

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, Poland and through a minority shareholding in Russia. Our average share of the pharmaceutical wholesaling market in Northern Europe is around 52%. Tamro Group is engaged in 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, as well as 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 and suppliers 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 international pharmaceutical wholesaler PHOENIX Group.

Main events 2005/2006

- The Tamro Group net sales for the fiscal year 2005/2006 amounted to EUR 4,857 million, which represents an increase of 8% compared to the sales in calendar year 2004 (EUR 4,488 million). Sales increased also due to several retail acquisitions in the Baltics and Norway, the acquisition of Danpleje A/S in Denmark and exclusive distribution contracts won in Sweden and Finland.
- The consolidated operating profit was EUR 117 (93) million, and the operating margin was 2.4% (1.9%). The performance was driven by good sales performance in Norway, stable sales growth across several countries and strong control of operating and financial expenses. The result includes a one-time capital gain of EUR 7 million from a sale of property in Denmark.
- Tamro further developed its position in the Nordic pharmaceutical wholesale market, owing largely to sales growth in Finland, Sweden and Denmark. Tamro's pharmaceuticals wholesale in the Nordic area increased by 8% at CER to EUR 3,616 million in pharmacy purchasing prices (PPP). Tamro's average market share of pharmaceuticals wholesale rose to 52.3% in the Nordic countries, or 1.5 percentage points higher than in 2004.

- On 29 November Tamro announced its entrance into the Polish pharmaceutical wholesale. The business responsibility is transferred from Tamro's parent company Phoenix Group. Tamro acquires the company Phoenix Pharma Polska Sp. z o.o., which employs 277 people and has an annual turnover of EUR 145 million. The company is consolidated into Tamro Group from the beginning of the new fiscal year 1.2.2006. After the reporting period, Tamro announced the acquisition the Polish pre-wholesaler FarmPlus Sp. z o.o., with 75 employees and annual sales of EUR 250 million.
- The year 2005/2006 is Tamro's first financial year starting on 1 February and ending on 31 January. The previous financial year (1 January 2004 – 31 January 2005) was extended to thirteen months to match the financial year of Tamro's parent company PHOENIX Pharmahandel AG&Co KG.

FINANCIAL HIGHLIGHTS		2005/2006 (12 months)	2004/2005 (13 months)
Net sales	EURm	4,856.8	4,856.7
Sales outside Finland	EURm	3,758.7	3,809.7
of consolidated net sales	%	77.4	78.4
Other income		7.6	0.4
Operating expenses	EURm	4,713.0	4,729.6
Depreciation	EURm	34.9	35.0
Operating profit	EURm	116.5	92.5
Operating margin	%	2.4	1.9
Ordinary profit before taxes	EURm	111.1	88.8
Income taxes on ordinary activities	EURm	28.1	23.0
Ordinary net profit	EURm	82.8	65.5
Free cash flow	EURm	95.1	101.5
Return on capital employed	%	28.3	19.2
Return on equity	%	24.9	16.4
Earnings per share	EUR	0.72	0.57
Dividend per share	EUR	0.20	1.06
Net gearing	%	26.4	17.0
Investments	EURm	71.8	64.1
Number of employees, average		4,223	3,909

CEO's Review

Fredrik Borg, the founder and first director of the present Tamro Corporation, knew already in 1895 that efficient and swift service to pharmacists was a formula for success. Mr Borg would probably be pleased to hear that his company cleared the EUR 1 billion turnover hurdle in Finland for the first time, in time for the company's 110th anniversary.

Tamro Group continued its stable performance throughout the financial year 2005/2006. The year was marked again by moderate market growth and intense competition over market shares. We met this challenge by keeping sustained focus on cost-efficiency, customer orientation and business development.

Tamro Group net sales for the fiscal year 2005/2006 amounted to EUR 4,857 million, and the consolidated operating profit was EUR 117 (93) million. This satisfying result is due to good sales performance in Norway, stable sales growth across several countries and strong control of operating and financial expenses.

Increasing demands from the ageing population and new treatments remain the key growth drivers, although governments in our operating countries are striving to curb the associated costs by introducing regulatory measures, such as restrictions in the reimbursement schemes and price revisions.

Expansion into Poland

Tamro has developed favourably under the umbrella of the parent company PHOENIX Group. This international dimension has brought clear benefits to our international customers, who are increasingly requesting services across country borders.

Tamro's business experience from its operations in seven countries has enriched our cross cultural heritage, which now will be put to work when Tamro starts operations in Poland and more than doubles its consumer base. While the fragmented Polish market is challenging, we believe we can build on the trust of our customers by enforcing the same principles of customer orientation, continuous improvement and cost-effectiveness.

Poland, with a population of 39 million, provides opportunities for long-term growth. The same is true for Russia, where we increased our stake in the Russian wholesaler ZAO Rosta from 18.5% to 42.5%. Russia represents an even greater and faster growing market, in which we are keen to participate as the country invests in healthcare and well-being. Mr Borg entered Russia already in 1918, so this is not the first time that the eastern dimension is on Tamro's agenda.

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 2005/2006, as reported in this Annual Web Report. This success has provided the foundation for Tamro to expand into new markets and seek growth. The Group result reflects the performance of our individual business units, which in 2005/2006 again showed improving performance compared to previous years.

Outlook for the future

The effective cost-containment plans of the authorities will slow down sales growth in the Nordic countries, where most of Tamro's sales are generated. While the Baltic countries are growing fast, and Poland provides new opportunities, it will take time before these countries reach European average levels of pharmaceutical consumption.

Therefore maintaining and developing our competitiveness and profitability will mainly come from cost reduction and increased efficiency. While many challenges lay ahead, we will continue to work hard to develop customer satisfaction and maintain cost leadership.

Vantaa, May 2006

Jo Langmoen
President & CEO

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.

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 President and 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.

The President and 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 other employees 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 procuration holder (s) authorized by the shareholder to do so either together with another procuration 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 some countries 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 business units, including Tamro MedLab, are headed by a Managing Director reporting to the President and CEO of Tamro Corporation.

The Group management comprises the President and 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, and financial 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 President and CEO and approved by the Board.

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

Auditing

The external 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 Tamro Group, as a contributor to the national health care systems, it is essential that the risks involved in the business are well under control. The main operational risks are property damage, business interruption and liability risks. The objective of Tamro Group's operational risk management practices is to identify and minimise risks associated with operations, assets, environment and personnel. The remaining risks are covered with insurances to the extent defined by the Tamro Group management and the Board of Directors.

Risk management is handled both on the corporate and the business unit level. The responsibility to manage and reduce the operational risks and to have an appropriate contingency plans in place lies with the local business units. Group level and local insurance policies are used to cover the main risks financially. The business units see to it that sufficient insurance coverage in accordance with the Group guidance is in place, and that any loss or damage is reported to the appropriate insurance company. Master insurance policies are administered at Tamro Group level.

The financial risks are handled in accordance with the finance policy.

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. The internal audit team reports to the President and CEO, while the Group management acts as its Audit Committee.

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 President and CEO or a designated Tamro Corporation executive. The Chairman of the Board is either Tamro Corporation's President and 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 President and CEO constitutes the exercise of the powers of a General Meeting. 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 President and 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.

Financial Risk Management

Tamro Group's financing and risk management activities are centralised into a separate entity called Tamro Finance Ltd. The treasury company 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 Tamro group-level master insurance policies and provides operational risk management services to business units.

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.

The objective of Tamro Group's operational risk management practices is to identify and minimise risks associated with operations, assets, the environment and personnel. The remaining risks are covered with insurances to the extent defined by the Tamro Group management and the Board of Directors.

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 four months. At year-end the Group also had at its disposal a portfolio of free short-term credit facilities and account overdrafts worth EUR 252 (267) million and a EUR 291 (195) million available limit in a EUR 300 million Tamro Finance Ltd. 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 right of recourse up to the limit of SEK 1,200 million (EUR 130 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 67 (124) 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 2005/2006 the currency split of the net sales was SEK 33%, DKK 25%, EUR 22%, NOK 15% and other currencies 5%.

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 Tamro MedLab Group the foreign-exchange risk is to some extent carried by the distributor or wholesaler. About 3%, or EUR 136 million, of the Group's purchases are exposed to the currency risk. The currency split for that amount was EUR 89%, USD 6% and other currencies 5%.

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 2005/2006 were EUR 519 million. Of the total amount, NOK represented 40%, SEK 25%, DKK 25% and other currencies 10% 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 cyclicalities 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 in 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 material 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 counterparty risk.

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

Operational risks and insurances

The Group aims to reduce the risk involved in the business by active risk-reduction measures. The main operational risks are property damage, business interruption and liability risks. The objective of Tamro Group's operational risk management practices is to identify and minimise risks associated with operations, assets, the environment and personnel. The remaining risks are covered with insurances to the extent defined by the Tamro Group management and the Board of Directors.

Risk management is handled both on the corporate and the business unit level. The responsibility to manage and reduce the operational risks and to have an appropriate contingency plan in place lies with the local business units.

Group-level and local insurance policies are used to cover the main risks financially. The business units see to it that sufficient insurance coverage in accordance with the Group guidelines is in place, and that any loss or damage is reported to the appropriate insurance company. Master insurance policies are administered at Group level.

Corporate Responsibility

Tamro's mission is to ensure the health and wellbeing of consumers. We want to provide significant value to the pharmaceutical supply chain by providing efficient and safe delivery of pharmaceuticals from the suppliers to the end user, whether through hospitals, pharmacies and health centers, or directly to the patient. We succeed in our work by helping our customer's succeed in theirs.

Good co-operation with our stakeholders is an essential part of our work. We have frequent and constant collaboration not only with pharmaceutical companies, pharmacies and patients but also with the national health authorities, who ensure the wellbeing of citizens with a detailed and comprehensive quality control of the pharmaceutical supply chain.

Against this backdrop it is natural for Tamro to maintain activities that support the national health systems in our operating countries. While our focus on the promotion of health and wellbeing is clear, the shape of our support varies as much as the national health systems in each of our operating country.

Focus on illegal drugs

In Finland, Tamro has chosen to focus on preventive drug work. Already in 2002 Tamro donated a drug dog and its education to the Finnish customs, and we have continued to support this activity for several years. This continuous work has brought handsome rewards. Tarmo, as Tamro's dog is called, has discovered significant amounts of heroine and other drugs, which has helped to keep drugs off the street.

Tamro also supports a private organization which tours public schools in Finland educating about the serious threats of drug abuse. We wish to help authorities keep the availability of illegal drugs as low as possible, and help encourage the youth to live healthy, drug-free lives.

Realizing Dreams for Palliative Children

In Latvia, Tamro co-operated with the Swiss pharmaceutical company Mepha to fulfill the dreams of palliative (terminally ill) children. This charity project "Give a dream" has actualized the problem of palliative care, explained its essence and helped to understand its meaning in the Latvian society. Every citizen of Latvia could participate in the campaign by acquiring a postcard drawn by the sick children, in pharmacies participating in the Tamro Pharmacy Program.

Mepha donated Ls 0,15 for each its OTC-products sold between February – June 2005. The charity project gained an unexpectedly high response - more than 40 000 citizens of Latvia responded to the appeal. Additionally Tamro and Mepha donated funds to the Association of Children's Palliative Care.

First-aid kits to SOS Children's Village

SOS Children's Villages take care of children who have lost their parents or have no family to care for them. Orphaned and destitute children are offered a new and permanent home and they are prepared for an independent life. Children who have arrived at these villages may have arrived there due to circumstances beyond their control. In Estonia, Tamro's Apteek1 –pharmacy chain decided to help out Keila SOS Children's Village, by donating large home medication kits to each home in the Children's Village.

According to the director of the village, first-aid kits with children's medications, band-aids and vitamins among other supplies are welcome and also much needed in the village. The village's operation is largely financed with private contributions.

Tamro Sweden

- In January–December 2005, the aggregate pharmaceuticals sales amounted to EUR 2,724 million in PPP, a 4% rise on the previous year's figures.
- Tamro Sweden's net sales for the accounting year in 2005/2006 amounted to EUR 1,536 million, down 5% from the previous 13-month financial year.

Operating environment and markets

The growth rate of the Swedish pharmaceuticals market recovered to an average annual pace of 4.3% in 2005, up from its 2.3% level in 2004. Aggregated pharmaceuticals sales for the year 2005 reached EUR 2,724 million in PPP. Of the growth, 3% was attributed to volume increases and 1.3% to price increases. The principal reasons for this growth were fewer patent expirations, price increases and introductions of new products.

In the past two years the sales of parallel imports (PI) have received a particularly strong boost in Sweden. In 2005, PI sales accelerated by as much as 19.4% at CER and reached EUR 325 million in PPP.

Financial performance and operations

	2005/2006 (12 months)	2004/2005 (13 months)	Change
Net sales, EUR million	1,536	1,616	-5%
Employees, average	448	468	-4%

Tamro Sweden continued its stable performance throughout the financial year. Tamro's pharmaceutical sales grew somewhat faster than the Swedish pharmaceutical market on average. The growth was primarily attributed to new distribution agreements and increased sales of generics and parallel imports. Tamro Sweden's net sales amounted to EUR 1,536 million.

Tamro's average market share of pharmaceutical sales in Sweden totalled 49.5% in 2005. In January 2006, Tamro started exclusive distribution for Roche and expanded its current distribution agreement with AstraZeneca. The new assignments lifted the market share to over 53%, which further solidified Tamro Sweden's leading position in the market.

To further improve quality and efficiency in the company, Tamro AB decided to invest EUR 12 million into developing the distribution facilities in Stockholm. The extension and reconstruction are expected to be ready around the turn of the year 2006/2007

In spring 2005 Tamro launched a new Internet-based information service solution for its principals. The new business information service is designed to support and provide principals operating in Sweden, Finland and Denmark with coherent information and statistics related to sales and stocks.

During the year Tamro also conducted two full-scale customer surveys among suppliers and pharmacies to evaluate Tamro's operational and service performance. While the survey gave valuable information about areas for potential improvement, the feedback was encouraging, with a high degree of overall customer satisfaction.

The European Court of Justice (ECJ) announced on 31 May its position regarding Apoteket AB's monopoly to sell pharmaceuticals to the public. The ECJ established in its statement that the Swedish retail monopoly for pharmaceuticals contravened European Community law, as the arrangement between the state pharmacy monopoly Apoteket and the Swedish Government could not exclude discrimination against medicinal preparations from other member states.

In order to meet the requirement set out in the ECJ's ruling, the Swedish Government drew up a new agreement with Apoteket AB in June. The new agreement stipulates Apoteket's responsibility to provide a transparent procurement procedure that informs producers about the reasons why their products are not selected.

The Swedish Government initiated a parliamentary investigation into whether and how a deregulation of nicotine products should be implemented. The resulting report suggests that nicotine products should be made available outside pharmacies.

Personnel

During the financial year, Tamro Sweden's payroll averaged 448 (468) employees.

The focus of Tamro Sweden's personnel development in 2005 was on strengthening leadership capabilities within the company. A comprehensive, uniform leadership development programme was launched in the beginning of the year to develop the leadership skills and practices of all managers. The programme was successfully completed in March 2006.

Tamro completed an employee survey at the end of the year 2005. The overall results were positive and showed a high degree of job satisfaction among our employees. The results are currently being thoroughly analysed and discussed among leaders and employees, with the focus on development issues.

Outlook for 2006

The growth of the pharmaceutical market in Sweden is estimated to remain at the same level as in 2005. Fierce competition will continue to characterise the Swedish pharmaceutical distribution market.

Tamro Sweden aims to defend its market position by promoting cost-effectiveness and operational quality throughout its operations. At the same time it will develop innovative solutions to meet the changing needs of its customers.

The ongoing governmental investigation into the Swedish pharmacy system could result in substantial changes in the Swedish pharmaceuticals market. The outcome of the Swedish parliamentary election in September 2006 may also have an impact on the future of the Swedish pharmacy monopoly.

Tamro is well prepared to respond to potential future changes and new market conditions. However, no significant changes in the market structure are expected to occur in 2006.

Tamro Denmark (Nomeco)

- In January–December 2005, the pharmaceuticals sales through wholesalers amounted to EUR 1,112 million in PPP, surpassing the previous year's sales by 6% at CER.
- Nomeco's net sales for the accounting year in 2005/2006 amounted to EUR 1,231 million, up 1% from the previous 13-month financial year.

Markets and operating environment

In 2005 the aggregate market for pharmaceuticals in Denmark grew considerably more than expected at the beginning of the year. The growth rate at hospital pharmacies was substantially higher than at private pharmacies.

New rules on reimbursement for medicinal products became effective on 1 April 2005. Previously the value of the reimbursement was calculated on the basis of European average prices for pharmaceuticals.

Competition in Denmark was intense during the financial year, especially in discounts. Nomeco continued to develop initiatives that ensure long-term reduction of pharmacies' logistics costs.

During the year Nomeco's VMI concept (Vendor Managed Inventory) has been refined and strengthened, and resources have been allocated to continuously improve the system. The concept involves automatic replenishment of the pharmacies' inventories, and the wholesaler manages the forecasting of the expected sales from the pharmacy.

Financial performance and operations

	2005/2006 (12 months)	2004/2005 (13 months)	Change
Net sales, EUR million	1,231	1,220	1%
Employees, average	614	621	-1%

Nomeco's net sales for the accounting year in 2005/2006 amounted to EUR 1,231 million, up 1% from the previous 13-month financial year. Nomeco preserved its strong position on the Danish pharmaceutical wholesale market.

Partnerships with voluntary pharmacy chains are increasingly important. This places pressure on the wholesaler to develop service concepts and solutions that support the individual chain and deliver the required sales data information, etc., concerning the branded goods market.

The Supplier Division has developed satisfactorily. The division focuses on the development of logistic and information solutions that can reduce suppliers' distribution costs.

Personnel

During the financial year, Nomeco's payroll averaged 614 (621) employees.

Outlook for 2006

The company's earnings are to a great extent dependent on legislative initiatives that affect the pharmacy sector. Any measures to limit medicine consumption through increased co-payment and by influencing doctors' prescription practices can affect earnings.

We do not foresee any substantial structural changes at the retail level in Denmark in the coming year. We assume that the growth rate of the aggregate market will be slightly lower than in 2005/2006.

At wholesale level the competition in Denmark is likely to intensify, which implies a further increase in cost-related discounts to pharmacies.

Tamro Finland

- In January–December 2005, the aggregate pharmaceuticals sales amounted to EUR 1,756 million in PPP, a 7% rise on the previous year's figures.
- Tamro Finland's net sales for the accounting year in 2005/2006 amounted to EUR 1,039 million, up 6% from the previous 13-month financial year.

Markets and operating environment

The Finnish pharmaceuticals market continued to grow during 2005, in spite of dropping prices due to the re-evaluation of prices by the Pharmaceuticals Pricing Board and intensified generic competition.

During January–December 2005, the sales of Rx medicines, which made up 88% of human pharmaceutical sales, amounted to EUR 1,537 million in PPP, up by 6.2% from the previous year's figures. The sales of OTC medicines increased by 13.4%, to EUR 201 million in PPP, according to the figures from Finnish Pharmaceutical Data Ltd (SLD).

Sales of OTC medicines jumped by 38% in the fourth quarter of 2005 compared with the same quarter in the previous year, partly due to announced changes in the rebates policy. The Finnish Competition Authority declared that individual rebates given by medical companies to pharmacies are unlawful. The sales of prescription medicines increased only moderately, by 2.1%, owing to the 5% wholesale price cut implemented on all reimbursable medicines. These cuts came into effect on 1 January 2006.

The best-selling medicines in 2005 were Lipitor (cholesterol reducer, Pfizer), Zyprexa (anti-psychotic, Lilly), Seretide (anti-asthmatic, GSK), Norvasc (calcium antagonist, PFZ), Risperdal (anti-psychotic, Janssen-Cilag), Seroquel (anti-psychotic, AstraZeneca), Burana (anti-inflammatory, Orion) and Somac (proton pump inhibitor, Pfizer).

Financial performance and operations

	2005/2006 (12 months)	2004/2005 (13 months)	Change
Net sales, EUR million	1,039	984	6%
Employees, average	332	320	4%

Tamro Finland booked net sales of EUR 1,039 million in 2005/2006, up 6% from the previous 13-month financial year. Tamro's average market share was 57.9%, up by 4 percentage points year-over-year. The growth in Tamro's market share is mainly due to the new distribution agreement with Sanofi-Aventis.

Tamro Finland celebrated its 110-year anniversary in 2005 with customer and personnel events. The company is proud of its heritage and expanding operations in Tampere, where Tamro was founded in 1895. The distribution centre there was expanded during 2005 to handle the added volume from the Vantaa distribution centre. Now the Tampere distribution centre handles Tamro's distribution in Central and Southern Finland, and in total about half of all medicines in Finland.

Personnel

During the financial year, Tamro Finland's payroll averaged 332 (320) employees. The number of employees increased by 4% from the previous year, mainly due to new jobs created in Tampere.

Outlook for 2005

The sales-day-adjusted growth of the Finnish pharmaceutical market has been negative at -3% during the first three months of the year. This exceptional market development is caused by pharmacy hoarding of medicines at the end of 2005 due to the prohibition of pharmacy-specific rebates on medicines. Sales are also impacted by the 5% wholesale price cut on reimbursable medicines. Compared with other European countries, Finland has now the lowest wholesale prices along with Greece.

The Finnish pharmaceutical market will remain challenging during 2006. We expect the full-year growth to be around 3%. The Finnish government has announced that the cost of medicine reimbursement should have an annual growth ceiling of 5% during 2008–2011.

Tamro Norway (Apokjeden)

- In January–December 2005, total pharmaceutical sales in Norwegian pharmacies were EUR 1,985 million in pharmacy retail prices. The market growth in 2005 was 2.5%.
- Apokjeden's net sales for the accounting year in 2005/2006 amounted to EUR 700 million, up 3% from the previous 13-month financial year.

Markets and operating environment

The sales of medicines in pharmacies grew by 2.5%, which is low compared to the average growth in recent years. Factors contributing to the slow growth during 2005 were the introduction of the stepped pricing model, patent expiry for several patented brands and introduction of a scheme called "preferred treatment" for cholesterol-lowering agents. Furthermore, the sales of cox-2-inhibitors have contracted substantially.

The consumption of medicines as measured by DDD increased by 4.5% from 2004 to 2005. On average each Norwegian spent EUR 427 on pharmaceuticals in 2005.

As of 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 was to further reduce the prices of generics. The model has been a success for the government, though the government signals that it wants to further reduce the prices of generics within the boundaries of the model.

Apokjeden's retail concept Apotek 1 has the highest brand recognition in the industry. People's trust in pharmacies is at the same level as their trust in doctors. According to Apotekbarometeret by TNS Gallup in December 2005, Apotek 1 brand awareness (not assisted) is 64%, while the corresponding figures for Vitus and Alliance Unichem are 34% and 15%, respectively.

Financial performance and operations

	2005/2006 (12 months)	2004/2005 (13 months)	Change
Net sales, EUR million	700	677	3%
Employees, average	1,650	1,527	8%

Apokjeden's net sales for the accounting year in 2005/2006 amounted to EUR 700 million, up 3% from the previous 13-month financial year. Apokjeden's operational performance improved significantly in 2005 due to improvements in all entities. During the year, Tamro expanded its leading position in retail through several pharmacy acquisitions.

Apotek 1 is the largest pharmaceutical retailer in Norway, with 219 pharmacies. In 2005 Apotek 1 further strengthened its position, with a market share of approx. 43% excluding state-owned hospital pharmacies.

Personnel

During the financial year, Apokejden's payroll averaged 1,650 (1,527) employees, of which 88% worked in our fully owned pharmacies.

In 2005 we established a new structure for the Apotek 1 Academy. Pharmacy professionals now convene for two days of meetings and participate in both parallel and joint sessions. During the year more than 900 employees participated in this programme, which was well received.

The recruitment of pharmacists to pharmacies is still a major challenge, although the recruitment situation in Northern Norway has improved. There was strong focus on the recruitment of Swedish pharmacists in 2005.

Outlook for 2006

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.

Apokjeden's share of the pharmaceutical market in Norway is estimated to remain slightly above 43%. The ambition is to grow the business somewhat above the general market growth.

Tamro Estonia

- In January–December 2005, total pharmaceuticals sales in Estonia amounted to EUR 129 million in PPP. Market growth was only 5%.
- Tamro Estonia's net sales for the accounting year in 2005/2006 amounted to EUR 55 million, up 3% from the previous 13-month financial year.

Market environment and competitive situation

Market growth slowed down considerably during 2005 compared to 2003–2004 when the market grew 20%. The slowdown was due to regulatory changes in the Estonian reimbursement system, stronger focus on generic substitution and implementation of reference prices.

In 2005, the competitive situation remained fierce in the pharmaceutical wholesale market, with 80% of the market divided between Tamro Eesti and Magnum Medical and its affiliated companies. In 2005, the further vertical integration between pharmaceutical wholesalers and pharmacies continued.

In 2005, many new pharmacies were opened in anticipation of the restriction on pharmacy openings that will enter into force on 1 January 2006. In 2005, Estonia had 524 retail pharmacies, which is one of the lowest average number of pharmacies per capita.

Financial performance and operations

	2005/2006 (12 months)	2004/2005 (13 months)	Change
Net sales, EUR million	55	53	3%
Employees, average	209	164	27%

Tamro Estonia's net sales for the accounting year in 2005/2006 amounted to EUR 55 million, up 3% from the previous 13-month financial year. In Estonia Tamro continued to build up its presence in the Estonian retail market by acquiring several pharmacies.

Tamro's pharmacy chain Apteek1 has become the largest Estonian pharmacy chain, with 190 pharmacies. Together they hold a 34% share of the Estonian retail market.

During 2005 Tamro Estonia improved its web ordering environment. Now 50% of the total lines ordered are processed online. Estonia implemented a new ERP system, including thorough staff training. In pharmacies, Tamro extended its pharmacist training programmes and Apteek1 pharmacy marketing campaigns.

Personnel

During the financial year, Tamro Estonia's payroll averaged 209 (164) employees. Tamro Estonia organises Apteek1 pharmacy chain quarterly training days for both pharmacy managers and pharmacy workers. These very popular training days usually include topics that improve professional expertise and concern, for example, pharmacy management, consultative selling and customer service. Apteek1 pharmacy personnel are also encouraged to participate in the Estonian Pharmacist Union's training days, and they receive financial support for this.

Outlook for 2006

In 2006, the government will continue its policy of cost optimisation in health care. This will result in slower market growth and can lead to lower margins in wholesale and retail.

As the opening of new pharmacies has been restricted since 2006 and pharmaceutical consumption is relatively low, the price competition between existing pharmacies and pharmacy chains is likely to continue and accelerate.

Tamro Latvia

- In January–December 2005, pharmaceuticals sales reached EUR 147 million in PPP, an increase of 14% at CER on the previous year.
- Tamro Latvia's net sales for the accounting year in 2005/2006 amounted to EUR 87 million, down 9% from the previous 13-month financial year.

Operating environment and markets

The Latvian pharmaceutical market has maintained double-figure growth in recent years. The growth is attributed to increasing use of newer and more expensive medicines and increased state subsidies for medicines, e.g., to hospitals.

During 2005 the pharmacy industry in Latvia was affected by changes in legislation that introduced reference prices for reimbursed medicines and reduced the allowed mark-up percentage for wholesalers. These changes have resulted in sales growth and in a decline of the income level for wholesalers.

In 2005, pharmacies continued to consolidate around the leading pharmaceutical wholesalers. At the same time pharmacies have become financially stronger and showed a positive development trend, with the average sales of medicines to pharmacies increasing by 14%.

Financial performance and operations

	2005/2006 (12 months)	2004/2005 (13 months)	Change
Net sales, EUR million	87	96	-9%
Employees, average	276	274	1%

Tamro Latvia's net sales for the accounting year in 2005/2006 amounted to EUR 87 million, down 9% from the previous 13-month financial year. Investments in retail continued, and several pharmacies joined Tamro's Gimenes Aptieka chain.

During the reporting period Tamro's market share of sales to pharmacies reached 26%, which guaranteed second position in the Latvian wholesale market. In 2005, pharmacies' sales showed a 20% increase compared to 2004.

Tamro is further developing its voluntary chain project Tamro Aptieku programma for independent and loyal pharmacies. The project includes marketing contracts with manufacturers, special campaigns for pharmacy customers, regular meetings in order to exchange experiences and joint out-of-office activities both in Latvia and abroad. The voluntary chain project has grown from 45 pharmacies two years ago to 210 member pharmacies in February 2006, and it covers nearly 26% of the Latvian retail market.

Educative courses for pharmacy managers and pharmacists are arranged 3–4 times a year around topics of relevance to the audience, such as commercial law, finance management and customer service. Yearly attendance is about 50 pharmacy managers. Monthly educative seminars are organised in Tamro premises to inform pharmacists about new products and manufacturers. About 700 pharmacists attend these seminars yearly.

Personnel

During the financial year, Tamro Latvia's payroll averaged 276 (274) employees, of which 66% work in the retail business. Half of the personnel are under 40 years old and 85% are female.

Our employees are involved in competence development programmes and regularly attend sales and marketing workshops, improve their language and IT skills and build pharmaceutical and management practices. Ninety per cent of our retail pharmacists are members of the Latvian Association of Pharmacists.

Outlook for 2006

The pharmacy and wholesaler consolidation process is likely to continue, and this will strengthen the position of the top wholesalers.

The basis for achieving good results is our long-term relations with reliable partners as well as the ability to attract new customers. We aim to achieve good results both by increasing sales in Latvia and in the Baltic States in general and by continuing effective cost management.

Tamro Lithuania

- Pharmaceuticals sales in Lithuania continued their strong growth, climbing by nearly 17% at CER to EUR 329 million in PPP during 2005.
- Tamro Lithuania's net sales for the accounting year 2005/2006 amounted to EUR 84 million, down 6% from the previous 13-month financial year.

Operating environment and markets

The pharmaceutical market in Lithuania increased by 17% in 2005 and amounted to EUR 329 million in PPP. The main driver for the market growth was increased usage of more modern pharmaceuticals, as the average price per unit rose by 12%. Volume increase was at a moderate 4%.

The per capita consumption of pharmaceuticals was EUR 97 (83) at PPP. The Patient Fund continued to apply pressure on expenses for reimbursed pharmaceuticals. The Patient Fund's delay in paying for reimbursed pharmaceuticals caused a financial burden for wholesalers. Shortage of cash and poor operating results forced two medium-sized pharmaceutical wholesalers to bankruptcy at the beginning of 2005.

The consolidation trend in the wholesale market remained at previous levels, with the five biggest wholesalers holding a 78–80% share of the market. However, vertical integration was significantly stronger, as leading retailers developed their own wholesale divisions, and wholesalers expanded into retail.

Pharmacy chains continued to expand and strengthened their position to up to 65% (55% in 2005/2006, 35% in 2004/2005) of the market. This led to bankruptcies of independent pharmacies and losses for wholesalers. Consequently, for small pharmacies the pharmaceutical market will remain very challenging in the years to come.

Financial performance and operations

	2005/2006 (12 months)	2004/2005 (13 months)	Change
Net sales, EUR million	84	89	-6%
Employees, average	397	251	58%

Tamro Lithuania's net sales for the accounting year in 2005/2006 amounted to EUR 84 million, down 6% from the previous 13-month financial year. Tamro accounted for 20% of the Lithuanian pharmaceutical wholesale market.

Tamro continued its expansion into retail by acquiring the pharmacy chain Ramuciu Vaistine in October 2005 and several other smaller units during the year. Tamro's pharmacy chain Seimos Vaistine now includes 88 fully owned pharmacies.

Personnel

During the financial year, Tamro Lithuania's payroll averaged 397 (251) employees. Retail employed 69% and wholesale 31%. Over 54% of the personnel have a university degree. Women make up 77% of the personnel. The average age is 45 years, and the average duration of employment is 4 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. Internal promotion is always the first choice when there is a vacancy.

Training courses and seminars were arranged primarily to improve management skills. Special training courses were organised for middle management to improve negotiation and project management skills.

Outlook for 2006

The government policy to reduce hospitalisation will result in higher outpatient pharmaceutical consumption. The pharmaceutical market is expected to grow by 12–15% in 2006/2007. Pharmacy chains will continue to grow above market rates and increase their market share at the expense of independent pharmacies.

Tamro continues to invest in retail to secure and improve its position in the pharmaceutical supply chain. The main target of Tamro Lithuania for 2006/2007 is to develop its leading market position in wholesale and further improve financial performance.

Tamro MedLab

- Tamro MedLab's net sales for the accounting year in 2005/2006 amounted to EUR 133 million, down 1% from the previous 13-month financial year.

Markets and 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.

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

Financial performance and operations

	2005/2006 (12 months)	2004/2005 (13 months)	Change
Net sales, EUR million	133	134	-1 %
Employees, average	274	263	4 %

Tamro MedLab's net sales for the accounting year in 2005/2006 amounted to EUR 133 million, down 1% from the previous 13-month financial year.

The best sales development was in Norway and Denmark. In Baltic countries, especially in Estonia and Lithuania the sales development was very good.

Delay in the launch of Arkray's new blood sugar meter caused challenges in marketing and selling. In Denmark business was strengthened by acquiring the primary care -oriented Danpleje A/S. After the merger Tamro MedLab is second largest company operating in Denmark's health care market.

Tamro MedLab's own brand, OneMed, developed according to plans. We supplemented new products under OneMed-brand, mainly surgery textiles. Sales of OneMed-products developed well. OneMed will still be a strong focus area in the future.

Personnel

During the financial year, Tamro MedLab employed an average of 274 (263) employees.

Outlook for 2006

The Nordic economies continue their strong growth and we expect stable development in the health care sector. However, the scarcity of resources can create difficulties in many areas in healthcare. The planned communal re-organization in Finland can create changes the way healthcare services are produced. Tamro MedLab continues to strengthen its market position in all its operating countries.

Board of Directors' Report

Tamro Group continued its stable performance throughout the financial year 2005/2006. The year was marked again by moderate market growth and intense competition over market shares, but this challenge was met by keeping sustained focus on cost efficiency, customer orientation and business development.

During the reporting year, Tamro expanded its business through several acquisitions especially in the Baltics.

Markets and operating environment

Measured at constant exchange rates (CER), the growth of the Nordic pharmaceutical market has remained at approximately 5% in the past three years. The long term trends have continued in 2005: Medicine prices are decreasing due to increasing price competition and more products coming off patent, which further increases the usage of generics.

Increasing demands from the ageing population and new treatments remain the key growth drivers. However, governments are fighting against medicine costs growth by introducing regulatory measures such as restrictions in the reimbursement schemes and price revisions.

For the full year 2005, total pharmaceuticals sales in the Nordic countries rose by 5.3% at CER to EUR 7.3 billion in pharmacy purchasing prices (PPP). Growth was distributed unevenly between the countries. The growth was fastest in Finland with 6.8%. Norway recorded slowest growth with an average of 2%, owing to cost-containment measures and the widening use of the stepped pricing system for generics. Sweden's market growth recovered by two percentage points to 4.3% and the Danish pharmaceuticals wholesale sales grew by 5.8%.

Tamro further developed its position in the Nordic pharmaceutical wholesale market, owing largely to sales growth in Finland, Sweden and Denmark. Tamro's pharmaceuticals wholesale in the Nordic area increased by 8% at CER to EUR 3,616 million in PPP. As a consequence, Tamro's average market share of pharmaceuticals wholesale rose to 52.3% in the Nordic countries, 1.5 percentage points higher than in 2004.

For the full year 2005, the total wholesale value of pharmaceuticals sales in the Baltic countries rose to EUR 604 million in PPP, surpassing the previous year's sales by 13 percent or EUR 71 million at CER. In spite of the relatively rapid growth in the recent years, pharmaceutical consumption in the Baltic countries is still significantly below the Nordic or EU average. Lithuania had the highest growth, followed by Latvia and Estonia. In Estonia, the growth was disappointing slow.

Full-year net sales and financial performance

The Tamro Group net sales for the fiscal year 2005/2006 amounted to EUR 4,857 million, which represents an increase of 8% compared to the sales in calendar year 2004 (EUR 4,488 million). Sales increased due to several retail acquisitions in the Baltics and Norway, the acquisition of Danpleje A/S in Denmark and exclusive distribution contracts won in Sweden and Finland (Sanofi-Aventis).

The consolidated operating profit was EUR 117 (93) million, and the operating margin was 2.4% (1.9%). The performance was driven by good performance in Norway, stable sales growth across several countries and strong control of operating and financial expenses. The result includes a one-time capital gain of EUR 7 million from a sale of property in Denmark.

The consolidated ordinary profit before taxes was EUR 111 (89) million. The return on capital employed increased to 28 (19)%, while the return on equity rose to 25 (16)%.

Financing

Stable operational performance improved Tamro Group's debt capacity during the financial year and enabled further expansion of Tamro's activities.

The amount of the Finnish commercial paper program was increased from EUR 200 million to EUR 300 million and the issuer of the commercial papers was changed from Tamro Corporation to Tamro Finance Ltd. in June 2005. Tamro Corporation guarantees the commercial papers issued by Tamro Finance Ltd.

The back stop arrangement made with the Group's core banks had EUR 200 (200) million available limit at the end of the financial year. The arrangement ensured funding for an average one year and four months forward. The aggregate available limit in the Danish DKK 1,050 (EUR 141) million and in the Swedish SEK 1,200 (EUR 130) million Asset Securitisation programmes was EUR 67 (124) million.

The financial position remained solid throughout the financial year. The net debt on the balance sheet was EUR 83.0 (60.1) million at the year-end. Effective net debt, including as debt the EUR 176.3 (133.1) million receivables sold in January, totalled to EUR 259.2 (193.2) million. EUR 21 million dividend 2004/2005 was paid in May and EUR 101 million in August. The average effective net debt in financial year 2005/2006 was EUR 254 (165) million.

The liquid assets contracted to EUR 9.9 (13.2) million. The Group's net gearing was 26.4 (17.0) % and the equity ratio decreased to 29.8 (33.6) %. Net effective debt / EBITDA ratio was 1.7 at the end of the financial year.

Free cash flow and net working capital

The full-year free cash flow was EUR 95.1 (101.5) million. The operative cash flow before net working capital changes was EUR 116.8 (107.7) million and it improved from the last year's 13 months cash flow. The cash flow from the net working capital changes was EUR 32.7 (56.5) million. The change in the sold receivable amount affected the reported cash flow positively by EUR 43.2 (58.9) million. The net investments were EUR -54.4 (-62.7) million. The net working capital decreased to EUR 48.3 (85.6) million. The reduction is less than the amount of sold receivables increased and so effectively net working capital slightly increased to EUR 224.6 (218.7) million.

Financial expenses

The Group's net financial expenses were EUR -5.7 (-4.0) million in the financial year 2005/2006. The increase came mainly from the higher average effective net debt and partly from the higher interest rates during the latter part of the year. The exchange rate gains represented EUR 0.3 (0.3) million and the other financial expenses and income were EUR 0.0 (-0.3) million. Total percentage cost of financing remained at the same level as during the last year 2.24 (2.24) %.

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 33 (34)%, DKK 25 (24)%, EUR 22 (22)%, NOK 15 (14)% and EEK, LVL, and LTL together 5 (6)% of the Group's net sales.

The major part of the Group's purchases is also denominated in local currency. Only 3 (4) %, or EUR 136 (163) million of the purchases are exposed to a currency risk. The currency split for that amount was EUR 89 (89) %, USD 6 (5) % , and, in other currencies 5 (6) %.

The foreign-currency-denominated shareholders equity and equity type loans were EUR 519 (442) million at the financial year-end 31.1.2006. Currency split of the equity exposure was at year-end; NOK 40 (39) %, SEK 25 (27)%, DKK 25 (23)% and others 10 (11)%. The translation differences from the foreign-currency-denominated shareholders' equity and the equity type loans of the overseas subsidiaries were EUR +1.4 (+1.8) million during the financial year 2005/2006. This amount affects directly the consolidated equity of the Group.

Assesment of operational risks and uncertainties

The company is subject to strategic and operational risks, where the most prominent are legislative and regulatory measures imposed by the authorities. Operational risks include changes in the competitive environment, stable operation of IT-systems and availability of the transport infrastructure.

The foreign currency and other financial risks are managed according to the finance policy of the Group. Additional information about the risk and risk management activities can be found from the Financial Risk Management section.

Capital expenditure and acquisitions

The capital expenditures and acquisitions were EUR 71.8 (64.1) million, somewhat higher than last year in 13 months and about two times the depreciation level. Investments were made mainly to the retail sectors in Norway, Estonia and Lithuania. Tamro MedLab invested in Danpleje A/S, being active in the health care sector in Denmark. Tamro Corporation made an agreement to increase its shareholding in Russia's third largest pharmaceutical wholesaler ZAO Rosta from 18% to 42.5% of the share capital. The deal is expected to receive approval from Russian competition authorities in April.

Major changes in the group structure

The fiscal year 2005/2006 was marked by several acquisitions.

In Denmark, Tamro MedLab signed an agreement 26 October 2005 to purchase Danpleje A/S, the second largest home care supply company in Denmark. Danpleje A/S was fully consolidated into Group figures from November 2005.

In Norway, Tamro expanded its leading position in retail through several pharmacy acquisitions during the year. Now Apokjeden's Apotek1-chain consists of 218 pharmacies, and Tamro Group's ownership in Apokjeden has reached 100% (99.34%).

In Estonia Tamro continued to build up its presence in the Estonian retail market by acquiring several pharmacies. Tamro's pharmacy chain Apteek1 now consists of 185 pharmacies and is second largest in the market.

Investments into retail continued also in Latvia, where several pharmacies joined Tamro's Gimenes Aptieka –chain. Through ownership and cooperation agreements Tamro now holds a 20% market share in the Latvian retail market.

In Lithuania Tamro continued expansion into retail by acquiring the pharmacy chain Ramuciu Vaistine in October 2005 and several other smaller units during the year. Tamro's pharmacy chain Seimos Vaistine now includes 88 fully owned pharmacies.

On 29 November Tamro announced its entrance into the Polish pharmaceutical wholesale. The business responsibility is transferred from Tamro's parent company Phoenix Group. Tamro acquires the company Phoenix Pharma Polska Sp. z o.o., which employs 277 people and has an annual turnover of EUR 145 million. The company is consolidated into Tamro Group from the beginning of the new fiscal year 1.2.2006.

Personnel and organisation

Tamro's payroll averaged 4,223 (3,909) employees over the financial year. Of the total staff active in whole and retail of pharmaceuticals, 39% worked in Norway, 15% in Denmark, 11% in Sweden, 9% in Lithuania, 8% in Finland, 7% in Latvia and 5% in Estonia. Additionally MedLab Group employed 6% of the personnel.

Board of Directors and Auditors

The Annual General Meeting of 3 May 2005 elected six members to Tamro's Board of Directors.

Dr Bernd Scheifele was re-elected as Chairman, and Mikael von Frenckell, Reimund Pohl, Dr Lorenz Näger and Matti Elovaara were re-elected as Board members. Dr. Reinhard Rupp, CFO of Phoenix Goup, was elected as a new member.

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

Events after the financial year

On 27 March Tamro announced the acquisition of a Polish pharmaceutical pre-wholesaler FarmPlus Sp z.o.o from Mediplus Incorporated. FarmPlus with net sales exceeding EUR 250 million will significantly increase Tamro's presence in Poland and facilitate better service for its customers.

Outlook for the next financial year

The pharmaceuticals wholesale market in our operating countries grew by around 6% at CER in 2005. For 2006 we expect this growth to slow down to approximately 5% at CER.

In the Nordic countries we expect the market to grow at around 4% in 2006, mainly due to the falling price trend. Overall market growth in the Baltic countries is expected to continue in double digit figures in 2006. Our forecast for market growth in Poland is about 6%.

We expect Tamro's pharmaceutical wholesale business to grow beyond market average in 2006. The expansion into Poland will provide long-term growth potential.

Tamro Group continues its strategy based on cost leadership and customer orientation while expanding in emerging markets. We aim to offset the moderate market growth and tight competition by continuous operational improvements and active business development. With these measures we expect sustained profitability for the financial year 2006/2007.

Net sales by unit (EURm)	11/05- 1/06 2005	8-10 2005	5-7 2005	2-4 2005	2/05-1/06 2005	1-13 2004	Change, %
Tamro Sweden	396.1	376.7	368.9	394.6	1,536.3	1,616.0	-4.9
Tamro Denmark	321.4	305.6	310.9	293.0	1,230.9	1,219.7	0.9
Tamro Finland	275.9	271.3	250.9	241.0	1,039.1	984.3	5.6
Tamro Norway	187.2	179.7	176.1	156.5	699.5	676.8	3.4
Tamro Estonia	14.6	13.4	13.1	13.8	54.9	53.3	3.0
Tamro Latvia	23.4	22.2	19.0	22.4	87.0	95.6	-9.0
Tamro Lithuania	23.1	19.8	20.5	20.2	83.6	88.6	-5.6
Tamro MedLab	39.5	31.4	29.8	31.8	132.5	133.8	-1.0
Other	-1.8	-1.9	-1.7	-1.6	-7.0	-11.4	-38.6
Total	1,279.4	1,218.2	1,187.5	1,171.7	4,856.8	4,856.7	0.0

Number of employees by unit	11/05- 1/06 2005	8-10 2005	5-7 2005	2-4 2005	2/05-1/06 2005	1-13 2004	Change, %
Tamro Sweden	433	470	468	438	448	468	-4.3
Tamro Denmark	617	619	614	604	614	621	-1.1
Tamro Finland	330	336	345	321	332	320	3.8
Tamro Norway	1,698	1,687	1,625	1,589	1,650	1,527	8.1
Tamro Estonia	210	203	209	213	209	164	27.4
Tamro Latvia	282	276	273	272	276	274	0.7
Tamro Lithuania	425	407	389	378	397	251	58.2
Tamro MedLab	285	269	268	270	274	263	4.2
Other	22	23	22	22	23	21	9.5
Group total	4,302	4,290	4,213	4,107	4,223	3,909	8.0

Board of Directors

Dr Bernd Scheifele	Born 1958, Chairman of the Board, LL.M. CEO, HeidelbergCement AG
Matti Elovaara	Born 1939, B.Sc. (Econ) Commercial Counsellor
Mikael von Frenckell	Born 1947, M. Pol.Sc., Chairman of the Board of Sponsor Capital Oy, Commercial Counsellor
Dr Lorenz Näger	Born 1960, PhD, MBA CFO, HeidelbergCement AG
Reimund Pohl	Born 1952, MBA CEO, PHOENIX Group
Dr Reinhard Rupp	Born 1953, Dr. (Econ.) CFO, PHOENIX Group

Consolidated Income Statement

(in EUR thousands)	NOTES	1 Feb 2005- 31 Jan 2006	%	1 Jan 2004- 31 Jan 2005	%
NET SALES	1	4,856,838	100.0	4,856,722	100.0
OTHER INCOME	2	7,576		435	
Raw materials and services	3	4,442,079		4,467,438	
Personnel expenses	4	185,694		178,061	
Depreciation and value adjustments	5	34,931		34,963	
Other operating expenses		85,258		84,153	
Total operating expenses		4,747,962		4,764,615	
OPERATING PROFIT		116,452	2.4	92,542	1.9
Financial income and expenses	6	-5,672		-4,078	
Share of associated companies' net income	9	287		317	
PROFIT BEFORE TAXES		111,067	2.3	88,781	1.8
Income taxes	7	-28,051		-23,004	
Minority interest		-257		-264	
NET PROFIT FOR THE PERIOD		82,759	1.7	65,513	1.3

Consolidated balance sheet

(in EUR thousands)	NOTES	31 Jan 2006	%	31 Jan 2005	%
FIXED ASSETS					
INTANGIBLE ASSETS					
Intangible rights	8	4,883		2,160	
Goodwill	8	167,375		141,245	
Consolidated goodwill	8	14,791		13,679	
TANGIBLE ASSETS	8	137,637		149,013	
FINANCIAL ASSETS					
Shares in subsidiaries		110		112	
Shares in associated companies	9	4,151		7,315	
Other shares and participations	9	15,055		388	
TOTAL FIXED ASSETS		344,002	32.5	313,912	29.9
CURRENT ASSETS					
Inventories		305,143		307,126	
Receivables					
Long-term receivables	10	21,908		18,152	
Short-term receivables	11	377,112		398,769	
Short-term investments		50		49	
Cash and bank		9,858		13,151	
TOTAL CURRENT ASSETS		714,071	67.5	737,247	70.1
TOTAL ASSETS		1,058,073	100.0	1,051,159	100.0

(in EUR thousands)	NOTES	31 Jan 2006	%	31 Jan 2005	%
SHAREHOLDERS' EQUITY	14				
Share capital	13	114,837		114,837	
Share premium account		5,641		5,641	
Revaluation reserve		1,093		1,093	
Other reserves		187		217	
Retained earnings		192,746		229,979	
		314,504	29.7	351,767	33.5
Minority interest		296	0.0	1,012	0.1
OBLIGATORY RESERVES	15	2,277	0.2	1,783	0.2
LIABILITIES					
LONG-TERM LIABILITIES	16	28,044		16,666	
SHORT-TERM LIABILITIES	17	712,952		679,931	
TOTAL LIABILITIES		740,996	70.0	696,597	66.3
TOTAL EQUITY AND LIABILITIES		1,058,073	100.0	1,051,159	100.0

Consolidated Cash Flow Statement

(in EUR millions)

1 Feb 2005- 1 Jan 2004-
31 Jan 2006 31 Jan 2005

CASH FLOW BEFORE CHANGE IN NET WORKING CAPITAL

Operating profit	116.5	92.5
Depreciation, value adjustments and other adjustments	30.3	32.6
Financial income and expenses	-6.0	-4.3
Other income and expenses	-7.0	0.3
Taxes	-17.0	-13.4
	116.8	107.7

CHANGE IN NET WORKING CAPITAL

Inventories, increase (-), decrease (+)	2.0	-3.3
Current receivables, increase (-), decrease (+)	22.0	51.2
Non-interest bearing debts, increase (+), decrease (-)	8.7	8.6
	32.7	56.5

CASH FLOW FROM OPERATING ACTIVITIES

149.5 164.2

CASH FLOW FROM INVESTING ACTIVITIES

Investments in fixed assets	-71.8	-64.1
Sale of fixed assets and other changes	17.4	1.4
	-54.4	-62.7

FREE CASH FLOW

95.1 101.5

CASH FLOW FROM FINANCING ACTIVITIES

Long-term debt, increase (+), decrease (-)	0.0	-2.6
Short-term debt, increase (+), decrease (-)	21.0	-17.7
Long-term bonds, increase (-), decrease (+)	6.0	-1.2
Dividends	-121.4	-84.7
Translation differences and other changes	-4.0	-4.4
	-98.4	-110.6

CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (-)

-3.3 -9.1

CASH AND CASH EQUIVALENTS, OPENING BALANCE

13.2 22.3

CASH AND CASH EQUIVALENTS, CLOSING BALANCE

9.9 13.2

In 2005/06 the change in net working capital included an increase in the sales of receivables of EUR 43 million.

In 2004/05 the change in net working capital included an increase in the sales of receivables of EUR 59 million.

Consolidated Income Statement of Parent Company

(in EUR thousands)	NOTES	1 Feb 2005- 31 Jan 2006	%	1 Jan 2004- 31 Jan 2005	%
NET SALES	22	1,041,022	100.0	985,743	100.0
OTHER INCOME	23	27		39	
Raw materials and services	24	1,001,431		946,042	
Personnel expenses	25	19,782		18,920	
Depreciation according to plan	26	3,828		4,329	
Other expenses		5,533		6,763	
Total operating expenses		1,030,574		976,054	
OPERATING PROFIT		10,475	1.0	9,728	1.0
Financial income and expenses	27	694		6,747	
PROFIT BEFORE EXTRAORDINARY ITEMS		11,169	1.1	16,475	1.7
Extraordinary income and expenses	28	33		-560	
PROFIT BEFORE APPROPRIATIONS AND TAXES		11,202	1.1	15,915	1.6
Appropriations	29	1,600		1,947	
Income taxes	30	-3,751		-5,562	
NET PROFIT FOR THE PERIOD		9,051	0.9	12,300	1.2

Balance Sheet of Parent Company

(in EUR thousands)	NOTES	31 Jan 2006	%	31 Jan 2005	%
FIXED ASSETS					
INTANGIBLE ASSETS	31	1,725		968	
Goodwill	31	1,626		2,183	
TANGIBLE ASSETS	31	42,116		43,117	
FINANCIAL ASSETS					
Shares in subsidiaries	32	432,914		431,956	
Other shares and participations	33	14,959		291	
TOTAL FIXED ASSETS		493,340	65.3	478,515	55.5
CURRENT ASSETS					
INVENTORIES		72,314		72,889	
LONG-TERM RECEIVABLES	34	475		5,124	
SHORT-TERM RECEIVABLES	35	188,994		301,578	
Short-term investments		50		49	
Cash and bank		677		4,220	
TOTAL CURRENT ASSETS		262,510	34.7	383,860	44.5
TOTAL ASSETS		755,850	100.0	862,375	100.0

(in EUR thousands)	NOTES	31 Jan 2006	%	31 Jan 2005	%
SHAREHOLDERS' EQUITY	37				
Share capital	13	114,837		114,837	
Share premium account		5,640		5,640	
Revaluation reserve		1,093		1,093	
Retained earnings		223,736		336,051	
		345,306	45.7	457,621	53.1
APPROPRIATIONS					
Accumulated depreciation difference	38	25,874	3.4	27,474	3.2
OBLIGATORY RESERVES	39	690	0.1	1,116	0.1
LIABILITIES					
SHORT-TERM LIABILITIES	40	383,980	50.8	376,164	43.6
TOTAL EQUITY AND LIABILITIES		755,850	100.0	862,375	100.0

Consolidated Cash Flow Statement of Parent Company

(in EUR millions)	1 Feb 2005- 31 Jan 2006	1 Jan 2004- 31 Jan 2005
CASH FLOW BEFORE CHANGES IN NET WORKING CAPITAL		
Operating profit	10.5	9.7
Depreciation, value adjustments and other adjustments	3.8	6.2
Financial income and expenses	0.8	9.0
Other income and expenses	-0.5	0.4
Taxes	-4.4	-2.1
	10.2	23.2
CHANGE IN NET WORKING CAPITAL		
Inventories, increase (-), decrease (+)	0.6	-5.0
Current receivables, increase (-), decrease (+)	17.3	-23.4
Non-interest bearing debts, increase (+), decrease (-)	-15.1	31.4
	2.8	3.0
CASH FLOW FROM OPERATING ACTIVITIES	13.0	26.2
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in fixed assets	-18.8	-2.2
Investment in subsidiary shares		-82.4
Sale of fixed assets and other changes	0.2	-1.8
	-18.6	-86.4
FREE CASH FLOW	-5.6	-60.2
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term receivables, increase (-), decrease (+)	0.0	257.6
Short-term receivables, increase (-), decrease (+)	99.7	-196.9
Long-term debt, increase (+), decrease (-)	0.1	-2.7
Short-term debt, increase (+), decrease (-)	23.8	81.8
Other changes	-0.1	-1.5
Dividends	-121.4	-84.7
	2.1	53.6
CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (-)	-3.5	-6.6
CASH AND CASH EQUIVALENTS, OPENING BALANCE	4.3	10.9
CASH AND CASH EQUIVALENTS, CLOSING BALANCE	0.7	4.3

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.

Tamro Group's parent company is Phoenix Pharmahandel AG & Co KG, located in Mannheim, Germany.

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. Associated companies are defined as companies in which the Group holds 20 to 50 per cent of the voting rights. Certain small associated companies 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-subsidiary 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 financial year of all Group companies is 1st February – 31st January. The previous financial year was exceptionally 13 months due to change of financial year 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 associated 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. In the Parent Company, Group contributions paid and/or received have also been recorded 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.

Notes to the Financial Statement

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2006 31 Jan 2005

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

By market area:

Sweden	1,590.5	1,674.3
Denmark	1,224.2	1,178.0
Finland	1,098.1	1,047.0
Norway	709.4	691.2
Baltic States	225.6	232.1
Others	9.0	34.1
	4,856.8	4,856.7

By unit:

Tamro Sweden	1,536.3	1,616.0
Tamro Denmark	1,230.9	1,219.7
Tamro Finland	1,039.1	984.3
Tamro Norway	699.5	676.8
Tamro Baltics	225.5	237.5
Tamro MedLab	132.5	133.8
Others	-7.0	-11.4
	4,856.8	4,856.7

2. OTHER INCOME

Gain on sale of fixed assets	7,576	435
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3. RAW MATERIALS AND SERVICES

Raw materials and consumables

Purchases during the financial period	4,411,749	4,442,110
Inventories, incr. (-), decr. (+)	1,983	-3,346
External services	28,347	28,674
Raw materials and services total	4,442,079	4,467,438

4. PERSONNEL EXPENSES

Average personnel by unit:

Tamro Sweden	448	468
Tamro Denmark	614	621

Tamro Finland	332	320
Tamro Norway	1,650	1,527
Tamro Baltics	882	689
Tamro MedLab	274	263
Others	23	21
	4,223	3,909
Personnel expenses:		
Wages and salaries during the financial year	153,664	145,693
Payroll related social costs		
Pension costs	7,442	8,714
Other payroll related social costs	24,588	23,654
	185,694	178,061
Wages and salaries paid to:		
Boards of Directors, CEO and Managing Directors	4,499	3,617

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	906	1,258
Goodwill	10,334	9,036
Consolidated goodwill	1,699	1,191
Other capitalised expenditure	86	432
Buildings	7,439	7,820
Machinery and equipment	14,183	14,806
Other tangible assets	284	274
	34,931	34,817

In financial year 2004/05 the value adjustments on machinery and equipment were EUR 0.1 million.

6. FINANCIAL INCOME AND EXPENSES

31 Jan 2006 31 Jan 2005

Income from non-current financial assets		
Dividend income	-30	252
Interest income	151	148
Other interest and financial income		
Interest income	1,251	958
Other financial income	0	32
Other interest and financial expenses		
Interest expenses	-5,361	-5,142
Other financial expenses	-2,025	-581
Exchange rate differences, net	342	255
	-5,672	-4,078

7. INCOME TAXES

Income taxes on ordinary activities		
Finnish Group companies	-2,387	-5,050
Foreign Group companies	-13,752	-10,048
	-16,139	-15,098
Income taxes from previous years	73	28
Change in deferred tax liability specified in note 19	-11,985	-7,934
Income taxes total	-28,051	-23,004

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 Feb 2005	13,715	167,147	68,915	5,761	258	9,897	151,962	126,576	1,821	984
Increase	1,780	21,499	2,810	1,151	916	1	3,734	10,745	626	6,050
Decrease	-314	-361		-87		-252	-13,391	-5,022	-131	-303
Other changes	692	10,216	1	94			11,778	8,990	46	-80
Acquisition value 31 Jan 2006	15,872	198,501	71,726	6,919	1,174	9,646	154,083	141,289	2,362	6,651
Accumulated depr. 1 Feb 2005	-11,998	-25,902	-55,236	-5,576			-51,291	-92,948	-763	0
Increase	-906	-10,334	-1,699	-86			-7,439	-14,183	-284	
Decrease	6	285		3			4,969	4,446	59	
Other changes	-68	2,412		-445			-11,912	-9,618	-315	
Accumulated depr. 31 Jan 2006	-12,966	-33,539	-56,935	-6,104	0	0	-65,673	-112,303	-1,303	0
Value adjustments 1 Feb 2005 & 31 Jan 2006						420	2,355			
Translation difference	-12	2,413		-1		-80	-173	347	-5	21
Bookvalue 31 Jan 2006	2,895	167,375	14,791	814	1,174	9,986	90,592	29,333	1,054	6,672
Bookvalue 31 Jan 2005	1,717	141,245	13,679	185	258	10,317	103,026	33,628	1,058	984

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 2006 **31 Jan 2005**

Machinery and equipment in production use, book value

99

222

Notes to the Financial Statement

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2006 31 Jan 2005

NOTES TO THE CONSOLIDATED BALANCE SHEET

9. ASSOCIATED COMPANIES

Opening balance	7,315	9,642
New associated companies	0	159
Omitted associated companies	0	-2,169
Associated companies converted into subsidiaries	-3,210	-796
Share of net results	287	317
Translation differences	176	162
Other differences	-417	0
Closing balance	4,151	7,315

	Group share of holding %	Parent company share of holding %
OÜ Mai Apteek, Pärnu, Estonia	49.0	-
Svolvaer Apotek AS, Svolvaer, Norway	49.0	-
Apoteket Mynten AS, Kongsberg, Norway	40.0	-
Apoteket Tordenskjold AS, Bodo, Norway	34.0	-
Hjorten Apotek AS, Hafrsfjord, Norway	34.0	-
Namsos Apotek AS, Namsos, Norway	34.0	-
OÜ Ravikeskuse, Viimsi vald Harjumaa, Estonia	33.0	-
Soft Design A/S, Copenhagen, Denmark	29.8	-
Websydian A/S, Copenhagen, Denmark	29.8	-

The associated companies have been consolidated using the equity method. Included in the associated companies is undepreciated goodwill amounting to EUR 2,673 thousand.

Other shares and participations

ZAO Rosta	14,814
HEX Plc	27
Telephone company shares etc.	7
Real estate and other shares	207
	15,055

10. LONG-TERM RECEIVABLES

Pension fund receivable	17,210	12,188
Other receivable	118	5,829
Deferred income tax asset	4,580	0
Receivables from affiliated companies		
Loan receivable	-	135
	21,908	18,152

11. SHORT-TERM RECEIVABLES

Accounts receivable	324,689	351,483
Loan receivable	5,913	936
Prepaid expenses and accrued income	13,934	24,518
Other receivable	31,714	16,797
Receivables from affiliated companies		
Accounts receivable	862	5,035
Loan receivable	-	-
	377,112	398,769

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 130) million and in Nomeco A/S Denmark DKK 1,050 (EUR 141) million. The sold receivable amounts were respectively SEK 1,007 (EUR 109) million and DKK 503 (EUR 67) million at the end of the financial year. The reserve related to the sold receivables is reported under other current assets. On-going costs of the arrangements are reported as interest expenses in net financial items.

12. PREPAID EXPENSES AND ACCRUED INCOME

Financial items	6,701	14,619
Prepaid expenses	4,285	6,114
Income tax receivable	2,314	2,156
Other prepaid expenses and accrued income	325	478
Other income	309	1,151
Total	13,934	24,518

13. SHARE CAPITAL AND SUBSCRIPTION TERMS AND CONDITIONS

The company's share capital as at 31 Jan 2006 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
Share option rights 2000	2,330,000	1.99%
Total no of shares incl. share option rights	117,167,083	100.00%

Terms of subscription

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 Jan 2004	114,837	5,641	1,093	975	454	247,108	370,108
Dividend						-84,727	-84,727
Net profit 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
Dividend						-121,381	-121,381
Net income for the year						82,759	82,759
Translation differences						1,356	1,356
Transfers within equity							0
Other change					-30	33	3
Equity 31 Jan 2006	114,837	5,641	1,093	0	187	192,746	314,504

Distributable equity	
Retained earnings	192,746
Accumulated appropriations, net of tax	-29,732
Distributable equity 31 Jan 2006	163,014

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2006 31 Jan 2005

15. OBLIGATORY RESERVES

Pension reserves	1,944	1,277
Other reserves	333	506
	2,277	1,783

16. LONG-TERM LIABILITIES

Pension fund loans	12,181	12,009
Loans from financial institutions	435	429
Deferred tax liability	14,898	3,806
Other long-term liabilities	530	422
	28,044	16,666
Long-term liabilities due after five years:		
Pension fund loans	11,897	11,746
Loans from financial institutions	276	420
	12,173	12,166

Of the above pension loans EUR 11,897,000 (11,746,000) 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. SHORT-TERM LIABILITIES

Pension fund loans	0	2,712
Loans from financial institutions and interest bearing advance payments	80,169	57,840
Deferred tax liability	4,595	0
Advances received	0	81
Accounts payable	547,308	536,279
Accrued expenses and deferred income	44,077	58,590
Other short-term liabilities	36,803	24,429
	712,952	679,931

18. ACCRUED EXPENSES AND DEFERRED INCOME

Personnel expenses	27,385	27,942
Income tax liability	1,671	1,190
Rent expenses	1,592	1,582
IT-expenses	314	598

Financial items		104	15,557
Other accrued expenses and deferred income		13,011	11,721
Total		44,077	58,590

19. DEFERRED INCOME TAXES

	1 Jan 2004	Charged/ (credited) to P/L income tax	Charged/ (credited) to P/L extraord	Other changes	31 Jan 2005
Deferred income tax liabilities					
Untaxed reserves and acc depr	16,517	-428		-28	16,061
	16,517	-428		-28	16,061
Deferred income tax assets					
Tax loss carry forwards	13,683	6,653		-178	7,208
Other temporary timing 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

	1 Feb 2005	Charged/ (credited) to P/L income tax	Charged/ (credited) to P/L extraord	Other changes	31 Jan 2006
Deferred income tax liabilities					
Untaxed reserves and acc depr	16,061	3,514		-82	19,493
	16,061	3,514		-82	19,493
Deferred income tax assets					
Tax loss carry forwards	7,208	6,395		-226	1,039
Other temporary differences	5,047	2,076		-570	3,541
	12,255	8,471	0	-796	4,580
Net deferred income tax liability(+) / receivable (-)	3,806	11,985	0	-878	14,913

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

OTHER NOTES TO THE FINANCIAL STATEMENTS

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2006 31 Jan 2005

20. CONTINGENT LIABILITIES

Mortgages		
For own debts (1)	1,433	1,487

Guarantees		
For debts of the group companies' management	-	197
For debts of others	542	752
	542	949
Other commitments		
Leasing commitments		
Next year	2,385	2,271
Over one year	2,312	1,783
Rent commitments	39,229	21,595
Other commitments	159	283
	44,085	25,932
Group liabilities, secured by mortgages, pledges and other commitments:		
Mortgages (1)	401	429

21. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives - notional amounts		
Currency instruments		
Currency forward contracts	288,745	215,993
Interest rate instruments		
Interest rate swaps	-	10,000
Derivatives - market value		
Currency instruments		
Currency forward contracts	-135	-149
Interest rate instruments		
Interest rate swaps	-	-164

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.

Notes to the Financial Statement

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2006 31 Jan 2005

NOTES TO THE PARENT COMPANY INCOME STATEMENT

22. NET SALES BY MARKET AREA AND UNIT

By market area:

Finland	1,040,717	985,392
Baltic countries	305	351
	1,041,022	985,743

23. OTHER INCOME

Gain on sale of fixed assets	27	39
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24. RAW MATERIALS AND SERVICES

Raw materials and consumables

Purchases during the financial period	996,523	946,651
Inventories, incr. (-), decr. (+)	575	-4,961
External services	4,333	4,352
	1,001,431	946,042

25. PERSONNEL EXPENSES

Wages and salaries during the financial year	14,789	14,511
Payroll related social costs		
Pension costs	3,391	3,201
Other payroll related social costs	1,602	1,208
	19,782	18,920

Wages and salaries paid to:

Boards of Directors and CEO	1,036	552
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The pensionable age of the CEO has been stipulated at 60 years.

Average personnel	351	340
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26. DEPRECIATION AND VALUE ADJUSTMENTS

Depreciation according to plan		
Intangible rights	345	664
Goodwill	557	606
Other capitalised expenditure	4	19
Buildings	1,912	2,003
Machinery and equipment	1,010	1,037
	3,828	4,329

27. FINANCIAL INCOME AND EXPENSES

Income from non-current financial assets		
Dividend income	-31	251
Interest income	0	5,560
Value adjustments on shares included in financial assets		
Write-off of the subsidiary shares	0	-1,878
Other interest and financial income		
Interest income	4,018	5,073
Other financial income	32	32
Other interest and financial expenses		
Interest expenses	-3,356	-5,014
Other financial expenses	-61	-45
Exchange rate differences, net	92	2,768
	694	6,747
From Group companies:		
Income from non-current financial assets		
Dividend income		0
Interest income	0	5,560
Other interest and financial income		
Interest income	3,514	4,536
Other financial income	265	32
Other interest and financial expenses		
Interest expenses	-2,015	-2,111
	1,764	8,017

28. EXTRAORDINARY INCOME AND EXPENSES

Group contribution	33	-560
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29. APPROPRIATIONS

Accelerated depreciation in the income statement		
Intangible rights	77	234
Goodwill	557	606
Other capitalised expenditure	0	1
Buildings	1,081	1,271
Machinery and equipment	-115	-165
	1,600	1,947

30. INCOME TAXES

Income taxes on ordinary activities	-1,196	-4,426
Change in deferred taxes	-2,555	-1,136
	-3,751	-5,562

Notes to the Financial Statement

NOTES TO THE PARENT COMPANY BALANCE SHEET

31. 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 Feb 2005	9,281	39,594	1,708	258	928	61,159	31,737	275	683
Increase	190			916		1,708	886		
Decrease								-41	-632
Acquisition value 31 Jan 2006	9,471	39,594	1,708	1,174	928	62,867	32,623	234	51
Accumulated depr. 1 Feb 2005	-8,640	-37,411	-1,639	0	0	-25,727	-28,713	0	0
Increase	-345	-557	-4			-1,912	-1,010		
Accumulated depr. 31 Jan 2006	-8,985	-37,968	-1,643	0	0	-27,639	-29,723	0	0
Value adjustments 1 Feb 2005 - 31 Jan 2006					420	2,355			
Bookvalue 31 Jan 2006	486	1,626	65	1,174	1,348	37,583	2,900	234	51
Bookvalue 31 Jan 2005	641	2,183	69	258	1,348	37,787	3,024	275	683

32. GROUP COMPANIES

Acquisition value 1 Feb 2005	431,956
Increase	958
Acquisition value 31 Jan 2006	432,914

Company	Registered office	Group share of		Parent company share of holding %	Shares owned by the parent company		
		holding and votes %	share-holders' equity		Number of shares	Nominal value	Book value
Nomeco A/S	Copenhagen, Denmark	100	127,464	100	7,200,000	19,293	197,155
Unikem A/S	Copenhagen, Denmark	100	180	-	-	-	-
Viminco A/S	Skaelskor, Denmark	100	1,166	-	-	-	-
Hermedico A/S	Copenhagen, Denmark	100	2,501	-	-	-	-
Forex A/S	Silkeborg, Denmark	100	631	-	-	-	-
Tamro Sweden AB	Stockholm, Sweden	100	15,256	100	1,000	11	34,418
Tamro AB	Gothenburg, Sweden	100	111,172	-	-	-	-
Tamro SIA	Riga, Latvia	100	9,068	100	215	1,884	1,376
Medinord Oy	Vantaa, Finland	100	436	100	163	163	895
Hansa Pharma SIA	Riga, Latvia	100	2,159	-	-	-	-
Brasas Aptieka SIA	Riga, Latvia	100	6	-	-	-	-
Aromalatfarm SIA	Riga, Latvia	100	-10	-	-	-	-
Riela SIA	Riga, Latvia	100	-66	-	-	-	-
Bulduru SIA	Riga, Latvia	100	6	-	-	-	-
Koduapteek OÜ	Tallinn, Estonia	100	414	-	-	-	-
Apteseļ OÜ	Saue vald Harjumaa, Estonia	100	3	-	-	-	-
Ginter group OÜ	Saue vald Harjumaa, Estonia	100	-116	-	-	-	-
Tamro UAB	Kaunas, Lithuania	100	30,936	100	51,810	6,002	30,537
Karoliniskiu vaistine UAB	Vilnius, Lithuania	100	401	-	-	-	-
Armedikos vaistine UAB	Kaunas, Lithuania	100	-261	-	-	-	-
Ortofarma UAB	Kaunas, Lithuania	100	31	-	-	-	-
Farmasijos Projektai UAB	Kaunas, Lithuania	100	228	-	-	-	-
Vogne UAB	Klaipeda, Lithuania		-540	-	-	-	-
Gintaro vaistine UAB	Silute, Lithuania		-31	-	-	-	-
Ramuciu vaistine UAB	Kaunas, Lithuania		-810	-	-	-	-
Apokjeden AS	Skärer, Norway	100	117,579	100	1,083,691	13,392	131,328

Apokjeden Distribusjon AS	Skårer, Norway	100	37,312	-	-	-	-
Apotek 1 Norge AS	Skårer, Norway	100	103,162	-	-	-	-
Tamro Eesti AS	Tallinn, Estonia	100	10,151	100	5,500	352	530
Tamro MedLab Oy	Vantaa, Finland	100	11,338	99	5,000	5,000	5,000
Tamro MedLab AB	Gothenburg, Sweden	100	1,454	-	-	-	-
Tamro Health Care AB	Gothenburg, Sweden	100	191	-	-	-	-
Tamro MedLab A/S	Roskilde, Denmark	100	1,568	-	-	-	-
Danpleje A/S	Århus, Denmark		1,604	-	-	-	-
Tamro MedLab AS	Skårer, Norway	100	2,098	-	-	-	-
Tamro MedLab OÜ	Tallinn, Estonia	100	852	-	-	-	-
Tamro MedLab SIA	Riga, Latvia	100	266	-	-	-	-
Tamro MedLab UAB	Vilnius, Lithuania	100	-188	-	-	-	-
Tamro Finance Oy	Vantaa, Suomi	100	31,779	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
							432,914

33. OTHER SHARES AND PARTICIPATIONS

	Shares owned by the parent company	
	Number of shares	Nominal value
ZAO Rosta		14,814
HEX Plc	24,400	27
Telephone company shares etc.		7
Real estate and other shares		111
	24,400	14,959

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2006 31 Jan 2005

34. LONG-TERM RECEIVABLES

Loan receivables	0	2,094
Deferred income tax asset	475	3,030
	475	5,124

35. SHORT-TERM RECEIVABLES

Accounts receivable	46,769	54,501
Short-term receivables from Group companies	129,707	231,636
Loan receivables	2,847	1
Other short-term receivables	9,671	15,440
	188,994	301,578

Short-term receivables from Group companies

Accounts receivable	1,269	2,478
Prepaid expenses and accrued income	491	1,263
Loan receivables	127,481	227,895
Other short-term receivables	466	0
	129,707	231,636

36. PREPAID EXPENSES AND ACCRUED INCOME

Financial items	6,599	14,598
Income tax receivable	2,314	0
Prepaid expenses	433	494
Other income	325	348
Total	9,671	15,440

37. CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium account	Revaluation reserve	Fund for own shares	Retained earnings	Total equity
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
Dividend					-121,366	-121,366
Net profit for the year					9,051	9,051
Other change						0
Equity 31 Jan 2006	114,837	5,640	1,093	0	223,736	345,306

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2006 **31 Jan 2005**

38. ACCUMULATED DEPRECIATION DIFFERENCE

Accelerated depreciation		
Intangible rights	134	211
Goodwill	1,626	2,183
Other capitalised expenditure	2	2
Buildings	24,586	25,666
Machinery and equipment	-474	-588
	25,874	27,474

39. OBLIGATORY RESERVES

Pension reserves	357	610
Other obligatory reserves	333	506
	690	1,116

40. SHORT-TERM LIABILITIES

Pension fund loans	0	2,712
Loans from financial institutions and interest bearing advance payments	40,914	22,723
Accounts payable	116,449	119,668
Liabilities to group companies	214,668	201,414
Accrued expenses and deferred income	9,359	21,753
Other current liabilities	2,590	7,894
	383,980	376,164
Liabilities to Group companies		
Accounts payable	425	150
Accrued liabilities	44	127
Other short-term liabilities	214,199	201,137
	214,668	201,414

41. ACCRUED EXPENSES AND DEFERRED INCOME

Personnel expenses	7,627	4,496
Financial items	104	15,052
Income tax liability	0	933
Other accrued expenses and deferred income	1,628	1,272
Total	9,359	21,753

OTHER NOTES

42. CONTINGENT LIABILITIES

31 Jan 2006 31 Jan 2005

Mortgages (1)		
For own debts	841	841
Guarantees		
For subsidiaries	65,241	14,555
For debts of others	-	469
	65,241	15,024
Other commitments		
Leasing commitments		
Next year	1,202	1,054
Over one year	1,701	1,023
Rent commitments	316	733
	3,219	2,810

(1) Parent company's liabilities, secured by mortgages

43. DERIVATIVE FINANCIAL INSTRUMENTS

31 Jan 2006 31 Jan 2005

Derivatives - notional amounts		
Currency instruments		
Currency forward contracts	84,829	205,473
Interest rate instruments		
Interest rate swaps	-	10,000
Derivatives - market value		
Currency instruments		
Currency forward contracts	81	-64
Interest rate instruments		
Interest rate swaps	-	-164

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.

Proposal for Profit Distribution

The net profit of Tamro Corporation for the fiscal year is	EUR 9 050 867.03
Total retained earnings amount to	EUR 223 736 583.29
- of which the distributable portion is	EUR 223 736 583.29

The retained earnings shown in the Consolidated Balance Sheet as at 31 January 2006 is	EUR 192 746 000.00
- of which the distributable portion is	EUR 163 014 000.00

The Board of Directors proposes that	
- the dividend of EUR 0,20 per share be paid on 114 496 083 shares entitled to a dividend	EUR 22 899 216.60
- the remainder be posted to the retained earnings account	EUR 200 837 366.69

Vantaa, 27 March 2006

Dr Bernd Scheifele
Chairman

Matti Elovaara

Mikael von Frenckell

Dr Lorenz Näger

Reimund Pohl

Reinhard Rupp

Jo Langmoen
Corporate President

Auditor's Report

to the shareholders of Tamro Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Tamro Oyj for the period 1.2.2005 – 31.1.2006. The Board of Directors and the Managing Director have prepared the report of the Board of Directors and the financial statements, which include the consolidated and parent company balance sheets, income statements, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements, as well as on the report of the Board of Directors and on administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and 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 the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

In our opinion the report of the Board of Directors and the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The report of the Board of Directors and the financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The report of the Board of Directors is consistent with the financial statements. The financial statements with the 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 distributable funds is in compliance with the Companies Act.

Vantaa March 27, 2006

Anna-Maija Simola
Authorised Public Accountant

Ernst & Young Oy
Authorised Public Accounting Firm

Eija Niemi-Nikkola
Authorised Public Accountant

Financial indicators

	2005/06 12 months	2004 13 months	2003	2002	2001
FROM THE INCOME STATEMENT, EURm					
Net Sales	4,856.8	4,856.7	4,169.4	4,102.7	3,795.6
Other income	7.6	0.4	2.1	0.3	58.3
Operating expenses	-4,713.0	-4,729.6	-4,060.5	-4,016.7	-3,742.5
Depreciation	-34.9	-35.0	-33.0	-31.2	-44.8
Operating profit	116.5	92.5	78.0	55.1	66.6
Financial income and expenses	-5.7	-4.0	-9.3	-14.1	-13.0
Share of affiliated companies' net income	0.3	0.3	0.3	0.3	1.9
Profit before taxes	111.1	88.8	69.0	41.3	55.5
Minority and income taxes	-28.3	-23.3	-21.8	-11.3	-17.4
Profit before extraordinary items	82.8	65.5	47.2	30.0	38.1
Extraordinary income and expenses, net of taxes	-	-	-	-	-
Net profit for the period	82.8	65.5	47.2	30.0	38.1
FROM THE BALANCE SHEET, EURm					
Tangible and intangible assets	324.7	306.1	287.5	301.0	240.1
Financial assets	19.3	7.8	29.6	34.8	26.2
Inventories	305.1	307.1	303.8	308.5	287.5
Receivables	399.1	417.0	450.5	446.7	571.1
Liquid assets and short-term investments	9.9	13.2	22.3	45.6	60.2
Equity	314.5	351.8	370.1	351.8	332.7
Minority	0.3	1.0	18.4	20.9	17.2
Obligatory reserves	2.3	1.8	1.4	1.1	3.7
Long-term liabilities	28.0	16.7	15.5	23.5	63.1
Short-term liabilities	713.0	679.9	688.3	739.3	768.4
Balance sheet total	1,058.1	1,051.2	1,093.7	1,136.6	1,185.1

KEY FIGURES

Sales change, %	0.0	16.5	1.6	8.1	7.9
Operating margin, %	2.4	1.9	1.9	1.3	1.8
Profit margin, %	2.3	1.8	1.7	1.0	1.5
Return on capital employed, %	28.3	19.2	16.1	10.6	13.1
Return on equity, %	24.9	16.4	12.9	7.6	10.4
Free cash flow, EURm	95.1	101.5	40.4	86.7	-18.7
Capital employed, EURm	416.9	426.1	482.2	514.9	581.8
Net debt, EURM	92.9	60.1	71.4	96.6	171.8
Net gearing, %	26.4	17.0	18.4	26.0	49.2
Interest cover	16.0	18.3	7.6	3.5	4.4
Equity Ratio, %	29.8	33.6	35.4	32.7	29.4

PER SHARE DATA *)

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	114.5
Earnings per share, EUR	0.72	0.57	0.41	0.26	0.33
Dividend per share, EUR	0.20	1.06	0.74	0.13	0.15
Dividend per earnings, %	28	186	180	50	45
Effective dividend yield, %			16.4	3.4	4.2
Equity per share, EUR	2.75	3.07	3.22	3.06	2.90
P/E multiple		0	11	15	11

TAMRO SHARE INFORMATION

Average trading price, EUR		0.0	4.48	3.80	3.44
Lowest trading price, EUR		0.0	3.77	3.35	1.65
Highest trading price, EUR		0.0	4.60	3.99	4.10
Price at 31 December, EUR		0.0	4.51	3.80	3.59
Trading volume, million shares		0.0	50.8	17.5	19.6
Trading volume, %		0.0	44	15	17
Market capitalisation at 31 December, EURm		0.0	516.4	435.1	411.0

OTHER

Investments, EURm	71.8	64.1	39.6	93.9	96.2
as % of sales	1.5	1.3	0.9	2.3	2.5
Number of employees, average	4,223	3,909	3,820	3,438	2,854

*) excluding own shares

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.

Quarterly Development

	11/05- 1/06 2005	8-10 2005	5-7 2005	2-4 2005	2/05-1/06 2005	1-13 2004	Change %
NET SALES							
(EURm)							
Tamro Sweden	396.1	376.7	368.9	394.6	1,536.3	1,616.0	-4.9
Tamro Denmark	321.4	305.6	310.9	293.0	1,230.9	1,219.7	0.9
Tamro Finland	275.9	271.3	250.9	241.0	1,039.1	984.3	5.6
Tamro Norway	187.2	179.7	176.1	156.5	699.5	676.8	3.4
Tamro Estonia	14.6	13.4	13.1	13.8	54.9	53.3	3.0
Tamro Latvia	23.4	22.2	19.0	22.4	87.0	95.6	-9.0
Tamro Lithuania	23.1	19.8	20.5	20.2	83.6	88.6	-5.6
Tamro MedLab	39.5	31.4	29.8	31.8	132.5	133.8	-1.0
Other and internal	-1.8	-1.9	-1.7	-1.6	-7.0	-11.4	-38.6
Group total	1,279.4	1,218.2	1,187.5	1,171.7	4,856.8	4,856.7	0.0
NUMBER OF EMPLOYEES, AVERAGE							
Tamro Sweden	433	470	468	438	448	468	-4.3
Tamro Denmark	617	619	614	604	614	621	-1.1
Tamro Finland	330	336	345	321	332	320	3.8
Tamro Norway	1,698	1,687	1,625	1,589	1,650	1,527	8.1
Tamro Estonia	210	203	209	213	209	164	27.4
Tamro Latvia	282	276	273	272	276	274	0.7
Tamro Lithuania	425	407	389	378	397	251	58.2
Tamro MedLab	285	269	268	270	274	263	4.2
Others	22	23	22	22	23	21	9.5
Group total	4,302	4,290	4,213	4,107	4,223	3,909	8.0

**CONSOLIDATED
INCOME
STATEMENT**

(EURm)

Net Sales	1,279.4	1,218.2	1,187.5	1,171.7	4,856.8	4,856.7	0.0
Other income	0.2	0.1	7.3	0.0	7.6	0.4	1,800.0
Raw materials and services	-1,166.0	-1,111.4	-1,087.8	-1,076.9	-4,442.1	-4,467.4	-0.6
Personnel expenses	-49.5	-49.9	-45.2	-41.1	-185.7	-178.1	4.3
Depreciation and value adjustments	-9.3	-8.9	-8.5	-8.2	-34.9	-35.0	-0.3
Other operating expenses	-25.4	-19.7	-19.7	-20.4	-85.2	-84.1	1.3
Operating profit	29.4	28.4	33.6	25.1	116.5	92.5	25.9
Financial income and expenses	-1.7	-1.6	-1.1	-1.3	-5.7	-4.0	42.5
Share of associated companies' net income	0.2	0.0	0.2	-0.1	0.3	0.3	0.0
Profit before taxes	27.9	26.8	32.7	23.7	111.1	88.8	25.1
Income taxes	-5.6	-6.7	-9.2	-6.6	-28.1	-23.0	22.2
Minority interest	0.0	-0.1	0.0	-0.1	-0.2	-0.3	-33.3
Net profit for the period	22.3	20.0	23.5	17.0	82.8	65.5	26.4
	31/1/ 2006	31/10/ 2005	31/7/ 2005	30/4/ 2005	31/1/ 2006	31/1/ 2005	Change %

**CONSOLIDATED
BALANCE SHEET**

(EURm)

Assets

Intangible and tangible assets	324.7	313.8	303.6	308.8	324.7	306.1	6.1
Financial assets	19.3	21.1	22.1	27.6	19.3	7.8	147.4
Inventories	305.1	356.5	370.5	330.8	305.1	307.1	-0.7
Receivables	399.1	374.8	360.5	530.1	399.1	417.0	-4.3
Liquid assets and short-term investments	9.9	5.0	112.4	9.7	9.9	13.2	-25.0
	1,058.1	1,071.2	1,169.1	1,207.0	1,058.1	1,051.2	0.7
Equity & liabilities							
Shareholders' equity	314.5	295.7	376.1	349.6	314.5	351.8	-10.6
Minority interest	0.3	0.3	0.3	0.3	0.3	1.0	-70.0
Obligatory reserves	2.3	10.8	9.3	1.6	2.3	1.8	27.8
Long-term liabilities	28.0	12.0	12.4	19.3	28.0	16.7	67.7
Short-term liabilities	713.0	752.4	771.0	836.2	713.0	679.9	4.9
Balance sheet total	1,058.1	1,071.2	1,169.1	1,207.0	1,058.1	1,051.2	0.7

	11/05- 1/06	8-10	5-7	2-4	2/05-1/06	1-13	Change
	2005	2005	2005	2005	2005	2004	%
OTHER CONSOLIDATED KEY FIGURES							
Operating margin, %	2.3 %	2.3 %	2.8 %	2.1 %	2.4 %	1.9 %	25.9
Profit margin, %	2.2 %	2.2 %	2.8 %	2.0 %	2.3 %	1.8 %	25.1
Return on capital employed, %	29.2 %	27.2 %	32.2 %	24.2 %	28.3 %	19.2 %	47.6
Return on equity, %	29.2 %	23.9 %	25.9 %	19.4 %	24.9 %	16.4 %	51.6
Gross investments, €m	39.7	15.6	7.8	8.7	71.8	64.1	11.9
Free cash flow, €m	32.0	-70.1	100.3	32.9	95.1	101.5	-6.3
Capital employed, €m	411.8	425.2	430.2	410.4	416.9	426.1	-2.2
Net debt, €m	92.9	114.9	-54.4	50.9	92.9	60.1	54.5
Net gearing, %	26.4 %	38.8 %	-14.5 %	14.5 %	26.4 %	17.0 %	55.0
Equity Ratio, %	29.8 %	27.6 %	32.2 %	29.0 %	29.8 %	33.6 %	-11.5
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)	0.19	0.17	0.21	0.15	0.72	0.57	26.8
Equity per share, € (excluding own shares)	2.75	2.59	3.29	3.05	2.75	3.07	-10.4
Number of employees, average	4,302	4,290	4,213	4,107	4,223	3,909	8.0