Report of the Board of Directors & Financial Statements 2008

Information to Shareholders

THE 2009 ANNUAL GENERAL MEETING

The 2009 Annual General Meeting of Shareholders of Oriola-KD Corporation will be held on Thursday, 16 April 2009 at 5pm at Helsinki Fair Centre, address Helsinki Fair Centre, Conference Wing, Rautatieläisenkatu 3, 00520 Helsinki, Finland. The notice to convene is available on the company's web site at www.oriola-kd.com and it has been published in Helsingin Sanomat on 27 March, 2009.

SHAREHOLDERS RESGISTER AND THE INSIDER REGISTER

The company's shareholder register as well as the insider register are available at Euroclear Finland Ltd. at the following address:

Euroclear Finland Ltd.
Urho Kekkosen katu 5 C, 8th Floor
FI-00100 Helsinki, Finland

The shareholders are requested to make their change of address to the Account Operator who attends to the shareholder's bookentry account.

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Oriola-KD Corporation is a leading company in pharmaceutical trade and in health-care. The company operates in Finland, Sweden, Russia and the Baltic countries. The invoicing of Oriola-KD in 2008 was EUR 2.9 billion and number of personnel is about 4,700. Oriola-KD is listed on NASDAQ OMX Helsinki Ltd.

www.oriola-kd.com

Report of the Board of Directors

In 2008, the business operations of the Oriola-KD Group (referred to below as Oriola-KD) performed according to plan. Net sales were up by 15 percent and operating profit by 25 percent on the previous year. Oriola-KD also defined a new strategy under which its aim is to be a leader in pharmaceuticals retailing, pharmaceuticals wholesaling and the healthcare trade in Finland, Sweden, Russia and the Baltic countries. In line with this strategy, Oriola-KD carried out a major expansion in the rapidly growing Russian pharmaceutical retail and wholesale market in April 2008 by acquiring 75 percent of the pharmacy operator Vitim and the pharmaceutical wholesaler Moron. The acquisition of the Russian companies and the improvements made in their operating efficiency progressed according to plan. In 2009, Oriola-KD will continue to develop its Russian operations and will prepare for the possible deregulation of the Swedish pharmacy market. The uncertainty of the financial market may have an effect on Oriola-KD's 2009 business.

The figures for the Oriola-KD Group for the period January–December 2008 have been prepared in accordance with the recognition and valuation principles of the IFRS standards and been audited. The retail and wholesale businesses OOO Vitim & Co and OOO Moron, acquired in Russia, have been consolidated into Oriola-KD's accounts as of 1 April 2008.

Financial performance

Oriola-KD's invoicing in January–December 2008 was EUR 2,882.3 million (EUR 2,524.5 million) and net sales were EUR 1,580.8 million (EUR 1,377.3 million).

Operating profit for January–December 2008 came to EUR 36.4 million (EUR 29.1 million) and profit after financial items came to EUR 34.6 million (EUR 31.0 million). During 2008 Oriola-KD invested heavily in strategic growth ventures, the execution and takeover of the Russian acquisition and in preparing for the business opportunities offered by the potential deregulation of the Swedish pharmacy market. The strategic growth ventures gave rise to additional expenditure of EUR 3.3 million in the period under review.

Oriola-KD's financing expenses in January–December 2008 were EUR 1.8 million. In the corresponding period in 2007, financing income was EUR 1.9 million. The increase in financing expenses was mainly due to the execution of the Russian acquisition in April 2008.

Taxes in January–December 2008 amounted to EUR 7.2 million (EUR 7.3 million). Taxes corresponding to the result for the period under review are accounted as taxes. The tax rate for 2008 was lowered by the deduction of deferred tax liabilities which was due to the decrease of company tax rates in Sweden and Russia.

Net profit in January–December 2008 was EUR 27.5 million (EUR 23.7 million).

Oriola-KD's earnings per share in 2008 were EUR 0.19 (EUR 0.16). Return on capital employed was 13.5 percent (14.2 percent) and return on equity 14.1 percent (12.0 percent).

Balance sheet, financing and cash flow

Oriola-KD's balance sheet total on 31 December 2008 stood at EUR 790.6 million (EUR 645.4 million). Cash assets at the end of December 2008 were at EUR 46.5 million (EUR 131.0 million). Equity was EUR 185.5 million (EUR 203.6 million). Oriola-KD's equity ratio was 25.1 percent (33.7 percent). The equity was lowered by translation effects due to lower Swedish currency (SEK) and Russian currency (RUB) exchange rates.

At the end of 2008 interest-bearing net debt amounted to EUR 62.2 million (EUR –90.0 million) and the gearing ratio was 33.5 percent (–44.2 percent). Interest-bearing debt stood at EUR 108.7 million on 31 December 2008 (EUR 41.0 million) and was made up of drawings on the commercial paper programme, pharmacies' advance payments in Finland, financial leasing debts and the estimated final transaction price of the remaining 25 percent holding in the Russian companies. At the end of December, Oriola-KD had drawn EUR 29.4 million from the commercial paper programme. Credit facilities of approximately EUR 78.1 million with banks to secure the programme remained untapped at the end of 2008.

Cash flow from operations in January–December 2008 was EUR –18.1 million (EUR 39.0 million), of which changes in working capital accounted for EUR –52.2 million (EUR 6.8 million). The rise in working capital is mainly attributable to the growth of the Russian companies and changes in their terms of payment, and to changes in Swedish accounts payables. The changes in the terms of payment will improve the competitiveness and performance of the businesses in Russia. Cash flow from investments was EUR –75.3 million (EUR –19.1 million). During 2008 cash flow after investments was EUR –93.4 million (EUR 19.8 million). Cash flow from financing includes a dividend of EUR 11.3 million paid in April 2008.

Investments

Investments in 2008 amounted to EUR 125.7 million (EUR 32.1 million) and mainly concerned the business acquisition in Russia, the acquisition of a 12.51 percent minority holding in Kronans Droghandel AB from Merck Sharp & Dohme (Sverige) AB, and operative maintenance and PPE investments. The strong profit made by the Russian companies during the fourth quarter augmented the additional purchase price connected to the purchase of the 75 percent holding and based on the profit for 2008.

Personnel

At the end of the financial year, Oriola-KD had a payroll of 4,709 employees (1,302), 74 percent of whom worked in Russia (0 percent), 14 percent in Finland (54 percent), 8 percent in Sweden (28 percent) and 4 percent in the Baltic countries and Denmark combined (18 percent).

Changes in the Group Management Team in 2008

On 31 December 2008, Oriola-KD Corporation's Group Management Team was composed of:

Eero Hautaniemi	President and CEO
Claes von Bonsdorff	Vice President, IT Administration
Thomas Heinonen	Senior Legal Counsel (as of 1 June 2008)
Pellervo Hämäläinen	Vice President, Communications and IR
Anne Kariniemi	Vice President, Logistics and Sourcing

Cecilia Marlow	Vice President, Pharmaceutical Trade Sweden (as of 1 November 2008)
Matti Lievonen	Senior Advisor, Pharmaceutical Trade Finland (until 31 December 2008)
Jukka Niemi	Vice President, Pharmaceutical Trade Finland
Teija Silver	Vice President, Human Resources
Ilari Vaalavirta	Vice President, Healthcare Trade
Kimmo Virtanen	Executive Vice President & CFO

CFO Kimmo Virtanen was appointed Executive Vice President and deputy to the CEO of Oriola-KD Corporation effective 1 May 2008. His sphere of responsibility comprises Group functions as well as finance. Legal Counsel Thomas Heinonen was appointed Senior Legal Counsel at Oriola-KD effective 1 June 2008 and General Counsel and Secretary of the Board of Directors effective 1 January 2009. General Counsel Henry Haarla retired on 1 June 2008.

Jukka Niemi was appointed Vice President of the Pharmaceutical Trade Finland business effective 1 July 2008. Matti Lievonen, Director of Pharmaceutical Distribution and Executive Vice President of Oriola Oy retired at the end of 2008.

Cecilia Marlow was appointed Managing Director of Kronans Droghandel AB (KD) and a member of the Oriola-KD Group Management Team as of 1 November 2008. Birgitta Gunneflo, KD's Managing Director and member of the Group Management Team, resigned from her post on 1 November 2008.

Business segments

Oriola-KD has two business segments: The Pharmaceutical Trade business segment and the Healthcare Trade business segment, which includes the share of profits from the associated dental trade company.

In accordance with the resolution of the Board of Directors of Oriola-KD Corporation on 11 February 2009, Oriola-KD's new business segments as of the first quarter of 2009 are Pharmaceutical Trade Finland, Pharmaceutical Trade Sweden, Pharmaceutical Trade Russia, Pharmaceutical Trade Baltics, Healthcare Trade and Dental Trade. The new segment structure is in line with the Group's new organisation structure and internal reporting. The comparison data for 2008 will be published in accordance with the new segment distribution before the first interim report of 2009.

Pharmaceutical Trade business segment

The Pharmaceutical Trade business segment's invoicing in January–December 2008 was EUR 2,682.1 million (EUR 2,253.4 million) and net sales were EUR 1,425.6 million (EUR 1,135.8 million).

The January–December 2008 operating profit came to EUR 32.0 million (EUR 17.4 million), which includes the Russian business' operating profit of EUR 8.2 million from April–December.

On 31 December 2008, the number of employees within the Pharmaceutical Trade business segment was 4,321 (856).

Finland

The Pharmaceutical Trade business segment's invoicing in Finland in January–December 2008 was EUR 1,047.9 million (EUR 973.8 million) and net sales were EUR 533.9 million (EUR 468.1 million).

The pharmaceutical market grew by 6.7 percent in Finland (5.4 percent excluding a single large batch of vaccines) in January–December 2008. Oriola-KD held a 47.6 percent (45.9 percent) share of the pharmaceutical distribution market in Finland in January–December 2008 (source: IMS Health).

Oriola-KD took over the distribution of Wyeth products in Finland at the beginning of 2008. Wyeth's share of the Finnish pharmaceutical market is roughly two percent (source: IMS Health). Oriola-KD retained all its major pharmaceutical principals in Finland during 2008.

Based on the situation at the end of 2008, Oriola-KD's estimated share of the pharmaceutical wholesale market in Finland will be approximately 47 percent in 2009.

Sweden

The Pharmaceutical Trade business segment's invoicing in Sweden in January–December 2008 was EUR 1,270.3 million (EUR 1,242.2 million) and net sales were EUR 536.1 million (EUR 634.9 million). The decline in net sales in Sweden was the result of the increase of the relative share of pharmaceutical manufacturers' consignment agreements in 2008.

The Swedish pharmaceutical market grew by 4.1 percent (6.8 percent) in January–December 2008. Oriola-KD held a 43.8 percent (42.0 percent) share of the pharmaceutical distribution market in Sweden in January–December 2008 (source: IMS Health).

Oriola-KD took over the distribution of McNeil products in Sweden at the beginning of 2008. McNeil's share of the Swedish pharmaceutical market is roughly two percent (source: IMS Health). Pharmaceutical principals that will no longer be distributed by Oriola-KD are Schering-Plough and Organon. As a consequence of this, Oriola-KD's market share in the wholesale pharmaceutical trade at the beginning of February 2009 will fall to around 40 percent.

The Swedish Government has proposed the deregulation of the pharmacy monopoly in mid-2009. In 2008, Oriola-KD continued to prepare for this possible change in the pharmacy market.

In June, Oriola-KD increased its shareholding in the Swedish Kronans Droghandel AB (KD) from 85.62 percent to 98.13 percent by acquiring a minority holding in Merck Sharp & Dohme (Sverige) AB. Merck Sharp & Dohme (Sverige) AB held a 12.51 percent minority in KD. The minority holding in KD subsequent to the transaction consists of Organon AB's 1.87 percent holding.

Russia

The retail and wholesale businesses Vitim and Moron that were acquired in Russia have been consolidated into Oriola-KD's accounts as of 1 April 2008. In April–December, the net sales of the acquired companies grew by some 31 percent in Russian rubles to EUR 318.9 million. The Russian retail and wholesale companies' operating profit for April–December 2008 was EUR 8.2 million.

During 2008 Oriola-KD focused on improving the efficiency of operations and profitability in Russia. Oriola-KD maintained 150 pharmacies in Russia at the end of the financial year.

The business in Russia is typically seasonal in that performance in the first and fourth quarters of the year is usually strong. Historically speaking, performance in the fourth quarter of the year has been the strongest by a clear margin, whereas the second and third quarters have been weaker than the other quarters.

Oriola-KD confirmed the acquisition of the pharmacy and pharmaceutical wholesale businesses of Vitim and Moron on 21 April 2008. The acquisition involved the establishment of a Finnish company, Foreti Oy, which owns Vitim, a Moscow-based pharmacy retail company, and Moron, a pharmaceutical wholesaler. Oriola-KD's holding in Foreti Oy subsequent to the acquisition is 75 percent while the founders of the Russian companies, Igor Yankov and Oleg Yankov, hold 25 percent. 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 Boards of Directors of Foreti Oy, Vitim and Moron are made up of Eero Hautaniemi (Chairman), Kimmo Virtanen, Christian Ramm-Schmidt, Igor Yankov and Oleg Yankov.

Other countries

The Pharmaceutical Trade business segment's invoicing in the Baltic countries in January–December 2008 was EUR 40.7 million (EUR 37.4 million) and net sales were EUR 36.7 million (EUR 32.7 million).

Healthcare Trade business segment

The Healthcare Trade business segment's invoicing in January–December 2008 was EUR 200.2 million (EUR 271.2 million) and net sales were EUR 155.3 million (EUR 241.5 million). Invoicing and net sales in the Healthcare Trade business segment were reduced by the merger of the Dental Trade business with and into Lifco Dental, by the sale of the home distribution business in Sweden in 2007, and by changes in principals in Finland.

Operating profit in January–December 2008 was EUR 10.1 million (EUR 14.9 million).

The Healthcare Trade business segment had a payroll of 388 (446) employees on 31 December 2008.

Finland

The Healthcare Trade business segment's invoicing in Finland in January–December 2008 was EUR 85.4 million (EUR 86.9 million) and net sales were EUR 76.7 million (EUR 81.7 million). Invoicing for 2008 was reduced by and profitability was weakened by two major suppliers no longer being represented by Oriola-KD due to restructuring of international distribution channels.

Sweden

The Healthcare Trade business segment's invoicing in Sweden in January–December 2008 was EUR 102.0 million (EUR 135.5 million) and net sales were EUR 65.8 million (EUR 113.4 million). The sale of the home distribution business in Sweden in 2007 reduced both invoicing and net sales. Profitability has improved in 2008 and the transition from distribution to wholesaling business has proceeded according to plan.

Other countries

The Healthcare Trade business segment's invoicing in the Baltic countries and Denmark in January–December 2008 was EUR 12.8 million (EUR 12.3 million) and net sales were EUR 12.7 million (EUR 10.9 million).

Dental Trade

Dental Trade contributed EUR 0.0 million (EUR 36.5 million) to the segment's invoicing, EUR 0.0 million (EUR 35.6 million) to its net sales and EUR 2.1 million (EUR 2.2 million) to the segment's operating profit in January–December 2008. The merger of the dental business with and into Lifco Dental was finalised on 2 January 2008 with the merger of the businesses in Estonia, Latvia and Lithuania. Oriola-KD holds a 30 percent share of the merged dental business while Lifco has a 70 percent holding. Operating profit in dental trade has not met expectations largely because of poor profitability in Finland and several one-off items related to corporate acquisitions and terminations of business.

Board of Directors and auditor

In accordance with the company's corporate governance guidelines, the Chairman of the Board is appointed by the General Meeting. The Deputy Chairman of the Board is appointed by the Board of Directors. The Board of Directors appoints Oriola-KD's President and CEO and decides on the terms of his or her service relationship. The period of notice of the President and CEO is six months and the compensation on termination of employment is an amount corresponding to 12 months' salary.

The Annual General Meeting of Oriola-KD Corporation held on 17 March 2008 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 continues as Chairman of the Board. The auditor for the company, elected by the AGM, is corporation of public accountants PricewaterhouseCoopers Oy with APA Heikki Lassila as principal auditor. APA Kaj Wasenius was elected deputy auditor.

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

Audit Committee:
- Antti Remes, Chairman
- Harry Brade
- Outi Raitasuo
- Mika Vidgrén

Compensation Committee:
- Olli Riikkala, Chairman
- Pauli Kulvik
- Jaakko Uotila

On 21 November 2008, the Board of Directors of Oriola-KD Corporation appointed the following persons as members of the Nomination Committee:

Into Ylppö, Chairman
Harry Brade
Risto Murto
Olli Riikkala

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.

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.

Related parties

Related parties in the Oriola-KD Group are deemed to comprise parent company Oriola-KD Corporation, 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 Fund. The Group has no significant business transactions with related parties, except for pension expenses arising from defined benefit plans with the Oriola Pension Fund. 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. The Oriola-KD Corporation has given no significant sureties on behalf of Group companies.

Oriola-KD Corporation share

Trading volume of the Oriola-KD Corporation's Class A and B shares in January–December 2008:

Trading volume	**Jan–Dec 2008**		**Jan–Dec 2007**	
	Class A	Class B	Class A	Class B
Trading volume, million	5.6	41.3	12.1	71.6
Trading volume, EUR million	12.0	98.1	40.2	231.8
High, euros	3.10	3.10	3.70	3.68
Low, euros	1.22	1.20	2.64	2.57
Closing quotation on 31 Dec 2008, euros	1.30	1.30	3.00	3.00

In 2008 the traded volume of Oriola-KD Corporation shares, treasury shares excluded, corresponded to 33.0 percent (59.2 percent) of the total outstanding shares. The traded volume of Class A shares in the period under review amounted to 11.2 percent (23.1 percent) of average outstanding stock and that of Class B shares, excluding treasury shares, to 45.0 percent (80.5 percent).

Oriola-KD Corporation's market capitalisation on 31 December 2008 was EUR 184.5 million (EUR 423.8 million).

At the end of 2008, the company had 141,907,828 shares (141,257.828) of which 48,692,203 were Class A shares (51,245,405) and 93,215,625 were Class B shares (90.012.423). Under Article 3 of the Articles of Association, a shareholder may demand conversion of Class A shares into Class B shares. In January–December 2008, a total of 2,553,202 Class A shares were converted into Class B shares (5,049,235).

The resolutions of Oriola-KD Corporation's Board of Directors taken on 20 February 2008 pursuant to the authorisation granted by the Annual General Meeting on 13 March 2007, concerning a bonus issue to the company and a targeted bonus issue within the share incentive scheme, were executed during 2008. Oriola-KD Corporation issued to itself 650,000 new Class B shares in the bonus issue. In addition, the Board resolved on a targeted bonus issue in which 156,048 Class B shares held as treasury shares were assigned to the company's President and CEO and other members of Oriola-KD Corporation's Group Management Team as part of the Group's share incentive scheme for top management. The share issues were executed and registered in the period under review. In the context of the targeted bonus issue, the company transferred 156,048 Class B treasury shares on 27 March 2008 into the book-entry accounts of persons covered under the incentive scheme for management.

Subsequent to the share issues, the company holds 493,952 treasury shares, all of which are Class B shares. These account for 0.35 percent of the company's outstanding stock and 0.05 percent of the votes in the company.

More detailed information on the Board's existing authorisations can be found in the notes to the financial statements.

The portion of the votes produced by Oriola-KD Corporation's shares held by Maa- ja Vesitekniikan Tuki ry and its subsidiary exceeded the one twentieth (1/20) referred to in Section 9 Chapter 2 of the Securities Markets Act subsequent to a transaction executed on 29 July 2008. Their ownership was 5.08 percent of the total votes in Oriola-KD on 29 July 2008.

Dividend distribution proposal

Oriola-KD's parent company is Oriola-KD Corporation, whose distributable assets on 31 December 2008, based on the balance sheet, were EUR 73.7 million (EUR 63.1 million). The Board proposes to the General Meeting that a dividend of EUR 0.08 per share (EUR 0.08 per share) be distributed for 2008.

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. Deliveries to regular customers are packed in reusable plastic boxes that can be 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 toxic waste is sorted and delivered to a toxic waste disposal plant as required by the pharmaceutical and environmental authorities.

Risks

The Board of Directors of Oriola-KD has approved the company's risk management policy in which the operational model, principles, responsibilities and reporting in risk management have been determined. 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, operative and financial. Risk management is a key element of the strategic process, operative planning and daily decision-making at Oriola-KD.

Oriola-KD has identified the following most significant strategic and operative risks in its business:

- Changes in bargaining position vis-à-vis suppliers and customers
- Impacts on business concepts from potential 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
- Commitment of key employees

The major financial risks for Oriola-KD involve currency exchange rates, interest rates, liquidity and credit. The estimated USD-denominated additional purchase price on the Russian business acquisition and the USD-denominated purchase price of the remaining 25 percent holding were hedged in July 2008 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 increased in the second quarter as the company expanded to the Russian pharmaceutical retail and wholesale market. Currency exchange rate risks are the main financial risks related to Russia: possible changes in the value of the ruble affect Oriola-KD's financial performance. Goodwill and intangible rights are subject to annual impairment testing which may affect Oriola-KD's financial performance.

Near-term risks and uncertainty factors

Factors with a material impact on Oriola-KD's near-term outlook are the success of the takeover of the Russian acquisition, the realisation of the growth potential of the Russia-based businesses, general market trends in Russia and variations in the value of the ruble. The possible changes of the Swedish pharmacy market is subject to uncertainty factors that may have a substantial effect on Oriola-KD's business. The uncertainty of the financial market may also have an effect on Oriola-KD's near-term business especially in Russia.

Events after the period under review

In its meeting held on 19 January 2009, the Nomination Committee of Oriola-KD Corporation gave its recommendation to the Board of Directors for the proposal to the Annual General Meeting on 16 April 2009 concerning the composition of the Board of Directors as follows:

- The Board of Directors should continue to have seven members
- Current members of the Board Harry Brade, Pauli Kulvik, Outi Raitasuo, Antti Remes, Olli Riikkala, Jaakko Uotila and Mika Vidgrén should be re-elected to the Board
- Olli Riikkala should be re-elected as Chairman of the Board.

The following remunerations are recommended to be paid to the Board of Directors:

- Chairman: Annual fee EUR 44,000, fee for each meeting EUR 800, telephone as a fringe benefit
- Vice Chairman: Annual fee EUR 27,500, fee for each meeting EUR 400
- Other Board members: Annual fee EUR 22,000, fee for each meeting EUR 400
- The annual fees shall be paid in cash no later than 5 May 2009
- Meeting fees should be paid in the same manner also to members of the Board of Directors and the company's committees
- Travel expenses should be paid in accordance with the travel policy of the company

Pursuant to the resolution of the Board of Directors of Oriola-KD Corporation on 11 February 2009, as of 1 March 2009 Oriola-KD Corporation's Group Management Team will be composed of:

Eero Hautaniemi	President and CEO
Anne Kariniemi	Vice President, Logistics and Sourcing
Cecilia Marlow	Vice President, Pharmaceutical Trade Sweden
Jukka Niemi	Vice President, Pharmaceutical Trade Finland
Ilari Vaalavirta	Vice President, Healthcare Trade
Kimmo Virtanen	Executive Vice President & CFO

The aim of the changes in the Group Management Team is to promote the implementation of the Group's strategic projects and the direction of the business units. Head of the Baltic countries and heads of Russian businesses will report to President and CEO of Oriola-KD.

An extended Group Management Team, composed of the Group Management Team and the heads of the Group functions, also operates in the Group.

Outlook

Oriola-KD's outlook for 2009 is based on external market forecasts, agreements with principals, cumulative orders and management estimates. Long term fundamentals and growth prospects are deemed to remain favourable in the healthcare market.

Oriola-KD estimates that the pharmaceutical market in Finland and Sweden will grow by about 3–5 percent annually over the next few years, which is in line with the longer-term average growth rate of these markets. The Russian pharmaceutical market is estimated to see annual growth of approximately 15–20 percent in Russian rubles in the next few years. Growth in the market for healthcare equipment and supplies in Finland and Sweden is estimated to outpace that of the pharmaceutical market.

The introduction of the reference price system in Finland at the beginning of April 2009 will hamper the growth of net sales of the Pharmaceutical Trade Finland business in 2009. It is too early to predict the revenue performance of the Pharmaceutical Trade Sweden business due to changes caused by the possible changes of the pharmacy market. The Pharmaceutical Trade Russia business is expected to continue growing despite the weakened ruble. Oriola-KD's comparable net sales in 2009 is expected to be higher than in the previous year.

Due to the changes in the market environment it is too early to estimate Oriola-KD's operating profit in 2009.

Notes to the financial statements and the section on corporate governance contain information supplementing this report of the Board of Directors.

Espoo, 11 February 2009

Board of Directors of Oriola-KD Corporation

Oriola-KD Corporation

Eero Hautaniemi
President and CEO

Invoicing, Net Sales and Operating Profit by Annual Quarters

Invoicing

EUR million	10–12/2008	7–9/2008	4–6/2008	1–3/2008
Pharmaceutical Trade	712.2	671.3	706.5	592.1
Healthcare Trade	54.0	44.8	49.7	51.6
Dental Trade	0.0	0.0	0.0	0.0
Group total	766.2	716.2	756.2	643.6

EUR million	10–12/2007	7–9/2007	4–6/2007	1–3/2007
Pharmaceutical Trade	571.4	543.0	575.9	563.2
Healthcare Trade	67.3	52.1	56.7	58.6
Dental Trade	1.3	10.2	11.8	13.2
Group total	640.0	605.2	644.4	634.9

Net sales

EUR million	10–12/2008	7–9/2008	4–6/2008	1–3/2008
Pharmaceutical Trade	406.4	364.6	377.2	277.3
Healthcare Trade	42.7	33.8	38.1	40.6
Dental Trade	0.0	0.0	0.0	0.0
Group total	449.1	398.4	415.4	318.0

EUR million	10–12/2007	7–9/2007	4–6/2007	1–3/2007
Pharmaceutical Trade	270.7	278.3	295.5	291.3
Healthcare Trade	59.5	45.6	49.2	51.7
Dental Trade	1.3	9.9	11.5	12.9
Group total	331.6	333.8	356.1	355.8

Operating profit

EUR million	10–12/2008	7–9/2008	4–6/2008	1–3/2008
Pharmaceutical Trade	14.8	7.0	4.3	5.9
Healthcare Trade	1.7	1.8	1.5	2.9
Dental Trade	0.8	0.3	0.4	0.6
Group Administration and others	–1.6	–1.2	–2.0	–0.8
Group total	15.8	7.9	4.2	8.5

EUR million	10–12/2007	7–9/2007	4–6/2007	1–3/2007
Pharmaceutical Trade	2.7	5.0	4.6	5.1
Healthcare Trade	3.9	3.4	2.8	2.6
Dental Trade	1.0	0.1	0.2	1.1
Group Administration and others	–0.5	–0.5	–1.2	–1.0
Group total	7.0	8.0	6.3	7.8

Consolidated Income Statement (IFRS)

EUR million	Note	1.1.–31.12.2008	1.1.–31.12.2007
Net sales	1)	1,580.8	1,377.3
Cost of goods sold		–1,370.0	–1,232.0
Gross profit		210.8	145.2
Other operating income	2)	3.4	2.3
Selling and distribution expenses	3 and 4)	–146.7	–104.5
Administrative expenses	3 and 4)	–33.3	–14.9
Profit from associated company	11)	2.2	1.0
Operating profit		36.4	29.1
Financial income and expenses	5)	–1.8	1.9
Profit before taxes		34.6	31.0
Tax expense	6)	–7.2	–7.3
Profit for the period		27.5	23.7
Of which available for:			
Parent company shareholders		27.4	23.3
Minority interest		0.1	0.4
Earnings per share:			
- basic, EUR	7)	0.19	0.16
- diluted, EUR	7)	0.19	0.16
Depreciation total	3)	9.8	10.4
Employee benefits	4)	90.9	54.2

Net sales by market area

EUR million	10–12/2008	7–9/2008	4–6/2008	1–3/2008
Finland	174.5	144.6	150.5	148.7
Other Nordic countries	132.3	145.1	158.5	156.5
Other Europe	14.9	10.9	12.5	12.7
Russia	127.3	97.9	93.8	0.0
Other countries	0.1	0.0	0.1	0.0
Group total	449.1	398.4	415.4	318.0

EUR million	10–12/2007	7–9/2007	4–6/2007	1–3/2007
Finland	143.4	135.3	143.4	148.1
Other Nordic countries	174.9	187.1	199.6	195.0
Other Europe	12.8	11.3	12.5	12.6
Russia	0.0	0.0	0.0	0.0
Other countries	0.5	0.1	0.7	0.2
Group total	331.6	333.8	356.1	355.8

Consolidated Balance Sheet (IFRS)

EUR million	Note	31.12.2008	31.12.2007
ASSETS			
Non-current assets			
Property, plant and equipment	9)	54.5	56.3
Goodwill	10)	105.1	33.9
Other intangible assets	10)	41.9	4.5
Investments in associated comp.	11)	28.5	27.1
Pension asset	12)	9.7	10.1
Other non-current assets	14)	0.2	0.5
Deferred tax assets	13)	0.8	0.2
Non-current assets total		240.5	132.5
Current assets			
Inventories	15)	250.7	180.9
Trade receivables	16)	235.2	194.2
Other receivables	16)	17.7	6.8
Cash and cash equivalents	17)	46.5	131.0
Current assets total		550.1	512.9
ASSETS TOTAL		790.6	645.4

Consolidated Balance Sheet (IFRS)

EUR million	Note	31.12.2008	31.12.2007
EQUITY AND LIABILITES			
Equity			
Share capital		36.2	36.2
Expendable fund		30.0	30.0
Other funds		0.1	0.1
Retained earnings		118.1	129.2
Equity of the parent company shareholders		184.4	195.5
Minority interest		1.0	8.1
Equity total	18)	185.5	203.6
Non-current liabilities			
Deferred tax liabilities	13)	16.5	8.7
Pension liability	12)	4.2	4.4
Provisions	19)	0.0	0.0
Interest-bearing non-current liabilities	20)	27.9	0.3
Other non-current liabilities	21)	0.0	0.4
Non-current liabilities total		48.5	13.8
Current liabilities			
Trade payables	22)	427.0	363.7
Other current liabilities	22)	48.8	23.6
Provisions	19)	0.0	0.0
Interest-bearing current liabilities	20)	80.8	40.7
Current liabilities total		556.6	428.1
EQUITY AND LIABILITIES TOTAL		790.6	645.4

Consolidated Cash Flow Statement (IFRS)

EUR million	Note	31.12.2008	31.12.2007
Cash flow from operating activities			
Operating profit		36.4	29.1
Adjustments for			
Depreciation		9.8	10.4
Income from associates		–1.9	–1.0
Gain/loss on sale of property, plant and equipment		–2.8	0.1
Disposals of property, plant and equipment		0.2	0.5
Change in pension asset and pension obligation		0.2	–0.3
Other adjustments		–0.9	–1.3
		41.0	8.6
Change in working capital			
Change in non-interest-bearing current receivables		–39.7	–8.5
Change in inventories		–16.0	–12.9
Change in non-interest-bearing current liabilities		3.5	28.2
		–52.2	6.8
Interest paid		–3.6	–0.2
Dividends received		0.7	0.0
Interest received		1.9	2.8
Income taxes paid		–5.9	–8.0
Net cash from operating activities		–18.1	39.0
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets		–4.9	–5.9
Proceeds from sale of property, plant and equipment and intangible assets		2.6	2.1
Puchases of associated company		–0.1	–15.8
Proceeds from sale of available-for-sale investments		0.0	0.1
Acquisitions		–65.8	0.0
Purchases of Minority interest		–7.1	0.0
Repayment of finance lease assets		0.0	0.3
Net cash used in investing activities		–75.3	–19.1
Cash flow from financing activities			
Repayment of finance lease liabilities		0.0	–1.0
Issuance of short-term loans		39.5	9.3
Repayment of short-term loans		–7.7	0.0
Repayment of long-term loans		–10.1	0.0
Dividends paid		–11.3	–8.9
Net cash used in financing activities		10.5	–0.7
Net change in cash and cash equivalents		–82.9	19.1
Cash and cash equivalents at the beginning of the period	17)	131.0	112.9
Foreign exchange differences		–1.6	–1.0
Net change in cash and cash equivalents		–82.9	19.1
Cash and cash equivalents at the end of the period	17)	46.5	131.0

Consolidated Statement of Changes in Equity (IFRS)

EUR million	Share capital	Other funds	Translation differences	Retained earnigs	Equity of the parent company shareholders	Minority interest	Total
Equity 1 Jan 2007	36.2	30.1	0.0	116.9	183.3	8.5	191.8
Translation differences			–2.5		–2.5	–0.4	–2.9
Dividends paid				–8.5	–8.5	–0.4	–8.9
Hedge of net investment in a foreign subsidiary							
Change in minority interest							
Other changes				–0.4	–0.4		–0.4
Share based payments				0.4	0.4		0.4
Taxes related to items booked into equity							
Items booked into equity							
Profit for the period				23.3	23.3	0.4	23.7
Equity 31 Dec 2007	36.2	30.1	–2.5	131.7	195.5	8.1	203.6
Translation differences			–27.6		–27.6		–27.6
Dividends paid				–11.3	–11.3		–11.3
Hedge of net investment in a foreign subsidiary							
Change in minority interest						–7.1	–7.1
Other changes							
Share based payments				0.4	0.4		0.4
Taxes related to items booked into equity							
Items booked into equity							
Profit for the period				27.4	27.4	0.1	27.5
Equity 31 Dec 2008	36.2	30.1	–30.1	148.2	184.4	1.1	185.5

Notes to the Consolidated Financial Statements

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Oriola-KD Group was formed from the two demerging Orion Group Wholesale and Distribution Division companies, Oriola Oy and Kronans Droghandel AB, along with their subsidiaries. The completion of the demerger of Orion Corporation was entered in the Trade Register on 1 July 2006, at which time the demerging Orion Corporation was dissolved and the new companies Oriola-KD Corporation and Orion Corporation arising from the demerger were entered in the Trade Register. The consolidated financial statements were approved for publication by the Board of Directors of Oriola-KD Corporation on 11 February 2009. In accordance with Finland's Limited Liability Companies Act, the shareholders have the right to approve or reject the financial statements at the General Meeting held after their publication. The General Meeting may also decide to make amendments to the financial statements. The parent company of the Oriola-KD Group is Oriola-KD Corporation, which is domiciled in Espoo, Finland. The company's business ID is 1999215-0. Copies of the consolidated financial statements of the Oriola-KD Group are available from the head office of Oriola-KD Corporation at the following address: Orionintie 5, FI-02200 Espoo, Finland.

The Oriola-KD Group's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), observing the valid IAS/IFRS standards and SIC and IFRIC interpretations approved by the European Union as per the date of the financial statements, 31 December 2008. The International Financial Reporting Standards refer to the standards and associated interpretations in the Finnish Accounting Act and in regulations issued under it that are approved by the EU for application in accordance with the procedure laid down in Regulation (EC) No 1606/2002. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish accounting and corporate legislation supplementing the IFRS rules.

The consolidated financial statements are presented for the 12-month period 1 January–31 December 2008. The figures are given in millions of euros and are based on historical costs, except for the financial assets recorded at their fair value in the income statement, the available-for-sale investments, derivatives and share-based payments recorded at their fair value.

The Group has applied the following new and amended standards and interpretations as of 1 January 2007:

- IFRS 7 Financial Instruments: Disclosures. This requires the disclosure of information on the significance of financial instruments in terms of the entity's financial position and performance, and on the nature and extent of risks arising from financial instruments. This standard has increased the amount of disclosure information presented in the Group's annual financial statements.
- Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures. This amended IAS 1 standard requires the disclosure of information on the entity's level of capital and on the management of its capital during the accounting period. These rules have led to an expansion of the notes to the consolidated financial statements.

Use of estimates

When compiling the consolidated financial statements in accordance with the IFRS rules, the company's management has to make estimates and assumptions that have an impact on the assets and liabilities reported in the financial statements on the balance sheet date, and on the presentation of conditional assets and liabilities in the notes to the financial statements and the income and expenses reported for the financial year. These estimates are made according to management's best knowledge of the events, and the final outcomes may thus differ from the figures used in the financial statements. Accounting estimates have mainly been used in determining the magnitude of items reported in the financial statements, such as the impairment of goodwill and other asset items, determination of receivables and liabilities related to defined benefit pension plans, economic lives of tangible and intangible assets, provisions and taxes. It has also been necessary to employ judgment in applying the accounting policies.

Uncertainties concerning the estimates

Estimates made in preparing the financial statements are based on the management's considered views at the balance sheet date. These estimates are based on prior experience and on assumptions concerning the future that are considered at the balance sheet date to be the more probable and relate to such matters as anticipated developments in the Group's economic operating environment in terms of sales and costs. Together with its operating units, the Group monitors the actual outcome against these estimates and assumptions and changes in background factors affecting these on a regular basis, using various internal and external information sources. Any changes made to the estimates and assumptions are recorded in the accounting for the financial year in which the changes are made, and in all subsequent years. The main assumptions concerning the future and those key uncertainties concerning estimates on the balance sheet date that cause a significant risk of materially altering the accounting values of the Group's assets and liabilities in the next financial year are presented below.

Fair value measurement

Impairment testing

The Group's asset items with an unlimited useful life are subject to annual impairment testing, and signs of impairment are assessed as indicated in the accounting principles below. The testing uses future discounted cash flows that can be obtained through use and possible sale of the asset item. If the carrying amount of the asset item exceeds the recoverable amount or the fair value, an impairment expense will be recognised on the difference. These calculations require the use of estimates.

Consolidation principles

The consolidated financial statements include Oriola-KD Corporation and all Group-controlled companies directly or indirectly owned by the Corporation. Group control originates when the Group owns more than 50% of the company's votes or is entitled to define the company's financial and business principles for the purpose of gain from its operation. Internal shareholding has been eliminated using the cost method. Investments in associated companies (where the Group has 20–50% of the voting rights or significant influence in the company) are accounted for in the consolidated financial statements under the equity method. The financial statements of associated companies have been adjusted to correct for any significant deviations from the IFRS standards. The subsidiaries acquired are fully consolidated into the financial statements from the date on which the Group obtained control, while the divested subsidiaries are consolidated up to the date on which the Group's control ceased. All of the Group's internal transactions, receivables and liabilities, distribution of profit and unrealised internal margins are eliminated in the preparation of the consolidated financial statements. The consolidated profit for the financial year is divided into portions attributable to the parent company shareholders and to the minority. The share of equity applicable to the minority interest is included in Group equity and is itemised in the calculation regarding the changes in equity.

Items in foreign currencies

The items included in the financial statements of the subsidiaries will be valued in the currency which best describes the financial operating conditions of each subsidiary. The consolidated financial statements are in euros, which is the operating and reporting currency of the Group's parent company.

Items in foreign currencies are converted into euros using the exchange rate of the transaction date. Monetary receivables and liabilities in foreign currencies that are outstanding on the balance sheet date have been measured using the exchange rates quoted on the same date. The translation gains and losses related to the items in foreign currencies are recognised in the income statement. Exchange rate gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange rate gains and losses related to loans and receivables in foreign currencies are included in financial income and expenses.

The income statements of the Group companies domiciled outside the eurozone are converted into euros using the average exchange rate of the reporting period, while the balance sheets are converted using the exchange rate quoted on the balance sheet date. Using different exchange rates in the income statement and balance sheet in the translation of results for the financial year leads to a translation difference, and this is recorded under translation differences in equity. The receivables from foreign subsidiaries, recorded in the balance sheet of the parent company, are considered part of the net investment if no plan for their payment has been made and payment cannot be reasonably anticipated in the future. Exchange differences arising from these receivables are recognised in the consolidated financial statements under translation differences in equity. The accumulated translation differences related to divested Group companies, recorded under equity, are recognised as gains or losses from transfers under the income statement.

Tangible assets

Tangible assets are measured at their historical cost, less depreciation and impairment. The assets are depreciated over their estimated useful life using the straight-line method. The useful life of assets is reviewed if necessary, adjusting it to correspond to eventual changes in the expected economic use. The estimated useful lives are as follows:

• Buildings	20–50 years
• Machinery and equipment	5–10 years
• Other tangible assets	10 years
• Other intangible assets	3–7 years

Land areas are not subject to depreciation. Repair and maintenance costs are recognised as expenses for the period. Improvement investments are capitalised if they will generate future economic benefits. Capital gains and losses resulting from the transfer of tangible assets are recognised under operating profit in the income statement.

Intangible assets

Goodwill

The subsidiaries acquired are consolidated using the cost method, according to which the assets and liabilities of the acquired companies are measured at their fair value at the time of acquisition. The cost of goodwill is the amount by which the acquisition cost of the subsidiary exceeds the fair net value of the identifiable assets, liabilities and conditional liabilities of the acquired company. Goodwill is tested for impairment at least once a year by using a cash flow based impairment test. For this purpose, the goodwill is allocated to cash-generating units. Goodwill is stated at cost less any accumulated impairment losses. Impairment losses are recognised in the income statement.

Other intangible assets

Other intangible assets include sales licences, trademarks, patents, software licences and product and marketing rights. Acquired intangible assets are measured at their historical cost, less depreciation and impairment. The assets are depreciated over their useful life, normally three to ten years, using the straight-line method.

Impairment of tangible and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Should there be such indication, the respective recoverable amount is estimated. The recoverable amount is either the net sales price or the value in use obtained by discounting the present value of the expected future cash flows from that asset item, whichever is the higher.

The impairment loss will be recognised in the income statement if the carrying amount of the asset item exceeds the recoverable amount. An impairment loss will be reversed if there is a change in the circumstances and the recoverable amount exceeds the carrying amount. The impairment loss will not be reversed beyond what the asset's carrying amount would have been without any impairment loss.

The test of impairment of goodwill will be made on an annual basis, or more frequently if there is indication of impairment. Impairment is recognised in the income statement under other operating expenses, which includes expenses not allocable to specific operations. The impairment loss of goodwill is not reversible.

Leases

Group as lessee

Lease agreements where the Group assumes a significant proportion of the risks and benefits of ownership of the assets in question are classified as finance lease agreements. Finance lease agreements are recorded in the balance sheet under assets and liabilities, mainly at the time when the lease period starts, either at the fair value of the asset or the present value of the minimum lease payments, whichever is the lower.

The assets acquired through finance lease agreements will be depreciated in the same way as any non-current assets, either within the useful life of the assets or the lease term, whichever is the shorter. Finance lease liabilities are recorded under non-current and current interest-bearing liabilities in the balance sheet.

If the risks and benefits of ownership remain with the lessor, the lease agreement is treated as an operating lease, and the lease payments made on the basis of such an agreement are recognised as an expense, allocated evenly over the entire lease term.

Group as lessor

The Group also acts as an agent, leasing out assets itself but transferring a significant proportion of the risks and benefits of ownership to the lessee. Such leases are treated as finance leases. These leased assets are recognised in the balance sheet as a receivable corresponding to the present value of the lease payments under the lease agreement. Capital gains will be entered as income upon the entry into force of the agreement. Determination of the financial income from the agreements is made in such a way as to ensure that the remaining net investment generates the same percentage return over the entire lease period. Financial income is recognised under financial items.

Assets leased under arrangements other than finance lease agreements are included under property, plant and equipment in the balance sheet. Rental income is recognised in the income statement and allocated evenly over the entire lease term. The depreciation on these items is made during the useful life of the asset, as is the case for corresponding non-current assets in the Group's use.

Employee benefits

Pension liabilities

The Group's pension arrangements are in line with each country's local regulations and practices. The pension arrangements of the Group companies comprise both defined contribution plans and defined benefit plans. The payments to the defined contribution plans are recognised as expenses in the income statement, allocating them to the financial year in question. In defined benefit plan arrangements, the Group's obligation is not limited to the payments made under the arrangement but also covers the actuarial and investment risks related to the pension arrangement in question.

The Group's main defined benefit arrangements are in Finland, where statutory pension security under the Employees' Pensions Act (TyEL) is arranged through the Oriola Pension Fund for the Group's clerical employees, with some of these employees enjoying a supplementary pension scheme. The defined benefit obligations have been calculated separately for each individual arrangement. The TyEL-related national disability pension obligation is recognised on the basis of the employment relationship, whereas previously it was recognised only when the disability event had taken place.

The pension expenses related to defined benefits have been calculated using the Projected Unit Credit Method. Pension expenses are recognised as expenses by distributing them over the estimated period of service of the personnel concerned. The amount of the pension obligation is the present value of the estimated future pensions payable, with the discount rate being the interest rate applied to low-risk financial instruments with a maturity that corresponds to that of the pension liability as closely as possible.

The Swedish-based Kronans Droghandel AB has recognised its pension obligations in full in the balance sheet.

At the transition to IFRS standards, all actuarial gains and losses were recognised under equity in the opening balance sheet in accordance with the exemption under the IFRS 1 standard. After this, any actuarial gains and losses, to the extent that they exceed the variation range defined in IAS 19, are recognised in the income statement, allocated over the average remaining term of service of the personnel. The variation range refers to the greater of the following: 10% of the present value of the obligation resulting from the arrangement, or 10% of the fair value of the funds involved in the arrangement.

Inventories

Inventories are presented in the balance sheet as the value of either the expenses incurred in purchasing and production or the net realisable value, whichever is the lower. The net realisable value is the estimated sales price obtainable through normal business, less the provision for non-marketability. The cost is determined on the basis of the FIFO principle.

Financial assets and liabilities

The financial assets and liabilities of the Oriola-KD Group are classified in accordance with standard IAS 39 Financial Instruments: Recognition and Measurement, as follows:

- Financial assets and liabilities recognised in the income statement at their fair value
- Loans and other receivables
- Available-for-sale financial assets
- Financial liabilities recognised at amortized cost

The classification is based on the acquisition purpose of the financial asset or liability and takes place upon the original acquisition. The financial instruments are recognised in the balance sheet on the trade date.

Cash and cash equivalents and derivatives that do not meet the IAS 39 criteria for hedge accounting are entered as *Financial assets and liabilities recognised in the income statement at fair value*. Assets in this category are short-term assets with a maturity of less than 12 months and are measured at fair value using the market price on the balance sheet date. Both realised and unrealised gains and losses arising from changes in fair value are recognised in the income statement for the financial period during which they occurred.

Financial assets comprise short-term interest-rate investments, bank deposits and cash at banks. Interest-rate investments are characterised by low risk and a maturity which is generally less than three months. The fair values of interest-rate investments do not differ significantly from their carrying amounts.

Loans and other receivables are non-derivative financial assets with fixed or determinable payments. These receivables are not quoted in an active market and the Group does not hold them for trading purposes. Assets in this category are classified as current financial assets unless their maturity date is more than 12 months after the balance sheet date. Trade and other receivables are also in this category. Trade receivables are recognised at cost. An impairment of trade receivables is recognised when there is good cause to assume that the Group will not obtain all its receivables under the original terms. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, defaulting on payments and significant delay of payments are all considered good cause for impairment of trade receivables. The impairment is recognised as an expense in the income statement.

Available-for-sale financial assets are non-derivative financial assets that are especially classified as such or which cannot be classified in any other category. They are included in non-current financial assets in the balance sheet unless the intention is to sell these assets during the 12 month period following the balance sheet date. The Oriola-KD Group had no items in this category at the balance sheet date.

Financial liabilities are recognised in the balance sheet on the date of acquisition at the net value and subsequently at amortized cost. Interest expenses are recognised in the income statement using the effective interest method. The liabilities recognised on assets leased by Oriola-KD under finance lease agreements are entered under interest-bearing non-current liabilities, unless the finance lease expires during the subsequent 12 months. Credit facilities in use, commercial papers issued and interest-bearing advances received are also included under interest-bearing current liabilities.

Derivative contracts and hedge accounting

Oriola-KD treats derivative contracts in accordance with standard IAS 39 Financial Instruments: Recognition and Measurement, as follows: The Group has, for the most part, categorised derivatives as derivatives held for trading, and it does not apply hedge accounting within the meaning of the IAS 39 standard. All derivative contracts are carried at fair value using market rates on the balance sheet date. Positive valuation differences are recognised under trade receivables and other receivables, and negative valuation differences are recognised under trade payables and other current liabilities in the balance sheet. Oriola-KD has not, for the most part, applied IAS hedge accounting to currency derivatives that hedge balance sheet items in foreign currencies or to likely forecast cash flows, although they have been acquired for hedging purposes in accordance with the Group's treasury policy. The change in the fair value of these derivative contracts has been recognised in the income statement either as a sale or purchase adjustment item or under financial income and expenses, depending on the item to which operative hedging has been applied.

Oriola-KD will apply IAS hedge accounting in its hedging of the estimated USD-denominated additional purchase price for the Russian business acquisition and the USD-denominated purchase price of the remaining 25 percent holding. When initiating hedge accounting, the relationship between the hedged item and the hedging instrument is documented, as are the objectives of the Group's risk management. The effectiveness of hedging is tested monthly, and the effective portion is recognised in the cost of the Russian business acquisition. The ineffective portion is recognised as necessary in the consolidated financial items. Hedge accounting will discontinue when the Group redeems the remaining 25 percent holding in the companies in 2010.

Provisions

A provision is recognised in the balance sheet when the Group has an existing legal or factual obligation resulting from an earlier event and the fulfilment of the payment obligation is probable and its magnitude can be reliably quantified.

A restructuring provision is made when the Group has compiled a detailed restructuring plan, launched its implementation or informed the affected parties accordingly.

Income taxes

The Group's taxes include taxes based on the Group companies' taxable profits for the financial year, tax adjustments for earlier financial years, and changes in deferred tax assets and liabilities. Income tax is paid on the taxable income for the financial year, calculated on the basis of the valid tax rate for the country in question. The tax effect of items entered directly in equity is recognised, correspondingly, as part of equity.

Deferred tax is calculated on all temporary differences between carrying amount and taxable value. A tax receivable is calculated on adopted taxable losses of the Group companies only to the extent that they can be utilised in the future. The largest temporary differences are caused by the depreciation of property, plant and equipment and the defined pension benefit plans. The deferred taxes are calculated using the official tax rates valid on the balance sheet date.

Recognition of sales

In contracts in which the distributor owns the entire inventory of its principal, sales income from products is recognised in invoicing and net sales. In contracts based on trading on commission and agency agreements, only the share of the distribution fee is recognised in the distributor's net sales.

Consolidated net sales include income from the sale of goods and services, with adjustments for indirect taxes, discounts and currency translation differences resulting from sales in foreign currencies.

Income from the sale of goods is recognised when the major risks and benefits from the ownership of the goods have been transferred to the buyer. Income from services is recognised when the service has been performed.

Contents of by-function income statement

Cost of goods sold

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

Sales and distribution expenses

Sales and distribution expenses include the costs of product distribution, field sales force operations, marketing, advertising and other sales promotion activities, including wages and salaries. Sales and distribution expenses include those incurred in dispatching and distributing the products.

Administrative expenses

Administrative expenses include general administrative expenses and Group management expenses. Depreciation and amortisation of the assets used by each function are also allocated to the different functions, as is a share of the administrative expenses based on the matching principle.

Operating profit

The standard IAS 1 Presentation of Financial Statements does not give a definition for operating profit. The Oriola-KD Group has defined operating profit as follows: net sales less the cost of goods sold, less sales and distribution expenses, less administrative expenses and other operating expenses, plus other operating income. Exchange rate differences and changes in the fair values of derivatives are recognised in operating profit, provided that they arise from items related to business operations; otherwise they are included in the financial items. The associated company Lifco Dental International AB forms a material part of the Healthcare and Dental Trade business segment and therefore the share of profits from the associated company is included in the operating profit.

Application of the new and revised IFRS standards

The following is a list of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) which are not yet effective and which the Oriola-KD Group has therefore not yet applied. The Group will apply each new standard and interpretation from the date it becomes effective, although if this date is other than the first day of the financial year, it will apply the standard or interpretation from the beginning of the following financial year.

- IFRS 8 Operating Segments (effective 1 January 2009). Under this new standard, segment reporting is based on the management's internal reporting and on the accounting principles used therein. The Oriola-KD Group is of the view that adoption of IFRS 8 will mainly affect the way in which segment information is presented in the next notes to the financial statements.
- Amendment to IAS 1 Presentation of Financial Statements (effective 1 January 2009). The revised standard changes the way in which the financial statement calculations are presented. The Oriola-KD Group is of the view that the change will mainly affect the way that the income statement and changes in equity are presented. The revised standard has not yet been approved by the EU for application.
- IFRS 3 Business Combinations (effective 1 July 2009). The changes to this standard affect the amount of goodwill recognised on acquisitions and the profit from sale of business operations. The changes to the standard also affect items recognised in the income statement both in the financial year of the acquisition and in financial years in which an additional purchase price is paid or additional purchases made. The revised standard has not yet been approved by the EU for application.
- IAS 23 Borrowing Costs (effective 1 January 2009). The changes to the standard concern the treatment of borrowing costs attributable to acquisition, construction or production of qualifying assets. The Group will adopt the standard as of 1 January 2009.
- IAS 27 Consolidated and Separate Financial Statements (effective 1 July 2009). The changes to the standard concern the accounting treatment of ownership changes in a subsidiary. A similar accounting treatment will also be applied in future to investments in associated companies (IAS 28) and interests in joint ventures (IAS 31). As a consequence of the changes to the standard, losses of a subsidiary can be allocated to a minority interest even when they exceed the amount of the minority's investment. The revised standard has not yet been approved by the EU for application.
- IFRS 2 Share-Based Payment (effective 1 January 2009). The change to this standard requires that all non-vesting conditions are taken into account when determining the fair value of equity instruments granted. In addition, the change to the standard includes specific guidance on the treatment of cancellations. The changes to the standard have not yet been approved by the EU for application.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008). This interpretation clarifies the accounting treatment of hedges of net investments in foreign operations in the consolidated financial statements. This interpretation has not yet been approved by the EU for application.
- Amendment to the standard IAS 39 Financial Instruments: Recognition and Measurement. The changes comprise more specific IAS 39 guidance on the hedging of unilateral risks for hedged items and on hedging the inflation risk in cases concerning items in financial assets and liabilities. The revised standard has not yet been approved by the EU for application.
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This interpretation provides guidance on the extent to which the surplus of a defined benefit pension plan can be recognised. The Group's management is of the view that the interpretation has no significance for the consolidated financial statements. The interpretation has not yet been approved by the EU for application.
- The IASB has also issued changes to standard IFRS 1 First-Time Adoption of International Financial Reporting Standards, standard IAS 27 Consolidated and Separate Financial Statements, interpretation IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009) and interpretation IFRIC 13 Customer Loyalty Programmes (effective 1 July 2009). These revised standards and interpretations have no implications for the Group's reporting.

1. SEGMENT INFORMATION

The Group's primary Segment Reporting form corresponds to its business segments. The business segments are based on the Group's internal organisational structure and intra-Group financial reporting. The business segments are Pharmaceutical Trade and Healthcare Trade.

The assets and liabilities include items directly attributable to a segment and items which can be allocated. Group items include tax and financial items as well as items related to corporate functions. Investments are constituted by increases in tangible and intangible assets.

The geographical segments correspond to the Groups' main markets. Net sales are divided by the countries in which the clients are located. Assets and liabilities are divided according to the country in which they are located.

Business segments,
EUR million

1.1.–31.12.2008	Pharmaceutical Trade	Healthcare Trade	Group items	Group total
Sale of goods	1,411.6	147.6		1,559.2
Sale of services	13.7	7.6		21.3
Royalties	0.3	0.1		0.4
Sales to external customers	1,425.6	155.3		1,580.8
Operating profit	32.0	10.1	–5.6	36.4
Assets	650.3	84.0	56.3	790.6
Liabilities	417.9	21.8	165.4	605.1
Capital expenditure	122.7	2.4	0.7	125.7
Depreciation and amortisation	7.0	2.9	0.0	9.8
Average number of personnel	3,390	400	18	3,807
1.1.–31.12.2007				
Sale of goods	1,125.3	233.7		1,359.0
Sale of services	10.1	7.8		17.9
Royalties	0.3	0.0		0.4
Sales to external customers	1,135.8	241.5		1,377.3
Operating profit	17.4	14.9	–3.2	29.1
Assets	409.1	100.4	135.9	645.4
Liabilities	345.1	31.7	65.0	441.8
Capital expenditure	2.1	29.1	0.8	32.1
Depreciation and amortisation	6.3	3.0	1.1	10.4
Average number of personnel	887	529	17	1,432

Geographical segments,

EUR million 1.1.–31.12.2008	Finland	Other Nordic countries	Other Europe	Russia	Other countries	Group total
Sales to external customers	618.2	592.4	51.1	319.0	0.2	1,580.8
Assets	260.5	258.3	16.5	255.2		790.6
Capital expenditure	3.5	0.4	7.8	114.0		125.7
1.1.–31.12.2007						
Sales to external customers	570.1	756.5	49.1	0.1	1.4	1,377.3
Assets	356.5	270.5	18.4			645.4
Capital expenditure	30.7	0.5	0.9			32.1

2. OTHER OPERATING INCOME

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Gains on sales of intangible and tangible assets	0.2	0.4
Rental income	0.7	0.3
Service charges	1.1	1.0
Other operating income	1.5	0.6
Total	3.4	2.3

3. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation and amortisation by function

EUR million	1.1.-31.12.2008	1.1.-31.12.2007
Selling and distribution expenses	8.1	9.1
Administrative expenses	1.7	1.3
Total	9.8	10.4

Depreciation and amortisation by type of asset

EUR million	1.1.-31.12.2008	1.1.-31.12.2007
Tangible assets		
Buildings	1.8	1.8
Machinery and equipment	4.8	5.4
Other non-current assets	0.2	0.1
Total	6.7	7.3
Intangible assets		
Intangible assets	1.6	1.7
Other capitalised expenditure	1.5	1.5
Total	3.1	3.1

During the financial year no material write-offs have been booked.
For the criteria applied for the planned depreciations, please see the policies for the financial statements.

4. EMPLOYEE BENEFITS

EUR million	1.1.-31.12.2008	1.1.-31.12.2007
Wages and salaries	76.4	44.3
Pension costs		
Defined contribution plans	7.9	1.6
Defined benefit plans	0.2	0.6
Other social security plans	6.4	7.7
Total	90.9	54.2
Average number of personnel	3,807	1,432

Number of personnel by segment is shown under Note 1. Segment-specific information Management's employee benefits are shown under Note 28. Related-party transactions.

5. FINANCIAL INCOME AND EXPENSES

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Financial income		
Interest income	1.9	2.9
Exchange gains	5.6	1.2
Other financial income	0.0	0.0
Total	7.5	4.2
Financial expenses		
Interest expenses	3.1	0.8
Exchange losses	6.1	1.4
Other financial expenses	0.2	0.0
Total	9.3	2.3
Financial income and expenses total	–1.8	1.9

6. INCOME TAX EXPENSE

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Current taxes	8.1	8.3
Adjustments for current taxes of previous financial years	0.1	0.2
Deferred taxes	–1.0	–1.1
Total	7.2	7.3

Income tax reconciliation

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Profit before taxes	34.6	31.0
Consolidated income taxes at Finnish tax rate	9.0	8.1
Losses of subsidiaries which no deferred tax is recognised	–0.2	0.2
Effect of different tax rate of foreign subsidiaries	0.0	0.1
Change in tax rate	–1.8	0.0
Non-deductible expenses and tax exempt income	0.5	0.1
Share of the profit of associated companies	–0.6	–0.3
Other items	0.1	–1.0
Income taxes total	7.2	7.3
Effective tax rate	20.7%	23.6%

7. EARNINGS PER SHARE

Earnings per share	1.1.–31.12.2008	1.1.–31.12.2007
Profit for the financial year available for parent company shareholders, EUR million	27.4	23.3
Average number of shares during the financial year (1,000)	141,393	141,258
Earnings per share, EUR	0.19	0.16
Earnings per share, diluted, EUR	0.19	0.16

8. CORPORATE ACQUISITIONS

Acquisition of Vitim & Co and Moron Ltd

Oriola-KD announced in March 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. 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 additional purchase price relating to the acquired 75-percent holding and the purchase of the remaining 25-percent holding are recognized as a liability, the magnitude of which is based on the best estimate of management.

The acquisition cost is calculated on the basis of the companies' provisional balance sheets as per 31 March 2008 prepared in accordance with IFRS and the Oriola-KD Group's accounting principles in respect of all material elements. The provisional balance sheets and acquisition cost calculation are unaudited.

The acquisition is accounted for using provisional values as permitted under IFRS 3. Over the 12 months following the acquisition, Oriola-KD will make the necessary adjustments to these provisional values.

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.

Provisional details on the net assets and goodwill acquires are as follows:

EUR million	Carrying amount	Fair value allocations	Fair value
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 other current liabilities	–108.5	0.0	–108.5
Interest-bearing current liabilities	–8.9	0.0	–8.9
Net indentifiable assets	1.7	32.9	34.7
Acquisition price			
Purchase price			–64.0
Additional purchase price and purchase of the remaining 25%			–47.7
Costs related to acquisition			–4.4
Goodwill			81.5
Purchase price settled in cash			–64.0
Costs related to acquisition			–4.4
Cash and cash equivalents acquired			3.0
Cash outflow on acquisition for 2008			–65.4
Estimated purchase price payable			–47.7
Total cash outflow on acquisition			–113.2

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

9. TANGIBLE ASSETS

EUR million 2008	Land and water	Buildings and con-structions	Machinery and equipment	Other tangible assets	Advance paymentsand construction in progress	Total
Historical cost 1 Jan 2008	5.9	60.6	55.0	0.4	0.3	122.1
Additions by acquisitions	0.1	2.1	3.6		1.1	6.9
Additions		0.0	4.4	0.0	0.4	4.9
Disposals			–5.8	–0.1	0.0	–5.9
Transfers between Balance Sheet items		0.4	–0.1		–1.2	–0.8
Translation differences	–0.8	–3.8	–3.0	0.0	0.0	–7.6
Historical cost 31 Dec 2008	5.2	59.2	54.2	0.3	0.6	119.5
Accumulated depreciation 1 Jan 2008		–28.6	–37.1	–0.2	0.0	–65.9
Accumulated depreciation related to transfers and disposals			3.5	0.1		3.6
Depreciation for the financial year		–1.8	–4.9	0.0		–6.7
Translation differences		1.5	2.4	0.0		3.9
Accumulated depreciation 31 Dec 2008		–28.8	–36.1	–0.1	0.0	–65.1
Carrying amount 1 Jan 2008	5.9	32.0	17.9	0.2	0.3	56.3
Carrying amount 31 Dec 2008	5.2	30.4	18.0	0.2	0.6	54.5
2007						
Historical cost 1 Jan 2007	6.2	64.5	59.4	0.6	0.0	130.7
Additions	0.0	0.0	4.2	0.0	0.9	5.1
Disposals	–0.1	–2.7	–6.9	–0.2	0.0	–9.9
Transfers between Balance Sheet items	0.0	0.1	0.6	0.0	–0.6	0.0
Business transfer	0.0	0.0	–1.2	0.0	0.0	–1.2
Translation differences	–0.3	–1.3	–1.1	0.0	0.0	–2.6
Historical cost 31 Dec 2007	5.9	60.6	55.0	0.4	0.3	122.1
Accumulated depreciation 1 Jan 2007		–28.8	–38.4	–0.3		–67.5
Accumulated depreciation related to transfers and disposals		1.6	5.4	0.2		7.1
Depreciation for the financial year		–1.8	–5.4	–0.1		–7.3
Business transfer		0.0	0.5	0.0		0.5
Translation differences		0.5	0.8	0.0		1.3
Accumulated depreciation 31 Dec 2007		–28.6	–37.1	–0.2	0.0	–65.9
Carrying amount 1 Jan 2007	6.2	35.7	21.0	0.3	0.0	63.3
Carrying amount 31 Dec 2007	5.9	32.0	17.9	0.2	0.3	56.3

Assets leased through finance lease agreements

Tangible assets include assets leased through finance lease agreements:

EUR million 31.12.2008	Buildings and constructions	Total
Historical cost	3.9	3.9
Accumulated depreciation	–3.6	–3.6
Carrying amount	0.4	0.4
31.12.2007		
Historical cost	2.7	2.7
Accumulated depreciation	–2.6	–2.6
Carrying amount	0.1	0.1

10. INTANGIBLE ASSETS

EUR million 2008	Intangible assets	Goodwill	Group Goodwill	Other capitalised expenditure	Total
Historical cost 1 Jan 2008	18.5	3.3	32.3	11.8	65.8
Additions by acquisitions	46.9		74.7	1.7	123.3
Additions	0.8		0.5	0.4	1.7
Disposals	–0.8			–1.3	–2.1
Transfer between Balance Sheet items					0.0
Business transfer					0.0
Translation differences	–9.2		–4.0		–13.2
Historical cost 31 Dec 2008	56.2	3.3	103.6	12.6	175.6
Accumulated depreciation 1 Jan 2008	–16.5	–1.8	0.0	–9.2	–27.5
Accumulated depreciation related to transfers and disposals	0.8			1.2	2.0
Depreciation for the financial year	–1.6			–1.5	–3.1
Business transfer					0.0
Translation differences					0.0
Accumulated depreciation 31 Dec 2008	–17.3	–1.8	0.0	–9.5	–28.6
Carrying amount 1 Jan 2008	2.0	1.5	32.3	2.5	38.3
Carrying amount 31 Dec 2008	38.8	1.5	103.6	3.1	147.0
2007					
Historical cost 1 Jan 2007	22.6	3.4	33.7	12.2	71.9
Additions	0.3	0.5	0.0	0.0	0.8
Disposals	–3.5	–0.6	0.0	–0.5	–4.6
Transfer between Balance Sheet items	0.0	0.0	0.0	0.0	0.0
Business transfer	–0.2	0.0	0.0	0.0	–0.2
Translation differences	–0.7	0.0	–1.3	0.0	–2.0
Historical cost 31 Dec 2007	18.5	3.3	32.3	11.8	65.8
Accumulated depreciation 1 Jan 2007	–19.1	–2.4		–8.3	–29.7
Accumulated depreciation related to transfers and disposals	3.5	0.6		0.5	4.5
Depreciation for the financial year	–1.7	0.0		–1.5	–3.1
Business transfer	0.2	0.0		0.0	0.2
Translation differences	0.7	0.0		0.0	0.7
Accumulated depreciation 31 Dec 2007	–16.5	–1.8	0.0	–9.2	–27.5
Carrying amount 1 Jan 2007	3.5	1.1	33.7	4.0	42.2
Carrying amount 31 Dec 2007	2.0	1.5	32.3	2.5	38.3

Intangible assets include a figure of EUR 32.5 million for the pharmacy chain brand acquired in Russia. It is not possible to define the useful life of this brand, which forms part of the Pharmaceutical Trade business segment. The management have classified the brand as an unlimited asset, in terms of useful life, based on the continuous competitive advantage provided by its business operations. The brand is actively used to promote the sale of products, and the brand value is tested annually in conjunction with the goodwill testing process. No impairment was recognised on intangible assets with an unlimited useful life during the period under review.

Impairment testing of goodwill

In the impairment testing, EUR 74.7 million of the Group's total goodwill of EUR 103.6 million was allocated to the cash generating unit consisting of the Russian retail and wholesale companies and EUR 26.8 million to the Kronans Droghandel AB (KD) cash generating unit, both units being part of the Pharmaceutical Trade business segment. The remaining EUR 2.1 million of the Group's goodwill was allocated to the Healthcare and Dental Trade cash generating business segment.

The recoverable amount of the goodwill was determined on the basis of value-in-use calculations. The cash flow forecasts are based on the five-year strategic plans approved by management, which are consistent with the current business structure, and on the assumptions made in these plans concerning developments in the operating environment. The most important of these assumptions are the estimates of overall long-term growth in the market and the Group's market position and level of profitability. The Group's investments are expected to consist of ordinary replacement investments. Euro rates at the time of testing have been used as the exchange rates.

The growth rate after the five-year forecasting period used in the calculations is based on the management's assessments of the long-term growth in cash flow.The estimation of the growth factor took into account country-specific and business sector growth forecasts available from external information sources and the characteristic features of each business segment and cash generating unit. The long-term growth factors used in the calculations were 5% for the Russian cash generating unit and 2% for the other cash generating units.

The discount rate used in the calculation was based on the Group's weighted average cost of capital, taking into account the risks for each country in which the Group has operations and the risks for each business segment. The post-tax discount rate used in the impairment testing in 2008 was 11.3% for the Russian cash generating unit and 7.6% for the other units, principally in Sweden.

The sensitivity analysis conducted for the Russian cash generating unit revealed that a 2% rise in the interest rate or a 10% drop in operating profit would not create a need for impairment of goodwill.

Similarly, the sensitivity analysis for the Swedish cash generating unit indicated that a 2% rise in the interest rate or a 25% drop in operating profit would not create a need for impairment of goodwill.

11. INVESTMENTS IN ASSOCIATED COMPANY

EUR million	2008	2007
Carrying amount 1 Jan	27.1	0.0
Additions	0.1	26.2
Share of results after tax	1.9	1.0
Dividend Income	–0.7	0.0
Translation difference	0.1	0.0
Carrying amount 31 Dec	28.5	27.1

Associated company

31 Dec 2008

EUR million	Country	Assets	Liabilities	Net sales	Profit for the period	Group holding %
Lifco Dental International AB	Sweden	67.8	25.2	149.2	6.1	30%

31 Dec 2007

EUR million	Country	Assets	Liabilities	Net sales	Profit for the period	Group holding %
Lifco Dental International AB	Sweden	70.5	26.8	38.9	3.2	30%

The financial statements for the associated company for the financial year 2008 are unaudited.
In year 2007 the net sales and net result has been calculated for the period 1.10–31.12.2007 which is the period Oriola-KD has owned the associated company.

12. PENSION AND OTHER POST-EMPLOYMENT BENEFIT PLANS

Finland

The funded status and amounts recognised in the balance sheet for the defined benefit plans:

EUR million	2008	2007
Present value of obligations	36.6	38.8
Effect of business transfer	0.0	–0.6
Fair value of plan assets	–43.0	–56.7
Deficit /surplus	–6.4	–18.4
Effect of business transfer	0.0	–0.6
Unrecognised net actuarial gains (+) or losses (–)	–3.3	9.0
Liability (+) / assets (–) recognised in the balance sheet	–9.7	–10.1

The benefit expense recognised in the income statement for the defined benefits plans:

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Current service cost	1.5	1.1
Interest cost	1.9	1.6
Expected return on plan assets	–4.1	–3.7
Effect of business transfer	0.0	–1.2
Actuarial gains (–) or losses (+) recognised in year	–1.1	–1.2
Total	–1.7	–3.2

During the financial year 2008 the actual return on plan assets was EUR –10.5 million, which consists EUR 4.1 million related to expected return on plan assets and actuarial loss of EUR –14.6 million.

Changes in present value of obligations:

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Present value of obligation at 1 Jan	38.2	35.9
Current service cost	1.5	1.6
Interest cost	1.9	1.6
Effect of business transfer	0.0	–0.6
Actuarial gains (+) or losses (–) on obligation	–4.0	0.6
Benefits paid	–1.1	–0.9
Present value of obligation at 31 Dec	36.6	38.2

Changes in plan assets:

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Fair value of plan assets at 1 Jan	56.7	57.3
Expected return on plan asset	4.1	4.1
Actuarial gains (+) or losses (–) on plan assets	–14.6	–1.2
Employer pension contribution	–3.0	–3.6
Employee pension contribution	0.9	1.0
Benefits paid	–1.1	–0.9
Fair value of plan assets at 31 Dec	43.0	56.7

Plan assets per asset category, as a percentage of the total fair values:

	2008	2007
Money-market instruments, Bonds and Deposits	66.5%	57.6%
Equities and Funds	33.5%	42.4%
Others	0.0%	0.0%
Total	100.0%	100.0%

12. Pension and other post-employment benefit plans

The benefit expense recognised in the income statement by function:

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Selling and distribution expenses	–1.3	–2.5
Administrative expenses	–0.4	–0.7
Total	–1.7	–3.2

The plan assets include shares issued by Oriola-KD Corporation with a fair value of EUR 1.5 million at the end of 2008.

Background Information	31.12.2008	31.12.2007
Discount rate	5.50%	5.00%
Expected return on plan assets	6.50%	6.50%
Future salary increases	3.50%	3.50%

Expected long-term return on plan assets

	31.12.2008	31.12.2007
Money-market instruments, Bonds and Deposits	3–5%	3–5%
Equities and Funds	8%	8%
Others	5–8%	5–8%

Expected return on shares is correlating the long-term actual returns at the said market.

Amounts during the financial year are as follows:

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Present value of obligations	–36.6	–38.2
Fair value of plan assets	43.0	56.7
Surplus (+) or deficit (–)	6.4	18.4
Experience based adjustments on plan assets, gain (+) or loss (–)	–14.6	–0.8
Experience based adjustments on plan liabilities, gain (+) or loss (–)	–0.7	0.3

Oriola-KD estimates to pay in Finland to benefit plan EUR 0.8 million during financial year 2009.

12. Pension and other post-employment benefit plans

Outside Finland

The funded status and amounts recognised in the balance sheet for the defined benefit plans:

EUR million	2008	2007
Present value of obligations	6.5	5.3
Fair value of plan assets	0.0	0.0
Deficit / Surplus	6.5	5.3
Unrecognised net actuarial gains (+) or losses (–)	–2.4	–0.9
Liability (+) / assets (–) recognised in the balance sheet	4.2	4.4

The group do not have plan assets outside Finland.

The benefit expense recognised in the income statement for the defined benefits plans:

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Current service cost	0.2	0.3
Interest cost	0.2	0.2
Actuarial gains (–) or losses (+) recognised in year	0.0	0.0
Total	0.4	0.4

Changes of the present value of the obligation:

EUR million	2008	2007
Present value of obligation at 1 Jan	5.3	4.9
Current service cost	0.2	0.3
Interest cost	0.2	0.2
Actuarial gains (+) or losses (–) on obligation	1.6	0.2
Difference in exchange	–0.7	–0.2
Benefits paid	–0.1	–0.1
Present value of obligations at 31 Dec	6.5	5.3

The benefit expense recognised in the income statement by function:

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Selling and distribution expenses	0.2	0.2
Administrative expenses	0.2	0.2
Total	0.4	0.4

Background Information	31.12.2008	31.12.2007
Discount rate	3.00%	3.70%
Future salary increases	3.00%	2.75%

Amounts during the financial year:

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Present value of obligations	–6.5	–5.3
Fair value of plan assets	0.0	0.0
Surplus (+) or deficit (–)	–6.5	–5.3
Experience based adjustments on plan liabilities, gain (+) or loss (–)	0.2	–0.5

Oriola-KD estimates to pay in Sweden to benefit plan EUR 0.6 million during financial year 2009.

13. DEFERRED TAX ASSETS AND LIABILITES

2008

EUR million	1 Jan	Items entered in income statement	Translation differences	Acquisitions/ disvestments of subsidiaries	Operations sold and available for sale	31 Dec
Deferred tax assets						
Internal inventory margin	0.0	0.0				0.0
Other appropriations	0.0	0.2				0.2
Impact of Group merger and eliminations	0.0	0.1				0.1
Other deductible temporary differences	0.2	0.2				0.4
	0.2	0.6	0.0	0.0	0.0	0.8
Deferred tax liabilities						
Depreciation difference and other untaxed reserves	5.5	–1.8				3.7
Pension assets	2.6	–0.1				2.5
Effects of consolidation and eliminations	0.6	–0.2		7.4		7.8
Other taxable temporary differences	0.0	2.5				2.5
	8.7	0.4	0.0	7.4	0.0	16.5

2007

EUR million						
Deferred tax assets						
Internal inventory margin	0.0					0.0
Other appropriations	0.0					0.0
Impact of Group merger and eliminations	0.0					0.0
Other deductible temporary differences	0.0	0.2				0.2
	0.0	0.2	0.0	0.0	0.0	0.2
Deferred tax liabilities						
Depreciation difference and other untaxed reserves	6.3	–0.8				5.5
Pension assets	2.5	0.1				2.6
Effects of consolidation and eliminations	0.9	–0.3				0.6
Other taxable temporary differences	0.0	0.0				0.0
	9.7	–1.0	0.0	0.0	0.0	8.7

On 31 December 2008, the Group had a total of EUR 4.4 million of temporary taxes with no ensuing deferred tax asset recording in the Balance Sheet. These unrecognised deferred tax assets relate to tax losses from foreign subsidiaries and the tax benefit included in assets is not probable.

14. OTHER NON-CURRENT RECEIVABLES

EUR million	2008 Fair value	2008 Carrying amount	2007 Fair value	2007 Carrying amount
Finance lease receivables	0.0	0.0	0.5	0.5
Other receivables	0.2	0.2	0.0	0.0
Total	0.2	0.2	0.5	0.5

Maturity of finance lease receivables

EUR million	2008	2007
Within one year	0.0	0.3
Within 1–5 years	0.0	0.6
Total	0.0	0.9

Present value of minimum finance lease receivables

EUR million	2008	2007
Within one year	0.0	0.4
Within 1–5 years	0.0	0.5
Total	0.0	0.9
Unearned financial income	0.0	0.0
Finance lease receivables total	0.0	0.9

15. INVENTORIES

EUR million	2008	2007
Raw materials and consumables	0.0	0.1
Work in progress	0.1	0.0
Finished products/goods	250.5	180.8
Total	250.7	180.9

During the financial year 2008 no material write-offs were booked.

16. TRADE AND OTHER RECEIVABLES

EUR million	2008 Fair value	2008 Carrying amount	2007 Fair value	2007 Carrying amount
Trade receivables	235.2	235.2	194.2	194.2
Finance lease receivables	0.0	0.0	0.4	0.4
Prepaid expenses and accrued income	6.0	6.0	3.3	3.3
Derivative asset	4.7	4.7	0.0	0.0
Other receivables	7.0	7.0	3.1	3.1
Total	252.9	252.9	201.0	201.0

Aging and impairment of trade receivables at the closing date

EUR million	2008 Gross	2008 Impairment	2007 Gross	2007 Impairment
Not past due	224.9	0.0	185.8	0.0
Past due 0–30 days	5.7	0.0	6.8	0.0
Past due 31–180 days	3.3	–0.0	1.5	0.0
Past due more than 180 days	2.0	–0.7	0.1	–0.1
Total	235.9	–0.7	194.3	–0.1

Material items included in prepaid expenses and accrued income

EUR million	2008	2007
Income tax receivable	0.7	0.0
Compensation not received	0.8	0.2
Accrued interest income	0.0	0.2
Other	4.4	3.0
Total	6.0	3.3

17. CASH AND CASH EQUIVALENTS

EUR million	2008 Fair value	2008 Carrying amount	2007 Fair value	2007 Carrying amount
Cash at bank and in hand	46.4	46.4	12.0	12.0
Interest bearing short term investments	0.1	0.1	119.0	119.0
Total	46.5	46.5	131.0	131.0

18. NOTES CONCERNING EQUITY AND SHARES

Equity

Oriola-KD Corporation's minimum authorised share capital is EUR 50.0 million and maximum authorised share capital EUR 2.0 billion, within which limits the share capital may be increased or decreased without amending the Articles of Association. The company's shares shall total a minimum of one and a maximum of 1,000,000,000 shares. Of the total number of shares, a maximum of 500,000,000 shall be class A shares and a maximum of 1,000,000,000 class B shares.

Oriola-KD Corporation's share capital on 31 December 2008 stood at EUR 147,899,766.14. All issued shares have been paid up in full.

Board of Directors' authorisation to decide on purchase of own class B shares

On 17 March 2008, Oriola-KD Corporation's 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 equiring of no more than fourteen million (14,000,000) of the company's class B shares, corresponding to approximately 9.9 per cent of the total number of company shares. The authorisation may only be used in such a way that the company and its subsidiaries together hold no more than one tenth (1/10) of the total number of company shares at any one time.

18. Notes concerning equity and shares

In accordance with the Board's decision, the company's shares will 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 shares' market price in the NASDAQ OMX Helsinki Ltd exchange at the time of purchase. The shares will be paid for in accordance with the rules and guidelines issued by NASDAQ OMX Helsinki Ltd and Euroclear Finland Ltd (formerly the Finnish Central Securities Depository Ltd).

The Board will decide how the shares will be 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 may be purchased for the purpose of developing the company's capital structure, implementing any M&A 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 will 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 13 March 2007 authorising the Board to decide on the purchase of an amount of the company's class B shares.

Board of Directors' authorisation to decide on an issue of class B shares against payment

On 17 March 2008, Oriola-KD Corporation's Annual General Meeting authorised the Board to decide on a share issue against payment in one or more batches. The authorisation includes the right to issue new class B shares or to assign class B treasury shares held by the company.

The authorisation covers no more than twenty-eight million (28,000,000) of the company's class B shares in total, which corresponds 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 right of precedence of shareholders, provided that there are persuasive economic reasons from the company's perspective for such a deviation. Subject to the restrictions presented above, the authorisation may be used to pay consideration in M&A transactions or other business arrangements and to finance and execute investments, to expand the company's ownership base, to develop the capital structure, or as part of incentive and commitment programmes for personnel. On the basis of the authorisation, class B treasury shares may also be sold by the company in public trading arranged by the NASDAQ OMX Helsinki exchange.

The authorisation includes the right of the Board to determine the terms of the share issue as specified in the Companies Act, including the right to decide whether the subscription price will be partially or fully entered in the paid-up unrestricted equity reserves or in the share capital.

The authorisation will remain in force for eighteen (18) months following the decision of the Annual General Meeting.

The authorisation rewokes 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 concerning no more than 650,000 class B shares for the purpose of establishing a share-based incentive scheme for management.

Other authorisations

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

Decisions regarding share issues

Pursuant to the authorisation granted by the Annual General Meeting of 13 March 2007, the company's Board of Directors decided on 20 February 2008 to issue to the company 650,000 new class B shares under a targeted bonus issue. The aim of the decision was to enable the creation of treasury shares for use in the incentive scheme for senior management. These shares represent approximately 0.46 per cent of the total number of company shares and approximately 0.06 per cent of the total number of votes.

In addition, pursuant to the authorisation granted by the Annual General Meeting of 13 March 2007, the Board of Directors decided on 20 February 2008 on a targeted bonus issue in which a total of 156,048 class B treasury shares held by the company were assigned to the company's President and CEO and to other members of Oriola-KD Corporation's 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. Class B shares were assigned to the following: Eero Hautaniemi, President and CEO; Kimmo Virtanen, Executive Vice President and CFO; Henry Haarla, General Counsel; Anne Kariniemi, Vice President, Sourcing and Logistics; Teija Silver, Vice President, Human Resources; Pellervo Hämäläinen, Vice President, Communications and Investor Relations; Matti Lievonen, Vice President, Pharmaceutical Distribution Finland; Jukka Niemi, Vice President, Pharmacy and Retail Trade; Birgitta Gunneflo, Managing Director, Kronans Droghandel AB; Ilari Vaalavirta, Vice President, Healthcare Trade; and Claes von Bonsdorff, Vice President, Data Administration.

Treasury shares

The company holds 493,952 class B treasury shares, representing approximately 0.35 per cent of the total number of company shares and approximately 0.05 per cent of the total number of votes.

Shares

At year-end 2008, the company had a total of 141,907,828 shares, of which 48,692,203 were class A shares and 93,215,625 were class B shares.

At General Meetings, each class A share carries 20 votes and each class B share one vote. No shareholder may vote using an amount of votes that exceeds 1/20 of the total number of votes carried by the shares of different share classes represented at the General Meeting.

Both share classes give the shareholder the same rights to the company's assets and dividend distribution.

Under Article 3 of the Articles of Association, a shareholder may demand conversion of class A shares into class B shares.

Oriola-KD Corporation's class A and B shares are quoted on the main list of the NASDAQ OMX Helsinki exchange. The company's field of business on the stock exchange is Health Care Distributors and the company is classified under Health Care. The ticker symbol for the class A shares is OKDAV and for the class B shares OKDBV.

Share trading and prices

A total of 46.9 million Oriola-KD Corporation shares, corresponding to 33.0 per cent of all outstanding shares, were traded on the NASDAQ OMX Helsinki exchange between 1 January and 31 December 2008. The traded volume of class A shares amounted to 11.2 per cent of the average outstanding stock, while the traded volume of class B shares was 45.0 per cent of the average outstanding stock.

The average share price of Oriola-KD Corporation's class A shares was EUR 2.41 and of its class B shares EUR 2.42. The market value of all Oriola-KD Corporation shares at 31 December 2008 was EUR 184.5 million, of which the market value of class A shares was EUR 63.3 million and of class B shares EUR 121.2 million.

Shareholders

On 31 December 2008, Oriola-KD Corporation had a total of 30,665 registered shareholders. There were 42,050,934 nominee-registered shares on 31 December 2008, corresponding to 29.6 per cent of all shares and 6.5 per cent of all votes.

Private individuals accounted for 95.0 per cent of all shareholders and their holdings accounted for 42.4 per cent of all shares and 57.3 per cent of all votes.

Disclosures

On 30 July 2008, Maa- ja Vesitekniikan Tuki ry notified Oriola-KD Corporation in accordance with chapter 2, section 9 of the Securities Markets Act that, subsequent to a share transaction executed on 29 July 2008, the portion of the votes conferred by the Oriola-KD Corporation shares held by Maa- ja Vesitekniikan Tuki ry and its subsidiary Tukinvest Oy had risen to 5.08 per cent, i.e. above one twentieth (1/20), of the total votes.

Share conversions

Under Article 3 of the Articles of Association, a total of 2,553,202 class A shares were converted into class B shares during the financial year.

Management shareholdings

On 31 December 2008, the members of the company's Board of Directors, the President and CEO and the deputy to the President including companies controlled by them had a total of 131,997 shares, corresponding to 0.09 per cent of the total outstanding stock and 0.06 per cent of the votes.

Dividend policy and dividend proposal

Oriola-KD Corporation seeks to distribute approximately 50 per cent of the earnings per share in dividends each year. The company's financial position and operating strategy are taken into consideration when determining annual dividends. The Board proposes that a dividend of EUR 0.08/share be paid for the financial year 1 January–31 December 2008.

Share capital

	A shares	B shares	Shares total
Number of shares 1 Jan 2007	56,294,640	84,963,188	141,257,828
Conversion of A shares to B shares	–5,049,235	5,049,235	0
Number of shares 31 Dec 2007	51,245,405	90,012,423	141,257,828
Votes 31 Dec 2007	1,024,908,100	90,012,423	1,114,920,523
Share capital per share class 31 Dec 2007, EUR million	53.7	94.2	147.9
Percentage from the total shares	36.3%	63.7%	100.0%
Percentage from the total votes	91.9%	8.1%	100.0%

	A shares	B shares	Shares total
Number of shares 1 Jan 2008	51,245,405	90,012,423	141,257,828
Targeted bonus issue to the company itself		650,000	650,000
Conversion of A-shares to B-shares	–2,553,202	2,553,202	0
Number of shares 31 Dec 2008	48,692,203	93,215,625	141,907,828
Votes 31 Dec 2008	973,844,060	93,215,625	1,067,059,685
Share capital per share class 31 Dec 2008, EUR million	53.7	94.2	147.9
Percentage from the total shares	34.3%	65.7%	100.0%
Percentage from the total votes	91.3%	8.7%	100.0%

EUR million	2008	2007	2006
Parent company share capital 31 Dec	147.9	147.9	147.9
Elimination of the revaluation of subsidiary shares in the consolidated	–111.7	–111.7	–111.7
Consolidated share capital 31 Dec	36.2	36.2	36.2

19. PROVISIONS

EUR million	Restructuring provision	Other provisions	Total
1 Jan 2008			0.0
Increase / decrease			0.0
31 Dec 2008	0.0	0.0	0.0

EUR million	Restructuring provision	Other provisions	Total
1 Jan 2007	1.2	0.7	1.9
Increase / decrease	–1.2	–0.7	–1.9
31 Dec 2007	0.0	0.0	0.0

EUR million	2008	2007
Current provisions	0.0	0.0
Non-current provisions	0.0	0.0
Total	0.0	0.0

At the end of the financial year 2008, there was no need for restructing nor other provisions.

20. INTEREST-BEARING LIABILITIES

EUR million	2008 Fair value	2008 Carrying amount	2007 Fair value	2007 Carrying amount
Non-current				
Other interest-bearing liabilities	27.7	27.7	0.0	0.0
Finance lease liabilities	0.2	0.2	0.3	0.3
Total	27.9	27.9	0.3	0.3

Other non-current interest-bearing liabilities mainly consists of the estimated purchase price of the remaining 25 percent holding in the Russian companies. The debt is based on managements best estimation and the amount of the debt will be adjusted in each reporting period.

EUR million	2008 Fair value	2008 Carrying amount	2007 Fair value	2007 Carrying amount
Current				
Loans from financial institutions	29.4	29.4	0.0	0.0
Advances received	51.3	51.3	40.1	40.1
Finance lease liabilities	0.2	0.2	0.6	0.6
Other interest-bearing liabilities	0.0	0.0	0.0	0.0
Total	80.8	80.8	40.7	40.7

Repayment schedule

	2008	2007
1–5 years	27.9	0.3
More than five years	0.0	0.0
Total	27.9	0.3

20. Interest-bearing liabilities

Maturity of finance lease liabilities

EUR million	2008	2007
Within one year	0.2	0.6
Within 1–5 years	0.2	0.3
Total	0.4	0.9

Present value of minimum lease payments

EUR million	2008	2007
Within one year	0.2	0.6
Within 1–5 years	0.2	0.3
Total	0.4	0.9
Unearned financial expense	0.0	0.1
Finance lease liabilities total	0.4	0.9

21. OTHER NON-CURRENT LIABILITIES

EUR million	2008 Fair value	2008 Carrying amount	2007 Fair value	2007 Carrying amount
Pension deposit on behalf of personnel	0.0	0.0	0.0	0.0
Other non-current liabilities	0.0	0.0	0.4	0.4
Total	0.0	0.0	0.4	0.4

22. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

EUR million	2008 Fair value	2008 Carrying amount	2007 Fair value	2007 Carrying amount
Trade payables	427.0	427.0	363.7	363.7
Accrued liabilities and deferred income	17.4	17.4	13.1	13.1
Derivative liability	0.0	0.0	0.0	0.0
Other current liabilities	31.4	31.4	10.5	10.5
Total	475.8	475.8	387.4	387.4

Material items included in accrued liabilities and deferred income

	2008	2007
Accrued wage, salary and social security payments	9.9	5.8
Income tax liability	2.1	2.6
Other	5.4	4.7
Total	17.4	13.1

23. FINANCIAL RISK MANAGEMENT

The financial risks relating to the business operations of the Oriola-KD Group (hereinafter Oriola-KD) are managed in accordance with the treasury policy adopted by the Board of Directors of Oriola-KD Corporation. Oriola-KD's treasury policy provides the framework for the Group's financing activities. Detailed operational instructions defining financial risk management principles and liquidity management have been prepared for the financial management of the Group. The Group treasury is responsible for the implementation, monitoring and communication of the treasury policy within the Group. The treasury policy is updated as necessary, but at least once a year.

The objective of financial risk management is to ensure the adequacy of financing, to secure liquidity, to optimise the structure of the Group's balance sheet, to eliminate currency, interest rate, market price and credit risks as much as possible, and to ensure cost-effective operations. The treasury identifies, assesses and hedges financial risks in close cooperation with the business segments.

The expansion of operations into the Russian pharmaceuticals retail and wholesale market increased Oriola-KD's financial risks as of the second quarter of 2008. Currency risks are the most significant of Oriola-KD's financial risks in Russia, as any changes in the value of the rouble have an impact on the company's financial performance. Owing to the long payment terms generally observed in Russia and the uncertainty in the global financial markets, trade receivables in Russia are exposed to credit loss risks. Credit loss risks are monitored actively and the trend in these risks is tracked on the basis of the aging of Russian trade receivables.

Currency risks

Fluctuations in currency exchange rates have an impact on Oriola-KD's operations. A substantial proportion of purchases and sales are conducted in the operating currencies of the subsidiaries, which considerably reduces the currency exchange risks. The most important country-specific operating currencies for Oriola-KD are the euro, the Swedish krona (SEK) and the Russian rouble (RUB).

In accordance with the treasury policy, the Group's internal loans and deposits are denominated in the local currency of each subsidiary, with the exception of EUR 48.6 million in internal euro-denominated loans granted to the wholesale company in Russia, which the Group classifies under net investment in a foreign operation. Exchange differences arising from these receivables are recognised in the consolidated financial statements under translation differences in equity.

Transaction risk

Transaction risks arise from commercial and financing-related transactions and payments made by the business units, where these are denominated in a currency other than the unit's operating currency. Transaction risks can be hedged separately for each company against its operating currency. Due to the nature of the business operations in Finland and Sweden, the transaction risks involved in these operations are minor. Oriola-KD's biggest operating currency risk concerns the euro-denominated and US dollar-denominated purchases of the wholesale company in Russia. The company has minimised its currency risks by negotiating rouble-denominated purchase agreements and settling payment for its remaining foreign currency denominated purchases more promptly than before.

The Group has hedged the internal loans and deposits with a maturity of less than one month that Oriola-KD Corporation has received from Kronans Droghandel AB, due to the short-term nature of these loans and deposits. Internal loans given and deposits made by other subsidiaries have not been hedged, as they are of minor significance and the currencies in which they are denominated have historically had a relatively low volatility against the euro.

The Healthcare Trade business draws up 12-month currency position reports for its foreign currency denominated purchases. Hedging decisions are taken on the basis of these 12-month currency position reports. The net position of trade payables denominated in all important currencies is hedged to the full amount. Foreseeable items can be hedged for the next three months at a maximum of 100% of the anticipated cash flow. The hedging instruments permitted are currency forwards and swaps. The treasury is responsible for hedging the net positions in foreign currencies.

As a general rule, hedge accounting is not used to hedge Oriola-KD's transaction risks, which means foreign exchange gains and losses on hedged items are recognised directly in the income statement. The estimated USD-denominated additional transaction price on the Russian business acquisition and the USD-denominated purchase price of the remaining 25 percent holding were hedged in July 2008 with currency forwards on the basis of the forecasted transaction prices at the time of hedging. Oriola-KD applies hedge accounting in the hedging related to these purchase prices.

Transaction position at the balance sheet date

31 Dec 2008 **EUR million**	**EUR** **USD**	**EUR** **SEK**	**USD** **RUB**	**EUR** **RUB**
Foreign currency denominated receivables	1.2	16.1	2.2	2.1
Foreign currency denominated payables	–50.0	–16.3	–4.3	–8.0
Foreign currency denominated derivatives	39.1	10.1	0.0	0.0
Net risk	–9.8	9.9	–2.1	–5.8

31 Dec 2007 **EUR million**	**EUR** **USD**	**EUR** **SEK**	**USD** **RUB**	**EUR** **RUB**
Foreign currency denominated receivables	0.0	2.7	0.0	0.0
Foreign currency denominated payables	–1.6	–45.4	0.0	0.0
Foreign currency denominated derivatives	1.7	44.9	0.0	0.0
Net risk	0.2	2.2	0.0	0.0

Translation risk

Translation risks arise when a subsidiary's equity is not denominated in the parent company's reporting currency, the euro. The Group's most significant translation risks, excluding foreign currency denominated goodwill, concern items in Swedish krona and Russian roubles. Deferred translation differences resulting from exchange rate fluctuations are recorded under the Group's translation differences in equity.

The currency risk in the Group companies' equity may be hedged only by a separate decision of the Board, in which case permitted hedging instruments are foreign currency denominated loans and currency swaps and forwards contracts. At the balance sheet date, Oriola-KD had not hedged the equity-related translation risks.

Translation position at the balance sheet date, excluding foreign currency denominated goodwill

EUR million	2008 Net investment	2007 Net investment
SEK	108.7	113.2
RUB	52.1	0.0

Currency risk sensitivity analysis

The tables below illustrate the effects of transaction and translation risks on Oriola-KD's earnings before taxes and on the translation differences in Group equity. The calculations are based on a possible 10% change in currency exchange rates in relation to the company's operating and reporting currency, provided that other variables remain unchanged.

Transaction risk

Effects of a 10% weakening of the company's operating currency against other currencies

EUR million	2008 Income statement	2007 Income statement
EUR/SEK	0.9	0.2
EUR/USD	–0.9	0.0
RUB/USD	–0.2	0.0
EUR/RUB	–0.5	0.0

Translation risk

Effects of a 10% weakening of a subsidiary's reporting currency against the euro

EUR million	2008 Equity	2007 Equity
EUR/SEK	–9.9	–10.3
EUR/RUB	–4.7	0.0

Liquidity risk

The objective of liquidity risk management is to maintain adequate liquid assets and credit facilities so that Oriola-KD is able to meet all of its financial obligations. The Group's liquidity management is based on 12-month financial forecasts and rolling four-week day-by-day liquidity monitoring reports drawn up on a weekly basis.

The Group's liquidity risk is managed using Oriola-KD Corporation's commercial paper programme of EUR 100.0 million, which is secured by credit facilities of EUR 78.1 million. The Group's liquid assets may be invested in money market instruments with the lowest possible credit and price risk. The treasury attends to the management and monitoring of liquidity in a centralised manner. At the balance sheet date, EUR 29.4 million of Oriola-KD Corporation's EUR 100.0 million commercial paper programme was in use, while the credit facilities securing the Group's liquidity were unused. None of the Group's liquid assets were invested in money market instruments at the balance sheet date.

23. Financial risk management

Cash assets and unused credit facility agreements

EUR million	2008	2007
Cash and cash equivalents	46.5	131.0
Credit facility agreements	78.1	25.0
Total	124.6	156.0

Interest-bearing and non-interest-bearing liabilities falling due after 31 December 2008, based on agreements

EUR million	2009	2010	Total
Interest-bearing			
Loans from financial institutions	29.4	0.0	29.4
Pension loans	0.0	0.0	0.0
Finance lease liabilities	0.2	0.2	0.4
Advance payments received	51.3	0.0	51.3
Other interest-bearing liabilities	0.0	27.7	27.7
Non-interest-bearing			
Trade payables	427.0	0.0	427.0
Accrued liabilities and deferred income	17.3	0.0	17.3
Other non-interest-bearing liabilities	31.5	0.0	31.5
Total	556.6	27.9	584.5

Interest-bearing and non-interest-bearing liabilities falling due after 31 December 2007, based on agreements

EUR million	2008	2009	Total
Interest-bearing			
Loans from financial institutions	0.0	0.0	0.0
Pension loans	0.0	0.0	0.0
Finance lease liabilities	0.6	0.3	0.9
Advance payments received	40.1	0.0	40.1
Other interest-bearing liabilities	0.0	0.0	0.0
Non-interest-bearing			
Trade payables	363.7	0.0	363.7
Accrued liabilities and deferred income	13.1	0.0	13.1
Other non-interest-bearing liabilities	10.5	0.4	10.9
Total	428.1	0.7	428.7

Interest rate risk

After previously having been free of net debt, Oriola-KD's financial position changed in 2008 and it now carries net debt, mainly due to the corporate acquisition carried out in Russia. The objective of the Group's interest rate risk management is to minimise the impact of interest rate fluctuations on the Group's income statement. The treasury attends to the management and monitoring of interest rate risks in a centralised manner. The Group's interest rate risk mainly arises from use of the issued commercial paper programme and from the interest-bearing euro-denominated advance payments received. At the balance sheet date, the Group was not using any credit facilities to secure its liquidity, nor has Oriola-KD used any fixed income derivatives during 2008.

The Group's interest-bearing liabilities stood at EUR 108.7 million (EUR 41.0 million) on the balance sheet date, and the average interest rate on these liabilities was 3.1% (2.7%). In addition to use of the issued commercial paper programme and interest-bearing advance payments, the Group's interest-bearing liabilities include the estimated purchase price of the remaining 25 percent holding in the Russian companies and finance leasing debts. A rise of one percentage point in market interest rates would have had an impact of EUR –1.1 million (EUR –0.4 million) on the Group's annual interest rate expenses at the balance sheet date.

Credit risks and other counterparty risks

A credit risk arises from the possibility of a counterparty failing to meet its contractual payment obligations or financial institutions failing to meet their obligations relating to deposits and derivatives trading. The objective of Oriola-KD's treasury policy and customer credit policy is to minimise credit and counterparty risks.

Oriola-KD's treasury policy provides the framework for credit risk management, cash management and counterparties in financial transactions. The aim of the treasury policy is to ensure that assets are invested at a low credit risk and with a diversified counterparty risk. Credit limits are determined for investments and derivative instrument counterparties on the basis of creditworthiness and solvency, and are monitored and updated on a regular basis. Money market investments are made in marketable fixed income instruments primarily of less than three months' duration or in deposits.

The creditworthiness requirements for commercial counterparties are defined in the customer credit policy. The business segments are each responsible for the credit risk arising from commercial receivables within the limits of the principles they have defined. The majority of the Group's business operations are based on well-established and reliable customer relationships and contractual terms generally observed within the industry, which means they do not pose a material credit risk. The Group's most important individual customer is the Swedish state-owned pharmacy chain, Apoteket AB. The trade receivables of the Russian wholesale business are monitored actively due to the long payment terms generally observed in Russia and the uncertainty in the global financial markets. The amount of credit losses recognised in the income statement for the financial year was insignificant. The aging of trade receivables is presented in more detail in Note 16, Trade and other receivables.

Capital management

The Group's aim is to have an efficient capital structure that safeguards operational prerequisites under all circumstances. The return on capital employed (ROCE) and the gearing ratio are the means for monitoring capital structure.

The long-term financial goals and dividend policy for the Oriola-KD Group have been confirmed by the Board of Directors of Oriola-KD Corporation. The Group's long-term financial goals are based on the trend in its operating profit and return on capital employed (ROCE). The Group has set a target of reaching a return on capital employed (ROCE) of at least 13 percent in 2010. In addition, Oriola-KD seeks to pay out annually approximately 50 percent of the earnings per share as dividends. The company's financial position and operating strategy are taken into consideration when determining annual dividends.

	2008	2007
Return on capital employed, %	13.5%	14.2%
Gearing ratio, %	33.5%	–44.2%

24. COMMITMENTS AND CONTINGENCIES

EUR million	2008	2007
Contingent for own liabilities		
Mortgages on land and buildings	2.0	2.0
Mortgages on company assets	2.2	21.9
Guarantees	37.8	3.1
Other	1.2	1.9
Total	43.2	28.9
Contingent for liabilities of other parties	0.0	0.0
Leasing commitments	0.4	0.3

25. DERIVATIVES

2008 EUR million	Positive fair value	Negative fair value	Nominal values
Foreign currency forward and swap contracts under hedge accounting	4.7		35.2
Other currency forwards/swap contracts	0.1		13.2

2007 EUR million	Positive fair value	Negative fair value	Nominal values
Foreign currency forward and swap contracts under hedge accounting			
Other currency forwards/swap contracts		–0.0	53.0

26. CARRYING AMOUNTS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFIED

EUR million	Note	2008 Fair value	2008 Carrying amount	2007 Fair value	2007 Carrying amount
Financial assets recognised at fair value through profit or loss					
Cash and cash equivalents	17)	46.5	46.5	131.0	131.0
Derivative asset	16)	4.7	4.7	0.0	0.0
Loans and other receivables					
Other non-current receivables	14)	0.2	0.2	0.5	0.5
Trade and other receivables	16)	248.2	248.2	201.0	201.0
Available-for-sale financial assets					
Financial assets total		299.6	299.6	332.5	332.5
Financial liabilities at fair value through profit or loss					
Derivative liability	22)	0.0	0.0	0.0	0.0
Financial liabilities measured at amortised cost					
Non-current interest-bearing liabilites	20)	–27.9	–27.9	–0.3	–0.3
Other non-current liabilities	21)	0.0	0.0	–0.4	–0.4
Current interest-bearing liabilities	20)	–80.8	–80.8	–40.7	–40.7
Trade payables and other current liabilities	22)	–475.8	–475.8	–387.4	–387.4
Financial liabilities total		–584.5	–584.5	–428.7	–428.7

27. OPERATING LEASES

Group as lessee

Minimum lease payments payable on the basis of other non-terminable leases

EUR million	2008	2007
Within one year	14.0	2.7
Over one year	19.3	2.2
Total	33.3	5.0

28. RELATED-PARTY TRANSACTIONS

In the Oriola-KD Group, the related parties are deemed to include the parent company Oriola-KD Corporation, the subsidiaries as well as associated companies, the President of Oriola-KD, the Oriola-KD Corporation Board members, the immediate family members of the above persons, the companies controlled by the above persons, as well as the Oriola Pension fund.

	Group		Parent company	
	Ownership %	**Share of votes %**	**Ownership %**	**Share of votes %**
Parent company Oriola-KD Corporation (Finland)				
Oriola Oy (Finland)	100%	100%	100%	100%
Oriola-KD Holding Sverige AB (Sweden)	100%	100%	100%	100%
Foreti Oy (Finland)	75%	75%	75%	75%
Oriola Oy (Finland)	100%	100%	100%	100%
Meteko Instrument AB (Sweden)	100%	100%		
Oriola A/S (Denmark)	100%	100%		
Oriola AB (Sweden)	100%	100%		
AS Oriola (Estonia)	100%	100%		
SIA Oriola Riga (Latvia)	100%	100%		
UAB Oriola Vilnius (Lithuania)	100%	100%		
Panfarma AB (Sweden) *)	100%	100%		
Panpharmacy Oy (Finland)	100%	100%		
Panpharmacy Oü (Estonia)	100%	100%		
SIA Panpharmacy (Latvia)	100%	100%		
Oriola-KD Holding Sverige AB (Sweden)	100%	100%	100%	100%
Kronans Droghandel AB (Sweden)	98.13%	98.13%		
KD Pharma Distribution AB (Sweden) *)	98.13%	98.13%		
Lifco Dental International AB (Sweden)	30%	30%		
Foreti Oy (Finland)	75%	75%	75%	75%
OOO Moron (Russia)	100%	100%		
OOO Vitim & Co (Russia)	100%	100%		

*) The companies are not engaged in any operating activities.

Transactions with the related parties

The Group has had no significant business transactions with the related parties, expect for the pension expenses resulting from the defined benefit plans with the Oriola Pension Fund.

Management benefits

EUR million	**1.1.–31.12.2008**	**1.1.–31.12.2007**
Salaries and other benefits	3.1	1.8

Wages and salaries

1 000 EUR	**1.1.–31.12.2008**	**1.1.–31.12.2007**
President of the Oriola-KD Corporation	767.7	426.3

Members of the Board	**1.1.–31.12.2008**	**1.1.–31.12.2007**
Olli Riikkala, Chairman	59.2	59.2
Antti Remes, Vice Chairman	37.1	35.8
Harry Brade	29.6	28.0
Pauli Kulvik	28.4	28.4
Outi Raitasuo	29.6	28.8
Jaakko Uotila	29.2	29.6
Mika Vidgrén	28.8	29.2
Total	241.9	239.0

28. Related-party transactions

In November 2006, the Board of Directors of Oriola-KD Corporation decided to introduce a new share incentive scheme for key employees in the Oriola-KD Group. Some twelve key employees are eligible for the scheme. The scheme encourages the key employees to take a forward-looking long-term approach to their work by strengthening their commitment to the future development of the company. Any bonuses are determined on the basis of Oriola-KD's operating profit (50% weighting) and return on capital employed (50% weighting) in the period 2007–2009.

Bonuses are payable in 2008-2010 in the form of shares, cash or a combination of the two. Except for certain special circumstances, the bonus shares may not be transferred for a period of one year from payment of the bonus. The number of class B shares included in the scheme may not exceed 650,000. The incentive scheme comprises three earning periods of one year. The Board decides on the target group of the earning period and the bonuses of the key employees in the target group at the beginning of each earning period.

Under IFRS 2, share incentive schemes should be measured at the grant date fair value and recognised as an expense within the vesting period. Because the share incentive is paid as a combination of shares and cash, the fair value measurement of the bonus is divided under IFRS 2 into two parts: an equity-settled and a cash-settled component. The equity-settled component is recognised in equity and the cash-settled payment in liabilities. The fair value of the share-based payment at the bonus grant date was the Oriola-KD Corporation share price. Similarly, the fair value of the cash-settled component is readjusted on each reporting day up to the end of the earning period, and the fair value of the debt thus changes in accordance with the Oriola-KD Corporation share price.

The expenses recognised for share-based payments in the period January–December 2008 came to EUR 0.6 million (Jan–Dec 2007: EUR 1.1 million).

Further details concerning the shareholdings of the Board of Directors and the management are given in the section on shares and shareholders.

Key Financial Figures

Consolidated Income Statement

EUR million	1.1.–31.12.2008	1.1.–31.12.2007
Net sales	1,580.8	1,377.3
International operations	962.6	807.1
% of net sales	60.9%	58.6%
Operating profit	36.4	29.1
% of net sales	2.3%	2.1%
Financial income and expenses	–1.8	1.9
% of net sales	–0.1%	0.1%
Profit before taxes	34.6	31.0
% of net sales	2.2%	2.3%
Profit for the period	27.5	23.7
% of net sales	1.7%	1.7%
Profit available for parent company shareholders	27.4	23.3
Return on capital employed (ROCE)	13.5%	14.2%
Return on equity (ROE)	14.1%	12.0%

Consolidated Balance Sheet

EUR million	31.12.2008	31.12.2007
Non-current assets	240.5	132.5
Current assets	550.1	512.9
Equity of the parent company shareholders	184.4	195.5
Minority interest	1.0	8.1
Non-current provisions	0.0	0.0
Liabilities	605.1	441.8
Interest-bearing liabilities	108.7	41.0
Non-interest-bearing liabilities	496.4	400.8
Total assets	790.6	645.4
Equity ratio	25.1%	33.7%
Gearing	33.5%	–44.2%

Other key figures

	1.1.–31.12.2008	1.1.–31.12.2007
Average number of employees	3,807	1,432
Gross capital expenditure, EUR million	125.7	32.1

Key figures

	31.12.2008	31.12.2007
Equity ratio, %	25.1%	33.7%
Equity per share, EUR	1.30	1.38
Return on capital employed (ROCE), %	13.5%	14.2%
Return on equity, %	14.1%	12.0%
Net interest bearing debt, Me	62.2 Me	–90.0 Me
Gearing, %	33.5%	–44.2%
Earnings per share, EUR	0.19	0.16
Average number of share, tpcs	141,393	141,258

Share-related Key Figures

			1.1.–31.12.2008	1.1.–31.12.2007
Earnings per share		EUR	0.19	0.16
Equity per share		EUR	1.30	1.38
Total dividends		MEUR	11.3*	11.3
Dividend per share		EUR	0.08*	0.08
Payout ratio		%	42.1*	50.0
Dividend yield	A	%	6.2*	2.7
Dividend yield	B	%	6.2*	2.7
P/E ratio	A		6.84	18.75
P/E ratio	B		6.84	18.75
Share price on 31 Dec	A	EUR	1.30	3.00
Share price on 31 Dec	B	EUR	1.30	3.00
Average share price	A	EUR	2.41	3.32
Average share price	B	EUR	2.42	3.24
Lowest share price	A	EUR	1.22	2.64
Lowest share price	B	EUR	1.20	2.57
Highest share price	A	EUR	3.10	3.70
Highest share price	B	EUR	3.10	3.68
Market capitalisation		MEUR	184.5	423.8
Trading volume				
A-shares		1,000 pc	5,553	12,099
% of average number of A-shares		%	11.2%	23.1%
B-shares		1,000 pc	41,332	71,595
% of average number of B-shares		%	45.0%	80.5%
% of average number of all shares		%	33.0%	59.2%
Number of shares 31 Dec	A	pc	48,692,203	51,245,405
	B	pc	93,215,625	90,012,423
Total number of shares 31 Dec		pc	141,907,828	141,257,828
Total number of A-shares, annual average		pc	49,599,941	52,319,911
Total number of B-shares, annual average		pc	91,792,558	88,937,917
Total number of shares, annual average		pc	141,392,499	141,257,828
Total number of share 31 Dec		pc	141,907,828	141,257,828

* Proposal by Board of Directors

Calculations of Key Figures are on page 46.

Calculation of Key Figures

Return on capital employed (ROCE), % =

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total assets – non-interest bearing liabilities (average during the period)}} \times 100$$

Return on equity (ROE), % =

$$\frac{\text{Profit for the period}}{\text{Equity of the parent company shareholders + minority interest (average during the period)}} \times 100$$

Equity ratio, % =

$$\frac{\text{Equity of the parent company shareholders}}{\text{Total assets – advances received}} \times 100$$

Gearing ratio, % =

$$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Equity of the parent company shareholders + minority interest}} \times 100$$

Earnings per share (EPS), EUR =

$$\frac{\text{Profit attributable to shareholders of the parent company}}{\text{Average number of shares during the period}}$$

Equity per share, EUR =

$$\frac{\text{Equity of the parent company shareholders}}{\text{Number of shares at the end of the period}}$$

Dividend per share, EUR =

$$\frac{\text{Dividend for the financial period}}{\text{Number of shares at the end of the period}}$$

Payout ratio, % =

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield, % =

$$\frac{\text{Dividend per share}}{\text{Closing price on the last trading day of the financial period}} \times 100$$

Price/Earnings ratio (P/E) =

$$\frac{\text{Closing price on the last trading day of the financial period}}{\text{Earnings per share}}$$

Average price of share, EUR =

$$\frac{\text{Trading volume, EUR}}{\text{Average number of shares traded during the financial period}}$$

Market capitalisation, EUR million =

Number of shares at the end of the financial period x closing price on the last trading day of the financial period

Parent Company Income Statement (FAS)

EUR	1.1.–31.12.2008	1.1.–31.12.2007
Other operating income	4,034,658.40	3,943,613.13
Personnel expenses	–2,806,987.48	–2,435,115.38
Other operating expenses	–2,929,681.63	–1,378,581.47
OPERATING PROFIT	–1,702,010.71	129,916.28
Financial income and expenses	21,607,662.25	12,289,022.99
PROFIT BEFORE EXTRAORDINARY ITEMS	19,905,651.54	12,418,939.27
Extraordinary items +/–	2,736,287.56	0.00
PROFIT BEFORE APPROPRIATIONS AND TAXES	22,641,939.10	12,418,939.27
Taxes	–1,209,814.64	–524,959.19
PROFIT FOR THE FINANCIAL YEAR	21,432,124.46	11,893,980.08

Parent Company Balance Sheet (FAS)

EUR	31.12.2008	31.12.2007
ASSETS		
NON-CURRENT ASSETS		
Tangible assets		
Land and water area	149,185.67	149,185.67
INVESTMENTS		
Shares in Group companies	244,233,286.45	175,750,580.47
Receivables from Group companies	61,888,594.58	10,678,041.68
	306,121,881.03	186,428,622.15
CURRENT ASSETS		
Receivables		
Short-term		
Trade receivables	2,586.35	0,00
Receivables from Group companies	3,929,492.38	874,851.82
Other receivables	401,526.19	119,158,464.16
Accrued receivables	4,825,631.01	1,794,534.35
	9,159,235.93	121,827,850.33
Cash and bank	31,300,547.80	5,047,667.04
ASSETS TOTAL	346,730,850.43	313,453,325.19

EUR	31.12.2008	31.12.2007
LIABILITIES		
EQUITY		
Share capital	147,899,766.14	147,899,766.14
Other funds	30,000,000.00	30,000,000.00
Retained earnings	21,803,746.28	21,210,392.44
Profit for the financial year	21,432,124.46	11,893,980.08
	221,135,636.88	211,004,138.66
LIABILITIES		
Long-term liabilities		
Deferred tax liabilities	1,209,814.64	0,00
Current liabilities		
Trade payables	133,170.82	34,192.23
Liabilities to other Group companies	93,574,920.12	101,174,355.06
Other current liabilities	29,565,469.89	588,870.80
Accrued liabilities	1,111,838.08	651,768.44
	124,385,398.91	102,449,186.53
LIABILITIES TOTAL	346,730,850.43	313,453,325.19

Shares and Shareholders

Shareholders by type of owner on 31 December 2008

A shares

	Shareholders	% of shareholders	% of shares
Individuals	11,289	95.8	59.6
Corporations and partnerships			
Government and municipal corporations	0	0.0	0.0
Private corporations and partnerships	288	2.4	11.2
Housing associations	3	0.0	0.0
Banks and insurance companies	22	0.2	2.3
Public entities	11	0.1	17.2
Associations and foundations	121	1.0	6.3
Foreign shareholders	50	0.4	0.3
Total	11,784	100.0	96.9
Nominee registrations			3.0
In the joint book-entry account			0.1
			100.0

B shares

	Shareholders	% of shareholders	% of shares
Individuals	22,969	95.0	33.6
Corporations and partnerships			
Government and municipal corporations	1	0.0	0.5
Private corporations and partnerships	650	2.7	4.3
Housing associations	5	0.0	0.0
Banks and insurance companies	47	0.2	7.3
Public entities	26	0.1	6.0
Associations and foundations	368	1.5	4.3
Foreign shareholders	107	0.4	0.4
Total	24,173	100.0	56.4
Nominee registrations			43.5
In the joint book-entry account			0.1
			100.0

A and B shares total

	Shareholders	% of shareholders	% of shares
Individuals	29,143	95.0	42.4
Corporations and partnerships			
Government and municipal corporations	1	0.0	0.3
Private corporations and partnerships	864	2.8	6.7
Housing associations	6	0.0	0.0
Banks and insurance companies	56	0.2	5.6
Public entities	29	0.1	9.9
Associations and foundations	432	1.4	5.0
Foreign shareholders	134	0.4	0.4
Total	30,665	100.0	70.3
Nominee registrations			29.6
In the joint book-entry account			0.1
			100.0

Shareholders by number of shares held on 31 December 2008

A shares

Shares pc	Shareholders	% of shareholders	Shares	% of shares
1–100	1,685	14.3	103,151	0.2
101–500	3,994	33.9	1,124,060	2.3
501–1,000	2,080	17.7	1,572,323	3.2
1,001–5,000	3,067	26.0	6,890,338	14.2
5,001–10,000	511	4.3	3,614,247	7.4
10,001–50,000	340	2.9	6,934,334	14.2
50,001–100,000	52	0.4	3,542,551	7.3
100,001–500,000	42	0.4	8,436,531	17.3
over 500,000	13	0.1	16,407,750	33.7
Total	11,784	100.0	48,625,285	99.9
of which nominee registered	8		1,458,370	3.0
In the joint book-entry account			66,918	0.1
			48,692,203	100.0

B shares

Shares pc	Shareholders	% of shareholders	Shares	% of shares
1–100	3,213	13.3	233,433	0.3
101–500	8,841	36.6	2,545,336	2.7
501–1,000	5,052	20.9	3,920,291	4.2
1,001–5,000	5,764	23.8	12,719,984	13.6
5,001–10,000	767	3.2	5,388,833	5.8
10,001–50,000	450	1.9	8,715,351	9.3
50,001–100,000	44	0.2	3,091,243	3.3
100,001–500,000	30	0.1	7,537,284	8.1
over 500,000	12	0.0	48,999,390	52.6
Total	24,173	100.0	93,151,145	99.9
of which nominee registered	13		40,592,564	43.5
In the joint book-entry account			64,480	0.1
			93,215,625	100.0

A and B shares total

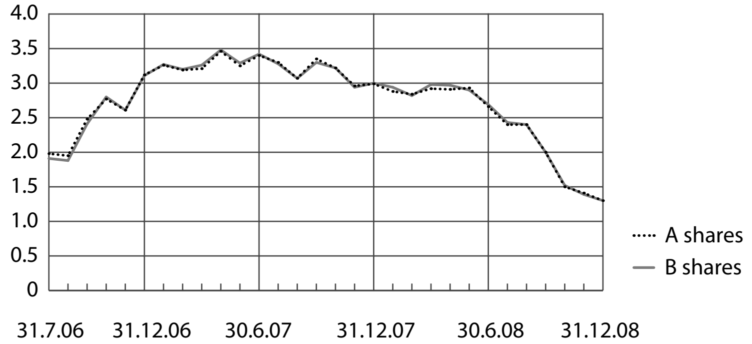
Shares pc	Shareholders	% of shareholders	Shares	% of shares
1–100	4,095	13.4	290,506	0.2
101–500	10,897	35.5	3,139,911	2.2
501–1,000	5,941	19.4	4,590,249	3.2
1,001–5,000	7,391	24.1	16,979,334	12.0
5,001–10,000	1,266	4.1	8,910,428	6.3
10,001–50,000	876	2.9	16,999,446	12.0
50,001–100,000	108	0.4	7,537,337	5.3
100,001–500,000	68	0.2	14,134,014	10.0
over 500,000	23	0.1	69,195,205	48.8
Total	30,665	100.0	141,776,430	99.9
of which nominee registered	13		42,050,934	29.6
In the joint book-entry account			131,398	0.1
			141,907,828	100.0

Major shareholders on 31 December 2008

By number of shares held		A shares	B shares	Total shares	% of total shares	Votes	% of total votes	By number of votes
1.	Varma Mutual Pension	2,520,000	896,600	3,416,600	**2.41%**	51,296,600	**4.81%**	1.
2.	Ilmarinen Mutual Pension Insurance Company	2,464,256	457,836	2,922,092	**2.06%**	49,742,956	**4.66%**	2.
3.	Mutual Insurance Company Pension-Fennia	1,825,000	100,000	1,925,000	**1.36%**	36,600,000	**3.43%**	3.
4.	Equity Fund Nordea Nordic Small Cap	0	1,740,845	1,740,845	**1.23%**	1,740,845	**0.16%**	
5.	Medical Investment Trust Oy	1,300,000	425,450	1,725,450	**1.22%**	26,425,450	**2.48%**	5.
6.	Evli-Select Equity Fund	800,000	892,704	1,692,704	**1.19%**	16,892,704	**1.58%**	10.
7.	The Land and Watertechnology Foundation	1,659,860	0	1,659,860	**1.17%**	33,197,200	**3.11%**	4.
8.	The Social Insurance Institution	0	1,659,568	1,659,568	**1.17%**	1,659,568	**0.16%**	
9.	Ylppö Jukka	1,247,136	286,992	1,534,128	**1.08%**	25,229,712	**2.36%**	6.
10.	The State Pension Fund	0	1,200,000	1,200,000	**0.85%**	1,200,000	**0.11%**	
11.	Oriola Pension Fund*	863,804	305,685	1,169,489	**0.82%**	17,581,765	**1.65%**	9.
12.	Nordea Life Assurance Finland Ltd	0	1,070,000	1,070,000	**0.75%**	1,070,000	**0.10%**	
13.	Avenir Fund Management Company	1,060,319	0	1,060,319	**0.75%**	21,206,380	**1.99%**	7.
14.	Tukinvest Oy	1,048,500	0	1,048,500	**0.74%**	20,970,000	**1.97%**	8.
15.	Etera Mutual Pension Insurance Company	471,274	487,400	958,674	**0.68%**	9,912,880	**0.93%**	
16.	The Finnish Cultural Foundation	321,946	610,220	932,166	**0.66%**	7,049,140	**0.66%**	
17.	Ylppö Into	577,936	240,200	818,136	**0.58%**	11,798,920	**1.11%**	
18.	UCITS Fund Aktia Capital	43,360	705,932	749,292	**0.53%**	1,573,132	**0.15%**	
19.	Relander Gustaf	523,100	0	523,100	**0.37%**	10,462,000	**0.98%**	
20.	OP-Suomi Pienyhtiöt	0	500,000	500,000	**0.35%**	500,000	**0.05%**	
The above total		16,726,491	11,579,432	28,305,923	**19.95%**	346,109,252	**32.44%**	
Nominee registrations		1,458,370	40,592,564	42,050,934	**29.63%**	69,759,964	**6.54%**	
Other		30,507,342	41,043,629	71,550,971	**50.42%**	651,190,469	**61.03%**	
All shareholders total		48,692,203	93,215,625	141,907,828	**100.0%**	1,067,059,685	**100.0%**	

* not entitled to vote at shareholder's meetings.

Monthly average share price, €



Proposal by the Board of Directors for Distribution of Profits for 2008

PROPOSAL BY THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFITS FOR 2008

The parent company's distributable equity on balance sheet is EUR 73,727,698.11 , of which profit for the period is EUR 21,485,909.35. The Board of Directors proposes to the Annual General Meeting that the distributable equity of the Parent Company be used as follows:

• A dividend of EUR 0.08 per share be distributed on 141,413,876 shares	11,313,110.08 EUR
• To be retained on the equity	62,414,588.03 EUR
	73,727,698.11 EUR

There has not been any material changes in the financial position of the company after the end of financial year. Company's liquidity situation is good, and the proposal for distribution of profits does not danger the companys liquidity situation according to the Board of Directors.

We submit these financial statements to the General Meeting of Shareholders for approval.

Espoo, February 11, 2009

Olli Riikkala, Chairman
Antti Remes, Vice Chairman
Harry Brade
Pauli Kulvik
Outi Raitasuo
Jaakko Uotila
Mika Vidgrén
Eero Hautaniemi, President and CEO

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF ORIOLA-KD OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Oriola-KD Oyj for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 11 February 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Corporate Governance

The administration and management of Oriola-KD Corporation (hereinafter "Oriola-KD" or "the company") are based on the Finnish Companies Act and Securities Markets Act, regulations issued on the basis of these, and decisions taken by the company.

Decision-making power in the company is exercised by the General Meeting of Shareholders, the Board of Directors and the President and CEO.

The company complies with the Securities Market Association's Finnish Corporate Governance Code for companies listed on the NASDAQ OMX Helsinki Exchange, with the exception that the company's Nomination Committee may also include persons other than members of the company's Board of Directors. This exception is justified below in the section concerning the Nomination Committee.

Oriola-KD was entered in the Trade Register on 1 July 2006 as a result of the demerger of Orion Corporation taking effect on that date.

GENERAL MEETING OF SHAREHOLDERS

The company's highest decision-making authority is vested in the General Meeting of Shareholders, at which the company's shareholders exercise their powers in accordance with the Companies Act and the Articles of Association. A General Meeting of Shareholders is convened by the Board of Directors. Under the Articles of Association, the Annual General Meeting is held annually by the end of May on a date determined by the Board of Directors. Extraordinary General Meetings of Shareholders may be convened in the manner provided for in the Companies Act.

The matters on which the Annual General Meeting decides include the approval of the financial statements, the distribution of dividends, discharging liable parties from liability, and the election and remuneration of the Chairman of the Board and other Board members and the auditors.

Decisions to amend the Articles of Association are also taken by a General Meeting of Shareholders. For such an amendment to be made, it must be supported by at least 2/3 of the votes cast and of the shares represented.

The Notice of General Meeting is published in one daily newspaper in the capital city no earlier than two months and no later than seventeen days prior to the meeting. The notice will announce the meeting agenda, including the proposal of the Board of Directors for members of the Board.

Shareholders shall notify the company of their intent to attend the General Meeting as indicated in the Notice of General Meeting.

At General Meetings, each class A share carries 20 votes and each class B share one vote. No shareholder may vote using an amount of votes that exceeds 1/20 of the total number of votes carried by the shares of different share classes represented at the General Meeting. To amend this provision of the Articles of Association, a resolution is required that must be supported by at least 4/5 of the votes cast and of the shares represented.

Ideally, the Annual General Meeting is attended by all members of the Board of Directors, the President and CEO and the auditing firm's principally responsible auditor as well as those put forward as candidates for Board membership.

The invitation to the Annual General Meeting to take place on 16 April 2009 and essential information concerning the meeting will be available on the company website no later than 21 days before the meeting.

BOARD OF DIRECTORS

Under the Articles of Association, the Board of Directors consists of no fewer than five and no more than eight members. The term of Board members expires at the end of the next Annual General Meeting following their election.

Persons aged 67 and above may not be elected to the Board of Directors. The Chairman of the Board is elected by the General Meeting of Shareholders and the Vice Chairman is elected by the Board.

The Annual General Meeting held on 17 March 2008 confirmed that the Board of Directors of Oriola-KD shall have seven members. Olli Riikkala was re-elected Chairman of the Board and Harry Brade, Pauli Kulvik, Outi Raitasuo, Antti Remes, Jaakko Uotila and Mika Vidgrén were all re-elected as members of the Board. On the same date, the Board of Directors elected Antti Remes as Vice Chairman.

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

The personal details of Board members', their key work experience and key positions of trust as well as shareholdings in the company are presented on pages 60–61.

The Board of Directors is responsible for managing the company's operations in accordance with the law and the Articles of Association. The Board of Oriola-KD also functions as the so called Group Board for the Oriola-KD Group. The Board of Directors handles and decides on all the most significant matters concerning the operation of the entire Group and the business units regardless of whether these matters legally require a decision of the Board of Directors. The Board also ensures compliance with good corporate governance in the Oriola-KD Group. The Board's rules of procedure contain a list of the most important matters to be dealt with by the Board. Accordingly, the Board's responsibilities include confirming the company's strategy, financial targets, budgets, major investments and risk management principles. The Board appoints and dismisses the company's President and CEO.

In 2008, the Board of Directors convened 15 times, of which four were conference call meetings. The Board members' attendance rate was 93.5%. The Board has conducted an internal self-assessment of its activities.

COMMITTEES OF THE BOARD AND THE COMPANY

The Board of Directors has an Audit Committee and a Compensation Committee. In addition, the company has a Nomination Committee.

The Committees' rules of procedure are confirmed by the Board. The Committees are preparatory bodies that submit proposals to the Board on matters within their purview.

Minutes are kept of the Committees' meetings. The Committees report to the Board at regular intervals.

AUDIT COMMITTEE

The purpose of the Audit Committee is to further the supervision of the company's operations and financial reporting. The Audit Committee's responsibilities include reviewing the financial statements and interim reports of the Group and the basis of these reports together with the company's principal auditor; reviewing together with the principal auditor any deficiencies in the supervision system observed in control inspections during the financial year and any other deficiencies reported by auditors; reviewing any deficiencies in the control system observed in internal audit during the financial year and any other observations and recommendations made; reviewing the plans of action for the control inspection and internal audit and giving recommendations to company management on focus areas for internal audits; evaluating the appropriateness of the supervision of company administration and risk management; and reviewing changes in the principles of company accounting and external reporting prior to their introduction. In addition, the Audit Committee's duties include preparatory work for the decision on electing the auditor and for the decision on obtaining an extended audit, evaluation of the advisory services provided by the auditor and carrying out any other tasks assigned to it by the Board.

The Audit Committee has four members. As of 17 March 2008, the Chairman of the Committee is Antti Remes and the other members are Harry Brade, Outi Raitasuo and Mika Vidgrén. The Committee held six meetings in 2008. The attendance rate of the Committee members was 79.2%.

COMPENSATION COMMITTEE

The Compensation Committee deals with and prepares matters concerning compensation and remuneration of the management and personnel of the Oriola-KD Group as well as matters relating to certain corporate management appointments and makes proposals on such matters to the Board. The Committee's responsibilities include dealing with, evaluating and making proposals on the remuneration structure and compensation and incentive schemes for Group management and personnel; monitoring the functioning of these schemes to ensure that management compensation schemes promote achievement of the company's goals and are based on personal performance; dealing with and preparing other matters relating to the compensation and remuneration of management and personnel, and submitting proposals on these to the Board; and dealing with and conducting preparatory work on matters concerning management appointments for decision by the Board.

The Compensation Committee has three members. As of 17 March 2008, the Chairman of the Committee is Olli Riikkala and the other members are Pauli Kulvik and Jaakko Uotila. The Committee held three meetings in 2008. The attendance rate of the Committee's members was 89%.

NOMINATION COMMITTEE

The Nomination Committee of Oriola-KD is a body established by the Board and tasked with preparing and presenting to the Board a recommendation for the proposal to be put to before the Annual General Meeting of Shareholders concerning the composition and remuneration of the Board. The Committee members are appointed by the Board, which also appoints one of the members as the Committee's Chairman. Members of the Committee do not need to be members of the Board of Directors. The purpose of this deviation from the Corporate Governance Code is to allow the appointment of major shareholders of the company to the Nomination Committee and thus to ensure that their opinions are heard well before the Annual General Meeting. Prior to appointing the Committee members, the Chairman of the Board arranges a meeting with the company's twenty largest shareholders, determined on the basis of number of votes. The purpose of the meeting is to consult the major shareholders on their views as to the composition of the Committee. The Committee presents its recommendation concerning the proposal on the composition and remuneration of the Board to be put before the Annual General Meeting at a meeting to be held before the end of the January preceding the Annual General Meeting, to which meeting the Chairman of the Board invites the company's twenty largest shareholders, determined on the basis of number of votes.

After the meeting, the Committee notifies the Board of the recommendation it has prepared. The Committee's recommendation does not affect the Board's independent decision-making authority or its right to put proposals before the General Meeting.

On 24 October 2007, the Board appointed Timo Maasilta, Risto Murto, Olli Riikkala and Into Ylppö as Nomination Committee members, with Into Ylppö serving as Chairman. On 21 November 2008, the Board appointed Harry Brade, Risto Murto, Olli Riikkala and Into Ylppö as the new Nomination Committee members, with Into Ylppö serving as Chairman. The Committee held one meeting in 2008 and two meetings in 2009. The attendance rate of the Committee's members was 100,0%. The Nomination Committee has evaluated the independence of the Board member candidates it has recommended and found them all to be independent of both the company and its major shareholders.

PRESIDENT AND CEO AND MANAGEMENT TEAM

The Board of Directors appoints the President and CEO of Oriola-KD and decides on the terms of his/her employment. The current President and CEO of the company is Eero Hautaniemi, M.Sc. (Econ.).

In accordance with the Companies Act, the President and CEO manages the company's day-to-day business affairs in accordance with guidelines and instructions issued by the Board of Directors. In addition, the President and CEO ensures that the company's accounting procedures comply with Finnish law and that the management of assets is organised in a reliable way. The terms and conditions of the President and CEO's employment are specified in a written service contract.

The Group Management Team consists of the President and CEO of the Group's parent company as Chairman and persons appointed by the Board. The Management Team meets at least once a month to address matters concerning the entire Group. The Management Team is not a decision-making body; instead, its purpose is to assist the President and CEO in the implementation of Group strategy and in operational management and to facilitate the Group-wide dissemination of information concerning the entire Group. The personal details and Company shareholdings of the Management Team members are presented on pages 62–63.

REMUNERATION

The remuneration for Board members is decided by the General Meeting of Shareholders. The salaries and other remuneration of the President and CEO and the Management Team members are decided by the Board on the basis of the Compensation Committee's proposal.

Board members were paid the following sums in remuneration for the term of office commencing on 17 March 2008: the Chairman of the Board a fee of EUR 44,000 for the term, the Vice Chairman EUR 27,500 and other Board members EUR 22,000. The remuneration is paid in cash. The Chairman of the Board receives an attendance fee of EUR 800 for each meeting, and other members an attendance fee of EUR 400 per meeting. These attendance fees are also paid to the Chairmen and members of Committees appointed by the Board. The Chairman of the Board has a company-paid phone. The travel expenses of all members of the Board of Directors are reimbursed in accordance with the company's travel regulations. In 2008, the total remuneration paid to the Board amounted to EUR 241,900.00. These remuneration sums are itemised on page 42. Additionally, the Board has decided to pay to Board Chairman Olli Riikkala and Board member Pauli Kulvik a reward for the additional work they performed in the Swedish pharmacy monopoly deregulation project. For 2008, the reward is EUR 10,000, and for 2009, the reward will be a pro rata proportion of EUR 10,000.

The salary of the President and CEO and other members of the management team consists of a fixed base salary and bonus payable upon achievement of personal and financial Oriola-KD targets. The maximum bonus in 2008 for the President and CEO is 50% of annual salary and for other Management Team members 25% of annual salary. Decisions on bonuses are made by the Board.

The President and CEO and other members of the Management Team are covered by the share incentive scheme decided by the Board. The scheme encourages a forward-looking, long-term approach on the part of key employees by strengthening their commitment to the development of the operations the company. Any bonuses are determined on the basis of the Oriola-KD Group's operating profit and return on capital employed (ROCE) in 2007–2009. Bonuses are payable in 2008–2010 in the form of company shares, cash or a combination of these. Except for certain special circumstances, the bonus shares may not be transferred for a period of one year from payment of the bonus. The number of class B shares included in the scheme may not exceed 650,000. The incentive scheme comprises three earning periods of one year. The Board decides on the target group for the earning period and the bonuses of the key employees in the target group at the beginning of each earning period. The salary and other remuneration paid to the President and CEO and other Management Team members in the financial year amounted to EUR 3,137,700.00. The salary and other remuneration are itemised on page 42.

The salary and other compensation including benefits paid to President and CEO Hautaniemi are itemised on page 42. The President and CEO has a six-month period of notice and is entitled to severance pay equal to 12 months' salary. The retirement age of the President and CEO is 63 years and his pension is determined in accordance with the Finnish Employee Pensions Act.

The company has granted no loans to Board or Management Team members nor given guarantees on their behalf. The company has no warrant scheme in place.

AUDITS

Statutory audits comprise the auditing of the accounts, financial statements and administration for the financial year. In addition to the auditor's report submitted annually, the auditors report their observations to the Board at regular intervals. Oriola-KD's financial year is 1 January–31 December.

Under the Articles of Association, the company has one auditor and one deputy auditor. The auditor shall be a firm of authorised public accountants.

The auditor is elected annually by the Annual General Meeting of Shareholders for a term that expires at the end of the next Annual General Meeting following the election. PricewaterhouseCoopers Oy, a firm of authorised public accountants, was elected as Oriola-KD's auditor on 17 March 2008. The auditing company has designated Heikki Lassila, APA, as the principal auditor. Kaj Wasenius, APA, was elected deputy auditor.

The fees for the audit proper paid to PricewaterhouseCoopers Oy, the auditing firm, in 2008 totalled EUR 185,000. An additional sum of EUR 208,000 was paid for other consultation provided to Group companies.

INTERNAL SUPERVISION

The purpose of internal supervision at Oriola-KD is to ensure the efficiency and appropriateness of operations, the reliability of financial reporting and compliance with legislation and operating principles. Internal supervision is a vital part of governance and management. Responsibility for arranging internal supervision lies with the company's Board and management. Functioning of internal supervision within the organisation in practice is the responsibility of management in each division or sector, the Group's financial administration and the controller organisation. The Oriola-KD Group has a corporate governance manual in place containing a description of the Group's management and supervision systems.

The functioning of internal supervision is monitored by supervisors as part of the operational management. The Audit Committee is responsible for promoting the monitoring of the company's operations and financial reporting. The Group also has an extended audit function whose sphere of activities encompasses all the companies belonging to the Oriola-KD Group. The responsibility of the extended audit is to evaluate whether the Group's risk management, control, general management and administrative processes function in such a way that:

- risks threatening the business are identified and appropriately managed;
- financial information is correct and reliable;
- operational principles and guidelines concerning the Group as well as laws and regulations are observed;
- resources are used appropriately and efficiently;
- the goals and objectives of operations are achieved; and
- the Group's control systems promote the continuous improvement of quality and operations.

The extended audit reports to the Audit Committee and, as regards operations, to the President and CEO or a person designated by the President and CEO.

RISK MANAGEMENT

Goal and approach

Risk management at Oriola-KD is a part of internal supervision. Business activities always entail risk. Accordingly, an optimal balance must be struck between the risk and the opportunity it presents. Efficient risk management requires continual provision of data on any risks observed in different parts of the organisation. Oriola-KD has a built-in risk management process which makes risk management an integral part of decision-making. The primary goal of risk management is to support the achievement of strategic and operating targets alike. Awareness and management of risks helps the organisation properly identify business opportunities and avoid unwanted risks.

Risk management policy

The Board of Directors of Oriola-KD has approved the company's risk management policy in which the operational model, principles, responsibilities and reporting in risk management have been determined. 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.

Roles and responsibilities

Risk management at Oriola-KD is a constantly evolving process that was developed further in 2008. This process will continue in 2009. The Board's Audit Committee assesses business risks and their reporting as well as the comprehensiveness of risk management. The Group's risk management team is responsible for supporting the management and the Board in the implementation of the risk management policy. The Group's risk management and quality assurance function provides practical coordination and guidance in the risk management process. The company's divisions have independent responsibility for managing risks related to their operation with the aid of the controller organisation, thus supporting the business. Internal audit's responsibilities include assessment of the risk management process.

Strategic risks

Changes in market structure

Legislative changes affecting the market structure may cause rapid changes in the operational fundaments of the Oriola-KD Group. Such factors might include a complete or partial dismantling of the pharmacy monopoly in Sweden. Oriola-KD seeks to allocate the resources available to it in a manner that best allows it to prepare for and benefit from any future changes in market structure. Another risk factor is substantial downward pressure on the prices of pharmaceuticals. Oriola-KD seeks to control this risk by offering new additional services to its principals and customers. Furthermore, the cost efficiency and cost flexibility of operations are subject to constant improvement.

Intense consolidation in the pharmaceutical sector

As a result of consolidation in healthcare, some decisions are made on a Europe-wide or global scale. Oriola-KD seeks to prevent this risk by strengthening its bargaining position through solid partnerships with suppliers and by developing local business concepts.

Expansion-related risks in new markets and business areas

Oriola-KD seeks to manage risks related to expansion through calculated risk-taking. All decisions are based on careful assessment and consideration of factors such as the risk-reward ratio. Oriola-KD's exposure to risks relating to new markets and businesses as well as financial risks has increased, as the company has expanded into the Russian pharmaceutical retail and wholesale market. The success of the takeover of the Russian acquisition, the realisation of the growth potential of the Russia-based businesses, general market trends in Russia and variations in the value of the rouble are all of key importance for Oriola-KD.

Operational risks

Sales and business risks

Pharmaceutical wholesaling is a business that in practice is wholly based on contractual relationships with principals. The agreements periods in pharmaceutical wholesaling and in the trade of healthcare equipment and supplies are generally short, lasting only for about a calendar year at a time, though business relationships with many principals have been long-standing. Customer agreements concerning healthcare products, particularly those concerning consumer goods products, involve risk factors relating to the fact that the agreement periods with customers are typically longer than the corresponding periods with suppliers, in addition to which the customer agreements can contain, among other things, terms and conditions relating to pricing changes, which may differ from the corresponding terms and conditions in the agreements made with suppliers. Oriola-KD seeks to share this risk with suppliers by matching it with customer agreements.

Property loss and business interruption risks

In addition to statutory insurance policies, Oriola-KD has property, liability and business interruption insurance to cover risks that are judged to be material in importance and that can be limited by taking out an appropriate policy.

Risks related to product liability and equipment deliveries

Oriola-KD's operations may involve a certain degree of product liability as, within its sphere of operation, Oriola-KD markets a number of products under its own trademarks and/or outsources the manufacture of these products as a brand owner. In addition, Oriola-KD imports products from outside the EU area. In supplying equipment, the equipment is delivered to the customer installed and ready for use, and as a rule Oriola-KD is responsible for carrying out the installation work. In relation to the volume of goods delivered by Oriola-KD, the risk is considered relatively minor, according to the management's estimate.

Commitment of key employees

The key employees of the company are covered by the share incentive scheme decided on by the Board of Directors. The scheme encourages a forward-looking, long-term approach on the part of key employees by strengthening their commitment to the operation and development of the company.

Risks related to information systems

Information systems are a central part of Oriola-KD's business operations and of the distribution and logistics services it provides. Oriola-KD endeavours, through means related both to ways of working and technology, to ensure the undisturbed operation of its systems and the integrity and reliability of its data. Information security policy, backup procedures and continuity planning are examples of risk management in this sector.

Financial risks are described on pages 36–39 of the 2008 financial statements.

INSIDERS

Oriola-KD complies with NASDAQ OMX Helsinki's Guidelines for Insiders, dated 1 June 2008, which serve as the basis for the company's internal insider guidelines adopted by the Board.

The public insiders of Oriola-KD comprise the members of the company's Board of Directors, its auditors, President and CEO and other members of the Management Team. Persons employed by the company who have regular access to insider information by virtue of their position or duties make up the company's company-specific insiders. In addition, the company maintains project-specific registers of insiders. Persons privy to insider information concerning a specific project are entered in this register. The public and company-specific registers of insiders are kept in the SIRE system of Euroclear Finland Ltd (formerly the Finnish Central Securities Depository Ltd). Under the company's insider guidelines, the company's insiders are prohibited from trading in the company's book-entry securities for one month prior to the publication of the financial statement bulletin and for three weeks prior to publication of interim reports.

COMMUNICATION

Up-to-date information complying with the Corporate Governance Code is available on the Oriola-KD website at www.oriola-kd.com. A summary of the company's stock exchange releases is featured on page 64.

Members' of the Board of Directors, CEO's and Members' of the Group Management Team shareholdings 31.12.2008

	A shares	B shares	Shares total
The Board of Directors			
Harry Brade	15,676	0	15,676
Pauli Kulvik	0	0	0
Outi Raitasuo	0	0	0
Antti Remes	0	0	0
Olli Riikkala	13,000	1,081	14,081
Jaakko Uotila	0	2,630	2,630
Mika Vidgren	0	3,500	3,500
Apotrade Consulting Oy	0	20,000	20,000
CEO			
Eero Hautaniemi	0	58,650	58,650
Group Management Team			
von Bonsdorff Claes	0	8,730	0
Heinonen Thomas	0	0	0
Hämäläinen Pellervo	0	5,456	5,456
Kariniemi Anne	0	8,730	8,730
Lievonen Matti	968	29,100	30,068
Marlow Cecilia	0	20,000	20,000
Niemi Jukka	1,000	8,730	9,730
Silver Teija	0	5,456	5,456
Vaalavirta Ilari	0	17,460	17,460
Virtanen Kimmo	0	17,460	17,460

Board of Directors

Mr. Olli Riikkala, Chairman, b. 1951

M.Sc. (Eng.), M.Sc. (Econ.), MBA (Claremont Graduate University, California, USA)
Chairman of the Compensation Committee
An independent member since 2006
Shares in Oriola-KD Corporation: 13,000 Class A shares, 1,081 Class B shares

Primary career

2004–2006	GE Healthcare — Information Technologies, Senior Advisor
2003	GE Healthcare, Senior Executive
1997–2004	Instrumentarium Corporation, Managing Director
1979–	employed with Instrumentarium Corporation, holding several management positions involving profit responsibility from 1982 onwards

Key positions of trust

Chairman of the Board of Helvar Merca Oy Ab, Comptel Corporation, PaloDex Group Oy, Fastems Oy Ab, Helvar Oy Ab
Deputy Chairman of the Board of Tietoenator Corporation
Member of the Board of Clinical Research Institute Helsinki University Central Hospital Ltd, Biomedicum Helsinki Foundation, Instrumentarium Scientific Foundation
Chairman of the Board of Tietoenator Corporation (until 2008)

Mr. Pauli Kulvik, b. 1951

M.Sc. (Eng.), MBA (Centre des Études Industrielles, Geneva, Switzerland)
An independent member since 2006
Shares in the Oriola-KD Corporation: 0 Class A shares, 0 Class B shares

Primary career

2002–	Helmet Capital, partner
1998–2002	Group CEO, Tamro Group
1977–1998	Neste plc:
1994–1998	Director, Group auxiliary staff and EU affairs
1990–1994	Director, Oil sector
1986–1989	Vice President, Marketing companies
1979–1980	Director, Oil prospecting and Commercial coordination unit
1977–1979	Corporate Planning

Key positions of trust

Chairman of the Board of Elektromet-Yhtiöt Oy, Kultajousi Oy, L-Fashion Group Oy, Termorak Oy, Helmet Venture Management Oy, Firecon Oy, Rumtec Oy
Member of the Board of Euracon Oy, IVK-Tuote Oy, Rumtec Oy, Hyrles Oy, Halikko Group Oy
Chairman of the Board of Tomi Steel Oy (until 2008)

Mr. Harry Brade, b. 1969

M.Sc. (Eng.), MBA (London Business School)
An independent member since 2007
Shares in the Oriola-KD Corporation: 15,676 Class A shares, 0 Class B shares

Primary career

2002–	Lamy Corporation, Investment Director
2004–	GE Healthcare, Regional Leader
2003–2004	GE Healthcare, Intergration Manager and Business Development Leader
1999 –2000	Nokia Networks, Austria, Manager, Marketing and Sales
1996–1999	Nokia Networks, Finland, Marketing Manager
1994–1996	Datex-Ohmeda, Product Specialist

Key positions of trust:

Chairman of the Board of Lamy Corporation
Member of the Board of Medical Investment Trust Oy

Ms. Outi Raitasuo, b. 1959

Advocate, Master of Laws (LL.M.), Toronto University
An independent member since 2006
Shares in the Oriola-KD Corporation: 0 Class A shares, 0 Class B shares

Primary career

1989–	Attorneys at Law Hannes Snellman Ltd, advocate, partner since 1997
1986–1987	Hollola district court, trainee district judge

Key positions of trust

Member of the Board of RF Micro Devices (Finland) Oy, Mundipharma Oy
Member of the Board of Efore Plc 2004–2008.

Mr. Antti Remes, Vice Chairman, b. 1947

M.Sc. (Econ.)
Chairman of the Audit Committee
An independent member since 2006
Shares in the Oriola-KD Corporation: 0 Class A shares, 0 Class B shares

Primary career

2007–	Tradeka, President, Senior Advisor
1994–2007	Cooperative Tradeka Corporation, President
1991–1994	Tradeka, President
1989–1990	Tradeka, Vice President
1988, 1990–1991	Cooperative Eka Corporation, Vice President, Business Development,
1984–1988	Rautakirja Group, member of the Executive Board
1979–1988	Suomalainen Kirjakauppa Oy, Managing Director

Key positions of trust

Chairman of the Board of Taskukirja Loisto Oy
Member of the Board of Metsä-Tissue Oy,
Member of the Board of Tradeka Oy (until 2007), Restel Oy (until 2007), Suomen Kaupan Liitto (until 2007)
Member of the Supervisory Board of Varma Mutual Pension Insurance Company (until 2007)
Member of the Elections Committee of the Confederation of Finnish Industries EK (until 2007)

Mr. Jaakko Uotila, b. 1949

Pharmacist, Master of Science in Management (California American University)
An independent member since 2006
Shares in the Oriola-KD Corporation: 0 Class A shares, 2,630 Class B shares

Primary career

2001–	Alko Oy, CEO
1996–2001	University Pharmacy, Pharmacist/Managing Director
1977–1996	Orion Corporation, gaining extensive experience of the pharmaceutical industry in positions involving production, R&D and marketing, most recently Vice President of then Orion-Farmos with responsibility for business development.

Key positions of trust

Vice Chairman of the Federation of Finnish Commerce
Member of the Board of the Finnish Foundation for Alcohol Studies, Helsinki Region Chamber of Commerce
Member of the Executive Board of Luottokunta

Mr. Mika Vidgrén, b. 1960

Pharmacist, Doctor of Pharmacy, Adjunct Professor (Universities of Helsinki and Kuopio)
An independent member since 2006
Shares in the Oriola-KD Corporation: 0 Class A shares, 3,500 Class B shares

Primary career

2006–	Espoonlahden Apteekki pharmacy, pharmacist
2002–2005	Savonlinnan III Apteekki pharmacy, pharmacist
1982–2001	Between 1982 and 2001 Mr Vidgrén has been involved in the Finnish and international pharmaceutical industry as well as held the highest research and teaching positions in pharmacy at the Universities of Helsinki and Kuopio. He has also worked at such renowned international research institutes as Baylor College of Medicine in Houston, TX and the Harvard School of Public Health in Boston, MA.

Key positions of trust

Chairman of the Board of the Association of Finnish Pharmacies, Medifon Oy, Pharmadata Oy, Pharmadomus Oy.
Member of the Board of Pharmaservice Oy
Vice President of The Pharmaceutical Group of the European Union
President of The Pharmaceutical Group of the European Union 2008

Group Management Team 31 December 2008

President and CEO

Mr. Eero Hautaniemi, b. 1965

M.Sc. (Econ.)
Shares in Oriola-KD Corporation: Class A shares 0,
Class B shares 58,650

President of the Wholesale and Distribution Division of the Orion Group as of 2 January 2006 . At its meeting of 10 October 2005, the Board of Directors of Orion Corporation appointed Eero Hautaniemi President of the Wholesale and Distribution Division of the Orion Group as of 2 January 2006. In 2003–2004, Mr Hautaniemi was General Manager of the Oximetry, Supplies and Accessories Business Area of GE Healthcare IT. Mr Hautaniemi has held positions in financial and operational business management with Instrumentarium Group in Finland and the United States since 1990.

Current key positions of trust
Member of the Board: Lassila&Tikanoja Corporation

Executice Vice President

Mr. Kimmo Virtanen, b. 1968

M.Sc. (Econ.)
Executice Vice President and CFO
Shares in Oriola-KD Corporation: Class A shares 0,
Class B shares 17,460

Mr Virtanen was appointed CFO for the Wholesale and Distribution Division of Orion Group on 1 June 2006. He joined Orion from Componenta Plc where he was CFO in 2003–2006. Before that, he worked in financial administration in the Cultor Group (1995–1999) and served as CFO of the Danisco Sweeteners Division in the UK and Finland (1999–2003).

Mr. Claes von Bonsdorff, b. 1962

CIO
Shares in Oriola-KD Corporation: Class A shares 0,
Class B shares 8,730

Mr. von Bonsdorff was appointed Chief Information Officer of the Wholesale and Distribution Division of the Orion Group on 12 June 2006. Mr von Bonsdorff joined the Orion Group from the position of CIO at Uponor plc, which he held in 2004–2006. In 1994–2004 Mr von Bonsdorff worked for GE Healthcare IT and the Datex-Ohmeda group of Instrumentarium Plc, holding various management positions in information management and business process development both in Finland and the US. From 1987, he was with software and consultancy company Datatrans Oy, most recently serving as President.

Mr. Thomas Heinonen, b. 1970

LL.M.
Senior Legal Counsel
Shares in Oriola-KD Corporation: Class A shares 0, Class B shares 0

Thomas Heinonen was appointed Legal Counsel of Oriola-KD Corporation on 4 September 2006. Mr Heinonen joined Oriola-KD Corporation from the position of Legal Counsel of Uponor Corporation, which he held in 2003–2006. Mr Heinonen worked for the Orion Group as Legal Counsel from 1998 to 2003.

Mr. Pellervo Hämäläinen, b. 1966

Business college graduate (marketing), Student of Social Sciences (communications)
Vice President, Communications and IR
Shares in Oriola-KD Corporation: Class A shares 0,
Class B shares 5,456

Mr. Hämäläinen was appointed Vice President, Communications and IR in the Wholesale and Distribution Division of Orion Group on 1 May 2006. Mr Hämäläinen joined Orion from Comptel Corporation where he served in Corporate Communications and IR since 2001. Before that, he served in global communications at Nokia Networks (1998–2001) and corporate communications at Sonera Corporation (1995–1998).

Ms. Anne Kariniemi, b.1970

M.Sc. (Eng.)
Vice President, Sourcing and Logistics
Shares in Oriola-KD Corporation: Class A shares 0,
Class B shares 8,730

Ms. Kariniemi joined Oriola-KD Corporation in January 2007 as Vice President, Sourcing and Logistics. She joined Oriola-KD from Onninen Oy where she has worked as Senior Vice President, Logistics (2002–2006). Before that she has worked for Nokia Mobile Phones as Logistics Manager.

Ms. Kariniemi is a Board member of Finnpilot, Finnish State Pilotage Enterprise and has been Board member of Finnish Association of Logistics in 2004-2006.

Ms. Cecilia Marlow, b. 1960
M.Sc. (Econ.)
Managing Director, Kronans Droghandel AB
Shares in Oriola-KD Corporation: Class A shares 0,
Class B shares 20,000

Cecilia Marlow joined the Oriola-KD Group as a Vice President, Retail, Sweden on August 2008. She has a degree from Stockholm School of Economics, and she has worked with controlling and analysis the first 10 years, and after that 15 years in different leading operative positions in retail and advertising. She also has two non-executive directorships; Clas Ohlson and Catella Capital.

Mr. Matti Lievonen b. 1946
M.Sc. (Econ.), LL.M
Senior Advisor, Pharmaceutical Trade, Finland
Shares in Oriola-KD Corporation: Class A shares 968,
Class B shares 29,100

Mr. Matti Lievonen joined the Orion Group in 1975. He has been working as assistant for CEO, Marketing Director (1976–1978), Chief Operating Officer (1978–1980), Vice President in Product Acquisition, Licencing and Regulatory Affairs (1980–1992). He has also worked as a CEO for Orion- Farmos business unit (1993–1998) and as CEO in KD-Tukku Oy (1998–2004). He has been working as Vice President of Pharmaceutical Distribution in Finland since 2004.

Mr. Lievonen has been a Board member of Apteekkitavaratukkukauppa ry (Finnish Association of Pharmaceutical Distributors) since 1999. He has also many other positions of trust in Pharmaceutical Business.

Mr. Jukka Niemi b. 1964
Master of Pharmacy (Biopharmacy)
Vice President, Pharmaceutical Trade, Finland
Shares in Oriola-KD Corporation: Class A shares 1,000,
Class B shares 8,730

Mr. Jukka Niemi joined the Orion Group Oriola in 1993. He has had several positions in sales and marketing, pharmaceutical distribution and head of business area. Since year 1999 he has worked as an assistant Vice President in OTC-Marketing at Orion Pharma till 2003 and as an assistant Vice President in internal consultant for business development in Baltic market area in Oriola Oy. Since year 2004 he has been working as a Vice President in Pharmacy and Retail Marketing.

Mr. Niemi has been a Board member Pharmaceutical Wholesale Association.

Ms. Teija Silver, b. 1964
M.Sc. (Econ.)
Vice President, Human Resources
Shares in Oriola-KD Corporation: Class A shares 0,
Class B shares 5,456

Teija Silver joined Oriola-KD Corporation 2 October 2006. Ms. Silver has a long and wide background of human resources and she joins Oriola-KD from GE Healthcare Finland where she held the position of Director, Human Resources. Before that she served in Nokia Networks as Director and Manager, Human Resources.

Mr. Ilari Vaalavirta, b. 1967
M.Sc. (Eng.)
Vice President, Healthcare Trade
Shares in Oriola-KD Corporation: Class A shares 0,
Class B shares 17,460

Mr Vaalavirta joined Oriola-KD in 2000 as Assistant Vice President, Oriola Prolab. In 2003, he assumed responsibility also for the Hospital Supplies unit of Oriola. He was appointed Vice President, Healthcare and Research upon formation of the Division on 1 January 2005. Mr Vaalavirta served ABB Asea Skandia Oy in 1993–1995, holding positions in financial administration and business development. He held supervisory and management positions in business development, marketing and sales in the Instrumed unit of Instrumentarium Plc in 1995–2000, most recently serving as President of the business unit for hospital and laboratory supplies.

Mr Vaalavirta sits on the Board of Directors of Laboratorio- ja terveydenhuoltoalan tavarantoimittajien yhdistys Sai-Lab ry (Association of Suppliers in the Laboratory and Healthcare Sectors Sai-Lab).

Group Management Team 1 March 2009

Pursuant to the resolution of the Board of Directors of Oriola-KD Corporation on 11 February 2009, as of 1 March 2009 Oriola-KD Corporation's Group Management Team will be composed of

Eero Hautaniemi	President and CEO
Anne Kariniemi	Vice President, Logistics and Sourcing
Cecilia Marlow	Vice President, Pharmaceutical Trade Sweden
Jukka Niemi	Vice President, Pharmaceutical Trade Finland
Ilari Vaalavirta	Vice President, Healthcare Trade
Kimmo Virtanen	Executive Vice President & CFO

An extended Group Management Team, composed of the Group Management Team and the heads of the Group functions, also operates in the Group.

Stock Exchange Releases and Announcements in 2008

22.01.2008	Publishing of Oriola-KD Corporation's financial statements for 2007
30.01.2008	Recommendation by the Nomination Committee concerning Proposals by the Board of Directors to the AGM
07.02.2008	Oriola-KD Corporation's financial statements for 1 January–31 December 2007
11.02.2008	Oriola-KD Corporation's 200,000 A-shares converted into B-shares
19.02.2008	Oriola-KD Corporation's 266,598 A-shares converted into B-shares
20.02.2008	Notice of Annual General Meeting of Oriola-KD Corporation in 2008
20.02.2008	The decisions by the Board on a bonus issue to the company itself and on a targeted bonus issue in the incentive scheme of the company's top management
27.02.2008	Oriola-KD Corporation's Annual Report for 2007
17.03.2008	Oriola-KD to enter growing Russian pharmaceutical retail and wholesale markets
17.03.2008	Resolutions Passed by Oriola-KD Corporation's Annual General Meeting
27.03.2008	The amount of treasury shares held by Oriola-KD Corporation on 27 March 2008
01.04.2008	Oriola-KD Corporation's 55,954 A-shares converted into B-shares
15.04.2008	Publishing of Oriola-KD Corporation's interim report January–March 2008
21.04.2008	Oriola-KD has made the closing of the Russian acquisition
25.04.2008	Oriola-KD Corporation's interim report for 1 January–31 March 2008
05.05.2008	Oriola Corporation's 599,991 A-shares converted into B-shares
22.05.2008	Oriola-KD Corporation's new dates for publishing 2008 second and third quarter interim reports
06.06.2008	Oriola-KD Corporation's 1,300,000 A-shares converted into B-shares
26.06.2008	Oriola-KD has acquired the minority holding of Merck Sharp & Dohme (Sverige) AB
17.07.2008	Oriola-KD Corporation's 130,659 A-shares converted into B-shares
30.07.2008	Announcement in accordance with Section 10 of Chapter 2 of the Finnish Securities Market Act
11.08.2008	Publishing of Oriola-KD Corporation's interim report January–June
21.08.2008	Oriola-KD Corporation's interim report for 1 January–30 June 2008
13.10.2008	Changes in Oriola-KD's Group Management Team
27.10.2008	Oriola-KD Corporation publish interim report January-September 2008 earlier
31.10.2008	Oriola-KD Corporation's interim report for 1 January–30 September 2008
21.11.2008	Publication schedule for Oriola-KD's financial reporting in 2009
21.11.2008	Composition of the Oriola-KD Corporation Nomination Committee

Stock Exchange Releases will be found in Oriola-KD Corporation's website www.oriola-kd.com
Some of the information included in the releases may be out-of-date.

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