

## **Oriola-KD to acquire 171 pharmacies in Swedish auction process**

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Kronans Droghandel Retail AB, a company jointly owned by Oriola-KD Corporation and Kooperativa Förbundet (KF), has signed a share purchase agreement with Apoteket AB (publ) on the acquisition of 100 per cent of the shares of Pharmacy Company Sweden 2 AB, a national pharmacy cluster with 171 pharmacies.

Proforma net sales of the 171 pharmacies in 2008 were SEK 4.4 billion, 14.5 per cent of Swedish pharmacy market. Proforma operating profit including average central overhead costs of Apoteket AB in 2008 was SEK 183 million, 4.2 per cent of net sales. The net debt of the acquired pharmacy cluster at the end of August 2009 was SEK 136 million. The pharmacy cluster employed 931 employees at the end of 2008.

The total purchase price of the acquisition is expected to be approximately SEK 1.56 billion in cash. The closing of the transaction is expected to take place in the first quarter of 2010, and is subject to approval by the Swedish Competition Authority (Konkurrensverket) and the granting of pharmacy licence by the Swedish Medical Products Agency (Läkemedelsverket).

### Cooperation with Kooperativa Förbundet

In connection with the acquisition, Oriola-KD and KF have completed the previously announced collaboration on the Swedish pharmaceutical retail market by establishing a joint venture company, Kronans Droghandel Retail AB. According to the shareholders' agreement, Oriola-KD holds an 80 per cent ownership and KF 20 per cent in the company. The Board of Directors of Kronans Droghandel Retail AB consists of four members appointed by Oriola-KD and one member appointed by KF. Cecilia Marlow has been appointed as Managing Director of the company.

The joint venture enables Kronans Droghandel Retail AB to establish new pharmacies, mainly in conjunction with Coop's hyper and supermarkets owned by KF. Oriola-KD will be responsible for the development and management of the pharmacy chain. The joint venture will operate under the Kronans Droghandel brand.

### Takeover of pharmacies

Oriola-KD has been preparing for the deregulated market for more than 15 months with the objective of creating a leading pharmaceutical retail chain on the Swedish market. A new retail organisation with the required processes and capabilities has been established in Stockholm. The organisation is fully prepared for the take-over of pharmacies at closing, supported by a detailed cluster take-over plan. Oriola-KD will further develop the business operations and expand its pharmacy chain in cooperation with KF in the long term.

### Financing the acquisition

Oriola-KD and KF will finance the acquisition in part with an equity investment of SEK 600 million into Kronans Droghandel Retail AB. In addition to the equity financing, Kronans Droghandel Retail AB has signed a SEK 1.3 billion credit facility with Nordea Bank Finland plc, Pohjola Bank plc, Sampo Bank Plc and Svenska Handelsbanken AB (publ), Branch operation in Finland, in which Nordea Bank Finland Plc acted as the Agent.

The facility will be used for financing the acquisition, investing into the establishment of new pharmacies and for working capital purposes in Sweden. The credit facility includes financial covenants based on Oriola-KD's net debt to EBITDA and gearing ratio.

Oriola-KD has started a sale of sales receivables programme (non-recourse) in Sweden with Pohjola Bank plc to finance its equity investment in Kronans Droghandel Retail AB. After closing of the transaction, Oriola-KD's gearing ratio, which was 44 per cent at the end of September 2009, is expected to increase to the level of 100 per cent.

## Supporting Oriola-KD's strategy

The acquisition is in line with Oriola-KD's strategy to expand operations from pharmaceutical wholesale to pharmaceutical retail in all countries where Oriola-KD operates and where market regulation allows it.

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

## Deregulation of the Swedish pharmacy market

On 29 April 2009, the Swedish Parliament decided to dismantle the country's pharmacy monopoly as of 1 July 2009. The deregulation of the pharmacy market makes it possible for operators other than Apoteket AB to engage in the pharmacy business in Sweden. With the deregulation, the seller announced that 466 pharmacies would be sold to large and medium-sized companies, while 150 pharmacies remaining in state ownership would later be sold to small entrepreneurs. Apoteket AB will retain ownership of 330 pharmacies. The total value of Swedish pharmacy market in 2008 was some SEK 30.3 billion.

"The deregulation of the Swedish pharmaceutical retail market and the acquisition of pharmacies is an important strategic step and an excellent investment opportunity for us in Sweden. Kronans Droghandel has been building a retail organisation since August 2008 and has made considerable investments in preparing for this opportunity. A pharmacy concept designed for the Swedish market, a thorough take-over plan and a strong organisation are in place to support our long-term strategies and goals. Based on our combined experience and all measures taken, Kronans Droghandel is in an excellent position to ensure an uninterrupted and secure flow of pharmaceuticals under all circumstances in Sweden," said Eero Hautaniemi, President and CEO, Oriola-KD Corporation, and Lars Idermark, President and CEO, Kooperativa Förbundet.

## Invitation to conference call

Oriola-KD Corporation will have a teleconference on 9 November 2009 at 4.00 pm Finnish time regarding the acquisition of pharmacies in Sweden, tel. +358 9 69 379 735, confirmation number 2127424. The language of the teleconference will be English.

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[Presentation for teleconference \(pdf\)](#)