authorities' higher quality expectations. Digitalization and our customers new needs require us new innovations in logistics value chain. We must be faster, more efficient and available to our customers every day in easy and clever ways. This demands continuous improvement and development of procedures.

## **The Growing Role of Digital Services**

We established in 2016 14 new pharmacies and developed several new digital services to



Digitalization and our customers new needs require us new innovations in logistics value chain.

We must be faster, more efficient and available to our customers every day in easy and clever ways.

consumers. Webstore and other digital services are a key development area to us. In Sweden the e-commerce is rapidly growing and was in 2016 already over four per cent of total pharmacy sales. We were able to further grow our traded goods and OTC share of the sales in Sweden and also our webstore grew strongly especially during the final quarter. I believe that the new year will be interesting due to both increasing competition and strong growth in e-commerce.

During 2016 there was a lively discussion in Finland about the development needs of the pharmacy market. In the light of the stated arguments on the matter it is clear that there is much potential for development. Patient safety is on a good level in Finland and it is important to regulate the pharmacy operations in the future at least as well as currently. It is also an undisputed fact that the regulation concerning pharmacy ownership makes it difficult to increase efficiency and unnecessarily increases retail costs of medicines compared to other Nordic countries. The example from Sweden proves that the regional availability of medicines can be safeguarded at the same time when general availability of medicines and competition in the markets are increased. In my opinion it is important that pharmaceutical distribution as a whole is part of the solution when healthcare reform is on the planning board in Finland.

### **An Interesting Year Ahead**

The past year was busy and the new year seems to offer many new and interesting projects. I want to thank all our customers and employees for the year 2016 and hope that we may together do this year 2017 at least as successful.

**Eero Hautaniemi**  
CEO



# Industry Sector and Markets

We operate in the Finnish, Swedish and Baltic pharmaceutical and wellbeing product markets.

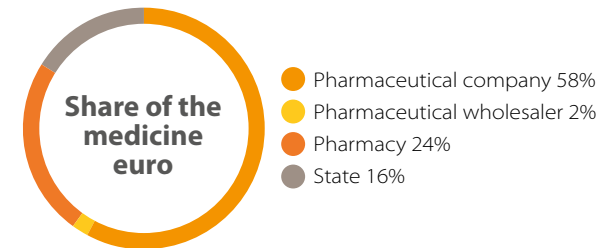
Our customers are pharmaceutical companies, health and wellbeing product producers, pharmacies, and hospitals, healthcare operators such as dentists and vets as well as consumers.

Pharmaceutical sector is carefully regulated and patient and medicine safety are the most important requirements that steer our operations. Pharmaceuticals must be distributed to patients safely and on time regardless of circumstances.

## FINLAND //

The value of the Finnish pharmaceutical market in 2016 was EUR 2,205 billion. The estimated annual growth until 2020 is approx. 1 per cent. (Source: IMS Health)

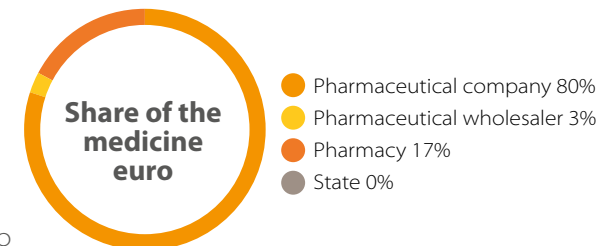
- There are 815 pharmacies in Finland (source: The Association of Finnish pharmacies)
- 93 per cent of customers were happy with the service of the pharmacy as a whole (source: The Association of Finnish Pharmacies)
- Medicines are allowed to be sold only in pharmacies, nicotine replacement therapy products can also be sold in grocery stores



## SWEDEN //

The total value of the Swedish pharmaceutical market in 2016 was SEK 41, 6 billion. The estimated annual growth until 2020 is approx. 4 per cent. (Source: IMS Health)

- There are 1394 pharmacies in Sweden (source: Apoteksförening)
- 97 per cent of customers were happy with their last visit to the pharmacy (source: Apoteksförening)
- Prescription medicines are only sold in pharmacies, part of the OTC products are available in grocery stores





# Changing Business Environment

People have become more interested in their own health and are living longer. They are also spending more money on health and wellbeing.

Consumers are now more demanding, are willing and able to use technology and are used to services that are available 24/7. The retail business is becoming increasingly digital, and electronic services are becoming a new normal.

The pharmaceutical market is undergoing a radical change. The roles of the various operators are changing, new kinds of market participants are emerging and consolidation is occurring in the market. Pharmaceutical companies are specialising and are focusing on their core businesses. Digitalisation has an impact on all operators and the need for electronic services is growing. These changes are increasing the demand for new services.

The amount of elderly is increasing, which is leading to increasing healthcare needs. This change is creating new business opportunities for both the public and private healthcare sectors.



## Healthcare is Changing

The amount of ageing population is increasing, which is leading to growing healthcare needs and costs. This offers new business opportunities in niche services provided to public and private healthcare.



## Digitalisation

Consumers are becoming more technically oriented and expecting services to be available 24/7. The retail business is becoming increasingly digital, and electronic services are becoming a necessity.



## Increased Spending on Health & Wellbeing

Rising income levels enable consumers to prioritize health and wellbeing. People want to live a healthy life. Spending on health and wellbeing is on the increase.



## Speciality Pharmaceuticals Growth

The demand for speciality pharmaceuticals in the hospital sector is growing. These expensive biomedicines require special handling, storage and transportation. Unique handling of the pharmaceuticals and new special services for small customer groups will increase.

# Strategy in a Changing Business Environment

Oriola-KD helps consumers to enhance their wellbeing. In our own pharmacies we offer expert advice on health and wellbeing and an extensive and high-quality selection of products.

We offer an extensive range of services for operators in the healthcare sector in Sweden, Finland and the Baltic countries. We unite pharmaceutical companies and consumers in a unique way. We provide pharmaceutical companies with an effective route to the market and promote people's wellbeing by ensuring that pharmaceuticals, consumer health products and services are delivered in a safe and customer-friendly manner.

## ***We meet the Business Environment Challenges by:***

- expanding traditional pharmaceutical distribution into services for pharmaceutical companies and the retail trade
- offering pharmaceutical companies a single point access to Nordic pharmaceutical markets
- developing online services in its service business and as part of the strategy for its consumer business
- offering pharmaceutical services to the healthcare sector, including hospitals
- offering an excellent customer experience and product assortment
- improving efficiency to enhance competitiveness

# Targets

Annual EPS growth

**>5%**

Return on capital employed

**>20%**

## Long-term Financial Targets

- *Business growth at the rate of the market growth*
- *Annual EPS growth over 5 per cent without non-recurring items*
- *Return on capital employed of over 20 per cent*
- *Adjusted gearing ratio of 30–60 per cent\**

\*Non-recourse trade receivables are added to the net debt

## Key Focus Areas for 2017

- *Active development of digital business*
- *Successful execution of the efficiency improving strategic development initiatives*
- *Further development of the healthcare business*



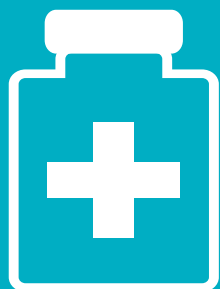
A warm, golden-hour photograph of a family. In the foreground, a young girl with long brown hair, wearing a yellow floral dress, is looking up and reaching out towards an adult. The adult, whose face is partially visible on the left, is smiling and looking down at the girl. They are standing on a grassy bank next to a calm body of water. The background shows a line of trees and a bright sunset sky, creating a soft, hazy atmosphere. A large blue rectangle with white text is overlaid on the left side of the image.

**best  
moments  
together**



# Smooth and Efficient Service

We offer expert advice on health and well-being and an extensive and high-quality product selection in our own Kronans Apotek pharmacies. For the operators in healthcare sector, we offer a broad selection of services. We provide an effective and reliable link between pharmaceutical companies in Sweden, Finland and the Baltic Countries.



Important partner  
to pharmaceutical  
industry



Oriola KD

We improve people's wellbeing by ensuring that  
pharmaceuticals and consumer health products are  
delivered in safe and customer-friendly manner



In touch with the  
local consumer

# The Medicine's Path from the Manufacturer to the Consumer

Pharmaceutical distribution requires much expertise and skills in all phases. High quality and safety requirements concern the entire distribution chain.

The medicines path from the manufacturer to the consumer goes via pharmaceutical wholesaler and pharmacy. In every phase of the distribution chain it is important to ensure safety and make sure that right medicines are in the right place at the right time. The pharmaceutical distributor is responsible for storing of and distributing pharmaceuticals to pharmacies, hospitals and other relevant operators. In addition to the distribution pharmaceutical wholesaler also takes care information flow, ensures safety according to authorities' regulation and aims to do everything as efficiently and speedily so that the medicines are delivered to pharmacies within 24 hours of the order. The availability of medicines is on a very high level in Finland and Sweden.



## **CASE: Complete Research Logistics Chain**

*More and more pharmaceutical research is being carried out in Finland and Sweden. Oriola offers pharmaceutical companies a comprehensive and tailored research logistics service. "Oriola+ Clinical Supplies Services covers the entire lifespan of an investigational drug: we offer pharmaceutical companies services from importing investigational drugs to returns and disposal," says Anu Heikkinen, Product Manager at Oriola's Clinical Supplies Services in Finland.*





## pharmaceutical research & development



*The medicines path starts from research and development, goes via pharmaceutical wholesaler to pharmacies, hospitals and finally to patient. Pharmaceutical wholesalers are specialized in storing and distributing pharmaceutical products. In single channel model pharmacy or hospital can only purchase the pharmaceutical company's products from one wholesaler.*

## pharmaceutical manufacturer



## pharmaceutical wholesaler



Pharmacy

.....



Public and private healthcare

.....



Dentist

.....



Dose dispensing unit

.....



Veterinarian

.....



Grocery store




.....



Consumer  
Patient

*Pharmacies are responsible for the retail distribution of prescription medicines and self-care products. Some self-care medicines are also available in grocery stores.*

# Business Areas

Business Area	Share of Net Sales 2016	Customers	Target
<b>1.</b>  <b>CONSUMER //</b> Expert advice on health and wellbeing as well as an extensive and high-quality selection of products in our own pharmacies and online.	<b>48.3%</b>	<ul style="list-style-type: none"> <li>• Consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Expert service, comprehensive customer loyalty programme and attractive product range. Consistent service experience from local pharmacies to online services.</li> </ul>
<b>2.</b>  <b>SERVICES //</b> Unique service offering covering pharmaceutical distribution and wide range of value adding services from clinical research to consumer services.	<b>49.5%</b>	<ul style="list-style-type: none"> <li>• Pharmacies</li> <li>• Pharma companies</li> <li>• Veterinarians</li> <li>• Grocery stores</li> </ul>	<ul style="list-style-type: none"> <li>• Tailored customer-specific services, a coherent service offering and superior customer experience.</li> </ul>
<b>3.</b>  <b>HEALTHCARE //</b> There are many growing business opportunities in the healthcare market, such as hospital pharmaceutical care, dose dispensing and home distribution of pharmaceuticals.	<b>2.2%</b>	<ul style="list-style-type: none"> <li>• Public and private healthcare</li> <li>• Dentists</li> <li>• Veterinarians</li> </ul>	<ul style="list-style-type: none"> <li>• Improved patient safety and efficient and effective practices.</li> <li>• Optimum use of healthcare staff time and savings in costs.</li> </ul>

# Consumer

Oriola-KD focuses on the needs of consumers in health and wellbeing related products and services. We offer expert advice on health and wellbeing as well as an extensive and high-quality selection of products in our own pharmacies and online.

In Sweden, we have a nationwide pharmacy chain Kronans Apotek with 323 pharmacies. Our strengths are skilled personnel and an in-depth knowledge of consumer needs. Our goal is high customer satisfaction, every day.

We want to differentiate by combining modern retail customer experience with expert advice also in our digital channels. Our extensive assortment covers high quality beauty and wellbeing products on top of a full pharmacy assortment. We complement our service offering by redefined loyalty program which offers a variety of benefits to our customers.

## **The Digital business is an Important Part of our Business and the Importance will grow further**

Kronans Apotek's webshop, [www.kronansapotek.se](http://www.kronansapotek.se) covers Kronans Apotek's full product assortment, traded goods, OTC and prescription medicines. We always want to make our services easy and comfortable to our customers. A new mobile application for our prescription medicine customers was launched in autumn 2016.

For the Finnish healthcare professionals, the Oriolashop.fi online shop offers a wide assortment of health and beauty products. In Latvia, online pharmacy InternetAptieka.lv's product assortment consists of OTC and traded goods. Consumers can order products to be delivered directly home or to a chosen delivery address. Consumers can also select to pick up products ordered online from two InternetAptieka pharmacies in Riga, owned by Oriola-KD.



## **CASE: Excellent Service in Rural Pharmacies in Sweden**

*In 2010, the Swedish pharmacy market was deregulated and opened for private actors. There are now 32 different pharmacy actors in Sweden, and Kronans Apotek is one of the three biggest chains. Seven years later, the impact of market deregulation on rural pharmacies seems to be mainly positive.*

# Services

Oriola-KD is a reliable and well-known partner for healthcare actors in Sweden, Finland and the Baltic countries.

Our renewed service portfolio is the widest in the sector and in addition to pharmaceutical distribution, covers a wide number of services that make our customer's lives easier from clinical research to consumer services.

We provide services for healthcare actors who want to succeed in the Nordic and Baltic countries. We know the market from producer to consumer. We will help our customers to serve their customers better. With us our customers can grow their business, increase profitability and reach their goals.

Our logistics network covers all our operating countries: Sweden, Finland, Estonia, Lithuania and Latvia. High quality and efficient supply chain are the basis of our operations. We ensure that products are delivered safely from own warehouses to pharmacies, hospitals and veterinaries. We deliver all products within 24 hours from the time an order is placed to both remote areas and to big cities around the year.

## Supply Chain Services for Pharmacy Chains

In Sweden we offer competitive sourcing and supply chain of OTC pharmaceuticals and traded good products to pharmacy chains. Cooperation enables large purchasing volumes at competitive prices to pharmacy chains.

## The Best Expert Services During the Whole Medicine Lifecycle

We provide a unique service portfolio to healthcare sector companies. We are the only partner the customer needs to succeed in the market from clinical trials to consumer services. In our portfolio we have services for the whole lifecycle of medicines: authority relations, clinical trials, Market Access, pharmaceutical logistics and sales and marketing services for pharmaceutical companies as well as expert services for pharmacies.

## Marketing healthcare and wellbeing products

We provide a wide range of traded goods and sales and marketing services to pharmacies in Finland and in the Baltic countries. The product portfolio includes, among others, vitamins, dietary supplements, pharmaceutical cosmetics, skincare products, tests, sports drinks, and wound care products. The product selection includes leading healthcare and wellbeing product brands, such as exclusive brands Avène, Gefilus, Lysi and Oriola's own brand Pharmacare. We also have own product selection for grocery trade.



## Oriola-KD Acquired Farenta and Grows its Service Offering

*In September 2016 Oriola-KD acquired 70.9 per cent of Farenta, a Finnish company offering services for pharmaceutical companies. Farenta is a Finnish company specializing in pharmaceutical services that was established in 2003 and offering professional services to pharmaceutical companies and staffing services to pharmacies. Farenta serves over 100 pharmaceutical companies and 300 Finnish pharmacies.*

# Healthcare

There are many growing business opportunities in the healthcare market, such as hospital pharmaceutical care, dose dispensing and home distribution of pharmaceuticals.

Our goal is to build the healthcare business based on the market and customer needs, providing new services for healthcare organizations like clinics and hospitals.

Svensk Dos in Sweden and PharmaService in Finland are Oriola-KD's subsidiaries specialized in dose dispensing services. Svensk Dos provides dose dispensed medicines to 25,000 patients via extradition locations and nursing homes in the region of Skåne and direct to the Swedish Prison and Probation Service all over Sweden. PharmaService provides supporting services for automated dose dispensing of medicines to about 300 contract pharmacies in Finland, serving approximately 20,000 of the pharmacies' customers.

Automated dose dispensing service is safe and saves money. In Sweden, hospitals are becoming increasingly interested in the service. There are

200,000 dose dispensing customers in Sweden but there is still growth potential in the Swedish market. In Finland, so far just under 40,000 customers are using an automated dose dispensing services. Automated dose dispensing improves the patient's life quality. The patient can always trust that he or she gets the right medication, and the process is simple and safe. There are also benefits for the society: there is less waste and the prices remain lower.

Oriola-KD's webshop serves healthcare organizations such as veterinary clinics, dental clinics and primary care units in Sweden. Customers are able to access their unique account and easily order pharmaceuticals, medical devices and traded goods directly to the clinic or pick up at any Kronans Apotek pharmacy in Sweden.

## **CASE: PharmaService – Leading Provider of Automated Dose Dispensing Supporting Service in Finland**

*The core of PharmaService's business is Anja, an automated dose dispensing service in pharmacies. With Anja, pharmacies can provide customers a two-week supply of tablets and capsules that are taken regularly, packed in single-dose pouches. The risk of medication errors is extremely low.*



# Information for Investors

Oriola-KD Corporation's class A and B shares are quoted on the main list of the NASDAQ Helsinki. The ticker symbol for the class A shares is OKDAV and for the class B shares OKDBV. The Company has in total 181,486,213 shares of which 55,484,648 were class A shares and 126,001,565 were class B shares on 31 December 2016.

Earnings per share

**0.24 EUR**

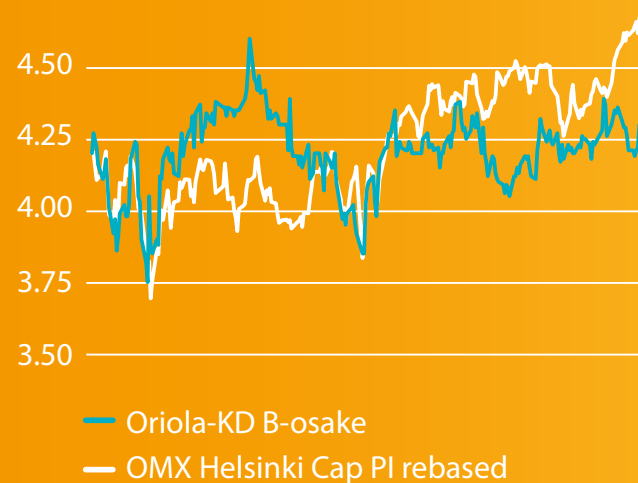
(2015: 0.25 EUR)

Dividend

**0.14 EUR/SHARE \*)**

\*) Proposal by the Board of Directors  
(2015: 0.13)

Share price development,  
1.1.–31.12.2016, EUR



Oriola-KD B Share  
31 December 2016:

**4.31 EUR**



## Oriola-KD as an Investment

- *We operate in the growing healthcare market*
- *We actively develop services for healthcare sector's needs*
- *We have a solid financial position*



Profit for the Period:

**EUR 42.8 MILLION**  
(2015: EUR 44.5 million)

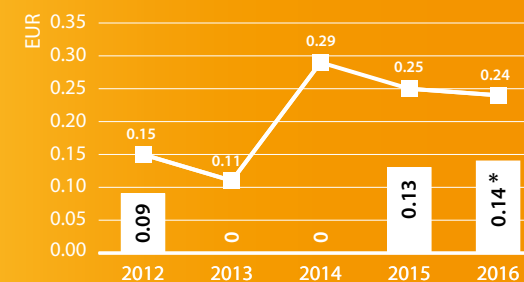


## Major Shareholders on 31 December 2016

	% of total shares	% of total votes
1. Mariatorp Oy	9.22	9.14
2. Wipunen Varainhallinta Oy	4.88	4.71
3. Ilmarinen Mutual Pension Insurance Company	4.19	6.16
4. Varma Mutual Pension Insurance Company	4.18	7.26
5. Mandatum Life Insurance Company Limited	2.51	1.85
6. Mutual Insurance Company Pension-Fennia	1.54	0.70
7. Fondita Nordic Micro Cap Placeringsfond	1.23	0.18
8. Medical Investment Trust Oy	1.14	2.57
9. The Land and Water Technology Foundation	1.13	3.30
10. The Social Insurance Institution	1.10	0.16



## Dividend and Earnings per Share, EUR



\* Proposal by the Board of Directors

# Responsibly from Manufacturer to Consumer

Safe and reliable pharmaceutical distribution is a responsible mission. We handle the pharmaceutical distribution chain from producer to consumer around the year in all circumstances. Our professional pharmacy staff helps consumers to use medicines responsibly and in a correct way.

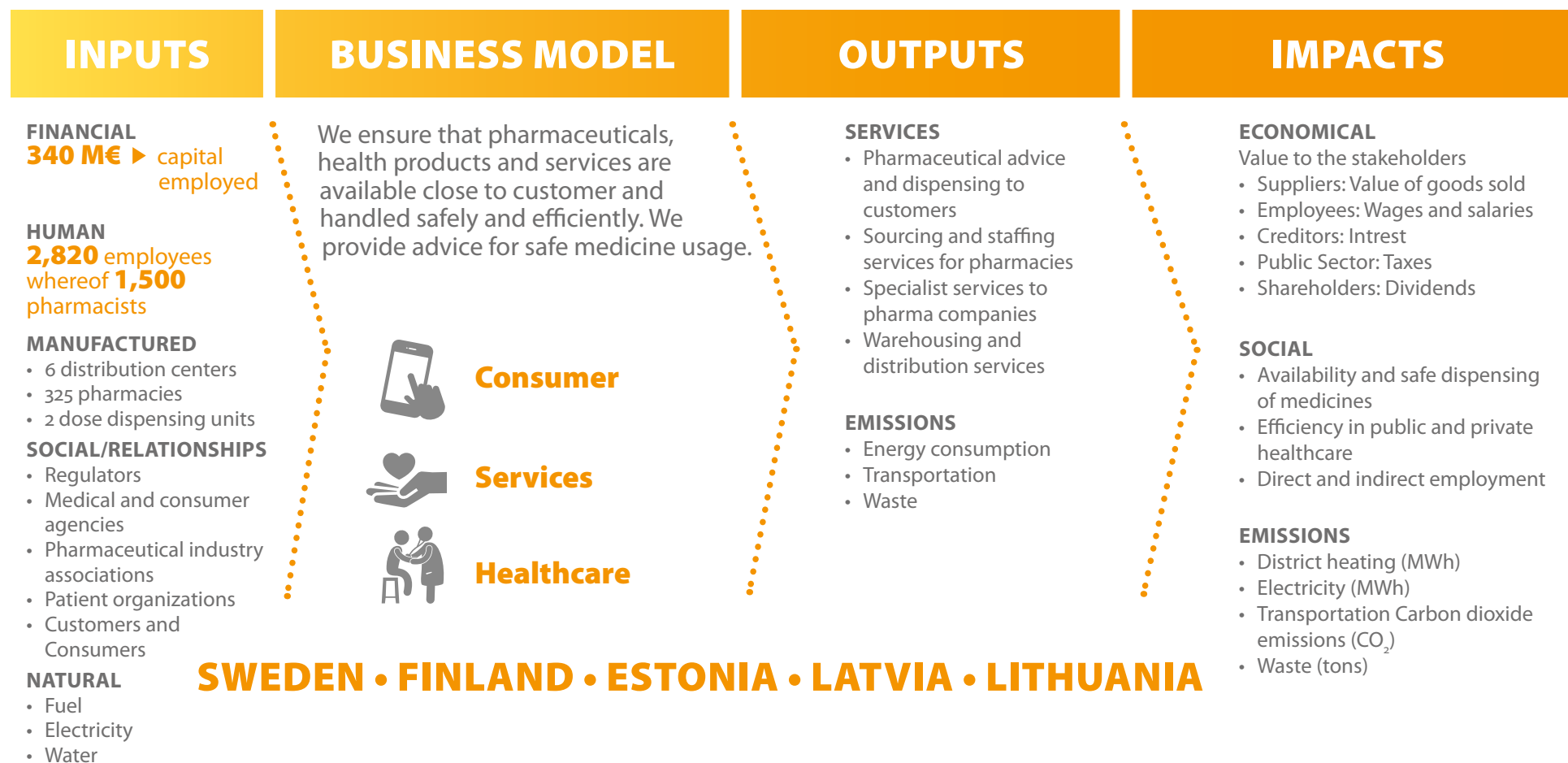
Ensuring patient and medicine safety is the most important issue for us. Professional service and high quality pharmaceutical advisory in our own pharmacies is an important element of our responsible operations. We follow the strict pharmaceutical sector quality and safety procedures in all phases of the distribution chain in all our locations. Oriola-KD also has many own quality management systems in use.

The most significant environmental impacts in our operations are caused by the pharmaceutical transports, real estate electricity and heating consumption and packaging waste. We aim to minimize these impacts in many different ways.

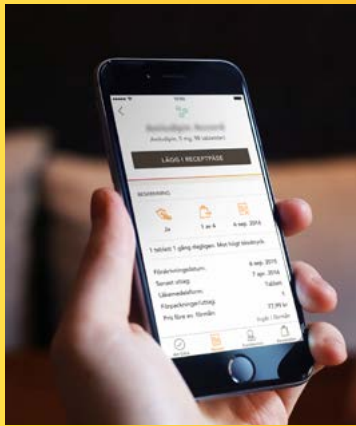
We carry for example the medicines to pharmacies in reusable plastic boxes, we optimize the transport routes to minimize emissions, take into consideration the energy efficiency in our new real estate projects and take care of the separation and destruction of pharmaceutical waste in a safe way. In Sweden the consumers can bring their pharmaceutical waste back to the collection points in Kronans Apotek pharmacies.

Talented personnel are our most important success factor. Continuous competence development and good management is essential to us. We want that all our employees have safe working environment where working is efficient and nice.

# Oriola's Role in the Value Chain



# Cases



## A New Application from Kronans Apotek

Kronans Apotek has developed a new application to support Swedish customers with prescriptions. The app is downloadable via Appstore and Google Play. "The aim is to make it easier for customers to keep track of their recipes and thereby also improve medicine usage," says **Anna Skarph**, pharmacist and responsible for business development at Kronans Apotek.

## Oriola's Quality Team Develops Common, International Practices

Oriola's quality functions were incorporated into one team at the beginning of 2016. This change was prompted by Oriola-KD's new operating model, which divided the company's business operations into three international business areas. The new operating model also faded out the national boundaries between support functions and brought the people working on the same matters closer together.



## Logistics Shifts Gears at Oriola

A major new development project was completed at Oriola's logistics centre in Espoo in 2016. Logistics development will continue under the Lean model.



### **Oriola-KD Acquired Pharmaservice**

Oriola-KD acquired Pharmaservice Oy, a Finnish company offering dose dispensing supporting services from the Association of Finnish Pharmacies and Orion Corporation in July 2016. Pharmaservice provides supporting services for automated dose dispensing of medicines (Anja) to pharmacies in Finland, serving approximately 20,000 of the pharmacies' customers. In 2015, the net sales of Pharmaservice were approximately 14 MEUR, and it is a market leader in dose dispensing services in Finland.



### **Oriola and Shire to Strengthen their Cooperation**

Shire and Oriola strengthened their cooperation both in Finland and Sweden in 2016. Oriola and Shire Sweden AB signed a long-term cooperation agreement, and cooperation was agreed to be extended in Finland as well. Oriola offers Shire pharmaceutical storage and distribution services and a broad range of tailored services.



### **Oriola Road Show Reached more than 1,000 Pharmaceutical Professionals**

More than 1,000 pharmaceutical professionals attended the Oriola Road Show in November 2016. The Road Show received good feedback from guests and partners.



# Members of the Board of Directors 2016–2017



**Mr. Anssi Vanjoki**, Chairman, b. 1956  
M.Sc. (Economics)  
Independent member of the Board since 2015

**Shares in Oriola-KD Corporation 31 Dec 2016: 0 class A shares, 9,160 class B shares**

## Primary career

2012– Lappeenranta University of Technology, Professor  
–03/2011, Nokia Corporation, Executive Vice President & General Manager  
1998–2011, Nokia Group, Executive board member

## Key positions of trust

Member of the Board of Basware Corporation, Atacama Labs Oy and Sonova Holding AG  
Chairman of the Board of Amer Sports Corporation, KoruLab Oy, Omegawave Oy, Aqsens Oy and Sstatzz Oy



**Ms. Eva Nilsson Bågenholm**, b. 1960  
Physician  
Vice Chairman  
Chairman of the Compensation Committee  
Independent member of the Board since 2015

**Shares in Oriola-KD Corporation 31 Dec 2016: 0 class A shares, 5,130 class B shares**

## Primary career

2015– Humana AB, Quality Director  
2011–2014 Swedish Ministry of Health and Social Affairs, National Coordinator for Elderly Care  
2002–2011 Sahlgrenska University Hospital, Specialist physician in Internal medicine

## Key positions of trust

Member of the Board of the Foundation for Danviks Hospital



**Ms. Anja Korhonen**, b. 1953  
M.Sc. (Economics)  
Chairman of the Audit Committee  
Independent member of the Board since 2014

**Shares in Oriola-KD Corporation 31 Dec 2016: 0 class A shares, 11,754 class B shares**

## Primary career

1996–2011 Nokia Oyj, Senior Vice President, Corporate Controller; Vice President, Business Controller, Mobile Phones; Senior Vice President, Business Controller Nokia Mobile Phones.  
1983–1996 Hewlett–Packard, Nordic Controller and Finance & Admin Manager/Finland; European Planning and Reporting Manager; Various other manager positions within finance and accounting as well as developments programs.

## Key positions of trust

Member of the Board of Outotec Oyj



**Ms. Mariette Kristenson**, b. 1977  
M.Sc. (Economics)  
Independent member of the Board since 2016

**Shares in Oriola-KD Corporation 31 Dec 2016: 0 class A shares, 2,202 class B shares**

## Primary career

2012– Reitan Convenience Norway AS, CEO  
2007–2012 Reitan Servicehandel Sweden AB, Marketing Director Pressbyrå  
2003–2007 Reitan Servicehandel Sweden AB, Regional Manager Pressbyrå and 7-eleven

## Key positions of trust

Member of the Board: Sportamore AB and The Confederation of Norwegian Enterprises (NHO Næringslivets Hovedorganisasjon)





**Mr. Kuisma Niemelä**, b. 1958

M.Sc.

Independent member of the Board since 2014

**Shares in Oriola-KD Corporation 31 Dec 2016: 0 class A shares, 9,491 class B shares**

**Primary career**

2010–2013 SOK (Suomen Osuuskauppojen keskuskuunta), CEO and Chairman of the Board;  
Different leadership positions within the S-group during 30 years.

**Key positions of trust**

Member of the Board of Joutsen Finland Oy and Alko Oy  
Chairman of the Board of Puls Nutrition Oy and Freesto Group Oy



**Ms. Lena Ridström**, b. 1965

M.Sc. (Economics)

Independent member of the Board since 2016

**Shares in Oriola-KD Corporation 31 Dec 2016: 0 class A shares, 2,202 class B shares**

**Primary career**

2013– Primelog Software AB and Primelog Holding AB, CEO  
2009–2013 Unitedlog Group AB, CEO  
2007–2009 Unitedlog AB, General Manager Software Solutions  
2003–2007 Axido Consulting AB, CEO and Founder  
2001–2003 IFS Sverige AB, Sales Director

**Key positions of trust**

Member of the Board of Primelog Software AB and Handelsbanken, Kungsholmen branch office  
Member of the Advisory Board of Urvalet AB



**Mr. Matti Rihko**, b. 1962

M.Sc. (Economics), M.Sc. (Psychology)

Independent member of the Board since 2014

**Shares in Oriola-KD Corporation 31 Dec 2016: 0 class A shares, 10,970 class B shares**

**Primary career**

2006–2017 Raisio plc, CEO  
2004–2006 Altadis SA, Director, zone Europe  
1999–2004 Altadis Finland Oy, General Manager

**Key positions of trust**

Member of the Board of Suomen Terveystalo Oy, Turku Science Park Oy and Turku Chamber of Commerce  
Chairman of the Board of Turku University



**Mr. Staffan Simberg**, b. 1949

MBA

Independent member of the Board since 2015

**Shares in Oriola-KD Corporation 31 Dec 2016: 0 class A shares, 2,202 class B shares and 152,378 class B shares through Nez-Invest Ab**

**Primary career**

2011 Metso Group, Industrial Advisor  
2009, 2012 Cargotec Oyj, Industrial Advisor  
2008–2009 Metso Panelboard, Chairman  
2007–2013 Landis & Gyr AG, Member of the Advisory Board  
2005–2007 Enermet Group, Managing Director  
1992–1994 Siar-Bossard, Associated Partner  
1978–1991 Leading positions at Nokia

**Key positions of trust**

Member of the Board of Bittium Corporation  
Chairman of the Board of Endomines AB (Publ)

# Group Management Team 2016

The members of the Group Management Team are nominated by The Board of Directors. The Group Management Team convenes 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.

## Changes in the Group Management Team in 2016

Mr. Lars Birkeland was Vice President of Oriola-KD's Consumer Business area until 12 April 2016. Mr. Stig Tornell was appointed Vice President of Oriola-KD's Consumer Business area and member of Oriola-KD's Group Management Team as of 12 April 2016.



**Eero Hautaniemi**, b. 1965

M. Sc. (Econ.)  
President and CEO

Mr. Eero Hautaniemi has been President and CEO of Oriola-KD Corporation since the establishment in 2006. Mr. Hautaniemi served as President of GE Healthcare Finland Oy during 2004–2005, and as General Manager and Vice President of Oximetry, Supplies and Accessories business area of GE Healthcare IT in 2003–2004. Before this Mr. Hautaniemi held different positions in financial and business management in Instrumentarium Corporation in Finland and in the United States.

Mr. Hautaniemi is a member of the Board of Directors of Lassila & Tikanoja Corporation. He is also a member of the Board of Finnish Commerce, Regional Director for the EMEA region of IFPW's (International Federation of Pharmaceutical Wholesalers) Board, a member of the GIRP Management Board and GIRP Treasurer (GIRP= The European Association of Pharmaceutical Full-line Wholesalers).



**Sari Aitokallio**, b. 1960

Master of Laws  
CFO

Ms. Sari Aitokallio was appointed Chief Financial Officer (CFO) of Oriola-KD Corporation on 16 July 2015. Ms. Aitokallio was appointed as interim CFO of Oriola-KD Corporation and member of Oriola-KD Group's Management Team as of 9 April 2015. Ms. Aitokallio holds strong experience from financial management positions in Finnish listed companies.

Previously Ms. Aitokallio has worked for Metso Automation as division SVP Finance and administration since 2007. Earlier experience includes several positions in Valmet and Metso Groups, both in Finland and abroad. Furthermore Ms. Aitokallio worked for Sponda Group in 2002–2006 as CFO.



**Thomas Gawell**, b. 1963

M.Sc. (Econ.)  
Vice President, Healthcare Business  
Managing Director of Oriola AB

Mr. Thomas Gawell was appointed Vice President of Oriola-KD's Healthcare Business as of 1 January, 2016. Mr. Gawell served as Vice President of Oriola-KD's Pharmaceutical Wholesale business in Sweden and Managing Director of Oriola AB in 2009–2015. Before that, Gawell held the position of Financial Manager of Oriola AB since 2001, and before joining Oriola AB Gawell held several Financial Management positions for over 10 years.



**Jukka Mäkelä**, b. 1963

M. Sc.

Vice President, Development and Information Management

Mr. Jukka Mäkelä was appointed Vice President, Development of Oriola-KD Corporation in April 2013. Before joining Oriola-KD, Mr. Mäkelä worked for Aedi Oy as partner and CEO. Before that Mr. Mäkelä worked for Accenture during 1990–2011 as a consultant and Business Unit Executive Director (partner) responsible for Retail & Wholesale and Manufacturing Industries.



**Teija Silver**, b. 1964

M.Sc. (Econ)

Vice President, Human Resources

Ms. Teija Silver was appointed Vice President, Human Resources of Oriola-KD Corporation in October 2006. She joined Oriola-KD from GE Healthcare Finland where she held the position of Director, Human Resources. Before that Ms. Silver served in Nokia Networks as Director and Manager, Human Resources.



**Stig Tornell**, b. 1967

B.Sc. (Econ)

Vice President, Consumer Business Managing Director of Kronans Apotek

Mr. Stig Tornell was appointed Vice President of Oriola-KD's Consumer Business and member of Oriola-KD's Group Management Team as of April 12, 2016. Mr. Tornell has a long experience in the retail business in different positions within marketing, purchase and sales in Reitan Servicehandel Sweden AB, Shell and ICA Group. Since 2009 Mr. Tornell has worked in the pharmacy market first at Medstop and previously as Assortment & Marketing Director at Kronans Apotek since 2013.



**Kimmo Virtanen**, b. 1968

M. Sc. (Econ.)

Executive Vice President, Services Business Managing Director of Oriola Oy Deputy to CEO of Oriola-KD Corporation

Mr. Kimmo Virtanen was appointed Executive Vice President of Oriola-KD's Services Business as of January 1, 2016. Mr. Virtanen served as Executive Vice President of Oriola-KD's Pharmaceutical Wholesale businesses in Finland, Sweden and the Baltic Countries in 2012–2015 and as CFO of Oriola-KD Corporation in 2006–2012. Previously Mr. Virtanen served as CFO of Componenta Corporation in 2003–2006, CFO of Danisco Sweeteners in the UK and Finland in 1999–2003 and held several management positions of Cultor Corporation in 1995–1999.





**through all  
phases of life**

# Report of the Board of Directors and Financial Statements 2016

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## Reading instructions to Oriola-KD Financial Statement

Oriola-KD aims to facilitate the reading of the financial statements and clarify the overall picture given in the statements. Notes to financial statements have been combined according to the topic, and the applicable accounting principles are described together with the notes.

### Accounting principles

Accounting principles are marked with a grey background.

### Use of estimates

Explanation of the use of estimates is attached to the notes and marked with a grey background in italics.

# Report of the Board of Directors

## Operating Environment

Oriola-KD's operating environment is affected by a number of megatrends in the pharmaceutical and healthcare businesses. In the pharmaceuticals market a polarization of high value specialty pharmaceuticals and price sensitive generics create demand for both highly customized and logistically efficient storage and distribution solutions. Spend on healthcare and wellbeing is increasing in the countries Oriola-KD operates. Changes in the pharmaceutical regulatory environment along with changes in pricing and reimbursement continue to impact the markets in which Oriola-KD operates.

In the Swedish pharmaceutical retail market the competition is intensifying. This is happening both through an increase of physical stores as well as in online sales. The assortment of traded goods in pharmacies is expanding to cater to changes in customer demands. The pharmaceutical logistics business is seeing an increasing number of order lines, at the same time as the number of stock keeping units is also increasing. This creates a need for agile and efficient logistics solutions.

In the Healthcare sector the social and healthcare reform in Finland is expected to impact also the pharmaceutical distribution and dispensing although it is still unclear what the actual effects will be. The benefits in the safety and cost efficiency of dose dispensing have contributed to the increase in the number of dose dispensing patients both in Finland and in Sweden.

## Oriola-KD's Net Sales and Result 2016

Oriola-KD's net sales increased by 1.0 (0.9) per cent to EUR 1,642.1 (1,626.3) million and adjusted operating profit increased by 0.4 (3.0) per cent to EUR 61.1 (60.8) million. The adjusting items were EUR -2.2 (1.8) million, and the operating profit was EUR 58.8 (62.6) million. January–December net sales at comparable exchange rate EUR/SEK was EUR 1,657.1 million.

Invoicing increased 4.8 (6.6) per cent in line with the market growth in the main markets. The growth in the Services business exceeded the market growth, but in the Consumer business the growth was weaker. The profitability was supported by Services segment while the establishment of

the Healthcare segment increased costs. The result from the Consumer business was at the previous year level.

The depreciation of the Swedish krona from the corresponding period impacted the euro denominated operating profit by EUR -0.6 million.

Oriola-KD's net financial expenses were EUR 4.7 (6.5) million. Profit for the period was EUR 42.8 (44.5) million. Income taxes for January–December were 11.3 (11.5) which corresponds to effective tax rate of 20.9 (20.6) per cent. Earnings per share were EUR 0.24 (0.25).

## Consumer Business Area

The Consumer Business Area focuses on the needs of the consumers' for health and wellbeing related products and services. The business consists of retail business in Sweden, Finland and Latvia, whereof over 90 per cent of the net sales originates from the Swedish retail business.

The pharmaceutical retail market in Sweden grew by 5.5 (6.7) per cent in Swedish krona in January–December 2016 (source: Apoteksförening). Parallel imports' share of the Swedish pharmaceutical market was 12 (10) per cent (source: IMS Health). The number of pharmacies in Sweden increased by 36 pharmacies in January–December 2016. At the end of December there were 1,394 (1,358) pharmacies in Sweden.

Oriola-KD's market share of the pharmaceutical retail market in Sweden in January–December 2016 was 18.1 (18.5) per cent (source: Apoteksförening). Oriola-KD's relative share of OTC and traded goods from the net sales was 27 (26) per cent in the Swedish consumer business. At the end of the reporting period, Oriola-KD had a total of 325 (311) pharmacies of which 323 (309) were in Sweden and 2 (2) were in Latvia. Net increase in January–December was 14 pharmacies.

The net sales of the Consumer Business Area increased by 2.0 (1.4) per cent to EUR 792.5 (777.1) million, and on a constant currency basis, net sales increased by 3.2 per cent. Adjusted operating profit decreased by 1.1 (increased 0.9) per cent to EUR 33.4 (33.7) million. On a constant currency basis adjusted operating profit increased by 0.1 per cent.

Consumer Business Area sales growth was weaker than the market growth. The decline in the market share was mainly in the prescription medicines but also in OTC and traded

goods as a result of increased competition. Profitability was burdened by higher establishment costs. In Sweden a new application for prescription customers was launched. The share of online sales in Sweden is less than 2 per cent and the development continues along with the development of the pharmacy network.

## Services Business Area

The Services Business Area offers tailored services to pharmaceutical companies and pharmacies in Sweden, Finland and in the Baltic countries. In addition Oriola-KD Services offers sales and marketing services of large assortment of traded goods in Finland and in the Baltic countries.

The pharmaceutical market at wholesale prices in Sweden grew by 4.8 (7.9) per cent in Swedish krona (source: IMS Health) in January–December 2016. Oriola-KD's share of the Swedish pharmaceutical wholesale market was approximately 40 (39) per cent (Oriola-KD estimate).

The Finnish pharmaceutical market at wholesale prices grew by 3.7 (3.3) per cent in January–December 2016 (source: IMS Express). Oriola-KD's share of the Finnish pharmaceutical wholesale market was 46 (46) per cent (source: ATY).

The invoicing of the Services Business Area increased from the previous year by 4.7 (7.3) per cent to EUR 2,934.6 (2,802.0) million. On a constant currency basis invoicing increased by 5.5 per cent. Net sales decreased by 0.6 (increased by 0.6) per cent to EUR 1,175.8 (1,183.4) million, and on a constant currency basis, net sales increased by 0.2 per cent. Adjusted operating profit increased by 4.3 (9.3) per cent to EUR 34.7 (33.2) million. On a constant currency basis adjusted operating profit increased by 4.8 per cent.

Oriola-KD acquired 70.9 per cent of Farenta Oy on 1 September 2016. Additionally, Oriola-KD agreed on the right to acquire the remaining share of Farenta, and the company is consolidated into the Services Business Area as if it were wholly owned. Farenta offers professional services to pharmaceutical companies and staffing services to pharmacies.

A new distribution agreement was made with Meda in Sweden. The sales of Meda at wholesale prices were approximately SEK 1.1 billion in Sweden in 2015. The distribution agreement with Abbvie in Sweden was discontinued. The



sales of Abbvie at wholesale prices were approximately SEK 1.3 billion in Sweden in 2015.

### Healthcare Business Area

The Healthcare Business Area offers services to hospitals, healthcare centres and other healthcare sector operators.

Oriola-KD's Healthcare Business Area started operations as of 1 January 2016. The acquisition of the dose dispensing company Svensk dos AB was completed on 8 February 2016, and the acquisition of PharmaService Oy was completed on 18 July 2016. At the end of 2016 Oriola-KD served approximately 47 000 persons with dose dispensing in Sweden and Finland. During the fourth quarter a new agreement was made with county council Norrland in Sweden. The service starts in February 2017 and covers approximately 19,000 persons.

The net sales of Healthcare Business Area were EUR 36.2 (–) million. Adjusted operating loss was EUR 1.0 (–) million. Amortization related to acquisition of Svensk dos and PharmaService affected Healthcare Business Area operating profit by EUR –1.7 million. Additionally goodwill impairment of EUR 6.4 million was recorded due to annulled Sjuklövern dose dispensing contract. On the other hand the Group recorded a EUR 6.3 million income for the same reason, as the contingent purchase price liability was dissolved.

The Healthcare Business Area in Oriola-KD specializes in pharmaceutical dose dispensing, hospital pharmacy services and services to private health care actors and veterinarians. The cost of developing these capabilities has negatively impacted the 2016 profitability of the segment.

### Balance Sheet, Cash Flow and Financing

Oriola-KD's total assets at 31 December 2016 were EUR 925.4 (946.9) million. Equity attributable to the equity holders was EUR 205.2 (194.6) million. Cash and cash equivalents totalled EUR 60.8 (121.9) million. Net cash flow from operations in January–December 2016 was EUR 40.1 (85.6) million, of which changes in working capital accounted for EUR –43.7 (11.2) million. Net cash flow from investing activities was EUR –80.7 (–19.9) million. Net cash flow from financing activities was EUR –20.4 (–35.2) million.

At the end of December 2016, interest-bearing debt was EUR 133.1 (128.6) million. In November 2016 a three-year EUR 30 million term loan was taken for refinancing short term

loans and extending the maturity of the loan portfolio. On 31 December 2016, long-term interest bearing-liabilities were EUR 84.6 (66.9) million and short-term interest-bearing liabilities were EUR 48.5 (61.7) million. Short-term liabilities mainly consists of syndicated loans EUR 10.5 (10.9) million, commercial paper issues of EUR 15.0 (13.0) million, and advance payments from Finnish pharmacies EUR 21.5 (23.9) million. Interest-bearing net debt was EUR 72.3 (6.6) million, and gearing 35.2 (3.4) per cent

The non-recourse trade receivables sales programmes were continued in Sweden in January–December 2016. At the end of December 2016, a total of EUR 118.5 (114.6) million in trade receivables had been sold. Including the sold trade receivables, the adjusted gearing was 93.0 (62.3) per cent. The average interest rate on the interest bearing liabilities was 1.26 (1.50) per cent.

The committed long-term revolving credit facility of EUR 100.0 million and EUR 15.2 million of short-term credit limit were unused at the end of December.

At the end of 2016 Oriola-KD's equity ratio was 22.7 (21.1) percent. Return on capital employed was 17.8 (19.9) per cent, the long-term target being over 20 per cent. Adjusted gearing, 93.0 per cent fell short of the target 30–60 per cent due to acquisitions of Svensk dos, Farenta and PharmaService in 2016, and the strategic investments into the efficiency of the logistic operations in Sweden.

### Investments

Gross investments in January–December 2016 totalled EUR 88.8 (20.4) million and consisted of investments related to the acquisition of Svensk dos, PharmaService, Farenta Group, opening of new pharmacies, information systems and improvements in logistics efficiency. Depreciation, amortisation and impairment amounted to EUR 32.2 (22.6) million.

An investment plan of approximately EUR 20 million into group operative IT platform and into automation of the distribution centre in Finland was approved in 2015. These investments will be realized during 2015–2018. In 2016 decision on approximately EUR 22 million investments in the expansion and automation of the distribution centre and warehouse during 2016–2018 in Sweden was made. Based on these decisions the total annual capital expenditure 2016–2018 excluding acquisitions are estimated to be approximately EUR 35 million.

### Personnel

At the end of 2016, Oriola-KD had a payroll of 2,821 (2,353) employees, 59 (67) per cent of whom worked in the Consumer Business Area, 35 (31) per cent in Services Business Area, and 4 (–) per cent in Healthcare Business Area. The group administration employed 2 (2) percent of the total number of employees. Personnel numbers consist of members of staff in active employment.

Competent and contented staff is a success factor for Oriola-KD. Competence development and good leadership are therefore particularly important. In 2016 we have focused on developing our managers' leadership and change management skills to drive the on-going development programs. We regularly measure our employee engagement to develop work environment, leadership and ways of working. Oriola-KD cares for the total wellbeing of its employees and in the group's Finnish entities a wellbeing survey was piloted in spring 2016. With support of the occupational health care individual development actions have been initiated to maintain and improve ability to work and wellbeing at personal level.

Oriola-KD's employees' age distribution is very balanced: Approximately 27 per cent of our employees are under 30 years old, 45 per cent are between 30–50 years and 28 per cent are over 50 years old. Approximately 80 per cent of Oriola-KD's employees are female, and also 77 per cent of managerial positions are occupied by women. This due to the fact that pharmacist professionals in our Consumer Business Area are predominantly female. In Services and Healthcare Business Areas and administrative positions the split is very even.

### Environmental, Social and Governance Development in Oriola-KD

In 2016 Oriola-KD started to prepare the ESG reporting for 2017 annual reporting.

As a pharmaceutical wholesaler and pharmacy operator, Oriola-KD has a responsible role in the pharmaceutical supply chain. Oriola-KD handles and delivers pharmaceutical manufacturers' products safely, efficiently and on time, and provides appropriate pharmaceutical advice of a high quality in the Group's pharmacies.

Patient and pharmaceutical safety are the most important requirements governing Oriola-KD's operations.

Pharmaceutical manufacturers' products must be delivered to patients safely, efficiently and on time, regardless of circumstances. Professional customer service, pharmaceutical advice and a comprehensive product range of a high quality are the key factors ensuring success in Oriola-KD pharmacies.

Competent and contented staff constitutes the key success factor for Oriola-KD. Continuous development of competence and good personnel management are therefore particularly important. Oriola-KD wishes to create an environment for its personnel in which working towards common targets can be performed safely and efficiently.

The work for environment concentrates to find and implement more energy efficient solutions for warehousing and distribution as well as reduce and recycle waste. Handling of pharmaceutical waste is part of Oriola-KD's services.

### Resolutions of the Annual General Meeting

The Annual General Meeting (AGM), held on 14 March 2016 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 2015. The AGM resolved that a dividend of EUR 0.13 per share shall be paid on the basis of the balance sheet adopted for the financial year ending 31 December 2015. The payment date of the dividend was 5 April 2016.

The AGM resolved to amend the following Articles of the company's Articles of Association in accordance with the proposal of the Board of Directors: The age limit of Board member elects was removed from § 5 and a possibility to deliver the notice to the Annual General Meeting by publishing the notice on the company's website was added to § 12.

All decisions of the Annual General Meeting 2016 are available on the company's website at [www.oriola-kd.com](http://www.oriola-kd.com).

### Corporate Governance

The Annual General Meeting confirmed that the Board of Directors is composed of eight members: Anssi Vanjoki, Chairman; Eva Nilsson Bågenholm, Vice Chairman; Mariette Kristenson; Anja Korhonen; Kuisma Niemelä; Lena Ridström; Matti Rihko and Staffan Simberg.

Board's Audit Committee members are: Anja Korhonen (Chairman), Kuisma Niemelä and Staffan Simberg. Board's

Remuneration Committee members are: Eva Nilsson Bågenholm (Chairman), Mariette Kristenson, Lena Ridström and Matti Rihko.

The Board of Directors has assessed the independence of the members of the Board, and determined that all members of the Board are independent of the company and its major shareholders.

PricewaterhouseCoopers Oy, who has nominated authorized public accountant Ylva Eriksson as principal auditor, were re-elected as the auditor of the company.

The Board of Directors of Oriola-KD appointed on 23 September 2016 the company's Nomination Committee: Pekka Pajamo (chairman), Peter Immonen, Timo Leino, Mikko Mursula and Into Ylppö.

After the reporting period, on 31 January 2017, the Nomination Committee of Oriola-KD presented to the Board of Directors its recommendation on the proposal to the 2017 Annual General Meeting concerning the composition of the Board of Directors as follows:

The number of members of the Board of Directors would be seven. The present members of the Board of Directors Anja Korhonen, Mariette Kristenson, Kuisma Niemelä, Eva Nilsson Bågenholm, Lena Ridström, Staffan Simberg and Anssi Vanjoki would be re-elected. Anssi Vanjoki would be re-elected as Chairman of the Board of Directors.

Current member of the Board of Directors Matti Rihko had informed the Nomination Committee that he is not available for re-election to the Board of Directors after the 2017 Annual General Meeting.

Oriola-KD's Group Management Team consists of seven members: Eero Hautaniemi, President and CEO; Sari Aitokallio, CFO; Thomas Gawell, Vice President, Healthcare Business Area; Jukka Mäkelä, Vice President, Development; Stig Tornell, Vice President, Consumer Business Area; Teija Silver, Vice President, HR and Kimmo Virtanen, Executive Vice President, Services Business Area.

Lars Birkeland, Vice President of the Consumer Business area and a member of the Group Management Team left the company on April 12, 2016. Stig Tornell was appointed Vice President, Consumer Business Area and member of the Group Management Team as of April 12, 2016.

The Corporate Governance Statement and the Remuneration Statement for 2016 can be viewed on the company's website at: <http://www.oriola-kd.com/>

Corporate Governance. The Corporate Governance Statement and the Remuneration Statement for 2016 have been prepared in accordance with the Corporate Governance Code 2015.

### Authorizations

The AGM authorised 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 shares or assign treasury shares held by the company. The authorisation covers a maximum of 5,650,000 Class A shares and 12,500,000 Class B shares representing approximately 10.00 per cent of all shares in the company and includes the right to derogate from the shareholders' pre-emptive subscription right. Pursuant to the authorisation, shares held by the company as treasury shares may also be sold through trading on a regulated market organised by NASDAQ Helsinki Ltd. The authorisation is in effect for a period of eighteen months from the decision of the AGM.

The AGM authorised 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 18,000,000 class B shares of the company, representing approximately 9.92 per cent of all shares in the company and includes the right to derogate from the shareholders' pre-emptive subscription right. Pursuant to the authorisation, class B shares held by the Company as treasury shares may also be sold on regulated market organised by NASDAQ Helsinki Ltd. The authorisation is in effect for a period of eighteen months from the decision of the AGM.

The authorisations revoke all previous share issue authorisations given to the Board of Directors apart from the authorisation given to the Board of Directors by the Annual General Meeting held on 20 March 2013, pursuant to which the Board of Directors may decide upon directed share issues against or without a payment concerning no more than 1,715,000 class B shares in order to execute the share-based incentive plan for the Oriola-KD Group's executives and the share savings plan for the Oriola-KD Group's key personnel.

The AGM also authorised 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 18,000,000 of the company's own class B shares, representing 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 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 also in a proportion other than in which shares are owned by the Shareholders. 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. The authorisation to repurchase own shares is in force for a period of not more than eighteen months from the decision of the AGM. This authorisation revokes the authorisation given to the Board of Directors by the AGM on 30 March 2015 in respect of repurchase of the company's own class B shares.

### Oriola-KD Corporation Shares

Oriola-KD Corporation's market capitalisation on 31 December 2016 was EUR 778.9 (779.6) million.

In the review period, the traded volume of Oriola-KD Corporation shares, excluding treasury shares, corresponded to 13.4 (21.9) per cent of the total number of shares.

At the end of December 2016, the company had a total of 181,486,213 (181,486,213) shares, of which 55,484,648 (55,484,648) were class A shares and 126,001,565 (126,001,565) were class B shares. The company has 96,822 (96,822) treasury shares, all of which are class B shares. They account for 0.05 (0.05) per cent of the company's shares and 0.01 (0.01) per cent of the votes.

Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A shares into class B shares. During the period 1 January–30 December 2016, no class A shares were converted into class B shares (1,093,804).

No flagging announcements were received during 2016.

More information on shares and shareholding can be found under Shares and shareholdings.

### Share-based Incentive Plans

On 19 December 2012, Oriola-KD Corporation's Board of Directors decided on a share incentive scheme for the Group's senior management for the years 2013–2015. The scheme covered six persons. The reward for the 2015 earning period

was based on the Oriola-KD Group's earnings per share (EPS) calculated from the adjusted earnings excluding taxes. The rewards to be paid in 2018 on the basis of the performance period 2015 correspond to the value of 247,541 Oriola-KD Corporation class B shares, including the proportion to be paid in cash.

On 4 December 2015 the Board of Directors of Oriola-KD Corporation established a share-based incentive plan directed to the Group key personnel. The plan covers three performance periods, 2016–2018, and three vesting periods, 2017–2019. The prerequisite for participation in the plan is that a key person has enrolled in the share saving plan, OKShares, and makes monthly saving from his or her fixed gross monthly salary.

The potential reward from the performance period 2016 is based on the Group's EPS. The rewards to be paid on the basis of the performance period 2016 correspond to the value of approximately 200,000 Oriola-KD Corporation Class B shares including the proportion to be paid in cash. Similarly the potential reward from the performance period 2017 will be based on the Group's EPS,

A total of 39 key employees participated in the Oriola-KD Corporation key personnel share savings plan during a savings period 1 October 2014–30 September 2015. A total of 31, 212 matching shares, including the proportion paid in cash, were transferred to eligible participants in November 2016.

Approximately 50 key employees participated in the savings period 1 October 2015–31 December 2016. A total of 57 key employees enrolled in the Oriola-KD Corporation key personnel share savings plan for the savings period 1 January–31 December 2017. The accumulated savings will be used for purchasing Oriola-KD's class B shares for the participants at market prices. In return, each participant will receive two free class B matching shares for every three acquired savings shares. Matching shares will be paid partly in Oriola-KD's class B shares and partly in cash.

### Changes in the Group Structure in 2016

Oriola-KD completed the acquisition of the Swedish dose dispensing company Svensk dos AB on 8 February 2016. During the second quarter Oriola-KD established a new subsidiary in Estonia to carry out the existing brands and pharmaceutical marketing businesses. Oriola-KD completed the acquisition of PharmaService Oy on 18 July 2016 and the

acquisition of approximately 71 per cent of Farenta Oy on 1 September 2016.

### Risks and Internal Control

Oriola-KD has specified the company's risk management model, principles, organization and process in the Risk management policy. The Group's risk management seeks to identify, measure and manage risks that may have an impact on Oriola-KD's operations and achievement of the set goals. Additionally the Group has a Code of Conduct policy and a Treasury policy covering compliance and financial risks. The internal control and risk management systems related to Oriola-KD's financial reporting aim to ensure the reliability of the company's financial statements and financial reporting, as well as the company's compliance with legislation and generally approved accounting principles.

Oriola-KD operates in regulated pharmaceutical distribution and retail markets. The main megatrends impacting Oriola-KD's business environment are increased spending on health and wellbeing, growth in specialty pharmaceuticals, the efforts to control the growth in the costs of the public healthcare, and the digitalization of the retail trade and services.

Oriola-KD has identified the following principal strategic and operational risks that can have an adverse impact on the results: Changes in the pharmaceutical market regulation, pricing and public reimbursement, as well as increased competition through growing number of pharmacies and companies in e-commerce, decreasing share of single channel distribution in public healthcare, and loss of several key pharmaceutical company agreements.

The main financial risks for Oriola-KD involve currency rate, liquidity, interest rate and credit risks. Changes in the value of the Swedish krona has an impact on Oriola-KD's net sales, earnings and consolidated statement of financial position. Changes in cash flow forecasts can cause goodwill write-off.

### Near-term Risks and Uncertainty Factors

Oriola-KD's strategic development projects involve operational risks which may have an effect on Oriola-KD's profitability.

Oriola-KD is involved in a number of legal actions, claims and other proceedings. It is Oriola-KD's policy to provide for amounts related to the proceedings if liability is probable and

amount thereof can be estimated with a reasonable certainty. Taking into account all available information to date, the legal actions, claims and other proceedings are not expected to have material impact on the financial position of the Group.

### Market Outlook

Oriola-KD's outlook for 2017 is based on external market forecasts, agreements with pharmaceutical companies and pharmacies, and management assessments. The Finnish pharmaceutical market is expected to grow during 2015–2020, at an average rate of 1.1 per cent. Swedish pharmaceutical market is expected to grow an average rate of 4.2 per cent per year in the local currencies (source: IMS Health).

### Outlook for 2017

Oriola-KD is undergoing a major development phase which started in 2015 and is estimated to be completed by the end of 2018. The costs related to these development projects and the intensified competition in the Swedish retail, especially online, will negatively impact the 2017 profitability. Oriola-KD estimates that the adjusted operating profit on constant currency basis will remain at 2016 level.

### Events After the Period

Oriola-KD Corporation's 50,375 A-shares converted into B-shares. In accordance with Section 3 of the Articles of Association of Oriola-KD Corporation, 50,375 A-shares have been converted into 50,375 B-shares. The conversion has been entered into the Trade Register on 4 January 2017. After the conversion there are 55,434,273 A-shares and 126,051,940 B-shares in the company. The total number of shares is 181,486,213 and the total number of votes is 1,234,737,400.

On 31 January 2017 the Nomination Committee of Oriola-KD presented to the Board of Directors its recommendation on the proposal to the 2017 Annual General Meeting concerning the composition of the Board of Directors. The proposal has been presented above under Corporate Governance.

### Profit distribution proposal

Oriola-KD's parent company is Oriola-KD Corporation, whose distributable assets based on the balance sheet on 31 December 2016 were EUR 366.3 (368.8) million. Oriola-KD Corporation's profit for the financial year 2016 was EUR 21.1 (40.2) million. Earnings per share were EUR 0.24 (0.25).

The Board proposes to the Annual General Meeting that a dividend of EUR 0.14 (0.13) per share is paid for 2016.

### Annual General Meeting

Oriola-KD Corporation's Annual General Meeting will be held on 14 March 2017 at 2 p.m. at the Helsinki Fair Centre. The matters specified in article 10 of the Articles of Association and other proposals of the Board of Directors, if any, will be dealt with at the meeting. The Board of Directors will decide on the notice of the Annual General Meeting and the proposals contained in it at a later date. The notice to convene will be available on the company's website at [www.oriola-kd.com](http://www.oriola-kd.com) on 16 February 2017.

Information under headings Shares and shareholders and Financial indicators are part of this Report of the Board of Directors.

Espoo, 10 February 2017

Oriola-KD Corporation  
Board of Directors

# Shareholding

## Shares and Shareholders

### Shareholders by type of owner 31 December 2016

	Shareholders			% of shareholders			% of shares		
	A shares	B shares	Total	A shares	B shares	Total	A shares	B shares	Total
Individuals	10,357	21,231	<b>27,318</b>	96.5	95.6	<b>95.7</b>	46.0	28.4	<b>33.8</b>
Corporations and partnerships	234	558	<b>736</b>	2.2	2.5	<b>2.6</b>	17.0	10.3	<b>12.3</b>
Banks and insurance companies	13	49	<b>51</b>	0.1	0.2	<b>0.2</b>	12.1	25.3	<b>21.2</b>
Public entities	5	14	<b>17</b>	0.0	0.1	<b>0.1</b>	14.3	8.5	<b>10.3</b>
Associations and foundations	74	249	<b>296</b>	0.7	1.1	<b>1.0</b>	5.4	3.4	<b>4.0</b>
Foreign shareholders	48	114	<b>140</b>	0.4	0.5	<b>0.5</b>	0.5	2.5	<b>1.9</b>
<b>Total</b>	<b>10,731</b>	<b>22,215</b>	<b>28,558</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>95.3</b>	<b>78.4</b>	<b>83.6</b>
Nominee registrations							4.6	21.6	<b>16.4</b>
In the joint-book-entry account							0.1	0.0	<b>0.1</b>

### Shareholders by number of shares held 31 December 2016

Number of shares	Shareholders			% of shareholders		
	A shares	B shares	Total	A shares	B shares	Total
1–100	1,517	2,227	<b>3,089</b>	14.1	10.0	<b>10.8</b>
101–1,000	5,544	12,238	<b>15,289</b>	51.7	55.1	<b>53.5</b>
1,001–10,000	3,272	7,109	<b>9,077</b>	30.5	32.0	<b>31.8</b>
10,001–100,000	352	562	<b>985</b>	3.3	2.5	<b>3.4</b>
over 100,001	46	79	<b>118</b>	0.4	0.4	<b>0.4</b>
<b>Total</b>	<b>10,731</b>	<b>22,215</b>	<b>28,558</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Of which nominee registered	5	10	<b>10</b>			

Number of shares	Shares			% of shares		
	A shares	B shares	Total	A shares	B shares	Total
1–100	79,790	128,006	<b>207,796</b>	0.1	0.1	<b>0.1</b>
101–1,000	2,357,294	5,345,464	<b>7,702,758</b>	4.2	4.2	<b>4.2</b>
1,001–10,000	9,309,119	19,079,438	<b>28,388,557</b>	16.8	15.1	<b>15.6</b>
10,001–100,000	9,123,347	12,931,010	<b>22,054,357</b>	16.4	10.3	<b>12.2</b>
over 100,001	34,549,816	88,455,425	<b>123,005,241</b>	62.3	70.2	<b>67.8</b>
<b>Total</b>	<b>55,419,366</b>	<b>125,939,343</b>	<b>181,358,709</b>	<b>99.9</b>	<b>100.0</b>	<b>99.9</b>
Of which nominee registered	2,543,561	27,155,845	<b>29,699,406</b>	4.6	21.6	<b>16.4</b>
In the joint-book-entry account	65,282	62,222	<b>127,504</b>	0.1	0.0	<b>0.1</b>
	55,484,648	126,001,565	<b>181,486,213</b>	100.0	100.0	<b>100.0</b>



## Share Related Key Figures

Oriola-KD year 2016

			2016	2015	2014 <sup>3)</sup>	2013	2012 <sup>1)</sup>
Earnings per share	EUR		0.24	0.25	-1.33	0.04	0.11
Earnings per share, continuing operations	EUR		0.24	0.25	0.28	0.11	0.15
Equity per share	EUR		1.13	1.07	0.69	1.84	2.05
Total dividends	EUR million		25.4 <sup>2)</sup>	23.6	-	-	7.6
Dividend per share	EUR		0.14 <sup>2)</sup>	0.13	-	-	0.1
Payout ratio	%		58.3 <sup>2)</sup>	51.7	-	-	44.0
Dividend yield	A	%	3.29 <sup>2)</sup>	3.07	-	-	2.2
Dividend yield	B	%	3.25 <sup>2)</sup>	3.01	-	-	2.2
Repayment of equity	EUR		- <sup>2)</sup>	-	-	-	0.04
P/E ratio	A		17.98	16.90	11.76	23.64	15.37
P/E ratio	B		18.24	17.22	11.80	23.18	15.09
Share price on 31 Dec	A	EUR	4.25	4.24	3.26	2.60	2.27
Share price on 31 Dec	B	EUR	4.31	4.32	3.27	2.55	2.23
Average share price	A	EUR	4.16	4.01	2.37	2.40	2.04
Average share price	B	EUR	4.20	4.06	2.34	2.38	1.95
Lowest share price	A	EUR	3.70	2.93	1.89	2.24	1.77
Lowest share price	B	EUR	3.65	2.84	1.98	2.18	1.70
Highest share price	A	EUR	4.50	4.52	3.31	2.69	2.44
Highest share price	B	EUR	4.65	4.60	3.30	2.73	2.25
Market capitalisation	EUR million		778.9	779.6	524.4	388.1	339.2
Trading volume							
A shares	pc		1,893,721	3,045,353	7,868,093	3,215,623	5,674,171
% of average number of A shares	%		3.4	5.5	15.7	6.8	12.0
B shares	pc		22,488,841	35,816,293	41,162,592	28,601,043	29,496,044
% of average number of B shares	%		17.9	29.3	37.2	27.5	28.4
% of average number of all shares	%		13.4	21.9	30.5	21.1	23.3
Number of shares 31 Dec	A	pcs	55,484,648	55,484,648	50,147,044	47,148,710	47,148,710
	B	pcs	126,001,565	126,001,565	110,729,744	104,109,118	104,109,118
Total number of shares 31 Dec		pcs	181,486,213	181,486,213	160,876,788	151,257,828	151,257,828
Total number of A shares, annual average		pcs	55,484,648	55,204,784	50,147,044	47,148,710	47,148,710
Total number of B shares, annual average		pcs	126,001,565	122,441,865	110,729,744	104,109,118	104,109,118
Total number of shares, annual average <sup>3)</sup>		pcs	181,486,213	177,646,649	160,876,788	151,257,828	151,257,828

<sup>1)</sup> The comparative figures are adjusted retroactively according to the revised standard IAS 19R.

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

<sup>3)</sup> Calculated based on the rights issue -adjusted number of shares. The right issue factor was 1.06359

## Largest Shareholdings

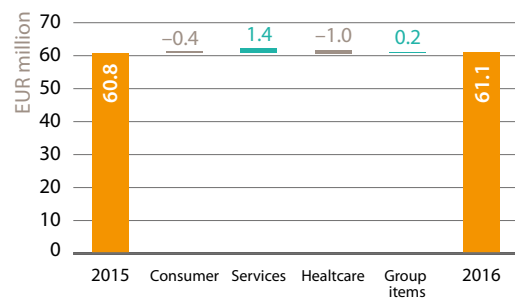
By number of shares held 31 December 2016	A shares	B shares	Total shares	% of total shares	Votes	% of total votes	By number of votes
1. Mariatorp Oy	5,063,948	11,670,000	16,733,948	<b>9.22</b>	112,948,960	<b>9.14</b>	1
2. Wipunen Varainhallinta Oy	2,600,000	6,250,000	8,850,000	<b>4.88</b>	58,250,000	<b>4.71</b>	4
3. Ilmarinen Mutual Pension Insurance Company	3,606,414	3,995,536	7,601,950	<b>4.19</b>	76,123,816	<b>6.16</b>	3
4. Varma Mutual Pension Insurance Company	4,320,600	3,273,000	7,593,600	<b>4.18</b>	89,685,000	<b>7.26</b>	2
5. Mandatum Life Insurance Company Limited	960,000	3,600,000	4,560,000	<b>2.51</b>	22,800,000	<b>1.85</b>	9
6. Mutual Insurance Company Pension-Fennia	310,162	2,484,289	2,794,451	<b>1.54</b>	8,687,529	<b>0.70</b>	13
7. Fondita Nordic Micro Cap Placeringsfond	0	2,225,000	2,225,000	<b>1.23</b>	2,225,000	<b>0.18</b>	
8. Medical Investment Trust Oy	1,560,000	510,540	2,070,540	<b>1.14</b>	31,710,540	<b>2.57</b>	7
9. The Land and Water Technology Foundation	2,041,832	0	2,041,832	<b>1.13</b>	40,836,640	<b>3.30</b>	5
10. The Social Insurance Institution	0	1,991,481	1,991,481	<b>1.10</b>	1,991,481	<b>0.16</b>	
11. Tukinvest Oy	1,983,526	0	1,983,526	<b>1.09</b>	39,670,520	<b>3.21</b>	6
12. Ylppö Jukka	1,496,562	286,992	1,783,554	<b>0.98</b>	30,218,232	<b>2.45</b>	8
13. Aktia Capital Fund	0	1,747,772	1,747,772	<b>0.96</b>	1,747,772	<b>0.14</b>	
14. Odin Finland	0	1,657,000	1,657,000	<b>0.91</b>	1,657,000	<b>0.13</b>	
15. Kaleva Mutual Pension Insurance Company	277,942	1,200,000	1,477,942	<b>0.81</b>	6,758,840	<b>0.55</b>	15
16. Nordea Fennnia Fund	0	1,291,825	1,291,825	<b>0.71</b>	1,291,825	<b>0.10</b>	
17. Sijoitusrahasto Evli Finnish Small Cap	0	1,129,269	1,129,269	<b>0.62</b>	1,129,269	<b>0.09</b>	
18. The State Pension Fund	0	1,000,000	1,000,000	<b>0.55</b>	1,000,000	<b>0.08</b>	
19. The Finnish Cultural Foundation	390,021	601,200	991,221	<b>0.55</b>	8,401,620	<b>0.68</b>	14
20. Nordea Pro Finland Fund	0	967,959	967,959	<b>0.53</b>	967,959	<b>0.08</b>	
Total	24,611,007	45,881,863	70,492,870	<b>38.84</b>	538,102,003	<b>43.55</b>	
Nominee registered	2,543,561	27,155,845	29,699,406	<b>16.36</b>	78,027,065	<b>6.31</b>	
Other	28,330,080	52,963,857	81,293,937	<b>44.79</b>	619,565,457	<b>50.14</b>	
<b>All shareholders total</b>	<b>55,484,648</b>	<b>126,001,565</b>	<b>181,486,213</b>	<b>100.00</b>	<b>1,235,694,525</b>	<b>100.00</b>	

## Financial Indicators

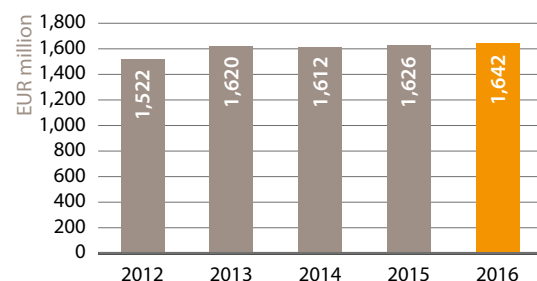
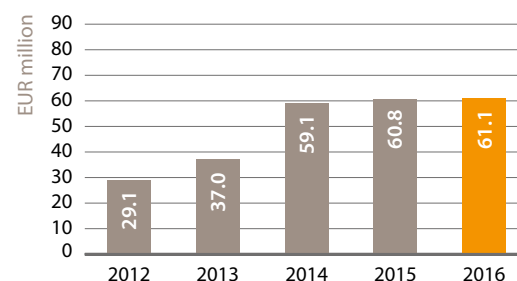
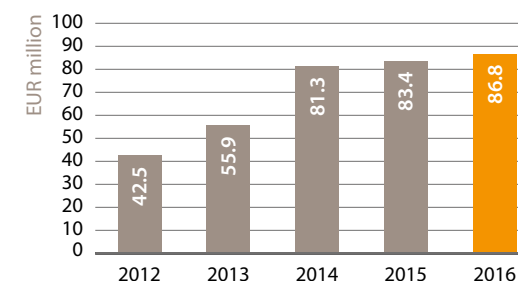
Consolidated income statement		2016	2015	2014 <sup>(4)</sup>	2013	2012 <sup>(1)</sup>
Net sales	EUR million	1,642.1	1,626.3	1,612.3	1,619.7	1,521.8
International operations	EUR million	1,269.7	1,240.6	1,224.0	1,236.8	1,099.3
% of net sales	%	77.3	76.3	75.9	76.4	72.2
Adjusted operating profit	EUR million	61.1	60.8	59.1	37.0	29.1
% of net sales	%	3.7	3.7	3.7	2.3	1.9
Operating profit	EUR million	58.8	62.6	65.0	29.3	28.1
% of net sales	%	3.6	3.8	4.0	1.8	1.8
Financial income and expenses	EUR million	-4.7	-6.5	-7.8	-8.4	-1.0
% of net sales	%	-0.3	-0.4	-0.5	-0.5	-0.1
Profit before taxes	EUR million	54.1	56.1	57.1	20.9	27.1
% of net sales	%	3.3	3.4	3.5	1.3	1.8
Profit for the period	EUR million	42.8	44.5	46.5	17.1	22.3
% of net sales	%	2.6	2.7	2.9	1.1	1.5

Consolidated balance sheet	EUR million	2016	2015	2014 <sup>(4)</sup>	2013	2012 <sup>(1)</sup>
Non-current assets		437.2	396.4	390.8	561.8	423.1
Goodwill		286.8	256.5	250.9	379.0	276.7
Current assets		488.3	550.5	483.2	938.3	893.1
Inventory		199.4	201.1	185.0	391.4	389.8
Equity attributable to the parent company shareholders <sup>(5)</sup>		205.2	194.6	111.5	278.1	310.5
Liabilities total <sup>(5)</sup>		720.3	752.3	762.5	1,222.0	1,005.6
Interest-bearing liabilities		133.1	128.6	193.9	318.8	94.8
Non-interest-bearing liabilities <sup>(5)</sup>		587.2	623.7	568.6	903.2	910.9
Total assets		925.4	946.9	874.0	1,500.1	1,316.2

### Group Adjusted Operating Profit



Key Figures		2016	2015	2014 <sup>4)</sup>	2013	2012 <sup>1)</sup>
Equity ratio <sup>5)</sup>	%	22.7	21.1	13.1	19.2	24.5
Equity per share <sup>5)</sup>	EUR	1.13	1.07	0.69	1.84	2.05
Return on capital employed (ROCE) <sup>2)</sup>	%	17.8	19.9	14.4	4.2	5.9
Return on equity <sup>2) 5)</sup>	%	21.4	29.1	23.9	2.0	5.4
Net interest-bearing debt	EUR million	72.3	6.6	102.4	181.5	6.7
Gearing <sup>5)</sup>	%	35.2	3.4	91.8	65.3	2.1
Net interest-bearing debt / EBITDA from continuing operations	ratio	0.8	0.1	1.2	3.7	0.2
Earnings per share from continuing operations <sup>4)</sup>	EUR	0.24	0.25	0.28	0.11	0.15
Earnings per share incl. discontinued operations <sup>4)</sup>	EUR	0.24	0.25	-1.33	0.04	0.11
Average number of shares <sup>3) 4)</sup>	pcs	181,389,391	177,501,818	160,741,152	151,157,494	151,247,748
Average number of personnel from continuing operations	pers.	2,582	2,327	2,377	2,156	1,784
Gross capital expenditure incl. discontinued operations	EUR million	88.8	20.4	34.0	193.7	22.6

**Net Sales****Adjusted Operating Profit****Adjusted EBITDA**

<sup>1)</sup> The comparative figures are adjusted retroactively according to the revised standard IAS 19R.

<sup>2)</sup> The comparative figures 2013–2012 include discontinued operations.

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

<sup>4)</sup> Average number of shares has been adjusted for right issue 2014.

<sup>5)</sup> In 2015 The statement of financial position has been restated due to an error relating to prior periods. The restatement increased the deferred tax liabilities with EUR 2.1 million and decreased equity by the corresponding amount.

## Calculation of Financial Ratios

<b>Equity ratio, % =</b>	$\frac{\text{Equity total}}{\text{Total assets} - \text{Advances received}} \times 100$
<b>Return on capital employed (ROCE), % =</b>	$\frac{\text{Operating profit from continuing operations}}{\text{Total assets} - \text{Non-interest-bearing liabilities (average between the beginning} \times 100 \text{ and the end of the year)}} \times 100$
<b>Return on equity (ROE), % =</b>	$\frac{\text{Profit for the period from continuing operations}}{\text{Equity total (average between the beginning and the end of the year)}} \times 100$
<b>Gearing, % =</b>	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents}}{\text{Equity total}} \times 100$
<b>Net interest-bearing debt/EBITDA =</b>	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents}}{\text{Operating profit/loss from continuing operations before depreciation, amortization and impairment loss}}$
<b>Earnings per share (EPS), EUR =</b>	$\frac{\text{Profit attributable to shareholders of the parent company}}{\text{Average number of shares during the period}}$
<b>Equity per share, EUR =</b>	$\frac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares at the end of the period}}$
<b>Dividend per share, EUR =</b>	$\frac{\text{Dividends paid for the financial period}}{\text{Number of shares at the end of the period}}$
<b>Payout ratio, % =</b>	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
<b>Effective dividend yield, % =</b>	$\frac{\text{Dividend per share}}{\text{Closing price on the last trading day of the financial period}} \times 100$
<b>Price/Earnings ratio (P/E) =</b>	$\frac{\text{Closing price on the last trading day of the financial period}}{\text{Earnings per share}}$
<b>Average price of share, EUR =</b>	$\frac{\text{Trading volume, EUR}}{\text{Average number of shares traded during the financial period}}$
<b>Market capitalisation, EUR =</b>	$\text{Number of shares at the end of the financial period} \times \text{Closing price on the last trading day of the financial period}$



## Consolidated Statement of Comprehensive Income (IFRS)

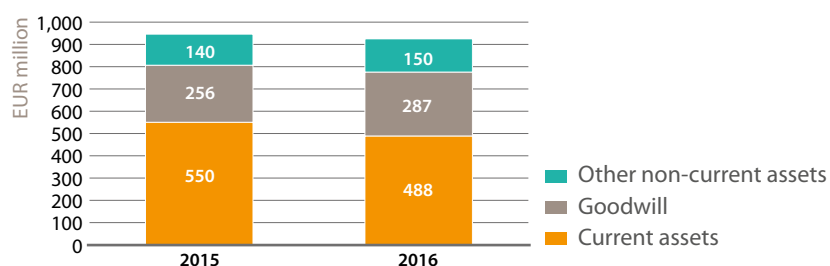
EUR million	Note	2016	2015
<b>Net sales</b>	4.1.4./4.1.5/ 4.2.1.	<b>1,642.1</b>	<b>1,626.3</b>
Other operating income	4.2.2.	20.2	14.9
Cost of goods sold	4.3.1.	-1,291.6	-1,298.4
Employee benefit expenses	4.4.1.	-154.5	-143.8
Other operating expenses	4.3.3.	-125.2	-113.9
<b>Gross profit</b>		<b>91.0</b>	<b>85.1</b>
Depreciation, amortisation and impairments	5.1.1. / 5.3.1.	-32.2	-22.6
<b>Operating profit</b>	4.1.4.	<b>58.8</b>	<b>62.6</b>
Financial income and expenses	6.1.1.	-4.7	-6.5
<b>Profit before taxes</b>		<b>54.1</b>	<b>56.1</b>
Income taxes	8.1.1./8.1.3.	-11.3	-11.5
<b>Profit for the period from continuing operations</b>		<b>42.8</b>	<b>44.5</b>
Profit for the period from discontinued operations		-	0.1
<b>Profit for the period</b>		<b>42.8</b>	<b>44.6</b>
<b>Other comprehensive income</b>			
<b>Items which may be reclassified subsequently to profit or loss:</b>			
Translation differences recognised in comprehensive income during the reporting period	8.1.2.	-9.1	3.6
Cash flow hedge	8.1.2.	0.8	0.1
Income tax relating to other comprehensive income	8.1.2.	-0.2	-0.0
		<b>-8.5</b>	<b>3.7</b>

EUR million	Note	2016	2015
<b>Items which will not be reclassified to profit or loss:</b>			
Actuarial gains/losses on defined benefit plans	4.4.2.	-0.5	5.6
Income tax relating to other comprehensive income	8.1.2.	0.1	-1.1
		<b>-0.4</b>	<b>4.4</b>
<b>Total comprehensive income for the period</b>		<b>34.0</b>	<b>52.8</b>
<b>Profit attributable to</b>			
Parent company shareholders		42.8	44.6
<b>Total comprehensive income attributable to</b>			
Parent company shareholders		34.0	52.8
<b>Earnings per share attributable to parent company shareholders:</b>			
<b>Basic earnings per share, EUR</b>			
From continuing operations	6.5.1.	0.24	0.25
From discontinued operations	6.5.1.	-	0.00
From profit for the period	6.5.1.	0.24	0.25
<b>Diluted earnings per share, EUR</b>			
From continuing operations	6.5.1.	0.24	0.25
From discontinued operations	6.5.1.	-	0.00
From profit for the period	6.5.1.	0.24	0.25

## Consolidated Statement of Financial Position (IFRS)

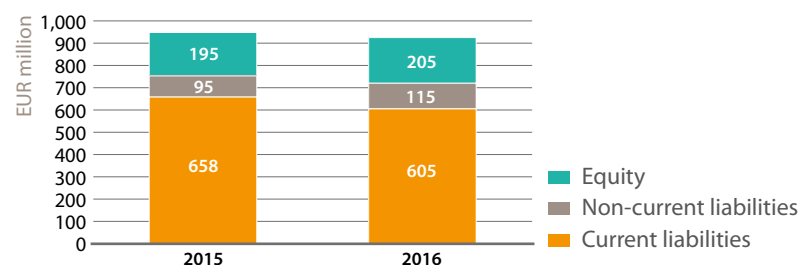
EUR million	Note	31 Dec 2016	31 Dec 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5.1.1.	71.5	72.7
Goodwill	5.3.1./5.3.2.	286.8	256.5
Other intangible assets	5.3.1.	76.2	63.2
Other non-current assets		0.3	0.3
Deferred tax assets	8.2.1.	2.4	3.7
<b>Non-current assets total</b>		<b>437.2</b>	<b>396.4</b>
<b>Current assets</b>			
Inventories	4.3.2.	199.4	201.1
Trade receivables	4.2.3.	192.6	194.0
Other receivables	4.2.3.	35.4	33.4
Cash and cash equivalents	6.2.4.	60.8	121.9
<b>Current assets total</b>		<b>488.3</b>	<b>550.5</b>
<b>ASSETS TOTAL</b>	4.1.4./4.1.5.	<b>925.4</b>	<b>946.9</b>

### Assets



EUR million	Note	31 Dec 2016	31 Dec 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		36.2	36.2
Hedging reserve		-0.6	-1.2
Contingency fund		19.4	19.4
Invested unrestricted equity		74.8	74.8
Other reserves		0.1	0.2
Translation differences		-8.6	0.5
Retained earnings		83.8	64.7
<b>Equity attributable to the parent company shareholders</b>	6.4.	<b>205.2</b>	<b>194.6</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	8.2.1.	16.2	15.8
Pension obligations	4.4.2.	10.6	10.0
Borrowings	6.2.5.	84.6	66.9
Other non-current liabilities	4.8.2.	3.4	2.1
<b>Non-current liabilities total</b>	4.1.4.	<b>114.8</b>	<b>94.7</b>
<b>Current liabilities</b>			
Trade payables	4.8.1.	504.3	547.7
Borrowings	6.2.5.	48.5	61.7
Other current liabilities	4.8.1.	52.7	48.1
<b>Current liabilities total</b>	4.1.4.	<b>605.4</b>	<b>657.5</b>
<b>EQUITY AND LIABILITIES TOTAL</b>		<b>925.4</b>	<b>946.9</b>

### Equity and Liabilities



## Consolidated Statement of Cash Flows (IFRS)

Oriola-KD year 2016

EUR million	Note	2016	2015
<b>Net cash flow from operating activities</b>			
Operating profit		58.8	62.7
Adjustments			
Depreciation and amortisation	5.1.1./5.3.1.	25.8	22.6
Impairment	5.3.1.	6.4	–
Change in pension asset and pension obligation		0.7	3.4
Other adjustments		7.3	2.7
		99.0	91.3
Change in working capital			
Change in current receivables increase (–)/ decrease (+)		–0.6	–27.2
Change in inventories increase (–)/ decrease (+)		2.3	–18.8
Change in non-interest-bearing current liabilities increase (+)/ decrease (–)		–45.4	57.2
		–43.7	11.2
Interest paid and other financial expenses		–6.1	–7.2
Dividends received		–	–
Interest received and other financial income		0.3	0.3
Income taxes paid		–9.4	–10.0
<b>Net cash flow from operating activities</b>		<b>40.1</b>	<b>85.6</b>

EUR million	Note	2016	2015
<b>Net cash flow from investing activities</b>			
Investments in property, plant and equipment and intangible assets		–35.8	–11.3
Proceeds from sales of property, plant and equipment and intangible assets		1.8	–8.5
Business acquisitions, net of cash acquired		–46.7	–
<b>Net cash flow from investing activities</b>		<b>–80.7</b>	<b>–19.9</b>
<b>Net cash flow from financing activities</b>			
Proceeds from share issue		–	75.6
Share issue expenses		–	–1.8
Repayment of hybrid bond		–	–40.0
Purchasing of own shares		–	–0.1
Repayment of short-term loans <sup>1)</sup>		–26.9	–35.5
Proceeds from long-term loans		30.0	–
Repayment of long-term loans		–	–28.8
Interest paid on hybrid bond		–	–4.5
Dividends paid and return of equity		–23.6	–
<b>Net cash flow from financing activities</b>		<b>–20.4</b>	<b>–35.2</b>
Net change in cash and cash equivalents		–61.0	30.6
Cash and cash equivalents at the beginning of the period		121.9	91.5
Translation differences		–0.1	–0.1
Net change in cash and cash equivalents		–61.0	30.6
<b>Cash and cash equivalents at the end of the period</b>	6.2.4.	<b>60.8</b>	<b>121.9</b>

<sup>1)</sup> Includes cash flows from commercial papers

## Consolidated Statement of Changes in Equity (IFRS)

### Equity attributable to the parent company shareholders

EUR million	Note	Share capital	Funds	Translation differences	Retained earnings	Hybrid bond	Equity total
<b>Equity 1 January 2015</b>		<b>36.2</b>	<b>19.3</b>	<b>-3.1</b>	<b>19.5</b>	<b>39.6</b>	<b>111.5</b>
Comprehensive income for the period							
Net profit for the period		-	-	-	44.6	-	<b>44.6</b>
Other comprehensive income:							
Cash flow hedge		-	0.1	-	-	-	<b>0.1</b>
Actuarial gains and losses	4.4.2.	-	-	-	5.6	-	<b>5.6</b>
Income tax relating to other comprehensive income	8.1.2.	-	-0.0	-	-1.1	-	<b>-1.2</b>
Translation difference		-	-	3.6	-	-	<b>3.6</b>
<b>Comprehensive income for the period total</b>		<b>-</b>	<b>0.1</b>	<b>3.6</b>	<b>49.1</b>	<b>-</b>	<b>52.8</b>
Transactions with owners							
Share issue		-	73.7	-	-	-	<b>73.7</b>
Hybrid bond interest		-	-	-	-2.6	-	<b>-2.6</b>
Redemption of hybrid bond	6.4.	-	-	-	-1.3	-39.6	<b>-41.0</b>
Share-based incentive		-	-	-	0.3	-	<b>0.3</b>
Distributed treasury shares		-	-	-	-0.1	-	<b>-0.1</b>
Purchase of own shares		-	-	-	-0.0	-	<b>-0.0</b>
<b>Transactions with owners, total</b>		<b>-</b>	<b>73.7</b>	<b>-</b>	<b>-3.8</b>	<b>-39.6</b>	<b>30.3</b>
<b>Equity 31 December 2015</b>		<b>36.2</b>	<b>93.1</b>	<b>0.5</b>	<b>64.7</b>	<b>-</b>	<b>194.6</b>
Comprehensive income for the period							
Net profit for the period		-	-	-	42.8	-	<b>42.8</b>
Other comprehensive income:							
Cash flow hedge		-	0.8	-	-	-	<b>0.8</b>
Actuarial gains and losses	4.4.2.	-	-	-	-0.5	-	<b>-0.5</b>
Income tax relating to other comprehensive income	8.1.2.	-	-0.2	-	0.1	-	<b>-0.0</b>
Translation difference		-	-	-9.1	-	-	<b>-9.1</b>
<b>Comprehensive income for the period total</b>		<b>-</b>	<b>0.6</b>	<b>-9.1</b>	<b>42.5</b>	<b>-</b>	<b>34.0</b>
Transactions with owners							
Dividends distribution		-	-	-	-23.6	-	<b>-23.6</b>
Share-based incentive		-	-	-	0.3	-	<b>0.3</b>
Distributed treasury shares		-	-	-	-0.1	-	<b>-0.1</b>
<b>Transactions with owners, total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-23.4</b>	<b>-</b>	<b>-23.4</b>
<b>Equity 31 December 2016</b>		<b>36.2</b>	<b>93.7</b>	<b>-8.6</b>	<b>83.8</b>	<b>-</b>	<b>205.2</b>

# Notes to the Consolidated Financial Statements

## 1. Basic Information on the Company

Oriola-KD Corporation is a Finnish public limited company, 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 10 February 2017. 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 (investor.relations@oriola.com)

## 2. Basis of Presentation

**Basis of presentation:** The financial statements are prepared in accordance with the International Financial Reporting Standards including adherence with IAS and IFRS standards and SIC and IFRIC interpretations valid as at 31 December 2016. The International Financial Reporting Standards refer to standards and interpretations that have been approved for application in the EU in the Finnish Accounting Act and the provisions issued pursuant to it according to the procedures provided for in EU regulation (EC) No. 1606/2002.

The consolidated financial statements are presented for the 12-month period 1 January – 31 December 2016. The financial statements are presented in EUR million and they have been prepared under the historical cost convention, except for financial assets recognised at fair value through profit or loss, financial assets available-for-sale, derivatives and share-based payments. The Group has applied the following new and amended standards and interpretations as of 1 January 2016:

Annual improvements in IFRS standards 2012–2014.

Amendments to IAS 1 is a part of the IASB project "Disclosure Initiative". The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendment to IAS 16 Property, plant and equipment and IAS 38 Intangible assets: Clarification of acceptable methods of depreciation and amortization. The amendment forbids the use of revenue-based methods of depreciation and amortisation of tangible and intangible assets. The amendment does not have an impact on the consolidated financial statements.

Amendment to IFRS 11 Joint arrangements: Accounting for acquisitions of interests in joint operations. The amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business to apply the principles on business combinations accounting. The amendment does not have an impact on the consolidated financial statements.

Accounting principles    Use of estimates

## 3. Use of Estimates

**Use of estimates:** The preparation of consolidated financial statements in accordance with IFRS requires the application of judgement by management in making estimates and assumptions. Such estimates and assumptions have an impact on the assets and liabilities reported as at the end of the reporting period, and on the presentation of contingent assets and liabilities in the notes to the consolidated financial statements as well as on the income and expenses reported for the financial year. The estimates are based on the management's best knowledge about the facts, and as such, actual results may differ from the estimates and assumptions used. Accounting estimates have been used in determining the amount of the items reported in the consolidated financial statements, such as possible impairment of goodwill and other assets, determination of pension assets and pension obligations related to defined benefit pension plans, economic lives of tangible and intangible assets, provisions and taxes. The application of accounting principles also requires judgement.

### 3.1. Use of Estimates

Item	Uncertainty	Note
Defined benefits	Discount factor	4.4.2.
Impairment testing	Discount factor / Estimate	5.3.2.
Deferred taxes	Recognition / Estimate	8.2.1.

## 4. Operating Result

### 4.1. Segment Reporting

**Segment reporting:** Operating segments are reported as in internal reporting provided to the Chief Executive Officer, the chief operating decision maker responsible for allocating resources and assessing performance of the operating segments.

Oriola-KD's operating and reporting segments as of 1 January 2016 are Consumer, Services and Healthcare.

The assets and liabilities of reporting segments include items directly attributable to a segment and items which can be allocated to segments. Group items include financial items as well as items related to corporate functions.

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

New ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures (APMs) are effective for the financial year 2016. Oriola-KD presents APMs to reflect the underlying business performance and to enhance comparability between financial periods. APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. As of Q1 2016, Oriola-KD relabels the previously referenced "excluding non-recurring items" with "adjusted". Reporting segments' operating profit is reported excluding adjustment items. In addition Oriola-KD uses "invoicing" as the measure to describe the business volume.



Adjustments to EBITDA and operating profit exclude gains or losses from the sale or discontinuation of business operations or assets, gains or losses from restructuring business operations, and impairment losses of goodwill and other non-current assets, or other income or expenses arising from rare events and, changes in estimates regarding the realization of contingent consideration arising from business acquisitions.

Oriola-KD's agreements with pharmaceutical companies are either wholesale agreements where Oriola-KD buys the products into its own stock or agreements where Oriola-KD delivers the products from consignment stock. Oriola-KD reports the invoicing of both types of agreement as this describes the volume of the business.

#### 4.1.1. Invoicing

EUR million	2016	2015
Net sales	1,642.1	1,626.3
+ Acquisition cost of consignment stock	1,757.2	1,617.0
+ Cash discounts	20.6	18.8
<b>Invoicing</b>	<b>3,420.0</b>	<b>3,262.2</b>

#### 4.1.2. Adjusted EBITDA and Adjusted Operating Profit

##### Adjusted EBITDA

EUR million	2016	2015
Operating profit	58.8	62.6
Depreciations and impairments	32.2	22.6
<b>EBITDA</b>	<b>91.0</b>	<b>85.1</b>
– Adjusting items included in EBITDA	–4.2	–1.8
<b>Adjusted EBITDA</b>	<b>86.8</b>	<b>83.4</b>

##### Adjusted Operating profit

EUR million	2016	2015
Operating profit	58.8	62.6
– Adjusting items included in Operating profit	2.2	–1.8
<b>Adjusted Operating profit</b>	<b>61.1</b>	<b>60.8</b>

#### 4.1.3. Adjusting Items

##### Adjusting items included in Operating Profit

EUR million	2016	2015
Restructuring costs	–1.4	–1.4
Impairments	–6.4	–
Revaluation of contingent consideration	6.3	3.4
Pensions	–	–0.3
Other	–0.7	–0.1
<b>Total</b>	<b>–2.2</b>	<b>1.8</b>

#### 4.1.4. Reporting Segments

##### EUR million

2016	Note	Consumer	Services	Health-care	Group items	Group total
External Invoicing		811.5	2,572.1	36.3	–	<b>3,420.0</b>
Internal Invoicing		0.0	362.4	–	–362.4	–
<b>Invoicing</b>	4.1.1.	<b>811.5</b>	<b>2,934.6</b>	<b>36.3</b>	<b>–362.4</b>	<b>3,420.0</b>
Sales to external customers		792.5	813.4	36.2	–	<b>1,642.1</b>
Sales to other segments		0.0	362.4	–	–362.4	–
<b>Net sales</b>	4.2.1.	<b>792.5</b>	<b>1,175.8</b>	<b>36.2</b>	<b>–362.4</b>	<b>1,642.1</b>
Operating profit		32.8	33.6	–7.6	0.1	<b>58.8</b>
Adjusted operating profit		33.4	34.7	–1.0	–6.0	<b>61.1</b>
Assets		453.9	340.6	44.5	86.4	<b>925.4</b>
Liabilities		73.9	504.1	5.8	136.4	<b>720.3</b>
Investments	5.1.1./5.3.1.	17.4	14.6	44.5	12.2	<b>88.8</b>
Depreciation and impairments	5.1.1./5.3.1.	17.1	5.7	9.0	0.3	<b>32.2</b>
Average number of personnel		1,638	822	80	42	<b>2,582</b>
<b>2015</b>						
External Invoicing		794.4	2,467.8	–	–	<b>3,262.2</b>
Internal Invoicing		0.0	334.2	–	–334.2	–
<b>Invoicing</b>	4.1.1.	<b>794.4</b>	<b>2,802.0</b>	<b>–</b>	<b>–334.2</b>	<b>3,262.2</b>
Sales to external customers		777.1	849.2	–	–	<b>1,626.3</b>
Sales to other segments		0.0	334.2	–	–334.2	–
<b>Net sales</b>	4.2.1.	<b>777.1</b>	<b>1,183.4</b>	<b>–</b>	<b>–334.2</b>	<b>1,626.3</b>
Operating profit		33.7	32.2	–	–3.4	<b>62.6</b>
Adjusted operating profit		33.7	33.2	–	–6.1	<b>60.8</b>
Assets		454.1	360.1	–	132.6	<b>946.9</b>
Liabilities		76.2	544.4	–	131.6	<b>752.3</b>
Investments	5.1.1./5.3.1.	12.5	5.0	–	2.9	<b>20.4</b>
Depreciation and impairments	5.1.1./5.3.1.	16.6	5.7	–	0.2	<b>22.6</b>
Average number of personnel		1,550	739	–	38	<b>2,327</b>

## 4.1.5. Geographical Information

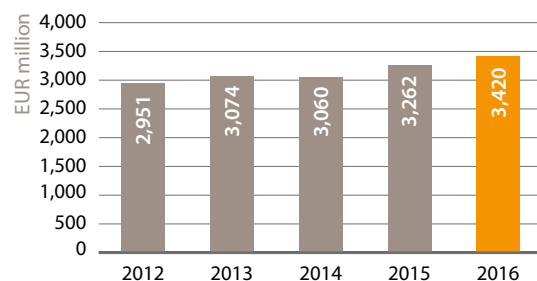
EUR million

2016	Sweden	Finland	Baltic countries	Other countries	Group total
Sales to external customers	1,143.1	372.5	50.7	75.8	<b>1,642.1</b>
Assets	664.1	242.1	19.2	0.1	<b>925.4</b>
Investments	44.7	43.9	0.2	–	<b>88.8</b>
Average number of personnel	1,927	498	157	1	<b>2,582</b>

2015

Sales to external customers	1,124.4	385.7	45.7	70.6	<b>1,626.3</b>
Assets	656.9	271.4	18.6	–	<b>946.9</b>
Investments	13.6	6.4	0.4	–	<b>20.4</b>
Average number of personnel	1,800	372	155	–	<b>2,327</b>

## Invoicing 5 years



## 4.2. Operating Income

**Revenue recognition:** The Group's net sales include income from the sale of goods and the sale of services adjusted with 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 rewards of ownership of the goods have been transferred to the buyer. Income from services is recognised when the service has been performed. In contracts based on consignment inventory only the logistics services fee is recognised in the net sales.

The Group has retail pharmacies that sell pharmaceuticals and healthcare products. Sale of goods is recognised when the company sells the product to the customer. Sales are adjusted with estimated future bonus discounts from the loyalty programme. Retail sales are usually cash or credit card sales to consumers.

Services comprise various expert services provided to pharmaceutical companies, pharmacies, county councils and private health care providers. Sale of services is recognised over the period during which the service is performed.

## 4.2.1. Net Sales by Currency

EUR million	2016 SEK	EUR	2015 SEK	EUR
Sweden	11,498.1	1,214.3	11,130.6	1,190.0
Finland		373.8		387.3
Baltics		54.0		49.0
<b>Total</b>		<b>1,642.1</b>		<b>1,626.3</b>

## 4.2.2. Other Operating Income

EUR million	2016	2015
Gain on sale of tangible and intangible assets	0.0	0.2
Rental income	0.3	0.3
Service charges	0.2	0.2
Marketing contribution	11.3	10.2
Revaluation of contingent consideration	6.6	3.4
Other operating income	1.8	0.6
<b>Total</b>	<b>20.2</b>	<b>14.9</b>

Other operating income consists mainly of marketing contribution in retail campaigns.

**4.2.3. Trade and Other Receivables**

**Trade receivables:** Trade receivables are carried at their anticipated realisable value, which is the original invoice amount less an estimated valuation allowance for the impairment of these receivables. A valuation allowance for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Trade receivables are classified in accordance with IFRS 7 to loans and receivables.

EUR million	2016	2015
Trade receivables	192.6	194.0
Prepaid expenses and accrued income	11.1	13.9
Derivatives measured at fair value through profit and loss	0.1	0.1
VAT receivables	9.0	9.0
Rental prepayments and guarantees	4.1	3.3
Prepaid expenses	7.2	6.6
Other receivables	3.8	0.6
<b>Total</b>	<b>228.0</b>	<b>227.5</b>

As a part of managing liquidity risk, Oriola-KD has open-ended frame agreements in Sweden that allow the company to sell trade receivables relating to Swedish retail and wholesale businesses to financial institutions on non-recourse basis. Sold non-recourse trade receivables were EUR 118.5 (114.6) million on the balance sheet date. No significant changes are anticipated in the scope of the programmes in 2017.

The credit risk in Finland is reduced by interest-bearing advance payments from pharmacies. These interest-bearing advance payments are presented as current interest-bearing liabilities in the balance sheet. On the balance sheet date the prepayments amounted to EUR 21.5 (23.9) million.

**Aging and Impairment of Trade Receivables at the Closing Date**

EUR million	2016		2015	
	Gross	Impairment	Gross	Impairment
Not past due	184.4	–	185.7	–
Past due 1–30 days	7.4	–	8.1	–
Past due 31–180 days	0.8	–	0.2	–
Past due more than 180 days	0.1	0.0	0.1	–0.1
<b>Total</b>	<b>192.7</b>	<b>0.0</b>	<b>194.1</b>	<b>–0.1</b>

Book value of trade and other receivables corresponds to the maximum amount of credit risk relating to them at the balance sheet date.

**Material Items Included in Prepaid Expenses and Accrued Income**

EUR million	2016	2015
Income tax receivable	9.0	3.3
Compensations not received	0.1	0.2
Other receivables	2.0	10.4
<b>Total</b>	<b>11.1</b>	<b>13.9</b>

**4.3. Operating Expenses****4.3.1. Cost of Goods Sold**

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

EUR million	2016	2015
Purchases during the period	1,290.2	1,314.8
Change in inventory	1.7	–16.1
Products for own use	–0.3	–0.3
Foreign exchange differences	0.0	0.0
<b>Cost of goods sold</b>	<b>1,291.6</b>	<b>1,298.4</b>

**Cost of goods sold by currency**

Million	2016	
	SEK	EUR
Sweden	8,937.1	943.8
Finland	–	304.6
Baltics	–	43.1
<b>Total</b>		<b>1,291.6</b>

Million	2015	
	SEK	EUR
Sweden	8,735.9	934.0
Finland	–	325.9
Baltics	–	38.6
<b>Total</b>		<b>1,298.4</b>

### 4.3.2. Inventories

**Inventories:** Inventories are presented in the consolidated statement of financial position at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated necessary direct costs of sale. The cost of inventories is determined on the basis of the FIFO principle.

The inventories as at 31 December 2016 EUR 199.4 (201.1) million were finished goods, pharmaceutical and health related products. During the financial year 2016 no material inventory write-offs were recognized.

EUR million	2016	2015
Raw materials and consumables	0.1	0.0
Work in progress	0.5	0.3
Finished goods	198.7	200.7
<b>Total</b>	<b>199.4</b>	<b>201.1</b>

### 4.3.3. Other Operating Expenses

EUR million	2016	2015
Freights and other variable costs	25.4	22.9
Marketing	12.7	14.6
Information management	14.6	14.8
Premises	28.4	26.3
External services	16.5	12.6
Other operating expenses	27.6	22.8
<b>Total</b>	<b>125.2</b>	<b>113.9</b>

## 4.4. Employee Benefits

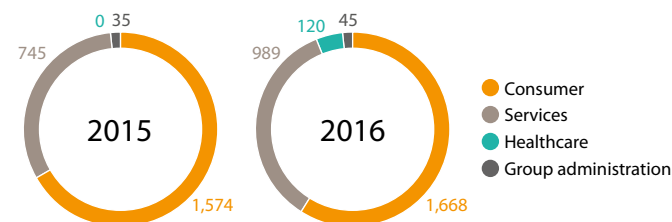
**Pension benefits:** The Group's pension arrangements are in compliance with each country's local regulations and practices. The pension arrangements of the Group companies comprise both defined contribution plans and defined benefit plans. The payments into the defined contribution plans are recognised as expenses in the income statement in the period in which they incur. Under a defined benefit pension plan, the Group's obligation is not limited to the payments made under the plan but also includes the actuarial and investment risks related to the pension plan in question.

The pension expenses related to defined benefits have been calculated using the projected unit credit method. Pension expenses are recognised as expenses by distributing them over the estimated period of service of the personnel concerned. The amount of the pension obligation is the present value of the estimated future pensions payable.

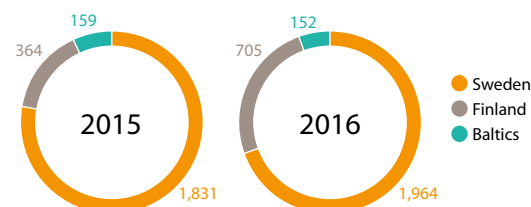
### 4.4.1. Employee Benefits

EUR million	2016	2015
Wages, salaries and bonuses	103.8	95.3
Share-based payments		
Settlement in cash	0.3	0.3
Payment in shares	0.3	0.3
Pension costs		
Defined contribution plans	33.9	31.4
Defined benefit plans	0.5	2.0
Other personnel expenses	15.7	14.6
<b>Total</b>	<b>154.5</b>	<b>143.8</b>

### Employees per Business Area (at year-end)



### Employees per Country (at year-end)



#### 4.4.2. Post-employment Benefits

Oriola-KD has defined benefit pension plans in Finland and Sweden. The Group's Baltic subsidiaries do not have defined benefit pension plans.

As at 31.12.2015 all of the assets and liabilities relating to the TyEl-pension for Oriola-KD's personnel in Finland were transferred to Mutual Pension Insurance Company Ilmarinen, and the supplementary pensions management and insurance portfolio to OP Life Assurance. The plans were transferred in connection with the liquidation of the Oriola Pension Fund.

In 2017 Finland will adopt a pension reform. Oriola-KD has decided not to compensate the deficit due to the change in the pension act in the supplementary pension plan.

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 recognize the old age pension liabilities in its statement of financial position or, alternatively, pay the pension expenses to the pension insurance company Alecta. Oriola AB has recognized its ITP 2 old age pension liabilities in full in its statement of financial position. 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 based on defined contribution, and insured with Alecta.

Employer contributions to post-employment benefit plans are expected to be EUR 0.4 million during the 2017 financial year. The weighted average duration of the defined benefit obligation is 21.3 years.

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

Mortality assumptions are made on the basis of actuarial guidelines and they are founded on statistics published in each region and on experience.

Sensitivity of the defined benefit obligation to changes in the most significant assumptions:

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

EUR million	2016	2015
Present value of funded obligations	13.0	11.8
Fair value of plan assets	-2.4	-2.3
Deficit/surplus	10.6	9.6
Net liability (+) / assets (-) in the statement of financial position	10.6	9.6

#### Change in defined benefit obligation and plan assets:

EUR million	Present value of funded obligation	Fair value of plan assets	Total
<b>1 Jan 2015</b>	<b>79.3</b>	<b>-64.5</b>	<b>14.9</b>
Current service cost	2.1	-0.2	<b>1.9</b>
Interest cost or income	2.0	-1.6	<b>0.4</b>
Gains/losses on curtailment and settlements	-63.5	63.2	<b>-0.3</b>
	19.9	-3.1	<b>16.8</b>
Remeasurements			
Actuarial gains (-) and losses (+) arising from changes in demographical assumptions	1.7	0.0	<b>1.7</b>
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	-9.2	0.0	<b>-9.2</b>
Experience profits (-) or losses (+)	1.7	0.3	<b>1.9</b>
	14.1	-2.8	<b>11.2</b>
Differences in foreign exchange rates	-0.2	0.0	<b>-0.2</b>
Contributions			
Employers	0.0	-1.5	<b>-1.5</b>
Plan participants	0.0	0.0	<b>0.0</b>
Expenses arising from the plans			
Benefits paid	-2.0	2.0	<b>0.0</b>
<b>31 Dec 2015</b>	<b>11.8</b>	<b>-2.3</b>	<b>9.6</b>
Current service cost	0.4	-	0.4
Interest cost or income	0.4	-0.1	0.3
	12.6	-2.3	<b>10.3</b>
Remeasurements			
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	1.3	-0.3	<b>1.0</b>
Experience profits (-) or losses (+)	-0.5	-	<b>-0.5</b>
	13.5	-2.7	<b>10.8</b>
Expenses arising from the plans			
Benefits paid	-0.4	0.2	<b>-0.2</b>
<b>31 Dec 2016</b>	<b>13.0</b>	<b>-2.4</b>	<b>10.6</b>



Significant actuarial assumptions 31 Dec:	2016	2015
Discount rate (%)	1.3–2.8	2.5–2.6
Salary increases (%)	1.6–2.5	2.0–2.2

#### Effect on defined benefit pension obligation

Assumption	Change in assumption as percentage point	Effect of change in assumption %
Decrease in discount rate	–0.5	increase by 11.5
Increase in discount rate	+0.5	reduce by 10.1
Increase in salaries	+0.5	increase by 5.0
Increase in benefits	+0.5	increase by 11.6

The table presents a sensitivity analysis for the most significant actuarial assumptions, showing the effect of any change in actuarial assumptions on the defined benefit pension obligation.

The effects of the above sensitivity analysis have been calculated so that when the effect of the change in the assumption is calculated all other assumptions are expected to remain unchanged. This is unlikely to happen and in some assumptions changes may correlate with each other. The sensitivity of the defined benefit obligation has been calculated using the same method as in the calculation of the pension obligation to be entered in the statement of financial position (the current value of the defined benefit obligation at the end of the reporting period using the projected unit credit method).

The most significant risks arising from defined benefit pension plans: Most of the plan obligations are connected with generating life-long benefits for employees and for this reason a higher life expectancy will mean more obligations under the plan.

**Use of estimates:** The discounted value of the pension obligation is based on several actuarial assumptions. Changes in the assumptions have an impact on the carrying amount of the pension obligation. Discount rate used is one of the assumptions used. The interest rate used is determined at the date of measurement by reference to the maturity of corporate bonds issued by financially sound companies that is similar to that of the pension obligation. Other key assumptions impacting pension liabilities are based on the circumstances valid at the time.

#### 4.4.3. Share-based Payments

**Share-based payments:** Share incentive plans are measured at fair value at the grant date in accordance with IFRS 2, and are recognised as expenses within the vesting period. The equity-settled component is recognised in equity and the cash-settled payment in liabilities. The fair value of the cash-settled component is re-measured at each balance sheet date until the end of the vesting period, and the fair value of the liability is adjusted in accordance with the Oriola-KD Corporation share price.

#### Executives' Incentive Plan 2013–2015

On 19 December 2012, Oriola-KD's Board of Directors approved a share-based incentive plan for the Group executives. The target group of the new plan during the performance period 2015 consisted of six participants. The plan included three performance periods, calendar years 2013, 2014 and 2015. The company's Board of Directors decided on the earning criteria for the earning period and the targets to be set for these at the start of each earning period. The potential reward from the plan for the performance period 2015 was based on Oriola-KD Group's earnings per share (EPS). The rewards to be paid on the basis of the performance period 2015 correspond to the value of an approximate maximum total of 247,541 of the company's class B shares (also including the proportion to be paid in cash). No reward will be paid if an executive's employment or service in a Group company ends before the reward payment in 2018. There was no payment based on the performance period 2014 since the performance criteria for the plan were not met.

Expenses recognised for the incentive plan were EUR 0.3 (0.2) million in 2016.

#### Executives' Incentive Plan 2016–2018

On 2 December 2015, the Board of Directors of Oriola-KD Corporation resolved to establish a new share-based incentive plan directed at the Group's key personnel. Approximately 20 key persons, including the members of the Group Management Team, participate in the plan. The plan includes three performance periods, calendar years 2016, 2017 and 2018, and three vesting periods, calendar years 2017, 2018 and 2019, respectively. The Board of Directors of the Company will resolve on the plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. The potential reward from the performance period 2016 is based on the Group's earnings per Share (EPS). The rewards to be paid on the basis of the performance period 2016 correspond to the value of an approximate maximum total of 800,000 of the company's class B shares (also including the proportion to be paid in cash). The potential reward will be paid in 2018. The prerequisite for participation in the plan and for receipt of reward on the basis of the plan is that a key person has enrolled in the OKShares and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the rules of the OKShares that are in force. The member of the Group Management Team must hold 50 per cent of the net shares given on the basis of the entire plan, until his or her shareholding in the company in total equals the value of his or her gross annual salary.

Expenses recognised for the incentive plan were EUR 0.1 (–) million in 2016.

#### Share Savings Plans

On 18 June 2015 the Board of Directors of Oriola-KD Corporation decided to launch a key personnel share savings plan. This savings period began on 1 October 2015 and ended on 31 December 2016. The maximum monthly saving was 8.3 percent and the minimum is 2 percent of each participant's fixed monthly gross salary. A total of about 50 key employees participated in the plan. The expenses recognised for the share savings plans were EUR 0.1 (0.2) million in 2016.

**4.4.4. Management Benefits**

EUR thousand	President and CEO		Group Management Team	
	2016	2015	2016	2015
Basic salary	495.7	442.7	1,593.5	1,312.6
Bonuses	163.2	184.9	226.3	343.4
Pension expenses (statutory)	123.0	107.4	380.0	298.7
Pension expenses (voluntary)	–	–	63.1	43.9
<b>Total</b>	<b>781.9</b>	<b>735.0</b>	<b>2,262.9</b>	<b>1,998.6</b>

The total salary of the President and CEO of the Group and the Group Management Team include a supplementary health insurance.

The President and CEO of the Group and the Group Management Team participate in statutory pension schemes.

Two Group Management Team members participate in a voluntary defined contribution plan.

**4.4.5. Salaries and Benefits of the Members of the Board of Directors**

EUR thousand	2016	2015
Anssi Vanjoki, chairman <sup>1)</sup>	59.4	59.9
Jukka Alho <sup>2)</sup>	1.5	41.3
Harry Brade <sup>3)</sup>	–	2.8
Eva Nilsson Bågenholm, vice chairman <sup>1)</sup>	38.8	30.2
Per Båtelson <sup>4)</sup>	1.0	30.3
Anja Korhonen	40.8	43.7
Mariette Kristenson <sup>4)</sup>	29.7	–
Kuisma Niemelä	32.2	33.8
Lena Ridström <sup>4)</sup>	29.7	–
Matti Rihko	30.7	31.8
Staffan Simberg <sup>1)</sup>	32.2	32.2
<b>Total</b>	<b>295.9</b>	<b>305.9</b>

<sup>1)</sup> from 30 March 2015

<sup>2)</sup> chairman until 30 March 2015, member until 14 March 2016

<sup>3)</sup> until 30 March 2015

<sup>4)</sup> from 14 March 2016

Of the Board of Directors' annual fee, 60 per cent is paid in cash and 40 per cent in the Company's class B shares.

For the apportionment paid in shares, an expense of EUR 0.1 (0.1) million was recognised in 2016.

**4.5. Leasing Contracts**

**Leasing:** Lease agreements that transfer a significant proportion of the risks and rewards related to the ownership of an asset to the Group are classified as finance lease agreements. Finance lease agreements are recorded in the consolidated statement of financial position as an asset and a liability at the inspection of the lease at the lower of fair value of the asset or the present value of the minimum lease payments.

The assets acquired through finance leases are depreciated similarly to non-current assets over the shorter of the useful life of the assets or the lease term. Finance lease liabilities are recorded under non-current and current liabilities in the consolidated statement of financial position.

If the risks and rewards associated with the ownership of the asset remain with the lessor, the lease agreement is treated as an operating lease. The resulting lease payments are recognized as an expense, over the entire lease term.

**4.5.1. Group as Lessee**

Oriola-KD has a significant portfolio of lease contracts for pharmacies in Sweden. The usual duration of the leases is 3 years, and they are regularly renewed for the next lease period. 19 new leases were signed in 2016 and 5 lease contracts expired. The Group has also leased equipment.

Committed future minimum lease payments:

EUR million	2016	2015
Within one year	18.5	15.7
One to five years	34.6	18.0
Over five years	7.0	6.9
<b>Total</b>	<b>60.1</b>	<b>40.7</b>

The group has leased office, warehouse and retail premises under fixed-term lease contracts, partly with the right to renew the lease. The leasing expenses were EUR 20.5 (18.5) million.

**4.6. Provisions**

**Provisions:** A provision is recognised in the consolidated statement of financial position when the Group has a present legal or contractual obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A restructuring provision is recognised when the Group has a detailed, formal restructuring plan, has started the implementation of the plan or has informed those affected by the plan. No provision related to costs for continuing operations is recognised.

No provisions were recognized in 2016 (–).

## Financial Statements

## 4.7. Audit Fees

## 4.7.1. Audit Fees

EUR million	2016	2015
To member firms of PricewaterhouseCoopers Oy network		
Audit related services	0.3	0.2
Tax and other non-audit services	0.0	0.1
<b>Total</b>	<b>0.4</b>	<b>0.3</b>

## 4.8. Trade Payables and Other Liabilities

## 4.8.1. Trade Payables and Other Current Liabilities

EUR million	2016	2015
Trade payables	504.3	547.7
Accrued liabilities and deferred income	42.5	39.3
Derivatives designated as hedges	0.6	–
Derivatives at fair value through profit and loss	–	1.3
Other current liabilities	9.6	7.5
<b>Total</b>	<b>557.0</b>	<b>595.9</b>

## Material items included in accrued liabilities and deferred income

EUR million	2016	2015
Accrued wages, salaries and social security payments	19.2	19.0
Income tax liability	14.1	11.7
Other accrued liabilities and deferred income	9.2	8.7
<b>Total</b>	<b>42.5</b>	<b>39.3</b>

## 4.8.2. Other non-current liabilities

EUR million	2016	2015
Derivatives designated as hedges	0.3	1.6
Contingent consideration	2.7	–
Other non-current liabilities <sup>1)</sup>	0.4	0.5
<b>Total</b>	<b>3.4</b>	<b>2.1</b>

<sup>1)</sup> Other non-current liabilities consist of long-service benefit liability

## 4.9. Operating Profit

**Operating profit:** Operating profit is determined as net sales less cost of goods sold, less sales and distribution expenses, less administrative expenses and other operating expenses, less depreciation and amortisation plus other operating income. Foreign exchange differences and changes in the fair values of derivatives are recognised in Operating profit, provided that they arise from items related to business operations; otherwise they are recognised within financial items.

## 5. Tangible and Intangible Assets and Leasing Arrangements, Depreciation and Amortisation

## 5.1. Property, Plant and Equipment

**Tangible assets:** Tangible assets are initially recognised at historical cost and they are subsequently measured at historical cost less depreciation and impairment losses. The assets are depreciated over their estimated useful life using the straight-line method. The useful life of assets is reviewed at least annually and it is adjusted if necessary. The estimated useful lives are as follows:

- Buildings 20–50 years
- Machinery and equipment 5–10 years
- Other tangible assets 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 providing they are expected to generate future economic benefits. Gains and losses resulting from the disposal of tangible assets are recognised under other operating profit.

## 5.1.1. Property, Plant and Equipment

EUR million

<b>2016</b>	<b>Land and water</b>	<b>Buildings and constructions</b>	<b>Machinery and equipment</b>	<b>Other tangible assets <sup>1)</sup></b>	<b>Advance payments and construction in progress</b>	<b>Total</b>
Historical cost 1 Jan 2016	2.0	50.5	80.3	28.8	2.7	<b>164.4</b>
Business combinations	–	–	1.9	0.0	–	<b>1.9</b>
Increases	–	0.6	8.1	3.6	3.7	<b>16.0</b>
Decreases	–0.1	–2.8	–7.2	–0.3	0.0	<b>–10.4</b>
Reclassifications	–	0.2	0.8	1.0	–2.1	<b>0.0</b>
Foreign exchange rate differences	0.0	–0.5	–2.2	–1.1	–0.1	<b>–3.9</b>
<b>Historical cost 31 Dec 2016</b>	<b>1.9</b>	<b>48.1</b>	<b>81.7</b>	<b>32.1</b>	<b>4.3</b>	<b>168.0</b>
Accumulated depreciation 1 Jan 2016	–	–32.6	–50.7	–8.3	–	<b>–91.7</b>
Accumulated depreciation related to decreases and reclassifications	–	1.5	6.7	0.2	–	<b>8.4</b>
Depreciation for the financial year	–	–1.7	–10.6	–2.9	–	<b>–15.2</b>
Foreign exchange rate differences	–	0.3	1.4	0.3	–	<b>2.0</b>
<b>Accumulated depreciation 31 Dec 2016</b>	<b>–</b>	<b>–32.6</b>	<b>–53.2</b>	<b>–10.7</b>	<b>–</b>	<b>–96.5</b>
Carrying amount 1 Jan 2016	2.0	17.9	29.6	20.5	2.7	<b>72.7</b>
Carrying amount 31 Dec 2016	1.9	15.5	28.5	21.3	4.3	<b>71.5</b>
<b>2015</b>						
Historical cost 1 Jan 2015	2.0	49.8	75.8	24.8	1.5	<b>153.8</b>
Increases	–	0.4	6.3	3.5	1.7	<b>11.9</b>
Decreases	–	–	–3.5	–0.0	–	<b>–3.5</b>
Reclassifications	–	0.0	0.5	0.0	–0.5	<b>0.0</b>
Foreign exchange rate differences	0.0	0.3	1.3	0.5	0.0	<b>2.1</b>
<b>Historical cost 31 Dec 2015</b>	<b>2.0</b>	<b>50.5</b>	<b>80.3</b>	<b>28.8</b>	<b>2.7</b>	<b>164.4</b>
Accumulated depreciation 1 Jan 2015	–	–30.8	–42.2	–5.7	–	<b>–78.6</b>
Accumulated depreciation related to decreases and reclassifications	–	–	2.9	0.0	–	<b>2.9</b>
Depreciation for the financial year	–	–1.7	–10.6	–2.5	–	<b>–14.8</b>
Foreign exchange rate differences	–	–0.2	–0.8	–0.2	–	<b>–1.1</b>
<b>Accumulated depreciation 31 Dec 2015</b>	<b>–</b>	<b>–32.6</b>	<b>–50.7</b>	<b>–8.3</b>	<b>–</b>	<b>–91.7</b>
Carrying amount 1 Jan 2015	2.0	19.0	33.6	19.1	1.5	<b>75.2</b>
Carrying amount 31 Dec 2015	2.0	17.9	29.6	20.5	2.7	<b>72.7</b>

<sup>1)</sup> The most significant share of other tangible assets is made up by refurbishment expenditures for rented premises.

## 5.2. Finance Leases

**Finance leases:** Lease agreements that transfer a significant proportion of the risks and rewards related to the ownership of an asset to the Group are classified as finance lease agreements. Finance lease agreements are recorded in the consolidated statement of financial position as an asset and a liability at the inspection of the lease at the lower of fair value of the asset or the present value of the minimum lease payments.

The assets acquired through finance leases are depreciated similarly to non-current assets over the shorter of useful life of the assets or the lease term. Finance lease liabilities are recorded under non-current and current liabilities in the consolidated statement of financial position.

Assets leased through finance lease agreements consist mainly of information and communication technology equipment.

### 5.2.1. Assets Leased through Finance Lease Agreements

Tangible assets include following assets leased through finance lease agreements:

EUR million	Machinery and equipment	Total
<b>2016</b>		
Historical cost	7.7	<b>7.7</b>
Accumulated depreciation	-5.1	<b>-5.1</b>
<b>Carrying amount</b>	<b>2.7</b>	<b>2.7</b>
<b>2015</b>		
Historical cost	9.9	<b>9.9</b>
Accumulated depreciation	-6.8	<b>-6.8</b>
<b>Carrying amount</b>	<b>3.1</b>	<b>3.1</b>

### 5.2.2. Maturity of Finance Lease Liabilities

EUR million	2016	2015
Within one year	1.3	1.7
Within 1–5 years	1.4	1.6
Unearned financial expense	-0.0	-0.1
<b>Total</b>	<b>2.7</b>	<b>3.2</b>

### Present Value of Minimum Lease Payments

EUR million	2016	2015
Within one year	1.5	1.6
Within 1–5 years	1.2	1.6
<b>Total</b>	<b>2.7</b>	<b>3.2</b>

## 5.3. Intangible Assets

**Goodwill:** As of 1 January 2010, goodwill arising from business combinations has been recognised as the amount by which the aggregate of the fair value of the consideration transferred, the acquisition date fair value of any previously held interest and any non-controlling interest exceeds the fair value of the net assets acquired.

Goodwill is not amortised but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to cash-generating units. Goodwill is measured at cost less accumulated impairment losses. Impairment losses are recognised in the income statement.

**Other intangible assets:** Other intangible assets are initially recognised at historical cost and they are subsequently measured at historical cost less depreciation and impairment losses. Other intangible assets include sales licences, trademarks, patents, software licences and product and marketing rights. Assets with finite useful life are depreciated over their useful life, using the straight-line method. Also, research and development costs are normally expensed as other operating expenses for the reporting period in which they are incurred. Expenditures on development is capitalised only when it relates to new products or services that are technically and commercially feasible. The majority of the Group's development expenditure does not meet the criteria for capitalisation and is recognised as expenses as incurred.



## 5.3.1. Intangible Assets

EUR million

	Goodwill	Intangible rights	Other intangible assets <sup>1)</sup>	Advance payments and construction in progress	Total
<b>2016</b>					
Historical cost 1 Jan 2016	256.5	91.9	6.0	2.9	<b>357.2</b>
Business combinations	–	1.5	0.1	–	<b>1.6</b>
Increases	45.1	11.0	0.9	12.3	<b>69.2</b>
Decreases	–	–0.2	0.0	0.0	<b>–0.2</b>
Reclassifications	–	–	0.1	–0.1	<b>0.0</b>
Foreign exchange rate differences	–8.4	–3.4	–	0.0	<b>–11.7</b>
<b>Historical cost 31 Dec 2016</b>	<b>293.2</b>	<b>100.9</b>	<b>6.9</b>	<b>15.1</b>	<b>416.1</b>
Accumulated amortisation 1 Jan 2016	–	–34.5	–3.1	–	<b>–37.6</b>
Accumulated amortisation related to decreases and reclassifications	–	0.1	0.0	–	<b>0.2</b>
Amortisation for the financial year	–	–9.3	–1.2	–	<b>–10.5</b>
Impairments	–6.4	–	–	–	<b>–6.4</b>
Foreign exchange rate differences	–	1.3	–	–	<b>1.3</b>
<b>Accumulated amortisation 31 Dec 2016</b>	<b>–6.4</b>	<b>–42.4</b>	<b>–4.3</b>	<b>–</b>	<b>–53.1</b>
Carrying amount 1 Jan 2016	256.5	57.4	2.9	2.9	<b>319.7</b>
Carrying amount 31 Dec 2016	286.8	58.5	2.7	15.1	<b>363.0</b>
<b>2015</b>					
Historical cost 1 Jan 2015	250.9	85.7	5.6	0.9	<b>343.1</b>
Increases	–	5.6	0.5	2.5	<b>8.5</b>
Decreases	–	–1.6	–0.1	–	<b>–1.7</b>
Reclassifications	–	0.4	0.1	–0.5	<b>0.0</b>
Foreign exchange rate differences	5.5	1.8	–	0.0	<b>7.4</b>
<b>Historical cost 31 Dec 2015</b>	<b>256.5</b>	<b>91.9</b>	<b>6.0</b>	<b>2.9</b>	<b>357.2</b>
Accumulated amortisation 1 Jan 2015	–	–28.7	–2.1	–	<b>–30.8</b>
Accumulated amortisation related to decreases and reclassifications	–	1.6	0.1	–	<b>1.7</b>
Amortisation for the financial year	–	–6.7	–1.1	–	<b>–7.8</b>
Foreign exchange rate differences	–	–0.7	–	–	<b>–0.7</b>
<b>Accumulated amortisation 31 Dec 2015</b>	<b>–</b>	<b>–34.5</b>	<b>–3.1</b>	<b>–</b>	<b>–37.6</b>
Carrying amount 1 Jan 2015	250.9	57.0	3.4	0.9	<b>312.3</b>
Carrying amount 31 Dec 2015	256.5	57.4	2.9	2.9	<b>319.7</b>

<sup>1)</sup> Other intangible assets include significant expenses for installation and specialist work related to the implementation of computer software.

### 5.3.2. Allocation and Impairment Testing of Goodwill

**Impairment of tangible and intangible assets:** The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of the net sales price or value in use, which is the present value of the expected future cash flows expected to be derived from the asset.

The impairment loss is recognised in the income statement if the carrying amount of the asset exceeds the recoverable amount. An impairment loss is reversed if there is a change in the circumstances and the recoverable amount exceeds the carrying amount. The reversal of an impairment loss cannot exceed the asset's carrying amount without any impairment loss.

A goodwill impairment test is conducted at least annually or more frequently if there is any indication that goodwill may be impaired. Impairment is recognised in the income statement under Depreciation and impairments. Goodwill impairment losses are not reversed.

On 8 February 2016, at the time of acquisition, Svensk dos had won the tender for dose dispensing in the Sjuklövern counties, but the contract was under appeal. After the decision of The Swedish Supreme Administrative Court, Sjuklövern has confirmed that they will issue a new tender for the dose dispensing in the counties. Consequently, a EUR 6.4 million goodwill impairment charge was recognised in September 2016.

Goodwill is allocated as follows:

EUR million	2016	2015
Consumer	225.2	230.5
Services	33.7	26.0
Healthcare	28.0	–
<b>Carrying amount</b>	<b>286.8</b>	<b>256.5</b>

### Projection parameters applied

2016	Post-tax discount rate %	Pre-tax discount rate %	Operating profit % <sup>1)</sup>	Terminal growth <sup>2)</sup>	Net Sales growth <sup>3)</sup>
Consumer, Baltics	6.5	8.2	3.6	3.0	9.2
Consumer, Sweden	7.1	9.1	6.1	2.0	2.8
Services, Sweden	7.1	9.1	1.6	2.0	10.3
Healthcare, Sweden	7.1	9.1	2.0	2.0	3.8
Healthcare, Finland	6.5	8.2	11.5	2.0	1.5
Services, Finland	6.5	8.2	4.6	2.0	5.9

### 2015

Consumer, Baltics	7.3	9.1	3.6	2.0	3.0
Consumer, Sweden	7.5	9.6	6.1	2.0	2.3
Services, Sweden	7.5	9.6	1.6	2.0	3.4

<sup>1)</sup> Operating profit percentage change is the average operating profit percentage over a three-year period

<sup>2)</sup> From the beginning of year 2020

<sup>3)</sup> CAGR over a five-year period

### Change in projection parameters that causes the fair value equal to book value<sup>4)</sup>

2016	Discount rate change %	Operating profit percentage change %	Terminal growth change %	Net Sales growth change %
Consumer, Baltics	7.1	–1.9	–9.8	–19.0
Consumer, Sweden	4.0	–1.7	–5.7	–7.7
Services, Sweden	27.5	–1.4	–	–29.5
Healthcare, Sweden	–	–	–	–
Healthcare, Finland	1.0	–1.9	–1.2	–40.3
Services, Finland	4.0	–2.0	–5.3	–49.6

### 2015

Consumer, Baltics	17.1	–2.6	–	–14.6
Consumer, Sweden	2.0	–2.8	–8.7	–13.3
Services, Sweden	28.5	–1.4	–	–114.7

<sup>4)</sup> A greater change in the parameter would result in a partial impairment of goodwill, providing other key assumptions remain unchanged.

The recoverable amount of the cash-generating units was determined in impairment testing on the basis of value-in-use calculations. Value-in-use has been determined based on discounted cash flows (DCF-model). The cash flow forecasts are based on three-year strategic plans approved by the management, which are consistent with the current business structure. The most important assumptions in the strategic plans are estimates of overall long-term growth in the market and the market position as well as the profitability of the Group businesses. The foreign exchange rates used in converting the calculations into euros are those prevailing at the time of testing.

The main parameters used in the impairment testing are the net sales growth percentage, EBIT percentage, terminal growth percentage and discount rate.

The three-year net sales forecasts are based on the management's assessment of the net sales growth, market development forecasts available from external information sources (IMS) and sales growth based on the Group's actions.

The terminal growth rate used in the calculations is based on the management's assessments of the long-term growth in cash flows. In estimating the terminal growth rate, both country-specific and business sector growth forecasts available from external information sources as well as the characteristic features of each operating segment and cash generating unit are taken into account. The terminal growth rate used for the Baltic cash generating units was 3.0 per cent from the year 2020. The growth rate estimate for the Baltic countries by an external information source (IMS Health) for 2015–2019 is 1–4 per cent. The terminal growth rate for the Swedish cash generating units was 2.0 per cent from the year 2020. The growth rate estimate by an external information source (IMS Health) for 2015–2020 is on average 4.2 per cent.

The discount rate used in the calculation is based on the Group's weighted average cost of capital, taking into account the industry and country specific risks in each of the Group's operating segments. The most important component in defining the discount rate is the long-term risk-free interest rate in the operating country. The risk-free interest rate used for the Finland and Baltic cash generating units is 0.5 (1.6) per cent. The risk-free interest rate of the Swedish cash generating units is 1.1 (1.8) per cent. When defining the discount rates, Oriola-KD has acquired the necessary information from an external information source.

**Use of estimates:** The Group's assets with an indefinite useful life are subject to annual impairment testing and any indication of impairment of assets is assessed as described in the accounting principles. The recoverable values used in impairment testing are discounted future cash flows that can be obtained through usage and possible sale of the assets. If the carrying amount of the asset exceeds either its recoverable amount or fair value, the difference is recognised as an impairment charge. The preparation of such calculations requires the use of estimates.

## 6. Capital Structure and Financing Costs

### 6.1. Financing Costs

**Interest income and expenses:** Interest income and expenses are recognised on a time-proportion basis using the effective interest method.

The average interest rate on the interest-bearing liabilities was 1.26 (1.50) per cent.

#### 6.1.1. Financial Income and Expenses

EUR million	2016	2015
<b>Financial income</b>		
Interest income from loans and other receivables	0.3	0.2
Interest income for financial assets and liabilities recognised at fair value	–	0.1
Foreign exchange rate gains from loans and other receivables, net	0.8	1.9
Other financial income	0.0	0.0
<b>Total</b>	<b>1.1</b>	<b>2.2</b>
<b>Financial expenses</b>		
Interest expenses for financial assets and liabilities recognised at fair value	0.1	–
Interest expenses for interest rate swaps under hedge accounting	1.2	1.0
Interest expenses for financial liabilities at amortized cost	2.8	4.0
Foreign exchange rate losses from financial assets and liabilities recognised at fair value, net	0.8	2.3
Other financial expenses	0.9	1.4
<b>Total</b>	<b>5.8</b>	<b>8.7</b>
<b>Financial income and expenses total</b>	<b>–4.7</b>	<b>–6.5</b>

### 6.2. Financial Assets and Liabilities

**Financial assets and liabilities:** The 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 takes place at inception and is based on the purpose of the acquisition of the financial asset or liability. Financial instruments are recognised in the consolidated statement of financial position 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 recorded as financial assets and liabilities recognised

## Financial Statements

at fair value through profit and loss. Assets within this category are short-term assets with a maturity of less than 12 months and are measured at fair value using the market price on the balance sheet date. Both realised and unrealised gains and losses arising from the changes in fair value are recognised in the consolidated statement of comprehensive income for the financial period during which they incurred. Financial assets are derecognised when the Group loses the rights to receive the contractual cash flows on the financial asset or it transfers substantially all the risks and rewards of ownership outside the Group.

Cash and cash equivalents consist of cash in hand and cash at the bank accounts.

Loans and other receivables are non-derivative financial assets with payments that are fixed or determinable. Such receivables are not quoted in an active market, the Group does not hold them for trading purposes and they are measured at amortised cost. Receivables are classified as current financial assets unless their maturity date is more than 12 months from the balance sheet date. Trade and other receivables are also included in this category. Trade receivables are recognised at their original book value. A valuation allowance for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability

of the debtor's bankruptcy, failure to pay and significant delay of payments are considered to be justified reasons for the impairment of trade receivables. Impairments are recognised as an expense in consolidated statement of comprehensive income. Sold non-recourse trade receivables' credit risk and contractual rights are transferred from the Group on the selling date and related expenses are recognised as financial expenses.

Available-for-sale financial assets are non-derivative financial assets that are expressly classified within 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 recognised in the consolidated statement financial position at the net value received on the date of acquisition. Transaction costs are included in the original carrying amount of borrowings. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in the income statement using the effective interest method. Borrowings that expire within 12 months from the balance sheet date, including bank overdrafts in use, are recorded within current borrowings, and those expiring in a period exceeding 12 months, are recorded within non-current borrowings.

## 6.2.1. Financial Assets and Liabilities

EUR million	Note	2016		2015	
		Fair value	Book value	Fair value	Book value
<b>Financial assets recognised at fair value through profit and loss</b>					
Derivatives measured at fair value through profit and loss	4.2.3.	0.1	0.1	0.1	0.1
<b>Loans and other receivables</b>					
Cash equivalents	6.2.4.	60.8	60.8	121.9	121.9
Trade receivables and other receivables	4.2.3.	209.9	209.9	227.4	227.4
<b>Financial assets total</b>		<b>270.8</b>	<b>270.8</b>	<b>349.4</b>	<b>349.4</b>
<b>Derivatives designated as hedges</b>	4.8.1./4.8.2.	0.9	0.9	1.6	1.6
<b>Other non-current liabilities</b>	4.8.2.	0.4	0.4	0.5	0.5
<b>Financial liabilities recognised at fair value through profit and loss</b>					
Derivatives measured at fair value through profit and loss	4.8.1.	–	–	1.3	1.3
Contingent consideration	4.8.2./6.2.5.	2.7	2.7	12.4	12.4
<b>Financial liabilities measured at amortised cost</b>					
Non-current interest-bearing liabilities	6.2.5.	84.6	84.6	66.9	66.9
Current interest-bearing liabilities	6.2.5.	48.5	48.5	49.3	49.3
Trade payables and other current liabilities	4.8.1.	542.3	542.3	594.5	594.5
<b>Financial liabilities total</b>		<b>679.4</b>	<b>679.4</b>	<b>726.5</b>	<b>726.5</b>

**6.2.2. Fair Value Hierarchy**

EUR million				
2016	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivatives measured at fair value through profit and loss	–	0.1	–	<b>0.1</b>
<b>Liabilities</b>				
Derivatives designated as hedges	–	0.9	–	<b>0.9</b>
Contingent consideration	–	–	2.7	<b>2.7</b>
<b>2015</b>				
<b>Assets</b>				
Derivatives measured at fair value through profit and loss	–	0.1	–	<b>0.1</b>
<b>Liabilities</b>				
Derivatives designated as hedges	–	1.6	–	<b>1.6</b>
Derivatives measured at fair value through profit and loss	–	1.3	–	<b>1.3</b>
Contingent consideration	–	–	12.4	<b>12.4</b>

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

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

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

**6.2.3. Reconciliation of Financial Liabilities Recognised at Fair Value through Profit and Loss According to the Level 3**

EUR million	2016	2015
<b>Carrying amount 1 Jan</b>	<b>12.4</b>	<b>14.7</b>
Bookings to financial expenses	0.2	0.9
Decrease in fair value recognised in financial liabilities	–21.9	–3.4
Increase in fair value recognised in financial liabilities	11.9	–
Translation differences	0.1	0.2
<b>Carrying amount 31 Dec</b>	<b>2.7</b>	<b>12.4</b>

Financial liabilities recognised at fair value through profit and loss (level 3) include the estimated value of contingent and deferred considerations for acquisitions. The fair value of the contingent consideration has been calculated using the discounted cash flow method. The discount rate used in the valuation is determined using the weighted average cost of capital of the Group. The decrease in fair value of financial liabilities relates to the payment of the contingent consideration related to Medstop acquisition.

**6.2.4. Cash and Cash Equivalents**

EUR million	2016	2015
Cash and cash equivalents	60.8	121.9
<b>Total</b>	<b>60.8</b>	<b>121.9</b>

**6.2.5. Borrowings**

Non-current EUR million	2016	2015
Loans from financial institutions	83.4	65.3
Finance lease liabilities	1.2	1.6
<b>Total</b>	<b>84.6</b>	<b>66.9</b>

Current EUR million	2016	2015
Loans from financial institutions	10.5	10.9
Issued commercial papers	15.0	13.0
Advances received	21.5	23.9
Finance lease liabilities	1.5	1.6
Contingent consideration <sup>1)</sup>	–	12.4
<b>Total</b>	<b>48.5</b>	<b>61.7</b>

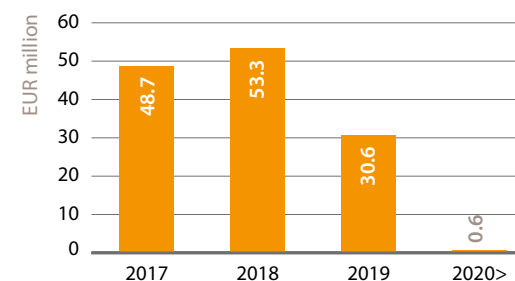
<sup>1)</sup> Contingent consideration is in fair value, additional information in note 6.2.1.

**Maturity of non-current interest-bearing liabilities**

EUR million	2016	2015
1–5 years	84.6	66.9
More than five years	–	–
<b>Total</b>	<b>84.6</b>	<b>66.9</b>

**Interest-bearing liabilities by currency**

EUR million	2016	2015
EUR	67.8	37.1
SEK	65.3	91.5
<b>Total</b>	<b>133.1</b>	<b>128.6</b>

**Maturity Structure of Interest-bearing Liabilities**



### 6.2.6. Contingent Liabilities

EUR million	2016	2015
<b>Commitments for own liabilities</b>		
Guarantees on behalf of own companies	8.3	8.5
Guarantees on behalf of other companies	1.0	2.0
Mortgages on company assets	3.4	2.3
Other guarantees and liabilities	1.0	1.0
<b>Total</b>	<b>13.6</b>	<b>13.7</b>

Guarantees on behalf of other companies relate to the sold Russian entities. The guarantees on behalf of other companies expired on 31 December 2016.

The most significant guarantees are bank guarantees against the trade payables of a subsidiary in Sweden. In addition, Oriola-KD Corporation has granted parent company guarantees of EUR 2.7 (2.8) million against subsidiaries' trade payables.

### 6.3. Financial Risk Management

The financial risks relating to the business operations of Oriola-KD are managed in accordance with the treasury policy approved by the Board of Directors. Oriola-KD's centralized Group Treasury is responsible for implementing, monitoring and reporting of the treasury policy.

Oriola-KD's Group Treasury's main objectives are to maintain a solid long-term financial position and secure the daily liquidity of the Group and to efficiently manage currency and interest rate risks.

The objective of financial risk management is to hedge against unfavourable changes in the financial markets and to minimise the impact of foreign exchange, interest rate, refinancing and liquidity risks on the Group's cash reserves, profits and shareholders' equity. Approved hedging instruments are set in the treasury policy.

**Currency risk:** The most important country-specific operating currencies for Oriola-KD are the euro (EUR) and the Swedish krona (SEK). A substantial proportion of procurements and sales are conducted in the reporting currency of the subsidiaries, which considerably reduces the currency risk. In accordance with its treasury policy, Oriola-KD's internal loans and deposits are denominated in the local currency of each subsidiary.

**Transaction risk:** Transaction risks arise from commercial and finance-related transactions and payments made by the business units, that are denominated in a currency other than the unit's reporting currency. Due to the nature of business operations, Oriola-KD's transaction risks are minor. In accordance with its treasury policy, Oriola-KD's internal loans and deposits are denominated in the local currency of each subsidiary, mainly in Swedish krona. In addition Oriola-KD Corporation had a EUR 62.8 (91.5) million Swedish krona denominated external loan on the balance sheet date. In accordance with the treasury policy, the aim is to fully hedge the transaction risk arising from balance sheet items recognized in the income statement with derivatives. On the balance sheet date the Swedish krona denominated transaction position was EUR 1.2 (4.8) million.

**Translation risk:** Oriola-KD's most significant translation risk concerns items in Swedish krona. Translation risks arise from capital investments and goodwill in foreign subsidiaries. On the balance sheet date Oriola-KD had not hedged the equity-related translation risks. On the balance sheet date Swedish krona denominated translation risk position was EUR 240.2 (231.9) million.

**Currency risk sensitivity analysis:** Effect of a 10 per cent weakening/strengthening of the Swedish krona would affect Oriola-KD's earnings after taxes by EUR +/- 0.3 (-/+0.4) million and in the Group equity by EUR +/-21.8 (-/+21.1) million.

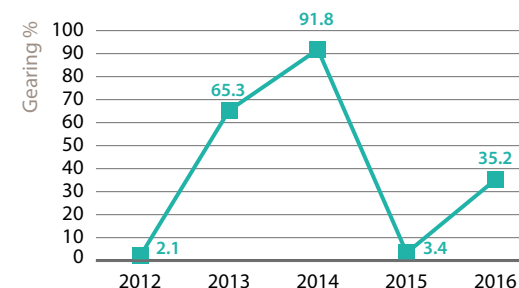
**Liquidity risk:** The objective of liquidity risk management is to maintain adequate liquid assets and revolving credit facilities so that Oriola-KD is able to meet all of its financial obligations. The Group's liquidity management is based on 12-month cash flow forecasts and four-week rolling cash flow forecasts drawn up on a weekly basis. Oriola-KD has diversified its refinancing risk among a number of different counterparties and various financing sources.

Oriola-KD's liquidity position is secured with a EUR 100 (100) million committed credit facility that expires in 2018 and with short-term uncommitted credit account limits of EUR 15.2 (35.4) million. The facilities were unused on the balance sheet date. In addition, Oriola-KD has a EUR 200 (200) million uncommitted commercial paper programme of which EUR 15.0 (13.0) million had been issued on the balance sheet date. Oriola-KD's cash and cash equivalents are a total of EUR 60.8 (121.9) million.

Oriola-KD's net working capital was EUR -112.2 (-152.6) million on the balance sheet date. Oriola-KD's net working capital was negative on the balance sheet date owing to the terms of payment defined in principal and customer agreements and to the non-recourse factoring programmes used in the retail and wholesale businesses in Sweden. The Group's principal and customer agreements are based on established, long-term agreements, and no significant changes are anticipated in them during 2017.

Oriola-KD has open-ended frame agreements in Sweden that allows the company to sell trade receivables relating to Swedish retail and wholesale businesses to the financial institutions on non-recourse basis which is presented within trade receivables. Sales of trade receivables were EUR 118.5 (114.6) million in total on the balance sheet date. No significant changes are anticipated in the scope of the programs in 2017.

### Gearing



**Interest rate risk:** Interest rate risk arises from changes in interest payments of floating rate loans due to changes in market interest rates and market value changes of financial instruments (price risk). The objective of interest rate risk management is to minimise the impact of interest rate fluctuations on the income statement. The interest rate risk is evaluated using sensitivity analysis and interest rate duration.

On the balance sheet date, Oriola-KD's interest rate risk consisted of EUR 60.8 (121.9) million in cash assets, EUR 133.1 (128.6) million in interest-bearing liabilities, and EUR 118.5 (114.6) million from sales of non-recourse trade receivables in Sweden. On the balance sheet date, a total of EUR 54.4 (56.7) million of the interest rate risk was hedged. The average interest rate on liabilities, including the sale of receivables on a non-recourse basis, was 1.26 (1.5) per cent, and the interest rate duration was 5 (7) months. Cash flow hedge accounting is applied to interest rate hedging.

Based on the gross debt on the balance sheet date and assuming that the trade receivables sales programmes will continue as normal in Sweden, the effect of a one percentage point increase in market interest rates on the Group's annual earnings after taxes would be EUR -0.9 (-1.1) million (including derivatives) and on equity EUR 0.6 (1.2) million (including derivatives).

**Credit and counterparty risks:** A credit risk arises from the possibility of a counterparty failing to meet its contractual payment obligations or financial institutions failing to meet their obligations relating to deposits and derivatives trading. Oriola-KD's treasury policy provides the framework for credit-, investment- and counterparty risk management.

Credit limits are determined for investments and derivative agreement counterparties on the basis of creditworthiness and solidity, and are monitored and updated on a regular basis.

The business areas are responsible for the credit risk management arising from commercial receivables. Oriola-KD does not have significant credit risks in its trade receivables due to a widely diversified customer base. The Finnish and Swedish wholesale business is based on well-established customer relationships and contractual terms generally observed within the industry, which significantly reduces the credit risk associated with trade receivables. Due to the nature of the operations there are no significant credit risks associated with the Swedish retail business. The credit risk related to the wholesale business in Finland is reduced by interest-bearing advance payments from pharmacies. These interest-bearing advance payments are presented as current interest-bearing liabilities in the balance sheet. In the wholesale and retail business in Sweden, the credit risk is reduced by the sale of non-recourse receivables to financial institutions and by the usage of credit loss insurances.

Credit losses recognised in the income statement for the financial year total of EUR 0.0 (0.1) million. The ageing of trade receivables is presented in more detail in 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 Capital Employed (ROCE) and the gearing ratio are the measurements for monitoring capital structure.

Oriola-KD's long-term financial targets are based on growth, profitability and balance sheet key figures. The Group's long-term targets are to grow at the rate of the market, an annual EPS growth of over 5 per cent (without adjusting items), return on capital employed of over 20 per cent and an adjusted gearing ratio of 30–60 per cent. Non-recourse trade receivables

are added to the net debt for adjusted gearing. In addition Oriola-KD's aim is to pay out an increasing annual dividend of at least 50 per cent of its earnings per share.

Oriola-KD's long-term financing agreements include financial covenant terms that are based on the ratio of net debt to EBITDA and on the gearing ratio. On the balance sheet date, the financial covenants were clearly fulfilled.

Financial ratios related to capital management are presented under Financial Indicators.

### 6.3.1. Maturity Distribution of Financial Liabilities and Derivative Liabilities

#### 31 Dec 2016

EUR million	2017	2018	2019	2020→	Total
<b>Interest-bearing</b>					
Loans from financial institutions and commercial paper loans	26.6	53.1	30.5	0.4	<b>110.6</b>
Finance lease liabilities	1.3	0.9	0.4	0.1	<b>2.7</b>
Advance payments received	21.9	–	–	–	<b>21.9</b>
<b>Non-interest-bearing</b>					
Trade payables and other current liabilities	557.0	–	–	–	<b>557.0</b>
Liabilities from interest rate swaps	0.6	–	0.3	–	<b>0.9</b>
Contingent consideration	–	–	–	2.7	<b>2.7</b>
Receivables from foreign currency derivatives	–12.0	–	–	–	<b>–12.0</b>
Payables on foreign currency derivatives	12.1	–	–	–	<b>12.1</b>
<b>Total</b>	<b>607.6</b>	<b>54.0</b>	<b>31.2</b>	<b>3.1</b>	<b>696.0</b>

#### 31 Dec 2015

EUR million	2016	2017	2018	2019→	Total
<b>Interest-bearing</b>					
Loans from financial institutions and commercial paper loans	25.9	13.0	55.0	–	<b>93.9</b>
Finance lease liabilities	1.7	1.2	0.4	0.0	<b>3.4</b>
Advance payments received	24.3	–	–	–	<b>24.3</b>
Contingent consideration	12.4	–	–	–	<b>12.4</b>
<b>Non-interest-bearing</b>					
Trade payables and other current liabilities	595.9	–	–	–	<b>595.9</b>
Liabilities from interest rate swaps	1.1	0.7	0.0	–0.1	<b>1.6</b>
Receivables from foreign currency derivatives	–125.6	–	–	–	<b>–125.6</b>
Payables on foreign currency derivatives	126.9	–	–	–	<b>126.9</b>
<b>Total</b>	<b>662.5</b>	<b>15.0</b>	<b>55.4</b>	<b>–0.1</b>	<b>732.7</b>

### 6.3.2. Derivatives

**Derivative contracts and hedge accounting:** Oriola-KD recognises derivative contracts in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The Group has classified derivatives as derivatives held for trading, unless hedge accounting is applied. 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 consolidated statement of financial position. Oriola-KD has not applied hedge accounting to currency derivatives that hedge balance sheet items in foreign currencies and forecasted cash flows. The change in the fair value of such derivative contracts is recognised either as other income or expenses or as financial income and expenses, depending on the underlying item being hedged.

Oriola-KD applies hedge accounting for hedging cash flows relating to the selling of non-recourse trade receivables. The fluctuating interest rate has been converted into fixed rate using interest rate swaps. When initiating hedge accounting, the relationship between the hedged item and the hedging instrument is documented along with the objectives of the Group's risk management. Hedge effectiveness is tested at least quarterly. The change in the fair value of the effective portion of the derivatives is recognised in the hedge fund within equity and the ineffective portion, if any, is recognised within the financial items.

#### EUR million

2016	Positive fair value	Negative fair value	Nominal value
<b>Derivatives recognised as cash flow hedges</b>			
Interest rate swaps	–	0.9	54.4
<b>Derivatives measured at fair value through profit and loss</b>			
Foreign currency forward and swap contracts	0.1	–	12.1

#### 2015

<b>Derivatives recognised as cash flow hedges</b>			
Interest rate swaps	–	1.6	56.6
<b>Derivatives measured at fair value through profit and loss</b>			
Foreign currency forward and swap contracts	–	1.2	126.9

Derivatives that are open on the balance sheet date fall due in next twelve-month period, except interest rate swaps recognised as a cash flow hedges. Interest rate risk relating to cash flow from Oriola AB's selling of trade receivables has been hedged with interest rate swaps. The fair value of interest rate derivatives is defined by cash flows due to contracts. These 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 and interest rate swaps fall due in next twelve months is quoted based on market value on the balance sheet date. The

Group had no open foreign currency forward or swap contracts used as cash flow hedges at the end of 2016.

The fair values of the derivatives have been booked to the balance sheet in the gross amount as the derivatives contracts are related to credit events and cannot be netted in the financial statements. The Group has not given nor received collateral to/from derivatives counterparties.

Oriola-KD has derivative positions with several banks and related transactions are effected under master derivative agreements. Master derivative agreements allow settlement on a net basis of all outstanding items within the scope of the agreement for example in the event of bankruptcy. On the balance sheet date, the remaining counterparty risk after net settlement, as allowed in master derivative agreements, was EUR 0.1 (0.1) for Oriola-KD and EUR 0.9 (2.9) million for the counterparties.

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

### 6.4. Equity, Shares and Authorisations

**Treasury shares:** Treasury shares acquired by the company and the related costs are presented as a deduction of equity. Gain or loss on surrender of treasury shares is recorded in equity net of tax.

**Share Capital:** Oriola-KD Corporation's share capital on 31 December 2016 stood at EUR 147,899,766.14. All issued shares have been paid up in full. There were no changes in share capital in 2016.

**Hedge fund:** The hedge fund includes the effective portion of the change in fair value of derivative financial instruments that are designated as and qualify for cash flow hedges.

**Contingency fund:** The contingency fund is included in the unrestricted equity of the company. The contingency fund was formed in 2006 when Oriola-KD was entered into the Trade Register. In accordance with the decision of the Annual General Meeting of 14 March 2016, the company did not distribute funds to the shareholders. On 31 December 2016, the contingency fund stood at EUR 19.4 million.

**Hybrid bond:** Oriola-KD redeemed its EUR 40 million hybrid bond issued on 20 February 2014 in its entirety together with the accrued interest. The bond was redeemed in accordance with its terms and conditions on 20 April 2015 with 103 per cent of its nominal value. On 31 December 2016, Oriola-KD had no hybrid bonds.

#### 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, totalling EUR 19.7 million.

Oriola-KD completed a rights offering in the first quarter of 2015. The subscription period of the offering ended on 3 March 2015. In the offering, 9,429,742 new A Shares and 20,798,643 new B Shares were subscribed Oriola-KD raised gross proceeds of EUR 75.6 million through the

offering. Oriola-KD recognised the gross proceeds and the transaction costs less taxes, in total of EUR 73.7 million, in the invested unrestricted equity fund. There were no changes in invested unrestricted equity reserve in 2016, and the fund stood at EUR 74,8 million on 31 December 2016.

**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 2016, the company had a total of 181,486,213 shares, of which 55,484,648 were class A shares and 126,001,565 were class B shares. The shares do not have a nominal value.

At General Meetings, each class A share carries 20 votes and each class B share one vote. No shareholder may vote using an amount of votes that exceeds 1/20 of the total number of votes carried by the shares of different share classes represented at the General Meeting. Both share classes give the shareholder the same rights to the company's assets and dividend distribution. Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A shares into class B shares.

Oriola-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 on 31 December 2016 was Health Care Distributors and the company was classified under Health Care. The ticker symbol for the class A shares is OKDAV and for the class B shares OKDBV.

**Rights offering 2015:** Oriola-KD completed a rights offering in the first quarter of 2015. The subscription period of the offering ended on 3 March 2015. As a result, the total number of shares of Oriola-KD increased to 181,486,213 shares. Oriola-KD raised gross proceeds of EUR 75.6 million through the offering.

**Treasury shares:** The company holds 96,822 of the company's class B shares, representing approximately 0.05 per cent of the total number of company shares and approximately 0.01 per cent of the total number of votes.

**Share trading and prices:** In 2016 the traded volume of Oriola-KD Corporation shares, excluding treasury shares, corresponded to 13.4 per cent of the total number of shares. The traded volume of class A shares amounted to 3.4 per cent of the average stock, and that of class B shares, excluding treasury shares, to 17.9 per cent of the average stock.

The average share price of Oriola-KD Corporation's class A shares was EUR 4.16 and of its class B shares EUR 4.20. The market value of all Oriola-KD Corporation shares at 31 December 2016 was EUR 778.9 (779.6) million, of which the market value of class A shares was EUR 235.8 million and of class B shares EUR 543.1 million.

**Shareholders:** On 31 December 2016, Oriola-KD Corporation had a total of 28,558 registered shareholders. There were 29,699,406 nominee-registered shares on 31 December 2016, corresponding to 16.4 per cent of all shares and 6.3 per cent of all votes.

**Share conversions:** Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A shares into class B shares. During the period 1 January – 31 December 2016, no conversions were made.

**Management shareholdings:** On 31 December 2016, 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 443,153 shares, corresponding to 0.25 per cent of the total number of shares in the company and 0.04 per cent of the votes.

**Authorisations:** The Annual General Meeting held on 14 March 2016 authorised 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 shares or assign treasury shares held by the company. The authorisation covers a maximum of 5,650,000 Class A shares and 12,500,000 Class B shares representing approximately 10.00 per cent of all shares in the company and includes the right to derogate from the shareholders' pre-emptive subscription right. Pursuant to the authorisation, shares held by the company as treasury shares may also be sold through trading on a regulated market organised by NASDAQ Helsinki Ltd. The authorisation is in effect for a period of eighteen months from the decision of the AGM.

The AGM authorised 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 18,000,000 class B shares of the company, representing approximately 9.92 per cent of all shares in the company and includes the right to derogate from the shareholders' pre-emptive subscription right. Pursuant to the authorisation, class B shares held by the Company as treasury shares may also be sold on regulated market organised by NASDAQ Helsinki Ltd. The authorisation is in effect for a period of eighteen months from the decision of the AGM.

The authorisations revoke all previous share issue authorisations given to the Board of Directors apart from the authorisation given to the Board of Directors by the Annual General Meeting held on 20 March 2013, pursuant to which the Board of Directors may decide upon directed share issues against or without a payment concerning no more than 1,715,000 class B shares in order to execute the share-based incentive plan for the Oriola-KD Group's executives and the share savings plan for the Oriola-KD Group's key personnel.

The AGM also authorised 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 18,000,000 of the company's own class B shares, representing 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 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 also in a proportion other than in which shares are owned by the Shareholders. 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. The authorisation to repurchase own shares is in force for a period of not more than eighteen months from the decision of the AGM. This authorisation revokes the authorisation given to the Board of Directors by the AGM on 30 March 2015 in respect of repurchase of the company's own class B shares.

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

**6.4.1. Share Capital**

<b>Share capital</b>		<b>A shares</b>	<b>B shares</b>	<b>Shares total</b>
Number of shares 1 Jan 2016	pcs	55,484,648	126,001,565	<b>181,486,213</b>
Conversion of A shares to B shares	pcs	–	–	–
<b>Number of shares 31 Dec 2016</b>	pcs	<b>55,484,648</b>	<b>126,001,565</b>	<b>181,486,213</b>
Votes 31 Dec 2016	pcs	1,109,692,960	126,001,565	<b>1,235,694,525</b>
Share capital per share class 31 Dec 2016	EUR million	45.2	102.7	<b>147.9</b>
Percentage from the total shares	%	30.6	69.4	<b>100.0</b>
Percentage from the total votes	%	89.8	10.2	<b>100.0</b>
Number of shares 1 Jan 2015	pcs	47,148,710	104,109,118	<b>151,257,828</b>
Rights issue		9,429,742	20,798,643	<b>30,228,385</b>
Conversion of A shares to B shares	pcs	–1,093,804	1,093,804	–
<b>Number of shares 31 Dec 2015</b>	pcs	<b>55,484,648</b>	<b>126,001,565</b>	<b>181,486,213</b>
Votes 31 Dec 2015	pcs	1,109,692,960	126,001,565	<b>1,235,694,525</b>
Share capital per share class 31 Dec 2015	EUR million	45.2	102.7	<b>147.9</b>
Percentage from the total shares	%	30.6	69.4	<b>100.0</b>
Percentage from the total votes	%	89.8	10.2	<b>100.0</b>

<b>EUR million</b>	<b>2016</b>	<b>2015</b>
Parent company share capital 31 Dec	147.9	147.9
Elimination of the revaluation of subsidiary shares in the consolidated financial statements	–111.7	–111.7
<b>Consolidated share capital 31 Dec</b>	<b>36.2</b>	<b>36.2</b>



## 6.5. Earnings per Share, Dividend and Other Equity Distribution

**Earnings per share:** Basic earnings per share is calculated by dividing the net result attributable to owners of the parent by the weighted share-issue adjusted average number of shares outstanding during the period, excluding shares acquired by the Group and held as treasury shares. When calculating diluted earnings per share, the weighted share-issue adjusted average number of shares outstanding during the period is adjusted by the effect of all dilutive potential shares.

**Dividend and other equity distribution:** Dividends or other equity distribution includes dividends and other equity distribution. Dividends and other equity distribution proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Dividend and other equity distribution for shareholders is recognised as a liability in the consolidated statement of financial position for the period during which the dividend is approved by the annual general meeting.

**Dividend policy and distribution proposal:** Oriola-KD will seek to pay out an increasing annual dividend of at least 50 per cent 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 that a dividend of EUR 0.14 (0.13) per share is paid for 2016.

### 6.5.1. Earnings per Share

Profit for the period EUR million	Continuing operations		Discontinued operations		Including discontinued operations	
	2016	2015	2016	2015	2016	2015
Profit attributable to equity owners of the parent	42.8	44.5	–	0.1	42.8	44.6
<b>Total</b>	<b>42.8</b>	<b>44.5</b>	<b>–</b>	<b>0.1</b>	<b>42.8</b>	<b>44.6</b>

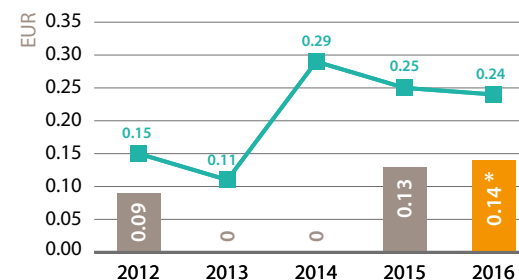
### Average number of outstanding shares pcs

Basic	181,389,391	177,501,818	181,389,391	177,501,818	181,389,391	177,501,818
Diluted	181,389,391	177,501,818	181,389,391	177,501,818	181,389,391	177,501,818

### Earnings per share EUR

Basic	0.24	0.25	–	0.00	0.24	0.25
Diluted	0.24	0.25	–	0.00	0.24	0.25

### EPS and Dividend



\* Proposal by the Board of Directors

## 7. Consolidation

**Consolidation principles:** The consolidated financial statements include Oriola-KD Corporation and those directly or indirectly owned subsidiaries over which Oriola-KD Corporation exercises control. Control is presumed to exist when the Group through participation in an investee becomes exposed to its variable returns or is entitled to its variable returns and is able to have an influence on the returns through exercising power over the investee. Subsidiaries are consolidated from the date the Group has gained control and divested companies are consolidated until the date control is lost.

The acquisition method is used in the accounting for the elimination of internal ownership. All intra-group transactions, as well as intra-group receivables, payables, dividends and unrealised internal margins, are eliminated. The Group's profit for the period is attributed to the equity holders of the parent and non-controlling interests. Identifiable assets acquired and assumed liabilities of an acquired entity are measured at their fair value as of the acquisition date. Any contingent consideration is measured at fair value at the date of acquisition and classified under other interest-bearing liabilities. Changes in the contingent consideration and acquisition-related expenses are recognised as an expense in the income statement.

The share of equity applicable to the non-controlling interest is included in Group equity and is presented separately in the statement of changes in shareholders' equity. The attribution of total comprehensive income for the period to the equity holders of the parent and non-controlling interests is presented within the consolidated statement of comprehensive income. Non-controlling interests are measured on a case-by-case basis either at the amount which equals non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. As at the date when control is lost, any investment retained in the former subsidiary is recognised at fair value and the difference is recorded through income statement.

**Foreign currency denominated items:** The consolidated financial statements have been presented in euro, which is the functional and presentation currency of the Group's parent company. The items included in the financial statements of the subsidiaries are valued in the currency which best describes the financial operating conditions of each subsidiary.

Transactions in foreign currencies are translated into functional currency/euro at the rates of exchange prevailing at the dates of transactions. Monetary items have been translated into euro using the rates of exchange as at the balance sheet date and non-monetary items using the rates of exchange at the dates of transactions, excluding items measured at fair value, which have been translated using the rates of exchange on the date of valuation. Gains and losses arising from the translation are recognised in the profit or loss. Foreign exchange gains and losses from operations are included within the corresponding items above operating profit. Foreign exchange gains and losses from loans denominated in a foreign currency are included within financial income and expenses.

The income statements of foreign Group companies outside the Euro zone are translated into euro using the weighted average rate of exchange of the financial year and the statements of financial position using the rates of exchange as at the balance sheet date. Differences resulting from the translation of the result for the period at a different rate on the income statement and on the statement of financial position are recognised as a separate item within consolidated statement of comprehensive income. Translation differences arising from the acquisition cost elimination of foreign subsidiaries and from the translation of equity items accrued after acquisition date are recognised in other comprehensive income. When a subsidiary is sold in full or in part, related translation differences

are included in the calculation of gain or loss for the sale and recognised in the profit or loss for the period. The parent company's receivables from foreign subsidiaries are considered as part of the net investment if there is no plan for the repayment and repayment cannot be reasonably anticipated in the future. Exchange differences arising from such receivables are recognised in the consolidated financial statements in translation differences within equity.

### 7.1. Group Companies and Related-party Transactions

#### 7.1.1. Group Companies

Group companies	Domicile	Ownership %	Group Share of votes %	Parent company Ownership %	Parent company Share of votes %
<b>Parent company</b>					
<b>Oriola-KD Corporation</b>	<b>Finland</b>				
Oriola Oy	Finland	100	100	100	100
Oriola AB	Sweden	100	100	100	100
Kronans Droghandel Apotek AB	Sweden	100	100	100	100
Svensk dos AB	Sweden	100	100	100	100
PharmaService Oy	Finland	100	100	100	100
Farenta Oy	Finland	70.9	70.9	70.9	70.9
Oriola Oy	Finland	100	100	100	100
AS Oriola	Estonia	100	100		
Oriola Eesti Oü	Estonia	100	100		
SIA Oriola Riga	Latvia	100	100		
UAB Oriola Vilnius	Lithuania	100	100		
SIA Panpharmacy	Latvia	100	100		
Farenta Oy		70.9	70.9	70.9	70.9
Farenta 1 Oy	Finland	100	100		
Farenta 2 Oy	Finland	100	100		
Farenta 3 Oy	Finland	100	100		
Secret Files Oy	Finland	100	100		
Farenta 4 Oy	Finland	100	100		
Farenta Polska Zp.oo	Poland	100	100		

**Changes in Group structure:** Oriola-KD completed the acquisition of Svensk dos AB on 8 February 2016. During the second quarter Oriola-KD established a new subsidiary in Estonia to carry out the existing brands and pharmaceutical marketing businesses.

During the third quarter Oriola-KD completed the acquisition of PharmaService Oy and the acquisition of approximately 71 per cent of Farenta Oy. Farenta is consolidated 100 per cent to Oriola-KD.

Changes in Group structure in 2015 are presented in the Financial Statements 2015.

**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 and companies controlled by the aforementioned persons. The Group has no significant business transactions with related parties.

## 7.2. Business Combinations

### 7.2.1. Business Combinations

2016 EUR million Consideration	Business combinations
Cash	40.2
Contingent liability	12.3
<b>Total consideration</b>	<b>52.5</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property, plant & equipment	2.0
Intangible assets	7.6
Deferred tax assets	0.5
Inventories	2.2
Trade and other receivables	13.6
<b>Assets total</b>	<b>26.0</b>
Deferred tax liabilities	1.4
Loans and other long-term liabilities	7.0
Trade payables and other current liabilities	8.5
Borrowings	1.7
<b>Liabilities total</b>	<b>18.6</b>
<b>Total identifiable net assets</b>	<b>7.4</b>
<b>Goodwill</b>	<b>45.1</b>
<b>Total</b>	<b>52.5</b>

Oriola-KD acquired the Swedish pharmacy company Svensk dos AB on 8 February 2016. In 2015, the net sales of Svensk dos were approximately EUR 28 million and estimated market share was approximately 13 per cent. The statement of profit and loss and the statement of financial position have been consolidated into the Healthcare segment as of 1 February 2016. The acquisition cost calculation is based on the company's statement of financial position as at 31 January 2016, the essential parts of which have been prepared in accordance with IFRS accounting principles.

Oriola-KD completed the acquisition of PharmaService Oy, a Finnish company offering dose dispensing supporting services on 18 July 2016. PharmaService provides supporting services for automated dose dispensing of medicines to pharmacies in Finland. In 2015, the net sales of PharmaService were approximately EUR 14 million. The statement of profit and loss and the statement of financial position have been consolidated into the Healthcare segment as of 18 July 2016. The acquisition cost calculation is based on the company's statement of financial position as at 18 July 2016, the essential parts of which have been prepared in accordance with IFRS accounting principles.

On 1 September 2016 Oriola-KD acquired 70.9 per cent of Farenta, a Finnish company offering services for pharmaceutical companies and pharmacies. Additionally, Oriola-KD agreed on the right to acquire the remaining share of Farenta. The net sales of Farenta were EUR 14.6 million in 2015. The statement of profit and loss and the statement of financial position have been consolidated into Services segment as of 1 September 2016. The acquisition cost calculation is based on the company's statement of financial position as at 31 August 2016, the essential parts of which have been prepared in accordance with IFRS accounting principles.

During 2016 Oriola-KD acquired eight pharmacies from Apotek Hjärtat in Sweden. Pharmacies are consolidated into Consumer segment as part of Kronans Apotek AB.

The recognised goodwill of these acquisitions is EUR 45.1 million.

At the date of the acquisition of Svensk dos, the company had won the tender for dose dispensing in the Sjuklövern counties, but the contract was under appeal. After the decision of The Swedish Supreme Administrative Court Sjuklövern has confirmed that they will issue a new tender for the dose dispensing in the counties. Consequently, a EUR 6.4 million goodwill impairment charge was recognised in September 2016 and the remaining contingent liability related to the acquisition was released through profit and loss amounting to EUR 6.3 million.

## 7.3. Application of new and Amended IFRS Standards and IFRIC Interpretations

The following new or revised standards and interpretations issued by the International Accounting Standards Board (IASB) have not yet been applied by the Group. The Group will apply each new standard and interpretation from the effective date. If the effective date is other than the first day of a financial year, the Group will apply the standard or interpretation from the beginning of the following financial year.

**IFRS 15:** Revenue from contracts with customers is effective for periods beginning on or after 1 January 2018. The new standard replaces all revenue standards and interpretations in IFRS including IAS 11 Construction Contracts and IAS 18 Revenue and related Interpretations.

Oriola-KD has made assessment of the effects of new standard. According to the Group's current assessment new standard will not significantly change the timing of revenue that the Group will recognise. However the Group will continue the assessment of the control principle during 2017 evaluating whether the Group is acting as a principal or an agent in wholesale contracts. This will have an effect whether revenue will be recorded on a gross basis or net basis as fee or commission. Outcome of the evaluation may have significant effect in the amount of revenue the Group will record.

## Financial Statements

The Group will continue implementation of IFRS 15 during 2017 in order to ensure that the Group has appropriate systems, processes, controls and policies in place in order to efficiently disclose required information.

### Revenue Streams

	WHOLESALE	RETAIL SALE	SALE OF DOSE DISPENSED GOODS	SALE OF SERVICES	SALE OF LOGISTICS SERVICES	STAFFING SERVICES
<b>Contract</b>	Sales order	Sales from pharmacy	Contract of selling dose dispensed goods	Contract of delivering expert services	Warehousing and distribution services contract	Contract of delivering staffing services
<b>Customer</b>	Retail	Consumers	Pharmacies, Private healthcare providers and County councils	Pharmaceutical companies, Retailers and Hospitals	Pharmaceutical companies	Pharmacies, Pharmaceutical companies
<b>Performance obligation</b>	Sale of goods	Sale of goods, Customer loyalty program	Sale of goods	Delivery of services	Sale of logistics and transportation services	Sale of staffing services
<b>Transaction price</b>	Price of goods		Price of goods and dose dispensing	Price of services		
<b>Purchase channel</b>	Pharmaceutical and other producers	Wholesalers		Own production		

**IFRS 9:** Financial instruments (effective from 1 January 2018) The new standard replaces the current standard IAS 39 Financial instruments: Recognition and measurement. IFRS 9 modifies the classification and valuation of financial assets and contains an expected credit losses model for assessing impairment on financial assets instead of the incurred loss impairment model used in IAS 39. Under IFRS 9 more risk positions will qualify for hedge accounting as hedge accounting is allowed for separate risk components and IFRS 9 relaxes the requirements for hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually use for risk management purposes. The Group has assessed the potential impacts of the standard. Standard does not have influence to classification or valuation of financial assets. The Group's hedging process and hedge accounting will continue under IFRS 9 as earlier. IFRS 9 has no major effect for

recognition of the expected credit losses for sales receivables, as the risk of losses due to the nature of the business is low. The Group implements the new impairment process during fiscal year 2017.

**IFRS 16** Leases (effective in the financial years beginning on or after 1 January 2019): The new standard requires lessees to recognise a lease liability reflecting the future lease payments and a 'right-of-use' asset for all long-term lease contracts. The Group is currently assessing the full impact of the standard, it will have significant effect in Consumer segment.

## 8. Other Notes

### 8.1. Income Taxes

**Income taxes:** Tax expense in the consolidated statement of comprehensive income consists of income taxes based on the taxable profit for the financial year, prior period adjustments, and changes in deferred tax assets and liabilities. Income tax for the taxable profit for the period is calculated based on the effective income tax rate for each tax jurisdiction. Taxes are recognised in the income statement, except when they relate to items recognised directly in equity or in other comprehensive income, when the taxes are also recognised in equity or in other comprehensive income respectively.

#### 8.1.1. Income Taxes

EUR million	2016	2015
Taxes for current year	9.9	11.1
Taxes for previous years	-0.0	-0.0
Deferred taxes	1.4	0.5
<b>Total</b>	<b>11.3</b>	<b>11.5</b>

#### 8.1.2. Taxes Related to Other Comprehensive Income

EUR million	Before taxes	Tax effect	After taxes
<b>2016</b>			
Cash flow hedge	0.8	0.2	0.6
Actuarial gains and losses	-0.5	-0.1	-0.4
Translation differences	-9.1	-	-9.1
<b>Total</b>	<b>-8.8</b>	<b>0.0</b>	<b>-8.8</b>
<b>2015</b>			
Cash flow hedge	0.1	0.0	0.1
Actuarial gains and losses	5.6	1.1	4.4
Translation differences	3.6	-	3.6
<b>Total</b>	<b>9.3</b>	<b>1.2</b>	<b>8.1</b>

### 8.1.3. Tax Rate Reconciliation

EUR million	2016	2015
Profit before taxes	54.1	56.1
Corporate income taxes calculated at Finnish tax rate	10.8	11.2
Effect of different tax rates of foreign subsidiaries	0.7	0.7
Tax exempt income	0.0	0.0
Non-deductible expenses	-0.3	-0.4
Taxes for previous years	0.0	0.0
Other items	0.0	0.0
<b>Income taxes in the corporate income statement</b>	<b>11.3</b>	<b>11.5</b>
Effective tax rate	20.9%	20.6%

Taxes entered with a positive value are recognised as expenses and taxes entered with a negative value are recognised as income.

The Finnish tax rate used to calculate taxes was 20.0 per cent in the 2016 financial statements.

### 8.2. Deferred tax Assets and Liabilities

Deferred tax is calculated on 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 booked only to the extent they most probably can be utilised in the future. The deferred taxes are calculated using the official tax rates valid on the balance sheet date.

The Group has no tax losses, on which differed tax assets have not been recognized.

**Use of estimates:** Management estimates are required in determining the amount of recognised deferred tax assets and liabilities. The appropriateness for recognising deferred tax assets is assessed in connection with the preparation of consolidated financial statements. For this purpose, the Group estimates the probability of subsidiaries generating recoverable taxable income against which unused tax losses and unused tax compensations can be utilised. Actual results may differ from the factors used in the estimates, which may lead to the recognition of tax expenses.



## 8.2.1. Deferred Tax Assets and Liabilities

EUR million

2016	1 Jan	Items booked in income statement	Items booked in other compre- hensive income	Business combinations	Translation differences	31 Dec
<b>Deferred tax assets</b>						
Confirmed tax losses	2.1	-2.1	-	0.5	-	0.5
Inventories	0.2	0.0	-	-	0.0	0.2
Pension liabilities	0.1	0.0	0.1	-	0.0	0.2
Acquisitions	0.8	-	-	-	-	0.8
Employee benefits	0.1	0.0	-	-	-	0.1
Cash flow hedges	0.0	0.1	-0.2	-	-	0.0
Other	0.4	0.1	-	-	0.1	0.6
<b>Deferred tax assets total</b>	<b>3.7</b>	<b>-1.8</b>	<b>0.0</b>	<b>0.5</b>	<b>0.0</b>	<b>2.4</b>
<b>Deferred tax liabilities</b>						
Depreciation difference and other untaxed reserves	6.8	0.5	-	-	-0.1	7.2
Translation difference of net investment	0.0	0.0	-	-	0.0	0.0
Acquisitions	9.6	-0.9	-	1.3	-0.2	9.9
Other	0.5	0.0	-	-	-0.3	0.2
Deferred tax liabilities total	16.9	-0.5	-	1.3	-0.5	17.3
Offset against deferred tax assets <sup>1)</sup>	-1.1	-	-	-	-	-1.1
<b>Net deferred tax liabilities</b>	<b>15.8</b>	<b>-0.5</b>	<b>0.0</b>	<b>1.3</b>	<b>-0.5</b>	<b>16.2</b>
<b>2015</b>						
<b>Deferred tax assets</b>						
Confirmed tax losses	1.4	0.7	-	-	-	2.1
Inventories	0.1	0.0	-	-	0.1	0.2
Pension liabilities	1.2	0.0	-1.1	-	-	0.1
Acquisitions	0.3	0.4	-	-	0.2	0.8
Employee benefits	0.1	-	-	-	-	0.1
Cash flow hedges	0.0	-	0.0	-	-	0.0
Other	0.2	0.1	0.0	-	0.1	0.4
<b>Deferred tax assets total</b>	<b>3.3</b>	<b>1.2</b>	<b>-1.2</b>	<b>0.0</b>	<b>0.3</b>	<b>3.7</b>
<b>Deferred tax liabilities</b>						
Depreciation difference and other untaxed reserves	6.0	0.9	-	-	-0.1	6.8
Pension assets	0.0	-	0.0	-	-	0.0
Acquisitions	9.8	-	-	-	-0.2	9.6
Other	-0.1	0.8	0.0	-	-0.2	0.5
Deferred tax liabilities total	15.8	1.7	0.0	-	-0.5	16.9
Offset against deferred tax assets <sup>1)</sup>	-1.1	-	-	-	-	-1.1
<b>Net deferred tax liabilities</b>	<b>14.7</b>	<b>1.7</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.5</b>	<b>15.8</b>

<sup>1)</sup> Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax income taxes relate to the same fiscal authority.

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## 8.4. Events After the Balance Sheet Date

Oriola-KD Corporation's 50,375 A-shares converted into B-shares. In accordance with Section 3 of the Articles of Association of Oriola-KD Corporation, 50,375 A-shares have been converted into 50,375 B-shares. The conversion has been entered into the Trade Register on 4 January 2017. After the conversion there are 55,434,273 A-shares and 126,051,940 B-shares in the company. The total number of shares is 181,486,213 and the total number of votes is 1,234,737,400.

On 31 January 2017 the Nomination Committee of Oriola-KD presented to the Board of Directors its recommendation on the proposal to the 2017 Annual General Meeting concerning the composition of the Board of Directors as follows:

- The number of members of the Board of Directors would be seven.
- The present members of the Board of Directors Anja Korhonen, Mariette Kristenson, Kuisma Niemelä, Eva Nilsson Bågenholm, Lena Ridström, Staffan Simberg and Anssi Vanjoki would be re-elected.
- Anssi Vanjoki would be re-elected as Chairman of the Board of Directors

## 9. Parent Company Financial Statements

## Parent Company Income Statement (FAS)

EUR thousand	Note	2016	2015
Other operating income	1	7,910.7	41,775.8
Personnel expenses	2	–3,905.2	–5,040.3
Depreciations	3	–266.1	–216.8
Other operating expenses	4	–8,774.4	–5,281.9
<b>Operating profit/loss</b>		<b>–5,035.0</b>	<b>31,236.7</b>
Financial income and expenses	5	13,337.6	2,514.7
<b>Profit before appropriations and taxes</b>		<b>8,302.6</b>	<b>33,751.4</b>
Appropriations	6	14,909.5	6,884.3
Income taxes	7	–2,125.5	–437.0
<b>Net profit for the period</b>		<b>21,086.7</b>	<b>40,198.7</b>

## Parent Company Balance Sheet (FAS)

Oriola-KD year 2016

EUR thousand	Note	31 Dec 2016	31 Dec 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>	8		
Intangible rights		13,735.9	2,568.8
Other capitalised long-term expenditure		1,078.9	439.2
Intangible assets total		14,814.8	3,008.0
<b>Property, plant and equipment</b>	9		
Land and water areas		77.4	149.2
Machinery and equipment		351.1	415.8
Other tangible assets		7.5	7.5
Tangible assets total		436.0	572.4
<b>Investments</b>	10		
Shares in Group companies		655,334.8	609,598.8
Receivables from Group companies		140,454.0	150,241.7
Investments total		795,788.7	759,840.5
Non-current assets total		811,039.6	763,421.0
<b>Current assets</b>			
<b>Receivables</b>			
Long-term			
Deferred tax assets		70.7	2,196.1
Short-term			
Trade receivables	11	1.5	–
Receivables from Group companies	11	50,204.3	23,773.8
Other receivables		549.1	398.5
Accrued receivables	11	425.7	480.9
Receivables total		51,251.3	26,849.3
Cash and cash equivalents		57,857.6	118,036.0
Current assets total		109,108.9	144,885.3
<b>Assets total</b>		<b>920,148.5</b>	<b>908,306.3</b>

EUR thousand	Note	31 Dec 2016	31 Dec 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	12		
Share capital		147,899.8	147,899.8
Other funds		19,418.7	19,418.7
Invested unrestricted equity reserve		76,957.5	76,957.5
Retained earnings		248,796.7	232,272.0
Profit for the financial year		21,086.7	40,198.7
Equity total		514,159.5	516,746.8
<b>Appropriations</b>	13	199.7	109.3
<b>Liabilities</b>	14		
Long-term liabilities			
Borrowings		82,342.3	65,291.9
Other long-term liabilities		2,686.9	–
Liabilities to Group companies		66,557.2	82,244.7
Accrued liabilities		308.8	1,594.5
Long-term liabilities total		151,895.2	149,131.1
Short-term liabilities			
Trade payables		1,310.5	1,141.4
Liabilities to Group companies		225,133.6	201,914.9
Other liabilities		25,743.9	36,480.6
Accrued liabilities		1,706.1	2,782.3
Short-term liabilities total		253,894.1	242,319.1
Liabilities total		405,789.3	391,450.2
<b>Equity and liabilities total</b>		<b>920,148.5</b>	<b>908,306.3</b>

## Parent Company Cash Flow Statement (FAS)

Oriola-KD year 2016

EUR thousand	2016	2015
<b>Cash flow from operating activities</b>		
Operating profit/loss	-5,035.0	-6,970.9
Adjustments		
Depreciations according to plan	266.1	216.8
Unrealised exchange rate gain/loss	3,254.8	-3,972.9
Other non-cash items	-2,346.4	88.9
Other adjustments	-	1,843.6
	-3,860.5	-8,794.4
Change in working capital		
Change in current receivables	6,185.4	-11,630.2
Change in non-interest-bearing current liabilities	400.3	-107.5
	6,585.7	-11,737.7
Interest paid and other financial expenses	-4,528.9	-3,507.4
Interest received and other financial income <sup>1)</sup>	4,203.7	4,931.9
Income taxes paid	-	-10.2
<b>Net cash flow from operating activities</b>	<b>2,400.0</b>	<b>-19,117.9</b>
<b>Cash flow from investing activities</b>		
Investments in subsidiaries	-43,049.0	-
Investments in property, plant and equipment and intangible assets	-12,190.2	-2,258.8
Proceeds from (-) / repayment of long-term receivables net (+) <sup>2)</sup>	-8,176.7	12,804.2
Dividends received	12,684.9	32,762.9
<b>Net cash flow from investing activities</b>	<b>-50,731.0</b>	<b>43,308.2</b>

EUR thousand	2016	2015
<b>Cash flow from financing activities</b>		
Proceeds from issuance of share capital	-	75,571.0
Expenses from issuance of share capital	-	-1,843.6
Purchase of own shares	-131.0	-113.4
Proceeds from (+) and repayments of (-) long-term borrowings	30,000.0	-40,000.0
Proceeds from (+) and repayments of (-) short-term borrowings	-18,173.4	-24,250.3
Dividends paid and return of equity	-23,543.0	-
<b>Net cash flow from financing activities</b>	<b>-11,847.4</b>	<b>9,363.6</b>
<b>Net change in cash and cash equivalents</b>	<b>-60,178.4</b>	<b>33,553.9</b>
Cash and cash equivalents at the beginning of the period	118,036.0	84,482.1
Net change in cash and cash equivalents	-60,178.4	33,553.9
<b>Cash and cash equivalents at the end of the period <sup>3)</sup></b>	<b>57,857.6</b>	<b>118,036.0</b>

<sup>1)</sup> Interest paid by the group companies is included in the net cash flow from operating activities.

<sup>2)</sup> The changes in liabilities and receivables between Group companies are included in the cash flow from investing activities.

<sup>3)</sup> Cash and cash equivalents include cash and deposits.

## Notes to the Parent Company Financial Statements (FAS)

Oriola-KD Corporation is the parent company of Oriola-KD Group, domiciled in Espoo, Finland. Oriola-KD Corporation provides administrative services to the group companies. These administrative services are centralized to the parent company. Copies of the consolidated financial statements of the Oriola-KD Group are available at the head office of Oriola-KD Corporation, Orionintie 5, FI-02200 Espoo, Finland (investor.relations@oriola-kd.com)

**Accounting principles for the financial statements:** The Oriola-KD Corporation's financial statements are prepared in euros and according to Generally Accepted Accounting Principles in Finland (Finnish GAAP) and according to corporate legislation. The financial statements are presented in thousand euros.

**Intangible and property, plant and equipment:** Intangible and tangible assets are measured at their historical cost, less depreciation according to plan. Planned depreciation is recorded on a straight-line basis over the useful life of an asset, starting from the deployment of the asset.

**The periods for planned depreciation are as follows:** Intangible rights and other long-term expenditure 5 years; Machinery and equipment 5–10 years. The carrying value of land and water areas as well as the carrying value of other property, plant and equipment are based on historical costs. No write-downs have been done on land and water areas or on other tangible assets. A one-time impairment will be recorded in the parent company's non-current assets when the expected profitability of the subsidiaries is significantly lowered.

**Items denominated in foreign currencies:** The valuation of receivables and liabilities denominated in foreign currencies is based on the exchange rates quoted by the European Central Bank on the balance sheet date. The resulting exchange gains and losses are recognised through the income statement. Exchange gains and losses related to operating activities are included as adjustments of sales and purchases, whereas exchange gains and losses related to financial items are recognised under financial income and expenses.

**Financial assets and liabilities:** Derivatives and financial assets and liabilities held for trading are valued at fair value as permitted by the Finnish Accounting Act chapter 5 section 2A. Financial items classified as loans and receivables or other financial liabilities are carried at amortised cost.

The change in the fair value of the effective portion of interest rate derivative agreements under hedge accounting made to hedge cash flows is directly recognised against the fair value reserve included in equity. Derivatives acquired to hedge balance sheet items like bank accounts, loans and receivables denominated in foreign currencies and derivatives made to hedge cash flows that are not under hedge accounting are recorded in exchange gains and losses in the financial items.

**Pension liabilities:** The Statutory pension coverage of Oriola-KD Corporation is provided by Ilmarinen Mutual Pension Insurance Company. Supplementary pension coverage is provided by OP Life Assurance Company Ltd.

**Income taxes:** The income taxes include taxes based on the Oriola-KD Corporation's taxable profit.

**Corrections to the presentation of figures of the previous financial year:** Due to changes in Finnish Accounting Standards (FAS) the presentation of the parent company income statement has been amended. Comparative figures of the previous financial year have been revised. Merger profits presented in extraordinary items in the previous financial year have been moved to other operating income. Group contribution received has been moved to appropriations.

### 1. Other Operating Income

EUR thousand	2016	2015
Rental income	10.8	22.7
Other service charges	7,408.2	3,538.5
Other operating income	491.7	6.9
Merger profits	–	38,207.6
<b>Total</b>	<b>7,910.7</b>	<b>41,775.8</b>

### 2. Personnel

EUR thousand	2016	2015
Cost of personnel		
Salaries and bonuses	3,152.3	4,084.9
Pension costs	581.5	799.1
Other personnel expenses	171.3	156.4
<b>Total</b>	<b>3,905.2</b>	<b>5,040.3</b>

Voluntary personnel expenses are included in other operating costs.

<b>Average number of personnel</b>	37	38
<b>Salaries and bonuses to the Management</b>		
President and CEO and Members of Board of Directors	954.8	933.5

### 3. Depreciations

EUR thousand	2016	2015
Depreciations according to plan	266.1	216.8
<b>Total</b>	<b>266.1</b>	<b>216.8</b>

Criteria applied for the straight-line depreciation is disclosed in the accounting principles of the financial statements.

Depreciation by asset class is presented in the parent company Notes 8–9.

#### 4. Other Operating Expenses

EUR thousand	2016	2015
Postage, telephone and banking expenses	152.2	70.2
IT expenses	6,040.4	1,001.6
Travelling and car	220.0	244.0
Representation	21.2	25.0
Administrative consultancy services	1,190.1	3,317.4
Other operating expenses	1,150.5	623.6
<b>Total</b>	<b>8,774.4</b>	<b>5,281.9</b>

Other operating costs are mainly costs related to the ownership.

#### Audit costs included in other operating costs

Audit fee	41.1	43.1
Tax consulting services	0.3	1.7
Other fees	32.0	116.7
<b>Total</b>	<b>73.4</b>	<b>161.4</b>

#### 5. Financial Income and Expenses

EUR thousand	2016	2015
<b>Income from group companies</b>		
Dividend income from group companies	12,684.9	–
<b>Other interest and financial income</b>		
Interest income from group companies	4,131.7	8,070.1
Interest income from other companies	38.5	178.0
Other financial income	13,648.4	10,622.0
<b>Interest and other financial expenses</b>		
Interest expenses to group companies	–893.5	–12.4
Interest expenses to other companies	–2,464.0	–2,620.9
Other financial expenses	–13,808.4	–13,722.1
<b>Total</b>	<b>13,337.6</b>	<b>2,514.7</b>

#### Financial income and expenses include:

Interest income	4,170.3	8,248.1
Interest expenses	–3,357.6	–2,633.3
Exchange rate gains/losses	–177.5	–249.7

#### 6. Appropriations

EUR thousand	2016	2015
Change in depreciation difference (+/–)	–90.5	–76.9
Group contribution (+/–)	15,000.0	6,961.2
<b>Total</b>	<b>14,909.5</b>	<b>6,884.3</b>

#### 7. Income Taxes

EUR thousand	2016	2015
Change in deferred taxes	2,125.5	437.0
<b>Total</b>	<b>2,125.5</b>	<b>437.0</b>

The income taxes include taxes based on the company's taxable profit for the financial year.



## 8. Intangible Assets

EUR thousand	Intangible rights	Other capitalised long-term expenditure	Advance payments and construction in progress	Total
<b>2016</b>				
Historical cost 1 Jan	165.3	675.3	2,459.0	<b>3,299.6</b>
Increases	–	753.6	11,254.2	<b>12,007.8</b>
Reclassifications	–	54.0	–54.0	<b>0.0</b>
<b>Historical cost 31 Dec</b>	<b>165.3</b>	<b>1,482.9</b>	<b>13,659.1</b>	<b>15,307.4</b>
Accumulated amortisation 1 Jan	55.4	236.1	–	<b>291.5</b>
Amortisation for the financial year	33.1	167.9	–	<b>201.0</b>
<b>Accumulated amortisation 31 Dec</b>	<b>88.5</b>	<b>404.0</b>	<b>–</b>	<b>492.5</b>
<b>Carrying amount 31 Dec</b>	<b>76.8</b>	<b>1,078.9</b>	<b>13,659.1</b>	<b>14,814.8</b>
Change in cumulative accelerated amortisation 1 Jan	0.0	28.3	–	<b>28.3</b>
Increase (+) or decrease (–) in accelerated amortisation	0.0	69.8	–	<b>69.8</b>
<b>Cumulative accelerated amortisation 31 Dec</b>	<b>0.0</b>	<b>98.1</b>	<b>–</b>	<b>98.1</b>
<b>2015</b>				
Historical cost 1 Jan	143.5	589.6	–	<b>733.1</b>
Increases	21.8	85.6	2,459.0	<b>2,566.4</b>
<b>Historical cost 31 Dec</b>	<b>165.3</b>	<b>675.3</b>	<b>2,459.0</b>	<b>3,299.5</b>
Accumulated amortisation 1 Jan	26.0	111.0	–	<b>137.0</b>
Amortisation for the financial year	29.4	125.1	–	<b>154.5</b>
<b>Accumulated amortisation 31 Dec</b>	<b>55.4</b>	<b>236.1</b>	<b>–</b>	<b>291.5</b>
<b>Carrying amount 31 Dec</b>	<b>109.9</b>	<b>439.2</b>	<b>2,459.0</b>	<b>3,008.0</b>
Change in cumulative accelerated amortisation 1 Jan	0.0	6.9	–	<b>6.9</b>
Increase (+) or decrease (–) in accelerated amortisation	0.0	21.4	–	<b>21.4</b>
<b>Cumulative accelerated amortisation 31 Dec</b>	<b>0.0</b>	<b>28.3</b>	<b>–</b>	<b>28.3</b>

## 9. Property, Plant and Equipment

EUR thousand	Land and water areas	Machinery and equipment	Other tangible assets	Total
<b>2016</b>				
Historical cost 1 Jan	149.2	478.0	7.5	<b>634.7</b>
Increases	–	105.9	–	<b>105.9</b>
Decreases	–71.8	–153.8	–	<b>–225.6</b>
<b>Historical cost 31 Dec</b>	<b>77.4</b>	<b>430.1</b>	<b>7.5</b>	<b>515.0</b>
Accumulated depreciation 1 Jan	–	62.3	–	<b>62.3</b>
Changes in cumulative depreciation due to sales	–	–48.3	–	<b>–48.3</b>
Depreciation for the financial year	–	65.0	–	<b>65.0</b>
<b>Accumulated depreciation 31 Dec</b>	<b>–</b>	<b>79.0</b>	<b>–</b>	<b>79.0</b>
<b>Carrying amount 31 Dec</b>	<b>77.4</b>	<b>351.1</b>	<b>7.5</b>	<b>436.0</b>
Change in cumulative accelerated amortisation 1 Jan	–	80.9	–	<b>80.9</b>
Increase (+) or decrease (–) in accelerated amortisation	–	20.7	–	<b>20.7</b>
<b>Cumulative accelerated amortisation 31 Dec</b>	<b>–</b>	<b>101.6</b>	<b>–</b>	<b>101.6</b>
<b>2015</b>				
Historical cost 1 Jan	149.2	245.3	7.5	<b>402.0</b>
Increases	–	351.3	–	<b>351.3</b>
Decreases	–	–118.6	–	<b>–118.6</b>
<b>Historical cost 31 Dec</b>	<b>149.2</b>	<b>478.0</b>	<b>7.5</b>	<b>634.7</b>
Accumulated depreciation 1 Jan	–	35.9	–	<b>35.9</b>
Changes in cumulative depreciation due to sales	–	–35.9	–	<b>–35.9</b>
Depreciation for the financial year	–	62.4	–	<b>62.4</b>
<b>Accumulated depreciation 31 Dec</b>	<b>–</b>	<b>62.3</b>	<b>–</b>	<b>62.3</b>
<b>Carrying amount 31 Dec</b>	<b>149.2</b>	<b>415.8</b>	<b>7.5</b>	<b>572.4</b>
Change in cumulative accelerated amortisation 1 Jan	–	25.5	–	<b>25.5</b>
Increase (+) or decrease (–) in accelerated amortisation	–	55.5	–	<b>55.5</b>
<b>Cumulative accelerated amortisation 31 Dec</b>	<b>–</b>	<b>80.9</b>	<b>–</b>	<b>80.9</b>

## 10. Investments

EUR thousand

	Shares in group companies	Receivables from group companies	Other shares and receivables	Total
<b>2016</b>				
Historical cost 1 Jan	609,598.8	150,241.69	–	<b>759,840.5</b>
Increases	45,998.6	6,600.1	–	<b>52,598.7</b>
Decreases	–262.7	–16,387.8	–	<b>–16,650.5</b>
<b>Historical cost 31 Dec</b>	<b>655,334.7</b>	<b>140,454.0</b>	<b>–</b>	<b>795,788.7</b>
<b>Carrying amount 31 Dec</b>	<b>655,334.7</b>	<b>140,454.0</b>	<b>–</b>	<b>795,788.7</b>
<b>2015</b>				
Historical cost 1 Jan	448,689.0	440,376.8	10.0	<b>889,075.8</b>
Increases	824,164.3	82,051.3	–	<b>906,215.6</b>
Decreases	–663,254.5	–372,186.3	–10.0	<b>–1,035,450.7</b>
<b>Historical cost 31 Dec</b>	<b>609,598.8</b>	<b>150,241.8</b>	<b>0.0</b>	<b>759,840.6</b>
Accumulated depreciation 1 Jan	–291,882.0	–	–	<b>–291,882.0</b>
Reversed write-downs due to mergers	291,882.0	–	–	<b>291,882.0</b>
<b>Accumulated depreciation 31 Dec</b>	<b>0.0</b>	<b>–</b>	<b>–</b>	<b>0.0</b>
<b>Carrying amount 31 Dec</b>	<b>609,598.8</b>	<b>150,241.7</b>	<b>0.0</b>	<b>759,840.5</b>

## 11. Receivables

EUR thousand

	2016	2015
<b>Trade Receivables</b>		
Trade receivables from non-group companies	1.5	–
<b>Total</b>	<b>1.5</b>	<b>–</b>
<b>Receivables from group companies</b>		
Short-term receivables		
Trade receivables	1,318.0	636.2
Other receivables	33,886.3	16,173.4
Accrued income and prepaid expenses	15,000.0	6,964.2
<b>Total</b>	<b>50,204.3</b>	<b>23,773.8</b>
<b>Accrued receivables</b>		
Arrangement fees relating to loans	226.4	234.0
Exchange rate profit on hedges	5.0	36.5
Compensations not received	8.4	8.4
Other accrued receivables	185.9	201.9
<b>Total</b>	<b>425.7</b>	<b>480.9</b>

## 12. Equity

EUR thousand

	2016	2015
Share capital 1 Jan	147,899.8	147,899.8
<b>Share capital 31 Dec</b>	<b>147,899.8</b>	<b>147,899.8</b>
Contingency fund 1 Jan	19,418.7	19,418.7
<b>Contingency fund 31 Dec</b>	<b>19,418.7</b>	<b>19,418.7</b>
Invested unrestricted equity reserve 1 Jan	76,957.5	1,386.6
Issue of shares	–	75,571.0
<b>Invested unrestricted equity reserve 31 Dec</b>	<b>76,957.5</b>	<b>76,957.5</b>
Profit/loss from previous years 1 Jan	272,470.8	232,385.5
Dividend paid	–23,580.6	–
Share-based compensation	–131.0	–156.2
Purchase of own shares <sup>1)</sup>	–93.4	–113.4
Proceeds from sale of own shares	131.0	156.2
<b>Profit/loss from previous years 31 Dec</b>	<b>248,796.7</b>	<b>232,272.0</b>
<b>Net profit for the period</b>	<b>21,086.7</b>	<b>40,198.7</b>
<b>Total</b>	<b>514,159.5</b>	<b>516,746.8</b>

<sup>1)</sup> Shares purchased for the share based incentive program.

Split of shares 31 Dec 2016	number of shares	EUR million
Serie A shares (20 votes/share)	55,484,648	45.2
Serie B shares (1 vote/share)	126,001,565	102.7
<b>Total</b>	<b>181,486,213</b>	<b>147.9</b>

Split of shares 31 Dec 2015	number of shares	EUR million
Serie A shares (20 votes/share)	55,484,648	45.2
Serie B shares (1 vote/share)	126,001,565	102.7
<b>Total</b>	<b>181,486,213</b>	<b>147.9</b>

## 13. Appropriations

EUR thousand

	2016	2015
Cumulative accelerated depreciation	199.7	109.3
<b>Total</b>	<b>199.7</b>	<b>109.3</b>

## 14. Liabilities

EUR thousand	2016	2015
<b>Long-term liabilities</b>		
<b>Liabilities to Group companies</b>		
Long-term liabilities to Group companies	66,557.2	82,244.7
<b>Other long-term liabilities</b>		
Borrowings	82,342.3	65,291.9
Other long-term liabilities	2,686.9	–
Accrued liabilities	308.8	1,594.5
<b>Long-term liabilities total</b>	<b>151,895.2</b>	<b>149,131.1</b>
<b>Short-term liabilities</b>		
<b>Liabilities to Group companies</b>		
Received prepayments	–	8.7
Trade payables	201.5	237.9
Interest-bearing liabilities	224,932.1	201,666.8
Accrued liabilities	–	1.5
<b>Other short-term liabilities</b>		
Trade payables	1,310.5	1,141.4
Other non-interest-bearing liabilities	284.8	245.3
Interest-bearing liabilities	25,459.0	36,235.2
Accrued liabilities	1,706.1	2,782.3
<b>Short-term liabilities total</b>	<b>253,894.1</b>	<b>242,319.1</b>
<b>Liabilities total</b>	<b>405,789.3</b>	<b>391,450.2</b>
<b>Material items included in accrued liabilities</b>		
Long-term accrued liabilities		
Change in fair value of interest rate swap	308.8	1,594.5
Short-term accrued liabilities		
Items related to personnel	848.8	841.4
Derivatives measured at fair value	–	1,319.2
Interest	193.9	471.0
Other accrued liabilities	65.9	150.6
Change in fair value of interest rate swap	597.5	–
<b>Total</b>	<b>2,014.9</b>	<b>4,376.7</b>
<b>Short-term liabilities include</b>		
Liabilities to Group companies	225,133.6	201,914.9
Non-interest-bearing liabilities to other companies	3,301.4	4,169.0
Interest-bearing liabilities to other companies	25,459.0	36,235.2
<b>Total</b>	<b>253,894.1</b>	<b>242,319.1</b>

## 15. Commitments

1,000 EUR	2016	2015
<b>Commitments for own liabilities</b>		
Guarantees on behalf of own companies	8,311.9	8,481.8
Guarantees on behalf of other companies	969.0	1,958.5
<b>Total</b>	<b>9,280.9</b>	<b>10,440.4</b>

## 16. Derivatives and Financial Risk Management

EUR thousand	2016	2015
<b>Book values of derivative instruments</b>		
Interest rate swaps	54,436.0	56,586.3
Foreign currency forwards and swaps	7,327.9	0.0
<b>Total</b>	<b>61,763.9</b>	<b>56,586.3</b>
<b>Fair values of derivative instruments</b>		
Interest rate swaps	–906.3	–1,594.5
Foreign currency forwards and swaps	4.5	–1,282.7
<b>Total</b>	<b>–901.8</b>	<b>–2,877.2</b>

Oriola-KD Oyj has interest rate swap agreements hedging Oriola-KD Group's cash flows as well as foreign currency forward and swap contracts with various counterparties. These derivatives are managed in accordance with the treasury policy approved by the Oriola-KD Oyj Board of Directors. While Oriola-KD Group's interest rate risks from Oriola AB's selling of trade receivables are hedged with derivative agreements on a group level, the hedging presents an interest rate risk to Oriola-KD Oyj.

More information on Oriola-KD Group's financial risk management is presented in the Notes to the Consolidated Financial Statement in note Financial Risk Management. More information on derivatives is presented in note Derivatives.

## 17. Ownership in Other Companies

The Parent company's ownership in other companies is presented in Note Group companies and related-party transactions, in the Notes to the Consolidated Financial Statements.

## 10. Proposal for Profit Distribution, Signatures for the Board of Directors' Report and the Financial Statements and Auditors' Note

### Proposal for the Profit Distribution

The parent company's distributable assets on balance sheet date as of 31 December 2016 are EUR 366,259,708.64 from which profit for the period is EUR 21,086,711.03.

The Board of Directors propose to the Annual General Meeting that the distributable funds will be used as follows:

- A dividend of EUR 0.14 per share will be distributed to 181,389,391 shares, EUR 25,394,514.74
- EUR 340,865,193.90 will be retained in equity

There have been no material changes in the financial position of the company after the end of the financial year.

### Signatures for the Financial Statements and the Report of the Board of Directors

Espoo 10 February 2017

Anssi Vanjoki  
*Chairman*

Eva Nilsson Bågenholm  
*Vice Chairman*

Anja Korhonen

Mariette Kristenson

Kuisma Niemelä

Lena Ridström

Matti Rihko

Staffan Simberg

Eero Hautaniemi  
*President and CEO*

### Auditors' Note

The Auditors' report has been issued today.

Espoo, 10 February 2017

PricewaterhouseCoopers Oy  
*Authorised Public Accountants*

Ylva Eriksson  
*Authorised Public Accountant*

## 11. Auditor's Report (Translation from the Finnish Original)

### To the Annual General Meeting of Oriola-KD Corporation

#### Report on the audit of the financial statements

##### Opinion

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
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

##### What we have audited

We have audited the financial statements of Oriola-KD Corporation (Business ID: 1999215-0) for the year ended 31 December 2016. 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, which include a summary of significant accounting policies; and
- the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements

##### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

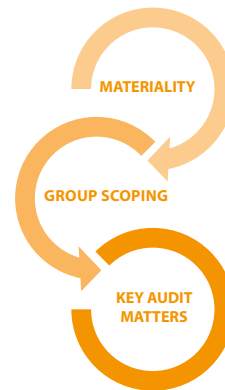
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Independence

We are independent of the parent company and of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Finland, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our Audit Approach

#### Overview



##### Materiality

- Overall group materiality: € 4.5 million.

##### Group audit scope

- The group audit scope includes all significant companies in Finland and Sweden, covering the vast majority of revenues, assets and liabilities.

##### Key audit matters in audit

- Revenue recognition
- Goodwill
- Inventories
- Business acquisitions

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

##### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

<b>Overall group materiality</b>	€ 4.5 million
<b>How we determined it</b>	Net sales and profit before tax
<b>Rationale for the materiality benchmark applied</b>	We chose the combination of net sales and profit before tax as the benchmark because, in our view, the performance of Oriola-KD Group is most commonly measured using these criteria and these are generally accepted benchmarks.

### How we Tailored our Group Audit Scope

We tailored the scope of our audit, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We performed a group audit of 5 legal entities in Finland and Sweden. In addition, we performed analytical procedures over the remaining reporting units in Sweden, Estonia, Latvia and Lithuania.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

<b>Key Audit Matter in the Audit of the Group</b>	<b>Key Audit Matter in the Audit of the Group</b>
<b>Revenue Recognition</b> <i>Refer to note 4.2 in the consolidated financial statements</i>  The Group has different revenue streams under the Consumer, Services and Healthcare segments.  Given the different nature of the revenue streams, we consider the related risk profile in each to be different: <ul style="list-style-type: none"> <li>• In the Services segment, revenue is recognised on a gross basis when the Group owns the inventory as principal. When a contract with a pharmaceutical company is based on consignment inventory and agency agreements, only the distribution fee is recognised within net sales. The revenue recognition method applied requires management judgement and analysis of the accounting implications of different contractual terms. We have accordingly considered this to be a key audit matter of the audit.</li> <li>• Accounting for revenue in the Consumer and Healthcare segments include a lower audit risk due to revenue consisting of multiple small transactions with a low degree of complexity.</li> </ul>	Our testing of revenue streams included both testing of the company's controls, as well as substantive audit procedures.  Our testing of the company's controls focused on the controls around contract and cash management.  Our substantive testing of the revenue transactions included, among other things, the following: <ul style="list-style-type: none"> <li>• We performed analytical audit procedures to assess whether the sales margin levels were in line with the expected level</li> <li>• We tested a sample of sales transactions to validate that revenue had been recognized in the correct period.</li> <li>• For revenue in the Service segment, we examined a sample of contracts to ensure that revenue was recognized in accordance with the terms of the contract and the Group's accounting policy. This included assessing the appropriateness of the recognition of revenue on a gross or net basis.</li> <li>• For revenue in the Consumer and Healthcare segments we matched incoming cash to recorded revenue transactions.</li> </ul>



**Key Audit Matter in the Audit of the Group****Goodwill**

*Refer to note 5.3.2 in the consolidated financial statements*

As at 31 December 2016 the Group's goodwill balance amounted to € 286,9 million and is recognized in three reporting segments; Consumer (€ 225,2 million), Services (€ 33,7 million) and Healthcare (€ 28,0 million).

The company tests goodwill for potential impairment annually and whenever there is an indication that the carrying value may be impaired by comparing the recoverable amount against the carrying value of the goodwill.

The recoverable amounts of each cash generating unit is determined using "Value In Use" method. There is inherent uncertainty involved in preparing forecasts and discounted future cash flow projections and the assumptions used in the Group's goodwill impairment model include estimates as set out in the note 5.3.2.

Valuation of goodwill was a key audit matter for our audit due to the size of the goodwill balance and the high level of management judgement involved in the assessment of the "Value in Use".

**Key Audit Matter in the Audit of the Group**

Our audit focused on assessing the appropriateness of management's judgment and estimates used in the goodwill impairment analysis through the following procedures:

- We tested the methodology applied in the "Value In Use" calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of management's calculation.
- We tested the key underlying assumptions by evaluating the process by which the future cash flow forecasts were drawn up, including comparing them to the latest Board approved budgets.
- The discount rates and long term growth rates applied within the model were assessed by PwC business valuation specialist, including comparison to economic and peer group forecasts.
- We compared the current year actual results to the corresponding forecasts included in the prior year impairment model to corroborate the reliability of management's estimates.
- We considered whether the sensitivity analysis performed by the management around key parameters of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions.

We also assessed whether the disclosures in note 5.3.2 presented the Group's assumptions in relation to goodwill impairment and the sensitivities of the outcome of the impairment assessment appropriately and reflected the risks inherent in the valuation of goodwill.

**Key Audit Matter in the Audit of the Group****Inventories**

*Refer to note 4.3.2 in the consolidated financial statements*

Net inventories amount to € 199,4 million at the end of 2016. Inventories are measured at the lower of cost or estimated net realisable value.

In the Service segment there are different contractual arrangements in place with pharmaceutical companies, whereby the terms and conditions determine whether the Group is acting as principal or agent in the distribution of pharmaceutical products to pharmacies and whether the products being held in stock should be accounted for as own inventory or on a consignment basis.

The inventory was a key audit matter in our audit due to the significance of the asset to the Group's consolidated statement of financial position and due to the impact of the contractual terms with suppliers in the service segment.

**Key Audit Matter in the Audit of the Group**

Our audit consisted of testing of company's controls both for valuation and existence of inventories as well as substantive audit procedures.

We reviewed all new contracts to ensure that the stock is accounted for as own inventory or on a consignment basis in line with the terms of the contract and the Group's accounting policy

In addition our audit procedures included:

- We participated in the physical inventory counting at selected locations to obtain audit evidence re-garding existence and condition of the goods in stock. During the inventory counting we assessed the appropriateness of the counting procedures and performed independent test counts.
- We checked that the obsolescence provision was calculated based on the Group's accounting policy.
- We used computer assisted audit techniques to obtain audit evidence over valuation of inventory.

Key Audit Matter in the Audit of the Group	Key Audit Matter in the Audit of the Group
<p><b>Business Acquisitions</b></p> <p><i>Refer to note 7.2.1 in the consolidated financial statements</i></p> <p>During 2016, Oriola-KD acquired the Swedish company Svensk dos AB and the Finnish company Pharmaservice Oy which are reported within the Healthcare segment. In addition, the Group acquired the Finnish Farenta Oy group which are reported within the Service segment. The total consideration amounts to € 52,5 million. The intangible assets and goodwill recognized amounted to € 7,6 million and € 45,1 million, respectively.</p> <p>IFRS 3 Business Combinations requires the Group to recognize the identifiable assets, liabilities and contingent liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over the identified values recognised as goodwill. The business acquisitions was a key audit matter in our audit as it includes a significant amount of management estimation, particularly in relation to the identification and valuation of intangible assets and assignment of their useful lives.</p>	<p>Our procedures to assess the accounting treatment of the acquisitions included:</p> <ul style="list-style-type: none"><li>• We read the sales and purchase agreements to understand the key terms and conditions, and confirmed our understanding of the transaction with management.</li><li>• We evaluated the recognition of contingent consideration included in the purchase price by assessing the probability of achieving the growth and profitability targets set in the contractual terms.</li><li>• We evaluated management's process for identifying assets and liabilities acquired in the acquisitions.</li><li>• We engaged our valuation specialist to assist in the audit of the purchase price allocation, including the identification and valuation of intangible assets acquired.</li><li>• We assessed the appropriateness of the fair value measurement and useful lives of the acquired net assets.</li></ul> <p>We also assessed whether the disclosures in note 7.2.1 presented the relevant and fair information of the acquisitions.</p>

**Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

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 that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Reporting Requirements

#### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the annual report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors our responsibility also includes considering whether the report of Board of Directors has been prepared in accordance with the applicable legal requirements.

In our opinion,

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable legal requirements.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 10.2.2017

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Ylva Eriksson

Authorised Public Accountant

## 12. Corporate Governance Statement 2016

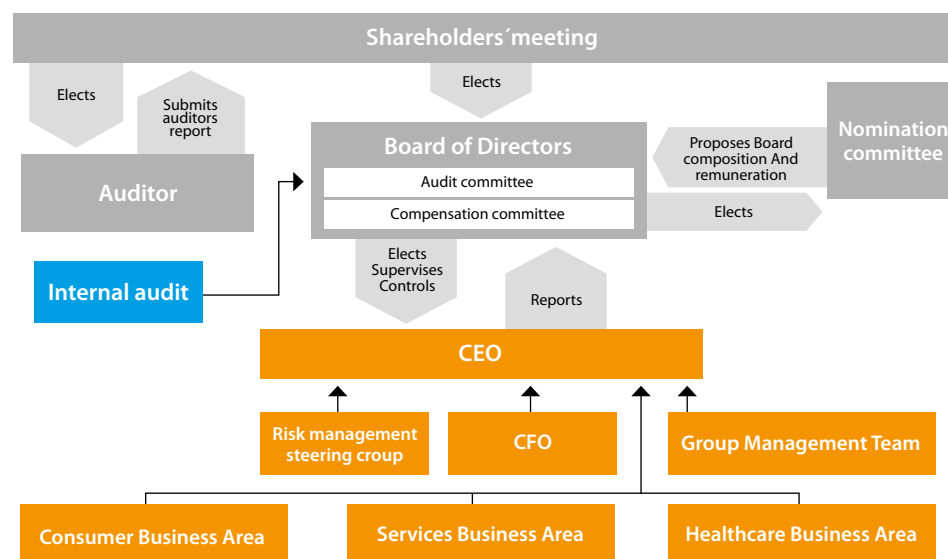
This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015 and chapter 7, section 7 of the Finnish Securities Markets Act. This Statement is not part of the Report of the Board of Directors.

Oriola-KD Corporation (hereinafter “Oriola-KD” or “the company”) complies with the provisions of its Articles of Association, the Finnish Companies Act, the Finnish Securities Markets Act and other similar legislation. The company also complies with the rules and regulations applying to listed companies issued by NASDAQ Helsinki Ltd (Helsinki Exchange) and the Finnish Financial Supervisory Authority. The company’s head office is located in Espoo, Finland.

Oriola-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](http://www.oriola-kd.com). An unofficial English translation of the Finnish Corporate Governance Code 2015 is in the public domain and available on the Securities Market Association’s website at [www.cgfinland.fi](http://www.cgfinland.fi).

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

### GOVERNING STRUCTURES OF ORIOLA-KD



### General Meeting of Shareholders

The General Meeting of Shareholders decides on the matters that under the Companies Act and the Articles of Association of Oriola-KD are within its purview. Each shareholder is entitled to attend General Meetings. Each class A share carries 20 votes and each class B share one vote at General Meetings. According to the Articles of Association, no shareholder may vote using an amount of votes that exceeds 1/20 of the total number of votes carried by the shares of different share classes represented at the General Meeting.

The Board of Directors convenes a General Meeting of Shareholders. The Notice of General Meeting is published on the company’s website or in one daily newspaper in Finland’s capital city no earlier than two months and no later than twenty one days prior to the meeting. Oriola-KD also publishes the Notice of General Meeting as a stock exchange release. The documents to be submitted to the General Meeting and the draft resolutions to the General Meeting are also available on the company’s website. The Notice of the General Meeting contains the proposed agenda for the meeting.

A shareholder has the right to have matters that under the Companies Act falls within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so demands in writing to the Board of Directors well in advance of the meeting so that the matter can be included in the Notice of General Meeting. The demand shall be considered to have arrived in time, when the Board of Directors has been informed about the demand at the latest four weeks in advance of the publication of the Notice of the General Meeting.

The Chairman of the Board of Directors, a sufficient number of members of the Board of Directors and its committees, the President and CEO, and the auditor attend the General Meeting. A person proposed for the first time as member of the Board of Directors shall be present at the General Meeting that decides on his or her election unless there are well-founded reasons for absence.

### General Meeting of Shareholders

The shareholders shall based on law and the Articles of Association exercise their power of decision at the General Meeting. The Annual General Meeting is held by the end of May each year. The duties of the Annual General Meeting include:

- adoption of the financial statements
- use of the profit shown on the balance sheet
- election of the members of the Board of Directors and the decision on their fees
- discharging from liability for the members of the Board of Directors and the President and CEO
- election of the auditor and the decision on compensation
- proposals made by the Board of Directors and shareholders to the Annual General Meeting (e.g. amendments to the Articles of Association, repurchase of the company’s own shares, share issue, giving special authorizations).

### Annual General Meeting 2016

The Annual General Meeting of Oriola-KD, held on 14 March 2016, 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 2015. According to the decision of the Annual General Meeting, a dividend of EUR 0.13 per share was paid on the basis of the balance sheet adopted for the financial year ending 31 December 2015.

The Annual General Meeting authorised the Board to decide on a share issue against payment in one or more issues, including the right to issue new shares or to assign shares held by the company. The authorisation covers a combined maximum of 5,650,000 class A shares and 12,500,000 class B shares of the company and includes the right to derogate from the shareholders' pre-emptive subscription right. The authorisation is in force for 18 months following the decision of the Annual General Meeting.

The Board was also authorised to decide on a share issue against payment of class B shares to the company on one or more issues including the right to issue new class B shares or assign class B treasury shares held by the company. The authorisation covers a combined maximum of 18,000,000 class B shares of the company including the right to derogate from the shareholders' pre-emptive subscription right. The authorisation is in force for a maximum of 18 months following the decision of the Annual General Meeting.

The Annual General Meeting authorised the Board to decide on repurchasing up to 18,000,000 of the company's own class B shares. Shares may be repurchased also in a proportion other than in which shares are owned by the shareholders. The authorisation is in force for a maximum of 18 months following the decision of the Annual General Meeting.

The Annual General Meeting resolved to amend the following Articles of the company's Articles of Association in accordance with the proposal of the Board of Directors: the age limit of Board member elects was removed from § 5 and a possibility to deliver the notice to the Annual General Meeting by publishing the notice on the company's website was added to § 12.

All decisions of the Annual General Meeting 2016 are available on the company's website at [www.oriola-kd.com](http://www.oriola-kd.com).

### Board of Directors

The Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations.

The Board of Directors is responsible for managing and supervising the company's operations in accordance with the law, governmental regulations and the Articles of Association. The Board also ensures that good corporate governance is complied with throughout the Oriola-KD Group.

The members of the Board of Directors are elected by the General Meeting of Shareholders. The Board of Directors uses the highest decision making power in the Oriola-KD Group between the General Meetings of Shareholders. Pursuant to the Articles of Association, the Board of Directors consists of no fewer than five and no more than eight members. The term of the members of the Board of Directors expires at the end of the next Annual General Meeting following their election. The Chairman of the Board of Directors is elected by the General Meeting of Shareholders. The Vice Chairman of the Board is elected by the Board of Directors from among its members.

The 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 Board of Directors convenes in accordance with a timetable agreed in advance and also convenes as required. In addition to making decisions, the Board of Directors also receives during its meetings current information about the operations, finances and risks of the Group. Board meetings are also attended by the President and CEO, the CFO and the General Counsel (who acts as secretary to the Board). Members of the Group Management Team attend Board meetings at the invitation of the Board. Minutes are kept of all meetings.

### Main Tasks of the Board of Directors

The main tasks to be dealt with by the Board of Directors are listed in the Board's rules of procedure. Accordingly, these are among others:

- approving the company's strategy
- approving financial targets, budgets, major investments and risk management principles
- appointment and dismissal of the company's President and CEO
- consideration and decision of all significant matters concerning the operations of the Group and the business segments
- approving the charters of the Audit Committee, the Compensation Committee and the Nomination Committee.

### Diversity of the Board of Directors

The ultimate goal in electing members to the Board of Directors is to ensure that the Board of Directors as a collegium has a competence profile which supports the Oriola-KD's existing and future business. Diversity supports the overall goal that the Board of Directors has an optimal competence profile to support the company's business and is viewed as an integral part and a success factor enabling the achievement of Oriola-KD's strategic goals. Important factors for the diversity of Oriola-KD's Board of Directors are the mutually complementary expertise of the members, their education and experience in different professional areas and industrial sectors, businesses in various stages of development, leadership experience as well as their personal capacities. The diversity of the Board of Directors is supported by experience in operating environments and industries relevant to the company as well as different cultures and by consideration to the age and gender breakdown of the members.

Oriola-KD's Board of Directors has approved the diversity policy of the Board of Directors in December 2016. According to the diversity policy of the Board of Directors Oriola-KD's objective is to maintain an appropriate balance of representation of both genders on the Board of Directors.

The company has upheld the requirements set for diversity in the composition of the Board of Directors. Oriola-KD's Board of Directors 2016 represents diversity related to nationalities, professional competencies and genders.

### Board of Directors 2016–2017

The Annual General Meeting of Oriola-KD held on 14 March 2016 confirmed that the Board of Directors of Oriola-KD shall have eight members and elected the following persons as chairman and members of the Board of Directors:

Name	Year of birth	Education and independence	Attendance at Board Meetings	Attendance at Committee Meetings
<b>Anssi Vanjoki</b> (Chairman)	1956	M.Sc. (Economics), independent member of the Board	13/13	
<b>Anja Korhonen</b>	1953	M.Sc. (Economics), independent member of the Board	11/13	Audit Committee 6/6
<b>Mariette Kristenson</b>	1977	M.Sc. (Economics), independent member of the Board	8/10	Compensation Committee 3/3
<b>Kuisma Niemelä</b>	1958	M.Sc. independent member of the Board	12/13	Audit Committee 6/6
<b>Eva Nilsson Bågenholm</b> (Vice Chairman)	1960	Physician, independent member of the Board	12/13	Compensation Committee 4/4
<b>Lena Ridström</b>	1965	M.Sc. (Economics), independent member of the Board	8/10	Compensation Committee 3/3
<b>Matti Rihko</b>	1962	M.Sc. (Economics), M.Sc. (Psychology), independent member of the Board	12/13	Compensation Committee 3/4
<b>Staffan Simberg</b>	1949	MBA, independent member of the Board	12/13	Audit Committee 6/6

In its constitutive meeting held later the same day, the Board of Directors elected Eva Nilsson Bågenholm as its Vice Chairman.

Members of Oriola-KD's Board of Directors 1 January - 14 March 2016:

Name	Year of birth	Education and independence	Attendance at Board Meetings	Attendance at Committee Meetings
<b>Jukka Alho</b>	1952	M.Sc. (Eng.), independent member of the Board	3/3	Compensation Committee 1/1
<b>Per Båtelson</b>	1950	M.Sc. (Physics), independent member of the Board	3/3	Compensation Committee 1/1

The Board of Directors has evaluated the independence of its members and determined that all members are independent of the company and its major shareholders. The Board has also conducted an assesment of its activities and working practises.

In 2016, the Board of Directors of Oriola-KD convened 13 times, 4 of which were conference call meetings and 2 per capsulam meetings.

### Board Committees

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

In its constitutive meeting, held after the Annual General Meeting, the Board of Directors appoints, from among its members, the members and chairman of the Audit Committee and the Compensation 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 charters and the Board does not release information on their term, composition, the number of meetings or the members' attendance rates.



### Audit Committee

The task of the Audit Committee is to enhance the control of the company's operations and financial reporting. According to the charter, the following in particular shall be addressed and prepared by the Audit Committee:

- reviewing the consolidated financial statements and interim reports, together with the auditor
- reviewing together with the auditor any deficiencies in the supervision systems observed in control inspections and any other deficiencies reported by auditors
- reviewing any deficiencies in the control system observed in internal audit and other observations and recommendations made
- reviewing the plans of action for the control inspection and internal audit and giving recommendations to company management on focus areas for internal audits
- 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, evaluation of the independence of the auditor, taking into account particularly the effect of the provision of related services on the independence, and carrying out any other tasks assigned to it by the Board. The Audit Committee has at least three members.

As of 14 March 2016, the Chairman of the Audit Committee is Anja Korhonen and the other members are Kuisma Niemelä and Staffan Simberg. The members of the Audit Committee are independent of the company and its major shareholders.

### Compensation Committee

According to the charter, 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
- reviewing and preparing other matters relating to the remuneration of management and personnel, and submitting proposals on these to the Board
- considering and preparing appointments of top management to be decided by the Board.

The Compensation Committee has four members. As of 14 March 2016, the Chairman of the Committee is Eva Nilsson Bågenholm and the other members Mariette Kristenson, Lena Ridström and Matti Rihko. 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 the year following the appointment upon the appointment of the Committee members pursuant to the charter. 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 appointment of major shareholders of 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 31 August 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 1 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 appointment of the new Committee members' appointment on 23 September 2016, convened 5 times and the attendance rate of the Committee's members was 88 per cent.

On 23 September 2016, the Board of Directors elected the following persons to the Nomination Committee: Peter Immonen, Timo Leino, Mikko Mursula, Pekka Pajamo and Into Ylppö. Pekka Pajamo was elected as Chairman of the Committee. The members of the Committee are independent of the company.

### President and CEO and Deputy to CEO

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 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 approved by the Board.

The Board of Directors also appoints, as necessary, a deputy to CEO. The company's deputy to CEO is Kimmo Virtanen, Executive Vice President, Services Business, M.Sc. (Econ.), born in 1968.

### 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 year 2016, the Group Management Team consisted of seven members, including the President and CEO, to whom the other Group Management Team members report.

The Group Management Team meets regularly to address matters concerning the entire Group. The Group Management Team is not a decision-making body. It assists the President and CEO in the implementation of Group strategy and in operational management, and facilitates the Group-wide distribution of information concerning the entire Group.

The following persons were members of Oriola KD's Group Management Team in 2016:

- Eero Hautaniemi, President and CEO
- Sari Aitokallio, CFO
- Stig Tornell, Vice President, Consumer Business (as of 12 April 2016)
- Thomas Gawell, Vice President, Healthcare Business
- Jukka Mäkelä, Vice President, Development
- Teija Silver, Vice President, Human Resources
- Kimmo Virtanen, Executive Vice President, Services Business
- Lars Birkeland, Vice President, Consumer Business (until 12 April 2016)

### RISK MANAGEMENT AND INTERNAL SUPERVISION SYSTEMS CONNECTED WITH FINANCIAL REPORTING

The internal control and risk management systems related to Oriola-KD's financial reporting aim to ensure a reasonable certainty of the reliability of the company's financial statements and financial reporting, as well as the company's compliance to legislation and generally approved accounting principles.

#### Financial Reporting

The Board of Directors and the President and CEO have the overall responsibility for organising the internal control and risk management systems pertaining to financial reporting. The President and CEO, the members of the Group Management Team and the heads of the business units are responsible for the accounting and administration of the areas within their spheres of responsibility complying with legislation, the Group's operating principles, and the guidelines and instructions issued by Oriola-KD's Board of Directors. The organising and leading of the financial reporting in the Group has been centralized under the subordination of the CFO.

Oriola-KD Group follows the International Financial Reporting Standards (IFRS) approved for application within the European Union. Instructions and accountancy principles for financial reporting are collected in an accounting manual that is updated as soon as standards change, as well as in the financial department's instructions that are followed in all Group companies. Group Accounting is responsible for following and keeping up to date with financial

statement standards, upholding the principles concerning financial reporting and distributing information about these to the business units.

#### Measurement and Follow-up

The performance of the Group is monitored in the Group Management Team with monthly reports as well as in the monthly operational reviews of the business segments. The financial situation of the Group is also monitored in the meetings of the Board of Directors. The Audit Committee and the Board of Directors examine the interim reports and financial statements before their publication. Monitoring of the monthly reports also ensures the effectiveness of 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.

#### Internal Control

Internal control forms an essential part of the company's governance and management systems. It covers all of the Group's functions and organisational levels. The purpose of internal control is to ensure a sufficient certainty that the company will be able to carry out its strategy. Internal control is not a separate process but a procedural measure covering all Group-wide operating principles, guidelines and systems.

The purpose of Oriola-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 Areas and Group functions. Group functions issue Group-level guidelines laying down the operational framework and the persons responsible for the process. The guidelines cover such areas as accounting, reporting, financing, investments and business principles.

The guidelines aim to ensure that all risks connected to the achievement of the company's objectives can be identified and prevented. The control measures cover all Group levels and functions. All new instructions and guidelines are published on the company's internal website and staff members can provide feedback to the management and anonymously report any questionable activities through the company intranet.

#### Risk Management

The Board of Directors of Oriola-KD approves the company's risk management policy in which the risk management operating model, principles, responsibilities and reporting are specified. The Board guides and supervises the planning and implementation of the risk management. The Board-appointed Audit Committee supervises risk management in the Group.

Oriola-KD has specified the company's risk management model, principles, organization and process in the Risk management policy. The Group's risk management seeks to identify, measure and manage risks that may have an adverse or beneficial impact on Oriola-KD's operations and achievement of the set goals. Additionally the Group has a Code of conduct policy and a Treasury policy covering compliance and financial risks. Oriola-KD's risks are

classified as strategic, operational and financial. Risk assessment and management are key elements in the strategic planning, operations and daily decision making in the company.

Risk management and the most significant risks are described on the company's website at [www.oriola-kd.com](http://www.oriola-kd.com).

### Internal Audit

Oriola-KD uses an outsourced internal audit function for the purpose of fulfilling its internal audit requirements. The outsourced internal audit function is an independent and objective assurance activity reporting directly to the Audit Committee of the Board of Directors. The internal audit assignments are carried out on the basis of an Internal Audit Charter approved by the Board of Directors as well as an Internal Audit Plan annually reviewed and approved by the Audit Committee.

### External Audit

The company has one auditor, which must be a firm of authorised public accountants. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial statements, the financial statements of the parent company, the accounting of the Group and the parent company and the administration of the parent company. The company's auditor submits the 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 Board of Directors and the Audit Committee are responsible for monitoring the independence of the auditor. For this reason the company has implemented a policy covering the provision of non-audit services by the elected auditors.

The Annual General Meeting of Oriola-KD held on 14 March 2016 re-elected PricewaterhouseCoopers Oy, a firm of authorised public accountants, as the company's auditor, with Ylva Eriksson, APA, as the principal auditor. The fees for the statutory audit paid to the auditing firm PricewaterhouseCoopers Oy in 2016 totalled EUR 316,536. In addition, EUR 36,350 was paid for other consultation provided to Group companies.

### Insider Management

Oriola-KD complies with the insider holding guidelines issued by NASDAQ Helsinki Ltd (July 3, 2016) and the Market Abuse Regulation (596/2014, "MAR"). Oriola-KD has issued its insider guidelines ("Guidelines") which are based on applicable EU and Finnish legislation (especially MAR and the Securities Markets Act 746/2012), the insider guidelines of NASDAQ Helsinki Ltd, and the regulations and guidelines of the European Securities Markets Authority and the Finnish Financial Supervisory Authority.

Members of the company's Board of Directors, CEO and his deputy, Members of the Group Management Team that have operational responsibilities leading a Business Area of the company as well as CFO and VP, Development and Information Management are considered the management of the company ("Management"). Management and their related parties shall notify all transactions with the company's securities or financial instruments made on his or her own account to the company and the Finnish Financial Supervisory Authority

without delay and three working days from the execution of the transaction at the latest. The Guidelines set trade restrictions prohibiting Management and the persons who participate in the preparation of interim and annual financial statements of Oriola-KD from making transactions with the company's securities or financial instruments related to them during a closed period of 30 days before a financial report of Oriola-KD is made public (closed period).

Oriola-KD is obliged to draw up the insider lists and keep them up-to-date. For the time being, Oriola-KD has determined not to include any persons as permanent insiders. Consequently, all persons with inside information will be included in event-based insider list for relevant insider projects. Oriola-KD instructs the persons entered in the event-based insider list on their obligations and any possible consequences. In addition, Oriola-KD monitors and supervises the proper management of insider issues.

### Related Parties Transactions

Oriola-KD's related parties include Management, their close family members as well as companies in which the individuals mentioned, alone or jointly with others, exercise control. Oriola-KD assesses and monitors transactions to be made with related parties to ensure that potential conflicts of interest are adequately taken into account in the company's decision making. Oriola-KD maintains a list of parties that are related to the company.

Management of the company has confirmed for 2016 that neither they nor their related parties have engaged in business transactions with Oriola-KD during the year in question.

## Remuneration Statement

This Remuneration Statement is published in accordance with the Corporate Governance Code 2015.

### Remuneration and Other Benefits of the Members of the Board of Directors

The Annual General Meeting decides annually on the remuneration payable to members of the Board of Directors for their term of office. The Nomination Committee of Oriola-KD prepares and presents 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.

On 14 March 2016, 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 of the Board and the Chairman of the Board's Audit Committee 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 1,000 per meeting, and the other Board members EUR 500 per meeting. Attendance fees will also be paid correspondingly to the chairmen and members of Board and company committees. 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 per cent of the annual remuneration was paid in cash and 40 per cent in class B shares. Oriola-KD Corporation class B shares were acquired on the market for the Board members as follows: Anssi Vanjoki 4,404 shares, Anja Korhonen 2,752 shares, Mariette Kristenson 2,202 shares, Kuisma Niemelä 2,202 shares, Eva Nilsson Bågenholm 2,752 shares, Lena Ridström 2,202 shares, Matti Rihko 2,202 shares and Staffan Simberg 2,202 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 2016 and shareholdings in the company 31 December 2016 are available in the Remuneration report.

### 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 the company's short term and long term goals. According to the charter, 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
- reviewing and preparing other matters relating to the remuneration of management and personnel, and submitting proposals on these to the Board
- considering and preparing appointments of top management to be decided by the Board.

The Board of Directors reviews and decides annually on the remuneration and benefits of the President and CEO and other members of the Group Management Team, and the underlying criteria thereof.

The Board of Directors decides annually on the earnings criteria and the determination of the performance bonuses based on the proposal of the Compensation Committee.

The company has not granted any loans to the President and CEO or to the members of the Group Management team, nor given guarantees on their behalf. The company has no share option scheme in place. The President and CEO and the members of the Group Management Team have no supplementary pension scheme, except the Vice President Consumer Business and Vice President Healthcare Business, 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 2016 for the President and CEO is 75 per cent of the annual salary and for the other Group Management Team members 40 per cent 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 members of Oriola-KD's Group Management Team are in the company's long term share incentive scheme. The scheme unites the objectives of shareholders and key personnel to increase the value of the company, commits the key personnel to the company, and offers key personnel a competitive remuneration system based on ownership of shares in the company.

The Board of Directors of Oriola-KD approved the terms and conditions of the key employees' share savings plan on 28 May 2013. A total of about 40 key employees were participating in the plan in the Savings Period 2014–2015.

On 15 June 2015 the Board of Directors decided to launch a third Savings Period 2015-2016 in which approximately 50 group key employees have enrolled. This Savings Period ended on 31 December 2016. The holding period will end on the publication date of the Oriola-KD Q4/2017 interim report.

On 19 October 2016 the Board of Directors decided to launch a fourth Savings Period 2017 targeted at approximately 90 group key employees. This Savings Period will last for 12 months, ending on 31 December 2017. The holding period will end on the publication date of the Oriola-KD Q4/2018 interim report.

The Board of Directors resolved to establish a new share-based incentive plan directed to the Group key personnel (the Plan) on 4 December 2015. The aim of the Plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company in the long-term, to retain the key personnel in the Company, and to offer them a competitive reward plan based on performance and accumulation of share ownership in the Company. The aim is also to harmonize the Company's incentive plans into a One-Platform Plan where the Company's Key Personnel Share Savings Plan and Long-Term Incentive Plan are combined.

The Plan includes three performance periods, calendar years 2016, 2017 and 2018 and three vesting periods, calendar years 2017, 2018 and 2019, respectively. The Board of Directors of the Company will resolve on the Plan's performance criteria and on the required performance level for each criterion at the beginning of a performance period. Approximately 20 key persons, including the members of the Group Management Team, belong to the target group of the Plan.

The prerequisite for participation in the Plan and for receipt of reward on the basis of the Plan is that a key person has enrolled in the Share Savings Plan and makes the monthly saving from his or her fixed gross monthly salary, in accordance with the Rules of the Share Savings Plan in force.

The potential reward of from the performance period 2016 was based on the Group's Earnings per Share (EPS). The rewards to be paid on the basis of the performance period 2016 corresponded to the value of an approximate maximum total of 800,000 Oriola-KD Corporation Class B shares (including also the proportion to be paid in cash). The potential reward will be paid partly in Oriola-KD Corporation Class B shares and partly in cash in 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person. The potential reward of from the performance period 2017 will be based on the Group's Earnings per Share (EPS). The rewards to be paid on the basis of the performance period 2017 corresponded to the value of an approximate maximum total of 800,000 Oriola-KD Corporation Class B shares (including also the proportion to be paid in cash). The potential reward will be paid partly in Oriola-KD Corporation Class B shares and partly in cash in 2019. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key person.

### Financial Benefits of the President and CEO in 2016

The salary and other remuneration, including fringe benefits, paid in 2016 to the President and CEO Eero Hautaniemi, amounted to a total of EUR 658,927 as follows:

- fixed base salary of EUR 467,206;
- fringe benefits of EUR 28,537;
- performance bonus of EUR 148,743; and
- share-based payments of EUR 14,441.

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 in the Remuneration report.

### Financial Benefits of Other Executives 2016

The salaries and other remuneration, including fringe benefits, paid in 2016 to the members of the Group Management team totalled EUR 1,819,758 as follows:

- fixed base salaries totalling EUR 1,511,968;
- fringe benefits totalling EUR 81,486;
- performance bonuses totalling EUR 200,547; and
- share-based payments totalling EUR 25,757.

The members of the Group Management Team are included in the company's share based incentive scheme. Shareholdings of the members of the Group Management Team in the company are available in the Remuneration report.

## Remuneration Report

Salaries and benefits of the Members of the Board of Directors, CEO and Members of the Group Management Team 2016 and their shareholdings (including controlled entities) 31.12.2016

	Salaries and benefits 2016 (tEUR)	Salaries and benefits 2015 (tEUR)	Shareholdings 31.12.2016 A shares	B shares	Total
<b>Board of Directors</b>					
Vanjoki Anssi, chairman	59.4	59.9		9,160	9,160
Nilsson Bågenholm Eva (vice chairman)	38.8	30.2		5,130	5,130
Korhonen Anja	40.8	43.7		11,754	11,754
Kristenson Mariette	29.7			2,202	2,202
Niemelä Kuisma	32.2	33.8		9,491	9,491
Ridström Lena	29.7			2,202	2,202
Rihko Matti	30.7	31.8		10,970	10,970
Simberg Staffan	32.2	32.2		2,202	2,202
(Nez-Invest Ab)				152,378	152,378
Alho Jukka	1.5	41.3			
Bätelson Per	1.0	30.3			
Brade Harry		2.8			
<b>President and CEO</b>					
Hautaniemi Eero					
Fixed basic salary	467.2	417.9		246,497	246,497
Fringe benefits	28.5	24.9			
Performance bonus	148.7	147.5			
Share-based payments	14.4	37.4			
<b>Total:</b>	<b>658.9</b>	<b>627.7</b>			
<b>Group Management team</b>					
Stig Tornell				6142	6142
Sari Aitokallio				2573	2,573
Jukka Mäkelä				10321	10,321
Teija Silver				33,910	33,910
Kimmo Virtanen			1,757	121,553	123,310
Thomas Gawell				20,400	20,400
Lars Birkeland (until 12.4.2016)					
<b>Salaries and benefits of the Group management</b>	<b>1,819.8</b>	<b>1,656.0</b>			



## Information to Shareholders

### The 2017 Annual General Meeting

The 2017 Annual General Meeting of Shareholders of Oriola-KD Corporation will be held on Tuesday, 14 March 2017 at 2 pm at the Helsinki Exhibition and Convention Centre, address Helsinki Exhibition and Convention Centre, Conference Wing, Rautatieäisenkatu 3, 00520 Helsinki, Finland. The notice to convene will be published on the company's website at [www.oriola-kd.com](http://www.oriola-kd.com) on 16 February 2017.

### Shareholders Register and the Insider Register

The company's shareholder register is available at Euroclear Finland Ltd at the following address:

Euroclear Finland Ltd  
Urho Kekkosen katu 5 C  
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 companies listed below have published investment reports on the Oriola-KD Corporation. The analysts' contact details are listed on the Oriola-KD website.

Carnegie Investment Bank  
Danske Markets  
Evli Bank Plc  
Inderes Ltd  
Nordea Markets  
Pohjola Bank Plc



**Oriola-KD Corporation**

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