



Year 2001 was an important transition year for Tamro Group. The Board of Directors abandoned the vision of the Nordic concept and shifted the corporate policy to cost leadership and the creation of added value through forward integration.

Tamro took its first steps in pharmacy ownership in Norway, Latvia and Estonia. Tamro Group's strategy to focus on the pharmaceutical distribution was finalised by the divestment of the company's stake in Mölnlycke Health Care AB.

More information:

→ [21 Dec 2001 Tamro sells its stake in the Swedish Mölnlycke Health Care AB](#)

The strong market position of over 50% in the Nordic countries gives Tamro Group a solid ground to achieve its strategy of cost leadership, customer orientation and forward integration.

Markets and operating environment

Markets

The year 2001 was highlighted by solid growth in pharmaceutical sales in each of the Nordic countries. Overall growth exceeded 9%, and it has remained at this level for the past four years. The increase in sales derives mainly from medicines launched during the last five years. This increased use of medicines is due to new therapy fields, intensified efforts to prevent diseases or their recurrence, and to the increased ageing of population.

In the Baltic States the growth of pharmaceutical wholesale varied between 5% and 10% and in Northwestern Russia reached a yearly growth rate of nearly 15% after a sluggish start.

Tamro Group took 70% of the total market growth in the Nordic countries. Tamro's market share rose to 51 (49)%, mainly due to the strong growth of wholesale operations in Norway.

Tamro Group is the clear market leader in Denmark, Sweden, Finland, Latvia and Northwestern Russia and the second largest wholesaler in Norway, Estonia and Lithuania.

Related topics:

→ [Market Facts](#)

Operating environment

A new Pharmacy Law, effective from 1 March 2001, freed pharmacy ownership and establishment in Norway. By the end of the year, 400 years of tradition had been replaced by full liberalisation of the pharmacy market and the establishment of three major pharmacy chains, of which the market leader is the Tamro Group company Apokjeden with its 40% share of the retail market. Deregulation continued also in Latvia and Estonia, where Tamro Group seized the opportunity to make its first pharmacy acquisitions.

In Denmark, the sales of certain ranges of OTC products were allowed outside pharmacies starting in October, and they are now sold to some extent in supermarkets, kiosks and gas stations. In Sweden, private entrepreneurs have demanded the liberalisation of OTC drugs. In Finland, the national medicinal strategy working group, which was established in November at the Ministry of Social Affairs and Health, will also examine the potential sales of OTC products through supermarkets.

In all the Baltic countries and also in Russia, decisions have been made to impose a VAT of 5-10% on medicines either in 2001 or in the years to come. The Baltic States also continued to implement new legislation in order to harmonise their regulatory requirements towards EU standards.

All the authorities in Tamro's operating area keep a keen watch on the pricing and reimbursement systems in order to curb the rising costs of medicines.

Q4 development

The positive growth of pharmaceutical wholesale continued during the fourth quarter. The aggregate sales of wholesalers in the Nordic countries grew by 9.6% compared to the corresponding period a year earlier. The increase was highest in Finland, over 13%, and lowest in Sweden, approximately 7%. Tamro's market share in the Nordic countries was 50.6%.


Tamro Group's net sales during the fourth quarter rose to EUR 1,002.7 (951.5) million, up 5.4% compared to the previous year. The Group operating profit was booked to EUR 39.0 million including in other income EUR 54.1 million from the sale of the shares in Mölnlycke Health Care AB and EUR 1.4 million from the sale of LP Logistics Services Ltd shares, and EUR 18.9 million in non-recurring write-offs from Lääketukku and Apokjeden Group goodwill amortisations. The EUR 10.1 million consolidated goodwill from the establishment of Apokjeden Group in 2001 has been amortised totally due to change of strategy and delay in restructuring.

Related topics:

→ [Quarterly Development](#)

Net sales and financial performance

The Group's net sales  for the fiscal year 2001 were EUR 3795.6 (3518.4) million, up 8% (EUR 278 million) on the previous year. Most of the growth was attributed to Norway, Denmark and the Baltic States. Tamro MedLab's share of the Group net sales was 2.4%.

The consolidated operating profit  was booked to EUR 66.6 (13.7) million. The result was strongly boosted by EUR 58.3 million in capital gains, mainly from the divestment of the shares in Mölnlycke Health Care AB at the year-end. At the same time also non-recurring write-offs of EUR 18.9 million were made, mainly due to goodwill amortisation from earlier acquisitions. The Group's full year operating profit margin without these non-recurring items was 0.8%.


The Group's financial performance is diverse. On one hand, both Denmark and Sweden exceeded expectations and contributed positively to Group performance. Also both Lithuania and Tamro MedLab succeeded well in turning the previous year's loss into the targeted profit.

On the other hand, neither Finland nor Norway reached their targets and they both made a loss. Finland's result is pulled down by the cost of commissioning the Tampere service centre and the delay in realising related rationalisation benefits.

In Norway, Apokjeden Group's loss results from accelerated pharmacy acquisitions and the high costs of starting up pharmacy chain operations. Improvements in Apokjeden's wholesale operations were on target.

The consolidated ordinary profit before taxes  was EUR 55.5 (2.5) million. The result includes a share of the affiliated company Mölnlycke Health Care AB's profit of EUR 3.1 (3.3) million, a share of the loss of the affiliated company Apokjeden AS of -1.2 EUR million during the first quarter of 2001, and the capital gains from the following sales of shares: EUR 1.5 million from Sponda, EUR 1.0 million from the Danish Bang & Tegner, EUR 1.4 million from LP Logistic Services Ltd and EUR 54.1 million from the stake of Mölnlycke Health Care AB.

The Group's ordinary net profit totalled EUR 38.1 (-1.9) million. The impact of Tamro's Norwegian operations on Tamro Group's net result after minority interests was EUR -8.0 million during the financial year. In addition, consolidated goodwill amortisation of Apokjeden Group amounted to EUR 10.1 million.

The return on capital employed was 13.1 (4.0)% and return on equity 10.4 (-0.6)%. Earnings per share  were EUR 0.33 (-0.02).

The Group's total net profit for 2001 was EUR 38.1 (-12.2) million. The Group figures for 2000 include

EUR 13.5 million in extraordinary costs from the manipulated accounting in Norway prior to the year 2000, and they are therefore not comparable with the figures of the financial year under review.

Related topics:

→ [Business Units 2001](#)

Financing

The free cash flow after capital investments was EUR -18.7 (29.3) million. The net working capital increased to EUR 259 (226) million.

Year-end liquid assets were EUR 60.2 (103) million. Net debt at year's end totalled EUR 171.8 (140) million. The Group's net gearing at the end of 2001 finished at 49.2 (46.4) %. Average interest-bearing net debt during 2001 was EUR 236 million.

The receivable from the Mölnlycke Health Care AB divestment at the end of 2001 was SEK 680 million. The receivable was paid on 25 January 2002.

The Group's net financial expenses were EUR 13.0 (14.5) million. Of that, exchange rate differences represented EUR 1.1 (-5.3) million, market value differences of government bonds EUR -1.3 million and other financial expenses EUR -0.4 million. The net interest expenses totalled EUR -12.5 (-9.8) million. The increase resulted from the higher portion of the financing denominated in NOK and the higher average net debt during 2001.

The translation differences from the foreign-currency-denominated shareholders' equity and equity-type loans of overseas subsidiaries were EUR -1.5 million during the financial year. This amount was booked directly to reduce Tamro Group's consolidated equity.

During 2001, Finnish government bonds with nominal value of EUR 10 million were sold, and at the end of 2001 the remaining EUR 19 million was transferred from long-term investments to short-term investments. The market value difference of EUR -1.3 million was booked to the net financial expenses.

The euro conversion in Finland was carried out at the beginning of December 2001, and from 3 December 2001 the euro has been the accounting currency in Finland.


Foreign currency

The majority of the Group's net sales comes from the Nordic countries: SEK represented 39%, DKK 24%, EUR 19% and NOK 12% of the Group's net sales. EEK, LVL, LTL and RUR represented the remaining 6% of the net sales.

The foreign-currency-denominated shareholders' equity and equity-type loans were EUR 204 million at year-end 2001. From that amount SEK represented 43%, DKK 40%, NOK 9% and others 8%.

The foreign currency and other financial risks are managed according to Tamro Group's finance policy.

Capital expenditure, acquisitions and divestments

The Group's gross investments  amounted to EUR 96.2 (35.8) million. The majority of these investments were allocated to pharmacy acquisitions in Norway, Latvia and Estonia. The major investment in Finland was the new Tampere service centre with a total investment of EUR 8.3 million, of which EUR 0.9 was allocated to 2001. Other investments relate mainly to the modernisation of distribution centres.

A significant capital investment was made in March in Norway, where the shareholders' equity in Apokjeden AS was increased by NOK 280 million.

The major divestment was the sell-off of shares in Mölnlycke Health Care AB in December for the price of SEK 680 million. The capital gains for the sale was booked at EUR 54.1 million. Other

divestments include the sale of Bang & Tegner shares, the sale of Sponda shares, the sale of Tamro MedLab's 50% stake in SIFT AB and the sale of shares in LP Logistic Services Ltd.

Major changes in the Group structure

In February 2001 the decision was made to merge Apokjeden AS and Tamro Distribution AS. Before the merger, Tamro's ownership in Apokjeden was 13% and in Tamro Distribution AS 51%. In the merger Tamro subscribed to 49% of the shares of the new entity Apokjeden Group, and Tamro Distribution AS became a fully-owned subsidiary of Apokjeden Group. Apokjeden Group has been consolidated into Tamro Group as of 1 April.

In June, Tamro acquired the total share capital of the Latvian wholesaler SIA Hansa Pharma Balticum and Hansa Pharma, the owner of Gimenes aptieka pharmacy chain. Both companies have been consolidated into Tamro Group as of 1 July.


More information:

→ 27 June 2001 Tamro Group strengthens its position in Latvia by acquisition

Research and development

Tamro focused its research and development on IT and different Internet-based information service solutions for principals and customers.

Personnel and organisation

Tamro's payroll averaged 2,854 (2,683) employees  during the financial year. Of the total staff, 23% worked in Denmark, 20% in Finland and in Sweden, 18% in Norway and 19% in the Baltic States and Russia. Of the total staff, an average of 376 employees (13%) worked in pharmacies in Norway, Latvia and Estonia. At the year-end the Group personnel amounted to 3,148, of which over 700 (23%) worked in pharmacies. The average amount of employees working in wholesale distribution decreased by 7.6% compared to the previous year.

The wages and salaries paid by the Group during 2001 totalled EUR 88 (79) million, including EUR 14 (14) million paid by the parent company Tamro Corporation. The remuneration paid to Tamro Corporation's Board of Directors and CEO amounted to EUR 0.4 (0.4) million.



Tamro's shares

Share capital

The share capital of Parent Company Tamro Corporation on 31 December 2001 amounted to EUR 114,837,083, divided into a total of 114,837,083 shares with a nominal value of EUR 1. Tamro Corporation shares are listed on the Helsinki Exchanges.

On 31 December 2001, 27% of Tamro Corporation's shares were in Finnish, 19.3% in Swedish and 35.3% in German ownership. In addition, another 18.2% of the shares were nominee holdings, and 0.2% other foreign holdings. Foreign ownership thus accounted for a total of 73% of Tamro's shares.

Share performance

The closing price  for 2001 stood at EUR 3.59, up 115% from the end of 2000 (EUR 1.67). The year's trading high was EUR 4.10 and trading low EUR 1.65. During 2001, a total of 19.6 (22.4) million shares changed hands, equivalent to 17% of the average number of all Tamro shares.  This share turnover represented a market value of EUR 67.3 (60.5) million. The share turnover decreased by 12.5%, but the market value of the traded shares rose by 11.2% compared to the previous year.

Tamro's market capitalisation  at year-end was EUR 411.0 million, compared with EUR 191.2 million at the close of 2000. The market capitalisation figure does not include own shares.

Own shares

The Annual General Meeting held on 23 April 2001 authorised the Board of Directors to decide on the repurchase and the transfer of own shares (book-entry securities).

By the end of 2001 the company had not bought back or transferred any Tamro Corporation shares. The company's holding of 341,000 own shares purchased according to the decision of the 1999 Annual General Meeting, corresponds to 0.3% of the year-end share capital.

Permanent insiders' shareholdings and options

At year's end, the Board Members and the CEO held a total of 205,000 Tamro Corporation shares, 250,000 year 1997 warrants and 400,000 year 2000 share option rights. Share holdings include assets of dependents and significantly influenced companies, and they correspond to 0.18% of shares and voting rights. The rest of the Group management and the permanent insiders owned correspondingly a total of 9,762 shares, 200,000 year 1997 warrants and 800,000 year 2000 share option rights.

Related topics:

[→ Shares and shareholders](#)

Board of Directors

The Annual General Meeting of 23 April 2001 elected six members to Tamro's Board of Directors. Dr Bernd Scheifele (CEO, Phoenix Group) was elected Chairman. The other Board members elected were Mikael von Frenckell, Johan Horelli, Dag Johannesson, Reimund Pohl and Dr Lorenz Näger.

The Authorised Public Accountants SVH Pricewaterhouse Coopers Oy and Johan Kronberg, APA, were elected Tamro's external auditors.

Related topics:

[→ Corporate Governance](#)

[→ Board of Directors](#)

Group Management

Stefan Pflug was appointed Group Logistics Director as of 1 September. Stefan Åkesson started as Tamro Sweden's Managing Director as of 1 December and Jorma Turunen as Tamro Finland's and Tamro MedLab's Managing Director as of 14 December.

Events after the financial year

The Extraordinary General Meeting of Apokjeden AS approved in December the proposal of the Board of Directors of Apokjeden AS to increase Apokjeden's share capital by NOK 40,982,500 through a rights issue to current shareholders in January 2002. Tamro's total capital investment into Apokjeden's shareholders' equity was NOK 121 million. After the share issue Tamro's ownership in Apokjeden AS increased to 56.15%.

More information:

[→ 27 Dec 2001 Apokjeden Extraordinary General Meeting approved an increase Apokjeden's share capital](#)

The Board of Directors appointed Øyvind Winther the new Managing Director of Apokjeden Group as of 15 January 2002.

The Board of Tamro Corporation appointed Mr Jo Langmoen the new CEO of Tamro Group as of 23 January 2002.

More information:

Outlook for the near future

The steady 7-9% underlying growth of pharmaceutical markets in the Nordic countries is estimated to continue. Tamro's consolidated sales are expected to grow accordingly.

The concentration of our markets in the Baltic States is expected to gain more ground due to the deregulation process advancing in these countries. Tamro will continue to play an active role in this consolidation process.

According to Tamro Group's strategy to achieve the cost leadership in the Nordic countries, our main target in 2002 is to increase efficiency and overall profitability within the whole Group. Special attention will be focused on Tamro Finland and Apokjeden Group, both of which are targeting to reach break-even. For the whole Tamro Group in 2002 we have our sights set on a substantial growth in the ordinary pre-tax profit excluding non-recurring items.

Print all graphs



| Net sales by unit (EURm) | 2001 | 2000 | Change, % |
|--------------------------|----------------|----------------|------------|
| Tamro Sweden | 1,487.0 | 1,573.8 | -5.5 |
| Tamro Denmark | 919.8 | 852.5 | 7.9 |
| Tamro Finland | 672.2 | 681.8 | -1.4 |
| Tamro Norway | 453.3 | 185.0 | 145 |
| Tamro Estonia | 37.1 | 34.0 | 9.1 |
| Tamro Latvia | 59.2 | 43.3 | 36.7 |
| Tamro Lithuania | 39.4 | 30.7 | 28.3 |
| Tamro Russia | 47.7 | 34.2 | 39.5 |
| Tamro MedLab | 92.6 | 89.0 | 4.0 |
| Other and internal | -12.7 | -5.9 | -115.3 |
| Total | 3,795.6 | 3,518.4 | 7.9 |

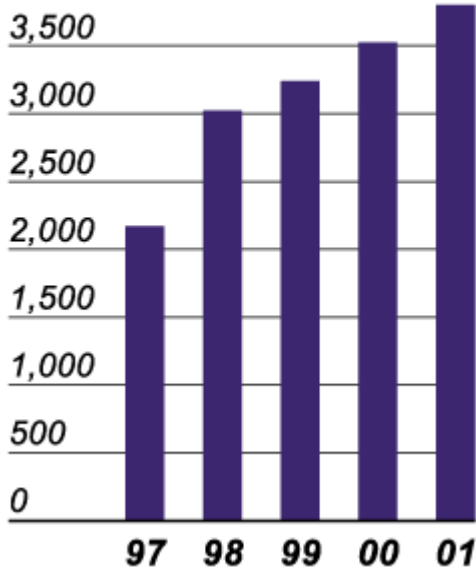
| Number of employees by unit | 2001 | 2000 | Change, % |
|-----------------------------|--------------|--------------|------------|
| Tamro Sweden | 519 | 578 | -10.2 |
| Tamro Denmark | 632 | 667 | -5.2 |
| Tamro Finland | 366 | 440 | -16.8 |
| Tamro Norway | 491 | 110 | 346.4 |
| Tamro Estonia | 85 | 78 | 9.0 |
| Tamro Latvia | 189 | 93 | 103.2 |
| Tamro Lithuania | 86 | 149 | -42.3 |
| Tamro Russia | 185 | 180 | 2.8 |
| Tamro MedLab | 257 | 271 | -5.2 |
| Other | 44 | 117 | -62.4 |
| Group total | 2,854 | 2,683 | 6.4 |





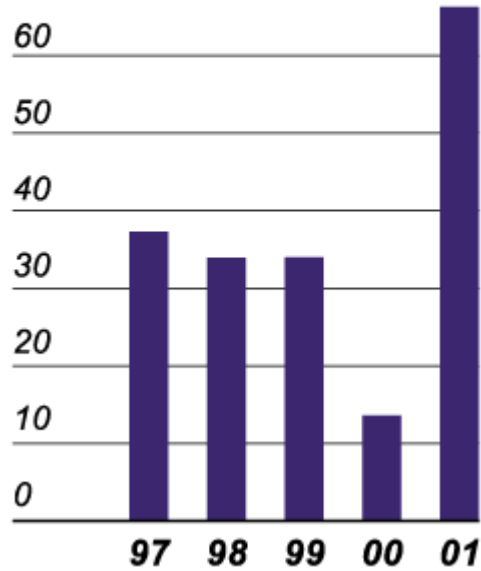
Net sales

4,000 €m



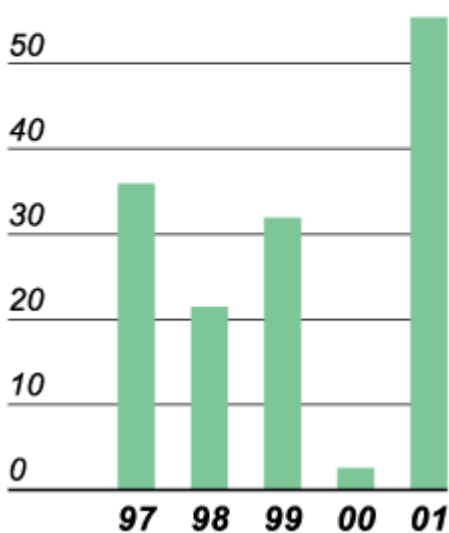
Operating profit

70 €m



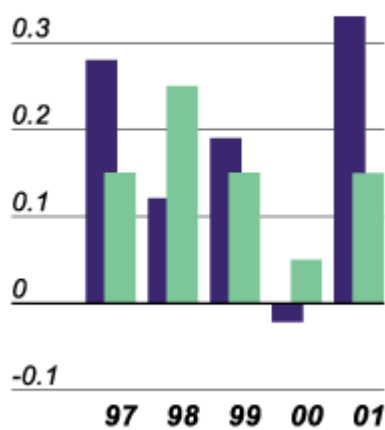
Ordinary profit before taxes

60 €m



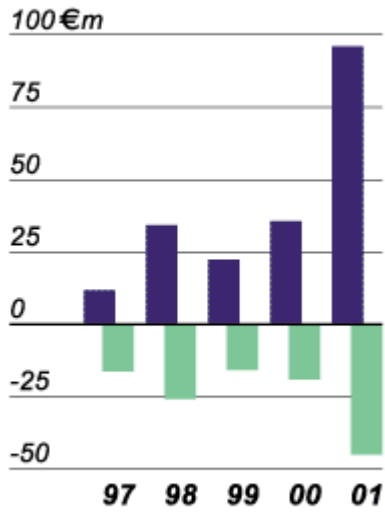
Earnings and dividend per share

0.4 €

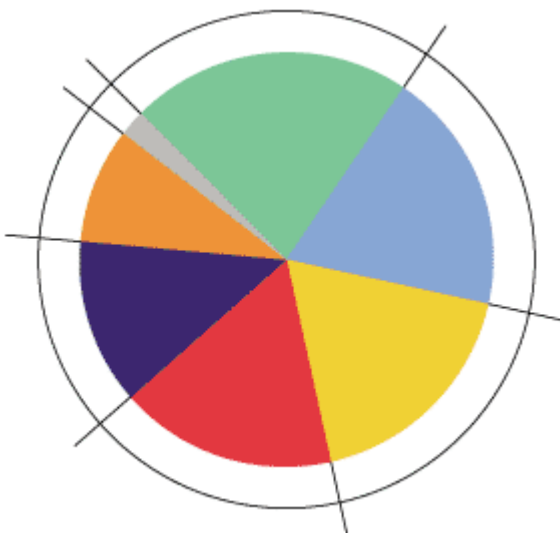


■ Earnings per share
■ Dividend per share

Investments and depreciation



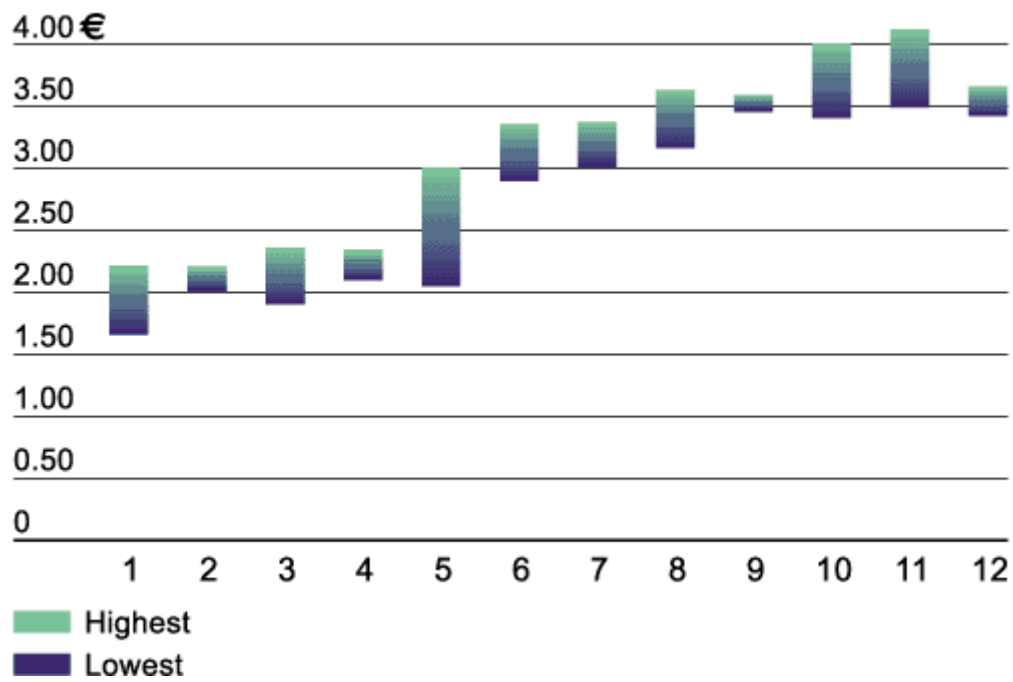
■ Investments
■ Depreciation



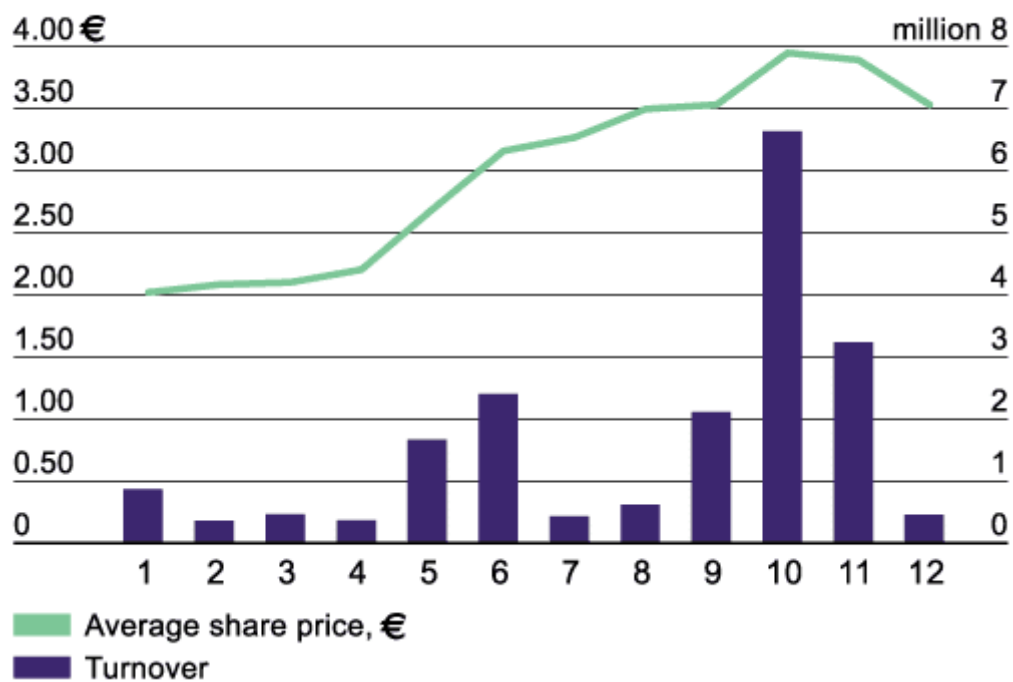
Employees average

■ Tamro in Denmark 22%
■ Tamro in the Baltics and in Russia 19%
■ Tamro in Sweden 18%
■ Tamro in Norway 17%
■ Tamro in Finland 13%
■ Tamro MedLab 9%
■ Others 2%

Share price development 2001



Average share price and turnover by month 2001



Market capitalisation 1997–2001

