



# Oriola-KD to Enter Swedish Pharmacy Market

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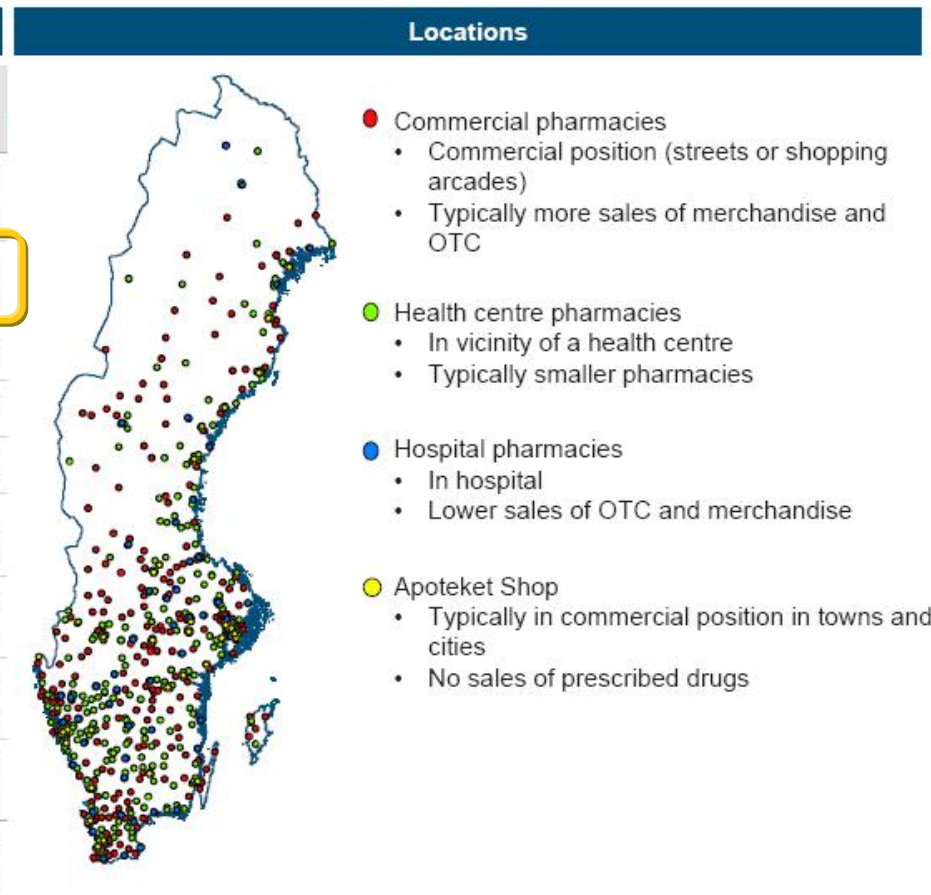
# Deregulation of Swedish Pharmacy Market

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- On 29 April 2009, the Swedish Parliament decided that the country's pharmacy monopoly would be dismantled as of 1 July 2009 in order to
  - Increase availability of pharmaceuticals and improve service for consumers
  - Enhance competition and decrease prices of pharmaceuticals
- The total value of Swedish pharmacy market in 2008 was some SEK 30.3 billion
- With the deregulation, the seller announced that 466 pharmacies will be sold in clusters to large and medium-sized companies
  - Two national pharmacy clusters
  - Four commercial pharmacy clusters
  - Two hospital pharmacy clusters
- Apoteket AB will retain ownership of 330 pharmacies
- 150 pharmacies will remain in state ownership and be later sold to small entrepreneurs

# Pharmacy Clusters

Available clusters				
Cluster	No	Region	Turnover SEK bn	Comment
1	199	National	5.8	All kinds of pharmacies
2	171	National	4.4	All kinds of pharmacies
3	21	Stockholm area	1.0	Commercial
4	20	Gothenburg area	1.1	Commercial
5	21	Skåne area	0.9	Commercial
6	12	Middle Sweden	0.7	Hospital pharmacies
7	12	South Sweden	0.8	Hospital pharmacies
8	10	Sto, Got, Malmö	1.3	Large pharmacies
9	330	National	10.5	Remaining Apoteket
10	150	National	3.7	For small companies



# Oriola-KD has Signed a Share Purchase Agreement to Acquire 171 Pharmacies

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- Kronans Droghandel Retail AB, a company jointly owned by Oriola-KD Corporation and Kooperativa Förbundet (KF), has signed a share purchase agreement with Apoteket AB on the acquisition of 100 per cent of the shares of pharmacy cluster company 2 with 171 pharmacies in Sweden
- The total purchase price of the acquisition is expected to be approximately 1.56 billion SEK in cash
- The closing of the transaction is expected to take place in the first quarter of 2010
  - Subject to approval by the Swedish Competition Authority (Konkurrensverket) and grant of pharmacy licences by the Swedish Medical Products Agency (Läkemedelsverket)

# Acquired Pharmacy Cluster 2

- Pharmacy Company Sweden 2 AB
  - National pharmacy cluster with 171 pharmacies
- Proforma net sales of the 171 pharmacies in 2008 were SEK 4.4 billion
- Market share of approximately 14.5 per cent in 2008
- 931 employees at the end of 2008
- Proforma operating profit including average central overhead costs of Apoteket AB in 2008 was SEK 183 million
  - 4.2 per cent of net sales
- Net debt at the end of August 2009 was SEK 136 million



# Kronans Droghandel Retail AB

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- In connection with the acquisition, Oriola-KD and KF have completed the previously announced collaboration on the Swedish pharmaceutical retail market by establishing a joint venture company, Kronans Droghandel Retail AB
  - Oriola-KD holds an 80 per cent ownership in the company
  - KF holds 20 per cent ownership in the company
  - The Board of Directors of Kronans Droghandel Retail AB consists of four members appointed by Oriola-KD and one member appointed by KF
  - Cecilia Marlow has been appointed as Managing Director of the company
- The joint venture enables Kronans Droghandel Retail AB to establish new pharmacies, mainly in conjunction with Coop's hyper and supermarkets owned by KF
- Oriola-KD will be responsible for the development and management of the pharmacy chain
- The joint venture will operate under the Kronans Droghandel brand

# Strategic Cooperation of Oriola-KD and KF



Agreed to cooperate and finance the pharmacy investments in Sweden



Strong knowledge in pharmaceutical wholesale and retail



New pharmacy concept ready to be adapted to Swedish market



100 years experience in Swedish pharmaceutical distribution



Strong retail and market knowledge in Sweden



60 -100 prime locations for pharmacies



"MedMera" customer program with over 3 million customers



Majority ownership  
Operational responsibility to manage and develop the new pharmacy chain

Minority ownership  
Long term cooperation within pharmaceutical retail

# Financing of the Acquisition

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- Oriola-KD and KF will finance the acquisition in part with an equity investment of SEK 600 million into Kronans Droghandel Retail AB
- Kronans Droghandel Retail AB has signed also a SEK 1.3 billion credit facility
  - The facility will be used for financing the acquisition, investing into the establishment of new pharmacies and for working capital purposes in Sweden
  - The credit facility includes financial covenants based on Oriola-KD's net debt to EBITDA and gearing ratio
  - Credit facility has been signed with Nordea Bank Finland plc, Pohjola Bank plc, Sampo Bank Plc and Svenska Handelsbanken AB (publ), Branch operation in Finland
    - Nordea Bank Finland Plc has acted as the Agent
- Oriola-KD has started a sale of sales receivables programme (non-recourse) in Sweden with Pohjola Bank plc to finance its equity investment in Kronans Droghandel Retail AB
- After closing of the transaction, Oriola-KD's gearing ratio, 44 per cent at the end of September 2009, is expected to increase to the level of 100 per cent



# Kronans Droghandel Pharmacy



- Pharmaceuticals and inspiring products with service and treatment that give customers energy
  - High staff availability on sales floor
- Centralized pharmacy operations within
  - Assortment, purchasing, replenishment, store interior, space management, campaigns and marketing
- Best in class category management competence to enable assortment differentiation
- New IT system to be implemented in all pharmacies

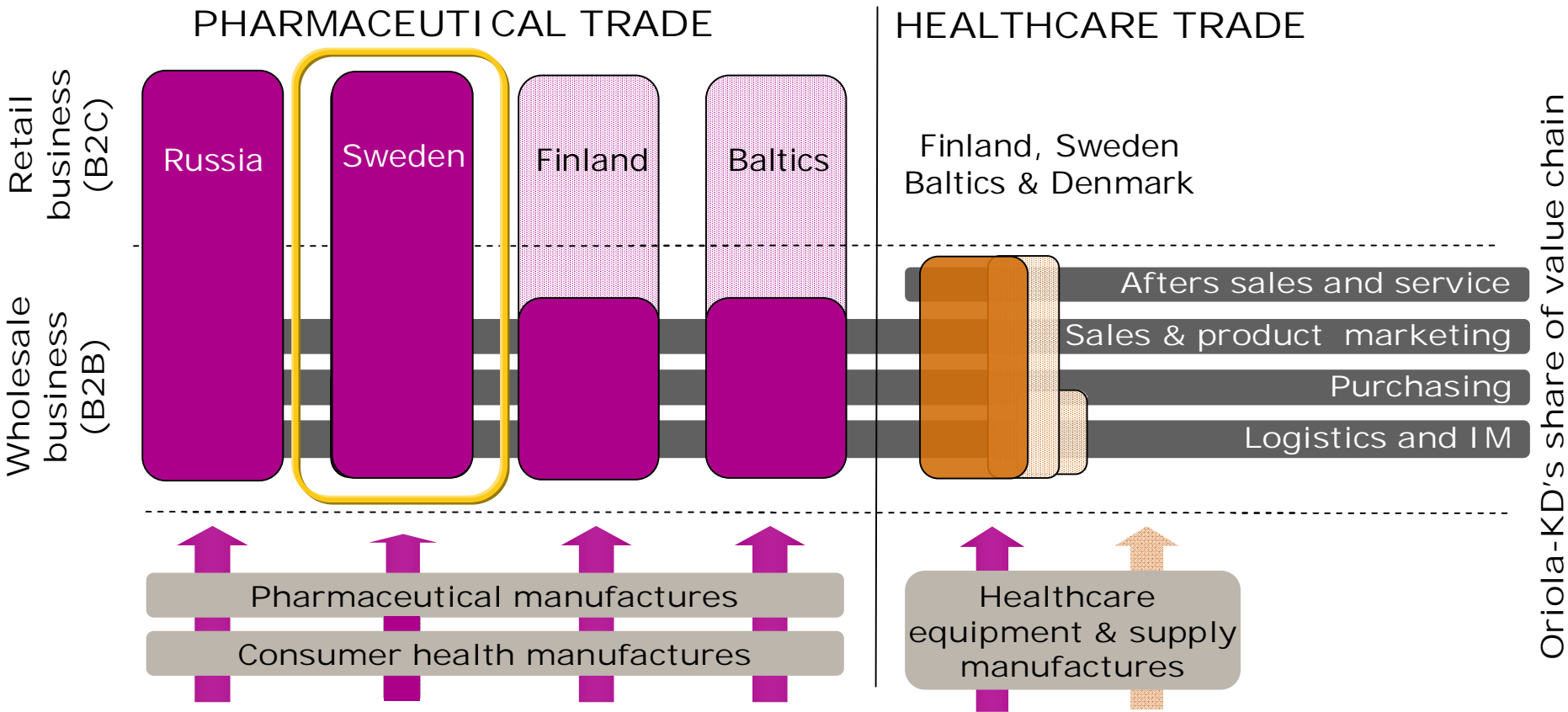
# Supporting Oriola-KD's Strategy

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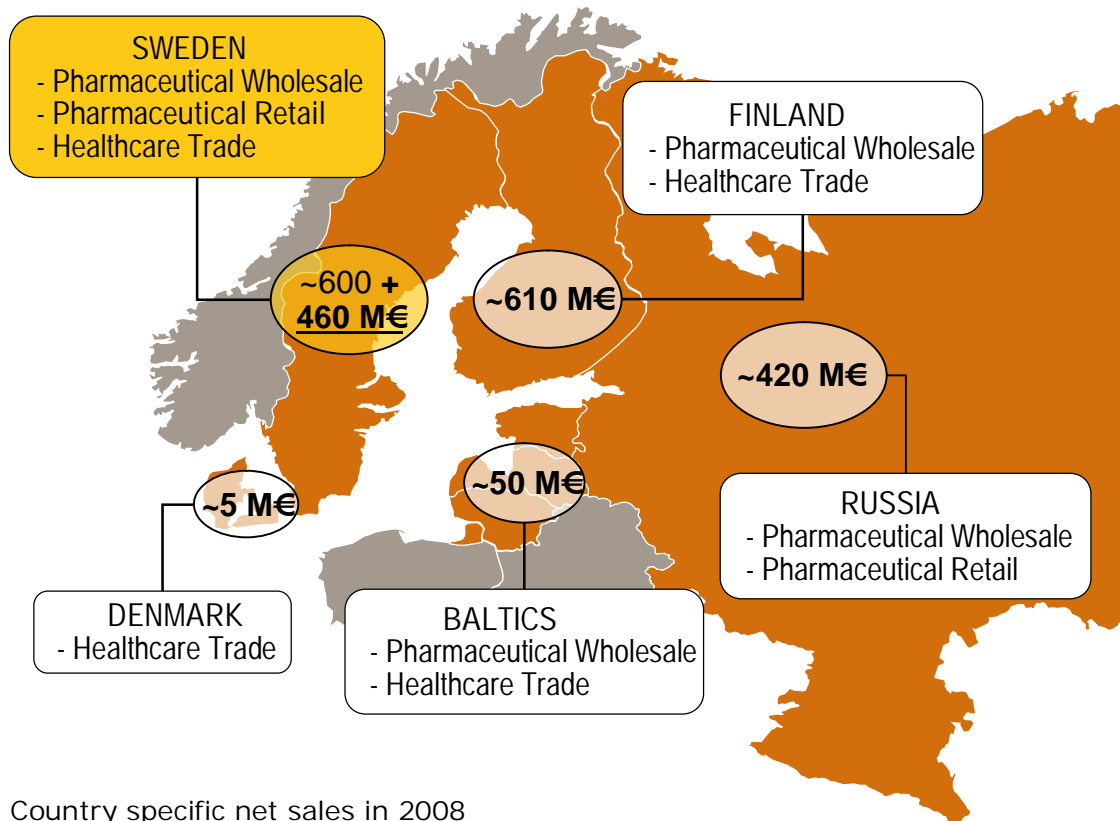
- The acquisition is in line with Oriola-KD's strategy to expand operations from pharmaceutical wholesale to pharmaceutical retail in all countries where Oriola-KD operates and where market regulation allows it
- Oriola-KD's fully-owned subsidiary, Kronans Droghandel AB (KD Pharma), has been operating on the Swedish pharmaceutical trade market for more than 100 years
  - During the last 40 years the wholesale company has made daily nationwide deliveries of pharmaceuticals to all of Apoteket AB's pharmacies fulfilling special requirements on quality and accuracy
- The long experience in the Swedish pharmaceutical market makes this acquisition a logical next step for Oriola-KD to expand into the retail business
  - KD Pharma: Pharmaceutical wholesale
  - Kronans Droghandel: Pharmaceutical retail
- Oriola-KD entered the Russian pharmaceutical wholesale and retail market in 2008 and is currently one of the leading pharmaceutical wholesale and retail companies in Russia

# Oriola-KD Strategy

- Current businesses
- Strategic expansion



# Oriola-KD after the Acquisition



Business	Market Position / market share
Finland: Pharmaceutical Wholesale	Number 2 47 % market share
Sweden: Pharmaceutical Wholesale	Number 2 41 % market share
Sweden: Pharmaceutical Retail	Number 3 14.5 % market share
Russia: Pharmaceutical Wholesale	Number 5-6 in Russia 8 % market share
Russia: Pharmaceutical Retail	Number 3 in Moscow Number 6 in Russia
Baltics: Pharmaceutical Wholesale	5-10 % market share
Healthcare Trade FI, SWE, DK, BALT	One of the leading companies in Finland, Sweden and Baltics
Dental Trade* FI, SWE, DK, NOR, BALT	Market leader

\*) Joint company with Swedish Lifco, Oriola-KD's share 30 %



Oriola-KD is a leading pharmaceutical retail & wholesale and healthcare trade company in Finland, Sweden, Russia and the Baltics

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Net sales of Oriola-KD in 2008 was EUR 1.6 billion and number of personnel is 4,200