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# Oriola-KD Corporation's Financial Statements for 1 January - 31 December 2010

This review presents financial information on the continuing operations of the Oriola-KD Group (hereinafter Oriola-KD) for the year 2010. Oriola-KD acquired a nation wide pharmacy chain in Sweden on 19 February 2010, and the 03 Apteka pharmacy chain in Russia on 31 August 2010, following which dates their figures have been included in Oriola-KD's figures. On 24 February 2010, Oriola-KD also acquired the remaining 25 per cent holding in Oriola-KD Holding Russia Oy, which owns the pharmaceutical retail and wholesale companies in Russia. On 31 May 2010, Oriola-KD sold its Healthcare Trade business to Mediq N.V., and on 28 October 2010 it sold its Dental Trade business to Lifco AB. The figures for the Healthcare Trade and Dental Trade businesses are reported under discontinued operations. The financial statements for 1 January – 31 December 2010 have been prepared in accordance with the calculation principles of the IAS 34 standard. In addition, new IAS/IFRS standards have been adopted in 2010, the most important of which are IFRS 3 (revised) and IAS 27. The figures have been audited.

## Key figures for the continuing operations for 1 January - 31 December 2010

- Net sales increased by 23 per cent to EUR 1,929.4 million (2009: EUR 1,569.2 million).
- Operating profit decreased 81 per cent to EUR 9.8 million (2009: EUR 52.6 million).
- Operating profit excluding one-off costs was EUR 22.5 million (2009: EUR 52.6 million).
- Net profit was EUR 3.5 million (2009: EUR 39.1 million), while net profit including discontinued operations was EUR 102.1 million (2009: EUR 48.6 million).
- Earnings per share were EUR 0.02 (2009: EUR 0.27), while earnings per share including discontinued operations were EUR 0.68 (2009: EUR 0.34).
- Net cash flow from operations was EUR 88.7 million (2009: EUR 100.9 million).
- The return on equity was 1.2 per cent, while return on equity including discontinued operations was 33.7 per cent (2009: 22.1 per cent including discontinued operations).
- Oriola-KD's net sales is expected to be higher and operating profit from continuing operations excluding one- off items clearly better than in 2010.
- The Board proposes to the Annual General Meeting that a dividend of EUR 0.05 per share (EUR 0.12 per share) is paid for 2010, and EUR 0.13 per share is distributed from the invested unrestricted equity reserve as repayment of equity, totalling EUR 0.18 per share (EUR 0.12 per share) in distributed assets.
- The Board also proposes to the Annual General Meeting that the Board is authorised to decide on the payment of additional dividend from retained earnings and/or the distribution of assets from the reserves of unrestricted equity as repayment of equity up to EUR 0.10 per share in total.

## Key figures for continuing operations for 1 October – 31 December 2010

- Net sales increased by 19 per cent to EUR 527.8 million (Q4/2009: EUR 443.5 million).
- The operating profit was EUR 7.3 million (Q4/2009: EUR 23.3 million), which includes EUR 1.1 million in one-off costs.
- Net profit was EUR 5.5 million (Q4/2009: EUR 17.9 million)
- Earnings per share were EUR 0.04 (Q4/2009: EUR 0.13)

President and CEO Eero Hautaniemi: "Oriola-KD's focus is, in accordance with its strategy, on pharmaceutical retail and wholesale in Northern Europe and Russia. In 2010 we acquired a nation wide pharmacy chain in Sweden, the remaining holding in the Russian pharmaceutical retail and wholesale companies and the 03 Apteka pharmacy chain in Russia, and sold the Healthcare Trade and Dental Trade businesses. We recorded a profit of EUR 92 million from the sale of these businesses. The net sales of Oriola-KD's continuing operations increased 23 per cent to EUR 1.9 billion, and operating profit excluding one-off costs decreased to EUR 22.5 million because of the very challenging market in Russia. Business in Finland and Sweden developed positively."

## Financial performance

The financial performance figures refer to continuing operations and do not include the Healthcare Trade and the Dental Trade businesses, unless otherwise stated.

Oriola-KD's net sales in 2010 were EUR 1,929.4 million (EUR 1,569.2 million) and operating profit was EUR 9.8 million (EUR 52.6 million). Operating profit includes EUR 12.7 million in one-off costs in 2010: a write-off of a EUR 1.7 million receivable in Sweden relating to the bankruptcy of a pharmaceutical company, a EUR 1.1 million provision in the fourth quarter on the restructuring of the pharmaceutical wholesale business in Sweden, a write-off of a EUR 2.1 million trade receivable in Russia relating to the bankruptcy of a pharmacy chain, and a write-off of EUR 7.9 million in Russia as a result of recognising purchase-related discounts on stock value. Profit after financial items came to EUR 4.5 million (EUR 50.6 million) and net profit to EUR 3.5 million (EUR 39.1 million). Oriola-KD's earnings per share in 2010 were EUR 0.02 (EUR 0.27).

Fourth-quarter net sales came to EUR 527.8 million (EUR 443.5 million) and operating profit to EUR 7.3 million (EUR 23.3 million), which takes into account EUR 1.1 million in one-off costs. Profit after financial items came to EUR 5.6 million (EUR 23.0 million) and net profit to EUR 5.5 million (EUR 17.9 million). Earnings per share in the fourth quarter were EUR 0.04 (EUR 0.13).

Oriola-KD's financing expenses in 2010 were EUR 5.3 million (EUR 2.0 million). Taxes amounted to EUR 0.9 million (EUR 11.5 million). Taxes corresponding to the result for continuing operations for 2010 are entered under this figure.

The return on capital employed for continuing operations was 2.1 per cent (18.7 per cent including the discontinued operations), and return on equity was 1.2 per cent (22.1 per cent including the discontinued operations) in 2010.

## Balance sheet, financing and cash flow

Balance sheet, financing and cash flow figures include the Healthcare Trade business figures up to 31 May 2010, the Dental Trade business figures up to 28 October 2010 and also the profit from corporate divestments. The Swedish pharmaceutical retail business has been consolidated with Oriola-KD's figures since 19 February 2010, and the figures for the 03 Apteka pharmacy chain acquired in Russia have been consolidated with Oriola-KD since 31 August 2010.

On 19 February 2010, Kronans Droghandel Retail AB completed the acquisition of 100 per cent of the share capital of a Swedish pharmacy company with 170 pharmacies nationwide. The price of the acquisition was EUR 161.5 million. Oriola-KD holds an 80 per cent share of the Swedish pharmacy chain, while Kooperativa Förbundet has a 20 per cent holding. Oriola-KD has the obligation and right to acquire Kooperativa Förbundet's minority share after a long period of cooperation. This obligation has been recognised in Oriola-KD's balance sheet under interest-bearing long-term debt in conjunction with the acquisition of the pharmacies.

On 24 February 2010, Oriola-KD acquired the remaining 25 per cent holding in Oriola-KD Holding Russia Oy, which owns the pharmaceutical retail company (OOO Vitim) and the pharmaceutical wholesale company (OOO Moron) operating in Russia. The price of the 25 per cent holding was EUR 65.0 million. The total price of this acquisition in Russia was EUR 153.7 million. On 31 August 2010, Oriola-KD acquired a 100 per cent ownership in the 03 Apteka pharmacy chain, which operates in the Moscow area, at a price of EUR 11.9 million.

The Healthcare Trade business was sold for approximately EUR 85 million to Mediq N.V on 31 May 2010, and a profit of about EUR 54 million was entered for the transaction in the second quarter of 2010. The Dental Trade business was sold for some 69 million to Lifco AB on 28 October 2010, and a profit of some EUR 38 million from the transaction was recorded in the fourth quarter of 2010.

Oriola-KD's balance sheet total on 31 December 2010 stood at EUR 1,192.6 million (EUR 923.1 million). Cash assets were EUR 187.8 million (EUR 133.7 million), equity was EUR 352.7 million (EUR 254.2 million) and the equity ratio was 30.8 per cent (29.2 per cent).

Interest-bearing debt at the end of 2010 was EUR 178.3 million (EUR 149.7 million), interest-bearing net debt was EUR -9.5 million (EUR 16.0 million) and the gearing ratio was -2.7 per cent (6.3 per cent). Oriola-KD has hedged the interest rate risk on the long-term interest-bearing debt associated with the Swedish pharmaceutical retail business. Interest-bearing debt consists of long-term debt financing, use of the issued commercial paper programme, advance payments from pharmacies in Finland and the estimated discounted value of the minority share of the Swedish pharmacy company that Oriola-KD is obliged to acquire.

Oriola-KD's committed long-term credit facilities of EUR 103.5 million and EUR 42.3 million in short-term credit account facilities with banks stood unused at the end of the review period. A total of EUR 4.9 million of Oriola-KD's EUR 150.0 million commercial paper programme was in use. The terms of the financial covenants were met with a wide margin at the end of 2010.

Net cash flow from operations in 2010 was EUR 88.7 million (EUR 100.9 million), of which changes in working capital accounted for EUR 73.4 million (EUR 37.9 million). In the Swedish pharmaceutical wholesale business, the trade receivables sales programme was continued during 2010.

Net cash flow from investments was EUR -104.7 million (EUR -28.0 million), which includes the acquisition of the pharmacy chain in Sweden, the acquisition of the 25 per cent minority share in Russia, the acquisition of the 03 Apteka pharmacy chain, operational investments, and the sale of Healthcare Trade business and Dental Trade businesses. Cash flow after investments was EUR -16.0 million (EUR 72.9 million) in 2010.

Oriola-KD paid EUR 18.1 million in dividends for 2009, i.e. EUR 0.12 per share (2008: EUR 0.08 per share) during the second quarter of 2010.

**Investments**

Gross investments for 2010 came to EUR 196.9 million (EUR 47.4 million). They include the EUR 161.5 million acquisition of the pharmacy chain in Sweden, the EUR 11.9 million acquisition of the 03 Apteka pharmacy chain and EUR 23.5 million in operational investments, mostly in the growth of pharmacy operations and improving the efficiency of wholesale operations.

**Personnel**

On 31 December 2010, Oriola-KD's continuing operations had a payroll of 5,381 (3,870) employees, 8 per cent (11 per cent) of whom worked in Finland, 27 per cent (8 per cent) in Sweden, 63 per cent (78 per cent) in Russia and a total of 2 per cent (3 per cent) in the Baltic countries. The payroll grew as a result of the acquisition of the pharmacy chain in Sweden, the establishment of new pharmacies, the acquisition of the 03 Apteka pharmacy chain and the opening of new regional logistics centres in Russia.

*Changes in the Group Management Team*

As of 2 November 2010, Oriola-KD's Group Management Team was composed of:

- President and CEO Eero Hautaniemi:
- Henry Fogels, Vice President, Pharmaceutical Trade, Russia
- Thomas Gawell, Vice President, Pharmaceutical Wholesale, Sweden
- Anne Kariniemi, Vice President, Logistics and Sourcing
- Cecilia Marlow, Vice Director, Pharmaceutical Retail, Sweden
- Jukka Niemi, Vice President, Pharmaceutical Wholesale, Finland and the Baltics
- 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, IT administration, and corporate communications and investor relations.

Henry Fogels, General Director of Oriola-KD's Pharmaceutical Retail business in Russia was appointed, in addition to his current duties, to the position of acting General Director of Oriola-KD's Pharmaceutical Wholesale business in Russia as of 2 November 2010. Vladimir Knyazev, member of Oriola-KD's Group Management Team and General Director of Oriola-KD's Pharmaceutical Wholesale business in Russia resigned on 2 November 2010. Ilari Vaalavirta, who was a member of the Group Management Team and

Vice President of the Healthcare Trade business, transferred to Mediq with the sale of the Healthcare Trade business on 31 May 2010.

**Business segments**

In accordance with its organisational structure and internal reporting, Oriola-KD's business segments are, as of 28 October 2010, Pharmaceutical Trade Finland, Pharmaceutical Trade Sweden, Pharmaceutical Trade Russia and Pharmaceutical Trade Baltics. As of the first quarter of 2011, the figures of Pharmaceutical Trade Finland and Pharmaceutical Trade Baltics will be reported as one business segment in line with Oriola-KD's organisation and internal reporting.

***Pharmaceutical Trade Finland***

Invoicing of Pharmaceutical Trade Finland in 2010 came to EUR 1,003.1 million (EUR 1,019.7 million), net sales to EUR 417.4 million (EUR 505.1 million) and operating profit to EUR 20.3 million (EUR 18.1 million). The decline of the pharmaceutical market and changes made from stock owned by Oriola-KD to consignment stock, as agreed with pharmaceutical companies, contributed to the decline in net sales during the review period. Oriola-KD signed an extended five-year agreement with Orion to distribute pharmaceuticals and food supplements, which will enter force on 1 July 2011, and a new distribution agreement with Eli Lilly, which entered into force on 1 January 2011. Wyeth's products have not been distributed by Oriola-KD since the end of 2010. Orion accounts for some 10 per cent of the value of pharmaceutical wholesaling in Finland, Eli Lilly some 2 per cent and Wyeth some 2 per cent. (source: IMS Health)

Fourth quarter invoicing came to EUR 257.0 million (EUR 266.2 million), net sales to EUR 103.3 million (EUR 125.8 million) and operating profit to EUR 4.9 million (EUR 4.4 million).

The pharmaceutical market declined by 1.5 per cent (0.0 per cent) in Finland in 2010. Oriola-KD's market share in the Finnish pharmaceutical wholesale market was 46.0 per cent (46.9 per cent) in 2010 (source: IMS Health)

At the end of 2010, 420 (418) people were employed by Pharmaceutical Trade Finland. Oriola-KD's logistics centres are located in Espoo and Oulu.

***Pharmaceutical Trade Sweden***

Pharmaceutical Trade Sweden's net sales in 2010 were EUR 908.7 million (EUR 548.3 million), of which the retail business accounted for EUR 402.7 million (EUR 0.0 million). The acquired pharmaceutical retail business has been consolidated with Oriola-KD's figures as of 19 February 2010. The invoicing of the wholesale business was EUR 1,239.1 million (EUR 1,113.9 million) and net sales EUR 554.9 million (EUR 548.3 million). Oriola-KD signed a new distribution agreement with Abbot, which enters into force in February 2011. Since October 2010, Oriola-KD no longer distributes MSD's products, and will no longer distribute Meda's products from July 2011. Abbot's market share of the value of Swedish wholesale pharmaceutical sales was some 3 per cent, MSD's some 3 per cent and Meda's some 2 per cent.

Pharmaceutical Trade Sweden's operating profit in 2010 was EUR 12.5 million (loss EUR 5.0 million). The costs associated with the preparations made for pharmacy business in Sweden during 1 January to 19 February 2010 were EUR 2.2 million (EUR 11.7 million in 2009). The operating profit includes a write-off of a EUR 1.7 million receivable in the third quarter relating to the bankruptcy of a pharmaceutical company and a EUR 1.1 million provision in the fourth quarter associated with the restructuring of the pharmaceutical wholesale operations. In addition, planned depreciation of EUR 1.3 million was recognised for 2010 on the fair value allocation of a retail trade acquisition.

The efficiency of the wholesale business will be improved by centralising pharmacy distribution to the Enköping distribution centre and pharmaceutical warehousing and pharma supplier cooperation to Mölnlycke. As a result, the number of personnel will decrease by about 70 at Mölnlycke and increase by about 30 at Enköping in early 2011.

Fourth-quarter net sales of Pharmaceutical Trade Sweden came to EUR 246.8 million (EUR 159.3 million), of which retail accounted for EUR 120.3 million (EUR 0.0 million). Wholesale invoicing was EUR 330.6 million

(EUR 284.7 million) and net sales EUR 140.8 million (EUR 159.3 million). Pharmaceutical Trade Sweden's operating profit was EUR 3.3 million (operating loss EUR 2.2 million), including EUR 1.1 million in one-off costs.

On 19 February 2010, Kronans Droghandel Retail AB completed the acquisition of 100 per cent of the share capital of a pharmacy company, with 170 pharmacies nationwide, at a price of EUR 161.5 million. In 2009, the pro forma net sales of the acquired pharmacy chain were SEK 4.6 billion (2008: SEK 4.4 billion) and pro forma operating profit including average central overhead costs of Apoteket AB was SEK 205 million (2008: SEK 183 million). On 30 September 2010, Kronans Droghandel Retail AB merged with the newly acquired pharmacy company Kronans Droghandel Apotek AB. At the end of 2010, Oriola-KD had 189 pharmacies in Sweden. Oriola-KD's logistics centres are located in Mölnlycke and Enköping.

The Swedish pharmaceutical market grew by 1.1 per cent (2.4 per cent) in 2010. Oriola-KD's market share in the Swedish wholesale market was 39.7 per cent (41.2 per cent) in 2010. Oriola-KD's market share in the Swedish pharmaceutical retail market was some 14 per cent. (source: IMS Health)

Pharmaceutical Trade Sweden had 1,483 (306) employees in the end of 2010, of whom 1,190 (0) were employed in retail and 293 (306) in wholesale.

***Pharmaceutical Trade Russia***

Pharmaceutical Trade Russia's net sales in 2010 were EUR 572.4 million (EUR 480.7 million), of which retail accounted for EUR 106.6 million (EUR 98.7 million) and wholesale EUR 518.4 million (EUR 439.2 million). The figures for the 03 Apteka pharmacy chain acquired in Russia have been consolidated with Oriola-KD's figures since 31 August 2010.

The operating loss was EUR 18.1 million (operating profit EUR 44.5 million). The operating loss includes EUR 10.0 million in one-off costs: a write-off of a EUR 2.1 million trade receivable relating to the bankruptcy of a pharmaceutical chain and a EUR 7.9 million stock value write-off due to an extremely tough market environment. In Russia the amount and significance of purchase-related discounts grew during 2010, and as a result Oriola-KD has made a stock write-off by recognising purchase-related discounts in the stock value in the third quarter. In addition, planned depreciation of EUR 1.0 million was recognised for 2010 on the fair value allocation of the acquisitions.

The ruble-denominated growth in the Russian pharmaceutical market was some 3 per cent (approx. 20 per cent) in 2010. The slower than forecasted growth and the pharmaceutical price regulation have led to very intense competition. Oriola-KD's net sales increased by some 9 per cent (some 40 per cent) in Russian rubles in 2010.

Fourth-quarter net sales came to EUR 169.6 million (EUR 148.2 million), of which retail accounted for EUR 33.7 million (EUR 27.5 million) and wholesale EUR 148.9 million (EUR 136.8 million). Operating profit was EUR 0.1 million (EUR 21.6 million).

Oriola-KD acquired a 100 per cent holding in the Russian pharmaceutical retail company OOO 03 Apteka on 31 August 2010. The chain had 70 pharmacies in the Moscow area. The purchase price was EUR 11.9 million. The acquired company had no interest-bearing debt. The pharmacy chain's net sales in 2009 were about EUR 40 million, and the operating profit was about 5 per cent of net sales. The company employs about 350 people. At the end of 2010 Oriola-KD had 254 (175) pharmacies in the Moscow area, of which 181 (175) operated under the Stary Lekar brand and 73 under the 03 Apteka brand.

In addition to its main logistics centre in Moscow, Oriola-KD has eleven regional logistics centres in Russia, of which the logistics centres in Yekaterinburg and Novosibirsk were opened in September 2010.
In 2011, the operational focus will be on strengthening the organisation, retail growth and improving wholesale efficiency.

Pharmaceutical Trade Russia had 3,381 (3,025) employees at the end of 2010, of whom 1,734 (1,403) were employed in retail and 1,647 (1,622) in wholesale.

***Pharmaceutical Trade Baltics***

Pharmaceutical Trade Baltics' net sales in 2010 were EUR 31.3 million (EUR 35.7 million) and operating profit was EUR 1.1 million (EUR 0.9 million). Fourth-quarter net sales came to EUR 8.3 million (EUR 10.3 million) and operating profit to EUR 0.4 million (EUR 0.3 million). Pharmaceutical Trade Baltics had 97 (120) employees at the end of 2010.

**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. Oriola-KD Corporation has given internal loans mainly to the holding companies of the Swedish and Russian businesses. Oriola-KD Corporation has given no significant sureties on behalf of Group companies, with the exception of a parent company guarantee for a loan given to Kronans Droghandel Apotek AB.

**Oriola-KD Corporation shares**

Trading volume of the Oriola-KD Corporation's Class A and B shares in January-December 2010:

| Trading volume | 2010 | | 2009 | |
|---|---|---|---|---|
| | class A | class B | class A | class B |
| Trading volume, million | 5.9 | 93.6 | 7.2 | 104.5 |
| Trading volume, EUR million | 25.7 | 379.8 | 19.5 | 298.5 |
| Highest price, EUR | 5.47 | 5.49 | 4.41 | 4.43 |
| Lowest price, EUR | 3.09 | 3.07 | 1.29 | 1.30 |
| Closing quotation, end of period, EUR | 3.19 | 3.19 | 4.39 | 4.40 |

In the review period, the traded volume of Oriola-KD Corporation shares, excluding treasury shares, corresponded to 65.9 per cent (76.0 per cent) of the total number of shares. The traded volume of class A shares amounted to 12.5 per cent (14.9 per cent) of the average stock, and that of class B shares, excluding treasury shares, 90.5 per cent (105.8 per cent) of the average stock.

Oriola-KD Corporation's market capitalisation on 31 December 2010 was EUR 482.5 million (EUR 665.1 million).

Pursuant to the authorisation granted to it by the Annual General Meeting of 13 March 2007, the Board of Directors of Oriola-KD Corporation decided on 8 March 2010 on a directed bonus issue, in which a total of 209,300 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 Extended Group Management Team, as part of the 2007-2009 share-based incentive scheme for the Group's management. These shares were about 0.14 per cent of the total number of company shares, representing about 0.02 percent of total votes.

Pursuant to the authorisation granted to it by the Annual General Meeting of 13 March 2007, the Board of Directors of Oriola-KD Corporation decided on 28 June 2010 on a directed bonus issue, in which a total of 37,350 class B shares held by the company were assigned to certain key personnel of the Oriola-KD Group as part of the 2007–2009 share-based incentive scheme for the Group's management. These shares were about 0.02 per cent of the total number of company shares, representing about 0.0035 percent of total votes.

The company has 96,822 treasury shares, all of which are class B shares. These account for 0.06 per cent of the company's shares and 0.009 per cent of the votes.

At the end of 2010, the company had 151,257,828 shares (151,257,828), of which 47,163,160 were class A shares (47,667,359) and 104,094,668 were class B shares (103,590,469). Pursuant to article 3 of the Articles of Association, a shareholder can request that class A shares be converted to class B shares. During 2010, a total of 504,199 (1,024,844) class A shares were converted into class B shares.

The Board of Directors of Oriola-KD has further specified the earning criteria for the share incentive scheme for the Group's key personnel for the years 2010-2012, stating that any payment for the 2010 earning period will be based on Oriola-KD's earnings per share (EPS) and return on capital employed (ROCE).

On 28 October 2010, the Board announced that it will not use the authorisation granted to it by the Annual General Meeting of 7 April 2010 regarding payment of an additional dividend from undistributed profits and/or distribution of funds from the company's non-restricted equity reserves.

**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 Oriola-KD's operations and the achievement of goals set. 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:

- growth in number of pharmacies outperforms growth in the market, leading to intense competition
- competition for market share in pharmaceutical wholesale in a consolidating market
- ensuring cost efficiency, flexibility and quality
- development of processes and infrastructure required by strategic expansion
- requirements and restrictions on pharmaceutical retail and wholesale imposed by the authorities, especially price regulation
- commitment of key employees

The major financial risks for Oriola-KD involve currency exchange rates, liquidity, interest rates and credit. Expansion of operations into new business areas and new markets has increased the financial risks. Currency risks are the most significant financial risks in Russia and Sweden, as changes in the value of the Russian ruble or the Swedish krona will have an impact on Oriola-KD's financial performance and equity.

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

*Near-term risks and uncertainty factors*

Intense competition and changes in the price control system for pharmaceuticals have a material impact on Oriola-KD's near-term outlook in Russia. The development of the Swedish pharmaceutical wholesale and retail markets are subject to uncertainties, which may have a significant effect on Oriola-KD's business in Sweden.

**Decisions of the Annual General Meeting**

The Annual General Meeting of Oriola-KD Corporation, held on 7 April 2010, confirmed the 2009 financial statements and discharged the Board members and the President and CEO from liability for the financial year ending 31 December 2009. The Annual General Meeting resolved that the sum of EUR 0.12 per share be paid as dividend on the basis of the balance sheet adopted for the financial year ending 31 December 2009.

In accordance with the Board's proposal, the Board was authorised to decide on the payment of an additional dividend from undistributed profits and/or distribution of funds, in one or more batches, from the company's invested non-restricted equity funds or both so that the amount of the additional dividend and/or return of capital paid under the authorisation would not exceed EUR 0.05 per share. The authorisation will be in force until the next annual general meeting.

The Annual General Meeting confirmed that the Board comprises eight members. Re-elected as Board members were Harry Brade, Pauli Kulvik, Outi Raitasuo, Antti Remes, Olli Riikkala, Jaakko Uotila and Mika

Vidgrén, and Per Båtelson was elected as a new member. Olli Riikkala was elected to continue as Chairman of the Board. The Annual General Meeting confirmed that the Chairman of the Board will receive EUR 48,400 in remuneration for his term of office, the Vice Chairman EUR 30,250 and the other members of the Board EUR 24,200 each. Of the annual fees, 60 per cent will be paid in cash and 40 per cent in company shares in such a way that after the release of the company's interim report for the first quarter of 2010, Oriola-KD Corporation class B shares would be acquired on the market for Board members, and the cash portion of the annual fee will also be paid. 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. Attendance 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, for the 2010 financial year. The auditor will be remunerated according to invoice.

The Annual General Meeting resolved that article 12 of the Articles of Association, on the time of the notice of general meeting, be amended.

The Board was authorised to decide on the purchase of Oriola-KD Corporation class B shares in accordance with the Board's proposal. Pursuant to the authorisation, the Board is authorised to decide on the purchase of no more than fifteen million (15,000,000) of the company's own class B shares, corresponding to approximately 9.92 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. The purchase authorisation would remain 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 16 April 2009 authorising the Board to decide on the purchase of Oriola-KD Corporation class B shares.

The Board was authorised to decide on a share issue against payment in one or more batches in accordance with the Board's proposal. 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 thirty million (30,000,000) of the company's class B shares in total, which corresponds to approximately 19.83 per cent of the total number of company shares. The authorisation granted to the Board includes the right to deviate 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. 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 2007-2009 share-based incentive scheme for management.

The Board was also authorised to decide on granting Oriola-KD Corporation shares to the company itself in one or more batches under a bonus issue, in accordance with the Board's proposal. The maximum amount of the company's new class B shares issued under this authorisation is 1,200,000, which was 0.79 per cent of the company's total shares and 0.11 per cent of total votes. The purpose of the authorisation is to allow the use of treasury shares as laid out below in the new share-based incentive scheme for Oriola-KD key persons. The Board was also authorised to issue class B shares in deviation from the pre-emptive subscription rights of shareholders, in accordance with the Board's proposal. The class B shares issued may be either new or treasury shares. The total amount of shares under the authorisation is 1,200,000 class B shares. The share issue may be a bonus issue. These shares represent approximately 0.79 per cent of the total number of company shares and approximately 0.11 per cent of the total number of votes. The Board may use this authorisation in the new 2010-2012 share-based incentive scheme for Oriola-KD key persons. The authorisations remain in force for no more than four (4) years following the decision of the General Meeting.

**Decisions of the organisational meeting of the Board**

At the organisational meeting held immediately after the Annual General Meeting, the Board re-elected Antti Remes as Vice Chairman of the Board**.** The composition of the Board's 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

The Board of Directors has evaluated the independence of its members and found that all the members are independent of both the company and its major shareholders.

On 29 October 2010, the Board of Directors of Oriola-KD Corporation appointed the following persons as members of the company's Nomination Committee:

Harry Brade
Timo Maasilta
Risto Murto
Olli Riikkala
Timo Ritakallio
Into Ylppö, Chairman

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 on a proposal to the Annual General Meeting regarding the composition and compensation of the Board of Directors.

**Oriola-KD's long-term targets and dividend policy**

The long-term targets and dividend policy of the Oriola-KD Group were confirmed by the Board of Directors of Oriola-KD Corporation on 24 November 2010. The targets are based on growth, profitability (ROE) and balance sheet figures. The new long-term targets and dividend policy replace the targets and dividend policy published on 1 November 2006.

Oriola-KD's long-term targets

Growth: To grow faster than the relevant markets
Profitability: ROE (return on equity) target is over 15 per cent
Balance sheet: Long-term average gearing ratio is between 40–60 per cent

Oriola-KD's dividend policy:

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

**Events after the review period**

On 1 February 2011, the Nomination Committee of Oriola-KD Corporation presented to the Board of Directors its recommendation on the proposal to the 2011 Annual General Meeting concerning the composition of the Board of Directors as follows:

- The number of members of the Board of Directors would remain eight.
- Of the present members of the Board of Directors, Mr. Harry Brade, Mr Per Båtelson, Mr. Pauli Kulvik, Ms. Outi Raitasuo, Mr. Olli Riikkala and Mr. Mika Vidgrén, would be re-elected.
- Mr. Jukka Alho and Mr. Ilkka Salonen would be elected as new members of the Board of Directors.

- Mr. Olli Riikkala would be re-elected as Chairman of the Board of Directors.

Mr. Antti Remes, vice chairman of the Board, and Mr Jaakko Uotila, member of the Board, will leave the office of Board of Directors after the 2011 Annual General Meeting.

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

- Chairman of the Board: annual fee of 48,400 euros, attendance fee of 800 euros per meeting, telephone as a fringe benefit.
- Vice chairman of the Board: 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 company or Board committees.
- Of the annual fee, 60 per cent would be paid in cash and 40 per cent would be used to acquire Oriola-KD Corporation's class B-shares for the members Board of Directors from the NASDAQ OMX Helsinki Stock Exchange on 20 April 2011.
- Travel expenses would be reimbursed in accordance with the travel policy of the company.

The Nomination Committee stated that its recommendation on board remunerations is not given to the Board of Directors, but the matter will be proposed by a shareholder at the 2011 Annual General Meeting.

**Distribution proposal**

Oriola-KD's parent company is Oriola-KD Corporation, whose distributable assets on 31 December 2010, based on the balance sheet, were EUR 184.5 million (EUR 96.2 million).

The Board proposes to the Annual General Meeting that a dividend of EUR 0.05 per share (EUR 0.12 per share) is paid for 2010, and EUR 0.13 per share be distributed from the invested unrestricted equity reserve as repayment of equity, totalling EUR 0.18 per share (EUR 0.12 per share) in distributed assets. The Board also proposes to the Annual General Meeting that the Board is authorised to decide on the payment of additional dividend from retained earnings and/or the distribution of assets from the reserves of unrestricted equity as repayment of equity up to EUR 0.10 per share in total.

**Annual General Meeting**

Oriola-KD Corporation's Annual General Meeting will be held on 6 April 2011 at 5.00 p.m. at the Helsinki Fair Centre. The matters specified in article 10 of the Articles of Association and other possible proposals of the Board of Directors will be dealt with at the meeting. The Board of Directors will decide on the notice of the Annual General Meeting and the proposals contained in it at a later date. The notice of the Annual General Meeting will be published in the Helsingin Sanomat newspaper on 13 March 2011 at the latest.

**Publication of the annual report**

Oriola-KD Corporation will publish its annual report for 2010 on 7 March 2011 at the latest.

**Corporate governance statement**

The company's Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code. The Corporate Governance Statement is not part of the Report of the Board of Directors. The statement is available at www.oriola-kd.com.

**Outlook**

Oriola-KD's outlook for 2011 is based on external market forecasts, supplier and customer agreements and management assessments. In the period 2011-2014 the pharmaceutical market is expected to grow by some 3 per cent in Finland, 2–3 per cent in Sweden, and 11–13 in Russia, measured in local currencies (source: IMS Health). The Russian pharmaceutical market is expected to show growth below the longer term trend in 2011 and the tough competition to continue. However, the visibility in Russian pharmaceutical market development is still poor. Competition in the Swedish retail market is expected to continue to be stiff as a result of the deregulation.

Oriola-KD's net sales is expected to be higher and operating profit from continuing operations excluding one-off items clearly better than in 2010.

## Tables

| Consolidated Statement of Comprehensive Income (IFRS), EUR million | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 | 1 Oct - 31 Dec 2010 | 1 Oct - 31 Dec 2009 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| **Net sales** | 1,929.4 | 1,569.2 | 527.8 | 443.5 |
| Cost of goods sold | -1,668.2 | -1,363.8 | -448.7 | -379.3 |
| **Gross profit** | 261.2 | 205.4 | 79.1 | 64.1 |
| Other operating income | 4.8 | 2.1 | 1.6 | 0.5 |
| Selling and distribution expenses | -214.7 | -129.2 | -62.0 | -35.2 |
| Administrative expenses | -41.5 | -25.8 | -11.4 | -6.2 |
| **Operating profit** | 9.8 | 52.6 | 7.3 | 23.3 |
| Financial income | 13.0 | 7.9 | 4.6 | 1.2 |
| Financial expenses | -18.3 | -9.9 | -6.4 | -1.5 |
| **Profit before taxes** | 4.5 | 50.6 | 5.6 | 23.0 |
| Income taxes*) | -0.9 | -11.5 | -0.1 | -5.1 |
| **Profit for the period from continuing operations** | 3.5 | 39.1 | 5.5 | 17.9 |
| **Discontinued operations** | | | | |
| Profit for the period from discontinued operations | 98.6 | 9.5 | 37.9 | 2.1 |
| **Profit for the period including discontinued operations** | 102.1 | 48.6 | 43.4 | 20.0 |
| **Other comprehensive income** | | | | |
| Hedge of a net investment in a foreign operation | 5.1 | -2.0 | 1.4 | 0.8 |
| Cash flow hedge | 1.2 | - | 1.2 | - |
| Income tax relating to other comprehensive income | -1.0 | 0.4 | -0.3 | -0.2 |
| Translation difference | 20.0 | 1.3 | 4.8 | 2.0 |
| **Total comprehensive income for the period including discontinued operations** | 127.4 | 48.4 | 50.6 | 22.6 |
| **Attribution of profit for the period from continuing operations** | | | | |
| To parent company shareholders | 3.5 | 40.1 | 5.5 | 18.8 |
| To non-controlling interest | - | -0.9 | - | -0.9 |
| **Attribution of profit for the period including discontinued operations** | | | | |
| To parent company shareholders | 102.1 | 49.5 | 43.4 | 20.0 |
| To non-controlling interest | - | -0.9 | - | -0.9 |

| **Attribution of total comprehensive income for the period (including discontinued operations)** | | | | |
|---|---|---|---|---|
| To parent company shareholders | 127.4 | 49.3 | 50.6 | 23.5 |
| To non-controlling interest | - | -0.9 | - | -0.9 |

| **Earnings per share from continuing operations** | | | | |
|---|---|---|---|---|
| Basic earnings per share, EUR | 0.02 | 0.27 | 0.04 | 0.13 |
| Diluted earnings per share, EUR | 0.02 | 0.27 | 0.04 | 0.13 |

| **Earnings per share (including discontinued operations)** | | | | |
|---|---|---|---|---|
| Basic earnings per share, EUR | 0.68 | 0.34 | 0.29 | 0.14 |
| Diluted earnings per share, EUR | 0.68 | 0.34 | 0.29 | 0.14 |

*) The tax expense for the period corresponds to the taxes calculated from the profit for the financial year.

**Consolidated Balance Sheet (IFRS), EUR million**

| **ASSETS** | **31 Dec 2010** | **31 Dec 2009** |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 68.0 | 53.3 |
| Goodwill | 266.1 | 141.7 |
| Other intangible assets | 79.3 | 39.5 |
| Investments in associated companies | 0.0 | 30.7 |
| Other non-current assets | 10.6 | 7.5 |
| Deferred tax assets | 3.3 | 2.5 |
| **Non-current assets total** | 427.2 | 275.2 |
| **Current assets** | | |
| Inventories | 287.5 | 287.1 |
| Trade and other receivables | 290.1 | 227.1 |
| Cash and cash equivalents | 187.8 | 133.7 |
| **Current assets total** | 765.4 | 647.8 |
| **ASSETS TOTAL** | **1,192.6** | **923.1** |

| **EQUITY AND LIABILITIES** | **31 Dec 2010** | **31 Dec 2009** |
|---|---|---|
| **Equity** | | |
| Share capital | 36.2 | 36.2 |
| Other funds | 52.1 | 50.9 |
| Retained earnings | 264.5 | 156.4 |
| **Equity of the parent company shareholders** | 352.7 | 243.4 |

| | | |
|---|---|---|
| **Non-controlling interests** | - | 10.8 |
| **Equity total** | 352.7 | 254.2 |
| | | |
| **Non-current liabilities** | | |
| Deferred tax liabilities | 22.2 | 13.6 |
| Pension obligations | 5.7 | 4.9 |
| Provisions | - | 0.0 |
| Interest-bearing non-current liabilities | 124.5 | 0.2 |
| **Non-current liabilities total** | 152.5 | 18.8 |
| | | |
| **Current liabilities** | | |
| Trade payables and other current liabilities | 633.6 | 500.5 |
| Interest-bearing current liabilities | 53.7 | 149.5 |
| **Current liabilities total** | 687.4 | 650.1 |
| | | |
| **EQUITY AND LIABILITIES TOTAL** | **1,192.6** | **923.1** |

**Consolidated Statement of Changes in Equity (IFRS)**

| EUR million | Share capital | Hedge fund | Other funds | Translation differences | Retained earnings | Equity of the parent company share-holders | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| **Equity** | | | | | | | | |
| **1 Jan 2009** | 36.2 | - | 30.1 | -30.1 | 148.2 | 184.4 | 1.0 | 185.5 |
| Dividends paid | - | - | - | - | -11.3 | -11.3 | - | -11.3 |
| Share issue | - | - | 20.7 | - | - | 20.7 | - | 20.7 |
| Change in non-controlling interest | - | - | - | - | - | 0.0 | 10.7 | 10.7 |
| Share-based payments | - | - | - | - | 0.3 | 0.3 | - | 0.3 |
| Net profit for the period | - | - | - | - | 49.5 | 49.5 | -0.9 | 48.6 |
| Other comprehensive income: | | | | | | | | |
| Hedge of a net investment in a foreign operation | - | - | - | -2.0 | - | -2.0 | - | -2.0 |
| Income tax relating to other comprehensive income | - | - | - | 0.4 | - | 0.4 | - | 0.4 |
| Translation difference | - | - | - | 1.3 | - | 1.3 | - | 1.3 |
| **Equity** | | | | | | | | |
| **31 Dec 2009** | 36.2 | 0.0 | 50.9 | -30.4 | 186.8 | 243.4 | 10.8 | 254.2 |
| | | | | | | | | |
| **Equity** | | | | | | | | |
| **1 Jan 2010** | 36.2 | 0.0 | 50.9 | -30.4 | 186.8 | 243.4 | 10.8 | 254.2 |
| Dividends paid | - | - | - | - | -18.1 | -18.1 | - | -18.1 |
| Change in non-controlling | - | - | - | - | - | 0.0 | -10.8 | -10.8 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| interest | | | | | | | | |
| Net profit for the period | - | - | - | - | 102.1 | 102.1 | - | 102.1 |
| Other comprehensive income: | | | | | | | | |
| Hedge of a net investment in a foreign operation | - | - | - | 5.1 | - | 5.1 | - | 5.1 |
| Cash flow hedge | - | 1.2 | - | - | - | 1.2 | - | 1.2 |
| Income tax relating to other comprehensive income | - | - | - | -1.0 | - | -1.0 | - | -1.0 |
| Translation difference | - | - | - | 20.0 | - | 20.0 | - | 20.0 |
| **Equity** | | | | | | | | |
| **31 Dec 2010** | 36.2 | 1.2 | 50.9 | -6.3 | 270.8 | 352.7 | 0.0 | 352.7 |

| **Consolidated Cash Flow Statement *) (IFRS), EUR million** | **1 Jan - 31 Dec 2010** | **1 Jan - 31 Dec 2009** |
|---|---|---|
| Operating profit | 17.1 | 65.4 |
| Depreciation | 11.5 | 9.4 |
| Change in working capital | 73.4 | 37.9 |
| Cash flow from financial items and taxes | -18.1 | -13.3 |
| Other adjustments | 4.8 | 1.5 |
| Net cash flow from operating activities | 88.7 | 100.9 |
| | | |
| Net cash flow from investing activities | -104.7 | -28.0 |
| | | |
| Net cash flow from financing activities | 61.2 | 14.5 |
| | | |
| Net change in cash and cash equivalents | 45.2 | 87.4 |
| | | |
| Cash and cash equivalents at the beginning of the period | 133.7 | 46.5 |
| Foreign exchange rate differences | 8.9 | -0.2 |
| Net change in cash and cash equivalents | 45.2 | 87.4 |
| Cash and cash equivalents at the end of the period | 187.8 | 133.7 |

*) Includes net cash flow of Healthcare Trade until 31 May 2010 and net cash flow of Dental Trade until 28 October 2010.

| **Change in Property, Plant and Equipment, EUR million** | **1 Jan - 31 Dec 2010** | **1 Jan - 31 Dec 2009** |
|---|---|---|
| Carrying amount at the beginning of the period | 53.3 | 54.5 |
| Increases through acquisitions of subsidiary shares | 9.7 | - |
| Increases | 14.3 | 6.0 |

| | | |
|---|---|---|
| Decreases | -5.2 | -1.8 |
| Depreciation | -7.6 | -6.5 |
| Foreign exchange rate differences | 3.4 | 1.1 |
| Carrying amount at the end of the period | 68.0 | 53.3 |

| **Key Figures** | **1 Jan - 31 Dec 2010** | **1 Jan - 31 Dec 2009** |
|---|---|---|
| Equity ratio, % | 30.8% | 29.2% |
| Equity per share, EUR | 2.33 | 1.61 |
| Return on capital employed (ROCE) from continuing operations, % | 2.1% | 18.7% |
| Return on capital employed (ROCE) incl. discontinued operations, % | 23.3% | 18.7% |
| Return on equity from continuing operations, % | 1.2% | 22.1% |
| Return on equity incl. discontinued operations, % | 33.7% | 22.1% |
| Net interest-bearing debt, EUR million | -9.5 | 16.0 |
| Gearing, % | -2.7% | 6.3% |
| Earnings per share from continuing operations, EUR | 0.02 | 0.27 |
| Earnings per share incl. discontinued operations, EUR | 0.68 | 0.34 |
| Average number of shares, 1000 pcs | 151,164 | 147,034 |

Key figures for 2009 include discontinued operations.

**Derivatives, Commitments and Contingent Liabilities**

**31 December 2010**

| **EUR million** | **Positive fair value** | **Negative fair value** | **Nominal values of contracts** |
|---|---|---|---|
| **Derivatives recognised as cash flow hedges** | | | |
| Interest rate swaps | 1.2 | - | 111.5 |
| **Derivatives measured at fair value through profit or loss** | | | |
| Foreign currency forward and swap contracts | 0.1 | - | 58.0 |

**31 December 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 or loss** | | | |
| Foreign currency forward | 0.1 | - | 11.7 |

and swap contracts

| Contingencies for Own Liabilities, EUR million | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Guarantees given | 125.4 | 36.8 |
| Mortgages on land and buildings | 2.0 | 2.0 |
| Mortgages on company assets | 2.3 | 2.0 |
| Other guarantees and liabilities | 0.5 | 2.1 |
| **Total** | 130.3 | 42.9 |

| | | |
|---|---|---|
| Leasing-liabilities (operating liabilities) | 0.9 | 0.3 |
| Rent contingencies | 66.5 | 33.8 |

| Net Sales by Operating Segments, EUR million | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Pharmaceutical Trade Finland | 417.4 | 505.1 |
| Pharmaceutical Trade Sweden | 908.7 | 548.3 |
| Pharmaceutical Trade Russia | 572.4 | 480.7 |
| Pharmaceutical Trade Baltics | 31.3 | 35.7 |
| Net sales to other segments | -0.5 | -0.5 |
| **Continuing operations total** | 1,929.4 | 1,569.2 |
| Discontinued operations | 65.3 | 145.1 |
| Net sales to other segments | -1.6 | -1.2 |
| **Group Total** | 1,993.1 | 1,713.1 |

| Operating Profit by Operating Segments, EUR million | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Pharmaceutical Trade Finland | 20.3 | 18.1 |
| Pharmaceutical Trade Sweden | 12.5 | -5.0 |
| Pharmaceutical Trade Russia | -18.1 | 44.5 |
| Pharmaceutical Trade Baltics | 1.1 | 0.9 |
| Group Administration and Others | -6.0 | -5.9 |
| **Continuing operations total** | 9.8 | 52.6 |
| Discontinued operations | 99.3 | 12.8 |
| **Group Total** | 109.0 | 65.4 |

| | | |
|---|---|---|
| **Continuing operations** | | |
| Average number of personnel | 4,893 | 3,923 |
| Number of personnel at the end of the period | 5,381 | 3,870 |
| **Group total** | | |
| Average number of personnel | 5,063 | 4,373 |
| Number of personnel at the end of the period | 5,381 | 4,299 |

| Net Sales by Operating Segments, EUR million | Q4/2010 | Q3/2010 | Q2/2010 | Q1/2010 | Q4/2009 | Q3/2009 | Q2/2009 | Q1/2009 |
|---|---|---|---|---|---|---|---|---|
| Pharmaceutical Trade Finland | 103.3 | 103.8 | 105.9 | 104.5 | 125.8 | 120.6 | 132.0 | 126.8 |
| Pharmaceutical Trade Sweden | 246.8 | 239.5 | 241.4 | 181.0 | 159.3 | 132.1 | 130.5 | 126.4 |
| Pharmaceutical Trade Russia | 169.6 | 147.8 | 132.8 | 122.1 | 148.2 | 118.6 | 106.6 | 107.2 |
| Pharmaceutical Trade Baltics | 8.3 | 7.4 | 7.3 | 8.3 | 10.3 | 8.0 | 8.8 | 8.6 |
| Net sales to other segments | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.2 |
| **Continuing operations total** | 527.8 | 498.5 | 487.3 | 415.7 | 443.5 | 379.2 | 377.8 | 368.8 |
| Discontinued operations | - | - | 30.9 | 34.4 | 43.4 | 31.9 | 34.9 | 35.0 |
| Net sales to other segments | - | - | -0.5 | -1.1 | -0.3 | -0.3 | -0.3 | -0.3 |
| **Group Total** | 527.8 | 498.5 | 517.7 | 449.0 | 486.5 | 410.8 | 412.3 | 403.5 |

| Operating Profit by Operating Segments, EUR million | Q4/2010 | Q3/2010 | Q2/2010 | Q1/2010 | Q4/2009 | Q3/2009 | Q2/2009 | Q1/2009 |
|---|---|---|---|---|---|---|---|---|
| Pharmaceutical Trade Finland | 4.9 | 5.9 | 5.0 | 4.5 | 4.4 | 4.9 | 4.9 | 3.9 |
| Pharmaceutical Trade Sweden | 3.3 | 4.9 | 5.6 | -1.4 | -2.2 | -0.4 | -2.0 | -0.4 |
| Pharmaceutical Trade Russia | 0.1 | -15.7 | -2.0 | -0.4 | 21.6 | 6.6 | 8.6 | 7.6 |
| Pharmaceutical Trade Baltics | 0.4 | 0.3 | 0.2 | 0.3 | 0.3 | 0.2 | 0.2 | 0.1 |
| Group Administration and Others | -1.4 | -1.2 | -1.9 | -1.6 | -0.8 | -1.5 | -2.0 | -1.6 |
| **Continuing operations total** | 7.3 | -5.8 | 6.9 | 1.3 | 23.3 | 9.8 | 9.8 | 9.6 |
| Discontinued operations | 37.9 | 1.3 | 57.1 | 2.9 | 3.6 | 2.8 | 3.7 | 2.8 |
| **Group Total** | 45.2 | -4.5 | 64.0 | 4.2 | 26.9 | 12.6 | 13.5 | 12.4 |

| Net Sales by Market, EUR million | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Finland | 417.6 | 509.9 |
| Sweden | 902.8 | 539.8 |
| Russia | 572.4 | 480.7 |
| Baltic countries | 30.5 | 35.7 |
| Other countries | 6.2 | 3.2 |
| **Continuing operations total** | 1,929.4 | 1,569.2 |

| Net Sales by Market, EUR million | Q4/2010 | Q3/2010 | Q2/2010 | Q1/2010 | Q4/2009 | Q3/2009 | Q2/2009 | Q1/2009 |
|---|---|---|---|---|---|---|---|---|
| Finland | 103.5 | 102.6 | 106.5 | 105.0 | 126.3 | 125.1 | 131.9 | 126.6 |
| Sweden | 245.1 | 238.7 | 239.5 | 179.4 | 157.7 | 125.2 | 130.5 | 126.4 |
| Russia | 169.6 | 147.8 | 132.8 | 122.1 | 148.2 | 118.6 | 106.6 | 107.2 |
| Baltic countries | 7.8 | 7.0 | 7.3 | 8.3 | 10.3 | 8.0 | 8.8 | 8.6 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Other countries | 1.9 | 2.2 | 1.2 | 0.9 | 1.0 | 2.2 | - | - |
| **Continuing operations total** | 527.8 | 498.5 | 487.3 | 415.7 | 443.5 | 379.2 | 377.8 | 368.8 |

**DISCONTINUED OPERATIONS**

| **Income Statement (IFRS), EUR million** | **1 Jan - 31 Dec 2010** | **1 Jan - 31 Dec 2009** |
|---|---|---|
| **Discontinued operations** | | |
| **Net sales** | 65.3 | 145.1 |
| Cost of goods sold | -46.6 | -100.3 |
| **Gross profit** | 18.6 | 44.8 |
| Other operating income | 92.2 | 2.2 |
| Selling and distribution expenses | -15.0 | -35.4 |
| Administrative expenses | -1.0 | -2.8 |
| Profit from associated companies | 4.4 | 3.9 |
| **Operating profit** | 99.3 | 12.8 |
| Financial income | 0.1 | 0.0 |
| Financial expenses | -0.1 | -1.4 |
| **Profit before taxes** | 99.3 | 11.5 |
| Income taxes*) | -0.7 | -2.0 |
| **Profit for the period from discontinued operations** | 98.6 | 9.5 |
| | | |
| **Attribution of profit for the period from discontinued operations** | | |
| To parent company shareholders | 98.6 | 9.5 |
| To non-controlling interest | - | - |
| | | |
| **Earnings per share from discontinued operations** | | |
| Basic earnings per share, EUR | 0.65 | 0.06 |
| Diluted earnings per share, EUR | 0.65 | 0.06 |

*) The tax expense for the period corresponds to the taxes calculated from the profit for the financial year.

| **Cash Flow Statement (IFRS), EUR million** | **1 Jan - 31 Dec 2010** | **1 Jan - 31 Dec 2009** |
|---|---|---|
| Net cash flow from operating activities | 6.7 | -3.5 |
| Net cash flow from investing activities | -0.9 | -1.9 |
| Net cash flow from financing activities | 0.2 | 5.4 |
| Net change in cash and cash equivalents | 6.1 | -0.1 |

**Impact of sale of Healthcare Trade and Dental Trade businesses on the Group's financial position**

| EUR million | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Non-current assets | 52.3 | 53.8 |
| Current assets | 49.3 | 32.5 |
| Non-current liabilities | -8.0 | -0.4 |
| Current liabilities | -31.5 | -17.2 |
| **Assets and liabilities total** | **62.1** | **68.7** |

| | |
|---|---|
| Consideration received in cash | 154.1 |
| Cash and cash equivalents of the sold company | -6.1 |
| **Cash flow impact** | **148.0** |

Healthcare Trade business of Oriola-KD is sold to
Mediq N.V. as of 31 May 2010.
30 percent holding in the associated company Lifco Dental International AB
is sold to Lifco AB as of 28 October 2010.

**BUSINESS COMBINATIONS DISCLOSURE**

## Acquisition of national pharmacy chain in Sweden (Pharmacy Company Sweden 2 AB)

Oriola-KD announced in November 2009 that it would acquire 100 per cent of the shares of Pharmacy Company Sweden 2 AB, a national pharmacy cluster with 170 pharmacies. The transaction was executed as of 19 February 2010. The acquired pharmacy business covers only retail activities. The transaction does not include any contingent considerations. Entering the pharmaceutical retail business in Sweden is an important part of Oriola-KD's strategy to expand the operations from pharmaceutical wholesale to retail.
The business of the acquired pharmacy chain has been integrated into the business of Kronans Droghandel Apotek AB, from which Oriola-KD owns 80 per cent.

The acquisition cost is calculated on the basis of the company's provisional balance sheet as of 19 February 2010 prepared in accordance with IFRS and the Oriola-KD Group's accounting principles in respect of all material elements.

The acquisition is accounted for using provisional values as permitted under IFRS 3R (revised). Over the 12 months following the acquisition, Oriola-KD will make necessary adjustments to these provisional values. The fair value of the identifiable fixed assets was EUR 8.6 million and inventory EUR 22.4 million. These figures are provisional figures and the values might be adjusted during Q1 2011.

The fair value of trade receivables and other receivables was EUR 50.9 million and it does not include any material risk.

The initial purchase price allocation calculated in Swedish crowns has been translated into euros by using the exchange rate of the acquisition date.

The income statement and the balance sheet of the acquired company has been consolidated into the Oriola-KD Group from the acquisition date, i.e. 19 February 2010.

**Business combinations disclosure under IFRS 3 (revised)**

The EUR 101,3 million goodwill arising from the acquisition is primarily representing the strong market position, growth expectations, opportunities after monopoly deregulation and experienced existing personnel as well as expected synergies with Oriola-KD’s wholesale operations in Sweden. None of the goodwill recognised is deductible for income tax purposes.

The following table summarises the consideration paid for the pharmacy cluster and the fair values of the assets acquired and liabilities assumed recognised at the acquisition date.

**Consideration as of 19 February 2010**

| | Fair value, EUR million |
|---|---|
| Cash | **161.5** |
| **Total consideration** | **161.5** |
| | |
| **Acquisition-related costs** | |
| -included in administrative expenses in the consolidated income statement for 2009 | 1.2 |
| -included in administrative expenses in the consolidated income statement for 2010 | 0.5 |
| | |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and cash equivalents | 2.4 |
| Property, plant and equipment | 8.6 |
| Pharmacy licences and rental agreements (included in intangible assets) | 25.4 |
| Inventories | 22.4 |
| Trade receivables | 44.0 |
| Other receivables | 6.8 |
| Trade and other payables | -42.8 |
| Deferred tax liabilities | -6.7 |
| **Total identifiable net assets** | **60.2** |
| **Goodwill** | **101.3** |

The pro forma net sales of the acquired pharmacy cluster were EUR 465.6 billion and pro forma operating profit including overhead costs was EUR 8.7 million in 2010.

Net sales of Kronans Droghandel Apotek AB, which are included in the Group income statement as of 19 February 2010, were EUR 402.7 million. The operating profit of KD Apotek AB for this period was EUR 9.1 million.

## Acquisition of 03 Apteka pharmacy chain with 70 pharmacies in Moscow (OOO 03 Apteka)

Oriola-KD announced on 31 August 2010 that it acquires 100 per cent of the shares of 03 Apteka, a pharmacy chain with 70 pharmacies in Moscow area. The acquired pharmacy business covers only retail activities. The transaction does not include any contingent considerations. The acquisition of 03 Apteka supports Oriola-KD's strategy to expand its pharmaceutical retail operations in Moscow. In addition this acquisition supports the growth of Oriola-KD's pharmaceutical wholesale business in Russia. After the acquisition,
Oriola-KD has some 250 pharmacies in Moscow area.

The acquisition cost is calculated on the basis of the company's provisional balance sheet as per 31 August 2010 prepared in accordance with IFRS and the Oriola-KD Group's accounting principles in respect of all material elements.

The acquisition is accounted for using provisional values as permitted under IFRS 3R (revised). Over the 12 months following the acquisition, Oriola-KD will make the necessary adjustments to these provisional values. The fair value of the identifiable fixed assets was EUR 0.4 million and inventory EUR 2.2 million. These figures are provisional figures and the values might be adjusted by the end of August 2011.

The fair value of trade receivables and other receivables was EUR 0.6 million and it does not include any material risk.

The initial purchase price allocation calculated in Russian roubles has been translated into euros by using the exchange rate of the acquisition date.

The income statement and the balance sheet of the acquired company has been consolidated into the Oriola-KD Group from the acquisition date, i.e. 31 August 2010.

**Business combinations disclosure under IFRS 3 (revised)**

The EUR 11.7 million goodwill arising from the acquisition is primarily representing the strong market position, growth expectations, and experienced existing personnel as well as expected synergies with Oriola-KD's retail and wholesale operations in Russia. None of the goodwill recognised is deductible for income tax purposes.

The following table summarises the consideration paid for the pharmacy chain and the fair values of the assets acquired and liabilities assumed recognised at the acquisition date.

**Consideration as of 31 August 2010**

| | **Fair value, EUR million** |
|---|---|
| Cash | **11.9** |
| **Total consideration** | **11.9** |
| | |
| **Acquisition related costs** | |
| -included in administrative expenses in the consolidated income statement for 2010 | 0.2 |
| | |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and cash equivalents | 0.3 |
| Property, plant and equipment | 0.4 |
| Pharmacy licences and rental agreements (included in intangible assets) | 3.3 |
| Deferred tax assets | 0.4 |
| Inventories | 2.2 |
| Trade receivables | 0.5 |
| Other receivables | 0.1 |
| Trade and other payables | -6.3 |
| Deferred tax liabilities | -0.7 |
| **Total identifiable net assets** | **0.3** |
| **Goodwill** | **11.7** |

Net sales of the 03 Apteka pharmacy chain in 2010 were some EUR 34.0 million and operating profit was negative.

Net sales of OOO 03 Apteka, which are included in the Group income statement as of 31 August 2010, were EUR 11.9 million, and the operating profit for this period was EUR 0.1 million.
Espoo, 10 February 2011

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