

Tamro in Brief

Highest quality in partnerships

With its roots in Tampere, Finland, Tamro Group's history dates back to 1895. Today we are the leading pharmaceutical wholesaler in Northern Europe, with operations in eight countries spanning from the Nordic countries to the Baltic countries and Poland.

Tamro focuses on delivering pharmaceutical products to pharmacies. In those countries where liberalisation of pharmacy ownership advances, we aim at extending our operations to the ownership of pharmacies. This is done in order to secure our market position in our core business, pharmaceutical wholesaling. At present time Tamro owns pharmacies in Norway, Estonia, Latvia and Lithuania.

We all have one thing in common – the vital need for medicines. Medicines preserve life and Tamro has a crucial role in the healthcare chain. Tamro's strategy is based on the desire to create close partnerships with all our customers – pharmacies, health centres, hospitals and the end consumer. To further deepen this co-operation, Tamro provides its know-how in the warehousing and distribution of medicines in a reliable and cost efficient manner.

Tamro's net sales amounted to over 5.4 billion euros in the financial year 2006/07. With approximately 4,700 employees, Tamro is a fully owned subsidiary of PHOENIX Group. PHOENIX Group is the third largest pharmaceutical wholesaler in Europe headquartered in Mannheim, Germany.

Vision

As the leading pharmaceutical distributor in northern Europe, we continually want to develop our strong position in pharmaceutical distribution by being the most efficient, highest quality partner for our suppliers and customers.

Mission

We provide value adding and sustainable solutions to healthcare and the pharmaceutical industry. We are committed to the success of our customers and we share a common target with them: the health and well-being of consumers.

Values

- Commitment to customer success
- Openness, trust and appreciation
- Daily improvement
- Strong ethics

FINANCIAL HIGHLIGHTS
2006/07
2005/06

Net sales	EURm	5 464,5	4 856,8
Sales outside Finland	EURm	4 395,6	3 758,7
of consolidated net sales	%	80,4	77,4
Other income		6,3	7,6
Operating expenses	EURm	5 319,7	4 713,0
Depreciation	EURm	-33,7	-34,9
Operating profit	EURm	117,4	116,5
Operating margin	%	2,1	2,4
Profit before extraordinary items	EURm	111,4	111,1
Extraordinary items	EURm	48,5	0,0
Profit before taxes	EURm	159,9	111,1
Income taxes	EURm	-33,2	-28,1
Net profit for the period	EURm	126,4	82,8
Free cash flow	EURm	152,0	95,1
Return on capital employed	%	40,7	28,3
Return on equity	%	36,8	24,9
Earnings per share	EUR	1,10	0,72
Dividend per share	EUR	0,60	0,20
Net gearing	%	-0,7	26,4
Investments	EURm	35,1	71,8
Number of employees, average		4 693	4 223

CEO's Review

Continuing good results

Tamro's year 2006/07 was characterised by a challenging business environment. However, we continued to improve our result and maintained our position as the leading pharmaceutical wholesaler in our territory, in the Nordic countries and in the Baltic countries.

As in many other European markets, innovative pharmaceuticals and the aging population contributed to the market growth. This is partially offset by various regulatory measures launched by authorities in order to reduce medicine costs. Another factor influencing market development especially in the Nordic countries was the growing demand for affordable generics entering the market after patent expirations of original drugs. This trend accelerated price competition. By following our strategy based on cost leadership and customer satisfaction, we have overcome the challenges and succeeded in improving our operations.

Last year was the first one when Tamro operated as a full-line wholesaler in the large Polish market. We appear on this market with the acquired company PHOENIX Pharma Polska, which was enlarged by an acquired pre-wholesaler last year. Although the Polish market is anticipated to grow modestly also this year, we nonetheless believe that the country offers significant growth potential in the long run.

We are pleased by high growth rates in the Baltic countries, although the volumes are rather low. Our strategy of participating in vertical integration in order to secure our wholesale market position has proved to be successful. We are continuing to invest in retail activities in deregulated markets. In spite of the good performance in our Baltic markets, certain factors such as a high inflation rate, fierce competition and unpredictable government actions put pressure on profitability.

Tamro will continue to focus on its core business: pharmaceutical distribution and retailing wherever appropriate. In line with this strategy, we divested Tamro MedLab to the Finnish private equity investor CapMan last year. Along with the retail expansion, we aim to strengthen our wholesale market share in certain countries. A 42.5% ownership of our Russian associated company ZAO ROSTA gives us more freedom than ever to follow the huge wholesale market's development also in Russia.

We expect that the demanding market situation – with a growth rate of some 4% in the Nordic countries and 1% in Poland – will continue also in 2007/08. The Baltic markets, though, are estimated to grow by 10–15%, but our profitability in these countries is limited due to the variable and developing nature of the market.

As before, we will also during the ongoing year concentrate on our key success factors, which are cost leadership and customer satisfaction. Operational improvements in our business units are ongoing, and we are constantly looking for attractive expansion alternatives.

After closing the year 2006/07 it is time to thank our capable personnel as well as all business partners across our market areas. We all contributed to Tamro's good result by commitment to and trust in our operations. A steady and strong platform for future profitable growth is now being built.

Jo Langmoen
President and 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 and 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 procuracy 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 procuracy holder (s) authorized by the shareholder to do so either together with another procuracy holder or with the Managing Director.

Organisation of business activities and areas of responsibility

The Group's core business – pharmaceutical distribution – is organised under eight country-specific business units. In some countries Tamro is actively involved also in pharmaceutical retail trade.

All business units 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, the Group's Logistics Director and the Managing Director of Tamro Finland.

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.

Corporate Governance

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.

Group management



Jo Langmoen
born 1949
MSc (Eng)
President and CEO
Tamro Group

Lars Birkeland
born 1964
MSc (Econ), MBA
Chief Financial Officer
Tamro Group

Juha Koponen
born 1966
MSc (Econ)
Managing Director
Tamro Finland

Stefan Pflug
born 1967
Director Logistics
Tamro Group
Acting Managing Director
for PHOENIX Pharma
Polska

Financial Risk Management

Tamro Group's financing and risk management activities are centralized in 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, cash management 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 strategy and to decrease the volatility and unpredictability in the Group's financial performance caused by financial risk, to the extent that can be justified economically and competitive perspective.

The objective of Tamro Group's operational risk management 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.

Refinancing risk

The refinancing risk is managed through diversification of the funding sources and by the opportunity to provide alternative credit risk to investors. At the year end the Parent Company had at its disposal free committed credit facilities worth EUR 200 million. These back stop arrangements are made with the Group's core banks. The arrangements 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 291 (252) million and a EUR 300 (291) million available limit in a EUR 300 million Tamro Finance Ltd. Finnish commercial paper programme. In January 2007 Tamro Finance Ltd. signed a SEK 1.000 million (EUR 110 million) Swedish commercial paper programme in order to diversify the debt investor base. Bank relations are handled at frequent meetings with the Group's core banks, and the Finnish 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 133 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 56 (67) million.

Liquidity risk

The target is to maintain a good liquidity position under all circumstances with sufficient account overdrafts, credit facilities and cash. 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.

Foreing 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 2006/07 the currency split of the net sales was SEK 32 %, DKK 24 %, EUR 20 %, NOK 13 %, PLN 6 % 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 foreign exchange risk. In Estonia, Latvia, Lithuania and in Poland the foreign exchange risk is to some extent carried by the distributor or pre-wholesaler. About 3%, or EUR 173 million, of the Group's purchases are exposed to currency risk. The currency split for that amount was: EUR 97 %, USD 2 % and other currencies 1%.

The transaction risk in purchases is reduced by the choice of the agreement currency that correlates the local currency, by using currency clauses in the supplier agreements, by active sales pricing and by entering into forward foreign exchange rate agreements. According to the principal policy, the purchases exposed to 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 2006/07 were EUR 599 million. Of the total amount, NOK represented 38 %, SEK 23 %, DKK 25 %, PLN 5 %, and other currencies 9 % at the year end. Group is actively managing the equity position by aiming at as equally diversified equity portfolio as possible taking into consideration the currency volatilities and correlations.

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 in 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 counterpart 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 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 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 Group level.

Corporate Responsibility

Well-being across boundaries

Our mission is to secure fast and reliable delivery of pharmaceuticals to all our customers – to pharmacies, health centres, hospitals, or even directly to the patient, independent of the customer's location. We operate under the strictest rules and regulations, which has motivated us to set the highest quality standards for all our operations in eight countries.

Due to our crucial role in the life chain, we are strongly committed to supporting various corporate responsibility issues. Because of the variations in each of our countries' health-care systems, all actions and projects in this field are executed at the local level. However, our fundamental mission in every market remains the same: to support health and well-being across boundaries.

Focus on children and young people

Last year our Finnish business unit Tamro Finland continued to focus on preventive drug abuse. Since 2002 Tamro has donated a drug detection dog to the Finnish Customs and sponsored its training. Moreover, we supported a private educational organisation that warns pupils about the threats of drug abuse.

During the reporting year, Tamro Sweden became the main sponsor in Queen Silvia's Hospital for Children in Gothenburg. The purpose of this sponsorship program is to give young patients and their families internet access and thus to provide relaxation and entertainment after a sometimes long and exhausting hospital stay.

Norway participated in several activities arranged by "Pharmaciens Sans Frontières" (PSF). Moreover, the company supported the yearly national fund-raising campaign of "Medecins Sans Frontières". It also gave support to several kindergartens.

Our Latvian business unit Tamro Latvia continued its public charity activities together with the Swiss pharmaceutical company Mepha. The aim of the charity project "Give a dream" was to fulfill the dreams of palliative children. Tamro Latvia and Mepha produced a joint music disc recorded by popular musicians together with the young patients of the Children's Palliative Care Society. This disc was sold successfully in pharmacies. Part of the income went to taking care of the needs of incurably ill children as well as to the Children's Palliative Care Society.

In Poland, the 4th Educational Scientific Conference was organised by Tamro's Polish business unit PHOENIX Pharma Polska in Warsaw. The conference aimed to improve the quality of diabetes treatments in Poland. As part of the program, over 100 training sessions were organised in close cooperation with diabetic clinics and the Polish Diabetes Association.

In addition to the projects started and carried out last year, Tamro is constantly on the lookout for new corporate responsibility targets that would best fit our values and principles for achieving a good life.

Human Resources

An attractive working place for highly skilled people

Tamro's corporate culture values creativity, openness and the dedication of its personnel. Tamro wants to be an attractive and competitive working place for competent people. Skilled employees are Tamro's most valuable resource. Work satisfaction is supported by an open and encouraging atmosphere. We obtain the best results from our employees by cherishing and emphasizing individual strengths.

Tamro's flat and flexible organisation provides employees with opportunities for self-improvement and for constantly learning. Thanks to our effective orientation programme, new employees are quickly familiarised with Tamro's business environment, challenges and targets. New personnel are introduced to their colleagues and helped to adapt to the Tamro culture in their local working community.

A challenging business environment also means that personnel must be able to adapt to changing circumstances. On the other hand, the greater diversity of tasks provides employees with excellent opportunities to expand their expertise and knowledge.

Motivation and encouragement lead to success

In 2006, our Danish business unit Nomeco implemented a Human Resources Management system that documents competence demands and educational plans for all employees.

Furthermore, an extensive training programme – the Supplier Academy – was launched for administrative personnel. The aim of the programme is to expand the personnel's knowledge of customer and supplier relations.

In Sweden, the training programme focusing on leadership skills was continued. In addition, the Group-wide guidelines, the Phoenix Group Leadership Guidelines were introduced to all managers. Also different customer orientation activities were carried out at all organisation levels.

Tamro Finland elected to motivate and encourage its personnel by developing their professional skills. The company offers several training programmes at all organisational levels. In 2006/07, further improvement areas were identified in a personnel satisfaction survey, conducted in 2006, and all departments as well as the management team have committed to development plans for 2007.

A shortage of pharmacists challenged us

In Norway, the recruitment of pharmacists continued to be challenging. Apokjeden employed over 100 pharmacists, of whom 70% were graduates. They came mostly from Norway, but also from Swedish universities.

Moreover, Apokjeden conducted a satisfaction survey among the personnel of its fully owned pharmacies. The participation was very high (85.2%) and the results showed notable employee satisfaction. Additionally, an extensive skills development programme for pharmacy managers was implemented during the reporting period.

Apokjeden's training programme called "Apotek 1 Academy" was continued. Commitment to the programme has been high: it has attracted 1,200 new participants yearly. In 2006, a new competence development module for the Apotek 1 Academy programme was launched, focusing on training professional skills. The module will be completed in 2007/08.

During the fiscal year, Tamro Estonia organised training days for its Apteek1 personnel in order to expand pharmaceutical expertise and improve customer service.

The strong growth in Latvian pharmaceutical retail market led to a clear shortage of pharmacists. This situation revealed the need for a more defined human resource function. A manager for this function was hired in 2006.

During last year, Tamro Latvia's employees participated in various competence development, pharmaceutical and management programmes and workshops. The company focused on improving employees' IT, foreign language and negotiation skills.

During the current year Tamro Lithuania's goal is to improve pharmacists' professional skills and pharmacy managers' leadership practices.

Tamro Sweden

- net sales EUR 1,708 (1,536) million
- personnel 440
- average market share 52.6%

Market overview

The Swedish pharmaceutical wholesale market continued to grow at a modest pace in 2006/07. Aggregated pharmaceutical sales in Sweden amounted to EUR 2,855 million in PPP, a 4.5% rise on the previous year. The relatively low growth was primarily caused by an increase in generics sales.

In 2006/07, Tamro Sweden's sales amounted to EUR 1,708 (1,536) million. The growth was somewhat higher than the Swedish pharmaceutical market on average.

The new Swedish government intends to abolish the pharmacy monopoly assigned to the state-owned Apoteket AB as from 2009, by allowing the establishment of private pharmacies. A commission has been asked to suggest how this may be facilitated and how Apoteket AB should be positioned. This first part of the investigation will be published by the end of 2007.

The second part of the investigation will be published by 1 April 2008 and will address the possible sale of OTC products through other channels than pharmacies.

Despite moderate market growth and intense competition in the pharmaceutical trade, Tamro Sweden was able to strengthen its position as the market leader. Tamro's average market share rose to 52.6% in 2006 (49.5%), up by 3.1% from the previous year.

Main events

The extension and upgrade of Tamro's warehouse facilities in Stockholm was completed in January 2007. The warehouse was extended by 7,000 square meters and equipped with advanced technology for warehouse and stock management. It also features state-of-the-art technology in the areas of cold and narcotics storage. The modernisation was carried out in order to enhance warehouse quality.

In addition, Tamro Sweden passed a three-year recertification audit concerning Quality and Environment Management Compliance with the international ISO standards.

Outlook for 2007/08

The Swedish pharmaceutical wholesale market is expected to grow at a rate of 4%, which is slightly below the 2006 rate.

The ongoing government inquiry of the Swedish pharmacy monopoly and issues surrounding the forthcoming liberalisation will continue to be on top of the agenda.

Tamro Sweden will follow the development closely and take all necessary steps to secure the company's market position and profitability, regardless of the outcome of the government's liberalisation plans.

Key figures

	2006/07	2005/06	Change
Net sales, EUR million	1,708.3	1,536.3	11.2 %
Employees, average	440	448	-1.8 %

Nomeco

- net sales EUR 1,335 (1,231) million
- personnel 634
- average market share 70%

Market overview

The Danish pharmaceutical market increased by 7% in 2006, which was more than expected. The main reason was the strong growth in the hospital sector. Pharmaceutical sales through wholesalers amounted to EUR 1,190 million in PPP, surpassing the previous year's sales by 7.1%. Nomeco's sales in 2006/07 totalled EUR 1,335 (1,231) million.

During the spring of 2006 Celesio acquired a controlling stake in K.V. Tjelleesen as well as all shares in Max Jenne. As a result, there are now only two providers in the local pharmaceutical distribution market.

In the past year or so, the competition has become fiercer in Denmark. Still, Nomeco managed to maintain its 70% market share.

Main events

During the year 2006/07, Nomeco's VMI concept (Vendor Managed Inventory) was developed further. The concept involves automatic replenishment of the pharmacies' inventories and forecasting tools for pharmacy sales. More than half of Danish pharmacies receive their orders through this service.

Outlook for 2007/08

As of 1 January 2007, the prices of RX pharmaceuticals have been frozen for a two-year period. This will likely reduce the growth rate of the aggregate pharmaceutical market.

Nomeco's profit is also influenced by legislative initiatives that affect the pharmacy sector. Additionally, any further efforts aiming at reducing government medicine spending may influence the profit.

No substantial structural changes are foreseen at the pharmaceutical retail level in Denmark while the growth rate of the overall market in 2007/08 is expected to be slightly lower than in 2006/07.

Key figures

	2006/07	2005/06	Change
Net sales, EUR million	1,334.8	1,230.9	8.4 %
Employees, average	634	614	3.3 %

Tamro Finland

- net sales EUR 1,041 (1,039) million
- personnel 335
- average market share 58.1%

Market overview

The growth of pharmaceutical sales stagnated in 2006. Last year the total Finnish pharmaceutical market amounted to EUR 1,743 million in PPP, down by 1.1% from the sales figures for 2005. In 2006/07, Tamro Finland's pharmaceutical sales totalled EUR 1,041 (1,039) million. The market share was on average 58.1% (57.9%).

The clear slowdown in market growth was largely caused by the statutory 5% wholesale price cut on all reimbursable medicines as of 1 January 2006, and by the continuous price competition between generic products. Moreover, pharmacy-specific wholesale rebates on medicine were prohibited as of 1 January 2006, which shifted pharmacies' purchases to the fourth quarter of the previous year. Furthermore, the price cuts on three popular original statins affected the growth.

The liberalisation of nicotine treatment products complicated the distribution logistics without any softening in the GDP (Good Distribution Practices) requirements of pharmaceutical distribution. As of 1 February 2006, these products were allowed to be sold also in other retail outlets.

Main events

In January 2007 Tamro Finland's marketing department, Pharmakon, launched its own brand Elivo. Elivo includes well-being products that are sold exclusively in pharmacies. The Elivo product family will be increased by 2–3 products or product series yearly, with the aim of becoming the most versatile well-being brand in pharmacies.

Moreover, an investment project was started to modernise the Tampere distribution centre's employee facilities. The aim is to bring the employee facilities up to reasonable standards and thus further improve personnel's work satisfaction. On the warehouse side, the improvements will further enhance quality. The project is expected to be finished during the first half of 2008.

Outlook for 2007/08

The unfavourable market development has made the operating environment most challenging. Tamro Finland will meet these challenges with a determined focus on maintaining cost leadership and high quality in all its operations. Despite the stagnating sales outlook, Tamro Finland – as the undisputed market leader – will increasingly generate innovative new services to its business partners.

Key figures

	2006/07	2005/06	Change
Net sales, EUR million	1,040.6	1,039.1	0.1 %
Employees, average	335	332	0.9 %

Apokjeden

- net sales EUR 723 (699) million
- personnel 1.803
- average market share in wholesale 35%, in retail 35%

Market overview

In 2006 Norwegian pharmaceutical sales, including hospitals and hospital pharmacies, showed only a 2.9% market growth, totalling EUR 1,950 million in pharmacy retail prices. The sales included RX and OTC products as well as commodities. The market growth of privately owned pharmacies (excluding commodities) was 0.9%. The continuous slowdown was mainly influenced by higher sales of generics, but also by the government's price cuts.

In 2006/07, Apokjeden's sales amounted to EUR 723 (699) million, a 3.4% rise on the previous year. The operational performance improved significantly due to improvements in all Apokjeden's entities.

The commodities market, in categories like skin care and nutritional products, showed strong growth in the pharmacy channel, whilst the sale of pharmaceuticals hardly increased. The pharmacy channel as a market for commodities and OTC products is gaining volume from perfumeries and groceries.

The pharmacy market in Norway is comprised of mainly by three European pharmaceutical distributors – Phoenix (Apokjeden), Celesio (NMD) and Alliance Boots. During 2006/07 Apokjeden was the biggest player with 35% retail market share followed by Celesio (25%), Alliance Boots (19%), state-owned hospital pharmacies (18%) and others (3%).

By the end of 2006, the number of Norwegian pharmacies reached 575 shops, of which 219 pharmacies were under the Apotek 1 structure.

Outlook for 2007/08

Market growth is expected to be modest. In line with Tamro Group's strategy, Apokjeden will continuously focus on operational efficiency, cost control and customer satisfaction. Through significant investments, Apokjeden has established the platform required for building a sustainable long-term position as the leading player in the Norwegian pharmaceutical market.

Key figures

	2006/07	2005/06	Change
Net sales, EUR million	723.2	699.5	3.4 %
Employees, average	1,803	1,650	9.3 %

Tamro Estonia

- net sales EUR 60 (55) million
- personnel 270
- average market share 31%

Market overview

The Estonian pharmaceutical market amounted to EUR 146 million in 2006 (in PPP). The market grew by 12%, which was 7% more than the previous year. Tamro Estonia's sales reached EUR 60 (55) million in 2006/07.

The market rise was driven by strong economic growth, despite regulations affecting the reimbursement system, the focus on generic substitution and the implementation of reference prices.

The competitive situation in the pharmaceutical wholesale market remained tight. Tamro Estonia, with the pharmacy chain Apteek1, had a market share of 31% (30%). The market share of Magnum Group companies (Magnum Medical, Apotheke and Nordic Pharma Medical) totalled 51%.

Vertical integration between pharmaceutical wholesalers and pharmacies continued last year. As much as 83% of 522 pharmacies belong to pharmacy chains. Tamro Estonia's chain Apteek1 is the largest Estonian pharmacy chain.

The retail market was also characterised by aggressive consumer marketing. A small market with low pharmaceutical consumption and high market saturation (less than 3,000 inhabitants per pharmacy) is challenging to pharmacies' profitability.

Outlook for 2007/08

The market is estimated to grow by 10%, while margins may decrease as a result of competition.

Tamro Estonia aims to increase Apteek1's competitiveness and customer loyalty. In retail, Tamro focuses on profitability through centralisation of operations and an automatic ordering process. In addition, Tamro Estonia continually investigates expansion possibilities in the local markets.

Key figures

	2006/07	2005/06	Change
Net sales, EUR million	60.1	54.9	9.4 %
Employees, average	270	209	29.2 %

Tamro Latvia

- net sales EUR 106 (87) million
- personnel 311
- average market share 27%

Market overview

The pharmaceutical market in Latvia was characterised by high growth. The total pharmaceutical market increased by 25% in 2006, and the sales in pharmaceutical wholesale totalled EUR 210 million. In 2006/07, Tamro Latvia's sales amounted to EUR 106 (87) million. The 27% market share in wholesaling was maintained.

The growth was fuelled by price increases and 3% volume growth. The growth was impacted by a considerable increase in state budget allocations for reimbursed medicines. Some medicines bought by hospitals through centralised purchases were included on the list of reimbursed medicines for outpatient treatment in 2006. Nevertheless, the proportion of state-reimbursed medicines in Latvia is still the lowest in the Baltic States and constitutes less than 30% of the total volume of medicines.

In 2006/07, pharmacy and wholesaler consolidation continued. Pharmacies were eager to join chains, making independent pharmacies increasingly rare. Several pharmacy chains have been sold to wholesalers.

Main events

Tamro Latvia continued its retail expansion through pharmacy acquisitions.

In order to attract more consumers, Tamro Latvia's pharmacy chain Gimenes is publishing a client magazine called "Health Formula". Additionally, several activities and value-added services were offered to Gimenes member pharmacies.

Outlook for 2007/08

The most important event in 2007 will be finalising a proposal for a new Pharmacy Law. This law may restrict Tamro's possibility to acquire ownership of Latvian pharmacies.

Tamro Latvia will follow closely developments in the retail sector and pharmacy chains. In order to form even closer relations with pharmacies loyal to Tamro, the company plans to develop a new cooperation programme under the name Aptieka1. This will include franchise-type cooperation agreements with the regular customer pharmacies.

Two major projects in 2007/08 include an integrated IT system implementation and a warehouse investment.

Key figures

	2006/07	2005/06	Change
Net sales, EUR million	106.5	87.0	22.4 %
Employees, average	311	276	12.7 %

Tamro Lithuania

- net sales EUR 104 (84) million
- personnel 422
- average market share 20%

Market overview

In 2006 pharmaceutical sales in Lithuania continued to grow by 17%, to EUR 385 million in PPP. Tamro Lithuania's sales in 2006/07 amounted to EUR 104 (84) million, an increase of 21% from the previous year.

Tamro continued its expansion into the retail sector by acquiring pharmacies and opening new pharmacies.

Ranking as the market leader, Tamro Lithuania continued to hold a 20% market share in wholesaling.

During the year 2006/07, the consolidation trend in the wholesale market continued. Vertical integration increased significantly. The sales of pharmacy chains grew much faster than that of independent pharmacies due to further expansion and aggressive marketing activities. Pharmaceutical retail chains succeeded in improving their market position up to 76% vs. 65% in the previous year.

Outlook for 2007/08

The pharmaceutical market is expected to grow by 12% in 2007/08. Pharmacy chains will continue to grow above the market rate, thus increasing their market share at the expense of independent pharmacies.

Tamro Lithuania's main targets are to strengthen its leading market position in wholesale and increase the retail market share while improving the overall financial performance.

Key figures

	2006/07	2005/06	Change
Net sales, EUR million	103.9	83.6	24.3 %
Employees, average	422	397	6.3 %

PHOENIX Pharma Polska

- net sales EUR 348 million
- personnel 321
- market share 3.7% (31 December 2006)

Market overview

GDP growth in Poland clearly exceeded 5% in 2006. However, pharmaceutical market growth slowed down in 2006 and grew by only 4.2%, compared to 6.7% in 2005. The pharmaceutical retail market grew by only 3.6%, whereas the hospital market's growth rate was 8.7%. In 2006/07, Tamro's sales in Poland totalled EUR 348 million.

The price cuts on selected reimbursable and imported pharmaceuticals were the main driver for the slowdown in market growth.

Further governmental cost containment measures and restrictions for pharmacies and wholesalers were proposed, such as prohibiting advertising, internet pharmacies and discounts on RX products.

The number of pharmacies continued to increase steadily and already exceeded 12,500 by the end of last year. The number of inhabitants per pharmacy is down to 3,000 – with a per capita consumption of just around EUR 104. This has led to tougher competition and more pressure on independent pharmacies.

The wholesale market was characterised by fierce competition and wholesale consolidation. The key marketing tool is to establish loyalty chains, thus binding independent pharmacies. According to Tamro's estimation, more than 5,000 pharmacies have already joined the TOP 7 wholesalers' loyalty programmes.

Despite the challenging market environment, PHOENIX Pharma Polska managed to keep its position.

Main events

At the beginning of 2006, Stefan Pflug was appointed Managing Director for PHOENIX Pharma Polska. The first important measure to strengthen the company's position was the acquisition of FarmPlus, a strong and well-known pre-wholesaler based in Warsaw. Both entities, PHOENIX Pharma Polska and FarmPlus, developed well during 2006.

The pharmacy loyalty programmes, focusing on different product segments such as OTC and diabetes, were continued.

Outlook for 2007/08

The year 2007, too, is expected to be challenging for pharmaceutical players. Consolidation on the wholesale side is expected to continue or even accelerate due to the announced cost containment measures by the government. This is also an opportunity for PHOENIX Pharma Polska to further strengthen its market position. In retail, the pharmacy chain trend will continue. A new pharmaceutical law is under discussion. Its implications are still unclear, but the market growth is anticipated to be modest, less than 1%. In the long-term, however, Tamro believes that Poland has significant growth potential.

Key figures

	2006/07	2005/06	Change
Net sales, EUR million	347.9	0.0	
Employees, average	321	0	

Board of Directors' Report

During the financial period 2006/07, Tamro Group continued to improve its result. Despite the challenging business environment, Tamro maintained the position as the leading pharmaceutical wholesaler in the Nordic and in the Baltic countries. The fiscal year 2006/07 was the first year Tamro Group operated as a full-line wholesaler in Poland.

Markets and operating environment

During the reporting period the overall pharmaceutical market growth in the Nordic countries remained rather low, 4% (5% in 2005/06) measured at constant exchange rates (CER). Like in many other European markets, new innovative products and the aging population contribute to the growth, which is partly offset by the expiring patents of many pharmaceuticals. Expiring patents have opened markets for new generics, which increases the price competition in all Nordic countries. In some countries the authorities have launched regulatory measures in order to reduce the increasing medicine costs of the ageing population. The main actions include restrictions on reimbursement of medicines as well as significant price cuts. This trend is expected to continue and new measures are likely to be enforced during the next years.

In the full year 2006 the pharmaceutical sales in the Nordic countries totalled EUR 7.1 billion in PPP (Pharmacy Purchase Price), an increase of 2.9% compared to the previous year (rated at CER). Denmark showed the highest growth at 7–8%, the main reason being the strong growth in the hospital sector.

The most notable market growth reduction took place in Finland, where the market decreased by 1.1% compared to 2005. This was largely due to the statutory 5% wholesale price cut of all reimbursable medicines as of 1 January 2006, and the tough price competition between generic products. In addition, the pharmacy-specific wholesale rebates on medicine were prohibited as of 1 February 2006, and this shifted pharmacies' purchases to the fourth quarter of the previous year. Furthermore, the price cuts on three popular original statins affected the growth. The liberalisation of nicotine treatment products complicated the distribution logistics without any softening in the GDP requirements of pharmaceutical distribution.

In Sweden the pharmaceutical wholesale market grew by 4.5%. The relatively low growth was primarily caused by an increased sales of generics. Norway showed a 2.9% market growth, mainly influenced by higher sales of generics, but also by price cuts from the government side.

All the Baltic countries had high growth rates. The Estonian market grew by 12% while the Latvian and Lithuanian markets grew 25% and 17% respectively. Despite the strong growth rates in the Baltic countries, the per capita consumption of pharmaceuticals still remained quite modest compared to the EU average. High inflation rate, fierce competition and unpredictable government actions also put pressure on profitability. The Polish market was characterised by a slow-down in pharmaceutical sales: the market grew only by 4.2%. The main reason for this was the price cuts of selected reimbursable pharmaceuticals.

Tamro continued as the market leader in the Nordic countries. The company's total pharmaceutical wholesale sales in Sweden, Denmark, Finland and Norway rose by 5.3%, totalling EUR 3,810 million in PPP (rated at CER). This corresponds to a wholesale market share of 53.6%, and was 1.3 percentage points higher than in the previous year.

Moreover, Tamro continued to invest in retail activities in the Baltic and the Norwegian markets. This is in line with Tamro's strategy of securing the wholesale market position in deregulated markets through an integrated wholesale-retail operation.

Main events in 2006/07

Tamro's financial year 2006/07 was characterised by the main events described below.

Tamro acquired the Polish pre-wholesaler FarmPlus Sp. z o.o in March 2006. At the end of the reporting period FarmPlus was merged with the wholesale company PHOENIX Pharma Polska, which was acquired by Tamro Group earlier in 2006/07. The merged company continues under the name PHOENIX Pharma Polska Sp. z o.o.

In March, Tamro Group received the competition authorities' approval for increasing its ownership in ZAO ROSTA from 18% to 42.5%. ZAO ROSTA is Russia's third largest pharmaceutical wholesaler. ZAO ROSTA is one of the seven nationwide pharmaceutical wholesalers in Russia and it employs 1,700 persons in 27 distribution centres from St Petersburg to Vladivostok.

In June 2006 Tamro MedLab was sold to the Finnish private equity investor CapMan. MedLab sells, markets and imports healthcare and laboratory products, diagnostics and biotechnical products and equipment. After the divestment Tamro continues to focus on its core business of pharmaceutical distribution and retailing.

Additionally, a major investment in Tamro Group's largest distribution centre in Stockholm was completed. The investment allows further improvements in quality and efficiency.

In summer 2006, an organisational change was carried out in the Group management of Tamro. Juha Koponen, Tamro Group's CFO since 2002, was appointed as the Managing Director of Tamro Finland. Tamro Finland's previous Managing Director Jorma Turunen continued as Managing Director for the divested business unit Tamro MedLab. Lars Birkeland, CFO of Apokjeden since 2001, was appointed as the new CFO of Tamro Group as from June 2006. The Group Management consists of Jo Langmoen, Lars Birkeland, Juha Koponen and Stefan Pflug.

Financial performance in 2006/07

The net sales of Tamro Group amounted to EUR 5,465 (4,857) million, up by 12.5% from the previous year.

Tamro Group's operating profit was EUR 117 (117) million, and the operating margin was 2.1 (2.4)%. The net profit for the reporting period was EUR 126 (83) million including extraordinary items of EUR 48.5 million coming from the MedLab divestment and operational improvements in many countries, most notably in Norway. The return on equity increased to 36.8 (24.9)% and the equity ratio was 30.8 (29.8)%.

The financial statement reflects a provision of EUR 6 million related to an old reconciliation difference in one of our business units.

The fiscal year 2006/07 was the first year Tamro Group operated as a full-line wholesaler in Poland.

This had a significant turnover impact while the operating profit from Poland was limited, largely due to its small share of the market.

Financing

During the reporting year 2006/07 Tamro Group's financial position improved significantly. Operational profitability strengthened further combined with an extraordinary cash flow from the divestments. Reported net debt decreased by EUR 95.4 million from the beginning of the financial year to the negative EUR -2.5 million at the end of the financial year. The back stop arrangement made with the Group's core banks had a EUR 200 (200) million available limit at the end of January 2007. The arrangement ensured funding for an average of 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 133) million Asset Securitisation programmes was EUR 56 (67) million.

Tamro Finance Ltd has a EUR 300 million Finnish commercial paper programme with the Group's core banks. In January 2007 Tamro Finance Ltd entered the Swedish commercial paper market by signing a SEK 1,000 (EUR 110) million Swedish commercial paper programme. Both commercial paper programmes are guaranteed by Tamro Corporation.

The effective net debt at the end of the year, including as debt the EUR 190.7 (176.3) million receivables sold, was reduced to EUR 188.2 (269.2) million. The average effective net debt in the financial year 2006/07 was EUR 259.1 (254.0) million. With the current operational cash flow before the net working capital changes and investments, the effective net debt amount could be repaid in one year and seven months.

EUR 22.9 million or EUR 0.20 per share dividend 2005/2006 was paid in April 2006. Due to excellent liquidity situation at the end of January 2007, Tamro Corporation's Extraordinary Shareholders' Meeting decided to distribute an additional EUR 0.40 per share, or EUR 45.8 million dividend. The dividend was paid on 29 January 2007. At the financial year end the Group's liquid assets and short term investments totalled EUR 55.2 (9.9) million. The Group's net gearing was negative -0.7% (26.4)%, and the equity ratio 30.8% (29.8)%. The effective net debt / EBITDA ratio without extraordinary items improved to 1.3 (1.7) at the end of the financial year.

Free cash flow and net working capital

The full year free cash flow was EUR 152.0 (95.1) million. The operative cash flow before net working capital changes improved slightly to EUR 118.2 (116.8) million. The cash flow from the net working capital changes was positive at EUR 7.7 (32.7) million, but as a change in the sold receivable amount affected the reported cash flow positively by EUR 14.4 (43.2) million, the effective change was EUR -6.7 million negative. The net investments were positive at EUR 26.0 (-54.4) million. More than half of the cash flow gained from non-core divestments was invested back in the core business. The net working capital decreased to EUR 41.3 (48.3) million. The reduction is less than the amount by which the sold receivables increased and so, effectively, the net working capital increased by EUR 7.4 million to EUR 232.0 (224.6) million.

Financial expenses

The Group's net financial expenses were EUR -6.2 (-5.7) million in the financial year 2006/07. The increase came from the higher interest rates, which have increased steadily. Net interest expenses were EUR -6.7 (-6.0) million. The exchange rate differences were EUR -0.2 (0.3) million, and the other financial income and expenses were EUR 0.7 (0.0) million. The total cost of financing in percent increased to 2.4 (2.2)%.

Foreign currency related risks 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 32 (33)%, DKK 24 (25)%, EUR 20 (22)%, NOK 13 (15)%, PLN 6 (0)%, and EEK, LVL, and LTL, together 5 (5)% of the Group's net sales.

The major part of the Group's purchases is also denominated in local currency. Only 3 (3)%, or EUR 173 (136) million, of the purchases are exposed to currency risk. The currency split for that amount was EUR 97 (89)%, USD 2 (6)% and, in other currencies, 1 (5)%. In Latvia the risk of currency devaluation increased after the financial year end, and actions were taken to hedge the local EUR-dominated purchases.

The foreign currency denominated shareholders equity and equity type loans were EUR 599 (519) million at the financial year end 31.1.2007. The currency split of the equity exposure was at year end: NOK 38 (40)%, SEK 23 (25)%, DKK 25 (25)%, PLN 5 (0)% and others 9 (10)%. The translation differences from the foreign currency denominated shareholders' equity and the equity type loans of the overseas subsidiaries were EUR +1.1 (+1.4) million during the financial year 2006/07. This amount affects directly the consolidated equity of the Group.

Assessment of operational risks and uncertainties

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

The company is subject to asset risks and liability risks related mainly to possible property damage of inventory and to liability risks concerning the quality of its own operations. The company also carries limited risk related to product liability to the extent that such risk cannot be transferred to and covered by the supplier.

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

The Group is self-insured and insured through the parent company.

Capital expenditure, acquisitions and divestments

The capital expenditures and acquisitions were EUR 32.8 (71.8) million. Investments were made mainly in the warehouse expansion project in Sweden and in the retail sector in Norway and Lithuania. The new Stockholm warehouse was taken in operation step by step during the third quarter of the financial year 2006/07. The majority of the Norwegian retail investments took place in January 2007.

The sale of Tamro MedLab was the main reason for the increase in divestments to EUR 58.9 (17.4) million. The transaction was the biggest individual divestment made by Tamro Group in several years. Additionally, Tamro Corporation sold the Kylpyläkasino Oyj shares in the third quarter. A non-core real estate was sold in Sweden, and bank bonds in Poland were divested during the financial year 2006/07.

Major changes in the Group structure

In March 2006 Tamro acquired the Polish pre-wholesaler FarmPlus Sp. z o.o. At the end of the reporting period FarmPlus was merged with the wholesale company PHOENIX Pharma Polska acquired by Tamro Group earlier in 2006/07. The combined company continues under the name PHOENIX Pharma Polska Sp. z o.o.

In June 2006 Tamro MedLab was sold to CapMan and in December 2006 the Danish entity Viminco A/S was divested from Nomeco A/S.

In Norway pharmacy acquisitions continued, and by year-end 2006 the number of pharmacies included in Apokjeden's Apotek1 chain was 219. The retail expansion continued also in the Baltic countries with several acquisitions. For example in Lithuania Tamro Group acquired the second biggest pharmacy Medinsta located in Vilnius.

Personnel and organisation

In 2006/07, the average number of personnel employed by Tamro Group totalled 4,560 (4,223). The number was divided by country as follows: 40% in Norway, 14% in Denmark, 10% in Sweden, 9% in Lithuania, 7% in Finland, 7% in Latvia, 6% in Estonia and 7% in Poland. The divested business unit MedLab employed 133 people.

The Group's personnel costs for the financial period amounted to EUR 195 (186) million (accrually based).

Board of Directors and Auditors

The following six Board members were elected at Tamro Group's Annual General Meeting on 7 April 2006. Dr Bernd Scheifele was re-elected as Chairman of the Board, and Matti Elovaara, Mikael von Frenckell, Dr Lorenz Näger, Reimund Pohl and Dr Reinhard Rupp were re-elected as Board members.

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

Events after the financial period

Nothing significant has occurred after the financial year-end.

Outlook for 2007/08

Tamro believes that the challenging market conditions with slow growth will continue in 2007/08. For example, in Denmark the prices of RX products have been frozen for two years as of 1 January 2007, while in Norway the revised pricing model for generics will significantly reduce the market growth. During 2007, Tamro expects the market to grow at around 4% in the Nordic countries.

The Baltic markets are expected to grow in the 10–15% range. However, the high inflation rate, fierce competition and unpredictable government actions will put pressure on profitability. In Poland a new pharmaceutical law is under discussion. Its implications are still unclear, but the market growth is anticipated to be modest, less than 1%. In the long-term, nonetheless, Tamro believes that Poland has significant growth potential.

Tamro will continue to follow its strategy based on cost leadership and customer satisfaction. The operational improvements will continue, and the Group will consistently look for attractive expansion alternatives. Tamro expects the profitability to remain at the same level as in the fiscal year of 2007/08.

Figures in the tables are unaudited.

Net sales by unit (EURm)	11/06-1/07 2006	8-10 2006	5-7 2006	2-4 2006	2/06-1/07 2006	2/05-1/06 2005	Change, %
Tamro Sweden	453.4	431.2	418.5	405.3	1,708.3	1,536.3	11.2
Tamro Denmark	356.4	331.2	336.7	310.6	1,334.8	1,230.9	8.4
Tamro Finland	267.9	266.6	259.9	246.1	1,040.6	1,039.1	0.1
Tamro Norway	187.9	177.1	189.8	168.5	723.2	699.5	3.4
Tamro Estonia	17.0	15.1	14.1	13.9	60.1	54.9	9.4
Tamro Latvia	30.0	27.4	23.9	25.2	106.5	87.0	22.4
Tamro Lithuania	28.9	26.1	26.7	22.2	103.9	83.6	24.3
Tamro Poland	88.9	85.6	80.8	92.6	347.9	0.0	
Tamro MedLab	0.1	0.0	26.6	34.5	61.2	132.5	-53.8
Other	-8.2	-5.2	-4.1	-4.5	-22.0	-7.0	214.1
Total	1,422.2	1,355.0	1,372.8	1,314.5	5,464.5	4,856.8	12.5

Number of employees by unit	11/06-1/07 2006	8-10 2006	5-7 2006	2-4 2006	2/06-1/07 2006	2/05-1/06 2005	Change, %
Tamro Sweden	429	451	460	429	440	448	-1.8
Tamro Denmark	630	650	648	613	634	614	3.3
Tamro Finland	342	345	334	322	335	332	0.9
Tamro Norway	1,817	1,807	1,809	1,783	1,803	1,650	9.3
Tamro Estonia	269	282	281	257	270	209	29.2
Tamro Latvia	333	315	307	292	311	276	12.7
Tamro Lithuania	409	418	429	435	422	397	6.3
Tamro Poland	346	345	351	265	321	0	
Tamro MedLab	0	0	217	289	133	274	-51.5
Other	23	24	22	23	24	23	4.3
Group total	4,598	4,637	4,858	4,708	4,693	4,223	11.1

Board of Directors and Auditors

Board of Directors as from 7 April 2006

Dr Bernd Scheifele	Chairman of the Board of Directors Born 1958 Elected 2000, as Chairman 2001 LLM, CEO, HeidelbergCement AG
Mikael von Frenckell	Born 1947 Elected 1995 M.Pol.Sc., Chairman of the Board of Sponsor Capital Oy, Commercial Counsellor
Matti Elovaara	Born 1939 Elected 2003 B.Sc. (Econ), Commercial Counsellor
Dr Lorenz Näger	Born 1960 Elected 2000 PhD, MBA, CFO, HeidelbergCement AG
Reimund Pohl	Born 1952 Elected 2000 MBA, CEO, PHOENIX Group
Dr Reinhard Rupp	Born 1953 Elected 2006 Dr. (Econ.) CFO, PHOENIX Group

Auditors

Ms Anna-Maija Simola	Authorised Public Accountant and the Authorised Public Accountants Ernst & Young Oy
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Consolidated Income Statement

(in EUR thousands)	NOTES	1 Feb 2006- 31 Jan 2007	%	1 Feb 2005- 31 Jan 2006	%
NET SALES	1	5,464,525	100.0	4,856,838	100.0
OTHER INCOME	2	6,302		7,576	
Raw materials and services	3	5,028,195		4,442,079	
Personnel expenses	4	194,551		185,694	
Depreciation and value adjustments	5	33,735		34,931	
Other operating expenses		96,981		85,258	
Total operating expenses		5,353,462		4,747,962	
OPERATING PROFIT		117,365	2.1	116,452	2.4
Financial income and expenses	6	-6,204		-5,672	
Share of associated companies' net income	10	206		287	
PROFIT BEFORE EXTRAORDINARY ITEMS		111,367	2.0	111,067	2.3
Extraordinary income and expenses	7	48,496		0	
PROFIT BEFORE TAXES		159,863	2.9	111,067	10.7
Income taxes	8	-33,248		-28,051	
Minority interest		-210		-257	
NET PROFIT FOR THE PERIOD		126,405	2.3	82,759	1.7

Consolidated Balance Sheet

(in EUR thousands)	NOTES	31 Jan 2007	%	31 Jan 2006	%
FIXED ASSETS					
Intangible assets	9	4,868		4,883	
Goodwill	9	168,959		167,375	
Consolidated goodwill	9	4,172		14,791	
Tangible assets	9	141,079		137,637	
FINANCIAL ASSETS					
Shares in subsidiaries		99		110	
Shares in associated companies	10	16,996		4,151	
Other shares and participations	10	297		15,055	
TOTAL FIXED ASSETS		336,470	27.7	344,002	32.5
CURRENT ASSETS					
Inventories		357,731		305,143	
Receivables					
Long-term receivables	11	20,075		21,908	
Short-term receivables	12	444,660		377,112	
Short-term investments		34,293		50	
Cash and bank		20,929		9,858	
TOTAL CURRENT ASSETS		877,688	72.3	714,071	67.5
TOTAL ASSETS		1,214,158	100.0	1,058,073	100.0

(in EUR thousands)	NOTES	31 Jan 2007	%	31 Jan 2006	%
SHAREHOLDERS' EQUITY					
Share capital	14	114,837		114,837	
Share premium account		5,641		5,641	
Revaluation reserve		1,093		1,093	
Other reserves		99		187	
Retained earnings		251,503		192,746	
		373,173	30.7	314,504	29.7
Minority interest		207	0.0	296	0.0
OBLIGATORY RESERVES	16	2,035	0.2	2,277	0.2
LIABILITIES					
Long-term liabilities	17	28,887		28,044	
Short-term liabilities	18	809,856		712,952	
TOTAL LIABILITIES		838,743	69.1	740,996	70.0
TOTAL EQUITY AND LIABILITIES		1,214,158	100.0	1,058,073	100.0

Consolidated Cash Flow Statement

(in EUR millions)	1 Feb 2006- 31 Jan 2007	1 Feb 2005- 31 Jan 2006
Operating profit	115.9	116.5
Depreciation, value adjustments and other adjustments	30.4	30.3
Financial income and expenses	-5.9	-6.0
Other income and expenses	-6.4	-7.0
Taxes	-15.9	-17.0
CASH FLOW BEFORE CHANGE IN NET WORKING CAPITAL	118.2	116.8
Inventories, increase (-), decrease (+)	-66.6	2.0
Current receivables, increase (-), decrease (+)	-84.2	22.0
Non-interest bearing debts, increase (+), decrease (-)	158.6	8.7
CHANGE IN NET WORKING CAPITAL	7.7	32.7
CASH FLOW FROM OPERATING ACTIVITIES	126.0	149.5
Investments in tangible and intangible assets	-32.8	-71.8
Proceeds from disposal of tangible and intangible assets and financial investments	58.9	17.4
CASH FLOW FROM INVESTING ACTIVITIES	26.0	-54.4
FREE CASH FLOW	152.0	95.1
Long-term debt, increase (+), decrease (-)	0.4	0.0
Short-term debt, increase (+), decrease (-)	-39.9	21.0
Long-term bonds, increase (-), decrease (+)	0.5	0.0
Short-term bonds, increase (-), decrease (+)	1.5	6.0
Dividends	-67.8	-121.4
Translation differences and other changes	-1.4	-4.0
CASH FLOW FROM FINANCING ACTIVITIES	-106.7	-98.4
CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (-)	45.3	-3.3
CASH AND CASH EQUIVALENTS, OPENING BALANCE	9.9	13.2
CASH AND CASH EQUIVALENTS, CLOSING BALANCE	55.2	9.9

In 2006/07 the change in net working capital included an increase in the sales of receivables of EUR 14 million.

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

Consolidated Income Statement of Parent Company

(in EUR thousands)	NOTES	1 Feb 2006- 31 Jan 2007	%	1 Feb 2005- 31 Jan 2006	%
NET SALES	23	1,041,403	100.0	1,041,022	100.0
OTHER INCOME	24	31		27	
Raw materials and services	25	1,004,981		1,001,431	
Personnel expenses	26	17,548		19,782	
Depreciation according to plan	27	3,613		3,828	
Other expenses		5,030		5,533	
TOTAL OPERATING EXPENSES		1,031,172		1,030,574	
OPERATING PROFIT		10,262	1.0	10,475	1.0
Financial income and expenses	28	-1,735		694	
PROFIT BEFORE EXTRAORDINARY ITEMS		8,527	0.8	11,169	1.1
Extraordinary income and expenses	29	51,230		33	
PROFIT BEFORE APPROPRIATIONS AND TAXES		59,757	5.7	11,202	1.1
Appropriations	30	1,307		1,600	
Income taxes	31	-2,367		-3,751	
NET PROFIT FOR THE PERIOD		58,697	5.6	9,051	0.9

Balance Sheet of Parent Company

(in EUR thousands)	NOTES	31 Jan 2007	%	31 Jan 2006	%
FIXED ASSETS					
INTANGIBLE ASSETS	32	2,662		1,725	
Goodwill	32	1,069		1,626	
TANGIBLE ASSETS	32	41,333		42,116	
FINANCIAL ASSETS					
Shares in subsidiaries	33	426,182		432,914	
Shares in associated companies	10	14,814		0	
Other shares and participations	34	146		14,959	
TOTAL FIXED ASSETS		486,206	64.6	493,340	65.3
CURRENT ASSETS					
Inventories		75,132		72,314	
Receivables					
Long-term receivables	35	376		475	
Short-term receivables	36	181,732		188,994	
Short-term investments		52		50	
Cash and bank		9,251		677	
TOTAL CURRENT ASSETS		266,543	35.4	262,510	34.7
TOTAL ASSETS		752,749	100.0	755,850	100.0

(in EUR thousands)	NOTES	31 Jan 2007	%	31 Jan 2006	%
SHAREHOLDERS' EQUITY	38				
Share capital	14	114,837		114,837	
Share premium account		5,640		5,640	
Revaluation reserve		1,093		1,093	
Retained earnings		213,736		223,736	
		335,306	44.5	345,306	45.7
APPROPRIATIONS					
Accumulated depreciation difference	39	24,567	3.3	25,874	3.4
OBLIGATORY RESERVES	40	591	0.1	690	0.1
LIABILITIES					
Short-term liabilities	41	392,285	52.1	383,980	50.8
TOTAL EQUITY AND LIABILITIES		752,749	100.0	755,850	100.0

Consolidated Cash Flow Statement of Parent Company

(in EUR millions)	1 Feb 2006- 31 Jan 2007	1 Feb 2005- 31 Jan 2006
Operating profit	10.3	10.5
Depreciation, value adjustments and other adjustments	3.6	3.8
Financial income and expenses	-0.3	0.8
Other income and expenses	-0.1	-0.5
Taxes	-1.7	-4.4
CASH FLOW BEFORE CHANGES IN NET WORKING CAPITAL	11.8	10.2
Inventories, increase (-), decrease (+)	-2.8	0.6
Current receivables, increase (-), decrease (+)	10.7	17.3
Non-interest bearing debts, increase (+), decrease (-)	13.7	-15.1
CHANGE IN NET WORKING CAPITAL	21.6	2.8
CASH FLOW FROM OPERATING ACTIVITIES	33.4	13.0
Investments in tangible and intangible assets	-3.3	-18.8
Proceeds from disposal of tangible and intangible assets and financial investments	56.3	0.2
CASH FLOW FROM INVESTING ACTIVITIES	53.0	-18.6
FREE CASH FLOW	86.4	-5.6
Long-term receivables, increase (-), decrease (+)	0.0	0.0
Short-term receivables, increase (-), decrease (+)	-4.0	99.7
Long-term debt, increase (+), decrease (-)	-0.1	0.1
Short-term debt, increase (+), decrease (-)	-5.4	23.8
Other changes	0.4	-0.2
Dividends	-68.7	-121.4
CASH FLOW FROM FINANCING ACTIVITIES	-77.8	2.0
CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (-)	8.6	-3.6
CASH AND CASH EQUIVALENTS, OPENING BALANCE	0.7	4.3
CASH AND CASH EQUIVALENTS, CLOSING BALANCE	9.3	0.7

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. Tamro's share of ZAO Rosta's result is not included in the Group accounts as it is unfeasible to receive the financial information within the set timeframe for preparing the Group accounts. 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-subsiary 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. Negative goodwill is included as income during economic lifetime.

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.

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. The profit and loss statement and balance sheet effect due from significant divestments are excluded on the lines in the cash flow statement. 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 2007 31 Jan 2006

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

By market area:		
Sweden	1,740.0	1,590.5
Denmark	1,309.2	1,224.2
Finland	1,068.9	1,098.1
Norway	731.6	709.4
Poland	347.8	0.0
Baltic States	266.5	225.6
Others	0.5	9.0
	5,464.5	4,856.8
By unit:		
Tamro Sweden	1,708.4	1,536.3
Tamro Denmark	1,334.8	1,230.9
Tamro Finland	1,040.6	1,039.1
Tamro Norway	723.2	699.5
Tamro Poland	347.9	0.0
Tamro Baltics	270.4	225.5
Tamro MedLab	61.2	132.5
Others	-22.0	-7.0
	5,464.5	4,856.8

2. OTHER INCOME

Gain on sale of fixed assets	6,302	7,576
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3. RAW MATERIALS AND SERVICES

Raw materials and consumables		
Purchases during the financial period	5,050,168	4,411,749
Inventories, incr. (-), decr. (+)	-52,588	1,983
External services	30,615	28,347
Raw materials and services total	5,028,195	4,442,079

4. PERSONNEL EXPENSES

Average personnel by unit:		
Tamro Sweden	440	448
Tamro Denmark	634	614
Tamro Finland	335	332
Tamro Norway	1,803	1,650
Tamro Poland	321	-
Tamro Baltics	1,003	882
Tamro MedLab	133	274
Others	24	23
	4,693	4,223
Personnel expenses:		
Wages and salaries during the financial year	160,696	153,664
Payroll related social costs		
Pension costs	9,604	7,442
Other payroll related social costs	24,251	24,588
	194,551	185,694
Wages and salaries paid to:		
Boards of Directors, CEO and Managing Directors	4,866	4,499

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	912	906
Goodwill	11,661	10,334
Consolidated goodwill	1,045	1,699
Other capitalised expenditure	165	86
Buildings	7,396	7,439
Machinery and equipment	12,248	14,183
Other tangible assets	308	284
	33,735	34,931

6. FINANCIAL INCOME AND EXPENSES

31 Jan 2007 31 Jan 2006

Income from non-current financial assets		
Dividend income	653	-30
Interest income	968	151
Other interest and financial income		
Interest income	2,024	1,251
Other interest and financial expenses		
Interest expenses	-6,707	-5,361
Other financial expenses	-2,965	-2,025
Exchange rate differences, net	-177	342
	-6,204	-5,672

7. EXTRAORDINARY INCOME AND EXPENSES

Gain on sale of MedLab business	48,496	-
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8. INCOME TAXES

Income taxes on ordinary activities		
Finnish Group companies	-3,658	-2,387
Foreign Group companies	-17,037	-13,752
	-20,695	-16,139
Income taxes from previous years	-73	73
Change in deferred tax liability specified in note 20	-12,480	-11,985
Income taxes total	-33,248	-28,051

NOTES TO THE CONSOLIDATED BALANCE SHEET

9. 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 2006	15,821	201,262	71,726	6,952	1,174	9,566	153,849	141,697	2,359	6,672
Increase	1,231	16,102	-5,636	133	1,105	868	14,906	18,234	599	563
Decrease	-1,888	-2,400	-8,022	-698		-	-9,651	-13,128	-454	-89
Other changes				-45			4,938	1,655	144	-6,691
Acquisition value 31 Jan 2007	15,164	214,964	58,068	6,342	2,279	9,331	164,042	148,458	2,648	455
Accumulated depr. 1 Feb 2006	-12,926	-33,887	-56,935	-6,138			-65,612	-112,364	-1,305	0
Increase	-912	-11,661	-1,045	-165			-7,396	-12,248	-308	
Decrease	1,309	596	4,084	524			4,186	11,292	346	
Other changes	-612	-79					-1,340	-2,426	-38	
Accumulated depr. 31 Jan 2007	-13,141	-45,031	-53,896	-5,779	0	0	-70,162	-115,746	-1,305	0
Value adjustments 1 Feb 2006 & 31 Jan 2007						420	2,355			
Translation difference	1	-974		2		72	342	161	0	8
Bookvalue 31 Jan 2007	2,024	168,959	4,172	565	2,279	9,823	96,577	32,873	1,343	463
Bookvalue 31 Jan 2006	2,895	167,375	14,791	814	1,174	9,986	90,592	29,333	1,054	6,672

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.

	31 Jan 2007	31 Jan 2006
Machinery and equipment in production use, book value	7	99

10. ASSOCIATED COMPANIES

Opening balance	4,151	7,315
New associated companies	14,814	0
Write-down of the shares	-243	0
Associated companies converted into subsidiaries	-1,907	-3,210
Share of net results	206	287
Translation differences	-8	176
Other differences	-17	-417
Closing balance	16,996	4,151
	Group share of holding %	Parent company share of holding %
OÜ Mai Apteek, Pärnu, Estonia	49.0	-
Svolvaer Apotek AS, Svolvaer, Norway	49.0	-
ZAO Rosta	42.5	42.5
Namsos Apotek AS, Namsos, Norway	34.0	-
OÜ Ravikeskuse, Viimsi, 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 1.144 thousand.

Other shares and participations	
Golf shares	83
OMX Plc	27
Telephone company shares etc.	7
Real estate and other shares	180
	297

Notes to the Financial Statement

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2007 **31 Jan 2006**

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. LONG-TERM RECEIVABLES

Pension fund receivable	18,746	17,210
Other receivable	232	118
Deferred income tax asset	1,097	4,580
	20,075	21,908

12. SHORT-TERM RECEIVABLES

Accounts receivable	392,666	324,689
Loan receivable	4,682	5,913
Prepaid expenses and accrued income	9,888	13,934
Other receivable	36,115	31,714
Receivables from associated companies		
Accounts receivable	1,309	862
	444,660	377,112

The Group has the Asset Securitisation arrangements that allow specified accounts receivable to be sold on a non-recourse basis and subsequently off balance sheet. The size of the programme in Tamro AB Sweden is SEK 1,200 (EUR 133) million and in Nomeco A/S Denmark DKK 1,050 (EUR 141) million. The selling prices of the sold receivables were respectively SEK 1,095 (EUR 121) million and DKK 521 (EUR 70) 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 in net financial items.

13. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses	4,012	4,285
Income tax receivable	1,726	2,314
Other income	806	325
Financial items	575	6,701
Other prepaid expenses and accrued income	2,769	309
Total	9,888	13,934

14. SHARE CAPITAL AND SUBSCRIPTION TERMS AND CONDITIONS

The company's share capital as at 31 Jan 2007 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.

15. CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium account	Revaluation reserve	Other reserves	Retained earnings	Total equity
Equity 1 Feb 2005	114,837	5,641	1,093	217	229,979	351,767
Dividend					-121,381	-121,381
Net profit 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	187	192,746	314,504
Dividend					-68,698	-68,698
Net income for the year					126,405	126,405
Translation differences					939	939
Transfers within equity				-88	88	0
Other change					23	23
Equity 31 Jan 2007	114,837	5,641	1,093	99	251,503	373,173
Distributable equity						
Retained earnings			251,503			
Accumulated appropriations, net of tax			-31,557			
Distributable equity 31 Jan 2007			219,946			
					31 Jan 2007	31 Jan 2006

16. OBLIGATORY RESERVES

Pension reserves	1,801	1,944
Other obligatory reserves	234	333
	2,035	2,277

17. LONG-TERM LIABILITIES

Pension fund loans	12,409	12,181
Loans from financial institutions	59	435
Deferred tax liability	16,337	14,898
Other long-term liabilities	82	530
	28,887	28,044
Long-term liabilities due after five years:		
Pension fund loans	12,409	11,897
Loans from financial institutions	0	276
	12,409	12,173

Of the above pension loans EUR 12,409,000 (11,897,000) 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.

18. SHORT-TERM LIABILITIES

Loans from financial institutions and interest bearing advance payments	40,150	80,169
Deferred tax liability	13,022	4,595
Accounts payable	656,414	547,308
Accrued expenses and deferred income	54,031	44,077
Other short-term liabilities	46,239	36,803
	809,856	712,952

19. ACCRUED EXPENSES AND DEFERRED INCOME

Personnel expenses	34,839	27,385
Income tax liability	7,881	1,671
Customer rebates and bonuses	1,159	1,180
Rent expenses	629	1,592
Financial items	168	104
Other accrued expenses and deferred income	9,355	12,145
Total	54,031	44,077

20. DEFERRED INCOME TAXES

	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	0	-82	19,493
Deferred income tax assets					
Tax loss carry forwards	7,208	6,395		-226	1,039
Other temporary timing 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 income tax liabilities					
Untaxed reserves and acc depr	19,493	14,940			34,433
	19,493	14,940	0	0	34,433
Deferred income tax assets					
Tax loss carry forwards	1,039	-134		991	182
Other temporary differences	3,541	-2,326		-121	5,988
	4,580	-2,460	0	870	6,170
Net deferred income tax liability(+) / receivable(-)	14,913	12,480	0	870	28,263
Deferred tax liability (EUR 722,000) related to the value adjustments has not been accounted for.					

Notes to the Financial Statement

OTHER NOTES TO THE FINANCIAL STATEMENTS

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2007 **31 Jan 2006**

21. CONTINGENT LIABILITIES

Mortgages		
For own debts (1)	841	1,433
Guarantees		
For debts of others	791	542
	791	542
Other commitments		
Leasing commitments		
Next year	1,729	2,385
Over one year	1,314	2,312
Rent commitments	40,857	39,229
Other commitments	16	159
	43,916	44,085
Group liabilities, secured by mortgages, pledges and other commitments:		
Mortgages (1)	0	401

22. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives - notional amounts		
Currency instruments		
Currency forward contracts	426,230	288,745
Derivatives - market value		
Currency instruments		
Currency forward contracts	517	-135

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

TAMRO CORPORATION
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTES TO THE PARENT COMPANY INCOME STATEMENT

23. NET SALES BY MARKET AREA

By market area:		
Finland	1,040,843	1,040,717
Baltic countries	560	305
	1,041,403	1,041,022

24. OTHER INCOME

Gain on sale of fixed assets	31	27
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25. RAW MATERIALS AND SERVICES

Raw materials and consumables		
Purchases during the financial period	1,003,176	996,523
Inventories, incr. (-), decr. (+)	-2,818	575
External services	4,623	4,333
	1,004,981	1,001,431

26. PERSONNEL EXPENSES

Wages and salaries during the financial year	13,581	14,789
Payroll related social costs		
Pension costs	2,664	3,391
Other payroll related social costs	1,303	1,602
	17,548	19,782
Wages and salaries paid to:		
Board of Directors and CEO	1,400	1,036

The pensionable age of the CEO has been stipulated at 60 years.

Average personnel	354	351
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27. DEPRECIATION AND VALUE ADJUSTMENTS

	31 Jan 2007	31 Jan 2006
Depreciation according to plan		
Intangible rights	290	345
Goodwill	557	557
Other capitalised expenditure	51	4
Buildings	1,656	1,912
Machinery and equipment	1,059	1,010
	3,613	3,828

28. FINANCIAL INCOME AND EXPENSES

Income from non-current financial assets		
Dividend income	607	-31
Other interest and financial income		
Interest income	3,107	4,018
Other financial income	24	32
Other interest and financial expenses		
Interest expenses	-3,866	-3,356
Other financial expenses	-37	-61
Exchange rate differences, net	-1,570	92
	-1,735	694
From Group companies:		
Other interest and financial income		
Interest income	2,550	3,514
Other financial income	-115	265
Other interest and financial expenses		
Interest expenses	-3,444	-2,015
	-1,009	1,764

29. EXTRAORDINARY INCOME AND EXPENSES

Gain on sale of MedLab business	51,230	-
Group contribution	-	33

30. APPROPRIATIONS

Accelerated depreciation in the income statement		
Intangible rights	11	77
Goodwill	557	557
Other capitalised expenditure	2	0
Buildings	787	1,081
Machinery and equipment	-50	-115
	1,307	1,600

Notes to the Financial Statement

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2007 31 Jan 2006

31. INCOME TAXES

Income taxes on ordinary activities	-2,268	-1,196
Change in deferred taxes	-99	-2,555
	-2,367	-3,751

NOTES TO THE PARENT COMPANY BALANCE SHEET

32. FIXED ASSETS

	Intangible assets			Advance payments and construction in progress	Tangible assets >				
	Intangible rights	Goodwill	Other capitalised expenditure		Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress
Acquisition value 1 Feb 2006	9,471	39,594	1,708	1,174	928	62,867	32,623	234	51
Increase	173			1,105		754	998		203
Decrease	-2,778	-508	-81			-4,600	-7,971		
Other changes									
Acquisition value 31 Jan 2007	6,866	39,086	1,627	2,279	928	59,021	25,650	234	254
Accumulated depr. 1 Feb 2006	-8,985	-37,968	-1,643	0	0	-27,639	-29,723	0	0
Increase	-290	-557	-50			-1,656	-1,059		
Decrease	2,777	508	81			4,600	7,948		
Other changes									
Accumulated depr. 31 Jan 2007	-6,498	-38,017	-1,612	0	0	-24,695	-22,834	0	0
Value adjustments 1 Feb 2006 - 31 Jan 2007					420	2,355			
Bookvalue 31 Jan 2007	368	1,069	15	2,279	1,348	36,681	2,816	234	254
Bookvalue 31 Jan 2006	486	1,626	65	1,174	1,348	37,583	2,900	234	51

33. GROUP COMPANIES

Acquisition value 1 Feb 2006	432,914		
Increase	-6,732		
Acquisition value 31 Jan 2007	426,182		

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	148,304	100	7,200,000	19,293	197,155
Unikem A/S	Copenhagen, Denmark	100	-315	-	-	-	-
Hermedico A/S	Copenhagen, Denmark	100	2,729	-	-	-	-
Forex A/S	Silkeborg, Denmark	100	714	-	-	-	-
Tamro Sweden AB	Gothenburg, Sweden	100	15,590	100	1,000	11	34,418
Tamro AB	Gothenburg, Sweden	100	119,306	-	-	-	-
Tamro SIA	Riga, Latvia	100	11,688	100	215	1,884	1,376
Medinord Oy	Vantaa, Finland	100	436	100	163	163	895
Hansa Pharma SIA	Riga, Latvia	100	2,554	-	-	-	-
Veca Aptieka SIA	Riga, Latvia	100	24	-	-	-	-
Jekabpils Meza Aptieka SIA	Riga, Latvia	100	22	-	-	-	-
Riela SIA	Riga, Latvia	100	-73	-	-	-	-
Koduapteek OÜ	Tallinn, Estonia	100	-1,089	-	-	-	-
Aptesel OÜ	Saue, Estonia	100	3	-	-	-	-
Viimsi Apteeke OÜ	Viimsi, Estonia	100	10	-	-	-	-
Posti Apteeke OÜ	Haapsalu, Estonia	100	12	-	-	-	-
Phoenix Pharma Polska Sp.z.o.o.	Warsaw, Poland	100	17,632	-	-	-	-
Farmplus Sp.z.o.o.	Warsaw, Poland	100	18,378	-	-	-	-
Tamro UAB	Kaunas, Lithuania	100	31,858	100	51,810	6,002	30,537
Karoliniskiu vaistine UAB	Kaunas, Lithuania	100	470	-	-	-	-
Armedikos vaistine group	Kaunas, Lithuania	100	-462	-	-	-	-
Ortofarma UAB	Kaunas, Lithuania	100	76	-	-	-	-
Farmasijos Projektai group	Kaunas, Lithuania	100	1,181	-	-	-	-
Vogne UAB	Klaipeda, Lithuania	100	-370	-	-	-	-
Gintaro vaistine UAB	Silute, Lithuania	100	11	-	-	-	-
Ramuciu vaistine UAB	Kaunas, Lithuania	100	-667	-	-	-	-
Apokjeden AS	Skårer, Norway	100	123,061	100	1,083,691	13,392	131,328
Apokjeden Distribusjon AS	Skårer, Norway	100	38,028	-	-	-	-
Apotek 1 Norge AS	Skårer, Norway	100	129,872	-	-	-	-
Tamro Eesti		100	12,196	100	5,500	352	530

AS	Tallinn, Estonia						
Tamro Finance Oy	Vantaa, Finland	100	34,642	99	99	990	29,700
Apteekkarien Osuuskunta	Vantaa, Finland	100	2,200	100	1,990	33	33
Tamro Russia Oy	Vantaa, Finland	100	157	100	100,000	100	170
Other subsidiaries, incl. non-operational							40
							426,182

34. OTHER SHARES AND PARTICIPATIONS

	Book value
Golf shares	83
OMX Plc	27
Telephone company shares etc.	7
Real estate and other shares	29
	146
	31 Jan 2007
	31 Jan 2006

35. LONG-TERM RECEIVABLES

Deferred income tax asset	376	475
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36. SHORT-TERM RECEIVABLES

Accounts receivable	43,276	46,769
Short-term receivables from Group companies	135,936	129,707
Loan receivables	1	2,847
Other short-term receivables	2,519	9,671
	181,732	188,994
Short-term receivables from Group companies		
Accounts receivable	1,158	1,269
Prepaid expenses and accrued income	422	491
Loan receivables	134,356	127,481
Other short-term receivables	0	466
	135,936	129,707

37. PREPAID EXPENSES AND ACCRUED INCOME

Income tax receivable	1,726	2,314
Financial items	28	6,599
Prepaid expenses	1	433
Other income	764	325
Total	2,519	9,671

38. CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium account	Revaluation reserve	Retained earnings	Total equity
Equity 1 Feb 2005	114,837	5,640	1,093	336,051	457,621
Dividend				-121,366	-121,366
Other change					0
Equity 31 Jan 2006	114,837	5,640	1,093	223,736	345,306
Dividend				-68,697	-68,697
Net profit for the year				58,697	58,697
Equity 31 Jan 2007	114,837	5,640	1,093	213,736	335,306

31 Jan 2007 31 Jan 2006

39. ACCUMULATED DEPRECIATION DIFFERENCE

Accelerated depreciation		
Intangible rights	123	134
Goodwill	1,069	1,626
Other capitalised expenditure	0	2
Buildings	23,799	24,586
Machinery and equipment	-424	-474
	24,567	25,874

40. OBLIGATORY RESERVES

Pension reserves	357	357
Other obligatory reserves	234	333
	591	690

41. SHORT-TERM LIABILITIES

Loans from financial institutions and interest bearing advance payments	21,979	40,914
Accounts payable	127,658	116,449
Liabilities to group companies	230,357	214,668
Accrued expenses and deferred income	9,828	9,359
Other current liabilities	2,463	2,590
	392,285	383,980
Liabilities to Group companies		
Accounts payable	2,414	425
Accrued liabilities	231	44
Other short-term liabilities	227,712	214,199
	230,357	214,668

42. ACCRUED EXPENSES AND DEFERRED INCOME

Personnel expenses	7,304	7,627
Financial items	117	104
Other accrued expenses and deferred income	2,407	1,628
Total	9,828	9,359

OTHER NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

43. CONTINGENT LIABILITIES

	31 Jan 2007	31 Jan 2006
Mortgages (1)		
For own debts	841	841
Guarantees		
For subsidiaries	57,846	65,241
For debts of others	319	-
	58,165	65,241
Other commitments		
Leasing commitments		
Next year	1,250	1,202
Over one year	1,041	1,701
Rent commitments	253	316
	2,544	3,219

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

Parent company has guaranteed the Commercial papers issued by Tamro Finance Ltd. in Finland and Sweden. The Commercial paper programme in Finland amounts to EUR 300,000,000 and in Sweden SEK 1,000,000,000. There were no outstanding amounts in Finland nor in Sweden at the end of financial year.

Parent company has given its subsidiaries and on their behalf a Letter of Comfort type commitments.

44. DERIVATIVE FINANCIAL INSTRUMENTS

	31 Jan 2007	31 Jan 2006
Derivatives - notional amounts		
Currency instruments		
Currency forward contracts	72,174	84,829
Derivatives - market value		
Currency instruments		
Currency forward contracts	0	81

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 58 696 969.42
Total retained earnings amount to	EUR 213 735 902.91
of which the distributable portion is	EUR 213 735 902.91

The retained earnings shown in the Consolidated Balance Sheet as at 31 January 2007 is	EUR 251 503 000.00
of which the distributable portion is	EUR 219 946 000.00

The Board of Directors proposes that no dividend is paid and that the retained earnings are left on the retained earnings account	EUR 213 735 902.91
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Vantaa, 28 March 2007

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 1.2.2006 – 31.1.2007. 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 28, 2007

Ernst & Young Oy
Authorised Public Accounting Firm

Anna-Maija Simola
Authorised Public Accountant

Eija Niemi-Nikkola
Authorised Public Accountant

Financial indicators

	2006/07 12 months	2005/06 12 months	2004/05 13 months	2003 12 months	2002 12 months
FROM THE INCOME STATEMENT, EURm					
Net Sales	5,464.5	4,856.8	4,856.7	4,169.4	4,102.7
Other income	6.3	7.6	0.4	2.1	0.3
Operating expenses	-5,319.7	-4,713.0	-4,729.6	-4,060.5	-4,016.7
Depreciation	-33.7	-34.9	-35.0	-33.0	-31.2
Operating profit	117.4	116.5	92.5	78.0	55.1
Financial income and expenses	-6.2	-5.7	-4.0	-9.3	-14.1
Share of affiliated companies' net income	0.2	0.3	0.3	0.3	0.3
Profit before extraordinary items	111.4	111.1	88.5	68.7	41.0
Extraordinary items	48.5	0.0	0.0	0.0	0.0
Profit before taxes	159.9	111.1	88.8	69.0	41.3
Minority and income taxes	-33.5	-28.3	-23.3	-21.8	-11.3
Net profit for the period	126.4	82.8	65.5	47.2	30.0
FROM THE BALANCE SHEET, EURm					
Tangible and intangible assets	319.1	324.7	306.1	287.5	301.0
Financial assets	17.4	19.3	7.8	29.6	34.8
Inventories	357.7	305.1	307.1	303.8	308.5
Receivables	464.7	399.1	417.0	450.5	446.7
Liquid assets and short-term investments	55.2	9.9	13.2	22.3	45.6
Equity	373.2	314.5	351.8	370.1	351.8
Minority	0.2	0.3	1.0	18.4	20.9
Obligatory reserves	2.0	2.3	1.8	1.4	1.1
Long-term liabilities	28.9	28.0	16.7	15.5	23.5
Short-term liabilities	809.9	713.0	679.9	688.3	739.3
Balance sheet total	1,214.2	1,058.1	1,051.2	1,093.7	1,136.6

KEY FIGURES					
Sales change, %	12.5	0.0	16.5	1.6	8.1
Operating margin, %	2.1	2.4	1.9	1.9	1.3
Profit margin, %	2.9	2.3	1.8	1.7	1.0
Return on capital employed, %	40.7	28.3	19.2	16.1	10.6
Return on equity, %	36.8	24.9	16.4	12.9	7.6
Free cash flow, EURm	152.0	95.1	101.5	40.4	86.7
Capital employed, EURm	416.9	416.9	426.1	482.2	514.9
Net debt, EURm	-2.5	92.9	60.1	71.4	96.6
Net gearing, %	-0.7	26.4	17.0	18.4	26.0
Interest cover	17.5	16.0	18.3	7.6	3.5
Equity Ratio, %	30.8	29.8	33.6	35.4	32.7
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	1.10	0.72	0.57	0.41	0.26
Dividend per share, EUR	0.60	0.20	1.06	0.74	0.13
Dividend per earnings, %	54	28	186	180	50
Effective dividend yield, %				16.4	3.4
Equity per share, EUR	3.26	2.75	3.07	3.22	3.06
P/E multiple				11	15
TAMRO SHARE INFORMATION					
Average trading price, EUR				4.48	3.80
Lowest trading price, EUR				3.77	3.35
Highest trading price, EUR				4.60	3.99
Price at 31 December, EUR				4.51	3.80
Trading volume, million shares				50.8	17.5
Trading volume, %				44	15
Market capitalisation at 31 December, EURm				516.4	435.1
OTHER					
Investments, EURm	35.1	71.8	64.1	39.6	93.9
as % of sales	0.6	1.5	1.3	0.9	2.3
Number of employees, average	4,693	4,223	3,909	3,820	3,438

*) 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

Figures in the tables are unaudited.

	11/06- 1/07 2006	8-10 2006	5-7 2006	2-4 2006	2/06-1/07 2006	2/05-1/06 2005	Change %
NET SALES							
(EURm)							
Tamro Sweden	453.4	431.2	418.5	405.3	1,708.3	1,536.3	11.2
Tamro Denmark	356.4	331.2	336.7	310.6	1,334.8	1,230.9	8.4
Tamro Finland	267.9	266.6	259.9	246.1	1,040.6	1,039.1	0.1
Tamro Norway	187.9	177.1	189.8	168.5	723.2	699.5	3.4
Tamro Estonia	17.0	15.1	14.1	13.9	60.1	54.9	9.4
Tamro Latvia	30.0	27.4	23.9	25.2	106.5	87.0	22.4
Tamro Lithuania	28.9	26.1	26.7	22.2	103.9	83.6	24.3
Tamro Poland	88.9	85.6	80.8	92.6	347.9	0.0	
Tamro MedLab	0.1	0.0	26.6	34.5	61.2	132.5	-53.8
Other and internal	-8.2	-5.2	-4.1	-4.5	-22.0	-7.0	214.1
Group total	1,422.2	1,355.0	1,372.8	1,314.5	5,464.5	4,856.8	12.5
NUMBER OF EMPLOYEES, AVERAGE							
Tamro Sweden	429	451	460	429	440	448	-1.8
Tamro Denmark	630	650	648	613	634	614	3.3
Tamro Finland	342	345	334	322	335	332	0.9
Tamro Norway	1,817	1,807	1,809	1,783	1,803	1,650	9.3
Tamro Estonia	269	282	281	257	270	209	29.2
Tamro Latvia	333	315	307	292	311	276	12.7
Tamro Lithuania	409	418	429	435	422	397	6.3
Tamro Poland	346	345	351	265	321	0	
Tamro MedLab	0	0	217	289	133	274	-51.5
Others	23	24	22	23	24	23	4.3
Group total	4,598	4,637	4,858	4,708	4,693	4,223	11.1

CONSOLIDATED INCOME STATEMENT							
(EURm)							
Net Sales	1,422.2	1,355.0	1,372.8	1,314.5	5,464.5	4,856.8	12.5
Other income	1.2	2.9	2.1	0.1	6.3	7.6	-17.1
Raw materials and services	-1,312.6	-1,250.1	-1,260.0	-1,205.5	-5,028.2	-4,442.1	13.2
Personnel expenses	-48.1	-46.3	-52.0	-48.1	-194.6	-185.7	4.8
Depreciation and value adjustments	-7.9	-8.2	-8.7	-9.0	-33.7	-34.9	-3.3
Other operating expenses	-29.1	-21.8	-23.2	-22.9	-97.0	-85.2	13.8
Operating profit	25.6	31.6	31.1	29.1	117.4	116.5	0.7
Financial income and expenses	-1.6	-1.3	-1.4	-1.9	-6.2	-5.7	8.8
Share of associated companies' net income	0.0	0.1	0.1	0.0	0.2	0.3	-31.3
Profit before extraordinary items	24.0	30.5	29.7	27.2	111.4	111.1	0.2
Extraordinary items	0.0	0.5	48.0	0.0	48.5	0.0	
Profit before taxes	24.0	31.0	77.7	27.2	159.9	111.1	43.9
Income taxes	-7.7	-8.5	-9.9	-7.1	-33.2	-28.1	18.3
Minority interest	0.0	-0.1	0.0	-0.1	-0.2	-0.2	5.0
Net profit for the period	16.3	22.4	67.9	19.9	126.4	82.8	52.7
	31/1/ 2007	31/10/ 2006	31/7/ 2006	30/4/ 2006	31/1/ 2006	31/1/ 2006	Change %

CONSOLIDATED BALANCE SHEET							
(EURm)							
Assets							
Intangible and tangible assets	319.1	307.8	318.5	335.7	319.1	324.7	-1.7
Financial assets	17.4	19.1	19.2	19.4	17.4	19.3	-9.9
Inventories	357.7	371.7	377.9	387.2	357.7	305.1	17.3
Receivables	464.7	541.4	489.2	484.3	464.7	399.1	16.4
Liquid assets and short-term investments	55.2	6.8	6.1	16.7	55.2	9.9	457.8
	1,214.2	1,246.9	1,210.8	1,243.3	1,214.2	1,058.1	14.7
Equity & liabilities							
Shareholders' equity	373.2	396.4	385.7	320.0	373.2	314.5	18.7
Minority interest	0.2	0.5	0.4	0.4	0.2	0.3	-30.9
Obligatory reserves	2.0	2.6	2.2	2.1	2.0	2.3	-11.5
Long-term liabilities	28.9	27.0	27.3	27.6	28.9	28.0	3.2
Short-term liabilities	809.9	820.4	795.2	893.2	809.9	713.0	13.6
Balance sheet total	1,214.2	1,246.9	1,210.8	1,243.3	1,214.2	1,058.1	14.7

	11/06- 1/07	8-10	5-7	2-4	2/06-1/07	2/05-1/06	Change
	2006	2006	2006	2006	2007	2005	%
OTHER CONSOLIDATED KEY FIGURES							
Operating margin, %	1.8 %	2.3 %	2.3 %	2.2 %	2.1 %	2.4 %	-10.5
Profit margin, %	1.7 %	2.3 %	5.7 %	2.1 %	2.9 %	2.3 %	27.9
Return on capital employed, %	24.0 %	27.5 %	74.1 %	30.2 %	40.7 %	28.3 %	43.6
Return on equity, %	17.9 %	22.9 %	76.8 %	25.3 %	36.8 %	24.9 %	48.0
Gross investments, €m	16.3	6.5	6.3	5.9	35.1	71.8	-51.2
Free cash flow, €m	116.6	13.8	-57.4	79.0	152.0	95.1	59.8
Capital employed, €m	434.8	485.0	435.2	393.7	416.9	416.9	0.0
Net debt, €m	-2.5	75.6	98.4	42.6	-2.5	92.9	-102.7
Net gearing, %	-0.7 %	19.1 %	25.5 %	13.3 %	-0.7 %	26.4 %	-102.6
Equity Ratio, %	30.8 %	31.8 %	31.9 %	25.8 %	30.8 %	29.8 %	3.4
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)	0.14	0.20	0.59	0.17	1.10	0.72	52.7
Equity per share, € (excluding own shares)	3.11	3.37	2.80	2.80	3.26	2.75	18.6
Number of employees, average	4,598	4,637	4,858	4,708	4,693	4,223	11.1