

1.1.2004 - 31.1.2005

# 2004 Tamro Web Annual Report

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## Welcome to Tamro Group's Annual Web Report

Welcome to Tamro Group's Annual Web Report 2004 / 2005. This report contains information of our business units and financial statements for the business year 2004-2005, which started 1.1.2004 and ended 31.1.2005. We do not publish a printed version, but are happy to provide you with a printed version of this web report upon request. The objective of this report is to give you a good picture of our business and market developments during 2004-2005.

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# Tamro Web Annual Report

## 2004

1.1.2004 - 31.1.2005



## The Year in Brief

Tamro Group is the leading pharmaceutical wholesaler and distributor in Northern Europe. The Group operates in the Nordic countries, in the Baltic States and through a minority shareholding in Russia. Our average share of the pharmaceutical wholesaling market in the Northern Europe is around 49%. Tamro Group is engaged in the pharmaceutical retail trade in Norway, Estonia, Latvia and Lithuania. In these countries Tamro's aim is to operate as an integrated wholesale-retail company.

Tamro's core business is pharmaceutical wholesaling and distribution, plus retail trade in four specific markets. Our customers in the wholesaling and distribution sector include pharmacies, hospitals and other healthcare institutions. The operations are based on close co-operation with our principals, i.e., manufacturers of pharmaceuticals and other healthcare products.






Tamro's core business is supplemented by Tamro MedLab, which imports, markets and sells a broad range of basic and specialised healthcare products, laboratory products, diagnostics and biotechnical products and equipment. Tamro MedLab's customers include healthcare facilities and industrial, research and educational laboratories.

Tamro is a fully owned subsidiary of the pan-European pharmaceutical wholesaler PHOENIX Group. Tamro's head office and domicile remain in Finland.

### Main events 2004

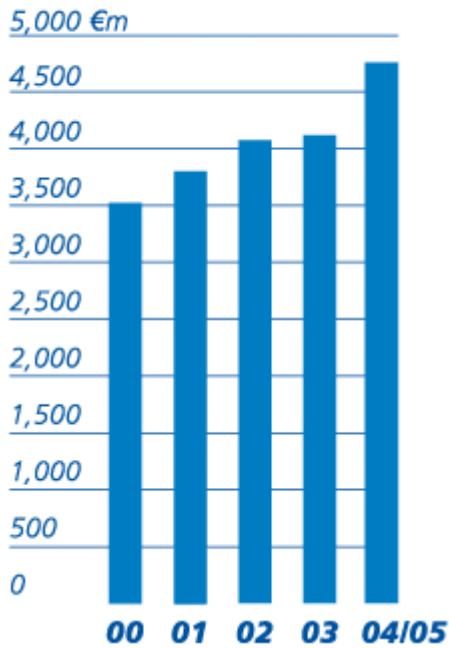
- The slow market growth in the Nordic countries continued. The main reasons for the modest growth are still the patent expiries of some high-selling substances in 2003 and generic substitution. The dropping in prices has also intensified generic competition in all the Nordic countries. Furthermore, cost-containment actions prefer generics and parallel imports, and reimbursement decisions have become tougher.
- The overall pharmaceutical market growth in the Nordic countries was slightly below 5% compared to sales in 2003. Tamro's market share in the Nordic pharmaceutical wholesale market was 51%. In the Baltic countries, the market growth was strong at 15% compared to previous year's sales. Tamro's average market share of pharmaceutical wholesaling in the Baltic region remained stable at the level of 25%.
- The regulation of the pharmaceutical markets were intensely debated but remained unchanged. The European Court of Justice investigates Swedish Apoteket AB's retail monopoly. The Advocate General of ECJ has concluded that current situation is not compatible with EU law, but the final decision is still pending.
- Tamro Group's net sales for the extended 13-month accounting year in 2004/2005 amounted to EUR 4,857 million. Comparable sales for the calendar year were 4,488 (4,169) million, an increase of 7.6%. The 13-month operating profit amounted to EUR 93 million (78 million in Jan-Dec 2003). Tamro Group's pre-tax profit in 2004/2005 (13 months) rose to EUR 89 million (69 million in Jan-Dec 2003). The operating margin was 1.9% (1.9%).

- Tamro strengthened its position in pharmaceutical retailing. In Norway, Tamro's ownership in Apokjeden, a pharmacy chain of 211 pharmacies, increased to 99.3%. In the Baltic countries Tamro acquired several individual pharmacies and some pharmacy chains. The largest acquisition was Farmacijos Projektai in Lithuania, with 46 pharmacies.
- Tamro became a full subsidiary of the pan-European PHOENIX Group 10 May 2004, when PHOENIX gained title to all shares in Tamro Corporation. On the same day, Tamro's shares were delisted from Helsinki Stock Exchange, but Tamro continues to provide quarterly interim reports and transparency to the financial markets.

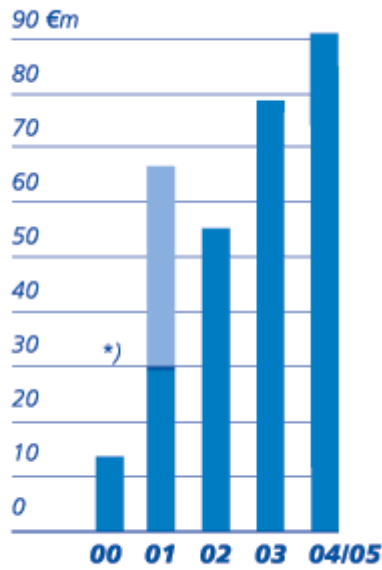
FINANCIAL HIGHLIGHTS		2004/2005	2003
Net sales 	EURm	4,856.7	4,169.4
Sales outside Finland	EURm	3,809.7	3,468.4
of consolidated net sales	%	78.4	83.2
Other income		0.4	2.1
Operating expenses	EURm	4,729.6	4,060.5
Depreciation	EURm	35.0	33.0
Operating profit 	EURm	92.5	78.0
Operating margin	%	1.9	1.9
Ordinary profit before taxes 	EURm	88.8	69.0
Income taxes on ordinary activities	EURm	23.0	19.9
Ordinary net profit	EURm	65.5	47.2
Free cash flow	EURm	101.5	40.4
Return on capital employed	%	19.2	16.1
Return on equity	%	16.4	12.9
Earnings per share 	EUR	0.57	0.41
Dividend per share 	EUR	0.18*)	0.74
Net gearing	%	17.0	18.4
Investments	EURm	64.1	39.6
Number of employees, average		3,909	3,820

\*) Board proposal

## Net sales

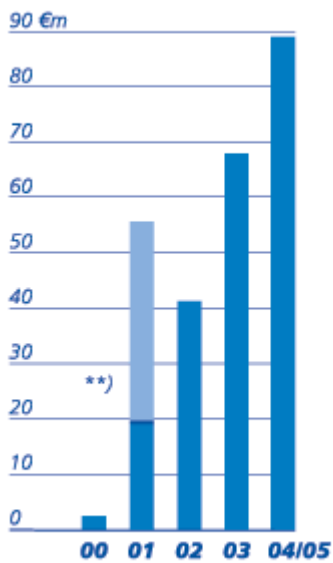


## Operating profit



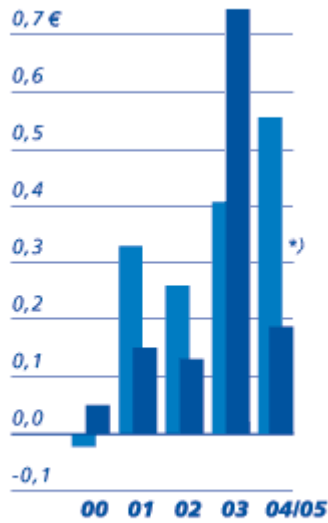
\*) Excluding non-recurring items the operating profit was 30 €m.

## Ordinary profit before taxes



\*\*\*) Excluding non-recurring items the ordinary profit before taxes was 19 €m.

## Earnings and dividend per share



■ Earnings per share  
■ Dividend per share

\*) Board proposal

# Tamro Web Annual Report 2004

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## CEO's Review



This financial year we experienced the effects of the actions to cut pharmaceutical spending in full. Patent expiries, generic substitution schemes and intensified generic competition impacted sales volumes heavily in all the Nordic countries, especially in Sweden. In this area, we witnessed an average growth of roughly 5% this calendar year. During the last quarter, average growth rates plunged below 4%. The gap to the 8-10 % growth levels from the beginning of this millenium is significant. Delayed introductions of new innovative medicines have contributed to this limited growth rate.

Despite the slow markets, Tamro was again able to improve its result from the previous year. Tamro Group's pre-tax profit in 2004/2005 rose to EUR 89 million. This financial year was extended to thirteen months (1.1.2004 – 31.1.2005) to match the accounting year of Tamro's parent company PHOENIX Pharmahandel AG&Co KG.



Jo Langmoen  
President & CEO

### Tamro as a subsidiary of PHOENIX Group

The changes in Tamro's ownership in 2003 led to the delisting of Tamro's share from Helsinki Stock Exchange 10 May 2004. The redemption process of all shares and warrants was completed, when PHOENIX International Beteiligungs GmbH paid the redemption price to the minority shareholders according to the the arbitral award dated 7 July.

Tamro's new position as a subsidiary of the PHOENIX Group has been welcomed amongst our stakeholders. Tamro's operational structure and position in its own business in the Nordic countries and the Baltic States remains unchanged, but Tamro is now more free to use this access to the expertise and resources of Europe's second largest pharmaceutical distributor, and vice versa.

The continuous benchmarking of the performance indicators and the transfer of best practice across countries supports the positive development of local business units, which translates into concrete benefits for our customers.

Our market share since the change in ownership has continued to develop favourably, our average market of the Nordic wholesale markets has increased to 51%, up 3.5 percentage points from the previous year.

### Search for continuous improvement

Tamro is working continuously to improve its market position and enhance profitability in all its business units. The logistics chain of products and services from industry to pharmacies and consumers is becoming increasingly demanding, and any wholesaler has to constantly adjust to the changing market situation to stay competitive. Sometimes, unfortunately, streamlining of operations involves cuts in workforce, as we saw March 2004 in Sweden and October 2004 in Finland.

We are very committed to provide our customers with the best service in our industry. This is why we listen to our customer's needs and develop solutions to meet them. The Demand Chain Replenishment (DCR) -project in Norway is a fresh example, where we aim to free pharmacy staff's time from logistical routines to customer service. As a result, Apokjeden's supply chain becomes more efficient, while the customer enjoys better service. Our information systems are being developed to provide further insight into pharmaceutical sales in each of our operating country. Many of our business partners are international companies, which value a single point of access to sales and logistical data that encompass regions as well as single countries and pharmacies.

### Thanks to our employees and business partners

I would like to thank both our employees and our business partners for their contribution to the successful year that Tamro had in 2004/2005, as reported in this Annual Web Report. The Group result reflects the performance of our individual business units, which in 2004 again showed improving performance compared to previous years. The most significant financial improvement was achieved in Norway and Finland.

### Outlook for the future

Tamro starts the year 2005/2006 with modest expectations for market growth. Cost containment plans in Norway, Sweden and Finland are likely to impact our sales. Maintaining and developing our competitiveness and profitability in the future will mainly come from cost reduction. While many challenges lay ahead, we will continue to work hard to develop customer satisfaction and maintain cost leadership.

Vantaa, April 2005

Jo Langmoen  
President & CEO

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# Tamro Web Annual Report 2004

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## Share capital changes 1.1.1995 - 31.1.2005

INCREASE METHOD AND TIME	Change in number of shares	Change in share capital, FIM/EUR	New share capital, FIM/EUR
Private placement 25 Aug -15 Oct 1995	40,114,333	FIM 401,143,330	FIM 881,633,700
Private placement 18 June-26 June 1998	34,456,060	FIM 344,560,600	FIM 1,226,194,300
Warrant subscription/1994 warrant bond 21 December 1998	100,000	FIM 1,000,000	FIM 1,227,194,300
Cancellation of shares/Own shares repurchased by Tamro Corporation in 1998 28 April 1999	-2,404,000	FIM -24,404,000	FIM 1,203,154,300
Change of share par value from FIM 10 to EUR 1 28 April 1999	-	EUR -82,040,596.93	EUR 120,315,430
Warrant subscription/1994 warrant bond 13 December 1999	50,000	EUR 50,000	EUR 120,365,430
Warrant subscription/1994 warrant bond 15 May 2000	500	EUR 500	EUR 120,365,930
Cancellation of shares/Own shares repurchased by Tamro Corporation in 1999 and 2000 16 May 2000	-5,528,847	EUR -5,528,847	EUR 114,837,083

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# Tamro Web Annual Report

## 2004

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## Corporate Governance



Tamro Corporation's governing bodies and management practices comply with the Finnish Companies Act, the Articles of Association and other applicable laws and regulations. The Auditors' statement on Tamro's corporate governance is included in the Auditors' Report.

### Board of Directors and President/CEO

Tamro Corporation's board of directors comprises a minimum of three and a maximum of ten members elected at the annual general meeting. The term of a board member expires at the close of the following year's annual meeting. The annual general meeting elects the chairman and the members of the board of directors.

The board has appointed a budget committee currently consisting of two board members and the group management of Tamro Corporation. The committee's duty is to supervise the development of the business units in accordance with the decisions of the board of directors.

The articles of association of Tamro Corporation specify no other tasks for the board of directors than those prescribed under the Finnish Companies Act.

In addition to the provisions of the Finnish Companies Act, it is the duty of the CEO to

- direct the company's business activities according to the guidelines and regulations issued by the board of directors,
- monitor economic trends in the countries of operation and adjust corporate activities as required by the changing business environment,
- manage the company's strategic planning and monitor the development of the Group's operational organisation and efficiency,
- direct and supervise the use of the available development opportunities in co-operation with subsidiaries in the Group's core business areas, and
- present the items on the agenda to the board of directors at different meetings.

No group employee is nominated to the parent company's board of directors. No director of the corporate board serves on the boards of group subsidiaries, with the temporary exception of Apokjeden AS, where one of the corporate board directors has been elected to the subsidiary board. The board of directors in any subsidiary should preferably not have any members belonging to the staff or officers of the same unit, but some exceptions are made.

The CEO is nominated by the board of directors, which also approves the terms and conditions of his post as stipulated in a written executive employment contract. All executives of the Corporation are appointed with the terms and conditions of their contracts approved by the superior of the appointing person.

Tamro has elected to use a double signature policy throughout the whole Group. The name of the company, whether Tamro Corporation or its subsidiary, is signed by the members of the board and the managing director, two together or by the procuration holder(s) authorized by the board to do so together with another person entitled to sign. Where the subsidiary has no board of directors, the

subsidiary is signed for by the procurator holder(s) authorized by the shareholder to do so either together with another procurator holder or with the managing director.

## Organisation of business activities and areas of responsibility

The Group's core business – pharmaceutical distribution – is organised under seven country-specific business units. In Norway, Latvia, Lithuania and Estonia, Tamro is actively involved also in pharmaceutical retail trade. The sales and marketing of healthcare and laboratory supplies are grouped under the Tamro MedLab organisation.

All units, including Tamro MedLab, are headed by managing directors reporting to the CEO of Tamro Corporation.

The group management comprises the CEO, the Group's chief financial officer and the Group's logistics director.

The responsibilities of the Group's chief financial officer are to manage the corporate business controlling, treasury and group administrative functions. He also establishes adequate financial standards and routines to be properly adopted and applied by all group companies, and he guides the companies in their use of the said tools. He is responsible for the group budgeting, reporting to the board of directors – including making pertinent comments and highlighting substantial deviations from plan – and making valid forecasts. The CFO also takes care of corporate tax planning and coordinates Merger & Acquisition activities.

The Group's logistic director is responsible for driving the operational efficiency and quality of our operational processes. He is responsible for operational benchmarking processes in the Group, based on the key logistic parameters used to identify best practices that can be adopted by the local business units, as well as for driving and leveraging the efficiency and quality improvement work of the distribution units, in order to ensure competitive operations.

The responsibilities of the Group's chief financial officer and logistics director have been laid down by the CEO and approved by the board.

A separate routine and rules for investments and expenses as well as chart of authority have been established at Tamro Corporation for application throughout the Group.

## Auditing

The auditors are elected annually by the general meeting. In addition to the tasks specified in the currently valid rules and regulations, the auditors report their audit findings to the board of directors when necessary and take part in the meetings of Tamro's board of directors at least twice a year.

## Risk management

For the success of Tamro Group it is essential that the risks involved in the business are well under control. The objective of Tamro Group's risk management practices is to identify and minimise risks associated with operations, assets and personnel. Risk management is handled both on the corporate and the business unit level. The responsibility for risk management lies with the business units.

The business units see to it that sufficient insurance coverage is in place and that the deductibles on the responsibility of a business unit are in accordance with the approved insurance policies, and that any loss or damage is reported to the appropriate insurance company. A master insurance policy is administered at group level.

Tamro has installed an internal audit team. The function of the team is, among others, to report on the adequacy of internal controls and the level of compliance with Tamro Group regulations. The team also provides recommendations about the activities reviewed.

## Subsidiaries

In a subsidiary where Tamro Corporation is the sole shareholder, the general meetings are convened either by the board of the local company or by Tamro Corporation. The chairman of the general meeting is either Tamro Corporation's CEO or a designated Tamro Corporation executive. The chairman of the board is either Tamro Corporation's CEO or another designated Tamro Corporation executive.

If local laws permit, in a subsidiary where Tamro Corporation is the sole shareholder, any written instruction given by Tamro's CEO constitutes the exercise of the powers of a general meeting, where no member of Tamro Corporation's board of directors has been elected. If a board of directors is not needed, the tasks laid down for the board of directors may be assigned to the general meeting as specified in the articles of association of the relevant subsidiary.

The managing director of the subsidiary is appointed by Tamro Corporation's CEO, with the terms and conditions of their contracts approved by the chairman of Tamro Corporation's board of directors as superior of the appointing person.

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# Tamro Web Annual Report

## 2004

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## Financial Risk Management



Tamro Group's financing activities were incorporated into a separate entity called Tamro Finance Ltd in 2004. The incorporated treasury unit carries out the financing activities, including liquidity and risk management, of the Group in accordance with the finance policy. Tamro Finance Ltd acts as an internal bank and provides financing, trading and consulting services to other Group companies. The incorporated treasury unit also administers the Group-level master insurance policies.

The principal aim of the financing activities is to ensure sufficient and cost-efficient funding to support implementation of the Group's strategy and to decrease the volatility and unpredictability in the Group's financial performance that is caused by financial risk, to the extent that it can be justified economically and competition-wise.

### Refinancing risk

The refinancing risk is managed through diversification of the funding sources and the ability to provide alternative credit risk to investors. At the year-end the Parent Company had at its disposal free committed revolving credit facilities worth EUR 200 million. These back-stop arrangements are made with the Group's core banks. The arrangement ensured funding for an average of one year and three months.

At year-end the Group also had at its disposal a portfolio of free short-term credit facilities and account overdrafts worth EUR 267 (210) million and a EUR 195 (200) million available limit in a EUR 200 million Finnish Commercial Paper programme. Bank relations are handled at frequent meetings with the Group's core banks, and the Commercial Paper programme has been in active use.

As an alternative off-balance-sheet funding source, the Group has Asset Securitisation programmes that enable accounts receivable to be sold without recourse up to the limit of SEK 1,200 million (EUR 132 million) in Sweden and up to the limit of DKK 1,050 million (EUR 141 million) in Denmark. The available purchase limits at the end of the year were EUR 124 (56) million.

### Liquidity risk

The target is to maintain a good liquidity position under all circumstances with sufficient account overdrafts, credit facilities and cash in hand. Liquidity management is handled with cash pools in Finland, Sweden, Norway and Denmark. Excess liquidity is concentrated in the treasury unit by using internal account overdrafts and internal credit facilities. Excess liquidity is primarily used to reduce short-term interest bearing debt. The residual excess liquidity is invested in short-term and liquid money market instruments in accordance with the counterpart list.

### Foreign exchange risk

The Group's customers are mainly local pharmacies, hospitals and consumers. The net sales are almost exclusively denominated in the local currency in each country. In 2004 the currency split of the net sales was SEK 34%, DKK 24%, EUR 22%, NOK 14% and other currencies 6%.

On the supplier side the Group's main partners are international pharmaceutical companies. In the Nordic countries the suppliers carry almost exclusively the existing foreign exchange risk. In Estonia, Latvia, Lithuania and in Tamro MedLab-Group the foreign exchange risk is to some extent carried by the distributor or wholesaler. About 4%, or EUR 163 million, of the Group's purchases are exposed to the currency risk. The currency split for that amount was: EUR 89 %, USD 5 % and other currencies 6%.

The transaction risk in purchases is reduced by targeting to the agreement currency that correlates to the local currency, by using currency clauses in the supplier agreements, by active sales pricing and by entering into fwd-rate agreements. According to the principal policy, the purchases exposed to a foreign exchange risk are hedged if that can be found to be economically justified, at the point when the balance sheet position opens. Depending on the commitment level of the corresponding sales, the purchases can also be hedged on a rolling basis up to 24 months ahead.

According to the main policy, the internal loans of Group Companies are denominated in the subsidiaries' local currency. The open position in the lending company is selectively hedged to the extent that these loans are not considered equity-type loans and the hedging is found to be justified economically, taking into account the expected volatility of the currency.

The Group does not hedge foreign-currency-denominated shareholders' equity and equity type loans. The foreign-currency-denominated shareholders' equity and equity-type loans at financial year-end 2004/2005 were EUR 442 million. Of the total amount, NOK represented 39%, SEK 27%, DKK 23% and others 11% at the year-end.

The euro-value movements of the shareholders' equity and equity-type loans are reported as consolidation differences in the Group shareholders' equity.

## Interest rate risk

The Group's interest rate risk is defined as an adverse change to the value of the Group caused by interest-rate fluctuations. The target interest-rate duration and currency diversification are defined by taking into consideration the amount of interest-bearing loans, interest-bearing investments, derivative instruments and cyclicity of the operational cash flows.

## Credit risk

The credit risk of the financial investments and derivative instruments is handled in accordance with the frequently updated counterpart list. The counterpart list is drawn up so that the risk nominal amount and maturity of each instrument and counterpart is limited. The policy is to include only low-credit-risk instruments and names to the counterpart list.

The credit risk inherent in the accounts receivable is handled in the business units and monitored at Group-level. Historically the risk has not been relevant in the main business areas.

## Derivative instruments

According to the policy, the derivative instruments are used only to hedge the underlying business within the risk limits. The derivative instruments used have to be liquid enough and effectively priced in the market. The derivative instruments are included when measuring the counterpart risk.

The Group's open derivative instruments are presented in tabular form in the Notes to the Financial Statements.

## Insurances

The Group aims to reduce property damage, crime and liability risks by active risk reduction measures. The main responsibility for identifying, reducing and covering risks is held by the business units. Group-wide master insurance policies are used to cover the property damage, liability and crime risks. Additionally numerous local insurance policies are used to supplement the specific risk coverage needs arising from the assets and operations of the business units.

# Tamro Web Annual Report

# 2004

1.1.2004 - 31.1.2005



## Tamro Sweden

- The Swedish pharmaceutical market increased by a modest rate of 2.3% in 2004. The total market amounted to EUR 2,656 million.
- Tamro Sweden's net sales for the extended 13-month accounting year in 2004/2005 amounted to EUR 1,616 million. Comparable sales for the calendar year were EUR 1,510 (1,517) million, down 0.5% from the previous year's corresponding period.

### Operating environment and markets

On the whole, the Swedish pharmaceutical market continued to show a modest market growth in 2004. The total pharmaceuticals sales amounted to EUR 2,656 million at pharmacy purchasing prices (PPP), an increase of 2.3% from the previous year.

The main elements affecting the modest growth are still the overall impact of the patent expirations for some high-selling medicines in 2003 and the introduction of mandatory generic substitution, which has led to reduced prices for patent-expired medicines.

In 2004, the sales of parallel importers (PI) increased by 20% compared with the previous year, to EUR 277 million in PPP. As a consequence, PI accounted for 10.4% of total pharmaceuticals sales in Sweden, up by 1.6 percentage points from 2003.

The market in general was characterised by a state of uncertainty over the future development of the market structure, associated with the European Court of Justice's (ECJ) forthcoming ruling in the case concerning the legality of the Swedish pharmacy monopoly. The opinion from the General Advocate of the ECJ was delivered on 25 May 2004 in the form of a preliminary ruling, in which the court found that the Swedish monopoly on retail sales of pharmaceuticals is not compatible with EU legislation and that the Swedish pharmacy market should be opened up for competition. The final ruling of the ECJ in the case is still pending.

As a result of the ECJ's ruling, three major scenarios seem possible:

- a continued pharmaceutical retail monopoly
- a limitation of the monopoly to only Rx products
- a total dismantling of the monopoly.

The development of Apoteket's internal distribution units, the distance pharmacies, continued but at a slower pace than expected, as did the volume growth. So far, the impact of the distance pharmacies on Tamro's operations has been modest.

Instead of transferring responsibility for the medicine budgets to the county councils this year as planned, the Swedish Ministry of Health and Social Affairs decided to continue the present cost-sharing scheme between the county councils and the state for the next three years.

### Financial performance and operations

	2004 (12 months)	2003 (12 months)	Change
Net sales, EUR million	1,510	1,517	- 1%
Employees, average	482	499	- 3%

Tamro Sweden's average market share increased by 0.5 percentage points to 48.4%, and hence Tamro successfully defended its leading position on the Swedish pharma wholesale market. The increase was mainly attributable to new business agreements and the increased sales of parallel importers. In the financial year 2004/2005, Tamro's net sales amounted to EUR 1,616 million, while sales for the calendar year were EUR 1,510 (1,517) million.

In the beginning of 2004, an important strategic decision was made to implement a structural change: the aim was to increase productivity in the company's distribution and stock-keeping operations. A comprehensive restructuring programme was outlined in March 2004, resulting in the decision to gradually terminate Tamro's operations in Malmö during the year and in the beginning of Q1 2005. At the same time it was determined that Tamro's services in Stockholm and Göteborg would be extended. The phase-out of the Malmö operations has proceeded according to plan, and the costs and savings related to the restructuring programme have met the predefined goals.

Despite the slowing sales growth Tamro Sweden's profitability remained stable, mainly as a result of measures taken to streamline the company's cost structure and to enhance cost-effectiveness in operations.

The development of Tamro AB's Internet-based business information services continued, and upgraded versions with new features were launched to support customers in developing their business operations.

## Personnel

During the financial year, Tamro AB employed an average of 468 people (499), of whom 54% were women. The reduction in the number of employees was a result of the restructuring programme implemented within the company during the year.

A new comprehensive leadership and management development programme aiming at strengthening and enhancing the leadership skills of all managers and supervisors was launched in March 2005.

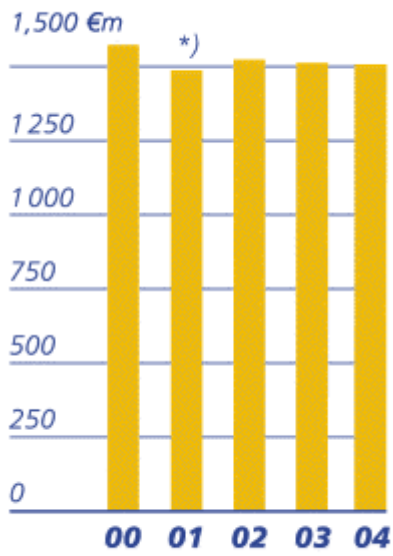
## Outlook for 2005

The modest market development is expected to continue in 2005, and the growth of the pharmaceutical market is estimated at about 2–3%. Tamro Sweden's restructuring programme will be completed in the beginning of 2005.

A number of efficiency gains and improvements resulting from the programme have already been obtained, and these effects are expected to be fully reflected in the company's operational and financial performance in 2005.

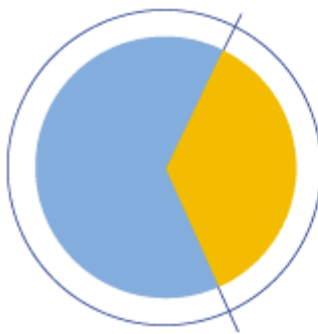
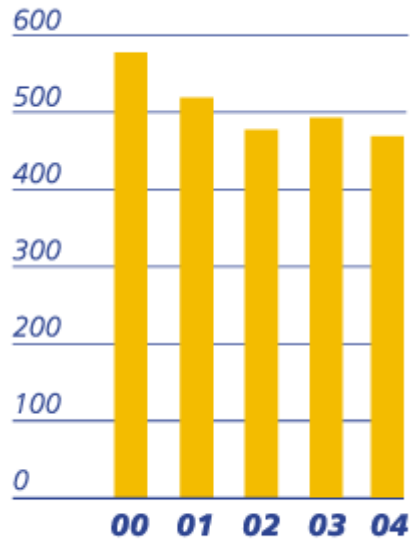
The outcome of the decision of the European Court of Justice may trigger significant changes in the market structure and competitive situation. Although Tamro is well prepared to meet the decision of the ECJ and possible changes in the market structure, the company may face a need to adapt to a new market situation.

### Net sales



\*) In terms of SEK,  
net sales rose by 3.5%.

### Employees



**Share of consolidated  
net sales 33%**

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## 2004

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## Tamro Denmark (Nomeco)



- The market for pharmaceuticals grew in Denmark by just over 4%, the lowest increase for many years.
- Nomeco's net sales for the extended 13-month financial year in 2004/2005 amounted to EUR 1,220 (1,059) million. Comparable sales for the calendar year were EUR 1,125 (1,059) million, up 6% from the previous year's corresponding period.

### Operating environment and markets

In 2004 the total increase of the aggregate market for pharmaceuticals in Denmark amounted to just over 4%, the lowest increase for many years. The reason was primarily competition from parallel-imported products and especially generics, which in connection with the expiry of patents of original products largely countered the general price development.

The consumption of pharmaceuticals in the hospital sector showed a considerably higher growth than in the private sector, which is in accordance with the general trend in recent years.

The competitive situation in Denmark was further intensified during 2004, and payment of cost-related discounts to pharmacies is at a somewhat higher level than the previous year. Nomeco's objective is to contribute to a continued improvement of pharmacy operations by offering service solutions that reduce the pharmacies' logistics costs.

The voluntary pharmacy chains in Denmark expanded their activities during the year, and the chains are major co-operation partners for Nomeco. The co-operation comprises especially proposals for assortment composition and development of information solutions.

### Financial performance and operations

	2004 (12 months)	2003 (12 months)	Change
Net sales, EUR million	1,120	1,059	6%
Employees, average	622	625	- 1%

In 2004/2005 Nomeco Group's net sales amounted to EUR 1,220 million. Comparable sales for the calendar year were EUR 1,120 (1,059) million, up 6% from the previous year's corresponding period. The market share of Nomeco's wholesale activities remained at approximately 70%, and Nomeco's share of the Tamro Group sales amounted to 25%.

The hospital sector is an increasingly important market for pharmaceuticals. The intensified approach to this segment has proven to be the right decision; relations between Nomeco and the hospital pharmacies have deepened significantly.

Nomeco's VMI concept (Vendor Managed Inventory), in which a pharmacy's inventories are continuously replenished based on the pharmacy's sales data, developed satisfactory during the

year. A significant share of Denmark's pharmacies are now utilising the concept. Furthermore, there is sustained interest among other pharmacies to enter into VMI agreements with Nomeco.

Suppliers continued to show considerable interest in the company's pre-wholesale activities. Apart from the handling of the physical flow of goods, there is also a demand for decision-supporting information solutions that can improve the suppliers' marketing efforts.

During the year customer surveys were conducted among pharmacy customers and suppliers, and it can be concluded that generally Nomeco's basic and value added services are highly valued.

On 19 October 2004 the Danish Competition Authority Konkurrencestyrelsen conducted a dawn raid at Nomeco's headquarters in Copenhagen. The authorities were investigating whether the company is abusing its dominant position by offering discount and product bundling to protect its market shares. Nomeco rejects the allegations and the Company is fully co-operating with the authorities in the pending investigation.

A second dawnraid was conducted 2 December 2004, to all Danish pharmaceutical wholesalers and the Danish Pharmacy Association. This investigation is focusing on the credit arrangements between the wholesalers and the Danish Pharmacy Association to support pharmacies.

## Personnel

### Basic principles in the Human Resources Policy

Nomeco's Human Resources Policy is a part of the overall policy and strategy of Nomeco and contributes to fulfilment of the short- and long-term objectives of the company.

In Nomeco the employees are considered the most important asset. Nomeco aims at developing a stimulating and inspiring work environment and to have qualified employees through continuous professional and personal development, education and training.

A constructive dialogue with employees is desired, and therefore delegation of responsibility and decision-making is encouraged. In return it is expected that every employee be engaged in the company and take responsibility for the company as a whole.

Nomeco employed an average of 621 (625) people during the financial year.

## Outlook for 2005

The aggregate pharmaceutical market is expected to grow at a relatively low rate in 2005. The intensified generic competition and the increased use of generics and parallel imports explain the slower growth. All these factors accelerate the decline in prices. In addition, reimbursement decisions have become tougher and recommendations for the rational prescribing of medicines have been sent to doctors. Furthermore, new rules on the reimbursement for medicinal products become effective 1 April 2005.

## Tamro Denmark (Nomeco): Staff audit

### Organisation, leadership and employeeship:

Nomeco's organisation is flexible and will be constantly adjusted to the demands of the environment. Organisational change is thus considered an expression of an improving and dynamic company.

In Nomeco the focus is on good leadership and good employeeship. The company has thus defined five principles that guide the behaviour of our leaders and employees.

The principles are:

- Value Creation

- Respect
- Credibility
- Teamwork
- Enthusiasm

Specific behaviour for leaders and employees is defined in relation to the principles.

Leaders and employees are expected to act accordingly and they will be evaluated against the principles.

### Training and development:

The following objective is set for training and development: The employees in Nomeco shall have the necessary professional and personal skills and competences demanded by the management, the customers and other stakeholders.

In order to reach the above objective, the strategy includes:

- periodical analysis of the necessary skills and competences demanded by the business strategy, the management, customers, etc.,
- systematic evaluation of the competence level in Nomeco,
- identification of gaps between existing competences and the necessary skills and competences,
- planning, development, selection and implementation of qualifying educational activities,
- on-going follow up and evaluation of internal and external educational activities,
- implementation and on-going updating of the IT-based Human Resources Management system. The HRM system ensures documentation of
  - 1) competence demands for all employee groups
  - 2) an educational plan for each employee
  - 3) accomplished educational activities for each employee
  - 4) job descriptions for all employee groups.

Furthermore, the HRM system contains a course database, which describes all relevant educational activities selected by Nomeco.

Yearly evaluation and development discussions are mandatory for the permanent staff and are central to the development process of the employees. The purpose of the discussion is to make the employees responsible, enterprising and multifunctional, the latter to encourage cross-functional and cross-professional work. Nomeco believes in competence rather than career development and encourages all employees to obtain new skills and competences relevant for their work in Nomeco.

### Recruitment

Internal recruitment is stimulated by creating possibilities for job and competence development. All available jobs are announced both internally on the intranet NomecoNet and externally on the company website and a number of recruitment sites on the Internet.

The recruitment process is well structured, and a number of personality assessment tools are used to evaluate candidates.

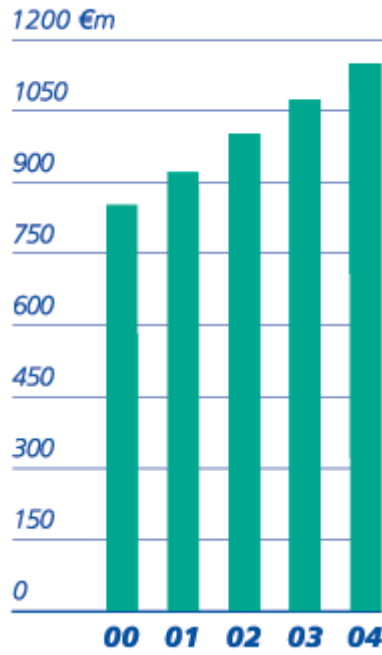
### Employee survey

At the end of 2003 Nomeco completed an employee survey to identify improvement areas and motivational factors. In 25 workshops throughout Nomeco, leaders and employees have worked and made plans for identified improvements.

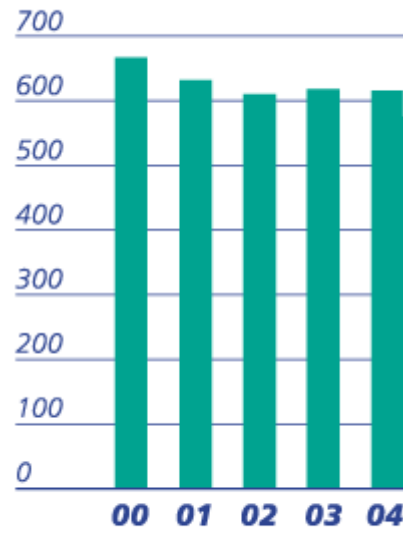
### Health and Safety

According to Danish legislation, companies with more than 20 employees are obliged to implement a safety organisation with a safety committee. The safety committee attends to all health and safety issues in Nomeco, focusing on the prevention of accidents at the workplace.

### Net sales



### Employees



**Share of consolidated net sales 25%**

# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



## Tamro Finland



- In January-December 2004, the aggregate pharmaceuticals sales amounted to EUR 1,644 million in PPP, a 7.9% rise on the previous year's figures.
- Tamro Finland's net sales for the extended 13-month accounting year in 2004/2005 amounted to EUR 984 million. Comparable sales for the calendar year were EUR 919 (644) million, up 43% from the previous year's corresponding period.

### Markets and operating environment

The overall sales of pharmaceutical products in Finland amounted to EUR 1,644 million in 2004, representing a 7.9% increase over the previous year. Nevertheless, market growth was retarded in the fourth quarter 2004, when the growth rate was 4.2%. This slowdown is partly attributed to dropping prices as a result of the revision of substitutable wholesale prices. New prices for medicines used to treat cardiovascular systems came into effect on 1 September, and new prices for medicines for the respiratory system on 1 December 2004. Generic competition intensified during the year.

Medicines qualifying for generic substitution accounted for 28% of the total market. In terms of euros, their sales fell by 3.2%, whilst the sales of non-substitutable original prescription medicines grew by about 14% over the previous year. Their average price per package rose 13%, and this is explained by the switch to newer and more expensive preparations.

Pfizer was the top-selling company in the Finnish human pharmaceutical market. Pfizer's market share was 11.3%. Orion was the second, with a market share of 10.1%. The third was AstraZeneca, with 7.4% of the market, and GlaxoSmithKline (GSK) retained its fourth position (6.3%), followed by Novartis (5.5%). As a consequence, these five biggest companies had a slightly over 40% market share of human pharmaceutical products sold in Finland.

### Financial performance and operations

	2004 (12 months)	2003 (12 months)	Change
Net sales, EUR million	919	644	43%
Employees, average	320	310	3%

Tamro Finland booked net sales of EUR 984 million in 2004/2005. Comparable sales for the calendar year were EUR 919 (644) million, up 43% from the previous year's corresponding period. Tamro's average market share was 54%, up by over 13 percentage points year-over-year. The growth in Tamro's market share is due mainly to new clients from 2003.

Tamro Finland received ISO9001:2000 certification from Den Norske Veritas (DNV) on 21 June 2004. The certification further helps Tamro Finland to enhance customer satisfaction and develop competitiveness. Now Tamro's quality management system includes both the requirements of the ISO 9001 standard and GDP and applicable GMP rules, and so quality management can be

handled in a systematic manner.

On 8 September 2004, Tamro Finland announced plans to move the pharmaceutical distribution activities from its Vantaa warehouse in the capital region to Tampere. Statutory negotiations were held, and they finally led to termination of employment for eight employees, six of whom reached pension arrangements. Another 28 persons were able to retire, or relocate to other positions within the Group.

The move releases warehouse capacity for the growing needs of the central warehouse in Vantaa. The Tampere distribution warehouse will be further strengthened as one of the most efficient and high-quality warehouses in Europe. The transfer will create about 15 new jobs in Tampere during spring 2005.

## Personnel

During the financial year, Tamro Finland's payroll averaged 320 (310) employees, 58% of whom were women. The number of employees increased by 3.2% from the previous year.

Tamro employed a new HR manager in September 2004. Tamro employer policy on competence development, the recruitment process and personnel welfare is actively reinforced. New leadership and management development programmes aiming at strengthening the leadership skills of all managers were launched in the third quarter. The programme will continue during 2005 and 2006.

A shared internal collaboration platform (intranet) was launched in December to facilitate better information flow and collaboration in Tamro's business units in Finland. Tamro's occupational healthcare, the Tamro Club for the staff and a work community expert continued to maintain and improve the staff's physical and mental health.

The Core Team, consisting of Tamro Finland's key personnel, participated in strategy and management training and discussed topical issues at joint meetings led by the Managing Director of Tamro Finland. The staff council's meetings dealt with a variety of issues related to Tamro and its staff.

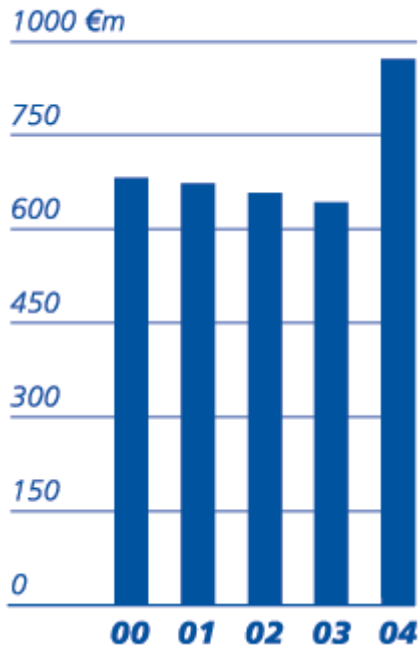
## Outlook for 2005

Generic substitution and price rounds of therapeutic classes are expected to continue to slow the growth of pharmaceuticals sales in Finland. Market growth is expected to decelerate to about 6%. The Finnish Ministry of Social Affairs and Health has announced plans to allow the sales of medicines used in nicotine dependence, anti-smoking nicotine chewing gums and transdermal patches, in supermarkets as soon as possible.

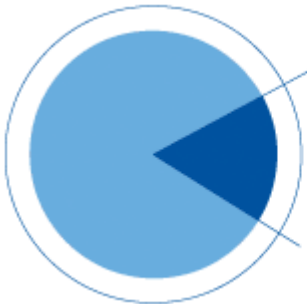
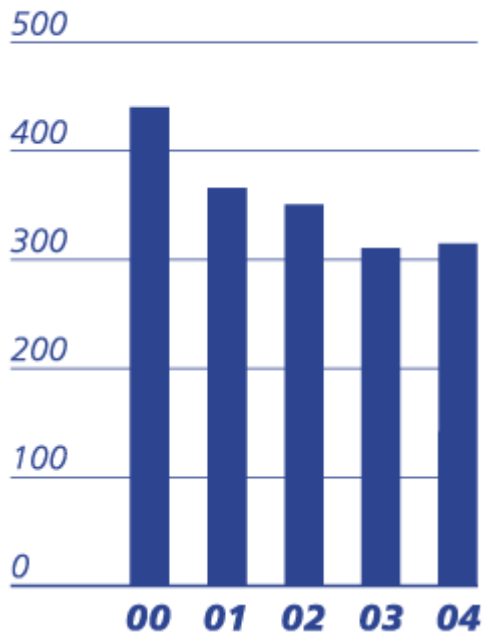
The Ministry is preparing a law package that would reduce costs of all medicines' wholesale prices by 2-5%. It has further been announced that the pharmacy fee will be reduced and medicine tariffs reviewed. The ministry is also taking steps to increase the cost awareness of doctors, encouraging them to prescribe cheaper medicine alternatives. There are also plans to revise the reimbursement system during this year.

Tamro Finland is well positioned to serve its customers in the most efficient way regardless of eventual changes in the Finnish pharmaceutical market structure.

### Net sales



### Employees



**Share of consolidated net sales 20%**

# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



## Tamro Norway (Apokjeden)



- In January-December 2004, total pharmaceutical wholesale in Norway came to EUR 1,237 million in pharmacy purchase prices (PPP). The market growth in 2004 was 7%.
- Apokjeden's net sales for the extended 13-month financial year in 2004/2005 amounted to EUR 677 million. Comparable sales for the calendar year were EUR 639 (616) million, up 4% from the previous year's corresponding period.

### Operating environment and markets

Apokjeden Group is a fully integrated pharmaceutical wholesale and retail chain. Apotek 1 is the largest pharmacy retail chain in Norway, with 211 pharmacies. In 2004 Apotek 1 further strengthened its position, with a market share of 39% excluding hospitals.

There are 509 private pharmacies in Norway (as of March 2005), 140 more than on 1 March 2001, when the pharmacy market was liberalised.

The sales of medicines in pharmacies amounted to EUR 1,792 million in 2004, resulting in a 6% market growth. This is a substantial increase compared to the 3.2% market growth in 2003, which was the lowest growth rate in 15 years. Due to the fact that several blockbuster pharmaceuticals are to lose patent protection and that the government has moved to address the costs of reimbursed medicines, it is likely that the growth will again slow down in the near future. On average each Norwegian spent EUR 394 on pharmaceuticals in 2004 in retail prices.

From 1 January 2005, a new generic reimbursement scheme, the stepped pricing model, was introduced to replace the Index Price Model. The purpose of the stepped pricing model is to further reduce the prices of generics. When a drug is off-patent, the reimbursement price is reduced in three steps during a 12-month period to 50% for drugs with Pharmacy Retail Price (PRP) sales of less than EUR 12 million per year and 70% for drugs with PRP sales of more than EUR 12 million per year.

The government pays for approximately two thirds of the pharmaceuticals consumption in Norway. The ceiling for the total annual co-payment in 2004 was EUR 189. The National Insurance Scheme (Folketrygden) covers expenses above this amount. Reimbursement is provided only for long-term medication for chronic diseases, defined as more than three months of medication per year.

As of 1 January 2003, smoking cessation products were allowed to be sold outside pharmacies: typically in supermarkets, convenience stores and petrol stations. From 1 November 2003 sales outside pharmacies were extended to include several other OTC products, such as fever/pain relief (e.g. paracetamol, ibuprofen and fenazon) and cold relief products and nasal preparations (e.g. xylometazolin).

Norwegian pharmacies experienced a reduction in sales of EUR 15.7 million (-18 %) on these products, while the sales of Apotek 1 were reduced by approximately 15% in 2004. Measured in DDD (Defined Daily Dose), the reduction was 18%, indicating that the price level of these products has remained stable. During the second half of 2004 the OTC volumes transferred to other

channels was estimated to be closer to 30%. Non-prescription medicines account for 13% of total sales in pharmacies measured in PRP.

Apokjeden's retail concept – Apotek 1 – has the highest brand recognition in the industry. Also people's trust in pharmacies is at the same level as their trust in doctors. According to Apotekbarometeret by TNS Gallup in December 2004, Apotek 1 brand awareness (not assisted) is 61%, while the corresponding figures for Vitus and Alliance Unichem are 24% and 10% respectively.

## Financial performance and operations

	2004 (12 months)	2003 (12 months)	Change
Net sales, EUR million	639	616	4%
Employees, average	1,533	1,449	6%

Apokjeden's net sales for the extended 13-month accounting year in 2004/2005 amounted to EUR 677 million. Comparable sales for the calendar year were EUR 639 (616) million, up 4% from the previous year's corresponding period.

The net sales figure includes the consolidated wholesale and retail activities of Apokjeden. Apokjeden's operational performance improved significantly in 2004 due to improvements in all entities.

During 2004 Tamro Oyj increased its ownership in Apokjeden AS from 85.5% to 99.3%. The shares were purchased both from Coop NKL, the holding company of the co-operative retail organisation in Norway, and from Norwegian pharmacists.

## Personnel

For the full financial year, Apokjeden employed on average 1,527 employees (FTE) in 2004/2005, of whom 86% worked in our fully owned pharmacies.

The recruitment of pharmacists to the pharmacies continues to be a challenge in some areas of the country, although the situation has improved much compared to the previous years. Furthermore, new positions have been established at the Apokjeden Group headquarters in connection with the projects of Demand Chain Replenishment (DCR) and Multidose. A major goal has been to recruit employees from pharmacies to the headquarters in order to ensure transfer of competence and skills.

In 2004 a thorough evaluation of all positions at Apokjeden Group headquarters was carried out in order to optimise the organisational structure. By focusing on employee competence and individual development, the company emphasises the importance of continuously having the right professionals at the right place.

## Outlook for 2005

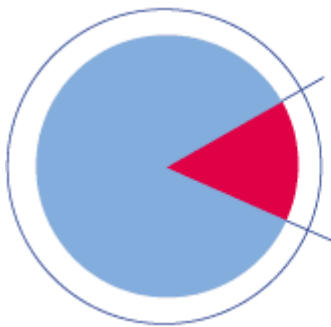
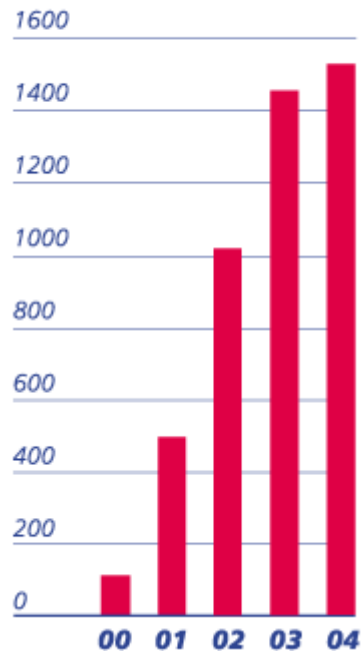
Apokjeden's strong focus on operational efficiency, cost control and customer satisfaction will continue in 2005. The growth of the Norwegian pharmaceutical market is expected to be around 2%. The reason for the decrease in market growth is mainly attributed to the new generic pricing model, which will substantially lower our sales.

Apokjeden's share of the pharmaceutical market in Norway is estimated to remain around 38%. Through significant investments Apokjeden has gained the platform and structure required for building a sustainable long-term position as the leading actor in the Norwegian pharmaceutical market.

### Net sales



### Employees



**Share of consolidated net sales 14%**

# Tamro Web Annual Report

## 2004

1.1.2004 - 31.1.2005



## Tamro Estonia



- Total pharmaceuticals sales rose in Estonia by 20%, to EUR 123 million in pharmacy purchase prices (PPP).
- The net sales of Tamro Estonia for the extended 13-month financial year in 2004/2005 amounted to EUR 53 million. Comparable sales for the calendar year were EUR 50 (41) million, up 22% from the previous year's corresponding period. Tamro's average share of pharmaceutical wholesaling was around 30%.

### Market environment and competitive situation

The pharmaceutical wholesale market in Estonia showed strong growth during 2004. The competitive situation remained unchanged in the pharmaceutical wholesale market, with almost 80% of the market divided between two major players, Magnum Medical (47%) and Tamro Eesti (30%).

During 2004 the strong vertical integration continued, with an estimated 80% of Estonian pharmacies operating within branded pharmacy chains. A newcomer to the market was Nordic Pharma (former Armila), which has operated its own retail chain, the Apteek 5+ pharmacy chain, since July 2004.

The Finnish pharmacy chains Yliopiston Apteekki and Partner Apteek as well as the Lithuanian pharmacy chain Europharmacy have also entered the Estonian market. Despite regulatory changes in reimbursement and a stronger focus on generic substitution, the market growth of prescription medicines and OTC's was 20% for 2004.

### Financial performance and operations

	2004 (12 months)	2003 (12 months)	Change
Net sales, EUR million	50	41	21%
Employees, average	162	136	21%

The net sales of Tamro Estonia for the extended 13-month financial year in 2004/2005 amounted to EUR 53 million. Comparable sales for the calendar year were EUR 50 (41) million, up 22% from the previous year's corresponding period. Apteek1, the voluntary pharmacy chain operated by Tamro Estonia, increased its operations to 176 member pharmacies. Apteek1 is the largest pharmacy chain in Estonia, with a market share of about one third of the Estonian retail market.

In 2004, Apteek1 focused on comprehensive marketing campaigns for Apteek1 pharmacy customers and on the training of the Apteek1 pharmacy personnel with a focus on sales and service.

On 21 December 2004 Tamro signed an agreement to purchase the shares of a pharmacy group operating the Viruplatsi pharmacy chain. The chain has 8 pharmacies with 37 employees in the

capital area of Estonia. Seven of the pharmacies are located in Tallinn, and one in Kallavere, a suburb of Tallinn.

## Personnel

During the financial year, Tamro Estonia employed an average of 164 (136) people, the majority of those in retail operations.

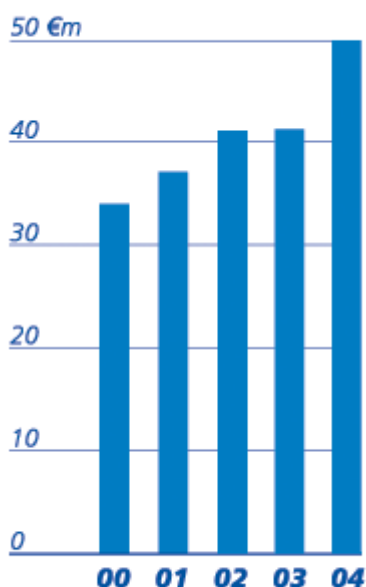
## Outlook for 2005

2005/2006 will bring even stronger competition in the pharmaceutical retail market. Estonia has one of the most dense pharmacy networks in Europe, with 2800 inhabitants per one pharmacy. Nevertheless, annual pharmaceutical consumption is relatively low; it is valued at approximately EUR 90 per person at PPP, although it is growing steadily.

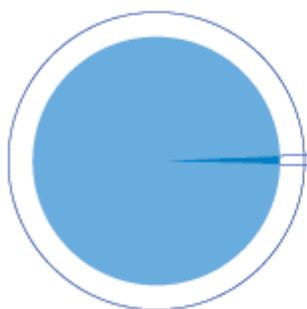
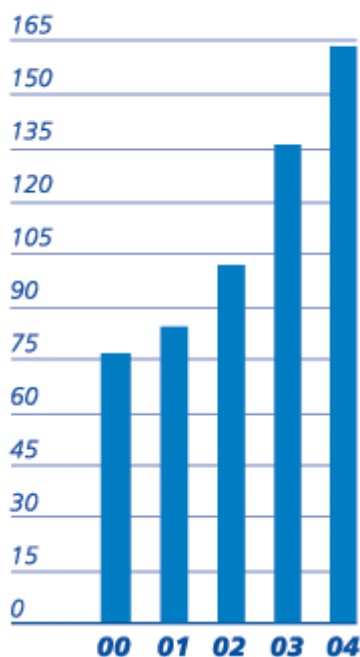
Tamro Eesti will continue to strengthen its position in the retail market through new acquisitions and by extending our support to independent pharmacies, allowing them to become more competitive and offer better service to their consumers and patients.

Graphs:

### Net sales



### Employees



**Share of consolidated net sales 1%**

# Tamro Web Annual Report

## 2004

1.1.2004 - 31.1.2005



## Tamro Latvia



- Last year pharmaceuticals sales increased by 11% in local currency, to EUR 126 million in pharmacy purchase prices (PPP).
- Tamro Latvia's net sales for the extended 13-month financial year in 2004/2005 amounted to EUR 96 million. Comparable sales for the calendar year were EUR 88 (77) million, up 14% from the previous year's corresponding period.

### Operating environment and markets

The trends on the Latvian pharmaceutical sales in 2004 were the same as before, with a market growth of 11%. One of the reasons for the growth is the change in the assortment of medicines since Latvia joined the European Union. Some comparatively cheap medicines from Russia and Ukraine have been replaced by medicines manufactured in Western Europe. Starting on 1 May 2004, a 5% VAT was imposed on medicines.

There have been no significant changes concerning wholesalers – the four biggest wholesalers hold three fourths of the pharmaceutical market. Tamro had a 27% share of the total Latvian pharmaceutical market.

The consolidation of pharmacies and pharmacy chains around wholesalers has continued. Changes in the structure of medicines, the imposition of VAT on medicines as well as the increase of the euro of the Latvian lat have caused a 10% rise in the prices of medicines. At the same time the budget for reimbursed medicines in 2004 remained at the previous year's level.

### Financial performance and operations

	2004 (12 months)	2003 (12 months)	Change
Net sales, EUR million	88	77	15%
Employees, average	274	257	7%

Tamro Latvia's net sales for the extended 13-month financial year in 2004/2005 amounted to EUR 96 million. Comparable sales for the calendar year were EUR 88 (77) million, up 14% from the previous year's corresponding period. In 2004 Tamro Latvia retained the market leader position in pharmaceutical wholesale. A determinant role was played, firstly, by the pharmacy loyalty programme, which presently includes 180 pharmacies, and, secondly, by the pre-wholesale business to other wholesalers in the Baltic countries.

Despite severe competition among pharmacies and the formation of strong competitor pharmacy chains, the retail division has strengthened its position through a turnover increase of 26%, brand building and the consequent growth of pharmacy recognition.

A survey about the recognition of the Tamro owned Gimenes pharmacies and the level of their services was carried out, and the operational quality was evaluated very highly.

## Personnel

During the financial year, Tamro Latvia employed on average 251 people, of whom 59% work in the Gimenes retail business. Half of the personnel are under 40 years old, and 40% of the employees have a university degree; 3% are currently pursuing their studies. Eighty-two per cent of the personnel are female.

The focus on the main objective – encouraging and motivating people to reach the targets – highlighted the role of the personnel and a team spirit in the performance of the unit. Our employees are involved in competence development programmes and regularly attend sales and marketing workshops, improve their English and IT skills and build pharmaceutical and management practices.

During 2004, the personnel attended 86 different workshops and seminars, of which half were related to pharmaceutical and sales promotion. Ninety per cent of our retail pharmacists are members of the Latvian Association of Pharmacists.

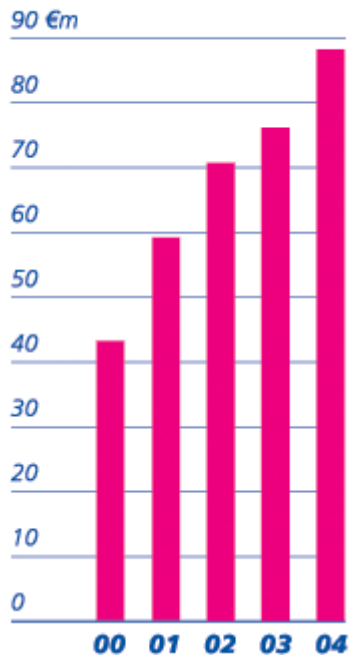
## Outlook for 2005

The financial year 2004 was characterised by growth of turnover, while the expense level remained the same. The positive tendency is expected continue in 2005.

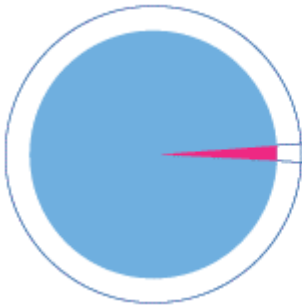
We forecast a significant increase in co-operation with pharmacies, driven by further development of both the loyalty programme and market trends.

Graphs:

**Net sales**



**Employees**



**Share of consolidated net sales 2%**

# Tamro Web Annual Report

# 2004

1.1.2004 - 31.1.2005



## Tamro Lithuania



- The pharmaceuticals sales in Lithuania climbed by slightly over 14% in local currency. Total pharmaceuticals sales amounted to EUR 276 million in pharmacy purchase prices (PPP).
- Tamro Lithuania's net sales for the extended 13-month financial year in 2004/2005 amounted to EUR 89 million. Comparable sales for the calendar year were EUR 82 (77) million, up 6% from the previous year's corresponding period.

### Operating environment and markets

The pharmaceutical market in Lithuania increased by 14% in 2004 and amounted to EUR 276 million in terms of pharmacy purchasing prices. The per capita consumption of pharmaceuticals was EUR 96 (88) at retail prices. The Patient Fund continued to apply pressure on expenses for the reimbursed pharmaceuticals.

Following the accession of Lithuania to the European Union, a VAT of 5% on all pharmaceuticals was introduced as of 1 May. Obligatory GMP requirements restricted usage of cheap pharmaceuticals from non-EU countries. The Patient Fund's delay in paying for reimbursed pharmaceuticals caused again heavy financial expenditure for wholesalers.

The consolidation trend in the market continued, and the five biggest wholesalers held 78% of the market. Consolidation was also driven by investment needs based on the Good Distribution Practice (GDP) requirements, which became obligatory for pharmaceutical wholesalers from May 2004. Tamro is the first company to have received a GDP certificate in Lithuania.

Pharmacy chains continued aggressive expansion and strengthened their position to up to 55% (35%) of the market. This led to bankruptcies and the closing of pharmacies. Consequently, for small pharmacies the pharmaceutical market is very challenging.

### Financial performance and operations

	2004 (12 months)	2003 (12 months)	Change
Net sales, EUR million	82	77	6%
Employees, average	245	176	39%

UAB Tamro's net sales grew to EUR 89 million. Comparable sales for the calendar year were EUR 82 (77) million, up 6% from the previous year's corresponding period. Tamro increased its market share to 25% during the last quarter of the year and secured its position as the biggest pharmaceutical wholesaler in the country. The key success factors were close co-operation with the pharmacy chains, continuing customer orientation and a high service level.

Tamro acquired retail pharmacies Ortofarma (1 pharmacy) in April 2004, Farmacijų projektai (46 pharmacies) in August 2004 and Vogne (13 pharmacies) in early February 2005. The acquisitions fit into Tamro's overall strategy of making investments that secure and complement the core

business of pharmaceutical wholesale.

The profitability of the company suffered from fierce competition among wholesalers and heavy pressure from the pharmacy chains. Pharmacy discounts continued to soar to unhealthy levels that are not sustainable.

After completion of the integration of Litfarma ir partneriai, Stefan Pflug completed his temporary assignment as Managing Director of Tamro Lithuania in March 2004, and Gytis Bendorius was appointed as Managing Director of UAB Tamro in Lithuania.

## Personnel

During the financial year Tamro Lithuania employed an average of 251 (176) people. Over 58% of the personnel have a university degree. Women make up almost 73% of the personnel. The average age is 47 years, and the average duration of employment is four years.

The recruitment policy of UAB Tamro is based on the candidate's skills, responsibilities and motivation. The company offers realistic opportunities for career planning to those who are eager to seek it.

Training courses and seminars were arranged to improve for example time management skills. Special training courses at university were organised for middle management to improve negotiation and project management skills.

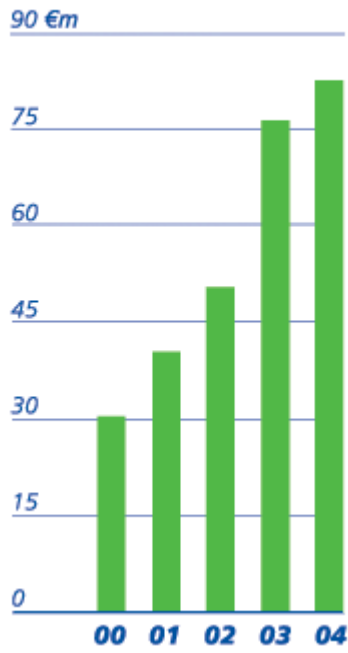
## UAB Tamro and society

Tamro Lithuania is an active member and supporter of non-governmental organisations in the Pharmacy Union, the Lithuanian Union of Pharmacists and the Association of Pharmaceutical Wholesalers. The company has a long history of mutually beneficial co-operation with the Pharmacy Museum in Kaunas and the Pharmacy Faculty of Kaunas University of Medicine. Tamro Lithuania has also made donations to the charity fund Almos Adamkienes fondas, which supports children's education in countryside schools.

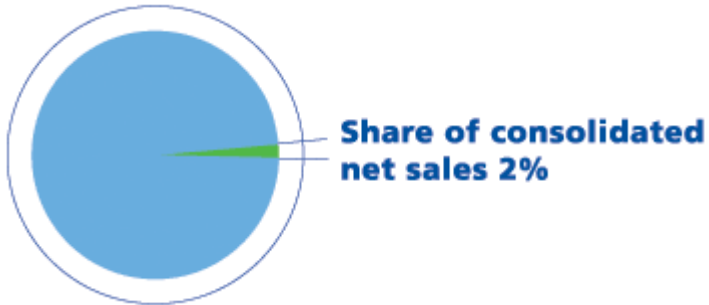
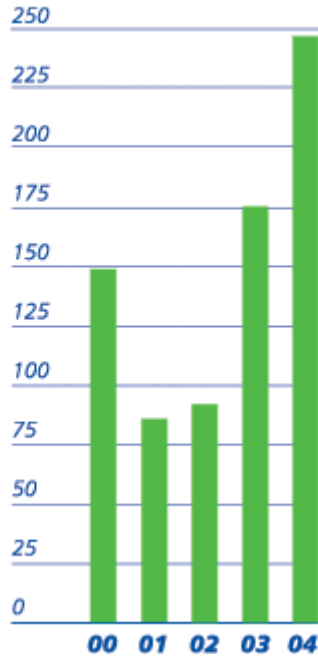
## Outlook for 2005

In spite of falling prices, the pharmaceutical market is expected to grow by 6–7% in 2005. Pharmacy chains will further increase their market share, and there is obvious demand from customers for better services. Tamro's main target for 2005 is to exploit the leading market position and improve the unsatisfactory financial performance. Tamro will continue to invest in retail trade to secure and improve its position in pharmaceutical supply.

### Net sales



### Employees



# Tamro Web Annual Report

## 2004

1.1.2004 - 31.1.2005



## Tamro MedLab



- Tamro MedLab Group net sales for the extended 13 month financial year were EUR 134 million. Comparable sales for the calendar year were EUR 129 (125) million, up 3% from the previous year's corresponding period.
- MedLab's OneMed -brand sales developed favourably.

### Operating environment

Tamro MedLab Group's activities are divided into two business units: Med and Lab. Med sells, markets and distributes products to hospitals and healthcare facilities in the Nordic and Baltic countries, while Lab sells and markets laboratory supplies and equipment in Finland, Sweden and Norway for industrial, research and hospital laboratories. The target is to be a market leader in the chosen areas.

Manufacturers continued to consolidate on a global level. Customers are also forming purchase groups to rationalise their operations and obtain more favourable purchase conditions.

The Baltic countries have shown higher growth in all product areas. The development is due to the patient care processes and standards, which are being aligned with those in other EU-countries. This growth has formed a good base on which to develop sales. The year 2004 was the first whole financial year of Tamro MedLab's own sales company in Lithuania.

### Financial performance and operations

	2004 (12 months)	2003 (12 months)	Change
Net sales, EUR million	129	125	3%
Employees, average	262	273	- 4%

Tamro MedLab Group's comparable sales for the calendar year 2004 increased by 3% to 129 (125) million. Sales for the extended 13 month financial year totalled EUR 134 million. Sales developed favourably in Finland and Baltic units. In Lab products, especially in laboratory equipment, the demand was disappointing in 2004.

The strong digitalisation trend continued in hospital equipment. In Finland and Sweden, e-Sales marketplaces were upgraded and implemented at the beginning of 2005. Electronic invoicing started with selected customers. VMI (Vendor Managed Inventory) received a good response among Lab customers.

Sales of Tamro's own OneMed-brand, where Tamro MedLab develops a competitive product range and guarantees the quality of the products, have increased. During 2004 we supplemented the OneMed assortment with disposable surgical textiles. The sterile surgical gown was especially well received by our customers. Ontex's "Euron" adult diapers were launched throughout the market area.

A co-operation agreement with Arkray concerning sales and marketing of blood sugar meters in the Nordic countries, Estonia and Latvia was signed and implemented.

## Personnel

Tamro MedLab's payroll averaged 263 (273) employees during the financial year, 54% of whom worked in Finland, 21% in Sweden, 11% in Norway, 3% in Denmark, and 11% in the Baltic countries.

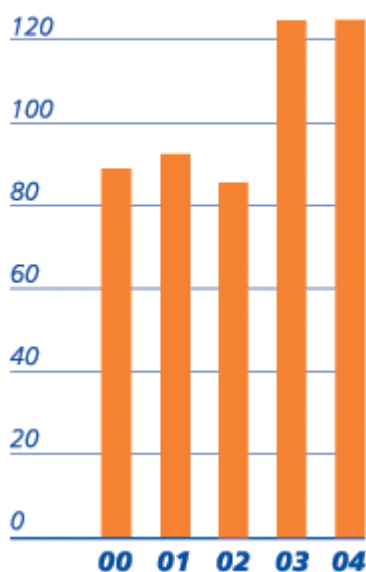
## Outlook for 2005

The strong focus on customers will continue in 2005/2006. The increase in economical activity in 2004 had a clear influence on the growing demand for laboratory supplies and equipment at the beginning of 2005. Digitalisation will continue strongly and will create new opportunities in hospital equipment sales. Steady market growth in hospital supplies, and new product groups are expected to strengthen Med's volume growth in 2005.

Graphs:

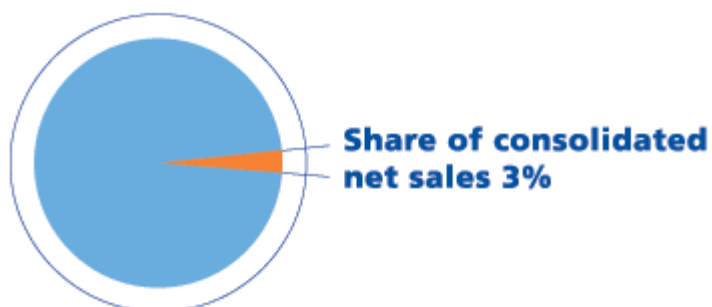
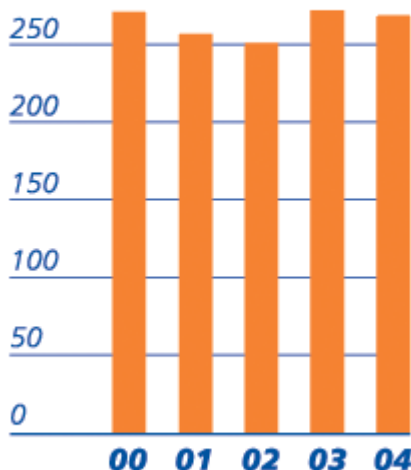
### Net sales

140 €m



### Employees

300





### Employees by area

Finland	54%
Norway and Denmark	14%
Sweden	21%
Baltics	11%



### Sales by area

Finland	48%
Norway and Denmark	11%
Sweden	38%
Baltics	3%

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# Tamro Web Annual Report

## 2004

1.1.2004 - 31.1.2005



## Board of Directors' Report



The year 2004/2005 marked another year of slow market growth and intense competition over market shares. Tamro met this challenge with a continued focus on the efficiency of the operations and by strengthening its cost leadership position. Tamro was delisted from the Helsinki Stock Exchange and became a fully owned subsidiary of PHOENIX in May 2004, which allowed for wider benchmarking of processes with the best in business. In Sweden and Finland, structural changes in warehouse logistics were decided to improve efficiency. Apokjeden further strengthened its position as the leading pharmacy chain in Norway. A number of retail acquisitions helped us improve our market position in the Baltic countries.

Due to the measures Tamro is able to publish a record result. Operations clearly improved in most parts of the Group.

### Markets and operating environment

The growth of the Nordic pharmaceutical market in 2004 was modest compared to recent years, being slightly below 5% at constant exchange rates (CER). The main reasons for the slow growth are patent expiries of some high-selling substances in 2003, generic substitution and a drop in prices due to the intensified generic competition.

Furthermore, cost containment actions favour generics and parallel imports, and reimbursement decisions have become tougher. However, the ageing population remains a key growth driver.

Pharmaceutical market growth varied within the Nordic countries: The Finnish pharma market grew fastest, as in previous year, with an almost 8% increase. The lowest growth was recorded in Sweden, where the market is recovering at a growth rate of 2.3%. The biggest increase in terms of monetary value took place in Finland, followed by Norway and Sweden.

The value of the aggregated pharmaceuticals sales by wholesalers in the Nordic countries was EUR 6.6 billion measured in pharmacy purchasing prices (PPP). Tamro kept its strong position in the Nordic pharmaceutical wholesale market. Tamro's pharmaceuticals wholesale in the Nordic region amounted to EUR 3,349 million in PPP, producing an average market share of 51%, up 3.5 percentage points from the previous year.

The total wholesale value of pharmaceuticals in the Baltic countries amounted to EUR 524 million, surpassing the previous year's sales by 15% at CER. Estonia had the highest growth, 20%, followed by Lithuania, 14%, while Latvia grew by around 11%.

Related topics:

[→ Market Facts](#)

### Full-year net sales and financial performance

The Tamro Group net sales for the financial year ending 31.1. 2005 amounted to EUR 4,857

million. Comparable sales for the calendar year 2004 were 4,488 (4,169) million, an increase of 7.6%. Excluding the effects of the extended financial year, the positive sales development is mainly due to the new exclusive distribution contracts won in Finland, and it is augmented by growth in Norway and Denmark.

The consolidated operating profit was EUR 93 (78) million, and the 13-month operating margin was 1.9% (1.9%). The overall improvement in operating profit was mainly a result of stronger sales and improved efficiency. All business units were able to improve their performance, except Lithuania, which continued to suffer from the fierce competition.

The consolidated ordinary profit before taxes was EUR 89 (69) million. The effective tax rate for the Group was 25.9 % (28.9 %).

The Group's total net profit in the 13 months 2004/2005 was EUR 66 (47) million. The return on capital employed increased to 19 (16)%, while the return on equity rose to 16 (13)%.

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#### Related topics:

[→ Business Units 2004](#)

## Financing

The delisting of Tamro's shares from the Helsinki Stock Exchange in May 2004 did not change the Group's financing principles. Tamro continues to provide transparent financial information to the investors as well as to the public.

In June Tamro's treasury department was incorporated into a separate legal unit called Tamro Finance Ltd. The main part of the internal treasury activities has already been transferred to the new company, and external activities will be transferred during the financial year 2005/2006. In connection with the incorporation, the role of the treasury department did not change and Tamro Corporation will guarantee all material transactions made by Tamro Finance Ltd.

In January 2005 the Group entered into a new securitisation arrangement that allows the Danish subsidiary Nomeco A/S to sell its trade receivables to an external counterpart on a non-recourse basis up to the facility amount of DKK 1,050 million (EUR 141 million). The arrangement was made proactively to secure sufficient and cost efficient funding for Tamro Group. All up-front fees related to the arrangement were fully deducted as other financial expenses in January 2005.

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#### More information:

[→ 24 Jan 2005: TAMRO GROUP SIGNS A NEW SECURITISATION FACILITY](#)

The Group's financial position remained excellent and solid throughout the financial year. The net debt on the balance sheet was reduced to EUR 60.1 (71.4) million at the end of the financial year. The effective net debt, including as debt the EUR 133.1 (74.2) million receivables sold in January, totalled EUR 193.2 (145.6) million. EUR 50 million in additional dividend was paid in January. The average effective net debt in the financial year 2004/2005 was EUR 165 (219) million. At the financial year-end Group had at its disposal EUR 200 (200) million free committed revolving credit facilities. At the financial year-end arrangement ensured funding for an average of one year and three months. The total available purchase limit in Asset Securitisation programs were EUR 124 (56) million at the financial year-end.

The liquid assets contracted to EUR 13.2 (22.3) million. The Group's net gearing was reduced to 17.0 (18.4)%, and the equity ratio decreased to 33.6 (35.4)%.

## Free cash flow and net working capital

The 13-month free cash flow of EUR 101.5 (40.4) million improved clearly. The operative cash flow before net working capital changes and investments improved to EUR 107.7 (79.1) million. The cash flow from the net working capital changes was EUR 56.5 (-5.3) million. The change in the sold receivable amount affected the reported cash flow positively by EUR 67.1 (8.3) million. The net investments increased clearly to EUR 62.7 (33.4) million during the period. At the end of the period

the net working capital was EUR 85.6 (143.9) million and the sold receivable amount EUR 133.1 (74.2) million.

## Financial expenses

The Group's 13-month net financial expenses were EUR -4.0 million compared with EUR -9.3 million for the previous 12 months last year. The main reduction came from lower net interest expenses of EUR -4.0 (-8.7) million. The exchange rate gains represented EUR 0.3 (-0.6) million, and the other financial expenses and income were EUR -0.3 (0.0) million.

The Group's net financial items were the lowest, both in absolute euro amounts and in relative per cent terms, since 1997. The good development in the net financial items was partially due to the applied short interest rate duration combined with the historically very low short-term interest rates. Additionally, re-financing arrangements made already during 2003 now created full annual savings.

## Foreign currencies and translation differences

The majority of the Group's net sales are denominated in local currencies. The currency split of the Group net sales was SEK 34 (37)%, DKK 24 (25)%, EUR 22 (17)%, NOK 14 (15)% and EEK, LVL, and LTL together 6 (6)% of the Group's net sales.

The major part of the Group's purchases is also denominated in local currency. Only 4%, or EUR 163 (131) million of the purchases are exposed to a currency risk. The currency split for that amount was EUR 89% (86), USD 5% (8), and, in other currencies 6% (6).

The foreign-currency-denominated shareholders equity and equity type loans were EUR 442 (344) million at the financial year-end 31.1.2005. Currency split of the equity exposure was at year-end; NOK 39 (38) %, SEK 27 (32)%, DKK 23 (24)% and others 11 (6)%. The translation differences from the foreign-currency-denominated shareholders' equity and the equity type loans of the overseas subsidiaries were EUR 1.8 (-14.0) million at the financial year-end 31.1.2005. This amount affects directly the consolidated equity of the Group.

The foreign currency and other financial risks are managed according to the finance policy of the Group.

Relatic topics:

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[→ Financial risk management](#)

## Capital expenditure and acquisitions

The investments of EUR -64.1 (-39.6) million turned into growth and were above depreciation level during the last part of the financial year 2004/2005. Materially all investments were made directly or indirectly through minority redemption to the retail sectors in Norway, Estonia and Lithuania.

## Major changes in the group structure

Tamro Group's ownership in Apokjeden rose from 80.0% to 99.3% in 2004. The shares were purchased from Coop NKL, the holding company of the co-operative retail organisation in Norway, and from Norwegian pharmacists. The redemption in Norway was the main factor in reducing the Group's minority interest.

In August 2004, Tamro acquired Farmacijos Projektai with 46 pharmacies in Lithuania. In addition to the chain, several smaller acquisitions were completed.

Tamro Finance Ltd., a new fully owned subsidiary for the group treasury function, was founded in June 2004.

## Research and development

Tamro continued to develop and enhance IT- and Internet-based business information services to support customers in developing their business operations. Upgraded versions of business information services with new features were launched in Sweden and Finland. Nomeco's VMI concept (Vendor Managed Inventory), in which a pharmacy's inventories are continuously replenished based on the pharmacy's sales data, has been welcomed by pharmacies. Approximately 40% of Denmark's pharmacies are now covered by the concept. In Norway, a similar Demand Chain Replenishment concept (DCR) is being developed to decrease the logistics workload for pharmacy personnel.

## Personnel and organisation

Tamro's payroll averaged 3,909 (3,820) employees over the financial year. Of the total staff, 39% worked in Norway, 16% in Denmark, 12% in Sweden, 8% in Finland, 7% in Latvia, 6% in Lithuania and 4% in Estonia. MedLab Group employed 7% of the personnel.

Of the total staff, an average of 1,834 employees (46%) worked in retail operations in Estonia, Latvia, Lithuania and Norway. At the end of January 2005, the group personnel numbered 4,045.

## Redemption procedures of Tamro's shares and warrants

An application for the removal of the company's shares and 2000A warrants was submitted to Helsinki Securities and Derivatives Exchanges, Clearing House Ltd., on 12 March, and the share was delisted on 10 May 2004.

On 10 May the Arbitral Tribunal appointed by the Finnish Central Chamber of Commerce confirmed that PHOENIX International Beteiligungs GmbH has an indisputable right to redeem the minority shares in Tamro Corporation and that PHOENIX International Beteiligungs GmbH has the right to gain title to the minority shares by placing a security approved by the Arbitral Tribunal for the payment of the redemption price.

PHOENIX International Beteiligungs GmbH placed a security for the payment of the redemption price on 10 May and gained title to all shares in Tamro Corporation in accordance with Chapter 14, Section 21 of the Finnish Companies Act.

PHOENIX International Beteiligungs GmbH paid the redemption price to the minority shareholders of Tamro Corporation according to the arbitral award dated 7 July 2004.

More information:

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→ 12 Mar 2004: [TAMRO APPLIES FOR DE-LISTING OF ITS SHARES AND 2000A WARRANTS FROM THE HELSINKI EXCHANGES](#)

## Tamro's shares

### Share capital

The share capital of Parent Company Tamro Corporation amounted to EUR 114,837,083, and it is divided into a total of 114,837,083 shares with a nominal value of EUR 1. On 31 January 2005 PHOENIX Group held 100% of the shares of Tamro Corporation.

## Board of Directors and Auditors

The Annual General Meeting of 29 April 2004 elected five members to Tamro's Board of Directors. Dr. Bernd Scheifele was re-elected Chairman. The other Board members re-elected were Mikael von Frenckell, Reimund Pohl, Dr. Lorenz Näger and Matti Elovaara.

The Authorised Public Accountants Ernst&Young Oy and Anna-Maija Simola, APA, were elected Tamro's external auditors.

#### Related topics:

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- [→ Corporate Governance](#)
- [→ Board of Directors](#)

### Group Management

On 7 January 2004 Mr Hans Wahlén was appointed the new Managing Director for Tamro Sweden. Hans Wahlén was previously head of Pharmacia's market company in Sweden. On 4 March 2004 Mr Gytis Bendorius was appointed the Managing Director of UAB Tamro in Lithuania.

#### More information:

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- [→ 7 Jan 2004: TAMRO APPOINTS NEW MANAGING DIRECTOR FOR TAMRO SWEDEN](#)
- [→ 4 Mar 2004: GYTIS BENDORIUS APPOINTED MANAGING DIRECTOR OF UAB TAMRO IN LITHUANIA](#)

### Events after the financial year

In December 2004, Tamro announced the purchase of the Viruplatsi pharmacy chain that operates 8 pharmacies in the capital area of Estonia. This transaction was closed 1 February 2005. On 7 February 2005, UAB Tamro signed an agreement to purchase the Lithuanian pharmacy chain Vogne&Telsiu. The chain operates 13 pharmacies with 63 employees in northwestern Lithuania.

A redemption process to acquire the outstanding 0.7% of the shares of Apokjeden AS in Norway has been initiated, and Tamro expects to gain full ownership of Apokjeden by the end of this year.

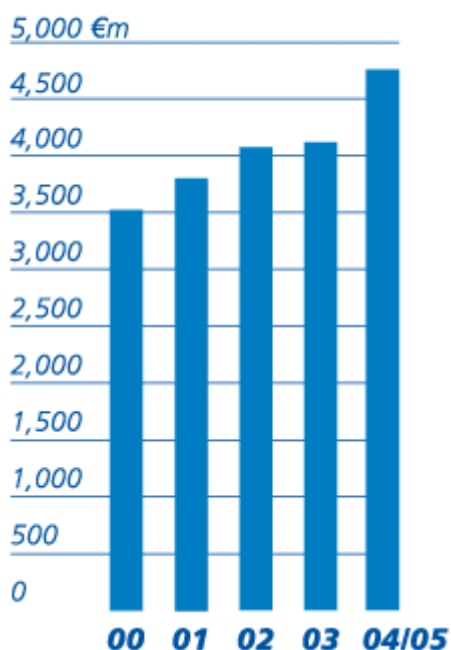
### Outlook for the near future

The growth of the pharmaceutical market is expected to remain slow in the Nordic countries in 2005. Due to the slow market development, Tamro Group's net sales are expected to grow only at an annual rate of 5–6% in 2005. Despite the slow sales development, the company expects to retain its profitability through continuous development of productivity and quality.

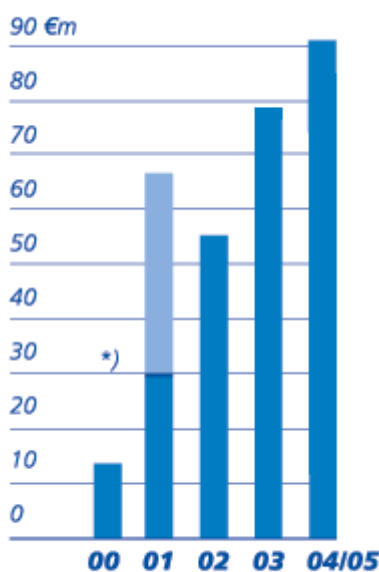
Net sales by unit (EURm)	10-13 2004	7-9 2004	4-6 2004	1-3 2004	1-13 2004	1-12 2003	Change, %
Tamro Sweden	513.2	350.9	366.2	385.7	1,616.0	1,516.9	6.5
Tamro Denmark	384.8	273.0	279.3	282.6	1,219.7	1,059.0	15.2
Tamro Finland	325.7	227.6	228.0	203.0	984.3	643.6	52.9
Tamro Norway	227.7	158.0	159.5	131.6	676.8	615.7	9.9
Tamro Estonia	18.3	10.9	12.5	11.6	53.3	41.1	29.7
Tamro Latvia	28.4	17.6	26.3	23.3	95.6	76.5	25.0
Tamro Lithuania	32.1	18.7	19.0	18.8	88.6	77.2	14.8
Tamro Russia	0.0	0.0	0.0	0.0	0.0	22.9	-100.0
Tamro MedLab	42.8	28.8	31.0	31.2	133.8	125.0	7.0
Other and internal	-2.7	-1.0	-5.0	-2.7	-11.4	-8.5	34.1
<b>Total</b>	<b>1,570.3</b>	<b>1,084.5</b>	<b>1,116.8</b>	<b>1,085.1</b>	<b>4,856.7</b>	<b>4,169.4</b>	<b>16.5</b>

Number of employees by unit	10-13 2004	7-9 2004	4-6 2004	1-3 2004	1-13 2004	1-12 2003	Change, %
Tamro Sweden	446	494	474	467	468	499	-6.2
Tamro Denmark	609	631	629	621	621	625	-0.6
Tamro Finland	317	335	325	312	320	310	3.2
Tamro Norway	1,517	1,527	1,525	1,540	1,527	1,449	5.4
Tamro Estonia	181	167	159	144	164	136	20.6
Tamro Latvia	271	275	276	275	274	257	6.6
Tamro Lithuania	339	264	180	187	251	176	42.6
Tamro Russia	0	0	0	0	0	75	-100.0
Tamro MedLab	264	259	262	264	263	273	-3.7
Other	23	19	20	20	21	20	5.0
<b>Group total</b>	<b>3,967</b>	<b>3,971</b>	<b>3,850</b>	<b>3,830</b>	<b>3,909</b>	<b>3,820</b>	<b>2.3</b>

## Net sales

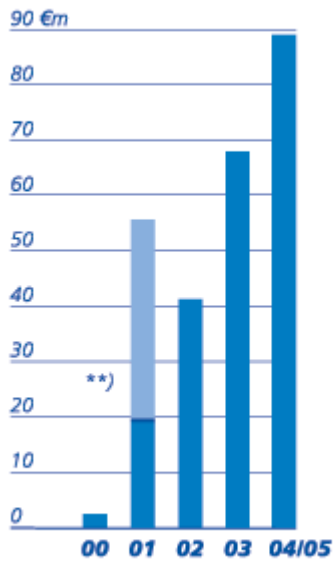


## Operating profit



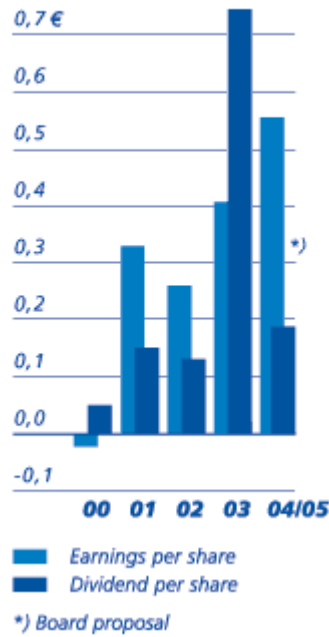
\*) Excluding non-recurring items  
the operating profit was 30 €m.

### Ordinary profit before taxes



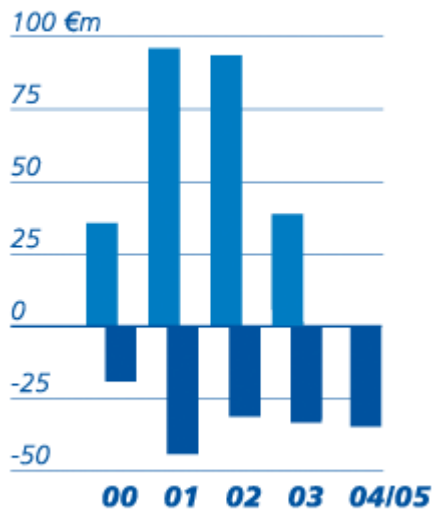
\*\*\*) Excluding non-recurring items the ordinary profit before taxes was 19 €m.

### Earnings and dividend per share

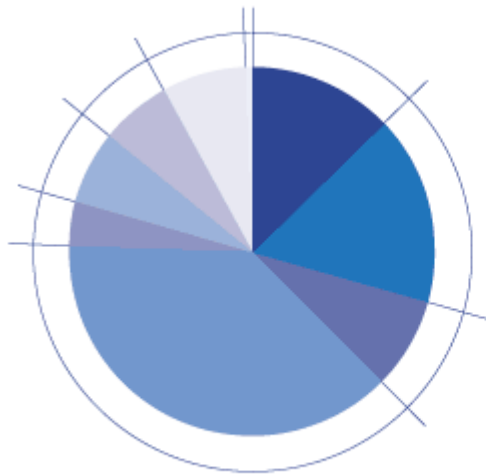


\*) Board proposal

### Investments and depreciation



Investments  
Depreciation



**Employees average \*)**

Tamro Sweden	12%
Tamro Denmark	16%
Tamro Finland	8%
Tamro Norway	39%
Tamro Estonia	4%
Tamro Latvia	7%
Tamro Lithuania	6%
Tamro Russia	0%
Tamro MedLab	7%
Tamro Others	1%

\*) financial period 1-13

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# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



## Board of Directors 31 Janyary 2005

<b>Dr Bernd Scheifele</b>	Chairman of the Board of Directors Born 1958, elected 2000, as Chairman 2001, LL CEO, PHOENIX Group
<b>Matti Elovaara</b>	Born 1939, elected 2003, BSc (Econ), Commercial Counsellor
<b>Mikael von Frenckell</b>	Born 1947, elected 1995, as Chairman 1999-2000, MPoI Chairman of the Board of Sponsor Capital Oy
<b>Dr Lorenz Näger</b>	Born 1960, elected 2000, PhD, MBA Director, PHOENIX Pharmahandel AG & Co
<b>Reimund Pohl</b>	Born 1952, elected 2000, MBA Director, PHOENIX Pharmahandel AG & Co

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# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



## Consolidated Income Statement

(in EUR thousands)	NOTES	1 Jan 2004- 31 Jan 2005	%	1 Jan - 31 Dec 2003	%
<b>NET SALES</b>	<b>1</b>	4,856,722	100.0	4,169,373	100.0
<b>OTHER INCOME</b>	<b>2</b>	435		2,095	
Raw materials and services	<b>3</b>	4,467,438		3,819,993	
Personnel expenses	<b>4</b>	178,061		157,553	
Depreciation and value adjustments	<b>5</b>	34,963		33,030	
Other operating expenses		84,153		82,871	
Total operating expenses		4,764,615		4,093,447	
<b>OPERATING PROFIT</b>		92,542	1.9	78,021	1.9
Financial income and expenses	<b>6</b>	-4,078		-9,303	
Share of affiliated companies' net income	<b>9</b>	317		274	
<b>PROFIT BEFORE TAXES</b>		88,781	1.8	68,992	1.7
Income taxes	<b>7</b>	-23,004		-19,923	
Minority interest		-264		-1,825	
<b>NET PROFIT FOR THE PERIOD</b>		65,513	1.3	47,244	1.1

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# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



## Consolidated Balance Sheet

(in EUR thousands)	NOTES	31 Jan 2005	%	31 Dec 2003	%
<b>FIXED ASSETS</b>					
<b>INTANGIBLE ASSETS</b>	<b>8</b>				
Intangible rights		1,717		1,733	
Goodwill		141,245		125,984	
Consolidated goodwill		13,679		1,232	
Other capitalised expenditure		185		538	
Advance payments and construction in progress		258		215	
		157,084		129,702	
<b>TANGIBLE ASSETS</b>	<b>8</b>				
Land areas		10,317		10,336	
Buildings and structures		103,026		108,485	
Machinery and equipment		33,628		37,358	
Other tangible assets		1,058		1,051	
Advance payments and construction in progress		984		605	
		149,013		157,835	
<b>FINANCIAL ASSETS</b>					
Shares in subsidiaries		112		116	
Shares in affiliated companies	<b>9</b>	7,315		9,642	
Other shares and participations		388		878	
Other financial assets	<b>10</b>	18,152		14,104	
Own shares		0		975	
Deferred income tax asset	<b>17</b>	0		3,922	
		25,967		29,637	
<b>TOTAL FIXED ASSETS</b>		332,064	31.6	317,174	29.0
<b>CURRENT ASSETS</b>					
<b>Inventories</b>					
Goods		307,126		303,780	
<b>Receivables</b>	<b>11</b>				
Accounts receivable		356,518		431,196	
Loan receivable		936		344	
Prepaid expenses and accrued income	<b>12</b>	24,518		14,575	
Other receivables		16,797		4,294	
		398,769		450,409	
Short-term investments		49		8,368	
Cash and bank		13,151		13,921	

<b>TOTAL CURRENT ASSETS</b>		719,095	68.4	776,478	71.0
<b>TOTAL ASSETS</b>		1,051,159	100.0	1,093,652	100.0
<hr/>					
(in EUR thousands)	NOTES	31 Jan 2005	%	31 Dec 2003	%
<hr/>					
<b>SHAREHOLDERS' EQUITY</b>	<b>14</b>				
Share capital	<b>13</b>	114,837		114,837	
Share premium account		5,641		5,641	
Revaluation reserve		1,093		1,093	
Other reserves		217		454	
Fund for own shares		0		975	
Retained earnings		229,979		247,108	
		351,767	33.5	370,108	33.8
<b>Minority interest</b>		1,012	0.1	18,421	1.7
<b>OBLIGATORY RESERVES</b>	<b>15</b>	1,783	0.2	1,376	0.1
<b>LIABILITIES</b>					
<b>LONG-TERM LIABILITIES</b>					
Pension fund loans	<b>16</b>	12,009		14,172	
Deferred income tax liability	<b>17</b>	3,806		0	
Other long-term liabilities	<b>16</b>	422		563	
		16,666		15,454	
<b>SHORT-TERM LIABILITIES</b>					
Loans from financial institutions and other interest bearing loans		57,840		72,901	
Pension fund loans		2,712		5,424	
Advances received		81		63	
Accounts payable		536,279		544,385	
Accrued expenses and deferred income	<b>18</b>	58,590		40,680	
Other current liabilities		24,429		24,840	
		679,931		688,293	
<b>TOTAL LIABILITIES</b>		696,597	66.3	703,747	64.3
<b>TOTAL EQUITY AND LIABILITIES</b>		1,051,159	100.0	1,093,652	100.0

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# Tamro Web Annual Report

# 2004

1.1.2004 - 31.1.2005



## Consolidated Cash Flow Statement

(in EUR millions)	1 Jan 2004 - 31 Jan 2005	1 Jan - 31 Dec 2003
Operating profit	92.5	78.0
Depreciation, value adjustments and other adjustments	32.6	28.3
Financial income and expenses	-4.3	-8.7
Other income and expenses	0.3	0.3
Taxes	-13.4	-18.8
	107.7	79.1
<b>CHANGE IN NET WORKING CAPITAL</b>		
Inventories, increase (-), decrease (+)	-3.3	4.7
Current receivables, increase (-), decrease (+)	51.2	-2.2
Non-interest bearing debts, increase (+), decrease (-)	8.6	-7.8
	56.5	-5.3
<b>CASH FLOW BEFORE INVESTMENTS</b>	164.2	73.8
<b>INVESTMENTS</b>		
Investments in fixed assets	-64.1	-39.6
Sale of fixed assets and other changes	1.4	6.2
	-62.7	-33.4
<b>FREE CASH FLOW</b>	101.5	40.4
<b>FINANCING</b>		
Long-term debt, increase (+), decrease (-)	-2.6	-8.1
Short-term debt, increase (+), decrease (-)	-17.7	-40.5
Long-term bonds, increase (-), decrease (+)	-1.2	-2.1
Dividends	-84.7	-14.9
Translation differences and other changes	-4.4	1.9
	-110.6	-63.7
<b>CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (-)</b>	-9.1	-23.3

In 2004 the change in net working capital included an increase in the sales of receivables of EUR 59 million and in 2003 the increase was EUR 8 million.

# Tamro Web Annual Report

## 2004

1.1.2004 - 31.1.2005



## Income Statement of the Parent Company

(in EUR thousands)	NOTES	1 Jan 2004 - 31 Jan 2005	%	1 Jan - 31 Dec 2003	%
<b>NET SALES</b>	<b>21</b>	977,257	100.0	638,513	100.0
<b>OTHER INCOME</b>	<b>22</b>	8,525		7,090	
Raw materials and services	<b>23</b>	946,042		614,622	
Personnel expenses	<b>24</b>	18,920		15,699	
Depreciation according to plan	<b>25</b>	4,329		4,009	
Other expenses		6,763		6,342	
Total operating expenses		976,054		640,672	
<b>OPERATING PROFIT</b>		9,728	1.0	4,931	0.8
Financial income and expenses	<b>26</b>	6,747		18,668	
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>		16,475	1.7	23,599	3.7
Extraordinary income and expenses	<b>27</b>	-560		124	
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>		15,915	1.6	23,723	3.7
Appropriations	<b>28</b>	1,947		1,255	
Income taxes	<b>29</b>	-5,562		-2,512	
<b>NET PROFIT FOR THE PERIOD</b>		12,300	1.3	22,466	3.5

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# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



## Balance Sheet of the Parent Company

(in EUR thousands)	NOTES	31 Jan 2005	%	31 Dec 2003	%
<b>FIXED ASSETS</b>					
<b>INTANGIBLE ASSETS</b>	<b>30</b>				
Intangible rights		641		959	
Goodwill		2,183		2,789	
Other capitalised expenditure		69		89	
Advance payments and construction in progress		258		0	
		3,151		3,837	
<b>TANGIBLE ASSETS</b>	<b>30</b>				
Land areas		1,348		1,348	
Buildings and structures		37,787		39,630	
Machinery and equipment		3,024		3,201	
Other tangible assets		275		245	
Advance payments and construction in progress		683		161	
		43,117		44,585	
<b>FINANCIAL ASSETS</b>					
Shares in subsidiaries	<b>31</b>	431,956		348,580	
Loan receivables from group companies	<b>33</b>			179,391	
Other shares and participations	<b>32</b>	291		292	
Other financial assets		2,094		2,779	
Own shares		0		975	
Deferred income tax asset		3,030		4,166	
		437,371		536,183	
<b>TOTAL FIXED ASSETS</b>		483,639	56.1	584,605	70.8
<b>CURRENT ASSETS</b>					
<b>INVENTORIES</b>					
Goods		72,889		67,928	
<b>LONG-TERM RECEIVABLES</b>					
Receivables from group companies	<b>33</b>			79,749	
<b>SHORT-TERM RECEIVABLES</b>					
Accounts receivable		54,501		34,226	
Receivables from group companies	<b>33</b>	231,636		41,721	
Loan receivables		1		1	
Prepaid expenses and accrued income	<b>34</b>	15,440		6,700	
		301,578		82,648	
Short-term investments		49		8,368	

Cash and bank		4,220		2,534	
<b>TOTAL CURRENT ASSETS</b>		378,736	43.9	241,227	29.2
<b>TOTAL ASSETS</b>		862,375	100.0	825,832	100.0
(in EUR thousands)	NOTES	31 Jan 2005	%	31 Dec 2003	%
<b>SHAREHOLDERS' EQUITY</b>	<b>35</b>				
Share capital	<b>13</b>	114,837		114,837	
Share premium account		5,640		5,640	
Revaluation reserve		1,093		1,093	
Fund for own shares		0		975	
Retained earnings		336,051		408,478	
		457,621	53.1	531,023	64.3
<b>APPROPRIATIONS</b>					
Accumulated depreciation difference	<b>36</b>	27,474	3.2	29,420	3.6
<b>OBLIGATORY RESERVES</b>	<b>37</b>	1,116	0.1	705	0.1
<b>LIABILITIES</b>					
<b>LONG-TERM LIABILITIES</b>					
Loans from financial institutions	<b>38</b>	0		2,712	
<b>SHORT-TERM LIABILITIES</b>					
Loans from financial institutions and other interest bearing loans		2,712		5,424	
Accounts payable		119,668		105,650	
Liabilities to group companies	<b>33</b>	201,414		120,883	
Accrued expenses and deferred income	<b>39</b>	21,753		4,172	
Other current liabilities		30,617		25,843	
		376,164		261,972	
<b>TOTAL LIABILITIES</b>		376,164	43.6	264,684	32.1
<b>TOTAL EQUITY AND LIABILITIES</b>		862,375	100.0	825,832	100.0

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# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



## Cash Flow Statement of the Parent Company

(in EUR millions)	1 Jan 2004 - 31 Jan 2005	1 Jan - 31 Dec 2003
Operating profit	9.7	4.9
Depreciation, value adjustments and other adjustments	6.2	3.9
Financial income and expenses	9.0	22.5
Other income and expenses	0.4	0.3
Taxes	-2.1	-4.1
	23.2	27.5
<b>CHANGE IN NET WORKING CAPITAL</b>		
Inventories, increase (-), decrease (+)	-5.0	-2.9
Current receivables, increase (-), decrease (+)	-23.4	-8.6
Non-interest bearing debts, increase (+), decrease (-)	31.4	16.1
	3.0	4.6
<b>CASH FLOW BEFORE INVESTMENTS</b>	26.2	32.1
<b>INVESTMENTS</b>		
Investments in fixed assets	-2.2	-0.9
Investment in subsidiary shares	-82.4	-0.8
Sale of fixed assets and other changes	-1.8	0.2
	-86.4	-1.5
<b>FREE CASH FLOW</b>	-60.2	30.6
<b>FINANCING</b>		
Long-term receivables, increase (-), decrease (+)	257.6	-56.6
Short-term receivables, increase (-), decrease (+)	-196.9	7.0
Long-term debt, increase (+), decrease (-)	-2.7	-5.4
Short-term debt, increase (+), decrease (-)	81.8	20.8
Other changes	-1.5	0.3
Dividends	-84.7	-14.9
	53.6	-48.8
<b>CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (-)</b>	-6.6	-18.2

# Tamro Web Annual Report

## 2004

1.1.2004 - 31.1.2005



## Accounting Principles



Tamro Corporation's financial statements and consolidated financial statements have been prepared in accordance with Finnish legislation, which in all material respects is based on the provisions of EU Directives 4 and 7.

### Scope of the consolidated financial statements

The financial statements include the Parent Company as well as those Finnish and overseas subsidiaries in which the Parent Company holds, directly or indirectly, more than 50 per cent of the voting rights. The subsidiaries acquired during the financial year are included in the consolidated financial statements from the date of acquisition. If a subsidiary is divested before the close of the financial year, its figures are included in the consolidated financial statements until the time of sale.

The consolidated financial statements do not include certain smaller non-operating companies. The companies excluded from the consolidated financial statements have no significant effect on the true and fair view on Group's result and financial position.

The financial statement data on affiliated companies have been consolidated using the equity method. Affiliates are defined as companies in which the Group holds 20 to 50 per cent of the voting rights. Certain small affiliates have not been included in the consolidated financial statements. The effect of these companies on the true and fair view on Group's result and financial position is insignificant.

### Consolidation principles

Both the purchase method and the pooling-of-interests method have been used when preparing the consolidated financial statements.

#### Pooling method

Tamro AB and Nomeco A/S are consolidated using the pooling-of-interests method. The acquisition cost of the subsidiaries' shares is first eliminated from the subsidiary's restricted equity at the beginning of the financial year of acquisition, then from the premium fund created in connection with Tamro Corporation's private placement, and, lastly, from the Group's other non-restricted equity available for dividends. Thus the acquisitions do not create consolidated goodwill.

#### Purchase method

The acquisition cost method is used in the elimination of inter-subsidary shareholdings. The difference between the acquisition cost of subsidiary shares and the shareholders' equity is allocated to the fixed assets of the subsidiaries. The consolidated goodwill remaining after the allocations is posted in the balance sheet as a separate item that will be amortised over a period of 10 years. However, goodwill from certain strategic and significant acquisitions may be amortised over a period of up to 20 years.

## Foreign subsidiaries and translation differences

The financial statements of foreign subsidiaries have been converted and restated to correspond to the Finnish Accounting Act.

The income statements have been converted into euro at the weighted average rate of the financial year and the balance sheets at the foreign exchange mid-rate quoted by the European Central Bank on the balance sheet date. Translation differences have been recorded directly into equity. Exchange rate differences from the Parent Company's long-term intra-Group loan receivables from the Swedish and Norwegian subsidiaries have been posted directly under translation differences in the consolidated accounts. These loans are considered equity by nature.

## Minority interest

The minority interest is calculated as a portion of the subsidiaries' equity and net income unless otherwise agreed in the shareholders' agreement, etc.

## Duration of the financial year

The past financial year of the Group was exceptionally 13 month due to forthcoming change of the accounting year. The new accounting year constitutes the period 1st February – 31st January for all Group companies. The new accounting year is valid from 1st February 2005.

## Intra-Group transactions

The following intra-Group transactions have been eliminated: sales and purchases, dividend payments, receivables and liabilities as well as the gross margin included in the value of inventories and fixed assets acquired from other Group companies. Internal profits between the Group and affiliated companies are eliminated in proportion to the ownership share and deducted from the consolidated retained earnings and non-current assets. The eliminated profit is recognised in revenue at the rate of depreciation.

## Fixed assets

Fixed assets are posted to the balance sheet at their direct acquisition costs, allowing for depreciation according to plan. Some real-estate holdings include revaluation, as specified in the Notes to the balance sheets. The revaluation surplus is not subject to depreciation.

The depreciation according to plan on fixed assets is based on the original acquisition cost and the expected economic life of the item. For the most part, the straight-line method is used applying the following useful lives:

Intangible rights	5–10 years
Goodwill	5–10 years
Consolidated goodwill	5–20 years
Other intangible assets	5–7 years
Buildings and structures	10–40 years
Machinery and equipment	3–10 years
Other tangible assets	5–10 years

## Capitalised interest

Interest expenses incurred during the construction of the parent company's office building and warehouse have been capitalised and included in the acquisition cost of buildings. The capitalised interest has been amortised over a period of 10 years.

## Leasing

Operating leases are charged to rental expense. Finance lease contracts are capitalised in the balance sheet. Leasing commitments are disclosed in the Notes to the financial statements.

### Accounting for IT costs

Software purchase costs are mainly capitalised and posted in the balance sheet as intangible rights. Software is depreciated over a maximum period of 5 years. Minor software purchases are charged directly to income. Significant in-house and outsourced IT development costs are capitalised in the balance sheet.

### Research and development

The Group R&D expenses are charged directly to income.

### Financial investments and debt securities

Financial investments and debt securities are included in short-term investments under current assets. Debt securities are valued at the adjusted acquisition cost or market value, whichever is lower. There are no material long-term financial investments at year-end.

### Derivative financial instruments

Received and paid premiums related to currency options are posted as a prepayment in the balance sheet. Premium income and expenses are recorded in the income statement as the option matures.

Received and paid premiums related to interest options are posted as a prepayment in the balance sheet and recognised in income or expensed over the period from purchase until maturity.

Open option agreements are valued at market price.

### Inventories

Inventories are valued at the lowest of their acquisition cost, replacement value or probable selling price. Materials and supplies use is recorded under the FIFO principle.

### Foreign-currency denominated receivables and liabilities

All the foreign currency receivables and liabilities of the Parent Company and its Finnish subsidiaries have been converted into euro at the mid-rate quoted by the European Central Bank on the balance sheet date. Foreign subsidiaries' foreign-currency-denominated receivables and liabilities are converted at their appropriate exchange rates on the balance sheet date. Open positions on foreign-exchange forward contracts are valued at their market price on the balance sheet date and the exchange rate differences are posted under financial items on the income statement.

### Pension liabilities

Pension expenses are calculated in accordance with the national legislation of each country. The pension plans of the Group companies have, as a general rule, been arranged with external pension insurance companies. Certain pension obligations based on collective bargaining agreements are included under long-term pension loans or receivables, if surplus, in the balance sheet. These pension benefits are determined by the labour market and cannot be influenced by the company.

### Year-end tax appropriations and untaxed reserves

Appropriations include allocations to untaxed reserves, mainly in the form of accelerated depreciation.

In the income statement of the Parent Company, the difference between depreciation according to plan and accelerated cost recovery is transferred to untaxed reserves. The accumulated temporary depreciation difference is shown as an item under untaxed reserves in the balance sheet.

The consolidated balance sheet and the income statement are presented without any untaxed reserves and appropriations. The untaxed reserves of the Group companies break down into deferred income tax liability, shown as a long-term liability, and non-restricted equity. The appropriations made by Group companies, adjusted for the change in the deferred income tax liability, have correspondingly been eliminated from the consolidated income statement.

The untaxed reserves, net of deferred income tax liability, may not be distributed to shareholders as dividend.

### Obligatory reserves

The obligatory reserves in the balance sheet are defined as commitments related to the current or prior financial years which are certain or likely to materialise on the balance sheet but where there is uncertainty as to the amount or the timing of the obligation.

The estimated reserves are based on information available on the balance sheet date. Any income-impacting changes in obligatory reserves are included in the income statement item(s) to which they relate by their nature.

### Net sales

The net sales consist of sales revenue from ordinary operations, rentals and leases as well as minor gains from the sale of fixed assets. The net sales are stated net of indirect taxes, sale discounts and credits (refunds).

### Other income

Other income consists of capital gains on the divested long-term investments.

### Extraordinary income and expense

Extraordinary income and expense items consist of significant, unusual business transactions incidental to the Group's normal operations. These also include correction items from prior years. In the Parent Company, Group contributions paid and/or received have also been recorded under extraordinary items.

Taxes payable on extraordinary items are presented separately from income taxes on normal operations and included under extraordinary items.

### Income taxes

The consolidated income tax charges of the Group companies' normal operations have been calculated in accordance with the local tax laws of the relevant country of operation. The taxes include income taxes incurred for the financial year as well as taxes to be paid or received for prior periods on an accrual basis. Moreover, any change in the deferred tax liability is included in the taxes. The change in the deferred income tax includes tax effects of temporary differences, confirmed tax losses, changes in untaxed reserves and consolidation adjustments to net income.

For income taxes related to extraordinary items, see the chapter Extraordinary income and expense above.

### The consolidated cash flow statement

The cash flow statement has been disclosed according to the indirect method where cash flows have been derived from adjusting net income for transactions of a non-cash nature such as depreciation. Capital investments in the consolidated cash flow statement include significant

acquisitions and divestitures of companies valued at the sale price of the shares. Share transactions paid partly in kind (share swaps) are included in the cash flow statement only up to the cash amount paid or received.

### Differences between annual report and official financial statements

This annual report deviates from the official accounts in that financial data are partly presented in EUR millions.

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# Tamro Web Annual Report

## 2004

1.1.2004 - 31.1.2005



## Notes to the Financial Statements

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2005 31 Dec 2003

### NOTES TO THE CONSOLIDATED INCOME STATEMENT

#### 1. NET SALES BY MARKET AREA AND UNIT, EUR MILLION

By market area:		
Sweden	1,674.3	1,568.9
Denmark	1,178.0	1,033.4
Finland	1,047.0	701.0
Norway	691.2	629.2
Baltic States	232.1	191.0
Russia	0.0	22.5
Others	34.1	23.3
	4,856.7	4,169.4
By unit:		
Tamro Sweden	1,616.0	1,516.9
Tamro Denmark	1,219.7	1,059.0
Tamro Finland	984.3	643.6
Tamro Norway	676.8	615.7
Tamro Baltics	237.5	194.8
Tamro Russia	0.0	22.9
Tamro MedLab	133.8	125.0
Others	-11.4	-8.5
	4,856.7	4,169.4

#### 2. OTHER INCOME

Gain on sale of fixed assets	435	2,095
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#### 3. RAW MATERIALS AND SERVICES

Raw materials and consumables		
Purchases during the financial period	4,442,110	3,789,687
Inventories, incr. (-), decr. (+)	-3,346	4,678
External services	28,674	25,628
Raw materials and services total	4,467,438	3,819,993

#### 4. PERSONNEL EXPENSES

Average personnel by unit:		
Tamro Sweden	468	499
Tamro Denmark	621	625
Tamro Finland	320	310
Tamro Norway	1,527	1,449
Tamro Baltics	689	569
Tamro Russia	-	75
Tamro MedLab	263	273
Others	21	20
	3,909	3,820
Personnel expenses:		
Wages and salaries during the financial year	145,693	129,057
Payroll related social costs		
Pension costs	8,714	7,073
Other payroll related social costs	23,654	21,423
	178,061	157,553
Wages and salaries paid to:		
Boards of Directors, CEO and Managing Directors	3,617	3,540

Pension commitments for Board Members, CEO and Managing Directors: The parent company has no pension liabilities for Board Members. The pensionable age of the CEO has been stipulated at 60 years.

Other pension commitments:

The Group has no significant pension commitments for the management.

#### 5. DEPRECIATION AND VALUE ADJUSTMENTS

Depreciation/amortisation according to plan		
Intangible rights	1,258	1,414
Goodwill	9,036	7,817
Consolidated goodwill	1,191	966
Other capitalised expenditure	432	553
Buildings	7,820	6,885
Machinery and equipment	14,806	13,331
Other tangible assets	274	190
	34,817	31,156

In 2004 the value adjustments on machinery and equipment were EUR 0.1 million. In 2003 the value adjustments on goodwill were EUR 1.1 million, on buildings EUR 0.7 million and on machinery and equipment EUR 0.1 million.

#### 6. FINANCIAL INCOME AND EXPENSES

	31 Jan 2005	31 Dec 2003
Income from non-current financial assets		
Dividend income	252	201
Interest income	148	120
Other interest and financial income		
Interest income	958	1,554
Other financial income	32	3
Other interest and financial expenses		
Interest expenses	-5,142	-10,416

Other financial expenses	-581	-196
Exchange rate differences, net	255	-569
	-4,078	-9,303

## 7. INCOME TAXES

Income taxes on ordinary activities		
Finnish Group companies	-5,050	-3,531
Foreign Group companies	-10,048	-10,662
	-15,098	-14,193
Income taxes from previous years	28	66
Change in deferred tax liability specified in <a href="#">note 17</a>	-7,934	-5,796
Income taxes total	-23,004	-19,923

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 8. FIXED ASSETS

	Intangible assets				Tangible assets					
	Intangible rights	Goodwill	Consolidated goodwill	Other capitalised expenditure	Advance payments and construction in progress	Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress
Acquisition value 1 Jan 2004	12,484	142,572	55,277	5,642	215	9,916	149,081	118,452	1,603	605
Increase	1,061	16,081	13,638	88	258		3,251	12,927	326	461
Decrease	-40	-26					-331	-5,666	-66	-75
Other changes	217	6,304		-6	-215		-113	205	1	-6
Acquisition value 31 Jan 2005	13,722	164,931	68,915	5,724	258	9,916	151,888	125,918	1,864	985
Accumulated depr. 1 Jan 2004	-10,751	-16,588	-54,045	-5,104			-42,951	-81,094	-552	0
Increase	-1,261	-9,036	-1,191	-433			-7,830	-14,936	-280	
Decrease	31						29	4,256	42	
Other changes	-21			-3			-488	-799	-3	
Accumulated depr. 31 Jan 2005	-12,002	-25,624	-55,236	-5,540	0	0	-51,240	-92,573	-793	0
Value adjustments 1 Jan 2004 & 31 Jan 2005						420	2,355			
Translation difference	-3	1,938		1		-19	23	283	-13	-1
Bookvalue 31 Jan 2005	1,717	141,245	13,679	185	258	10,317	103,026	33,628	1,058	984

Bookvalue								
31	1,733	125,984	1,232	538	215	10,336	108,485	37,358
Dec 2003								1,051
								605

Value adjustments relate to the parent company only (from 1988). Deferred tax liability (EUR 722,000) has not been accounted for. Value adjustments related to fixed assets are not considered as a normal accounting practice of the Group.

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2005

31 Dec 2003

Machinery and equipment in production use, book value

222

964

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# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



(Figures are in EUR thousands unless otherwise stated)

31 Jan 2005

31 Dec 2003

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 9. AFFILIATED COMPANIES

Opening balance	9,642	14,591
New affiliated companies	159	85
Omitted affiliated companies	-2,169	-3,126
Affiliated companies converted into subsidiaries	-796	-299
Share of net results	317	274
Translation differences	162	-1,883
Closing balance	7,315	9,642

### 10. OTHER FINANCIAL ASSETS

Pension fund receivable	12,188	8,663
Other receivable	5,829	5,325
Receivables from affiliated companies		
Loan receivable	135	116
	18,152	14,104

### 11. SHORT-TERM RECEIVABLES

Accounts receivable	351,483	421,745
Loan receivable	936	-
Prepaid expenses and accrued income	24,518	14,575
Other receivable	16,797	4,294
Receivables from affiliated companies		
Accounts receivable	5,035	9,451
Loan receivable	-	344
	398,769	450,409

The Group has the Asset Securitisation arrangements that allows specified accounts receivable to be sold on a non-recourse basis and subsequently off balance sheet. Program amount in Tamro AB Sweden is SEK 1,200 (EUR 132) million and in Nomeco A/S Denmark DKK 1,050 (EUR 141) million. The sold receivable amounts were respectively SEK 600 (EUR 66) million and DKK 500 (EUR 67) million at the end of the financial year. The reserve related to the sold receivables is reported under other current assets. Up-front costs of the Danish arrangements were deducted as other financial expenses in January 2005. On-going costs of the arrangements are reported as interest expenses in net financial items.

### 12. PREPAID EXPENSES AND ACCRUED INCOME


Financial items	14,619	2,479
Prepaid expenses	6,114	4,730
Income tax receivable	2,156	3,212
Other prepaid expenses and accrued income	1,151	1,947
Other income	478	2,207
<b>Total</b>	<b>24,518</b>	<b>14,575</b>

### 13. SHARE CAPITAL AND SUBSCRIPTION TERMS AND CONDITIONS

The company's share capital as at 31 Jan 2005 totalled 114,837,083 euros, divided into 114,837,083 shares, each of which carries one vote. The total of 341,000 shares are owned by the company. Phoenix group owned all outstanding shares at the end of the financial year.

At the end of the year the company had also issued the following subscription warrants and share option rights which entitle their holders to the following share subscriptions:

	Number of shares	Holding % of the share capital
Issue of bonds with warrants 1997 subscription period has ended	4,552,000	3.74%
Share option rights 2000	2,330,000	1.91%
<b>Total no of shares incl. warrants and share option rights</b>	<b>121,719,083</b>	<b>100.00%</b>

#### Terms of subscription

##### Issue of bond with warrants 1997

Number of warrants	2,276,000 A 2,276,000 B
Subscription period	A: 1 Dec 2000 to 31 Jan 2004 B: 1 Dec 2001 to 31 Jan 2004
Subscription terms and conditions	One warrant entitles its holder to subscribe to one Tamro Corporation share with a nominal value of EUR 1 at a subscription price of EUR 6.56 per share less ordinary dividends paid after loan issuance.

##### Share option rights 2000

Number of share option rights	1,165,000 A 1,165,000 B
Subscription period	A: 18 Dec 2002 to 30 Apr 2006 B: 1 Apr 2004 to 30 Apr 2006
Subscription terms and conditions	One class A share option right entitles its holder to subscribe to one Tamro Corporation share with a nominal value of EUR 1 at a subscription price of EUR 4.00 and one class B share option right entitles its holder to subscribe to one Tamro Corporation share with a nominal value of EUR 1 at a subscription price of EUR 4.80, less any dividends exceeding 50% of the earnings per share for the relevant accounting period, declared after 12 April 2000 and paid out before the time of subscription. If dividends are distributed for loss-making accounting periods, the whole amount paid out is to be deducted from the subscription price. However, the subscription price must be at least the nominal value of the share.

The Group owns a total of 625 thousand year 2000 share option rights. Phoenix Group owns a total of 1,705 thousand year 2000 share option rights.

### 14. CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium account	Revaluation reserve	Fund for own shares	Other reserves	Retained earnings	Total equity
Equity 1 J	114,837	5,641	1,138	975	349	228,840	351,779
Dividend						-14,884	-14,884
Net profit for the year						47,244	47,244
Translation differences						-14,031	-14,031
Transfers within equity			-45		105	-60	0
Other change							0
Equity 31 Dec 2003	114,837	5,641	1,093	975	454	247,108	370,108
Dividend						-84,727	-84,727
Net income for the year						65,513	65,513
Translation differences						1,848	1,848
Transfers within equity					-237	237	0
Other change				-975			-975
Equity 31 Jan 2005	114,837	5,641	1,093	0	217	229,979	351,767
Distributable equity							
Retained earnings			229,979				
Accumulated appropriations, net of tax			-27,366				
Distributable equity 31 Jan 2005			202,613				

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2005 31 Dec 2003

#### 15. OBLIGATORY RESERVES

Pension reserves	1,277	1,376
Other reserves	506	-
Changes in the obligatory reserves in the income statement	1,783	1,376
Expenses	406	308

#### 16. LONG-TERM LIABILITIES

Long-term liabilities fall due as follows:		
2005	456	3,173
2006-2008	238	351
2009-	420	388
On special conditions	11,746	11,542
	12,860	15,454
Foreign currency breakdown of long-term loans:		
NOK	0	264

EUR		0	2,712
SEK		12,091	11,542
DKK		692	833
Others		77	103
		12,860	15,454

Of the above pension loans EUR 11,746,000 (11,241,000) equals the pension provision of the Swedish subsidiary Tamro AB, which according to local practise can be booked as a liability. The pension provision has a parent company guarantee.

## 17. DEFERRED INCOME TAXES

	1 Jan 2003	Charged/ (credited) to P/L income tax	Charged/ (credited) to P/L extraord	Other changes	31 Dec 2003
<b>Deferred income tax liabilities</b>					
Untaxed reserves and acc depr	15,953	552		12	16,517
	15,953	552	0	12	16,517
<b>Deferred income tax assets</b>					
Tax loss carry forwards	18,849	3,096		2,070	13,683
Other temporary timing differences	8,901	2,148	-3	6,756	
	27,750	5,244	0	2,067	20,439
Net deferred income tax liability(+) / receivable(-)	-11,797	5,796	0	2,079	-3,922
	1 Jan 2004	Charged/ (credited) to P/L income tax	Charged/ (credited) to P/L extraord	Other changes	31 Jan 2005
<b>Deferred income tax liabilities</b>					
Untaxed reserves and acc depr	16,517	-428		-28	16,061
	16,517	-428		-28	16,061
<b>Deferred income tax assets</b>					
Tax loss carry forwards	13,683	6,653		-178	7,208
Other temporary differences	6,756	1,709			5,047
	20,439	8,362	0	-178	12,255
Net deferred income tax liability(+) / receivable(-)	-3,922	7,934	0	-206	3,806

Deferred tax liability (EUR 722,000) related to the value adjustments has not been accounted for.

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2005 31 Dec 2003

## 18. ACCRUED EXPENSES AND DEFERRED INCOME

Personnel expenses	27,942	25,529
Financial items	15,557	947
Cost of goods	3,855	2,178
Rent expenses	1,582	2,781

Income tax liability	1,190	419
IT-expenses	598	250
Other accrued expenses and deferred income	7,866	8,576
Total	58,590	40,680

## OTHER NOTES

### 19. CONTINGENT LIABILITIES

Mortgages		
For own debts (1)	1,487	1,543
Guarantees		
For debts of the group companies' management	197	165
For debts of others	752	12,532
	949	12,697
Other commitments		
Leasing commitments		
Next year	2,271	2,149
Over one year	1,783	4,237
Rent commitments	21,595	14,434
Repurchase commitments	-	7
Other commitments	283	134
	25,932	20,961
Group liabilities, secured by mortgages, pledges and other commitments:		
Mortgages (1)	429	455

### 20. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives - notional amounts		
Currency instruments		
Currency forward contracts	215,993	283,673
Interest rate instruments		
Interest rate swaps	10,000	10,000
Derivatives - market value		
Currency instruments		
Currency forward contracts	-149	2,304
Interest rate instruments		
Interest rate swaps	-164	-194

The notional amounts of derivatives summarised here do not represent amounts exchanged by the parties and are thus not a measure of Tamro's derivatives-related exposure. According to the Finance Policy derivatives are used only to hedge the underlying business.

# Tamro Web Annual Report

## 2004

1.1.2004 - 31.1.2005



1 Jan - 31 Dec

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2005 31 Dec 2003

### NOTES TO THE PARENT COMPANY INCOME STATEMENT

#### 21. NET SALES BY MARKET AREA AND UNIT

By market area:		
Finland	976,906	638,103
Baltic countries	351	410
	977,257	638,513

#### 22. OTHER INCOME

Gain on sale of fixed assets	39	167
Rental and other income	8,486	6,923
	8,525	7,090

#### 23. RAW MATERIALS AND SERVICES

Raw materials and consumables		
Purchases during the financial period	946,651	613,954
Inventories, incr. (-), decr. (+)	-4,961	-2,942
External services	4,352	3,610
	946,042	614,622

#### 24. PERSONNEL EXPENSES

Wages and salaries during the financial year	14,511	12,525
Payroll related social costs		
Pension costs	3,201	2,035
Other payroll related social costs	1,208	1,139
	18,920	15,699
Wages and salaries paid to:		
Boards of Directors and CEO	552	888
Average personnel	340	332

#### 25. DEPRECIATION AND VALUE ADJUSTMENTS

Depreciation according to plan		
Intangible rights	664	670
Goodwill	606	557

Other capitalised expenditure	19	4
Buildings	2,003	1,828
Machinery and equipment	1,037	950
	4,329	4,009

## 26. FINANCIAL INCOME AND EXPENSES

Income from non-current financial assets		
Dividend income	251	16,354
Interest income	5,560	5,703
Value adjustments on shares included in financial assets		
Write-off of the subsidiary shares	-1,878	-
Other interest and financial income		
Interest income	5,073	7,434
Other financial income	32	40
Other interest and financial expenses		
Interest expenses	-5,014	-6,733
Other financial expenses	-45	-42
Exchange rate differences, net	2,768	-4,088
	6,747	18,668
From Group companies:		
Income from non-current financial assets		
Dividend income	0	16,153
Interest income	5,560	5,703
Other interest and financial income		
Interest income	4,536	6,855
Other financial income	32	40
Other interest and financial expenses		
Interest expenses	-2,111	-1,647
	8,017	27,104

## 27. EXTRAORDINARY INCOME AND EXPENSES

Group contribution	-560	124
--------------------	------	-----

## 28. APPROPRIATIONS

Accelerated depreciation in the income statement		
Intangible rights	234	-2
Goodwill	606	558
Other capitalised expenditure	1	-1
Buildings	1,271	1,074
Machinery and equipment	-165	-374
	1,947	1,255

## 29. INCOME TAXES

Income taxes on ordinary activities	-4,426	-2,512
Change in deferred taxes	-1,136	0
	-5,562	-2,512

# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



(Figures are in EUR thousands unless otherwise stated)

31 Jan 2005

31 Dec 2003

## NOTES TO THE PARENT COMPANY BALANCE SHEET

### 30. FIXED ASSETS

	Intangible assets				Tangible assets				
	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments and construction in progress	Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress
Acquisition value 1 Jan 2004	8,935	39,594	1,709		928	60,999	30,890	245	161
Increase	384			258		160	879	30	522
Decrease							-23		
Other changes	-38		-1	0		0	-9		0
Acquisition value 31 Jan 2005	9,281	39,594	1,708	258	928	61,159	31,737	275	683
Accumulated depr. 1 Jan 2004	-7,976	-36,805	-1,620	0	0	-23,724	-27,689	0	0
Increase	-664	-606	-19			-2,003	-1,037		
Decrease	-	-	-		-	-	13	-	
Other changes									
Accumulated depr. 31 Jan 2005	-8,640	-37,411	-1,639	0	0	-25,727	-28,713	0	0
Value adjustments 1 Jan 2004- 31 Jan 2005					420	2,355			
Bookvalue 31 Jan 2005	641	2,183	69	258	1,348	37,787	3,024	275	683
Bookvalue 31 Dec 2003	959	2,789	89	0	1,348	39,630	3,201	245	161

### 31. GROUP COMPANIES

Company	Registered office	Group share of		Parent company share of holding %	Shares owned by the parent company		Book
		holding	share-		Number	Nominal	

		and votes %	holders' equity		of shares	value	value
Nomeco A/S	Copenhagen, Denmark	100	100,387	100	7,200,000	19,350	197,155
Unikem A/S	Copenhagen, Denma	100	-563	-	-	-	-
Viminco A/S	Skaelskor, Denmark	100	1,293	-	-	-	-
Hermedico A/S	Copenhagen, Denmark	100	2,405	-	-	-	-
Forex A/S	Silkeborg, Denmark	100	639	-	-	-	-
Tamro Sweden AB	Stockholm, Sweden	100	15,498	100	1,000	11	34,418
Tamro AB	Gothenburg, Sweden	100	103,971	-	-	-	-
Tamro SIA	Riga, Latvia	100	7,265	100	215	1,884	1,376
Medinord Oy	Vantaa, Finland	100	436	100	163	163	895
Hansa Pharma SIA	Riga, Latvia	100	1,865	-	-	-	-
Evija Liepaja SIA	Liepaja, Latvia	100	-67	-	-	-	-
Baltijas Aktivitate SIA	Riga, Latvia	100	-63	-	-	-	-
Retejs 1 SIA	Liepaja, Latvia	100	11	-	-	-	-
Gaisma Pluss SIA	Riga, Latvia	100	1	-	-	-	-
Sirova SIA	Riga, Latvia	100	63	-	-	-	-
Koduapteek OÜ	Tallinn, Estonia	100	1,376	-	-	-	-
Pelguranna OÜ	Tallinn, Estonia	100	6	-	-	-	-
Heroica OÜ	Tallinn, Estonia	100	19	-	-	-	-
Tamro UAB	Kaunas, Lithuania	100	30,492	100	51,810	6,002	30,537
Karoliniskiu vaistine UAB	Vilnius, Lithuania	100	333	-	-	-	-
Armedikos vaistine UAB	Kaunas, Lithuania	100	-194	-	-	-	-
Ortofarma UAB	Kaunas, Lithuania	100	4	-	-	-	-
Farmasijos Projektai UAB	Kaunas, Lithuania	100	873	-	-	-	-
Apokjeden AS	Skårer, Norway	99	110,444	99	1,076,497	13,033	130,370
Apokjeden Distribusjon AS	Skårer, Norway	100	33,802	-	-	-	-
Apotek 1 Norge AS	Skårer, Norway	100	80,813	-	-	-	-
Tamro Eesti AS	Tallinn, Estonia	100	7,992	100	5,500	352	530
Tamro MedLab Oy	Vantaa, Finland	100	9,927	99	5,000	5,000	5,000
Tamro MedLab AB	Gothenburg, Sweden	100	1,477	-	-	-	-
Tamro Health Care A	Gothenburg, Sweden	100	193	-	-	-	-
Tamro MedLab A/S	Roskilde, Denmark	100	1,218	-	-	-	-

Tamro MedLab AS	Skårer, Norway	100	1,015	-	-	-	-
Tamro MedLab OÜ	Tallinn, Estonia	100	469	-	-	-	-
Tamro MedLab SIA	Riga, Latvia	100	262	-	-	-	-
Tamro MedLab UAB	Vilnius, Lithuania	100	-125	-	-	-	-
Tamro Finance Oy	Vantaa, Suomi	100	30,000	99	99	990	29,700
Kemistien Oy	Vantaa, Finland	100	1,685	100	1,000,000	1,680	1,682
Sponfinans, Aurum-Pharmakon, ... Oy	Vantaa, Finland	100	40	100	489	49	49
Tamro Russia Oy	Vantaa, Finland	100	157	100	100,000	100	170
Other subsidiaries, incl. non-operational							74
							431,956

### 32. OTHER SHARES AND PARTICIPATIONS

	Shares owned by the parent company	
	Number of shares	Nominal value
Finnish Central Securities Depository Ltd.	8	27
HEX Plc	24,400	27
Telephone company shares etc.		8
Housing corporations		108
Real estate and other shares		121
		291

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2005 31 Dec 2003

### 33. RECEIVABLES AND LIABILITIES

Intra-group items		
Financial assets		
Loan receivables	-	179,391
Long-term receivables		
Loan receivables	-	79,749
Short-term receivables from Group companies		
Accounts receivable	2,478	1,306
Prepaid expenses and accrued income	1,263	8,913
Loan receivables	227,895	30,998
Other short-term receivables	0	504
	231,636	41,721
Liabilities to Group companies		

Accounts payable	150	68
Accrued liabilities	127	121
Other short-term liabilities	201,137	120,694
	201,414	120,883

#### 34. PREPAID EXPENSES AND ACCRUED INCOME

Financial items	14,598	2,455
Income tax receivable	0	1,393
Prepaid expenses	494	485
Other income	348	2,367
Total	15,440	6,700

#### 35. CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium account	Revaluation reserve	Fund for own shares	Retained earnings	Total equity
Equity 31 Dec 2002	114,837	5,640	1,093	975	400,897	523,442
Dividend					-14,884	-14,884
Net profit for the year					22,466	22,466
Equity 31 Dec 2003	114,837	5,640	1,093	975	408,478	531,023
Dividend					-84,727	-84,727
Net profit for the year					12,300	12,300
Other change				-975		-975
Equity 31 Jan 2005	114,837	5,640	1,093	0	336,051	457,621

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2005 31 Dec 2003

#### 36. ACCUMULATED DEPRECIATION DIFFERENCE

Accelerated depreciation		
Intangible rights	211	444
Goodwill	2,183	2,789
Other capitalised expenditure	2	3
Buildings	25,666	26,937
Machinery and equipment	-588	-753
	27,474	29,420

#### 37. OBLIGATORY RESERVES

Pension reserves	610	705
Other obligatory reserves	506	-
	1,116	705

#### 38. LONG-TERM LIABILITIES

Long-term liabilities fall due as follows:		
2006	-	2,712
	0	2,712

Foreign currency breakdown of long-term liabilities:

EUR	-	2,712
-----	---	-------

### 39. ACCRUED EXPENSES AND DEFERRED INCOME

Financial items	4,496	2,887
Personnel expenses	15,052	711
Income tax liability	933	-
Other accrued expenses and deferred income	1,272	574
<b>Total</b>	<b>21,753</b>	<b>4,172</b>

### OTHER NOTES

#### 40. CONTINGENT LIABILITIES

31 Jan 2005    31 Dec 2003

Mortgages (1)		
For own debts	841	841
Guarantees		
For subsidiaries	14,555	13,782
For debts of others	469	12,218
	15,024	26,000
Other commitments		
Leasing commitments		
Next year	1,054	793
Over one year	1,023	1,286
Rent commitments	733	1,071
Repurchase commitments	-	7
	2,810	3,157
(1) Parent company's liabilities, secured by mortgages	-	-

#### 41. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives - notional amounts		
Currency instruments		
Currency forward contracts	205,473	294,755
Interest rate instruments		
Interest rate swaps	10,000	10,000
Derivatives - market value		
Currency instruments		
Currency forward contracts	-64	1,985
Interest rate instruments		
Interest rate swaps	-164	-194

The notional amounts of derivatives summarised here do not represent amounts actually exchanged between the parties and are thus not a measure of the parent company's derivatives-related exposure. According to the Finance Policy derivatives are used only to hedge the underlying business.

# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



## Proposal for Profit Distribution



The net profit of Tamro Corporation for the fiscal year is	EUR 12 300 208.54
Total retained earnings amount to	EUR 336 051 564.24
- of which the distributable portion is	EUR 336 051 564.24
The retained earnings shown in the Consolidated Balance Sheet as at 31 January 2005 is	EUR 229 979 000.00
- of which the distributable portion is	EUR 202 613 000.00

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The Board of Directors proposes that	
- the dividend of EUR 0,18 per share be paid on 114 496 083 shares entitled to a dividend	EUR 20 609 294.94
- the remainder be posted to the retained earnings account	EUR 315 442 269.30

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Vantaa, 6 April 2005

**Dr Bernd Scheifele**  
Chairman

**Matti Elovaara**

**Mikael von Frenckell**

**Dr Lorenz Näger**

**Reimund Pohl**

**Jo Langmoen**  
CEO

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# Tamro Web Annual Report

# 2004

1.1.2004 - 31.1.2005



## Auditors' Report



### to the shareholders of Tamro Oyj

We have audited the accounting, the financial statements and the corporate governance of Tamro Oyj for the financial period 1.1.2004 - 31.1.2005. The financial statements, which include the report of the Board of Directors and the consolidated and parent company income statements, balance sheets and notes to the financial statements have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance of the parent company.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require, that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director of the parent company have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the consolidated and parent company's results of operations and financial position. The financial statements and consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Vantaa, April 6, 2005

ERNST & YOUNG OY  
Authorised Public Accounting Firm

Anna-Maija Simola  
Authorised Public Accountant

Eija Niemi-Nikkola  
Authorised Public Accountant

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# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



## Financial Indicators 2000-2004

	2004 13 months	2003	2002	2001	2000
<b>FROM THE INCOME STATEMENT, EURm</b>					
Net Sales	4,856.7	4,169.4	4,102.7	3,795.6	3,518.4
Other income	0.4	2.1	0.3	58.3	3.3
Operating expenses	-4,729.6	-4,060.5	-4,016.7	-3,742.5	-3,489.1
Depreciation	-35.0	-33.0	-31.2	-44.8	-18.8
Operating profit	92.5	78.0	55.1	66.6	13.7
Financial income and expenses	-4.0	-9.3	-14.1	-13.0	-14.5
Share of affiliated companies' net income	0.3	0.3	0.3	1.9	3.3
Profit before taxes	88.8	69.0	41.3	55.5	2.4
Minority and income taxes	-23.3	-21.8	-11.3	-17.4	-4.4
Profit before extraordinary items	65.5	47.2	30.0	38.1	-1.9
Extraordinary income and expenses, net of taxes	-	-	-	-	-10.3
Net profit for the period	65.5	47.2	30.0	38.1	-12.2
<b>FROM THE BALANCE SHEET, EURm</b>					
Tangible and intangible assets	306.1	287.5	301.0	240.1	181.7
Financial assets	26.0	29.6	34.8	26.2	71.3
Inventories	307.1	303.8	308.5	287.5	308.3
Receivables	398.8	450.4	446.7	571.1	494.0
Liquid assets and short-term investments	13.2	22.3	45.6	60.2	69.3
Equity	351.8	370.1	351.8	332.7	300.9
Minority	1.0	18.4	20.9	17.2	1.9
Obligatory reserves	1.8	1.4	1.1	3.7	4.3
Long-term liabilities	16.7	15.5	23.5	63.1	16.2
Short-term liabilities	679.9	688.3	739.3	768.4	801.3
Balance sheet total	1,051.2	1,093.7	1,136.6	1,185.1	1,124.6
<b>KEY FIGURES</b>					

Sales change, %	16.5	1.6	8.1	7.9	8.7
Operating margin, %	1.9	1.9	1.3	1.8	0.4
Profit margin, %	1.8	1.7	1.0	1.5	0.1
Return on capital employed, %	19.2	16.1	10.6	13.1	4.0
Return on equity, %	16.4	12.9	7.6	10.4	-0.6
Free cash flow, EURm	101.5	40.4	86.7	-18.7	29.3
Capital employed, EURm	426.1	482.2	514.9	581.8	544.4
Net debt, EURm	60.1	71.4	96.6	171.8	140.1
Net gearing, %	17.0	18.4	26.0	49.2	46.4
Interest cover	18.3	7.6	3.5	4.4	1.2
Equity Ratio, %	33.6	35.4	32.7	29.4	26.9
<b>PER SHARE DATA *)</b>					
Number of shares - at end, millions	114.5	114.5	114.5	114.5	114.5
Number of shares - average, millions	114.5	114.5	114.5	114.5	114.7
Earnings per share, EUR	0.57	0.41	0.26	0.33	-0.02
Dividend per share, EUR	0.18**)	0.74	0.13	0.15	0.05
Dividend per earnings, %	32	73	50	45	neg.
Effective dividend yield, %		16.4	3.4	4.2	3.0
Equity per share, EUR	3.07	3.22	3.06	2.90	2.62
P/E multiple	0	11	15	11	neg.
<b>TAMRO SHARE INFORMATION</b>					
Average trading price, EUR		4.48	3.80	3.44	2.65
Lowest trading price, EUR		3.77	3.35	1.65	1.62
Highest trading price, EUR		4.60	3.99	4.10	3.80
Price at 31 December, EUR		4.51	3.80	3.59	1.67
Trading volume, million shares		50.8	17.5	19.6	22.4
Trading volume, %	0	44	15	17	20
Market capitalisation at 31 December, EURm		516.4	435.1	411.0	191.2
<b>OTHER</b>					
Investments, EURm	64.1	39.6	93.9	96.2	35.8
as % of sales	1.3	0.9	2.3	2.5	1.0
Number of employees, average	3,909	3,820	3,438	2,854	2,683
*) excluding own shares					
**) Board proposal					

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# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



## Calculation of Financial Ratios



### PROFIT MARGIN

Ordinary profit before taxes divided by Net Sales.

### TRADING VOLUME, %

Number of shares traded during the period as a percentage of average number of outstanding shares.

### CAPITAL EMPLOYED

Total assets less non-interest bearing liabilities. In business units, cash and financial assets are excluded.

### MARKET CAPITALISATION 1)

Number of shares multiplied by share price at the end of the year.

### RETURN ON CAPITAL EMPLOYED

Ordinary profit before taxes plus interest expenses and other financial expenses as a percentage of average capital employed. Operating profit for the business unit as a percentage of average capital.

### EARNINGS PER SHARE 1)

Earnings, defined as ordinary net profit, divided by average number of shares. Own shares are deducted from the date of repurchase.

### RETURN ON EQUITY 1)

Ordinary net profit less minority interest as a percentage of average shareholders' equity and minority.

### DIVIDEND PER EARNINGS 2)

Dividend per share as a percentage of earnings per share. Dividend is weighted with respect to old and new shares.

### FREE CASH FLOW

See Cash Flow Statement

### EFFECTIVE DIVIDEND YIELD

Dividend per share as a percentage of market share price at 31 Dec.

### NET DEBT

Interest bearing debt less cash, short-term investments and bonds.

### EQUITY PER SHARE 1)

Shareholders' equity divided by the number of shares at 31 Dec.

### NET GEARING 1)

Net debt as a percentage of equity plus minority interest.

### P/E MULTIPLE

Market share price at 31 Dec divided by earnings per share.

**INTEREST COVER**

Ordinary profit before taxes plus interest expenses divided by the interest expenses.

**AVERAGE NUMBER OF EMPLOYEES**

Calculated from month-end figures and adjusted for part-time employees.

**EQUITY RATIO 1)**

Shareholders' equity plus minority interest as a percentage of total assets.

**INVESTMENTS**

Includes corporate acquisitions.

**AVERAGE TRADING PRICE**

Value of trading volume divided by the volume traded.

**SHARE ISSUE ADJUSTMENTS**

The numbers of shares are fully comparable for the whole five-year period.

1) Effect of own shares eliminated.

2) Dividend is weighted with respect to old and new shares.

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# Tamro Web Annual Report 2004

1.1.2004 - 31.1.2005



## Quarterly Development

	10-13 2004	7-9 2004	4-6 2004	1-3 2004	1-13 2004	1-12 2003	Change %
<b>NET SALES</b>							
(EURm)							
Tamro Sweden	513.2	350.9	366.2	385.7	1,616.0	1,516.9	6.5
Tamro Denmark	384.8	273.0	279.3	282.6	1,219.7	1,059.0	15.2
Tamro Finland	325.7	227.6	228.0	203.0	984.3	643.6	52.9
Tamro Norway	227.7	158.0	159.5	131.6	676.8	615.7	9.9
Tamro Estonia	18.3	10.9	12.5	11.6	53.3	41.1	29.7
Tamro Latvia	28.4	17.6	26.3	23.3	95.6	76.5	25.0
Tamro Lithuania	32.1	18.7	19.0	18.8	88.6	77.2	14.8
Tamro Russia	0.0	0.0	0.0	0.0	0.0	22.9	-100.0
Tamro MedLab	42.8	28.8	31.0	31.2	133.8	125.0	7.0
Other and internal	-2.7	-1.0	-5.0	-2.7	-11.4	-8.1	34.1
<b>Group total</b>	<b>1,570.3</b>	<b>1,084.5</b>	<b>1,116.8</b>	<b>1,085.1</b>	<b>4,856.7</b>	<b>4,169.4</b>	<b>16.5</b>
<b>NUMBER OF EMPLOYEES, AVERAGE</b>							
Tamro Sweden	446	494	474	467	468	499	-6.2
Tamro Denmark	609	631	629	621	621	625	-0.6
Tamro Finland	317	335	325	312	320	310	3.2
Tamro Norway	1,517	1,527	1,525	1,540	1,527	1,449	5.4
Tamro Estonia	181	167	159	144	164	136	20.6
Tamro Latvia	271	275	276	275	274	257	6.6
Tamro Lithuania	339	264	180	187	251	176	42.6
Tamro Russia	0	0	0	0	0	75	-100.0
Tamro MedLab	264	259	262	264	263	273	-3.7
Others	23	19	20	20	21	20	5.0
<b>Group total</b>	<b>3,967</b>	<b>3,971</b>	<b>3,850</b>	<b>3,830</b>	<b>3,909</b>	<b>3,820</b>	<b>2.3</b>

<b>CONSOLIDATED INCOME STATEMENT</b>							
(EURm)							
Net Sales	1,570.3	1,084.5	1,116.8	1,085.1	4,856.7	4,169.4	16.5
Other income	0.3	0.0	0.1	0.0	0.4	2.1	-81.0
Raw materials and services	-1,444.3	-997.8	-1,024.7	-1,000.6	-4,467.4	-3,820.0	16.9
Personnel expenses	-58.3	-39.8	-41.3	-38.7	-178.1	-157.6	13.0
Depreciation and value adjustments	-11.3	-7.9	-7.8	-8.0	-35.0	-33.0	6.1
Other operating expenses	-29.6	-16.6	-18.9	-19.0	-84.1	-82.9	1.4
Operating profit	27.1	22.4	24.2	18.8	92.5	78.0	18.6
Financial income and expenses	-1.2	-1.1	-0.7	-19.0	-4.0	-9.3	-57.0
Share of affiliated companies' net income	0.1	0.1	0.2	-0.1	0.3	0.3	0.0
Profit before taxes	26.0	21.4	23.7	17.7	88.8	69.0	28.7
Income taxes	-4.2	-6.4	-6.7	-5.7	-23.0	-19.9	15.6
Minority interest	2.8	-1.3	-1.5	-0.3	-0.3	-1.9	-84.2
Net profit for the period	24.6	13.7	15.5	11.7	65.5	47.2	38.8
	31st Jan 2005	30th Sep 2004	30th Jun 2004	31st Mar 2004	31st Jan 2005	31st Dec 2003	Change %

<b>CONSOLIDATED BALANCE SHEET</b>							
(EURm)							
Assets							
Intangible and tangible assets	306.1	288.3	285.4	289.4	306.1	287.5	6.5
Financial assets	26.0	25.0	27.7	27.8	26.0	29.6	-12.2
Inventories	307.1	325.6	327.8	322.9	307.1	303.8	1.1
Receivables	398.8	457.8	459.3	464.2	398.8	450.4	-11.5
Liquid assets and short-term investments	13.2	19.8	8.9	14.2	13.2	22.3	-40.8
	1,051.2	1,116.5	1,109.1	1,118.5	1,051.2	1,093.7	-3.9
Equity & liabilities							
Shareholders' equity	351.8	377.4	362.2	379.5	351.8	370.1	-4.9
Minority interest	1.0	21.2	19.7	18.3	1.0	18.4	-94.6
Obligatory reserves	1.8	2.0	1.2	1.3	1.8	1.4	28.6
Long-term liabilities	16.7	12.5	12.3	12.5	16.7	15.5	7.7
Short-term liabilities	679.9	703.4	713.7	706.9	679.9	688.3	-1.2
Balance sheet total	1,051.2	1,116.5	1,109.1	1,118.5	1,051.2	1,093.7	-3.9

	10-13 2004	7-9 2004	4-6 2004	1-3 2004	1-13 2004	1-12 2003	Change %
<b>OTHER CONSOLIDATED KEY FIGURES</b>							
Operating margin, %	1.7	2.1	2.2	1.7	1.9	1.9	1.8
Profit margin, %	1.7	2.0	2.1	1.6	1.8	1.7	10.5
Return on capital employed, %	18.8	19.8	21.0	15.6	19.2	16.1	19.3
Return on equity, %	17.4	15.4	17.4	12.3	16.4	12.9	27.1
Gross investments, €m	43.0	6.5	4.1	10.5	64.1	39.6	61.9
Free cash flow, €m	31.6	32.9	41.6	-4.6	101.5	40.4	151.2
Capital employed, €m	426.1	457.8	458.7	488.8	426.1	482.2	-11.6
Net debt, €m	60.1	39.4	68.0	76.7	60.1	71.4	-15.8
Net gearing, %	17.0	9.9	17.9	19.3	17.0	18.4	-7.6
Equity Ratio, %	33.6	35.7	34.3	35.5	33.6	35.4	-5.1
Number of shares - at end, millions (excluding own shares)	114.5	114.5	114.5	114.5	114.5	114.5	0.0
Number of shares - average, millions (excluding own shares)	114.5	114.5	114.5	114.5	114.5	114.5	0.0
Earnings per share, € (excluding own shares)	0.21	0.12	0.14	0.10	0.57	0.41	39.0
Equity per share, € (excluding own shares)	3.07	3.30	3.15	3.31	3.07	3.22	-4.7
Number of employees, average	3,967	3,971	3,850	3,830	3,909	3,820	2.3

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