Oriola-KD Corporation Stock Exchange Release 11 February 2010 at 8.30 a.m.

Oriola-KD Corporation's Financial Statements for 1 January - 31 December 2009

This review presents the financial information for the Oriola-KD Group (hereinafter Oriola-KD) for 2009. This report for 1 January - 31 December 2009 was drawn up in accordance with the IAS 34 standard and Oriola-KD's new segmentation. The figures in the report have been audited. The retail and wholesale companies acquired in Russia have been consolidated into Oriola-KD's accounts as of 1 April 2008.

Key figures for 1 January - 31 December 2009

- Net sales increased 8 per cent to EUR 1713.1 million (Jan-Dec 2008: EUR 1580.8 million)
- Operating profit increased 80 per cent to EUR 65.4 million (Jan-Dec 2008: EUR 36.4 million)
- Net profit increased 77 per cent to EUR 48.6 million (Jan-Dec 2008: EUR 27.5 million)
- Earnings per share were EUR 0.34 (Jan-Dec 2008: EUR 0.19)
- Net cash flow from operations was EUR 100.9 million (Jan-Dec 2008: -EUR 18.1 million)
- Return on capital employed was 18.7 per cent (Jan-Dec 2008: 13.5 per cent)
- The Board proposes to the General Meeting that a dividend of EUR 0.12 per share (EUR 0.08 per share) be distributed for 2009
- Oriola-KD's net sales and operating profit for 2010 are forecast to be higher than in 2009

Key figures for 1 October - 31 December 2009

- Net sales increased 8 per cent to EUR 486.5 million (Oct-Dec 2008: EUR 449.1 million)
- Operating profit increased 70 per cent to EUR 26.9 million (Oct-Dec 2008: EUR 15.8 million)
- Net profit increased 61 per cent to EUR 20.0 million (Oct-Dec 2008: EUR 12. 4 million)
- Earnings per share were EUR 0.14 (Oct-Dec 2008: EUR 0.09)

President and CEO Eero Hautaniemi: "Oriola-KD's business developed favourably in 2009. Net sales were up by 8 per cent and operating profit by 80 per cent on the previous year. Growth in Russia, enhanced efficiency and investments improved the 2009 result. In line with our strategy, we acquired a national pharmacy chain in Sweden. After careful preparations we are ready to launch pharmacy operations in Sweden in February 2010."

Financial performance

Oriola-KD's net sales in 2009 were EUR 1713.1 million (EUR 1580.8 million) and operating profit was EUR 65.4 million (EUR 36.4 million). Profit after financial items came to EUR 62.1 million (EUR 34.6 million) and net profit to EUR 48.6 million (EUR 27.5 million). Oriola-KD's earnings per share in 2009 were EUR 0.34 (EUR 0.19).

Fourth quarter net sales came to EUR 486.5 million (EUR 449.1 million) and operating profit to EUR 26.9 million (EUR 15.8 million). Profit after financial items came to EUR 25.4 million (EUR 14.4 million) and net profit to EUR 20.0 million (EUR 12.4 million). Earnings per share in the fourth quarter were EUR 0.14 (EUR 0.09).

Oriola-KD invested in developing its business in Russia, in preparing for the deregulation of Sweden's pharmacy market and in improving its operating efficiency. The costs incurred in the preparations made for the change of the pharmacy market in Sweden came to EUR 11.7 million in 2009, of which EUR 3.7 million was recorded in the fourth quarter. The preparation costs include the fees of advisors.

Oriola-KD's financing expenses in 2009 were EUR 3.3 million (EUR 1.8 million). The increase was mainly due to the execution of the Russian acquisition in April 2008. Taxes in 2009 came to EUR 13.4 million (EUR 7.2 million). Taxes corresponding to the result for the 2009 period are accounted as taxes.

Return on capital employed was 18.7 per cent (13.5 per cent) and return on equity 22.1 per cent (14.1 per cent) in 2009.

Balance sheet, financing and cash flow

Oriola-KD's balance sheet total on 31 December 2009 stood at EUR 923.1 million (EUR 790.6 million). Cash and cash equivalents at the end of 2009 stood at EUR 133.7 million (EUR 46.5 million) and equity was EUR 254.2 million (EUR 185.5 million). The equity ratio was 29.2 per cent (25.1 per cent).

Interest-bearing net debt at the end of December 2009 was EUR 16.0 million (EUR 62.2 million) and the gearing ratio was 6.3 per cent (33.5 per cent). Interest-bearing debt, which at the end of 2009 was EUR 149.7 million (EUR 108.7 million), comprise some EUR 51.6 million from pharmacy advance payments in Finland, a debt of approximately EUR 63.6 million from the anticipated final price for the remaining 25 per cent holding in the Russian companies and finance lease liabilities of EUR 0.4 million. In addition, Oriola-KD has a commercial paper programme of EUR 150 million, from which EUR 34.2 million had been drawn at the end of the review period.

To secure its long-term solvency Oriola-KD Corporation signed a EUR 70 million and Kronans Droghandel Retail AB a EUR 126.8 million (SEK 1.3 billion) long-term credit facility with four banks in the fourth quarter of 2009. Financial covenants are based on the ratio between Oriola-KD’s net debt and EBITDA and its gearing ratio. The terms of the financial covenants were met with a wide margin at the end of 2009. Oriola-KD’s long-term credit limit facilities of approximately EUR 196.8 million and EUR 39.5 million in short-term credit account facilities stood unused at the end of the review period.

Net cash flow from operations in 2009 was EUR 100.9 million (EUR -18.1 million), of which changes in working capital accounted for EUR 37.9 million (EUR -52.2 million). Working capital decreased mainly as a result of a sale of a EUR 49.8 million sales receivables programme (non-recourse) by the wholesale company in Sweden. The sale of the receivables was launched to finance the capital investment in Kronans Droghandel Retail AB in the final quarter of the year.

Net cash flow from investments was EUR -28.0 million (EUR -75.3 million), including the additional sum of EUR 21.7 million paid for the 75 per cent holding in the Russian companies in February 2009. In 2009 period, cash flow after investments was EUR 72.9 million (EUR -93.4 million). Cash flow from financing includes a dividend of EUR 11.3 million paid in May and the directed issue of EUR 20.6 million carried out in June.

Investments

Investments in 2009 came to EUR 47.4 million (EUR 125.7 million), mostly associated with the increase of the anticipated final price of the remaining 25 per cent in the Russian companies, the acquisition of the minority holding in Kronans Droghandel AB in Sweden and operating investments in maintenance and PPE.

Personnel

On 31 December 2009, Oriola-KD had a payroll of 4299 (4709) employees, 15 per cent (14 per cent) of whom worked in Finland, 10 per cent (8 per cent) in Sweden, 70 per cent (74 per cent) in Russia and 5 per cent (4 per cent) in the Baltic countries and Denmark combined.

Changes in the Group Management Team

Henry Fogels, Vice President of Pharmaceutical Retail and Vladimir Kniazev, Vice President of Pharmaceutical Wholesale in Russia, and Thomas Gawell, Vice President of Pharmaceutical Wholesale in Sweden, have been appointed as members of the Oriola-KD Group Management Team as of 1 January 2010. On 1 January 2010, Oriola-KD Corporation’s Group Management Team was composed of:

- Eero Hautaniemi President and CEO
- Henry Fogels, Vice President, Pharmaceutical Retail, Russia
- Thomas Gawell, Vice President, Pharmaceutical Wholesale, Sweden
- Anne Kariniemi, Vice President, Logistics and Sourcing
- Vladimir Kniazev, Vice President, Pharmaceutical Wholesale, Russia
- Cecilia Marlow, Vice President, Pharmaceutical Retail, Sweden
- Jukka Niemi, Vice President, Pharmaceutical Wholesale, Finland
- Ilari Vaalavirta, Vice President, Healthcare Trade
- Kimmo Virtanen, Executive Vice President & CFO

The Group also has an extended Group Management Team, composed of the Group Management Team and the heads of Group functions: human resources, legal affairs, treasury, finance, IM administration, and corporate communications and investor relations.

Business segments

In accordance with its organisational structure and internal reporting, Oriola-KD’s business segments are Pharmaceutical Trade Finland, Pharmaceutical Trade Sweden, Pharmaceutical Trade Russia, Pharmaceutical Trade Baltic Countries, Healthcare Trade and Dental Trade.

Changes in Oriola Oy's corporate structure

At the end of 2009, Oriola-KD carried out a partial demerger of Oriola Oy. Following the demerger, Pharmaceutical Trade continues in Oriola Oy and Oriola Oy's Healthcare Trade business in the Nordic countries was transferred to a new company named Oriola-KD Healthcare Oy. The demerger took place at the beginning of 2010, and Oriola-KD Corporation now has two fully owned Finnish operational subsidiaries: Oriola Oy and Oriola-KD Healthcare Oy. The demerger will simplify the corporate structure and increase the efficiency of managing business operations. The change will have no impact on Oriola-KD's operating segments.

Pharmaceutical Trade Finland

Pharmaceutical Trade Finland’s net sales in 2009 were EUR 504.5 million (EUR 533.4 million) and its operating profit was EUR 18.1 million (EUR 16.6 million).

Fourth-quarter net sales came to EUR 125.6 million (EUR 144.0 million) and operating profit to EUR 4.4 million (EUR 4.7 million).

The Finnish pharmaceutical market grew 0.0 per cent in 2009 (6.7 per cent). The introduction of a reference price system in Finland at the beginning of April 2009 weakened the growth of net sales of the Pharmaceutical Trade Finland business segment in 2009. Oriola-KD held a 46.9 per cent (47.6 per cent) share of the pharmaceutical distribution market in Finland in 2009 (source: IMS Health). No major changes in principals that would have had a bearing on market share took place in the review period.

At the end of December 2009, 474 (425) people were employed by Pharmaceutical Trade Finland.

Pharmaceutical Trade Sweden

Pharmaceutical Trade Sweden’s net sales in January-December 2009 were EUR 547.0 million (EUR 535.9 million) and its operating profit was EUR -5.0 million (EUR 6.0 million).

Fourth-quarter net sales came to EUR 159.0 million (EUR 125.9 million) and operating profit to EUR -2.2 million (EUR 1.3 million).

The costs incurred in the preparations made for the change of the pharmacy market in Sweden came to EUR 11.7 million in 2009, of which EUR 3.7 million was recorded in the fourth quarter. Of the total preparation costs, EUR 0.7 million has been recorded for the Group. The preparation costs include the fees of advisors in the acquisition. Excluding these project costs, Pharmaceutical Trade Sweden's operating profit in 2009 was EUR 5.9 million.

The Swedish pharmaceutical market grew by 2.4 per cent (4.1 per cent) in 2009. Oriola-KD held a 41.2 per cent (43.8 per cent) share of the pharmaceutical distribution market in Sweden in January–December 2009 (source: IMS Health). The pharmaceutical manufacturers Schering-Plough and Organon discontinued as pharmaceutical principals for Oriola-KD in Sweden during the period under review.

Acquisition of a national pharmacy chain in Sweden

In November 2009, Kronans Droghandel Retail AB, a jointly owned company of Oriola-KD and KF (Kooperativa Förbundet), and Apoteket AB (publ) signed an agreement under which Kronans Droghandel Retail AB will acquire the entire stock of a national pharmacy company with 171 pharmacies. The pro forma net sales of the 171 pharmacies were SEK 4.4 billion in 2008 and their share of the Swedish pharmacy market was 14.5 per cent. Their pro forma operating profit, inclusive of the average administrative costs of Apoteket AB, was SEK 183 million in 2008, which is 4.2 per cent of the net sales. The net debt of the pharmacy cluster was SEK 136 million in the end of August 2009. The cluster had 931 employees in the end of 2008. The cash price of the acquisition is expected to be approximately SEK 1.56 billion, and the deal is expected to be completed within the first quarter of 2010.

Oriola-KD and KF founded the jointly owned company Kronans Droghandel Retail AB. Under the shareholders agreement, Oriola-KD holds a 80 per cent share of the new company while KF has a 20 per cent holding. Four members of the Board of Kronans Droghandel Retail AB are appointed by Oriola-KD and one by KF. The cooperation allows Kronans Droghandel Retail AB to establish new pharmacies 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.

Pharmaceutical Trade Sweden had 309 (254) employees at the end of December 2009, of whom 40 (0) were employed in retail and 269 (254) in wholesale.

Pharmaceutical Trade Russia

Pharmaceutical Trade Russia's net sales in December 2009 were EUR 480.7 million (pro forma EUR 414.9 million), of which wholesale trade accounted for EUR 382.0 million (EUR 311.4 million) and retail for EUR 98.7 million (EUR 103.5 million). Operating profit was EUR 44.5 million (pro forma EUR 7.4 million). The retail and wholesale companies acquired in Russia have been consolidated into Oriola-KD's accounts as of 1 April 2008.

Fourth-quarter net sales came to EUR 148.2 million (EUR 127.3 million), of which wholesale accounted for EUR 120.7 million (EUR 94.6 million) and retail EUR 27.5 million (EUR 32.7 million). Fourth-quarter operating profit was EUR 21.6 million (EUR 8.9 million).

Operating profit was increased in 2009 by investments, increased volume of pharmaceutical wholesale, annual discounts typical of the business received in the fourth quarter, improved operating efficiency and higher retail trade profitability. Oriola-KD had 175 (150) pharmacies in the Moscow region at the end of 2009. Pharmaceutical wholesale operations were launched in the fourth quarter in Rostov-on-Don in southern Russia.

The Russian pharmaceutical market grew by some 20 per cent and Oriola-KD's net sales grew by more than 40 per cent in Russian rubles (RUB) in 2009.

Pharmaceutical Trade Russia had 3023 (3482) employees at the end of December 2009, of whom 1402 (1848) were employed in retail trade and 1621 (1634) in wholesale trade.

Pharmaceutical Trade Baltic Countries

Pharmaceutical Trade Baltic Countries' net sales in 2009 were EUR 35.7 million (EUR 37.4 million) and operating profit was EUR 0.9 million (EUR 1.1 million).

Fourth-quarter net sales came to EUR 10.3 million (EUR 9.2 million) and operating profit to EUR 0.3 million (EUR 0.3 million).

The Baltic market was challenging, which had a negative effect on net sales and operating profit. Oriola-KD discontinued its small-scale pharmacy business in Latvia in 2009.

Pharmaceutical Trade Baltic Countries had 138 (157) employees at the end of December 2009.

Healthcare trade

Healthcare Trade net sales in January-December 2009 were EUR 145.1 million (EUR 155.2 million) and operating profit was EUR 8.9 million (EUR 7.9 million).

Fourth-quarter net sales came to EUR 43.4 million (EUR 42.7 million) and operating profit to EUR 2.4 million (EUR 1.7 million).

The sale of the ConvaTec wound and stoma care business to the manufacturer of the products in Finland in the second quarter improved the 2009 operating profit. 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. The agreement will come into force in April 2010 and the associated annual net sales will be approximately EUR 35 million. The agreement will involve the transfer of about 50 persons to Oriola-KD.

The Healthcare Trade business segment had a payroll of 355 (390) employees on 31 December 2009.

Dental Trade

In 2009, the operating profit of Dental Trade was EUR 3.9 million (EUR 2.1 million).

Fourth-quarter operating profit was EUR 1.2 million (EUR 0.8 million).

The operating profit improved mainly as a result of the positive trend in the Finnish, Swedish and Danish businesses.

The dental trade businesses of Oriola-KD and Lifco AB were combined in 2007. Oriola-KD holds a 30 per cent share of the Dental Trade business, while Lifco has a 70 per cent holding.

Environment

Oriola-KD supports sustainable development in its operations and takes environmental considerations into account by applying an environmental management system that aims to minimise environmental load. Transportation and the logistical management of large flows of goods are a fundamental part of Oriola-KD’s business. In order to ensure that distribution is efficient and economical, a scheduled network of routes is employed in which deliveries are timed in order to minimise the number of deliveries. The amount of driving done is thus optimised with an information system developed for this purpose. In Finland and Sweden, deliveries to established customers are packed in recyclable plastic boxes that can be re-used hundreds of times. Large quantities are delivered in recyclable cardboard packaging, on pallets and castor pallets.

Waste reduction, re-use, sorting and recycling are key principles in waste management. Pharmaceutical and other hazardous waste is sorted and delivered to a hazardous waste treatment plant for disposal using the methods required by medical and environmental authorities.

Related parties

Related parties in the Oriola-KD Group are deemed to comprise the parent company Oriola-KD Corporation, the subsidiaries and associated companies, the members of the Board and the President and CEO of Oriola-KD Corporation, other members of the Group Management Team of the Oriola-KD Group, the immediate family of the aforementioned persons, the companies controlled by the aforementioned persons, and the Oriola Pension Foundation. The Group has no significant business transactions with related parties, except for pension expenses arising from defined benefit plans with the Oriola Pension Foundation. The notes to the financial statements of Oriola-KD Corporation provide additional information on intra-Group liabilities and sureties given on behalf of Group companies. Oriola-KD Corporation has given no significant sureties on behalf of Group companies.

Oriola-KD Corporation shares

Trading volume of the Oriola-KD Corporation's Class A and B shares in 2009:

Trading volume	Jan-Dec 2009		Jan-Dec 2008	
	Class A	Class B	Class A	Class B
Trading volume, million	7.2	104.5	5.5	41.3
Trading volume, EUR million	19.5	298.5	12.0	98.1
Highest, EUR	4.41	4.43	3.10	3.10
Lowest, EUR	1.29	1.30	1.22	1.20
Closing quotation, end of period, EUR	4.39	4.40	1.30	1.30

In the review period, the traded volume of Oriola-KD Corporation shares, excluding treasury shares, corresponded to 76.0 per cent (33.0 per cent) of the total number of shares. The traded volume of class A shares amounted to 14.9 per cent (11.2 per cent) of the average stock, and that of class B shares, excluding treasury shares, 105.8 per cent (45.0 per cent).

Oriola-KD Corporation’s market capitalisation on 31 December 2009 was EUR 665.1 million (EUR 184.5 million).

On 19 March 2009, pursuant to the authorisation granted to it by the Annual General Meeting of 13 March 2007, the Board of Directors of Oriola-KD Corporation resolved that a directed bonus issue be made, in which a total of 150,480 class B shares held by the company were assigned to the company’s President and CEO and to certain other members of Oriola-KD Corporation’s Group Management Team and of its extended Group Management Team, as part of the Group’s share-based incentive scheme for senior management. These shares represent approximately 0.11 per cent of the total number of company shares and approximately 0.01 per cent of the total number of votes.

On 3 June 2009, Oriola-KD Corporation's Board of Directors decided on a directed issue of shares under an authorisation granted by the Annual General Meeting of 16 April 2009, issuing 9,350,000 new class B shares to institutional investors. The new class B shares in the directed issue have been entered in the Trade Register and they were listed for public trading on NASDAQ OMX Helsinki Ltd on 8 June 2009 with the old class B shares. Following the share issue the company had a total of 151,257,828 shares, of which class A shares accounted for 48,392,203 and class B shares for 102,865,625.

In accordance with Chapter 2, section 9, of the Securities Markets Act, Varma Mutual Pension Insurance Company notified Oriola-KD Corporation on 29 June 2009 that as a result of share transactions executed on 26 June 2009, its holding of votes conferred by Oriola-KD Corporation shares had risen to 5.21 per cent and hence exceeded one twentieth (1/20) of the total votes.

The company has 343,472 treasury shares, all of which are class B shares. These account for 0.23 per cent of the company's shares and 0.03 per cent of the votes.

At the end of 2009, the company had 151,257,828 shares (141,907,828) of which 47,667,359 were Class A shares (48,692,203) and 103,509,469 were Class B shares (93,215,625). Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A shares into class B shares. During 2009, a total of 1,024,844 (2,553,202) Class A shares were converted into Class B shares

Decisions of the Annual General Meeting

The Annual General Meeting of Oriola-KD Corporation, held on 16 April 2009, confirmed the 2008 financial statements and discharged the Board members and the President and CEO from liability for the financial year ending 31 December 2008.

The Annual General Meeting resolved that the sum of EUR 0.08 per share be paid as dividend on the basis of the balance sheet adopted for the financial year ending 31 December 2008. The dividend was paid to those who, on the dividend distribution record date of 21 April 2009, were entered as shareholders of the company in the company's shareholder register kept by Euroclear Finland Ltd. The dividend payment date was 15 May 2009.

The Annual General Meeting confirmed that the Board would continue to comprise seven members. Harry Brade, Pauli Kulvik, Outi Raitasuo, Antti Remes, Olli Riikkala, Jaakko Uotila and Mika Vidgrén were re-elected to the Board. Olli Riikkala continued as Chairman of the Board. The Annual General Meeting confirmed that the Chairman of the Board will receive EUR 44,000 in remuneration for his term of office, the Vice Chairman EUR 27,500 and the other members of the Board EUR 22,000 each. The Board's remuneration will be paid in cash. The Chairman of the Board will receive an attendance fee of EUR 800 for each meeting, and the other Board members EUR 400 per meeting. Meeting fees will also be paid in the same manner to members of any committees set up by the Board of Directors or the company. The Chairman of the Board will also have a company-paid phone. Travel expenses will be paid in accordance with the travel policy of the company.

The Annual General Meeting re-elected PricewaterhouseCoopers Oy as auditor for the company, with Heikki Lassila APA as principal auditor. The auditor will be remunerated according to invoice.

The Annual General Meeting resolved that articles 3, 4, 7, 9, 10 and 12 of the Articles of Association be amended. The main content of the amendments is as follows: The references to minimum and maximum authorised share capital were removed from article 3; the definition in article 4 concerning the book-entry system was simplified and the references concerning the record date procedure were removed; an amendment was made to the wording of article 7 on the right to sign on behalf of the company, ensuring that it is consistent with the terminology used in the Limited Liability Companies Act; the references to deputy auditor were removed from article 9. Following this amendment the company has just one auditor, which must be a firm of authorised public accountants; the phrases in article 10 concerning the AGM were amended to ensure consistency with the terminology used in the Limited Liability Companies Act and with the newly amended article 9; the definition in article 12 concerning the notice of the annual general meeting was amended such that the notice must be given at least 21 days prior to the meeting.

The Annual General Meeting authorised the Board to decide on the purchase of Oriola-KD Corporation class B shares. Pursuant to the authorisation, the Board is authorised to decide on the purchase of no more than 14,000,000 of the company's own class B shares, which corresponded to approximately 9.9 per cent of the total number of company shares. The authorisation can only be used in such a way that the company and its subsidiaries together would hold no more than one tenth (1/10) of the total number of company shares at any one time. In accordance with the Board's decision, the company's shares can be purchased in a manner other than in proportion to the existing holdings of shareholders using assets belonging to the company's non-restricted equity at the class B share's market price in public trading arranged by the NASDAQ OMX Helsinki Ltd exchange at the time of purchase. The shares will be paid for in accordance with the rules and regulations of NASDAQ OMX Helsinki Ltd and Euroclear Finland Ltd. The Board will decide how the shares are purchased. Derivatives may also be used in the purchase. The purchase of the shares will reduce the company's distributable non-restricted equity. The shares can be purchased for the purpose of developing the company's capital structure, implementing any corporate transactions or other business arrangements, financing investments, inclusion in the company's incentive schemes or to be otherwise assigned, held by the company or annulled. The Board will decide on all other matters related to the purchase of class B shares. The purchase authorisation remains in force no longer than eighteen (18) months following the decision of the General Meeting. The authorisation repeals the Annual General Meeting's decision of 17 March 2008 authorising the Board to decide on the purchase of Oriola-KD Corporation class B shares.

The Annual General Meeting authorised the Board to decide on a share issue of the company's class B shares against payment in one or more batches. The authorisation includes the right to issue new class B shares or to assign class B shares held by the company. The authorisation covers no more than 28,000,000 of the company's class B shares in total, which corresponded to approximately 19.8 per cent of the total number of company shares. The authorisation granted to the Board includes the right to deviate, by means of a directed issue, from the pre-emptive subscription right of shareholders, provided that there are financial grounds considered important from the company's perspective for such a deviation. Subject to the restrictions presented above, the authorisation can be used for purposes such as payment of consideration in corporate transactions or other business arrangements and financing and carrying out investments, expansion of the company's ownership base, development of the capital structure, or as part of incentive and commitment programmes for personnel. On the basis of the authorisation, class B shares held by the company can also be sold in public trading arranged by the NASDAQ OMX Helsinki Ltd exchange. The authorisation includes the right of the Board to determine the terms of the share issue as specified in the Limited Liability Companies Act, including the right to decide whether the subscription price will be partially or fully entered in the invested non-restricted equity fund or in the share capital. The authorisation will remain in force for eighteen (18) months following the decision of the General Meeting. The authorisation cancels the share issue authorisations previously received by the Board, with the exception of the authorisation granted to the Board by the Annual General Meeting of 13 March 2007, under which the Board may decide on arranging a directed bonus issue of no more than 650,000 class B shares for the purpose of implementing the share-based incentive scheme for management.

Decisions of the Board's organisational meeting

At the organisational meeting held immediately after the AGM, the Board resolved to elect Antti Remes to continue serving as Vice Chairman of the Board. The composition of the Audit and Compensation Committees was confirmed as follows.

Audit Committee:

Antti Remes, Chairman
Harry Brade
Outi Raitasuo
Mika Vidgrén

Compensation Committee:

Olli Riikkala, Chairman
Pauli Kulvik
Jaakko Uotila

All members of the Board are independent of the company and its major shareholders.

On 12 November 2009, the Board of Directors of Oriola-KD Corporation appointed the following persons as members of the Nomination Committee:

Harry Brade
Risto Murto
Olli Riikkala
Timo Ritakallio
Seppo Salonen
Into Ylppö.

Into Ylppö was appointed chairman of the committee.

According to the rules of procedure of the Nomination Committee approved by the Board of Directors, the committee is a body established by the Board of Directors whose duty is to prepare and make a recommendation to the Board of Directors of a proposal to be submitted to the Annual General Meeting regarding the composition and compensation of the Board of Directors.

Risks

The Board of Directors of Oriola-KD has approved the company's risk management policy in which the risk management operating model, principles, responsibilities and reporting are specified. The Group's risk management seeks to identify, measure and manage risks that may threaten the operations of the company and the achievement of goals set for them. The roles and responsibilities relating to risk management have been determined in the Group.

Oriola-KD's risks are classified as strategic, operational and financial. Risk management is a key element of the strategic process, operational planning and daily decision-making at Oriola-KD.

Oriola-KD has identified the following principal strategic and operational risks in its business:

- changes in bargaining position vis-à-vis suppliers and customers
- impact on business concepts as a result of changes in the structure of the Swedish market
- maintenance of cost-effectiveness and flexibility in costs

- provision of competitive products and services in expanding and consolidating markets
- expansion-related risks in new markets and businesses, especially in Sweden and in Russia
- commitment of key employees.

The major financial risks for Oriola-KD involve currency exchange rates, interest rates, liquidity and credit. The anticipated USD-denominated purchase price of the remaining 25 per cent holding in the Russian business acquisition has been hedged in accordance with the Group's treasury policy.

Oriola-KD's exposure to risks relating to new markets and businesses as well as financial risks has increased as a result of the company's expansion into the Russian pharmaceutical retail and wholesale market. Currency risks are the most significant of Oriola-KD's financial risks in Russia, as any changes in the value of the ruble (RUB) will have an impact on Oriola-KD's financial performance and equity. Oriola-KD has used some EUR 90 million to acquire a 75 per cent holding in the Russian companies and anticipates that the final price for the remaining 25 per cent will be roughly EUR 64 million. In addition, by the end of December it had provided the companies with long-term financing amounting to approximately EUR 64 million. The Russian companies have no external loans.

Goodwill and intangible rights are subject to annual impairment testing, which may have a negative effect on Oriola-KD's financial performance.

Near-term risks and uncertainty factors

The completion of the processes involved in the Russian acquisition, the price regulation system that comes into effect in the beginning of 2010 and stiffening competition have significant bearing on Oriola-KD's outlook in the short term in Russia. The change in the Swedish pharmacy market is subject to uncertainty that may have a substantial effect on Oriola-KD's Swedish business.

Events after the period under review

The Nomination Committee of Oriola-KD Corporation has given its recommendation to the Board of Directors for the proposal to the Annual General Meeting on 7 April 2010 concerning the composition of the Board of Directors as follows:

- The number of members of the Board would be increased from seven to eight
- The present Board members, Mr. Harry Brade, Mr. Pauli Kulvik, Ms. Outi Raitasuo, Mr. Antti Remes, Mr. Olli Riikkala, Mr. Jaakko Uotila and Mr. Mika Vidgrén would be re-elected
- Mr. Per Båtelson would be elected as a new member of the Board
- Mr. Olli Riikkala would be re-elected as Chairman of the Board.

The Nomination Committee also announced as its recommendation that the following remunerations be paid to the Board of Directors:

- Chairman: annual fee of 48,400 euros, attendance fee of 800 euros per meeting, telephone as a fringe benefit

- Vice Chairman: annual fee of 30,250 euros, attendance fee of 400 euros per meeting
- Other members of the Board: annual fee of 24,200 euros, attendance fee of 400 euros per meeting
- Attendance fees would be paid respectively also to members of the Corporate or Board Committees
- Of the annual fee, 60 per cent would paid in cash and 40 per cent would be used to acquire Oriola-KD's Corporation's Class B-shares for the Board members from the Helsinki Stock Exchange after the publication of the company's interim report 1-3/2010.
- Travel expenses would be reimbursed in accordance with the travel policy of the company.

The Nomination Committee stated that it has not given its recommendation for the remunerations to the Board of Directors, but the matter will be proposed by a shareholder at the Annual General Meeting of 2010.

Presentation of Mr. Per Båtelson:

Mr. Per Båtelson, M.Sc. (Physics) born 1950, serves as CEO of Global Health Partner Plc. He has previously served as President and CEO of Capio AB. Mr. Båtelson is a member of the Boards of Permobil AB, Sentoclone AB and Unilabs AB. Mr Per Båtelson served as Chairman of the Board of Directors of Apoteket AB from 2006 to 2009.

Dividend distribution proposal

Oriola-KD's parent company is Oriola-KD Corporation, whose distributable assets on 31 December 2009, based on the balance sheet, were EUR 96 million (EUR 73 million). The Board proposes to the General Meeting that a dividend of EUR 0.12 per share (EUR 0.08 per share) be distributed for 2009.

Annual General Meeting

Oriola-KD Corporation's Annual General Meeting will be held on 7 April 2010 at 5.00 p.m. at the Helsinki Fair Centre. The matters specified in Section 10 of the Articles of Association and other possible proposals of the Board of Directors will be handled. 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 of the Annual General Meeting will be published in the Helsingin Sanomat newspaper on 15 March 2010 at the latest.

Publication of the annual report

Oriola-KD Corporation will publish its annual report for 2009 on 12 March 2010 at the latest.

Corporate governance statement

Oriola-KD Corporation has issued a Corporate Governance Statement prepared in accordance with Recommendation 51 of the Finnish Corporate Governance Code. It is not part of the part of report of Board of Directors. The statement is available at the company's web site at www.oriola-kd.com.

Outlook

Oriola-KD's outlook for 2010 is based on external market forecasts, agreements with principals, order intake and management assessments. Long-term fundamentals and growth prospects are deemed to remain favourable in the healthcare market.

Oriola-KD expects that the pharmaceutical market in Finland and Sweden will grow approximately 3-5 per cent annually in local currency over the next few years, which is in line with the longer-term average growth rate of these markets. The Russian pharmaceutical market is expected to see annual growth of approximately 15-20 per cent in Russian rubles (RUB) in the next few years. Growth in the market for healthcare equipment and supplies in Finland and Sweden is expected to outpace that of the pharmaceutical market.

The growth of the Russian pharmaceutical market in 2010 is expected to be slower than in the long term, mainly because of the difficult state of the Russian economy and the price regulation system.

Competition in the Swedish pharmacy market is expected to be stiff in 2010 as a result of the changes in the pharmacy market.

Oriola-KD's net sales and operating profit for 2010 are forecast to be higher than in 2009.

Tables

Consolidated Statement of Comprehensive Income (IFRS), EUR million	**1 Jan – 31 Dec 2009**	**1 Jan – 31 Dec 2008**	**1 Oct – 31 Dec 2009**	**1 Oct – 31 Dec 2009**
Net sales	1713.1	1580.8	486.5	449.1
Cost of goods sold	-1462.9	-1370.0	-410.0	-380.0
Gross profit	250.2	210.8	76.5	69.1
Other operating income	4.4	3.4	0.6	0.8
Selling and distribution expenses	-164.6	-146.7	-44.5	-43.8
Administrative expenses	-28.6	-33.3	-6.9	-11.1
Profit from associated company	3.9	2.2	1.2	0.8
Operating profit	65.4	36.4	26.9	15.8
Financial income	7.8	7.5	1.2	3.0
Financial expenses	-11.1	-9.3	-2.8	-4.4
Profit before taxes	62.1	34.6	25.4	14.4
Tax expense*)	-13.4	-7.2	-5.4	-2.0
Profit for the period	48.6	27.5	20.0	12.4
Other comprehensive income:				
Foreign exchange differences of net investments	-2.0	-5.8	0.8	-5.8
Taxes based on foreign exchange differences of net investments	0.4	-	-0.2	-
Translation differences	1.3	-21.8	2.0	-18.1
Total comprehensive income for the period	48.4	-0.1	22.6	-11.5

Profit attributable to:				
Parent company shareholders	49.5	27.4	20.9	12.4
Non-controlling interests	-0.9	0.1	-0.9	0.0
Total comprehensive income attributable to:				
Parent company shareholders	49.3	-0.2	23.5	-11.5
Non-controlling interests	-0.9	0.1	-0.9	0.0
Earnings per share:				
Basic earnings per share (EUR)	0.34	0.19	0.14	0.09
Diluted earnings per share (EUR)	0.34	0.19	0.14	0.09

*) The tax expense for the period has been calculated as the proportional share of the total estimated taxes for the financial year.

Consolidated Statement of Financial Position (IFRS), EUR million

ASSETS	**31 Dec 2009**	**31 Dec 2008**
Non-current assets		
Tangible assets	53.3	54.5
Goodwill	141.7	105.1
Other intangible assets	39.5	41.9
Investments in associates	30.7	28.5
Other non-current receivables	7.5	9.8
Deferred tax assets	2.5	0.8
Non-current assets total	275.2	240.5
Current assets		
Inventories	287.1	250.7
Trade and other receivables	227.1	252.9
Cash and cash equivalents	133.7	46.5
Current assets total	647.8	550.1
ASSETS TOTAL	**923.1**	**790.6**

EQUITY AND LIABILITIES	**31 Dec 2009**	**31 Dec 2008**
Equity		

Share capital	36.2	36.2
Other funds	50.9	30.1
Retained earnings	156.4	118.1
Equity of the parent company shareholders	243.4	184.4
Non-controlling interests	10.8	1.0
Equity total	254.2	185.5
Non-current liabilities		
Deferred tax liabilities	13.6	16.5
Pension liability	4.9	4.2
Provisions	0.0	0.0
Interest-bearing non-current liabilities	0.2	27.9
Other non-current liabilities	0.0	0.0
Non-current liabilities total	18.8	48.5
Current liabilities		
Trade payables and other current liabilities	500.5	475.8
Provisions	0.0	0.0
Interest-bearing current liabilities	149.5	80.8
Current liabilities total	650.1	556.6
EQUITY AND LIABILITIES TOTAL	**923.1**	**790.6**

Consolidated Statement of Changes in Equity (IFRS):

EUR million	Share capital	Other funds	Translation differences	Retained earnings	Equity of the parent company share-holders	Non-controlling interests	Total
Equity 1 Jan 2008	36.2	30.1	-2.5	131.7	195.5	8.1	203.6
Dividends	-	-	-	-11.3	-11.3	-	-11.3
Change in non-controlling interests	-	-	-	-	0.0	-7.1	-7.1
Share based payments	-	-	-	0.4	0.4	-	0.4
Total comprehensive							

income							
for the period	-	-	-27.6	27.4	-0.2	0.1	-0.1
Equity							
31 Dec 2008	36.2	30.1	-30.1	148.2	184.4	1.0	185.5

Equity							
1 Jan 2009	36.2	30.1	-30.1	148.2	184.4	1.0	185.5
Dividends	-	-	-	-11.3	-11.3	-	-11.3
Share issue	-	20.7	-	-	20.7	-	20.7
Change in non-controlling interests	-	-	-	-	0.0	10.7	10.7
Share based payments	-	-	-	0.3	0.3	-	0.3
Total comprehensive income for the period	-	-	-0.3	49.5	49.3	-0.9	48.4
Equity							
31 Dec 2009	36.2	50.9	-30.4	186.8	243.4	10.8	254.2

Consolidated Statement of Cash Flows (IFRS), EUR million	**1 Jan – 31 Dec 2009**	**1 Jan – 31 Dec 2008**
Operating profit	65.4	36.4
Depreciation	9.4	9.8
Change in working capital	37.9	-52.2
Cash flow from financial items and taxes	-13.3	-6.8
Other adjustments	1.5	-5.2
Net cash from operating activities	100.9	-18.1
Net cash used in investing activities	-28.0	-75.3
Net cash used in financing activities	14.5	10.5
Net change in cash and cash equivalents	87.4	-82.9
Cash and cash equivalents at beginning of period	46.5	131.0
Foreign exchange difference	-0.2	-1.6
Net change in cash and cash equivalents	87.4	-82.9
Cash and cash equivalents at end of period	133.7	46.5

Change in Tangible Assets EUR million	1 Jan – 31 Dec 2009	1 Jan – 31 Dec 2008
Carrying amount at the beginning of the period	54.5	56.3
Increase through acquisition of subsidiary share	-	6.9
Additions	6.0	4.0
Disposals	-1.8	-2.2
Depreciation	-6.5	-6.7
Translation differencies	1.1	-3.7
Carrying amount at the end of the period	53.3	54.5

Key Figures	1 Jan – 31 Dec 2009	1 Jan – 31 Dec 2008
Equity ratio, %	29.2%	25.1%
Equity per share, EUR	1.61	1.30
Return on capital employed (ROCE), %	18.7%	13.5%
Return on equity, %	22.1%	14.1%
Net interest bearing debt, Me	16.0 Me	62.2 Me
Gearing, %	6.3%	33.5%
Net debt/EBITDA	0.2	1.3
Earnings per share, EUR	0.34	0.19
Average number of share, tpcs	147 034	141 393

Forward Contracts and Contingent Liabilities

31 Dec 2009

EUR million	Positive fair value	Negative fair value	Nominal values of contracts
Derivatives recognised as cash flow hedges:			
Foreign currency forward and swap contracts	1.4	-	50.9
Derivatives measured at fair value through profit of loss:			
Foreign currency forward and swap contracts	0.1	-	11.7

31 Dec 2008

EUR million	Positive fair value	Negative fair value	Nominal values of contracts
Derivatives recognised as cash flow hedges:			

Foreign currency forward and swap contracts	4.7	-	35.2
Derivatives measured at fair value through profit of loss:			
Foreign currency forward and swap contracts	0.1	-	13.2

Contingent for Own Liabilities

EUR million	31 Dec 2009	31 Dec 2008
Guarantees given	36.8	37.8
Real-estate mortgages given	2.0	2.0
Mortgages on company assets	2.0	2.2
Other guarantees and liabilities	1.9	1.2
Total	42.7	43.2

Leasing-liabilities (operating liabilities)	0.3	0.4
Rent contingent	33.8	33.3

Net Sales by Operating Segments, EUR million	1 Jan – 31 Dec 2009	1 Jan – 31 Dec 2008
Pharmaceutical Trade Finland	504.5	533.4
Pharmaceutical Trade Sweden	547.0	535.9
Pharmaceutical Trade Russia	480.7	318.9
Pharmaceutical Trade Baltics	35.7	37.4
Healthcare Trade	145.1	155.2
Dental Trade	0.0	0.0
Group Total	1713.1	1580.8

Operating Profit by Operating Segments, EUR million	1 Jan – 31 Dec 2009	1 Jan – 31 Dec 2008
Pharmaceutical Trade Finland	18.1	16.6
Pharmaceutical Trade Sweden	-5.0	6.0
Pharmaceutical Trade Russia	44.5	8.2
Pharmaceutical Trade Baltics	0.9	1.1
Healthcare Trade	8.9	7.9

Dental Trade	3.9	2.1
Group Administration and Others	-5.9	-5.6
Group total	65.4	36.4
Average number of personnel	4 373	3 807
Number of personnel at the end of the period	4 299	4 709

Net Sales by Operating Segments, EUR million	**Q4/2009**	**Q3/2009**	**Q2/2009**	**Q1/2009**	**Q4/2008**	**Q3/2008**	**Q2/2008**	**Q1/2008**
Pharmaceutical Trade Finland	125.6	120.4	131.9	126.6	144.0	129.1	132.7	127.6
Pharmaceutical Trade Sweden	159.0	131.8	130.2	126.1	125.9	129.2	141.0	139.8
Pharmaceutical Trade Russia	148.2	118.6	106.6	107.2	127.3	97.9	93.8	0.0
Pharmaceutical Trade Baltics	10.3	8.0	8.8	8.6	9.2	8.4	9.8	10.0
Healthcare Trade	43.4	31.9	34.9	35.0	42.7	33.8	38.1	40.6
Dental Trade	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group Total	486.5	410.8	412.3	403.5	449.1	398.4	415.4	318.0

Operating Profit by Operating Segments, EUR million	**Q4/2009**	**Q3/2009**	**Q2/2009**	**Q1/2009**	**Q4/2008**	**Q3/2008**	**Q2/2008**	**Q1/2008**
Pharmaceutical Trade Finland	4.4	4.9	4.9	3.9	4.7	4.8	3.2	3.9
Pharmaceutical Trade Sweden	-2.2	-0.4	-2.0	-0.4	1.3	1.4	1.6	1.7
Pharmaceutical Trade Russia	21.6	6.6	8.6	7.6	8.9	0.3	-1.0	0.0
Pharmaceutical Trade Baltics	0.3	0.2	0.2	0.1	0.3	0.2	0.3	0.3
Healthcare Trade	2.4	1.9	3.0	1.7	1.7	1.8	1.5	2.9
Dental Trade	1.2	0.8	0.7	1.1	0.8	0.3	0.4	0.6
Group Administration and Others	-0.8	-1.5	-2.0	-1.6	-1.9	-1.0	-1.8	-0.8
Group total	26.9	12.6	13.5	12.4	15.8	7.9	4.2	8.5

Net Sales by Market, EUR million	**1 Jan – 31 Dec 2009**	**1 Jan – 31 Dec 2008**
Finland	575.9	618.2
Sweden	605.4	568.9
Russia	480.7	319.0
Baltics countries	44.3	48.2
Other countries	6.8	26.5

Total	1713.1	1580.8

Net Sales by Market, EUR million	**Q4/2009**	**Q3/2009**	**Q2/2009**	**Q1/2009**	**Q4/2008**	**Q3/2008**	**Q2/2008**	**Q1/2008**
Finland	147.5	139.2	146.2	143.0	174.5	144.6	150.5	148.7
Sweden	176.4	140.0	147.5	141.5	111.1	144.4	157.8	155.7
Russia	148.2	118.6	106.6	107.2	127.3	97.9	93.8	0.0
Baltics countries	12.4	9.8	11.1	11.0	12.1	10.9	12.5	12.7
Other countries	1.9	3.2	1.0	0.8	24.1	0.8	0.8	0.8
Total	486.5	410.8	412.3	403.5	449.1	398.4	415.4	318.0

Consolidated Proforma net sales for the retail and wholesale businesses acquired in Russia was EUR 96 million and consolidated Proforma EBIT -0.8 EUR million for the period January to March 2008.

CORPORATE ACQUISITIONS

Acquisition of Vitim & Co and Moron Ltd

Oriola-KD announced in March 2008 that it would acquire 75 percent of a Moscow-based pharmacy company (Vitim & Co) and of a pharmaceutical wholesaler (Moron Ltd.). The transaction was executed in April 2008. In addition, Oriola-KD has agreed to buy out the remaining 25-percent holding in 2010 for a consideration based on the companies' performance in 2009. The purchase of the remaining 25-percent holding is recognized as a liability, the magnitude of which is based on the best estimate of management.

The initial purchase price allocation as of 31 March 2008 has been finalised during Q1 2009 as permitted by International Financial Reporting Standards. No material changes have been made compared to the information disclosed in the Consolidated Financial statements for 2008, with the exception of the estimated purchase price for the remaining 25-percent holding. The initial purchase price allocation calculated in rubles has been translated into euros by using the exchange rate from acquisition date. The balance sheets of the acquired companies have been consolidated into the Oriola-KD Group as of 1 April 2008 and the calculation below includes the acquisition of both companies.

Details on the net assets and goodwill acquires are as follows:

	Carrying amount EUR million	Fair value allocations EUR million	**Fair value EUR million**
Tangible assets	5.0	1.8	**6.9**
Other intangible assets	5.4	41.5	**46.9**
Deferred tax assets	0.7	0.0	**0.7**
Inventories, advances paid	69.2	0.0	**69.2**
Trade receivables	39.6	0.0	**39.6**
Other receivables	5.0	0.0	**5.0**
Cash and cash equivalents	3.0	0.0	**3.0**
Deferred tax liabilities	0.0	-10.4	**-10.4**
Interest-bearing non-current liabilities	-8.8	0.0	**-8.8**
Trade payables and	-108.5	0.0	**-108.5**

other current liabilities			
Interest-bearing current liabilities	-8.9	0.0	**-8.9**
Net identifiable assets	1.7	32.9	**34.7**
Acquisition price			
Purchase price			**-64.0**
Additional purchase price and purchase of the remaining 25%			**-85.3**
Costs related to acquisition			**-4.4**
Goodwill			**119.1**
Purchase price settled in cash			**-64.0**
Paid additional purchase price			**-21.7**
Costs related to acquisition			**-4.4**
Cash and cash equivalents acquired			**3.0**
Cash outflow on acquisition as per 31 December 2009			**-87.1**
Estimated purchase price payable			**-63.6**
Total cash outflow on acquisition			**-150.7**

The remaining goodwill arising from the acquisition is based on synergy benefits and widened new market area possibilities and benefits.

Espoo 10 February 2010

Oriola-KD Corporation's Board of Directors

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Distribution
NASDAQ OMX Helsinki Ltd
Principal media

Published by:
Oriola-KD Corporation
Corporate Communications
Orionintie 5
FI-02200 Espoo, Finland
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