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TAMRO GROUP FINANCIAL STATEMENTS 1 FEBRUARY 2009–31 JANUARY 2010: STRONG PERFORMANCE IN CHANGING OPERATING ENVIRONMENT

Financial year highlights

- Tamro Group's annual net sales in the financial year 2009/10 amounted to EUR 5,467 (5,534) million, down by 1.2% from the previous year mainly due to the exchange rates. Comparable sales growth with constant exchange rates (CER) amounted to 2.7%.
- Operating profit decreased to EUR 115 (139) million, and the operating margin to 2.1 (2.5)%. The development is largely explained by negative effects of exchange rates, one-off capital gains in the previous year and costs related to the new market structure in Sweden. Net profit was EUR 83 (93) million.
- Tamro Group's result was at the previous year's level excluding costs related to the Swedish market reform and the exchange rate effects.
- Tamro Group's balance sheet continued to develop positively, with net debt including the sold receivables declining to only EUR 68 million.
- The development of the pharmacy network continued in Tamro Group's existing retail markets in Norway, the Baltic countries and Poland. In Sweden, the deregulation of the pharmacy market opened up new opportunities.
- Tamro Group handled record-level high volumes in wholesale and initiated investments to expand its operative capacity. To streamline the logistic infrastructure, one of the distribution centres in Denmark was closed down.

Group key figures

	02/2009– 01/2010	02/2008– 01/2009	Change %	11/2009– 01/2010	11/2008– 01/2009	Change %
Net sales, EURm	5,467.2	5,534.4	-1.2	1,416.0	1,355.0	4.5
Operating profit, EURm	114.9	139.3	-17.5	27.2	36.3	-25.1
Profit before taxes, EURm	109.7	125.9	-12.9	30.6	32.0	-4.4
Return on capital employed, %	28.8	36.0		30.1	40.5	
Personnel, average	5,516	5,168	6.7	5,506	5,396	2.0

Outlook for 2010/2011

The pharmaceutical markets are expected to remain stable with modest but positive overall growth. On average, the Nordic pharmaceutical markets are estimated to grow by 1–4% in local currency. In the Baltic countries, market growth is expected to remain negative in the difficult economical environment. The Polish pharmaceutical market continues its robust growth of around 10%.

The operational performance of Tamro Group is expected to remain strong and stable. Operational efficiency and quality as well as tight cost control are the key focus areas also in the new financial year. Financial results are expected to improve in 2010/11 compared to the previous year. Tamro Group will closely follow the changes in the Swedish pharmaceutical wholesale and retail markets. As Tamro opens its first new pharmacies in Sweden during the new financial year, the further evaluation of strategic alternatives in the new market situation is ongoing.

Tamro Group President and CEO Juha Koponen:

“During the financial period 2009/10 we continued to improve our competitive strength. There were turbulence and changes in the business environment in many of our markets. Nevertheless, we were able to accomplish a very strong operating result and further develop our position as the leading pharmaceutical wholesaler and retailer in the Nordic and the Baltic markets.”

The financial statements for the financial year 2009/10, except Q4 figures, are audited.

Tamro Corporation
Board of Directors

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Tamro Group's Web Annual Report will be published in week 19 at www.tamro.com.

Markets and operating environment

Pharmaceutical market growth in the Nordic countries remained at the same level as in the previous year. The exception was Finland where the market growth came to a halt due to the introduction of a reference price system.

The operating environment in Sweden changed significantly when the pharmacy market deregulation came into effect in July 2009. During the autumn of 2009, 466 of the approximately 900 state-owned pharmacies were sold to four different parties, and further 150 state-owned pharmacies were allocated to a new company, Apoteksgruppen AB, as investment targets for smaller entrepreneurs.

The pharmaceutical market in Sweden grew by 2.2 %. The growth was driven by an increase in volumes. The figure does not include OTC pharmaceutical sales in grocery shops, which was liberated as of November 2009.

The annual pharmaceutical market growth in Finland was -0.2%. The reason for the flat market growth was the introduction of a reference price system at the beginning of April 2009.

The pharmaceutical market in Denmark grew by 4.6%. Hospital sector growth continued to be strong, whereas the pharmacy sector showed a slightly negative growth. The market share of generics increased further, and the Danish generic medicine prices remained among the lowest in Europe.

Norway experienced a very stable market situation in 2009 and was only marginally affected by the financial crisis. The pharmacy market including hospital pharmacies, prescription medicines, OTC products and commodities grew by 4.9%.

In the Baltic region, the pharmaceutical markets decreased due to the continued downturn of the economy. In Estonia, the pharmaceutical market growth slowed down to 1.3% compared to the previous year. In Latvia and Lithuania, the market growth was -10% and -5.8%, respectively. The negative market growth resulted from the economic downturn that decreased consumer consumption and pharmaceutical unit sales.

In Poland, the pharmaceutical market continued to grow. The market growth was 12.6% resulting mainly from increased volumes.

Main events in 2009/10

Tamro Group continued to develop its pharmacy network through new openings and some minor acquisitions in Norway, the Baltic countries and Poland. In Sweden, the pharmacy market deregulation came into effect and the government auctioned out a large share of the state-owned pharmacies to private investors and allowed free establishment of new pharmacies. Tamro Group did not participate in the auction but started the development of its own pharmacy chain.

The wholesale volumes handled in Tamro Group reached record levels, and further investments into expanding the current operative capacity were initiated. To streamline the logistic infrastructure, one of the distribution centres in Denmark was closed down.

Juha Koponen was appointed Tamro Group President and CEO as from August 2009. **Jo Langmoen**, Tamro Group's former President and CEO, retired in July 2009. **Sakari Ahdekivi** was appointed Tamro Group CFO as from September 2009.

Financial performance in November 2009–January 2010

During the reporting period November–January, the net sales of Tamro Group totalled EUR 1,416 (1,355) million. The operating profit was EUR 27 (36) million and the operating margin 1.9 (2.7)%.

Financial performance in 2009/10

In the financial year 2009/10, the net sales of Tamro Group amounted to EUR 5,467 (5,534) million, down 1.2% from previous year mainly due to the exchange rates.

Tamro Group's operating profit decreased to EUR 115 (139) million, and the operating margin to 2.1 (2.5)%. The development is largely explained by negative effects from foreign exchange rates, costs related to the new market structure in Sweden and one-off capital gains in the previous year. The net profit for the financial year was EUR 83 (93) million. The return on equity was 28.9 (32.6)% and the equity ratio reached 24.0 (17.7)%.

Financing

The financial year 2009/2010 was influenced by the general financial market instability. Short term funding available from the commercial paper market – Tamro's most important source of funds until the financial crisis – diminished due to the financial market turmoil. Consequently, particularly during the first quarter Tamro partly relied on the revolving credit facilities with its core banks. Towards the end of the year, short term funding from the commercial paper market was again available.

During the fourth quarter, a three-year multicurrency revolving credit facility in the amount of EUR 150 million, replacing the existing bilateral facilities of EUR 120 million in total, was negotiated with the core banks of Tamro. The agreement was signed on the 3 February 2010. The liquidity of the Group remained good and improved further towards the end of the year.

Changes in the pharmacy market caused the Swedish receivables securitisation program to be reduced to SEK 600 million from the original SEK 1200 million.

At the end of the financial year the reported net debt was EUR -31 (28) million. The effective net debt including as debt the receivables sold of EUR 99 (175) million equalled EUR 68 (203) million. Cash and liquid assets amounted to EUR 123 (138) million. The unused limit in the revolving credit facilities with core banks amounted to EUR 120 (80) million, and the unused limit in the securitisation programs was EUR 89 (60) million at the end of January 2010.

Net gearing improved to -9.0 (11.8)%.

Free cash flow and net working capital

Q4 cash flow

The operative cash flow before change in net working capital and investments equalled EUR 19 (32) million. Change in net working capital produced a cash flow of EUR -6 (43) million, and net investments amounted to EUR -6 (-14) million. The free cash flow during the last quarter amounted to EUR 7 (60) million.

Full-year cash flow

The full-year operative cash flow before change in net working capital and investments was EUR 124 (123) million. Change in net working capital resulted in a cash flow of EUR -46 (78) million. The net cash flow effect of investments was negative at EUR -33 (-46) million. On a full-year basis the free cash flow was EUR 45 (155) million. The change is to a large extent explained by lower usage of securitisation programs driven by the strong liquidity of the Group. Assuming the same usage of the securitisation programs as last year, the free cash flow would have amounted to EUR 122 million.

Financial expenses

Q4 financial expenses

Due to dividend income the net financial expenses were positive and amounted to EUR 3.5 (-4.3) million. A lower general interest rate level and lower average debt compared to the previous year further decreased interest expenses during the last quarter.

Full-year financial expenses

For the whole financial year 2009/10 the Group's net financial expenses were EUR -5.1 (-13.4) million. The change is partly explained by a booked dividend income during the last quarter, and partly by the lower general interest rate level and declining average debt.

Capital expenditure, acquisitions and divestments

Capital expenditure and acquisitions totalled EUR 34 (57) million. Investments were made mainly in the retail sector and comprised of acquisitions and refurbishment of pharmacies, and in operational improvements to increase efficiency.

Changes in the Group structure

There were no major changes in the Group structure in the business year. The retail expansion continued in Norway, the Baltic countries and Poland.

Personnel and organisation

In 2009/10 the average number of personnel employed by Tamro Group totalled 5,516 (5,168). The number is distributed geographically as follows: 40% in Norway, 10% in Denmark, 10% in Lithuania, 10% in Poland, 9% in Sweden, 8% in Latvia, 6% in Finland and 6% in Estonia. On average, 59% of the personnel worked in retail and 41% in wholesale.

Board of Directors and Auditors

According to the decision by the General Meeting on 28 February 2009, **Dr Michael Majerus** was elected member of the Board of Directors replacing **Dr Reinhard Rupp**. **Dr Hans-Ulrich Kummer** ceased to be a member of the Board when becoming a member of the Tamro Group Management Team.

Seven members were elected to the Board of Directors at Tamro Group's Annual General Meeting on 1 April 2009. **Dr Bernd Scheifele** was re-elected as Chairman of the Board. **Matti Elovaara, Mikael von Frenckell, Dr Lorenz Näger, Reimund Pohl, Dr Michael Majerus** and **Øyvind Winther** were re-elected as members of the Board.

On 1 August 2009, the General Meeting appointed **Jo Langmoen** as member of the Board of Directors.

At the Annual General Meeting on 1 April 2009, Authorised Public Accountants Ernst & Young Oy and **Anna-Maija Simola**, APA, were re-elected as Tamro's external auditors.

Events after the financial period

A three-year club multicurrency revolving facility agreement in the amount of EUR 150 million with Nordea Bank Finland Plc, Sampo Bank Plc and DnB NOR Bank ASA was signed on 3 February 2010. The new covenants in the facility agreement are all fulfilled.

According to a decision by the General Meeting on 3 February 2010, **Øyvind Winther** ceased to be a member of the Board of Directors. After this change, the Board of Directors consists of seven members. The General Meeting further decided to distribute a EUR 11.2 million dividend from previous profits to the shareholder.

APPENDICES

- Consolidated income statement
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- Number of employees by business unit
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- Derivative financial instruments

CONSOLIDATED INCOME STATEMENT						
	11/09-01/10	11/08-01/09	Change	02/09-01/10	2/08-01/09	Change
	2009	2008	%	2009	2008	%
(EURm)						
Net sales	1,416.0	1,355.0	4.5	5,467.2	5,534.4	-1.2
Other income	0.0	0.1	-100.0	0.1	5.7	-98.2
Raw materials and services	-1,280.0	-1,230.7	4.0	-4,958.5	-5,037.5	-1.6
Personnel expenses	-65.7	-54.8	19.9	-242.5	-226.7	7.0
Depreciation and value adjustments	-10.5	-10.2	2.9	-39.7	-37.1	7.0
Other operating expenses	-32.6	-23.1	41.1	-111.7	-99.5	12.3
Operating profit	27.2	36.3	-25.1	114.9	139.3	-17.5
Financial income and expenses	3.5	-4.3	-181.4	-5.1	-13.4	-61.9
Share of associated companies' net income	-0.1	0.0	-	-0.1	0.0	-
Profit before taxes	30.6	32.0	-4.4	109.7	125.9	-12.9
Income taxes	-3.3	-6.5	-49.2	-26.0	-32.4	-19.8
Minority interest	0.0	-0.2	-100.0	-0.3	-0.7	-57.1
Net profit for the period	27.3	25.3	7.9	83.4	92.8	-10.1

CONSOLIDATED BALANCE SHEET		
	31.1.	31.1.
(EURm)	2010	2009
Assets		
Intangible and tangible assets	332.9	327.2
Financial assets	15.5	15.2
Inventories	379.5	373.9
Receivables	577.8	486.9
Liquid assets and short-term investments	122.7	138.2
	1,428.4	1,341.4
Equity & liabilities		
Shareholders' equity	342.1	235.7
Minority interest	0.9	1.1
Obligatory reserves	1.3	1.5
Long-term liabilities	54.9	64.1
Short-term liabilities	1,029.2	1,039.0
Balance sheet total	1,428.4	1,341.4

CONSOLIDATED CASH FLOW STATEMENT			
	02/09-01/10	02/08-01/09	Change
(EURm)	2009	2008	%
Operating profit	118.4	133.0	-11.0
Depreciation, value adjustments and other adjustments	40.9	35.3	15.9
Financial income and expenses	-9.3	-20.9	-55.5
Other income and expenses	-0.3	-9.4	-96.8
Taxes	-25.5	-14.9	-71.1
Cash flow before change in net working capital	124.2	123.1	0.9
Change in net working capital	-46.1	78.1	-159.0
Cash used in / from operating activities	78.1	201.2	-61.2
Investments in tangible and intangible assets	-33.9	-57.0	-40.5
Proceeds from disposal of tangible and intangible assets and financial investments	1.0	10.9	-90.8
Cash used in investing activities	-32.9	-46.1	-28.6
Free cash flow	45.2	155.1	-70.9
Change in loans and other financial items	-61.9	105.2	-158.8
Dividends paid	0.0	-160.3	-100.0
Translation differences and other changes	0.0	0.1	-100.0
Cash from / used in financing activities	-61.9	-55.0	12.5
Change in cash and cash equivalents	-16.7	100.1	-116.7

KEY FIGURES						
	11/09-01/10	11/08-01/09	Change	02/09-01/10	02/08-01/09	Change
	2009	2008	%	2009	2008	%
Operating margin, %	1.9	2.7		2.1	2.5	
Profit margin, %	2.2	2.4		2.0	2.3	
Return on capital employed, %	30.1	40.5		28.8	36.0	
Return on equity, %	33.6	43.8		28.9	32.6	
Gross investments, €m	6.3	16.3	-61.3	33.9	57.0	-40.5
Free cash flow, €m	7.2	60.2	-88.0	45.2	155.1	-70.9
Capital employed, €m	425.6	366.7	16.1	418.9	394.3	6.2
Net working capital, €m	-28.0	-67.6	-58.6	-28.0	-67.6	-58.6
Interest-bearing net debt, €m	-30.9	28.0	-210.4	-30.9	28.0	-210.4
Net gearing, %	-9.0	11.8		-9.0	11.8	
Equity ratio, %	24.0	17.7		24.0	17.7	
Number of shares – at end, millions*	114.5	114.5		114.5	114.5	
Number of shares – average, millions*	114.5	114.5		114.5	114.5	
Earnings per share, €*	0.24	0.22	9.1	0.73	0.81	-9.9
Equity per share, €*	3.00	2.07	44.9	3.00	2.07	44.9
Number of employees, average	5,506	5,396	2.0	5,516	5,168	6.7
* excluding own shares						

NET SALES BY BUSINESS UNIT						
	11/09-01/10	11/08-01/09	Change	02/09-01/10	02/08-01/09	Change
(EURm)	2009	2008	%	2009	2008	%
Tamro Sweden	384.3	347.6	10.6	1,480.3	1,496.2	-1.1
Tamro Denmark	411.2	398.4	3.2	1,615.6	1,600.2	1.0
Tamro Finland	283.9	279.4	1.6	1,106.1	1,068.1	3.6
Tamro Norway	209.2	177.9	17.6	775.8	756.8	2.5
Tamro Estonia	22.1	21.8	1.4	81.7	83.1	-1.7
Tamro Latvia	30.8	30.9	-0.3	110.3	118.9	-7.2
Tamro Lithuania	21.6	28.5	-24.2	86.5	105.6	-18.1
Tamro Poland	75.5	86.7	-12.9	290.7	368.4	-21.1
Other and internal	-22.6	-16.2	39.5	-79.8	-62.9	26.9
Group total	1,416.0	1,355.0	4.5	5,467.2	5,534.4	-1.2

NUMBER OF EMPLOYEES BY BUSINESS UNIT, AVERAGE						
	11/09-01/10	11/08-01/09	Change	02/09-01/10	02/08-01/09	Change
	2009	2008	%	2009	2008	%
Tamro Sweden	507	462	9.7	470	462	1.7
Tamro Denmark	553	556	-0.5	555	596	-6.9
Tamro Finland	348	332	4.8	343	340	0.9
Tamro Norway	2,195	2,115	3.8	2,197	2,065	6.4
Tamro Estonia	338	330	2.4	341	319	6.9
Tamro Latvia	389	430	-9.5	417	417	0.0
Tamro Lithuania	544	624	-12.8	577	483	19.5
Tamro Poland	593	511	16.0	578	451	28.2
Other and internal	39	36	8.3	38	35	8.6
Group total	5,506	5,396	2.0	5,516	5,168	6.7

CONTINGENT LIABILITIES		
	31.1.	31.1.
(EURm)	2010	2009
Property mortgages	39.8	39.8
Guarantees for others	0.4	0.2
Other commitments	120.4	88.3
	160.6	128.3

DERIVATIVE FINANCIAL INSTRUMENTS		
	31.1.	31.1.
(EURm)	2010	2009
Derivatives – notional amounts		
Currency instruments		
Currency forward contracts	324.8	394.3
Derivatives – market value		
Currency instruments		
Currency forward contracts	-0.3	0.2

The notional amounts of derivatives summarised here do not represent amounts actually exchanged between the parties and are thus not a measure of Tamro's derivatives-related exposure.