Oriola-KD Corporation is a leading company in Pharmaceutical and Healthcare Trade in Finland, Sweden, Russia and the Baltic countries. Operating profit in 2009 was EUR 1.7 billion and the number of personnel was 4,300. Oriola-KD is listed on NASDAQ OMX Helsinki Ltd.
For more information visit www.oriola-kd.com

Important dates

Interim Report 1–3/2010 Thursday, 29 April 2010
Interim Report 1–6/2010 Thursday, 29 July 2010
Interim Report 1–9/2010 Thursday, 28 October 2010

Oriola-KD Corporation’s Annual General Meeting will be held on Wednesday, 7 April 2010 in Helsinki.

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PHARMACY OPERATIONS IN SWEDEN
Oriola-KD acquired a national pharmacy cluster with 171 pharmacies. Oriola-KD’s market share is 15 per cent of the Swedish pharmacy market and it operates under the Kronans Droghandel brand.

BUSINESS DEVELOPMENT IN RUSSIA
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A LEADING SUPPLIER FOR HOSPITAL MATERIAL SERVICES IN PROVINCES OF SKÅNE AND HALLAND
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DEMERGER OF ORIOLA OY
In the partial demerger of Oriola Oy, Pharmaceutical Trade continues in Oriola Oy and Oriola Oy’s Nordic Healthcare business was transferred to the newly established Oriola-KD Healthcare Oy. After the demerger Oriola-KD Corporation has two fully owned subsidiaries in Finland.

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2009

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CEO’s review

Oriola-KD’s business developed favourably in 2009 and progress in Russia and Sweden continued according to plan. Net sales went up by 8 percent and operating profit by 80 percent on the previous year. We improved the profitability of all our business operations. The most significant improvement was seen in Russia.

Strong growth in Russia

We concentrated on developing and intensifying our business operations in Russia. We doubled the market share of our wholesale business to about eight percent and increased net sales by over 40 percent in Russian rubles. The operations in Russia accounted for approximately two-thirds of the Group’s operating profit in 2009.

During the first months of 2009, the increase in the prices of imported medicines resulting from the weak ruble increased net sales and sales margins. However, during the summer and autumn competition increased and sales margins fell. The price regulation system that was implemented by the Russian authorities and gradually introduced in 2009 was also one of the reasons for this. The system is expected to be in use all over Russia during the first half of 2010.

We expanded our wholesale distribution network by opening a new distribution centre in Rostov-on-Don in southern Russia. In addition, we also increased the capacity of our distribution centre in St Petersburg. Our target is to open new distribution centres during 2010 and 2011 and thus cover the entire Russian market since pharmaceutical companies more and more concentrate their distribution with the largest nationwide pharmaceutical wholesalers.

In our pharmaceutical retail operations we included 25 new pharmacies to our Stary Lekar pharmacy chain in Moscow. At the end of 2009 the chain comprised 175 pharmacies. In 2009 we closed down unprofitable pharmacies and intensified our operations. We continued to develop our chain concept with the aim of expanding our pharmacy business to other larger cities in Russia.

Expanding to the Swedish pharmacy business

After careful preparation we succeeded in acquiring a national pharmacy chain comprising 171 pharmacies together with Swedish company Kooperativa Förbundet (KF) at an auction arranged by the Swedish state. Oriola-KD will be the third largest pharmacy operator in Sweden with a market share of approximately 15 percent. Oriola-KD holds an 80 percent share of the new pharmacy company while KF has a 20 percent holding. The cooperation also makes it possible for new Kronans Droghandel pharmacies to be established at Coop hypermarkets and supermarkets owned by KF. Oriola-KD is in charge of the pharmacy chain’s operative development and the management of its business operations. We have invested almost EUR 12 million in the project and will be ready to start pharmacy operations in February 2010. We will pay special attention to the takeover and development of the pharmacy cluster, and to the orientation and training of the new 900 members of our personnel.

In pharmaceutical wholesale operations we strengthened our sales and marketing and developed our processes and the supporting information systems to correspond with the new market situation. We started extensive price negotiations with pharmaceutical companies with the aim of raising distribution margins to the level required by the new market situation.

The pharmaceutical market growth stopped in Finland

The Finnish pharmaceutical market grew by 0 percent, as a result of the introduction of the reference price system. We continued to develop the storage and delivery of temperature-controlled medicines. We are the first company in Europe to introduce a real-time temperature monitoring system for medicines. The Finnish Association of Purchasing and Logistics presented Oriola-KD with the Logistics Company of the Year award for 2010. Oriola-KD’s comprehensive adaptation of supply chain solutions and use of available new technology were the arguments for the nomination.

Favourable development in Healthcare Trade

Despite the decrease in net sales generated by Healthcare Trade, the profitability improved slightly. Net sales decreased due to changes in distribution channels and principals in Finland, as well as due to the difficult market situation in the Baltic countries and in the Finnish laboratory business. We continued to expand our own product range sold under the Medola brand.

In Sweden, we signed a five-year agreement on healthcare warehousing and materials management services with the provinces of Skåne and Halland in December 2009. The agreement will enter into force in April 2010. In conjunction with this approximately 50 new employees in southern Sweden will transfer to the company.

Personnel satisfaction increased

Personnel satisfaction has improved by 66 percent since 2005. The survey response rate has increased over the years. The majority of respondents feel that change and development are steering the company in the right direction and 94 percent feel that they are doing important and independent work.

The year 2010 is on a solid footing

In 2010 we will pay special attention to the takeover of the Swedish pharmacy chain and the development of business operations in Russia in accordance with our strategy. The new business operations in Russia and Sweden will bring significant potential for growth, but also introduce new challenges. Our market position is strong and the basis for 2010 is good.

I want to thank all our customers, employees, partners, and shareholders for their trust in the company.

Eero Hautaniemi
President and CEO
Strategy
During 2008 Oriola-KD specified a strategy consisting of five strategic programs which aim to:

- Integrate and expand wholesale and retail business in Russia
- Transform into a integrated pharmaceutical retail in Sweden
- Prepare for pharmaceutical wholesale and retail in Finland
- Implement a wholesale business model for healthcare trade
- Operational excellence

Vision 2012
Oriola-KD is a leading pharmaceutical retail & wholesale and healthcare trade company in Finland, Sweden, Russia, and the Baltic countries
Market review

Consolidation is occurring in the global pharmaceutical market and the healthcare equipment and supplies market, with ever larger companies being formed both in the wholesale and in the retail business. In the global pharmaceutical and healthcare market, a long-term growth is expected, even though the uncertainty in the financial markets slowed the growth in 2009. The market is going to grow mainly because of the ageing population. In addition, growth in Russia will be supported by the increasing wealth among citizens and an increase in the use of more expensive western pharmaceuticals. On the other hand, growth in the pharmaceutical market will be slowed by the expiry of patents and an increase in the proportion of more affordable generic medicines. The owning and conducting of pharmacy operations is stepwise being deregulated in Europe, which will enable pharmaceutical wholesalers to expand into the pharmacy business.

Pharmaceutical market
The value of the Finnish pharmaceutical market in 2009 was approximately EUR 2 billion, in Sweden roughly EUR 3 billion and in Russia about EUR 10 billion. The combined Estonian, Latvian and Lithuanian markets were valued at about EUR 1 billion. The Finnish and Swedish markets are anticipated to grow about 3 to 5 percent annually while the anticipated annual growth in the Russian market is 15 to 20 percent. Measured in value, the per capita consumption of medicines in the Nordic countries is roughly five times greater than in Russia. In 2009, the pharmaceutical market grew by 0.0 percent (6.7 percent) in Finland, 2.4 percent (4.1 percent) in Sweden and about 20 percent (25 percent) in Russia.

Pharmaceutical wholesale and distribution market
Two pharmaceutical wholesalers are responsible for the distribution of practically all medicines in Finland and Sweden. The countries have a single-channel model of pharmaceutical distribution, where the pharmaceutical wholesaler enters into a contract with a pharmaceutical company to exclusively distribute all its products to every pharmacy in the country. In Sweden, pharmaceutical distribution is expected to partly shift to the multi-channel model as a consequence of the dismantling of the pharmacy monopoly in the country. In a multi-channel model, wholesalers may purchase medicines from the same pharmaceutical company and sell them to pharmacies. The European pharmaceutical distribution markets mainly use the multi-channel model, but during recent years, a few pharmaceutical companies have concentrated their distribution in certain markets with a single pharmaceutical wholesaler instead of several wholesalers. This model is called Direct to Pharmacy (DTP) distribution. The Russian pharmaceutical distribution market has a multi-channel model, in which the ten largest pharmaceutical wholesalers are responsible for about 80 percent of the entire country’s distribution. There are hundreds of companies engaging in pharmaceutical wholesale operations in Russia, of which the smallest focus mainly on local distribution. The pharmaceutical distribution market in the Baltic countries utilises the multi-channel model. In 2009, Oriola-KD’s market share in Finland was 47 percent, in Sweden 41 percent, in Russia 8 percent, and in the Baltic countries about 5 to 10 percent.

Pharmacy market
The approximate number of pharmacies in Finland is 800, in Sweden 950, in Russia 30,000, in Estonia 500, in Latvia 800 and in Lithuania 1,500. In Finland, pharmacies are not permitted to form chains and can only be owned by private persons, with the exception of the University Pharmacy chain. In Sweden, the state pharmacy monopoly was dismantled on 1 July 2009, which made it possible also for other operators than the state-owned Apoteket AB to own pharmacies and engage in the pharmacy business. In Russia and the Baltic countries, pharmacies can form chains and be owned by both private individuals and companies. In the auctioning off of Sweden's pharmacies, Oriola-KD acquired a nationwide pharmacy cluster of 171 pharmacies. Oriola-KD’s Stary Lekar chain is Moscow’s third largest pharmacy chain, operating 175 pharmacies at the end of 2009. Oriola-KD discontinued its small-scale pharmacy operations in the Baltic countries in 2009.

Healthcare equipment and supplies market
The volume of the healthcare equipment and supplies market in the Nordic and Baltic countries was roughly EUR 4 billion. The consolidation in the healthcare product manufacturing industry and among healthcare customers has continued. Healthcare service providers are outsourcing more and more of their operations, which offers new business opportunities for integrated services in healthcare logistics and materials management.
Oriola-KD’s business operations

Net sales by country in 2009

**Sweden**
- Pharmaceutical Wholesale
- Pharmaceutical Retail (2*)
- Healthcare Trade

**Finland**
- Pharmaceutical Wholesale
- Healthcare Trade

**Russia**
- Pharmaceutical Wholesale
- Pharmaceutical Retail

**Baltic countries**
- Pharmaceutical Wholesale
- Healthcare Trade

**Denmark**
- Healthcare Trade

### Business operations
- Finland: Pharmaceutical Wholesale
- Sweden: Pharmaceutical Wholesale
- Sweden (2*): Pharmaceutical Retail
- Russia: Pharmaceutical Wholesale
- Russia: Pharmaceutical Retail
- Baltics: Pharmaceutical Wholesale
- Healthcare Trade: Finland, Sweden, Denmark and the Baltics
- Dental Trade (1*): Finland, Sweden, Norway, Denmark and the Baltics

### Market position / market share
- Number 2, market share 47%
- Number 2, market share 41%
- Number 3, market share 15%
- Number 5 in Russia, market share 8%
- Number 3 in Moscow, number 6 in Russia
- 5–10% market share
- One of the leading companies in Finland, Sweden and Baltics
- Market leader

(1*) Joint company with Swedish Lifco, Oriola-KD’s share 30 percent
(2*) Swedish 460 M€ refers to the acquired retail operations
Financial review

**Dividend policy**

- Oriola-KD will seek to annually pay out approximately 50 percent of earnings per share as dividends. The company’s financial position and operational strategy shall be taken into consideration when determining the annual dividend.

**Key figures in 2009**

- Net sales EUR 1,713.1 million
- Operating profit EUR 65.4 million
- Operating cashflow EUR 100.9 million
- Return on capital employed 18.7 percent
- Earnings per share EUR 0.34

**Long-term financial targets**

- The Group’s long-term financial goals are based on the development of its operating profit (EBIT) and return on capital employed (ROCE).
- The long-term goal for the Group’s operating profit excluding one-off items is set at a growth of at least five percent over the previous year.
- Return on capital employed shall be at least 13 percent in 2010.
In Finland, Oriola-KD was nominated as the Logistics Company of the year for 2010. Oriola-KD’s comprehensive adaptation of supply chain solutions and use of available new technology were the arguments for the nomination.
Pharmaceutical Trade Finland

Oriola-KD’s subsidiary Oriola Oy is the second largest pharmaceutical wholesaler in Finland with a market share of about 47 percent. The business segment also offers a comprehensive selection of consumer health products. The company’s business strengths are its long experience, reliable delivery, high quality, familiarity with customers and the expertise of its personnel. In Finland, pharmacies are not permitted to form chains and can only be owned by private persons, with the exception of the University Pharmacy chain.

The net sales of the pharmaceutical wholesale in Finland in 2009 were EUR 504.5 million (EUR 533.4 million) and its operating profit was EUR 18.1 million (EUR 16.6 million). Personnel number was 474 (425) at the end of 2009. The Finnish pharmaceutical market grew 0.0 percent in 2009 (6.7 percent). The slow-down in market growth was due to the introduction of a reference price system for prescription medicines in April 2009. Oriola-KD held a 46.7 percent (46.9 percent) share of the pharmaceutical wholesale market in Finland in 2009 (source: IMS Health).

In Finland, Oriola-KD operates as a logistics partner to the pharmaceutical industry and carries out marketing of consumer health products. From the point of view of patient safety, its pharmaceutical wholesale business offers reliable and efficient pharmaceutical distribution. Oriola-KD’s customers include pharmacies, hospital pharmacies, medicine dispensaries, veterinarians and healthcare personnel. The company’s pharmaceutical distribution centres are located in Espoo and Oulu.

Introduction of a reference price system
In the beginning of April 2009, Finland introduced a reference price system that includes 48 percent of prescription medicines sold in Finland. The purpose of the reference price system is to reduce public expenditure on reimbursements for medicine expenses. The system is a follow-up to the generic substitution that was introduced six years ago.

According to the new operational model, the state Pharmaceuticals Pricing Board decides on the reference prices of medicines. The reference price is determined according to the most affordable product being sold on the market, and the purchaser of the medicine will be reimbursed from public funds accordingly. Price changes influence the medicine demand and pharmacies’ ordering practices, since demand for products included in the reference price group may change rapidly. In addition, pharmaceutical companies are still allowed to revise their prices every two weeks. This requires a more flexible stock control by pharmacies than before, and thus it has an effect on the workload of Oriola-KD’s pharmaceutical distribution.

Safe pharmaceutical distribution
In 2009, Oriola-KD invested in the development of the storage and delivery of temperature-controlled medicines. The company was the first in Europe to introduce a real-time temperature monitoring system for medicines that is used in all freight transports and the monitoring of samples in distribution deliveries. Packaged inside a container, the wireless 4TS dSeal sensor monitors conditions in its environment in real-time and transmits information on temperature, humidity, collisions and on whether the container has been tampered with. If the temperature differs from the permitted limit values, the device will send an alarm to the cargo driver and to Oriola-KD’s logistics, so that deviations in the conditions can be dealt with immediately. The quality control of refrigerated transports has also been improved through the introduction of the Inliner refrigerated container, which guarantees that the transportation temperature remains at the level required by the product.

Main areas of development
In order to ensure patient safety, Oriola-KD continuously develops its logistics solutions for the distribution of medicines, for example by expanding the use of real-time monitoring in temperature-controlled transports. In addition, Oriola-KD develops new added-value services for pharmaceutical companies and pharmacies. The objective is to offer a comprehensive and reliable service package at a competitive price at the general European level. According to the customer satisfaction survey conducted in 2009, the satisfaction of both pharmacies and pharmaceutical manufacturers with Oriola-KD’s operations and services improved compared to the 2008 level.

Demerger of Oriola Oy
Oriola Oy’s two business segments, Pharmaceutical Wholesale and Healthcare Trade, were demerged into separate companies on 1 January 2010, in order to streamline the management of the two segments and create a better basis for running operations. Pharmaceutical Wholesale will continue under Oriola Oy, while the Healthcare Trade segment’s operations were transferred to a new company named Oriola-KD Healthcare Oy.
Net sales of the Pharmaceutical Trade business in Sweden in 2009 were EUR 547.0 million (EUR 535.9 million) and operating profit EUR -5.0 million (EUR 6.0 million). Operating profit excluding the preparation costs for the changed pharmaceutical market was EUR 5.9 million. The preparation costs in 2009 were EUR 11.7 million. The number of employees was 309 (254) in the end of 2009. Swedish pharmacy market grew in 2009 by 2.4 percent (4.1 percent).

Pharmaceutical Wholesale
Net sales of Pharmaceutical Wholesale in 2009 were EUR 547.0 million (EUR 535.9 million) and personnel number was 269 (254) in the end of 2009. Until 2010 the customers of Oriola-KD's wholesale business in Sweden have been pharmaceutical manufacturers whose products Oriola-KD has delivered to the state-owned pharmacy monopoly. After the deregulation of the pharmacy market the customers include also new pharmacies and pharmacy chains. The distribution centres are located in Gothenburg and Enköping.

Oriola-KD has prepared for the market change by creating new business processes and concepts in order to provide services for multiple pharmacy companies and additionally to companies that are not only in the pharmaceutical industry. In 2009 the company started new negotiations with pharmaceutical manufacturers in order to increase distribution margins and compensate for the increase of distribution costs due to wider trade goods and OTC (Over the Counter) distribution, changes in information management systems and the increasing number of distribution locations. In addition it has been possible to sell OTC pharmaceuticals also in other retail stores besides pharmacies as of 1 November 2009. These changes will impact the competitive landscape and operations of pharmaceutical distribution where the operations are transferring more towards traditional wholesale model.

Having roots deep in pharmaceutical distribution since 1907, Oriola-KD aims to offer excellent service, secure distribution and extensive service offering for pharmaceutical manufactures and pharmacies at competitive general European price level in Sweden.

Pharmaceutical Retail
In 2009 Pharmaceutical Retail did not have any sales. The number of employees in the end of 2009 was around 40 (0). As a result of the Swedish Parliament’s decision to dismantle the country’s pharmacy monopoly in 2009, Oriola-KD agreed to acquire a nationwide pharmacy cluster in the pharmacy auction process. Oriola-KD acquired the pharmacy cluster together with Kooperativa Förbundet (KF), forming the joint venture company Kronans Droghandel Retail AB of which Oriola-KD owns 80 percent and KF 20 percent.

Pro forma net sales of the acquired 171 pharmacies in 2008 were SEK 4.4 billion and pro forma operating profit including average central overhead costs of some SEK 183 million, or 4.2 percent of net sales. The net debt of the acquired pharmacy cluster at the end of August 2009 was SEK 136 million. The total purchase price of the acquisition was EUR 161.0 million (SEK 1.59 billion) in cash and the closing took place in February 2010. The pharmacy chain has some 930 full time employees.

The joint venture with KF enables Oriola-KD to establish new pharmacies, mainly in conjunction with Coop’s shopping centres and supermarkets as of early 2010. Oriola-KD will be responsible for the development and management of the pharmacy chain. The new pharmacy chain will operate under the Kronans Droghandel brand.

Oriola-KD has been preparing for the deregulated market since early 2008. The new support organisation will provide its pharmacy business with the required processes and capabilities. Oriola-KD is now ready to for the take-over of pharmacies at closing, supported by a detailed cluster take-over plan.

Pharmacy market deregulation
On 29 April 2009 the Swedish Parliament decided to dismantle the country’s pharmacy monopoly as of 1 July 2009. The deregulation of the pharmacy market makes it possible also for operators other than Apoteket AB to engage in the Swedish pharmacy business. The
state announced that 466 out of 946 pharmacies would be sold to large and medium-sized companies, while 150 pharmacies remain in state ownership and are to be sold later to smaller entrepreneurs. Apoteket AB will retain ownership of 330 pharmacies. Oriola-KD was the only industrial company that succeeded in acquiring pharmacies in the auction process while other pharmacies were acquired by private equity companies. Acquired pharmacies are not allowed to be sold during the next three years. The number of pharmacies is expected to increase in Sweden as pharmacy density is low (one pharmacy per 10,000 inhabitants) compared to the Nordic average (one pharmacy per 7,000 inhabitants). According to market estimates there will operate several pharmacy companies in 2010 creating competition on the market. This is expected to lead to a rapid growth of pharmacies in 2010-2011, with the growth slowing down and stabilising in 2012 onwards.

New energy to Swedish pharmacy market

Oriola-KD’s first pharmacies opened on 22 February 2010 in Sweden. The pharmacy chain operating under Kronans Droghandel brand stands out from its competitors with colourful visual image. White for purity, competence and safety reflects the important values in pharmacy business. Energetic orange is the most used color in Kronans Droghandel. Walnut brown tells about the long history and social responsibility in the industry. Together these colors gives energy to customer and employees, express the quality and environmentally friendly operations that are important factors in the business and creates the operational principles for the pharmacy chain.
Pharmaceutical Trade Russia

Oriola-KD is the fifth largest pharmaceutical wholesaler in Russia and the third largest pharmacy operator in Moscow. The business operations of the pharmaceutical wholesaler Moron cover most of Russia and concentrate on the heavily populated western parts of the country. Most of the 175 pharmacies in the Stary Lekar pharmacy chain are modern open-concept outlets. Medicines account for about 80 percent of their product range and consumer health products account for the remaining 20 percent.

In 2009, Oriola-KD invested in business growth and was able to meet the needs of pharmaceutical manufacturers and consumers in the difficult market situation. The profitability of Pharmaceutical Trade improved significantly as a result of business expansion, structural efficiency improvements and process development. The companies’ head offices were merged and overlapping activities discontinued. The devaluation of the ruble and the global economic crisis created uncertainty on the market, which weakened Oriola-KD’s competitors’ position but strengthened our market position in Russia.

During 2009, the Russian authorities were preparing for the implementation of price limits on essential medicines. The aim is to implement a maximum percentage by which wholesalers and retailers can mark up producer and import prices. The regulations are defined on a regional basis and local authorities are responsible for the supervision.

The regulations were gradually introduced in different parts of Russia during the last months of 2009 and are expected to take effect nationwide during the first half of 2010. Oriola-KD has adjusted its operations in accordance with the new regulations and will observe them in all its business areas.

Pharmaceutical wholesale

Pharmaceutical wholesale generated net sales of EUR 382.0 million (pro forma EUR 311.4 million) in 2009 and employed a total of 1,621 (1,634) people. Customers of the pharmaceutical wholesale trade are pharmacy chains, independent pharmacies, hospitals and other pharmaceutical wholesale companies. Oriola-KD does most of its wholesaling business with commercial pharmacy chains and independent pharmacies. Its main logistics centre is located in Moscow and nine regional distribution centres cover the area between St Petersburg and Irkutsk.

Oriola-KD increased its market share of Russia’s commercial pharmaceutical wholesale market to about eight percent in 2009. The weakening of the ruble during the first months of 2009 increased ruble prices of imported medicines, which in turn helped to boost the demand for local products, which belong to a lower price category. Tougher competition during the latter half of the year pushed down sales margins.

During the latter half of 2009, a new regional distribution centre was opened in Rostov-on-Don in southern Russia. The distribution centre in St Petersburg doubled its sales in 2009 and a bigger distribution centre will become operational during the first quarter of 2010. Oriola-KD aims to cover the entire Russian market since pharmaceutical
companies concentrate the distribution of their products with the largest nationwide wholesale companies.

**Pharmaceutical retail**

Pharmaceutical retail generated net sales of EUR 98.7 million (pro forma EUR 103.5 million) in 2009 and employed a total of 1,402 (1,848) persons. The pharmaceutical retail company Vitim operates under the Stary Lekar brand in Moscow and its surrounding areas. The Stary Lekar chain had a total of 175 pharmacies (150) at the end of 2009, and is the third largest commercial pharmacy chain in Moscow. The number of pharmacy chains in Russia remains small, which will lead to long-term growth.

In 2009, Oriola-KD closed unprofitable pharmacies and opened new outlets in good business locations in Moscow. In order to put its business on a more efficient basis, Oriola-KD reduced the average number of staff at its pharmacies and offered employees the chance to move to the new outlets. This ensures that the new pharmacies will have skilled staff. The year 2009 also saw the outsourcing of functions outside the core activities of the pharmacies.

In addition to developing the Stary Lekar chain, Oriola-KD also documented the outlet concept and the processes guiding operations during 2009. The manual is part of the preparations for the establishment of pharmacies in large cities outside Moscow during the next few years. Oriola-KD also aims to expand its pharmacy chain in Moscow during 2010.

**Pharmaceutical Trade Baltic countries**

Oriola-KD engages in Pharmaceutical Wholesale in Estonia and Latvia and pre-wholesale in Lithuania. Oriola-KD discontinued its small-scale pharmacy business in Latvia in 2009. The Baltic market was challenging and had a negative effect on net sales and operating profit. Pharmaceutical Trade Baltic countries' net sales in 2009 totalled EUR 35.7 million (EUR 37.4 million) and the operating profit were EUR 0.9 million (EUR 1.1 million). Pharmaceutical Trade Baltic countries had 138 (157) employees at the end of year 2009.
Healthcare Trade

Oriola-KD is the leading distributor of healthcare products and supplies in Finland. In Sweden, the company is the largest provider of healthcare related logistics services. The company has a strong market position in the Baltic countries and in selected Danish product niches. Oriola-KD’s success factors in the business include recognition of the company’s name, knowledge of customers’ needs, strong brands, a comprehensive field organisation in sales, the scope of its technical service and the cost benefits derived from comprehensive deliveries.

Net sales generated by the Healthcare Trade in 2009 came to EUR 145.1 million (EUR 155.2 million) and operating profit to EUR 8.9 million (EUR 7.9 million). Net sales decreased mainly due to changes in Finnish principals as well as the difficult market situation in the Baltic countries and in the Finnish laboratory business. The Healthcare Trade segment employed a total of 355 (390) persons at the end of 2009. Growth in the healthcare equipment and supplies market slowed down in 2009.

Oriola-KD’s subsidiaries engage in the Healthcare Trade business in Finland, Sweden, the Baltic countries and Denmark. The Healthcare Trade markets, sells, installs and services healthcare and laboratory equipment and supplies. In addition to selling products, the segment offers supply chain management services healthcare providers. The main product groups are medical imaging products, acute and nursing care products for hospitals and primary healthcare, and laboratory products for healthcare, industry and research customers.

Expanding the Medola product range
Oriola-KD expanded its own product range sold under the Medola brand which was launched towards the end of 2008. The products are mostly procured directly from manufacturers in the Asian markets without the use of intermediary distributors. The objective is to offer healthcare providers a high-quality and affordable product range that focuses especially on high-volume primary healthcare products. Special attention has been paid to the selection of manufacturers and the continuous auditing of their products and operations. At the end of 2009, the Medola product range included almost one hundred products.

Materials management outsourcing service
During 2009, Oriola-KD developed its materials management outsourcing concept which is part of the healthcare support services. The commercialised service concept was launched in Finland under the AITTA™ brand at the end of 2009. The solution includes
In addition to products and supplies the business provides materials management outsourcing services and related logistics solutions to healthcare operators.
products and related services such as category management, provision of training on the use of the products, goods handling and placement in hospitals. The service reduces healthcare material costs and gives care personnel more time to concentrate on the treatment of patients. Oriola-KD has made several comprehensive offers to its customers and established the first supplies warehouses at new healthcare units.

In Sweden, the Healthcare Trade objective was to acquire new customer relationships for the comprehensive logistics outsourcing solution and to improve profitability. In December 2009, Oriola-KD signed a five-year agreement on healthcare warehousing and materials management services with the Swedish county councils of Skåne and Halland in southern Sweden. The agreement will come into force in April 2010 and the associated annual net sales will be approximately SEK 355 million. The agreement will involve the transfer of about 50 persons to Oriola-KD Healthcare AB. In addition to the new agreement, Oriola-KD provides healthcare warehousing and materials management services to five provinces in central Sweden. Oriola-KD is the largest provider of healthcare related logistics services in Sweden.

Areas of development
The objective of the Healthcare Trade is to expand the Medola product range and the materials management outsourcing service business in Finland and Sweden. Moreover, the company aims to supplement its representations with new agreements with principals. As an example of new representations, Oriola-KD and Olympus signed a cooperation agreement late in 2009. Consequently, Oriola-KD began importing and distributing Olympus microscopes in Finland and Estonia from the beginning of 2010. The agreement covers all laboratory microscopes and their servicing.

Demerger of Oriola Oy
Oriola Oy’s two business segments, Pharmaceutical Wholesale and Healthcare Trade, were demerged into separate companies on 1 January 2010, with the objective of streamlining the management of the two segments and creating a better basis for running operations. Pharmaceutical Wholesale will continue under Oriola Oy, while the Healthcare Trade segment’s operations were transferred to a new company named Oriola-KD Healthcare Oy.

AITTA™ Service
Assistance for healthcare and resourcing

Oriola-KD’s new AITTA™ service is designed to shoulder the supplies management burden of healthcare providers. Customers can focus on their own work in patient care and can rest assured that their stocks of products and supplies are always the most suitable for their needs, matching pre-agreed specifications, and are available at all times. Healthcare personnel at patient care units are often also responsible for ordering supplies, managing stocks and ensuring that supplies are available. If healthcare service providers were to outsource these functions to a third party, a substantial amount of the healthcare personnel’s time would be saved, allowing them to focus more on patient care. At the same time this would bring savings due to more effective allocation of resources. Oriola-KD has considerable experience with healthcare products, product manufacturers and the logistics chain management. We are proud to offer the benefits of this know-how to our customers.
Personnel

On 31 December 2009, Oriola-KD had 4,299 (4,709) employees. 15 percent (14 percent) of Oriola-KD’s personnel worked in Finland, 10 percent (8 percent) in Sweden, 70 percent (74 percent) in Russia and 5 percent (4 percent) in the Baltic countries and Denmark combined.

Personnel satisfaction
Personnel satisfaction was evaluated using the HUPO index (Human Potential Index®), which has been developed to meet the management and development needs of human capital in organisations. The index factors in all the areas relate to competences, working prerequisites and motivation. The personnel satisfaction survey conducted in 2009 had a response rate of 90 percent (79 percent) and the overall index came to 341 (287). A survey based on the HUPO index was carried out for the first time in Russia in 2009. Excluding the Russian results, the overall index was 271 (287). Personnel satisfaction has improved by about 66 percent since 2005.

The survey indicated that a vast majority of Oriola-KD’s personnel feel that they are aware of their personal strengths as well as development needs, and that they are able to combine their expectations with their role in the company. Additionally, respondents felt that they were on good terms with their colleagues and were able to rely on them when necessary. Further development was wished for example in the areas of remuneration, recognition and training opportunities.

Oriola-KD’s employees feel that they do important and independent work, enjoy being a part of their work community, are proud to work for Oriola-KD and think that the change and development projects steer the company in the right direction.

According to the 2009 personnel satisfaction survey, 85 percent felt they had clear goals and 87 percent thought their job description was appropriate. Monitoring of working conditions continued in the areas of industrial accidents, sickness absences and personnel turnover. The aim is to improve job satisfaction and create a better working environment. In close collaboration with the occupational health care, the personnel’s working ability is maintained and improved in order to prevent early retirement.
Personnel development

Development discussions are a key tool for management and development at Oriola-KD. The aim is that all employees should discuss personal development matters with their supervisor. The objective of the Group-wide development discussion process is to define job descriptions and goals for all employees in line with the company’s strategy as well as to specify personal development plans. In 2009, 68 percent (76) of the Group’s personnel had development discussions, even though the process was not yet carried out in Russia during the year. Those who had had development discussions had a higher job satisfaction rate than those who did not have a discussion with their supervisor.

Oriola-KD evaluates managerial and leadership performance using the 360° evaluation introduced in 2006. During the three years since, a total of 134 evaluations have been made. In 2009, 49 supervisors participated in the evaluations. Those participating were offered versatile support in the implementation of their personal development plans as necessary.

In 2009, Oriola-KD defined the Group’s key processes and their control systems. The purpose of defining the processes was to establish clear, structured and efficient ways of operating, enabling personnel participation at different organisational levels. Definition and implementation of strategy, risk management, action plans and personnel management are key control systems of the Group.

Remuneration and bonus systems

Remuneration at Oriola-KD is based on the collective agreements that are locally in force. The aim is to offer the personnel a level of salary and bonuses that is competitive in relation to the market in respective position. Base salaries are based on job requirements and the qualifications, experience and performance of each employee. In addition to the base salaries, performance-based variable compensation systems are widely applied at Oriola-KD, particularly in the sales organisations and logistics services.

Bonus systems at Oriola-KD are mainly based on the financial performance of the company and its business segments as well as on personal targets. Bonus systems for warehouses in Finland and Sweden were introduced in 2008. Application of compensation systems in Russia was charted in 2009 with the objective of expanding the Group’s compensation principles and programmes also to the Russian pharmaceutical retail and wholesale operations.

Oriola-KD Corporation’s Board of Directors increased the number of key employees included in the Group’s share-based incentive scheme for senior management from 11 to 21 persons in 2009. Additionally, in February 2010 the Board approved a new share-based incentive plan for the years 2010-2012, as a continuation of the share-based incentive scheme for 2007-2009. The target group of the new plan consists of approximately 55 persons. The expansion of the plan is intended to create an incentive for key persons in the

Age distribution by employees, %

<table>
<thead>
<tr>
<th></th>
<th>Under 29 years</th>
<th>30–49 years</th>
<th>Over 50 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>10</td>
<td>9.2</td>
<td>7.6</td>
</tr>
<tr>
<td>2006</td>
<td>10</td>
<td>7.6</td>
<td>7.8</td>
</tr>
<tr>
<td>2007</td>
<td>10</td>
<td>7.8</td>
<td>4.9</td>
</tr>
<tr>
<td>2008</td>
<td>10</td>
<td>4.9</td>
<td>4.4</td>
</tr>
<tr>
<td>2009</td>
<td>10</td>
<td>4.4</td>
<td>7.8</td>
</tr>
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</table>

Average length of employment, years

<table>
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<tr>
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<th>2006</th>
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<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>0–2 years</td>
<td>9.2</td>
<td>7.6</td>
<td>7.8</td>
<td>4.9</td>
<td>4.4</td>
</tr>
<tr>
<td>3–5 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6–10 years</td>
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</table>

Human potential index (HUPO), index

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<tr>
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<th>2008</th>
<th>2009</th>
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</thead>
<tbody>
<tr>
<td>0–2 years</td>
<td>287</td>
<td>271</td>
<td>270</td>
<td>287</td>
<td>341</td>
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<tr>
<td>3–5 years</td>
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<tr>
<td>6–10 years</td>
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</table>
### Personnel by country, persons

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>225</td>
<td>267</td>
<td>235</td>
<td>375</td>
<td>428</td>
</tr>
<tr>
<td>Denmark and the Baltics</td>
<td>850</td>
<td>838</td>
<td>700</td>
<td>648</td>
<td>865</td>
</tr>
<tr>
<td>Sweden</td>
<td>3,471</td>
<td>665</td>
<td>428</td>
<td>195</td>
<td>3,011</td>
</tr>
<tr>
<td>Finland</td>
<td>1,531</td>
<td>1,495</td>
<td>1,302</td>
<td>4,709</td>
<td>4,299</td>
</tr>
</tbody>
</table>

### Number of personnel

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,531</td>
<td>5,496</td>
<td>1,302</td>
<td>4,709</td>
<td>4,299</td>
</tr>
</tbody>
</table>
Group’s senior management to commit to the development of the company’s operations and improvement of the company’s profitability by way of long-term shareholding.

Organisational changes
In Sweden, Kronans Droghandel Retail AB, a company jointly owned by Oriola-KD Corporation and Kooperativa Förbundet (KF), signed an agreement on the acquisition of a national pharmacy cluster with 171 pharmacies. The acquired pharmacy cluster employed around 930 people. The pharmacy cluster personnel transferred to the employment of Oriola-KD in February 2010 under their current terms and conditions of employment. The pharmaceutical retail organisation established in Stockholm in 2009 employed about 40 persons at the end of 2009. The new organisation has carefully prepared for taking over the pharmacy business. There will be a strong focus on the orientation and training of the pharmacy personnel in 2010.

In the partial demerger of Oriola-KD Corporation’s subsidiary Oriola Oy implemented on 1 January 2010, Oriola Oy’s Nordic Healthcare Trade business was transferred to the newly established company Oriola-KD Healthcare Oy. Oriola Oy will continue to take care of the pharmaceutical wholesale business in Finland. Oriola Oy and Oriola-KD Healthcare Oy are fully owned subsidiaries of the Oriola-KD Corporation. The objective of the partial demerger was to clarify the Group structure and enhance the opportunities to develop the Pharmaceutical Wholesale and Healthcare Trade businesses in Finland. A similar demerger was carried out in Sweden in 2009. The business operations of the pharmaceutical wholesale (KD Pharma) and healthcare trade (Oriola-KD Healthcare AB) were transferred to separate companies.

In Russia, the efficiency of operations was improved by discontinuing and combining overlapping activities. The pharmaceutical retail and wholesale support functions were combined into one location in Moscow. Additionally, the average number of personnel in pharmacies was reduced from twelve to seven in 2009.

In December 2009, Oriola-KD signed a five-year agreement on healthcare warehousing and materials management services with the Swedish provinces of Skåne and Halland. According to the agreement, about 50 persons will be transferred to the employment of Oriola-KD Healthcare AB in April 2010.

Corporate social responsibility and environmental impact
In 2009, Oriola-KD continued its corporate social responsibility programme which was launched in 2007. The programme supports the WWF’s Operation Mermaid. As one of the main cooperating partners of Operation Mermaid, Oriola-KD has chosen to focus its donations funding on protecting the Baltic Sea. The company distributed information on the state of the Baltic Sea and on measures to protect it to personnel and stakeholders.

Oriola-KD supports sustainable development in all its activities and manages environmental concerns by conforming to an environmental system suited to its operations, with the aim of minimising adverse environmental impacts. The efficiency and economy of distribution are based on a scheduled and optimised route network. Deliveries to established customers are packed in recyclable plastic boxes that can be reused hundreds of times. Waste management plans at Oriola-KD’s Finnish locations were revised in autumn 2009 to reduce the amount of mixed waste and increase recycling of waste materials. Medical and other hazardous waste is sorted and delivered to a hazardous waste treatment plant for disposal by using methods required by medical and environmental authorities. Through sorting and recycling, Oriola-KD is contributing to climate change mitigation. Efficient sorting of waste also cuts costs.

Oriola-KD’s company car policy favours low-emission car models for employees in Finland and Sweden.