



Tamro Group  
Business Units  
Corporate Governance  
Financial Statements

1 Feb 09 – 31 Jan 10

# Annual Report **2009**



1 Feb 09 – 31 Jan 10

# Annual Report

# 2009

## Tamro Group

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Group Management

## Business Units

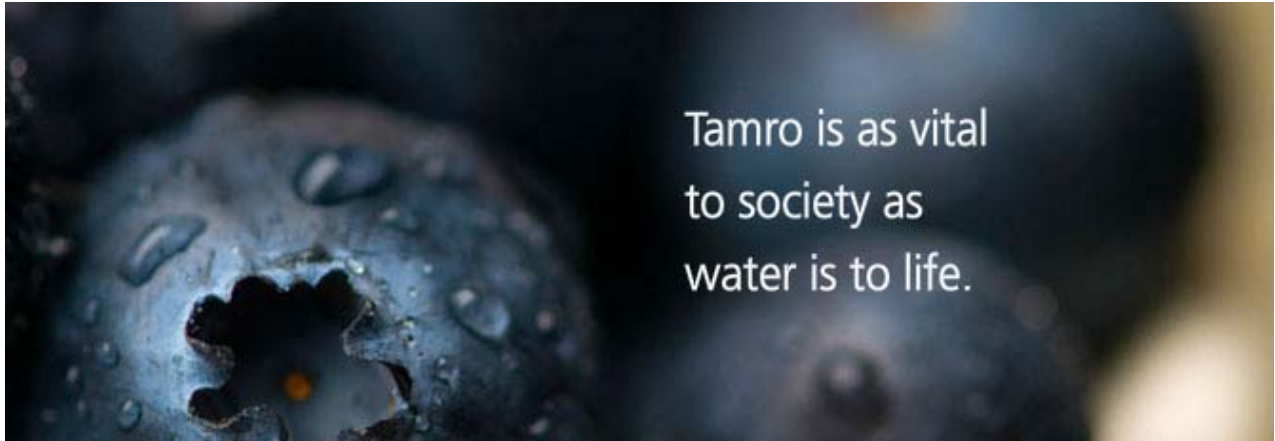
Sweden  
Denmark  
Finland  
Norway  
Estonia  
Latvia  
Lithuania  
Poland

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Tamro is as vital  
to society as  
water is to life.

## Tamro Group – a vital link in the healthcare system

Tamro Group is the leading pharmaceutical wholesaler and the largest private pharmacy player in Northern Europe. The Group has wholesale operations in eight countries (Finland, Sweden, Norway, Denmark, Estonia, Latvia, Lithuania and Poland) and pharmacy operations in Norway, Latvia, Lithuania, Estonia and Poland. In addition, Tamro operates in pharmaceutical wholesaling in Russia through a minority stake.

In the societies where it operates, Tamro is an essential partner in the pharmaceutical chain. We ensure that pharmacies, hospitals, other healthcare providers and finally, patients and consumers are quickly and reliably supplied with the pharmaceuticals and other products they need. Tamro's objective is to secure pharmaceutical deliveries at all times, also in possible emergencies.

Our customers are the players in the Northern European healthcare chains: pharmaceutical companies and manufacturers of health products, pharmacies, hospitals and other healthcare providers, retailers, health food stores and consumers. Tamro connects these players together. Tamro Group employs some 5 500 people, almost 60% of whom work in pharmacies.

Tamro is a public company registered in Finland and owned by an international pharmaceutical wholesaler, PHOENIX Group. Tamro Group's headquarters are located in the Tamro House in Vantaa, Finland.

More about [PHOENIX Group](#)

## 2009 Highlights

### Operating Environment



In Sweden, the pharmacy market was liberalised. A large number of state-owned pharmacies were sold, and free establishment of pharmacies was allowed.

In Finland, a reference pricing system was implemented to reduce government reimbursement costs. The pharmaceutical market growth came to a halt.

The Norwegian pharmaceutical market continued stable growth.



In Denmark, the strong hospital sector stimulated the pharmaceutical market growth while the pharmacy market stagnated.

Global recession affected the Baltic countries the most; there the pharmaceutical markets declined heavily.

The Polish pharmaceutical market was not affected by the recession but continued to grow.

### Corporate Responsibility

A group-wide Code of Conduct was implemented.



Corporate Responsibility reporting was initiated. The first Corporate Responsibility Report is published in May 2010.

### Main Events

Overall strong performance: focus on efficiency, quality and cost leadership.

In Sweden, Tamro developed its operations to respond to the new market situation. Strategic alternatives were evaluated and as a result, Tamro decided to remain as an independent wholesaler. During Q1 in 2010, Tamro divested its pharmacy operations to Apotek Hjärtat pharmacy chain.

The development of pharmacy operations continued in Norway, Estonia, Latvia, Lithuania and Poland.

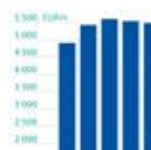
Record volumes were handled in wholesale operations.



Tamro Group President and CEO Jo Langmoen retired at the end of July, and Juha Koponen was appointed as new President and CEO. Sakari Ahdekivi was appointed Group CFO as of

September.

### Financials



Group net sales declined slightly to EUR 5 467 million and was affected by exchange rate effects.

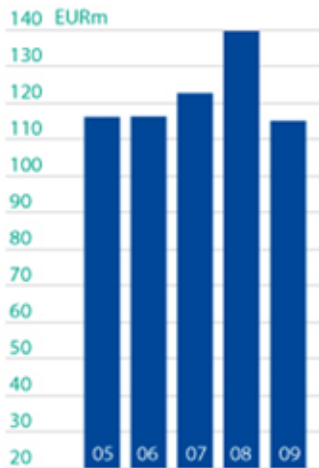
Profit before taxes decreased to EUR 110 million. Net profit totalled EUR 83 million.

Result was at the previous year's level excluding costs related to the Swedish market reform, exchange rate effects and one-time capital gains included in previous year's figures.

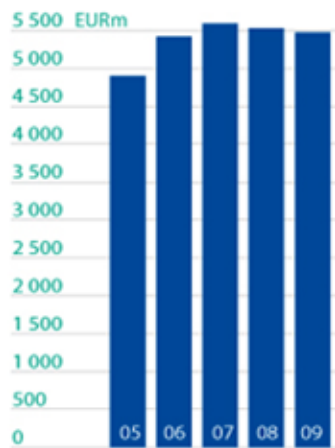
Balance sheet developed positively with strong cash flow decreasing the net debt to a very low EUR 68 million.

## 2009 Key Figures

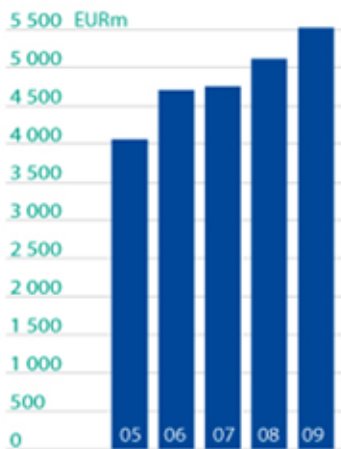
Operating profit 2005–2009/10



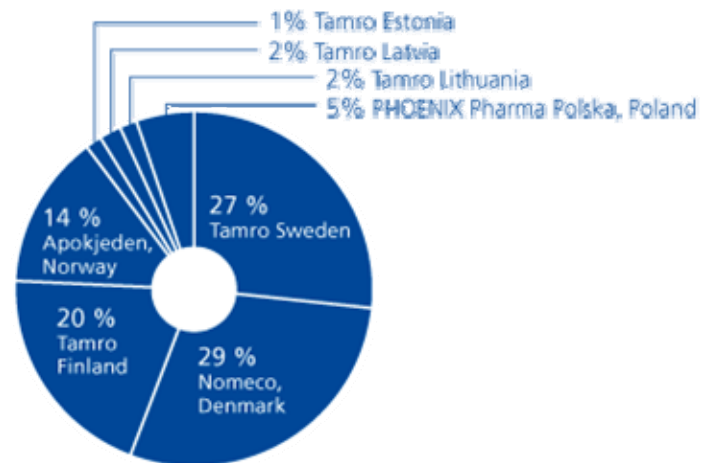
Net sales 2004–2009/10



Personnel 2004–2009/10



Net sales division 2009/10



**FINANCIAL HIGHLIGHTS****2009/10****2008/09**

| Net sales                                 | EURm | 5,467.2  | 5,534.4  |
|---|------|----------|----------|
| Other income                              | EURm | 0.1      | 5.7      |
| Operating expenses                        | EURm | -5,352.5 | -5,363.7 |
| Depreciation                              | EURm | -39.7    | -37.1    |
| Operating profit                          | EURm | 114.9    | 139.3    |
| Financial income and expenses             | EURm | -5.1     | -13.4    |
| Share of affiliated companies' net income | EURm | -0.1     | 0.0      |
| Profit before extraordinary items         | EURm | 109.7    | 125.9    |
| Profit before taxes                       | EURm | 109.7    | 125.9    |
| Income taxes and minority interest        | EURm | -26.3    | -33.1    |
| Net profit for the period                 | EURm | 83.4     | 92.8     |
| Free cash flow                            | EURm | 45.2     | 155.1    |
| Profit margin                             | %    | 2.0      | 2.3      |
| Return on capital employed                | %    | 28.8     | 36.0     |
| Return on equity                          | %    | 28.9     | 32.6     |
| Earnings per share                        | EUR  | 0.73     | 0.81     |
| Dividend per share                        | EUR  | 0.0      | 1.40     |
| Net gearing                               | %    | -9.0     | 11.8     |
| Investments                               | EURm | 33.9     | 57.0     |
| Number of employees, average              |      | 5,516    | 5,168    |

## CEO's Review

### **Tamro's financial year 2009/10 was stable and successful.**

The past year was characterised by a deep global recession – one of the worst in modern times. In most markets, our business proved to be quite resistant to the generally weak economy. At Tamro, we have been able to serve our customers with constant quality and efficiency even in these challenging times, and we can be very proud of the solid results our business has delivered.

In 2009, the most important single change in the operating environment was the liberalisation of the Swedish pharmacy market and the ending of the state pharmacy monopoly. Now it is possible for also private companies to open and run pharmacies in Sweden. This means that the service requirements for Tamro's pharmaceutical distribution in Sweden have become significantly more complex. We have worked hard to prepare for this change. We have defined our role in the Swedish pharmaceutical market and decided to concentrate on further developing and strengthening our services in the wholesale operations. As the only independent pharmaceutical wholesaler in the market, we are committed to serving all Swedish pharmacies.

The economic recession hit our operations in the Baltic countries. We carried out extensive cost saving initiatives in these declining markets. I want to thank our personnel in Latvia, Lithuania and Estonia who have exerted themselves this difficult year with continued commitment to our business and success.

In Norway, Denmark, Finland, and Poland we reached our key targets with regard to quality, efficiency and profitability. The stable positive development in these countries is the backbone of our success – to the advantage of all our customer groups as well as our personnel and other stakeholders.

At the end of July – after nine successful years at Tamro – our President and CEO Jo Langmoen retired and handed over the group management to myself and our new Group CFO Sakari Ahdekivi. I want to thank Jo for his great work and all of you for the support and cooperation that Sakari and I have received in our new roles. The smoothness of the handover is strong proof of the stability of our company.

At the moment, we are putting particular effort into issuing our first Corporate Responsibility Report in spring 2010. It is important for us to further develop the reporting process and data quality in the coming years. The principles of corporate responsibility and our Code of Conduct shall be integrated in all our operations as an inseparable part. These initiatives reflect the values and business ethics that are important for us at all times.

The past year was another successful year for the Tamro Group. We have continued working on efficiency, quality and strict cost control. We have a key role to fulfil in the healthcare system of each of our operating countries, and these healthcare systems will keep requesting more high-quality services at lower cost in the future.

I want to extend a warm thank you to all our employees for their great work and commitment to Tamro and to all our business partners for good cooperation.

I look forward to making also the new year successful – together with all of you.



Juha Koponen  
President and CEO  
Tamro Corporation

## Risk Management

Financing and risk management functions in Tamro Group are centralised in a separate financing company Tamro Finance Ltd. On the Group level, Tamro Finance Ltd is responsible for funding operations, liquidity management, foreign exchange and interest rate risk management, and for acquiring and maintaining a certain insurance coverage. The business units are responsible for the corresponding local activities in accordance with the policies and guidelines given by Tamro Finance Ltd.

The objective of the risk management activities mentioned above is to decrease the unpredictability of the Group's financial performance due to various financial and operational risks.

The risk management operations are carried out in accordance with the financial policy approved by the Board of Directors.

### Funding and liquidity management

The funding of the Group is secured by a number of financing sources. The commercial paper programs of EUR 300 million and SEK 1 000 (EUR 98) million are supported by revolving credit lines agreed with the core banks of Tamro. The amount of these facilities equalled EUR 120 million at the end of the financial year, but was increased to EUR 150 million on 3 February 2010. The new revolving credit facility arrangement has a maturity of three years, thus reducing the liquidity risk of the Group. The Group has asset securitisation programmes of SEK 600 (EUR 59) million in Sweden and DKK 1 050 (EUR 141) million in Denmark. Of the originally three-year amortising loan to the amount of EUR 30 million from the pension insurer of Tamro Corporation, EUR 20 million was outstanding at the end of January. In addition, account overdraft facilities are available.

Any excess liquidity within the Group is managed with the help of cash pool arrangements and used primarily to repay short term interest bearing debt. Any remaining liquid funds are invested by Tamro Finance Ltd in short term deposits and commercial papers of approved issuers. The investment limits are defined by the financial policy.

### Foreign exchange and interest rate risk management

The currency split of the net sales in 2009/2010 was SEK 27% (27%), DKK 27% (27%), EUR 20% (19%), NOK 14% (13%), PLN 5% (7%) and other currencies 6% (6%). In the Nordic countries, the suppliers carry almost exclusively the foreign exchange risk. In Estonia, Latvia, Lithuania and Poland, the foreign exchange risk is carried to some extent by the distributor or pre-wholesaler. The business units are responsible for hedging the net foreign exchange exposure inherent in the commercial operations. The intra-group loans are extended by Tamro Finance Ltd in the home currency of the subsidiary company. Tamro Finance Ltd hedges any net foreign exchange exposure in accordance with the financial policy.

The foreign currency denominated equity and equity type loans are not hedged. At financial year end, the foreign currency denominated shareholders' equity and equity type loans amounted to EUR 617 (520) million. Of the total amount NOK represented 38% (34%), DKK 23% (24%), SEK 23% (25%) and other currencies 15% (17%).

The short term funding structure of the Group closely matches the short term asset structure of receivables. The originally three-year fixed rate loan, of which two years remain to maturity, from the pension insurer of Tamro Corporation diversifies the maturity structure of the funding and thus reduces interest rate risk.

Derivative instruments are used to hedge underlying foreign exchange and interest rate exposures. The derivative instruments used must be liquid and effectively priced in the market, and the agreements are entered into with creditworthy counterparties. The open derivative instruments of the Group are presented in tabular form in the Notes to the Financial Statements.



## Board of Directors

### **Dr. Bernd Scheifele**

Chairman of the Board of Directors since 2001  
Member of the Board since 2000  
Born 1958  
LL.M.  
CEO, HeidelbergCement AG

### **Matti Elovaara**

Member of the Board since 2003  
Born 1939  
B.Sc. (Econ.), Commercial Counsel

### **Mikael von Frenckell**

Member of the Board since 1995  
Born 1947  
M.Pol.Sc., Commercial Counsel  
Chairman of the Board, Sponsor Capital Oy

### **Jo Langmoen**

Member of the Board since 2009  
Born 1949  
M.Sc.(Eng.)

### **Dr. Michael Majerus**

Member of the Board since 2009  
Born 1961  
Dr.(Econ.)  
Executive Director Finance, PHOENIX group

### **Dr. Lorenz Näger**

Member of the Board since 2000  
Born 1960  
PhD, MBA, Certified Tax Advisor  
CFO, HeidelbergCement AG

### **Reimund Pohl**

Member of the Board since 2000  
Born 1952  
MBA  
CEO, PHOENIX group



# Annual Report

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# 2009

## Group Management

### **Juha Koponen**

President and CEO

Born 1966

M.Sc.(Econ.)

Joined Tamro in 2002

### **Sakari Ahdekivi**

Group CFO

Born 1963

M.Sc.(Econ.)

Joined Tamro in 2009

### **Dr. Hans-Ulrich Kummer**

Logistics

Born 1963

Dr.(Econ.)

Joined PHOENIX in 1995 and Tamro in 2009



- Pharmaceutical wholesale
- Pharmaceutical wholesale and pharmacies

## Business Units

Tamro Group is the leading pharmaceutical wholesaler and a major pharmacy player in Northern Europe. We have 22 distribution centres in eight countries and pharmacy operations in five countries. In addition, Tamro operates in Russia through a minority stake.

## Tamro Sweden



Net sales: EUR 1 480 (1 496) million  
 Personnel: 470 (462)  
 Average market share, wholesale: 55%

### Market overview

The Swedish pharmaceutical wholesale and retail markets faced significant changes in 2009. The pharmacy market deregulation came into effect on 1 July 2009, and as a consequence, other players besides the state monopoly are able to own, establish and run pharmacies. In the autumn of 2009, a large share of state-owned pharmacies was auctioned off to private companies. Furthermore, as of November 2009, the sale of certain over-the-counter (OTC) medicines was deregulated, as a result of which they can be sold by grocery retailers. Pharmaceutical wholesalers started to adjust their operations to the new market situation with more players.

The Swedish pharmaceutical market grew by 2.2% at constant exchange rates compared to the previous year. The market growth was mainly due to an increase in sales volume, and the value of the market was approximately EUR 3 billion in pharmacy purchase prices. This figure does not include OTC pharmaceutical sales to grocery trade.

Tamro Sweden's net sales amounted to EUR 1 480 (1 496) million. The sales increased by 7.6% at constant exchange rates as a result of a major supplier agreement with Schering-Plough as of February 2009. Tamro's wholesale market share increased to 55%.

### Main events

Tamro followed the pharmacy market deregulation with great interest but decided not to make a final bid in the pharmacy auction. Strategic alternatives were evaluated and as a result, Tamro decided to remain as an independent wholesaler. During Q1 in 2010, Tamro divested its pharmacy operations to Apotek Hjärtat pharmacy chain.

### Outlook 2010/2011

The Swedish pharmacy market is developing as the new pharmacy chains have begun their operations. Tamro is closely following the changes in both pharmaceutical wholesale and pharmacy markets. Tamro's focus is on strengthening the cost efficient and high quality pharmaceutical wholesale service concept to serve all Swedish pharmacies.

The Swedish pharmaceutical market is expected to grow by 2% in 2010/11.

### Key Figures

|                        | 2009/10 | 2008/09 | Change |
|------------------------|---------|---------|--------|
| Net sales, EUR million | 1,480,3 | 1,496.2 | -1.1 % |
| Employees, average     | 470     | 462     | 1.7 %  |

## Nomeco



Net sales: EUR 1 616 (1 600) million  
 Personnel: 555 (596)  
 Average market share, wholesale: over 70%

### Market overview

Total pharmaceutical sales in Denmark amounted to EUR 2,1 billion in pharmacy purchase prices, an increase of 4.6% compared to the previous year. This was, however, a result of strong growth in the hospital sector. The pharmacy sector, on the other hand, stagnated due to a considerable increase in generic substitution in the market and an increased distribution of pharmaceuticals through hospitals.

Nomeco's net sales totalled EUR 1 616 (1 600) million, an increase of 1.0% from the previous year. Nomeco is the most preferred pharmaceutical wholesaler and partner to pharmacies in Denmark with a market share of over 70%.

Almost all pharmacies in Denmark are Nomeco's customers, and approximately half of them receive their supplies from Nomeco only. The cooperation is based on a close dialogue, high degree of service, secure deliveries and a range of value-adding solutions and concepts.

### Main events

In a highly competitive wholesale market, Nomeco was able to maintain a solid market share while at the same time cutting costs to position the company for the future.

Deliveries were reduced from two to one daily delivery for all customers. As a result of the very efficient use of Nomeco's Vendor Managed Inventory concept (automatic replenishment of pharmacies' stocks), the change was carried out with very little loss of perceived service level by pharmacies.

The number of distribution centres was reduced from 6 to 5 as the Kolding distribution centre was closed down at the beginning of 2010. The operations were transferred to the distribution centres of Odense and Århus without disturbances to customer service.

### Outlook 2010/11

The pharmaceutical wholesale market (primarily sales to private pharmacies and limited sales to hospitals) is expected to grow by 1% in 2010/11.

Nomeco will focus on the full implementation of the cost saving initiatives taken in 2009/10.

### Key Figure

|                        | 2009/10 | 2008/09 | Change |
|------------------------|---------|---------|--------|
| Net sales, EUR million | 1,615.6 | 1,600.2 | 1.0 %  |
| Employees, average     | 555     | 596     | -6.9 % |

## Tamro Finland



Net sales: EUR 1 106 (1 068) million  
 Personnel: 343 (340)  
 Average market share, wholesale: 53%

### Market overview

Total pharmaceutical sales in Finland amounted to almost EUR 2 billion in pharmacy purchase prices, a decrease of 0.2%. The reason for the flat market growth was the introduction of a pharmaceutical reference price system at the beginning of April 2009.

In 2009/10, Tamro Finland's net sales amounted to EUR 1 106 (1 068) million, an increase of 3.6%. The increase was due to new supplier agreements and growth in non-pharmaceutical distribution. Tamro is the market leader with a market share of 53%.

### Main events

As a result of the continued focus on quality and efficiency of operations, Tamro Finland strengthened its market leader position and gained two new, significant pharmaceutical supplier agreements – GlaxoSmithKline's OTC products and Baxter – at the end of the financial year. The cooperation with Axellus, which started at the beginning of the financial year, further increased Tamro's role in the distribution of well-being products to grocery stores.

Tamro Finland invested in new building ground to increase its capacity and secure its leading position in the use of technology and quality of operations also in the future.

As of August 2009, Juha Koponen was appointed as President and CEO of Tamro Group. He also continues as Managing Director of Tamro Finland. Sales and Marketing Director Kai Kaasalainen was appointed as Deputy Managing Director of Tamro Finland in June 2009.

### Outlook 2010/11

The Finnish pharmaceutical market is expected to grow by 1–1.5% in 2010. The moderate market growth is a result of the reference price system introduced in April 2009. The system will have the first full-year effect in 2010.

The outlook for Tamro Finland in 2010/11 is very stable despite the challenging market situation. The positive operational development is expected to continue, and Tamro will continue to focus on customer orientation, quality and development of services.

### Key Figures

|                        | 2009/10 | 2008/09 | Change |
|------------------------|---------|---------|--------|
| Net sales, EUR million | 1,106.1 | 1,068.1 | 3.6 %  |
| Employees, average     | 343     | 340     | 0.9 %  |

## Apokjeden



Net sales: EUR 776 (757) million  
 Personnel: 2 197 (2 065)  
 Average market share, retail: 35%

### Market overview

The Norwegian pharmaceutical market remained very stable in 2009 and was affected by the global recession only marginally.

The Norwegian pharmacy market, including hospital pharmacies, prescription products, OTC medication and commodities, amounted to EUR 2.1 billion in pharmacy purchase prices. The market grew by 4.8% at constant exchange rates from the previous year. The growth was driven by hospital pharmacies and related to new and expensive medicines used exclusively in hospitals.

Apokjeden's net sales totalled EUR 776 (757) million, an increase of 6.4% at constant exchange rates compared to the previous year.

### Main events

Apokjeden continued to develop the position of Apotek 1, the leading pharmacy chain in Norway. The market share of Apotek 1 remained high at 35% with over 240 pharmacies throughout the country. During the reporting period, Apotek 1 opened 3 new outlets. The chain is highly respected by the Norwegian consumers. As in prior years Apotek 1 was ranked among the top Norwegian companies when it comes to customer satisfaction.

The main focus in 2009 was to maintain the strong market share and high customer satisfaction, quality, service and operational cost efficiency.

### Outlook 2009/10

The Norwegian pharmaceutical market is expected to grow by approx. 3% in 2010/11.

Apokjeden expects to maintain its market share and to grow at the same rate as the market. Apotek 1 will continue to focus on everyday customer shopping experience through strengthening sales campaigns and streamlining operations.

### Key Figures

|                        | 2009/10 | 2008/09 | Change |
|------------------------|---------|---------|--------|
| Net sales, EUR million | 775.8   | 756.8   | 2.5 %  |
| Employees, average     | 2,197   | 2,065   | 6.4 %  |

## Tamro Estonia



Net sales: EUR 82 (83) million  
 Personnel: 341 (319)  
 Average market share, wholesale: 30%

### Market overview

In 2009, the economic conditions in Estonia were difficult due to the global recession which was also reflected on the Estonian pharmaceutical market. In January–December, the pharmaceutical market growth slowed down to 1.3% compared to the previous year. The value of the market totalled EUR 190 million in pharmacy purchase prices.

In 2009, the value added tax (VAT) for pharmaceuticals was increased from 4% to 9% and the VAT for non-pharmaceuticals was increased from 18% to 20%.

The net sales of Tamro Estonia amounted to EUR 82 (83) million, a decrease of 1.7%.

### Main events

During the reporting period, Tamro Estonia focused on cost reduction measures and streamlining both its wholesale and retail operations.

The retail expansion continued with a total of 15 new outlets. The Tamro-managed Apteek1 chain is the pharmacy chain with most outlets in Estonia.

The pharmacy market is very competitive. Aggressive consumer marketing continued and pressure on low-price campaigns had negative impact on margins. Opening new pharmacies is regulated but the removal of restrictions on opening new pharmacies was under heavy debate.

### Outlook 2010/11

The Estonian economy will continue to suffer from the global recession. The pharmaceutical market growth is expected to remain flat.

Electronic prescriptions were introduced in January 2010.

Tamro Estonia continues to focus on cost efficiency initiatives, improving profitability and retail expansion.

### Key Figures

|                        | 2009/10 | 2008/09 | Change |
|------------------------|---------|---------|--------|
| Net sales, EUR million | 81.7    | 83.1    | -1.7 % |
| Employees, average     | 341     | 319     | 6.9 %  |

## Tamro Latvia



Net sales: EUR 110 (119) million  
 Personnel: 417 (417)  
 Average market share, wholesale: 23%

### Market overview

The serious downturn of the Latvian economy due to the global recession and the healthcare cost cutting measures by the government led to a declining pharmaceutical market. Total pharmaceutical sales amounted to EUR 260 million in pharmacy purchase prices, a decrease of 10% compared to the previous year.

The possible changes in legislation on pharmacy ownership were under debate. The new legislation would restrict the pharmacy ownership from private companies.

Tamro Latvia's net sales amounted to EUR 110 (119) million, a decrease of 7.2%. The result was negatively affected by the economic downturn and pharmaceutical market decline.

### Main events

At the beginning of the financial year, Tamro Latvia took cost-cutting measures to respond to the downturn of the economy and started a strict cost control. The company was able to slightly increase its market share both in the wholesale and the retail market. The company continued development of its pharmacy chain Gimenes aptieka, the second largest chain in the country, as well as its loyalty concept Aptieka1 for voluntary member pharmacies.

### Outlook 2010/11

The Latvian economy continues to be affected by the global recession. The pharmaceutical market is estimated to decrease by 5% and the market conditions will remain strained. The government's cost-saving measures will continue.

Tamro Latvia will be affected by the market conditions. The key focus areas are operational efficiency improvement and continued strict cost control. The company will start to adjust its operations to face the expected changes in pharmacy ownership legislation in 2011.

### Key Figures

|                        | 2009/10 | 2008/09 | Change |
|------------------------|---------|---------|--------|
| Net sales, EUR million | 110.3   | 118.9   | -7.2 % |
| Employees, average     | 417     | 417     | 0.0 %  |

## Tamro Lithuania



Net sales: EUR 87 (106) million  
 Personnel: 577 (483)  
 Average market share, wholesale: 13%

### Market overview

In 2009, the Lithuanian economy was hit by the global recession, which also led to the decline of the pharmaceutical market. The pharmaceutical market sales amounted to EUR 405 million in pharmacy purchase prices, a decrease of 5.8% compared to the previous year.

Tamro Lithuania's net sales totalled EUR 87 (106) million, a decrease of 18% mainly due to the downturn of the economy and sales limitations for risky clients.

### Main events

To respond to the collapse of the market and sales, Tamro Lithuania took a number of drastic cost cutting measures.

The acquisition of the Farma pharmacy chain in 2008 was completed in December 2009. Tamro's pharmacy chain Seimos vaistine is Lithuania's third largest.

### Outlook 2010/11

Slow economic recovery is expected for Lithuania in 2010. However, the pharmaceutical market is expected to decrease by 5%. The government is expected to adopt price regulation for non-reimbursed prescription medicine and OTC medicine.

The sales of Tamro Lithuania will be affected by the difficult market conditions. The company will continue to improve its business processes and concentrate on cost-efficiency.

### Key Figures

|                        | 2009/10 | 2008/09 | Change  |
|------------------------|---------|---------|---------|
| Net sales, EUR million | 86.5    | 105.6   | -18.1 % |
| Employees, average     | 577     | 483     | 19.5 %  |

## PHOENIX Pharma Polska



Net sales: EUR 291 (368) million  
 Personnel: 578 (451)  
 Average market share, wholesale: 3%

### Market Overview

The Polish economy grew and the total pharmaceutical market amounted to EUR 6 billion in PPP, an increase of 8.6% at CER from the previous year. Some new, advanced prescription medicines were included in the reimbursement lists stimulating the market growth.

PHOENIX Pharma Polska's net sales totalled EUR 291 million, a decrease of 4.4% at CER from the previous year. The decline was due to the highly competitive wholesale environment and the shift of business model from sales to providing value-added services.

### Main events

The financial year 2009/10 was difficult for PHOENIX Pharma Polska: the wholesale market was very competitive with increased pressure on margins, the situation of the pre-wholesale market was challenging and the company had only recently entered the pharmacy market. However, PHOENIX Pharma Polska managed to strengthen its retail organisation significantly, putting in place the fundamental processes, introducing a motivational system for pharmacists and developing a strong pharmacy loyalty marketing programme.

The company was able to maintain a strong position in supplier service segment and won the exclusive contract for the Merck and Mylan logistics service.

In April 2009, PHOENIX Pharma Polska was awarded the title of Reliable Employer 2008 in Poland.

### Outlook 2010/11

The Polish pharmaceutical market is expected to grow by 7%.

PHOENIX Pharma Polska will focus on the reduction of operating costs in wholesale and growth in wholesale and retailing. The key initiative is the launch of the pharmacy loyalty marketing programme APTEKA1, which aims at attracting more customers and offers pharmacies new promotional opportunities.

### Key Figure

|                        | 2009/10 | 2008/09 | Change  |
|------------------------|---------|---------|---------|
| Net sales, EUR million | 290.7   | 368.4   | -21.1 % |
| Employees, average     | 578     | 451     | 28.2 %  |



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## Board of Directors and General Meeting

The Board of Directors comprises three to ten members elected at the Annual General Meeting. The term of a Board member expires at the close of the following year's AGM. The AGM elects the Chairman of the Board of Directors.

The Articles of Association of Tamro Corporation specify no other tasks for the Board of Directors than those prescribed under the Companies Act. The Board of Directors appoints the President and CEO and approves the terms and conditions of his or her post as stipulated in a written executive employment contract.

No Group employee is nominated to the parent company PHOENIX Group's Board of Directors. Moreover, no member of the corporate Board serves as non-executive Director on any of the Boards of Tamro subsidiaries.

The external auditors are elected annually by the AGM. In addition to the tasks specified in the audit regulations and audit scope, the auditors report their audit findings to the Group's Board of Directors where necessary and participate in the meetings of the Board.



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2009

## President and CEO

The President and CEO is appointed by the Board of Directors, which also approves the terms and conditions of his or her post as stipulated in a written executive employment contract.

In addition to the provisions of the 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 measures to 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,
- supervise M&A activities, and
- propose the meeting agenda to the Board of Directors.



## Business Units

The Group's pharmaceutical distribution business is organised under eight country business units. We are also actively involved in pharmaceutical retailing in five countries.

In a subsidiary where the Group is the sole shareholder, General Meetings are convened either by the Board of the local company or by Tamro Corporation. The Chairman of the General Meetings and of the Board of Directors of the subsidiary is either the Group's President and CEO or another designated Tamro Corporation executive.

If a Board of Directors is not needed, the tasks laid down for the Board 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 the Group's President and CEO, with the terms and conditions of the contract approved by the Chairman of the Group's Board of Directors as the superior of the appointing person. The Managing Director of the subsidiary reports to the President and CEO.



## Group Management

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 CFO and Logistics Director have been defined by the President and CEO and approved by the Board.

The responsibilities of the CFO include financial management, treasury and Group administrative functions. He is responsible for financial routines and standards, Group budgeting and forecasts as well as financial reporting to the Board of Directors. The CFO also takes care of corporate tax planning and business development.

The Logistics Director is responsible for the efficiency, quality and competitiveness of operational processes as well as operational benchmarking to identify best practices for the local business units. This also includes the use of information technology.

## Board of Directors' Report

In the financial period 2009/10 Tamro Group continued a stable development despite the financial crises and changing operating environment. The Group expanded its pharmacy operations and further improved its position as the leading pharmaceutical wholesaler in the Nordic and the Baltic markets.

### Markets and Operating Environment

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

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

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

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

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

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

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

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



## Main events in 2009/10

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

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

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



## Financial performance in 2009/10

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

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

In accordance with the decision taken by the Board of Directors, 341 000 own shares were nullified 6 February 2009.

## Financing

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

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

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

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

Net gearing improved to -9.0 (11.8)%.

### Free cash flow and net working capital

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

### Financial expenses

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

### Capital expenditure, acquisitions and divestments

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

## Operational risks and uncertainties

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

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.

### Operational risks and insurances

The main operational risks are property damage, business interruption and liability risks. The objective of the Group's operational risk management is to identify and minimise risks associated with operations, assets, environment and personnel. The local business units are responsible for managing and reducing operational risks and for having appropriate contingency plans in place.

The remaining risks are covered with insurances to the extent defined by the Tamro Group management and the Board of Directors. The Group level master insurance policies are administered by Tamro Finance Ltd, whereas the business units are responsible for the appropriate local insurance coverage.



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## Changes in the Group structure

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



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## Personnel and organisation

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

## Board of Directors and Auditors

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

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

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

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

### Board of Directors

|                             |   |
|-----------------------------|---|
| <b>Dr. Bernd Scheifele</b>  | Chairman of the Board of Directors since 2001<br>Member of the Board since 2000<br>Born 1958<br>LL.M.<br>CEO, HeidelbergCement AG |
| <b>Matti Elovaara</b>       | Member of the Board since 2003<br>Born 1939<br>B.Sc. (Econ.), Commercial Counsel  |
| <b>Mikael von Frenckell</b> | Member of the Board since 1995<br>Born 1947<br>M.Pol.Sc., Commercial Counsel<br>Chairman of the Board of Sponsor Capital Oy       |
| <b>Jo Langmoen</b>          | Member of the Board since 2009<br>Born 1949<br>M.Sc.(Eng.)  |
| <b>Dr. Michael Majerus</b>  | Member of the Board since 2009<br>Born 1961<br>Dr.(Econ.)<br>Executive Director Finance, PHOENIX group                            |
| <b>Dr. Lorenz Näger</b>     | Member of the Board since 2000<br>Born 1960<br>PhD, MBA<br>CFO, HeidelbergCement AG   |
| <b>Reimund Pohl</b>         | Member of the Board since 2000<br>Born 1952<br>MBA<br>CEO, PHOENIX group  |

### Auditors

|                             |   |
|-----------------------------|---|
| <b>Ms Anna-Maija Simola</b> | Authorised Public Accountant and the Authorised Public Accountants Ernst & Young Oy |
|-----------------------------|---|



## Events after the financial period

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

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



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## Outlook for 2010/11

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

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



## Consolidated Income Statement

| (in EUR thousands)                                     | NOTES     | 1 Feb 2009-<br>31 Jan 2010 | %     | 1 Feb 2008-<br>31 Jan 2009 | %     |
|--|-----------|----------------------------|-------|----------------------------|-------|
| <b>NET SALES</b>                                       | <b>1</b>  | 5,467,236                  | 100.0 | 5,534,405                  | 100.0 |
| <b>OTHER INCOME</b>                                    | <b>2</b>  | 140                        |       | 5 735                      |       |
| Raw materials and services                             | <b>3</b>  | 4,958,474                  |       | 5,037,543                  |       |
| Personnel expenses                                     | <b>4</b>  | 242,474                    |       | 226,741                    |       |
| Depreciation and value adjustments                     | <b>5</b>  | 39,664                     |       | 37,051                     |       |
| Other operating expenses                               | <b>6</b>  | 111,895                    |       | 99,540                     |       |
| Total operating expenses                               |           | 5,352,507                  |       | 5,400,875                  |       |
| <b>OPERATING PROFIT</b>                                |           | 114,869                    | 2.1   | 139,265                    | 2.5   |
| Financial income and expenses                          | <b>7</b>  | -5,067                     |       | -13,396                    |       |
| Share of associated companies' net income              | <b>10</b> | -67                        |       | 3                          |       |
| <b>PROFIT BEFORE EXTRAORDINARY<br/>ITEMS AND TAXES</b> |           | 109,735                    | 2.0   | 125,872                    | 2.3   |
| Income taxes   | <b>8</b>  | -25,996                    |       | -32,356                    |       |
| Minority interest                                      |           | -376                       |       | -686                       |       |
| <b>NET PROFIT FOR THE PERIOD</b>                       |           | 83,363                     | 1.5   | 92,830                     | 1.7   |

## Consolidated Balance Sheet

| (in EUR thousands)              | NOTES | 31 Jan 2010 | %     | 31 Jan 2009 | %     |
|---------------------------------|-------|-------------|-------|-------------|-------|
| <b>FIXED ASSETS</b>             |       |             |       |             |       |
| Intangible assets               | 9     | 9,767       |       | 9,393       |       |
| Goodwill                        | 9     | 161,473     |       | 157,968     |       |
| Consolidated goodwill           | 9     | 13,975      |       | 13,388      |       |
| Tangible assets                 | 9     | 147,670     |       | 146,437     |       |
| <b>FINANCIAL ASSETS</b>         |       |             |       |             |       |
| Shares in subsidiaries          |       | 45          |       | 42          |       |
| Shares in associated companies  | 10    | 15,232      |       | 14,986      |       |
| Other shares and participations | 10    | 235         |       | 214         |       |
| <b>TOTAL FIXED ASSETS</b>       |       | 348,397     | 24.4  | 342,428     | 25.5  |
| <b>CURRENT ASSETS</b>           |       |             |       |             |       |
| <b>Inventories</b>              |       | 379,544     |       | 373,910     |       |
| <b>Receivables</b>              |       |             |       |             |       |
| Long-term receivables           | 11    | 20,458      |       | 20,942      |       |
| Short-term receivables          | 12    | 557,334     |       | 465,941     |       |
| Short-term investments          |       | 55,427      |       | 25,029      |       |
| Cash and bank                   |       | 67,256      |       | 113,161     |       |
| <b>TOTAL CURRENT ASSETS</b>     |       | 1,080,019   | 75.6  | 998,983     | 74.5  |
| <b>TOTAL ASSETS</b>             |       | 1,428,416   | 100.0 | 1,341,411   | 100.0 |

| (in EUR thousands)                  | NOTES     | 31 Jan 2010 | %     | 31 Jan 2009 | %     |
|-------------------------------------|-----------|-------------|-------|-------------|-------|
| <b>SHAREHOLDERS' EQUITY</b>         | <b>15</b> |             |       |             |       |
| Share capital                       | <b>14</b> | 114,837     |       | 114,837     |       |
| Share premium account               |           | 5,641       |       | 5,641       |       |
| Revaluation reserve                 |           | 1,093       |       | 1,093       |       |
| Other reserves                      |           | 87          |       | 99          |       |
| Retained earnings                   |           | 137,117     |       | 21,224      |       |
| Net profit for the period           |           | 83,363      |       | 92,830      |       |
|                                     |           | 342,138     | 24.0  | 235,724     | 17.6  |
| <b>Minority interest</b>            |           | 929         | 0.1   | 1,116       | 0.1   |
| <b>OBLIGATORY RESERVES</b>          | <b>16</b> | 1,259       | 0.1   | 1,533       | 0.1   |
| <b>LIABILITIES</b>                  |           |             |       |             |       |
| Long-term liabilities               | <b>17</b> | 54,944      |       | 64,102      |       |
| Short-term liabilities              | <b>18</b> | 1,029,146   |       | 1,038,936   |       |
| <b>TOTAL LIABILITIES</b>            |           | 1,084,090   | 75.9  | 1,103,038   | 82.2  |
| <b>TOTAL EQUITY AND LIABILITIES</b> |           | 1,428,416   | 100.0 | 1,341,411   | 100.0 |

## Consolidated Cash Flow Statement

| (in EUR millions)  | 1 Feb 2009-<br>31 Jan 2010 | 1 Feb 2008-<br>31 Jan 2009 |
|--|----------------------------|----------------------------|
| Operating profit   | 118.4                      | 133.0                      |
| Depreciation, value adjustments and other adjustments                              | 40.9                       | 35.3                       |
| Financial income and expenses  | -9.3                       | -20.9                      |
| Other income and expenses  | -0.3                       | -9.4                       |
| Taxes  | -25.5                      | -14.9                      |
| <b>CASH FLOW BEFORE CHANGE IN NET WORKING CAPITAL</b>                              | <b>124.2</b>               | <b>123.1</b>               |
| Inventories, increase (-), decrease (+)  | 6.0                        | 0.4                        |
| Current receivables, increase (-), decrease (+)                                    | -78.7                      | -3.4                       |
| Non-interest bearing debts, increase (+), decrease (-)                             | 26.6                       | 81.1                       |
| <b>CHANGE IN NET WORKING CAPITAL</b>   | <b>-46.1</b>               | <b>78.1</b>                |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   | <b>78.1</b>                | <b>201.2</b>               |
| Investments in tangible and intangible assets                                      | -33.9                      | -57.0                      |
| Proceeds from disposal of tangible and intangible assets and financial investments | 1.0                        | 10.9                       |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   | <b>-32.9</b>               | <b>-46.1</b>               |
| <b>FREE CASH FLOW</b>  | <b>45.2</b>                | <b>155.1</b>               |
| Long-term debt, increase (+), decrease (-)   | -9.7                       | 31.9                       |
| Short-term debt, increase (+), decrease (-)  | -66.0                      | 100.3                      |
| Long-term bonds, increase (-), decrease (+)  | 2.7                        | -2.0                       |
| Short-term bonds, increase (-), decrease (+)                                       | 11.1                       | -25.0                      |
| Dividends paid   | 0.0                        | -160.3                     |
| Translation differences and other changes  | 0.0                        | 0.1                        |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>   | <b>-61.9</b>               | <b>-55.0</b>               |
| <b>CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (-)</b>                         | <b>-16.7</b>               | <b>100.1</b>               |
| <b>CASH AND CASH EQUIVALENTS, OPENING BALANCE</b>                                  | <b>138.2</b>               | <b>38.6</b>                |
| <b>EFFECT OF EXCHANGE RATES</b>  | <b>1.2</b>                 | <b>-0.5</b>                |
| <b>CASH AND CASH EQUIVALENTS, CLOSING BALANCE</b>                                  | <b>122.7</b>               | <b>138.2</b>               |

In 2008/09, the change in net working capital included a decrease in the sales of receivables of EUR 14.3 million and in 2009/10, the change in net working capital included a decrease in the sales of receivables of EUR 76.9 million. Excluding the effect of the lower usage of securitisation programs the Free Cash Flow would have been EUR 122.1 million.



## Parent Company Income Statement

| (in EUR thousands)                            | NOTES     | 1 Feb 2009-<br>31 Jan 2010 | %     | 1 Feb 2008-<br>31 Jan 2009 | %     |
|---|-----------|----------------------------|-------|----------------------------|-------|
| <b>NET SALES</b>                              | <b>23</b> | 1,106,115                  | 100.0 | 1,068,108                  | 100.0 |
| <b>OTHER INCOME</b>                           | <b>24</b> | 0                          |       | 1,704                      |       |
| Raw materials and services                    | <b>25</b> | 1,055,408                  |       | 1,022,040                  |       |
| Personnel expenses                            | <b>26</b> | 20,120                     |       | 19,564                     |       |
| Depreciation according to plan                | <b>27</b> | 4,178                      |       | 4,215                      |       |
| Other expenses                                | <b>28</b> | 11,370                     |       | 9,187                      |       |
| Total operating expenses                      |           | 1,091,076                  |       | 1,055,006                  |       |
| <b>OPERATING PROFIT</b>                       |           | 15,039                     | 1.4   | 14,806                     | 1.4   |
| Financial income and expenses                 | <b>29</b> | -1,770                     |       | 83,857                     |       |
| <b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>      |           | 13,269                     | 1.2   | 98,663                     | 9.2   |
| Extraordinary income and expenses             | <b>30</b> | 0                          |       | -9,214                     |       |
| <b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b> |           | 13,269                     | 1.2   | 89,449                     | 8.4   |
| Appropriations                                | <b>31</b> | 882                        |       | 881                        |       |
| Income taxes                                  | <b>32</b> | -2,633                     |       | 794                        |       |
| <b>NET PROFIT FOR THE PERIOD</b>              |           | 11,518                     | 1.0   | 91,124                     | 8.5   |

## Parent Company Balance Sheet

| (in EUR thousands)              | NOTES     | 31 Jan 2010 | %     | 31 Jan 2009 | %     |
|---------------------------------|-----------|-------------|-------|-------------|-------|
| <b>FIXED ASSETS</b>             |           |             |       |             |       |
| <b>INTANGIBLE ASSETS</b>        | <b>33</b> | 3,703       |       | 3,994       |       |
| Goodwill                        | <b>33</b> | 0           |       | 0           |       |
| <b>TANGIBLE ASSETS</b>          | <b>33</b> | 41,911      |       | 42,344      |       |
| <b>FINANCIAL ASSETS</b>         |           |             |       |             |       |
| Shares in subsidiaries          | <b>34</b> | 426,125     |       | 426,182     |       |
| Shares in associated companies  | <b>10</b> | 15,126      |       | 14,814      |       |
| Other shares and participations | <b>35</b> | 137         |       | 119         |       |
| <b>TOTAL FIXED ASSETS</b>       |           | 487,002     | 72.2  | 487,453     | 68.6  |
| <b>CURRENT ASSETS</b>           |           |             |       |             |       |
| <b>Inventories</b>              |           | 89,518      |       | 86,968      |       |
| <b>Receivables</b>              |           |             |       |             |       |
| Long-term receivables           | <b>36</b> | 407         |       | 279         |       |
| Short-term receivables          | <b>37</b> | 66,659      |       | 135,659     |       |
| <b>Short-term investments</b>   |           | 57          |       | 56          |       |
| <b>Cash and bank</b>            |           | 30,992      |       | 245         |       |
| <b>TOTAL CURRENT ASSETS</b>     |           | 187,633     | 27.8  | 223,207     | 31.4  |
| <b>TOTAL ASSETS</b>             |           | 674,635     | 100.0 | 710,660     | 100.0 |

| (in EUR thousands)                  | NOTES     | 31 Jan 2010 | %     | 31 Jan 2009 | %     |
|-------------------------------------|-----------|-------------|-------|-------------|-------|
| <b>SHAREHOLDERS' EQUITY</b>         | <b>39</b> |             |       |             |       |
| Share capital                       |           | 114,837     |       | 114,837     |       |
| Share premium account               |           | 5,640       |       | 5,640       |       |
| Revaluation reserve                 |           | 1,093       |       | 1,093       |       |
| Retained earnings                   |           | 92,274      |       | 870         |       |
| Net profit for the period           |           | 11,518      |       | 91,124      |       |
|                                     |           | 225,362     | 33.4  | 213,564     | 30.1  |
| <b>APPROPRIATIONS</b>               |           |             |       |             |       |
| Accumulated depreciation difference | <b>40</b> | 21,919      | 3.2   | 22,801      | 3.2   |
| <b>OBLIGATORY RESERVES</b>          | <b>41</b> | 200         | 0.0   | 557         | 0.1   |
| <b>LIABILITIES</b>                  |           |             |       |             |       |
| Long-term liabilities               | <b>42</b> | 10,000      | 1.5   | 20,000      | 2.8   |
| Short-term liabilities              | <b>43</b> | 417,154     | 61.8  | 453,738     | 63.8  |
| <b>TOTAL EQUITY AND LIABILITIES</b> |           | 674,635     | 100.0 | 710,660     | 100.0 |

## Parent Company Cash Flow Statement

| (in EUR millions)  | 1 Feb 2009-<br>31 Jan 2010 | 1 Feb 2008-<br>31 Jan 2009 |
|--|----------------------------|----------------------------|
| Operating profit   | 15.0                       | 14.8                       |
| Depreciation, value adjustments and other adjustments                              | 4.2                        | 4.2                        |
| Financial income and expenses  | -6.0                       | 84.1                       |
| Other income and expenses  | -0.3                       | -1.0                       |
| Taxes  | -1.9                       | -1.9                       |
| <b>CASH FLOW BEFORE CHANGES IN NET WORKING CAPITAL</b>                             | <b>11.0</b>                | <b>100.2</b>               |
| Inventories, increase (-), decrease (+)  | -2.6                       | -1.1                       |
| Current receivables, increase (-), decrease (+)                                    | -3.3                       | 6.7                        |
| Non-interest bearing debts, increase (+), decrease (-)                             | 13.9                       | -1.6                       |
| <b>CHANGE IN NET WORKING CAPITAL</b>   | <b>8.0</b>                 | <b>4.0</b>                 |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   | <b>19.0</b>                | <b>104.2</b>               |
| Investments in tangible and intangible assets                                      | -4.1                       | -4.8                       |
| Proceeds from disposal of tangible and intangible assets and financial investments | 0.3                        | 3.6                        |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   | <b>-3.8</b>                | <b>-1.2</b>                |
| <b>FREE CASH FLOW</b>  | <b>15.2</b>                | <b>103.0</b>               |
| Long-term receivables, increase (-), decrease (+)                                  | -10.0                      | 0.0                        |
| Short-term receivables, increase (-), decrease (+)                                 | -39.0                      | 63.5                       |
| Long-term debt, increase (+), decrease (-)   | -0.3                       | 20.0                       |
| Short-term debt, increase (+), decrease (-)  | 74.0                       | -37.1                      |
| Group contribution   | -9.2                       | -5.9                       |
| Dividends paid   | 0.0                        | -160.3                     |
| Other changes  | 0.0                        | 0.1                        |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>   | <b>15.5</b>                | <b>-119.7</b>              |
| <b>CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (-)</b>                         | <b>30.7</b>                | <b>-16.7</b>               |
| <b>CASH AND CASH EQUIVALENTS, OPENING BALANCE</b>                                  | <b>0.3</b>                 | <b>17.0</b>                |
| <b>CASH AND CASH EQUIVALENTS, CLOSING BALANCE</b>                                  | <b>31.0</b>                | <b>0.3</b>                 |

## 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 GmbH & Co KG, located in Mannheim, Germany. The Annual Report of the Phoenix Group for 2008/09 is available at [www.phoenixgmbh.eu](http://www.phoenixgmbh.eu).

### 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 associated 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-subsidiary shareholdings. The difference between the acquisition cost of subsidiary shares and the shareholders' equity is allocated to the fixed assets of the subsidiaries. The consolidated goodwill remaining after the allocations is posted in the balance sheet as a separate item that will be amortised over a period of 10 years. However, goodwill from certain strategic and significant acquisitions may be amortised over a period of up to 20 years. 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 receivable from the Swedish subsidiary has been posted directly under translation differences in the consolidated accounts. The loan is 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                 | 5–0 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  |

Goodwill from significant strategic acquisitions in Norway, Estonia, Lithuania and Poland are amortised over a period of 10 to 20 years since the economic lifetime is regarded to be at least 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**

Leases are recognised in the income statement. 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**

Currency derivatives are used to hedge short term intra-group liability and receivable positions and the exchange rate difference caused by the derivatives are booked to the financial income or expenses in the profit and loss statement. In accordance with the finance policy, foreign currency denominated equity and equity type loans are not hedged. The currency derivative contracts are valued at the exchange rate prevailing at the balance sheet date. The interest difference related to derivatives are periodized over time to the profit and loss statement.

## **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 Parent Company Income Statement, 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.

## **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 2010 31 Jan 2009

### NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

|                 |         |         |
|-----------------|---------|---------|
| By market area: |         |         |
| Sweden          | 1,496.4 | 1,514.2 |
| Denmark         | 1,474.7 | 1,486.5 |
| Finland         | 1,098.3 | 1,074.2 |
| Norway          | 761.4   | 740.7   |
| Poland          | 290.6   | 368.0   |
| Baltic States   | 267.3   | 300.0   |
| Others          | 78.5    | 50.8    |
|                 | 5,467.2 | 5,534.4 |
| By unit:        |         |         |
| Tamro Sweden    | 1,480.3 | 1,496.2 |
| Tamro Denmark   | 1,615.6 | 1,600.2 |
| Tamro Finland   | 1,106.1 | 1,068.1 |
| Tamro Norway    | 775.8   | 756.8   |
| Tamro Poland    | 290.7   | 368.4   |
| Tamro Baltics   | 278.5   | 307.6   |
| Others          | -79.8   | -62.9   |
|                 | 5,467.2 | 5,534.4 |

#### 2. OTHER INCOME

|                              |     |       |
|------------------------------|-----|-------|
| Gain on sale of fixed assets | 140 | 5,735 |
|------------------------------|-----|-------|

#### 3. RAW MATERIALS AND SERVICES

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Raw materials and consumables         |           |           |
| Purchases during the financial period | 4,934,623 | 4,988,292 |
| Inventories, incr. (-), decr. (+)     | -5,634    | 17,761    |
| External services                     | 29,485    | 31,490    |
| Raw materials and services total      | 4,958,474 | 5,037,543 |

#### 4. PERSONNEL EXPENSES

|   |         |         |
|---|---------|---------|
| Average personnel by unit:                      |         |         |
| Tamro Sweden                                    | 470     | 462     |
| Tamro Denmark                                   | 555     | 596     |
| Tamro Finland                                   | 343     | 340     |
| Tamro Norway                                    | 2,197   | 2,065   |
| Tamro Poland                                    | 578     | 451     |
| Tamro Baltics                                   | 1,335   | 1,219   |
| Others  | 38      | 35      |
|   | 5,516   | 5,168   |
| Personnel expenses:                             |         |         |
| Wages and salaries during the financial year    | 195,979 | 184,829 |
| Payroll related social costs                    |         |         |
| Pension costs                                   | 17,560  | 13,498  |
| Other payroll related social costs              | 28,935  | 28,414  |
|   | 242,474 | 226,741 |
| Wages and salaries paid to:                     |         |         |
| Boards of Directors, CEO and Managing Directors | 3,409   | 3,537   |

The Group has no significant pension commitments for the management.

#### 5. DEPRECIATION AND VALUE ADJUSTMENTS

|   |        |        |
|---|--------|--------|
| Depreciation/amortisation according to plan |        |        |
| Intangible rights                           | 2,084  | 1,227  |
| Goodwill                                    | 15,347 | 14,764 |
| Consolidated goodwill                       | 926    | 520    |
| Other capitalised expenditure               | 295    | 274    |
| Buildings                                   | 8,593  | 8,248  |
| Machinery and equipment                     | 12,418 | 12,016 |
| Other tangible assets                       | 1      | 2      |
|   | 39,664 | 37,051 |

| <b>6. OTHER OPERATING EXPENSES</b>                                    | <b>31 Jan 2010</b> | <b>31 Jan 2009</b> |
|---|--------------------|--------------------|
| Repair and maintenance of buildings and equipment                     | 30,139             | 28,680             |
| Rent and leasing expenses   | 28,148             | 23,861             |
| Administration expenses   | 22,210             | 18,721             |
| Training and other personnel expenses                                 | 14,783             | 14,780             |
| Other operating expenses  | 16,615             | 13,498             |
|   | 111,895            | 99,540             |
| Auditors' fees  |                    |                    |
| Audit fees  | 624                | 515                |
| Auditors' mandatory opinions  | 15                 | 30                 |
| Tax advisory  | 171                | 103                |
| Other advisory services   | 133                | 221                |
|   | 943                | 869                |
| <b>7. FINANCIAL INCOME AND EXPENSES</b>                               | <b>31 Jan 2010</b> | <b>31 Jan 2009</b> |
| Income from non-current financial assets                              |                    |                    |
| Dividend income   | 4,042              | 6                  |
| Other interest and financial income                                   |                    |                    |
| Interest income   | 1,503              | 2,904              |
| Other financial income  | 266                | 136                |
| Other interest and financial expenses                                 |                    |                    |
| Interest expenses   | -4,500             | -10,137            |
| Other financial expenses  | -6,421             | -5,043             |
| Exchange rate differences, net  | 43                 | -1,262             |
|   | -5,067             | -13,396            |
| <b>8. INCOME TAXES</b>  |                    |                    |
| Income taxes on ordinary activities                                   |                    |                    |
| Finnish Group companies   | -3,003             | -2,793             |
| Foreign Group companies   | -26,542            | -27,925            |
|   | -29,545            | -30,718            |
| Income taxes from previous years                                      | 1,587              | 779                |
| Change in deferred tax liability specified in <a href="#">note 20</a> | 1,962              | -2,417             |
| Income taxes total  | -25,996            | -32,356            |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 9. FIXED ASSETS

|  | Intangible assets |          |                           |                               | Tangible assets                               |            |           |                         |                       |   |
|--|-------------------|----------|---------------------------|-------------------------------|---|------------|-----------|-------------------------|-----------------------|---|
|  | Intangible rights | Goodwill | Consolidated goodwill (1) | 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 cost 1 Feb 2009                | 14,397            | 226,221  | 67,209                    | 3,821                         | 211   | 8,871      | 167,545   | 135,740                 | 126                   | 3,038   |
| Increase                                   | 1,882             | 9,451    | 732                       | 1                             | 620   | 1,154      | 5,500     | 10,813                  | 0                     | 3,171   |
| Decrease                                   | -300              | 0        | 0                         | -54                           | 0   | 0          | -348      | -2,517                  | 0                     | -988  |
| Other changes                              | 2                 | -1       | -2                        | 271                           | 0   | 0          | 475       | 1,070                   | 0                     | -1,754  |
| Translation difference                     | 487               | 13,979   | 988                       | 162                           | 0   | 180        | 4,364     | 7,181                   | 13                    | 110   |
| Acquisition cost 31 Jan 2010               | 16,468            | 249,650  | 68,927                    | 4,201                         | 831   | 10,205     | 177,536   | 152,287                 | 139                   | 3,577   |
| Accumulated depr. 1 Feb 2009               | -6,392            | -68,253  | -53,821                   | -2,644                        | 0   | 0          | -72,774   | -98,861                 | -23                   | 0   |
| Depreciation during period                 | -2,084            | -15,347  | -926                      | -295                          | 0   | 0          | -8,593    | -12,418                 | -1                    | 0   |
| Increase                                   | -41               | 0        | 0                         | 0                             | 0   | 0          | -172      | -496                    | 0                     | 0   |
| Decrease                                   | 180               | 0        | 0                         | 45                            | 0   | 0          | 288       | 2,129                   | 0                     | 0   |
| Other changes                              | -2                | 0        | 0                         | -57                           | 0   | 0          | -66       | 125                     | 0                     | 0   |
| Translation difference                     | -283              | -4,577   | -205                      | -160                          | 0   | 0          | -2,372    | -5,612                  | -3                    | 0   |
| Accumulated depr. 31 Jan 2010              | -8,622            | -88,177  | -54,952                   | -3,111                        | 0   | 0          | -83,689   | -115,133                | -27                   | 0   |
| Value adjustments 1 Feb 2009 & 31 Jan 2010 |                   |          |                           |                               |   | 420        | 2,355     |                         |                       |   |
| Book value 31 Jan 2010                     | 7,846             | 161,473  | 13,975                    | 1,090                         | 831   | 10,625     | 96,202    | 37,154                  | 112                   | 3,577   |
| Book value 31 Jan 2009                     | 8,005             | 157,968  | 13,388                    | 1,177                         | 211   | 9,291      | 97,126    | 36,879                  | 103                   | 3,038   |

(1) Consolidated goodwill comprises of consolidated goodwill and consolidated negative goodwill ("badwill"). As at February 1, 2009, cost of consolidated goodwill amounted to EUR 73,028,000 and accumulated amortisation was EUR -57,094,000, and cost of consolidated negative goodwill was EUR -5,819,000 and accumulated amortisation was EUR 3,273,000. During the period, consolidated goodwill was amortised by EUR -2,381,000 and consolidated negative goodwill was amortised by EUR 1,455,000. As at 31 Jan 2009, the book value of consolidated goodwill and consolidated negative goodwill amounted to EUR 15,934,000 and EUR -2,546,000, respectively. As at 31 Jan 2010, the book value of consolidated goodwill and consolidated negative goodwill amounted to EUR 15,066,000 and EUR -1,091,000, respectively.

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.

## 10. ASSOCIATED COMPANIES

|  | 31 Jan 2010                 | 31 Jan 2009                                |
|--|-----------------------------|--|
| Opening balance                                  | 14,986                      | 17,138                                     |
| New associated companies                         | 312                         | -  |
| Sold associated companies                        | -                           | -44  |
| Associated companies converted into subsidiaries | -                           | -1,994                                     |
| Share of net results                             | -67                         | 3  |
| Received dividends                               | -                           | -106                                       |
| Other differences                                | 1                           | -11  |
| Closing balance                                  | 15,232                      | 14,986                                     |
|  | Group share<br>of holding % | Parent<br>company<br>share<br>of holding % |
| OÜ Mai Apteek, Pärnu, Estonia                    | 49.0                        | -  |
| ZAO Rosta, Moscow, Russia                        | 42.5                        | 42.5                                       |
| Pharmac Finland Oy, Vantaa, Finland              | 35.5                        | 35.5                                       |
| Other shares and participations                  |                             |  |
| Golf shares                                      | 83                          |  |
| Telephone company shares etc.                    | 7                           |  |
| Real estate and other shares                     | 145                         |  |
|  | 235                         |  |

The associated companies have been consolidated using the equity method. The share of ZAO Rosta's result is not included as it is unfeasible to receive the financial information within the set timeframe for preparing the group accounts. Included in the associated companies is undepreciated goodwill amounting to EUR 454.725.

## Notes to the Financial Statement

(Figures are in EUR thousands unless otherwise stated)

31 Jan 2010

31 Jan 2009

### NOTES TO THE CONSOLIDATED BALANCE SHEET

#### 11. LONG-TERM RECEIVABLES

|                           |        |        |
|---------------------------|--------|--------|
| Pension fund receivable   | 18,636 | 19,885 |
| Deferred income tax asset | 1,561  | 1,057  |
| Loan receivable           | 261    | -      |
|                           | 20,458 | 20,942 |

#### 12. SHORT-TERM RECEIVABLES

|                                       |         |         |
|---------------------------------------|---------|---------|
| Accounts receivable                   | 512,602 | 417,211 |
| Loan receivable                       | 3,913   | 3,674   |
| Prepaid expenses and accrued income   | 14,392  | 19,205  |
| Other receivable                      | 22,349  | 25,851  |
| Receivables from associated companies |         |         |
| Dividend receivable                   | 4,038   | -       |
| Interest receivable                   | 30      | -       |
| Accounts receivable                   | 10      | -       |
|                                       | 557,334 | 465,941 |

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 600 (EUR 59) million and in Nomeco A/S Denmark DKK 1,050 (EUR 141) million. The selling prices of the sold receivables were respectively SEK 0 (EUR 0) million and DKK 734 (EUR 99) 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                          | 8,081  | 12,954 |
| Income tax receivable                     | 522    | 4,712  |
| Other income                              | 1,687  | 379    |
| Financial items                           | 249    | 205    |
| Other prepaid expenses and accrued income | 3,853  | 955    |
| Total                                     | 14,392 | 19,205 |

#### 14. SHARE CAPITAL

The company's share capital as at 31 Jan 2010 totalled 114,837,083 euros, divided into 114,837,083 shares, each of which carries one vote. 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 2008       | 114,837       | 5,641                 | 1,093               | 99             | 214,231            | 335,901            |
| Dividend                |               |                       |                     |                | -160,295           | -160,295           |
| Net profit for the year |               |                       |                     |                | 92,830             | 92,830             |
| Translation differences |               |                       |                     |                | -32,815            | -32,815            |
| Other change            |               |                       |                     |                | 103                | 103                |
| Equity 31 Jan 2009      | 114,837       | 5,641                 | 1,093               | 99             | 114,054            | 235,724            |
| Dividend                |               |                       |                     |                |                    | 0                  |
| Net profit for the year |               |                       |                     |                | 83,363             | 83,363             |
| Translation differences |               |                       |                     |                | 22,722             | 22,722             |
| Transfers within equity |               |                       |                     | -12            | 12                 | 0                  |
| Other change            |               |                       |                     |                | 329                | 329                |
| Equity 31 Jan 2010      | 114,837       | 5,641                 | 1,093               | 87             | 220,480            | 342,138            |
|                         |               |                       |                     |                | <b>31 Jan 2010</b> | <b>31 Jan 2009</b> |

## 16. OBLIGATORY RESERVES

|                           |       |       |
|---------------------------|-------|-------|
| Pension reserves          | 1,059 | 1,333 |
| Other obligatory reserves | 200   | 200   |
|                           | 1,259 | 1,533 |

## 17. LONG-TERM LIABILITIES

|   |        |        |
|---|--------|--------|
| Pension fund loans                          | 21,678 | 31,011 |
| Deferred tax liability                      | 33,266 | 33,091 |
|   | 54,944 | 64,102 |
| Long-term liabilities due after five years: |        |        |
| Pension fund loans                          | 11,678 | 11,011 |

Of the above pension loans EUR 11,678,000 (11,011,000) 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 | 60,128    | 125,185   |
| Pension fund loans  | 10,000    | 10,000    |
| Accounts payable  | 829,414   | 779,026   |
| Accrued expenses and deferred income                                    | 91,441    | 75,104    |
| Other short-term liabilities  | 38,163    | 49,621    |
|   | 1,029,146 | 1,038,936 |

**19. ACCRUED EXPENSES AND DEFERRED INCOME**

|  |        |        |
|--|--------|--------|
| Personnel expenses                         | 37,088 | 30,412 |
| Income tax liability                       | 36,843 | 30,947 |
| Customer rebates and bonuses               | 1,366  | 1,169  |
| Rent expenses                              | 408    | 456    |
| Financial items                            | 1      | 16     |
| Other accrued expenses and deferred income | 15,735 | 12,104 |
| Total                                      | 91,441 | 75,104 |

## 20. DEFERRED INCOME TAXES

|   | 1, Feb 2008 | Charged/<br>(credited) to<br>P/L income tax | Charged/<br>(credited) to<br>P/L extraord | Other changes | 31, Jan 2009 |
|---|-------------|---|---|---------------|--------------|
| <b>Deferred income tax liabilities</b>  |             |   |   |               |              |
| Untaxed reserves and accumulated depreciation   | 37,450      | 1,267                                       |   | -2,753        | 35,964       |
|   | 37,450      | 1,267                                       | 0   | -2,753        | 35,964       |
| <b>Deferred income tax assets</b>   |             |   |   |               |              |
| Tax loss carry forwards   | 268         | -131  | 0   | 0             | 399          |
| Other temporary timing differences  | 5,046       | 1,281                                       | 0   | 234           | 3,531        |
|   | 5,314       | 1,150                                       | 0   | 234           | 3,930        |
| Net deferred income tax liability(+)/ receivable(-)   | 32,136      | 2,417                                       | 0   | -2,519        | 32,034       |
|   | 1, Feb 2009 | Charged/<br>(credited) to<br>P/L income tax | Charged/<br>(credited) to<br>P/L extraord | Other changes | 31, Jan 2010 |
| <b>Deferred income tax liabilities</b>  |             |   |   |               |              |
| Untaxed reserves and accumulated depreciation   | 35,964      | -1,033                                      | 0   | 1,840         | 36,771       |
|   | 35,964      | -1,033                                      | 0   | 1,840         | 36,771       |
| <b>Deferred income tax assets</b>   |             |   |   |               |              |
| Tax loss carry forwards   | 399         | -500  | 0   | 0             | 899          |
| Other temporary differences   | 3,531       | -429  | 0   | -207          | 4,167        |
|   | 3,930       | -929  | 0   | -207          | 5,066        |
| Net deferred income tax liability(+)/ receivable(-)   | 32,034      | -1,962                                      | 0   | 1,633         | 31,705       |
| 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 2010    31 Jan 2009

#### 21. CONTINGENT LIABILITIES

|   |         |        |
|---|---------|--------|
| Mortgages   |         |        |
| For own debts (1)   | 39,841  | 39,841 |
| Guarantees  |         |        |
| For debts of others   | 403     | 239    |
| Other commitments   |         |        |
| Leasing commitments   |         |        |
| Next year   | 1,099   | 1,151  |
| Over one year   | 1,124   | 803    |
| Rent commitments  | 118,186 | 86,329 |
| Other commitments   | 19      | 5      |
|   | 120,428 | 88,288 |
| Group liabilities, secured by mortgages, pledges and other commitments: |         |        |
| Mortgages (1)   | 20,000  | 30,000 |

#### 22. DERIVATIVE FINANCIAL INSTRUMENTS

|                                |         |         |
|--------------------------------|---------|---------|
| Derivatives - notional amounts |         |         |
| Currency instruments           |         |         |
| Currency forward contracts     | 324,777 | 394,270 |
| Derivatives - market value     |         |         |
| Currency instruments           |         |         |
| Currency forward contracts     | -337    | 176     |

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:  |           |           |
| Finland          | 1,100,017 | 1,067,242 |
| Baltic countries | 397       | 489       |
| Sweden           | 5,701     | 377       |
|                  | 1,106,115 | 1,068,108 |

**24. OTHER INCOME**

|                              |   |       |
|------------------------------|---|-------|
| Gain on sale of fixed assets | 0 | 1,704 |
|------------------------------|---|-------|

**25. RAW MATERIALS AND SERVICES**

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Raw materials and consumables         |           |           |
| Purchases during the financial period | 1,048,310 | 1,018,085 |
| Inventories, incr. (-), decr. (+)     | 2,462     | -420      |
| External services                     | 4,636     | 4,375     |
|                                       | 1,055,408 | 1,022,040 |

**26. PERSONNEL EXPENSES**

|  |        |        |
|--|--------|--------|
| Wages and salaries during the financial year | 17,061 | 15,601 |
| Payroll related social costs                 |        |        |
| Pension costs                                | 2,677  | 2,694  |
| Other payroll related social costs           | 382    | 1,269  |
|  | 20,120 | 19,564 |
| Wages and salaries paid to:                  |        |        |
| Board of Directors and CEO                   | 1,161  | 1,055  |

The parent company has no pension liabilities for Board Members.  
The pensionable age of the CEO has been stipulated at 60 years.

|                   |     |     |
|-------------------|-----|-----|
| Average personnel | 343 | 369 |
|-------------------|-----|-----|

## 27. DEPRECIATION AND VALUE ADJUSTMENTS

|   | 31 Jan 2010 | 31 Jan 2009 |
|---|-------------|-------------|
| Depreciation/amortisation according to plan |             |             |
| Intangible rights                           | 978         | 641         |
| Goodwill                                    | 0           | 511         |
| Other capitalised expenditure               | 1           | 1           |
| Buildings                                   | 1,895       | 1,866       |
| Machinery and equipment                     | 1,304       | 1,196       |
|   | 4,178       | 4,215       |

## 28. OTHER OPERATING EXPENSES

|   | 31 Jan 2010 | 31 Jan 2009 |
|---|-------------|-------------|
| Repair and maintenance of buildings and equipment | 3,911       | 4,325       |
| Training and other personnel expenses             | 886         | 2,249       |
| Rent and leasing expenses                         | 2,122       | 1,831       |
| Other operating expenses                          | 4,451       | 782         |
|   | 11,370      | 9,187       |
| Auditors' fees                                    |             |             |
| Audit fees  | 153         | 124         |
| Auditors' mandatory opinions                      | 0           | 1           |
| Tax advisory                                      | 68          | 58          |
| Other advisory services                           | 45          | 27          |
|   | 266         | 210         |

## 29. FINANCIAL INCOME AND EXPENSES

|  |        |        |
|--|--------|--------|
| Income from non-current financial assets |        |        |
| Dividend income                          | 4,042  | 90,263 |
| Other interest and financial income      |        |        |
| Interest income                          | 1,808  | 4,459  |
| Other financial income                   |        |        |
| Other interest and financial expenses    |        |        |
| Interest expenses                        | -4,781 | -9,692 |
| Other financial expenses                 | -2,807 | -177   |
| Exchange rate differences, net           | -32    | -996   |
|  | -1,770 | 83,857 |
| From Group companies:                    |        |        |
| Other interest and financial income      |        |        |
| Interest income                          | 1,675  | 3,945  |
| Other interest and financial expenses    |        |        |
| Interest expenses                        | -2,843 | -7,763 |
|  | -1,168 | -3,818 |

## 30. EXTRAORDINARY INCOME AND EXPENSES

|                    |   |        |
|--------------------|---|--------|
| Group contribution | 0 | -9,214 |
|--------------------|---|--------|

### 31. APPROPRIATIONS

---

|  |            |            |
|--|------------|------------|
| Accelerated depreciation in the income statement |            |            |
| Intangible rights                                | 21         | -383       |
| Goodwill   | 0          | 511        |
| Buildings  | 798        | 685        |
| Machinery and equipment                          | 63         | 68         |
|  | <b>882</b> | <b>881</b> |

## Notes to the Financial Statement

(Figures are in EUR thousands unless otherwise stated)

**31 Jan 2010**    **31 Jan 2009**

### 32. INCOME TAXES

|                                     |        |     |
|-------------------------------------|--------|-----|
| Income taxes on ordinary activities | -2,510 | 836 |
| Change in deferred taxes            | -123   | -42 |
|                                     | -2,633 | 794 |

### NOTES TO THE PARENT COMPANY BALANCE SHEET

### 33. FIXED ASSETS

|  | Intangible assets |          |                               | Tangible assets                               |            |           |                         |                       |   |
|--|-------------------|----------|-------------------------------|---|------------|-----------|-------------------------|-----------------------|---|
|  | Intangible rights | Goodwill | Other capitalised expenditure | Advance payments and construction in progress | Land areas | Buildings | Machinery and equipment | Other tangible assets | Advance payments and construction in progress |
| Acquisition cost 1 Feb 2009                | 5,495             | 39,595   | 18                            | 212   | 928        | 60,312    | 9,446                   | 303                   | 357   |
| Increase                                   | 68                |          |                               | 676   | 1,154      | 106       | 1,795                   | 15                    | 309   |
| Decrease                                   |                   |          |                               | -55   |            |           |                         |                       | -613  |
| Other changes                              |                   |          |                               |   |            |           |                         |                       |   |
| Acquisition cost 31 Jan 2010               | 5,563             | 39,595   | 18                            | 833   | 2,082      | 60,418    | 11,241                  | 318                   | 53  |
| Accumulated depr. 1 Feb 2009               | -1,727            | -39,595  | -5                            | 0   | 0          | -25,407   | -6,370                  | 0                     | 0   |
| Increase                                   | -978              | 0        | -1                            |   |            | -1,895    | -1,304                  |                       |   |
| Decrease                                   |                   |          |                               |   |            |           |                         |                       |   |
| Other changes                              |                   |          |                               |   |            |           |                         |                       |   |
| Accumulated depr. 31 Jan 2010              | -2,705            | -39,595  | -6                            | 0   | 0          | -27,302   | -7,674                  | 0                     | 0   |
| Value adjustments 1 Feb 2009 - 31 Jan 2010 |                   |          |                               |   | 420        | 2,355     |                         |                       |   |
| Bookvalue 31 Jan 2010                      | 2,858             | 0        | 12                            | 833   | 2,502      | 35,471    | 3,567                   | 318                   | 53  |
| Bookvalue 31 Jan 2009                      | 3,768             | 0        | 13                            | 212   | 1,348      | 37,260    | 3,076                   | 303                   | 357   |

### 34. GROUP COMPANIES

|                              |          |  |  |
|------------------------------|----------|--|--|
| Acquisition cost 1 Feb 2009  | 426,182  |  |  |
| Changes                      | -57      |  |  |
| Acquisition cost 31 Jan 2010 | 426, 125 |  |  |

| Company                         | Registered office     | Group share of      |                      | Parent company share of holding % | Shares owned by the parent company |               |            |
|---------------------------------|-----------------------|---------------------|----------------------|-----------------------------------|------------------------------------|---------------|------------|
|                                 |                       | holding and votes % | shareholders' equity |                                   | Number of shares                   | Nominal value | Book value |
| Nomeco A/S                      | Copenhagen, Denmark   | 100                 | 144,842              | 100                               | 7,200,000                          | 19,322        | 197,155    |
| Forex A/S                       | Silkeborg, Denmark    | 100                 | 573                  | -                                 | -                                  | -             | -          |
| Tamro Sweden AB                 | Gothenburg, Sweden    | 100                 | 13,783               | 100                               | 1,000                              | 11            | 34,418     |
| Tamro AB                        | Gothenburg, Sweden    | 100                 | 121,511              | -                                 | -                                  | -             | -          |
| Ada AB                          | Gothenburg, Sweden    | 100                 | 175                  | -                                 | -                                  | -             | -          |
| Tamro SIA                       | Riga, Latvia          | 100                 | 17,274               | 100                               | 215                                | 1,879         | 1,376      |
| Medinord Oy                     | Vantaa, Finland       | 100                 | 436                  | 100                               | 163                                | 163           | 895        |
| Hansa Pharma SIA                | Riga, Latvia          | 100                 | 2,351                | -                                 | -                                  | -             | -          |
| Koduapteek OÜ                   | Tallinn, Estonia      | 100                 | -1,182               | -                                 | -                                  | -             | -          |
| Linker Trading OÜ               | Saue, Estonia         | 100                 | 0                    | -                                 | -                                  | -             | -          |
| Maxer Nordic OÜ                 | Saue, Estonia         | 100                 | 0                    | -                                 | -                                  | -             | -          |
| Probonus OÜ                     | Saue, Estonia         | 100                 | 0                    | -                                 | -                                  | -             | -          |
| Multiman OÜ                     | Saue, Estonia         | 100                 | 0                    | -                                 | -                                  | -             | -          |
| Phoenix Pharma Polska Sp.z.o.o. | Warsaw, Poland        | 100                 | 23,933               | -                                 | -                                  | -             | -          |
| MFB Farmacja Sp.z.o.o.          | Plock, Poland         | 100                 | 24                   | -                                 | -                                  | -             | -          |
| Medico-Farm 2 Sp. z o.o.        | Olkusz, Poland        | 100                 | 120                  | -                                 | -                                  | -             | -          |
| 4,Pharma Sp. z o.o.             | Gdansk, Poland        | 70                  | 118                  | -                                 | -                                  | -             | -          |
| Apteka Prywatna Sp. z o.o.      | Bielsko-Biala, Poland | 100                 | -32                  | -                                 | -                                  | -             | -          |
| Omnigena A Sp. z o.o.           | Warsaw, Poland        | 100                 | 257                  | -                                 | -                                  | -             | -          |
| Pharm Express Sp. z o.o.        | Wroclaw, Poland       | 100                 | 786                  | -                                 | -                                  | -             | -          |
| Pharm Express Sp. z o.o. sp.j.  | Warsaw, Poland        | 100                 | -232                 | -                                 | -                                  | -             | -          |
| UTA Pharma Sp. Z o.o.           | Warsaw, Poland        | 100                 | -80                  | -                                 | -                                  | -             | -          |
| UAB Tamro                       | Kaunas, Lithuania     | 100                 | 38,913               | 100                               | 51,810                             | 6,002         | 30,537     |
| UAB Vaistine                    | Kaunas, Lithuania     | 100                 | 20,723               | -                                 | -                                  | -             | -          |

|   |                     |     |         |     |           |        |         |
|---|---------------------|-----|---------|-----|-----------|--------|---------|
| UAB Atgaivos vaistine                     | Alytus, Lithuania   | 86  | 59      | -   | -         | -      | -       |
| UAB Dainu vaistine                        | Siauliai, Lithuania | 86  | 170     | -   | -         | -      | -       |
| UAB Pagalbos vaistine                     | Kaunas, Lithuania   | 67  | 48      | -   | -         | -      | -       |
| Apokjeden AS                              | Skårer, Norway      | 100 | 129,383 | 100 | 1,083,691 | 13,419 | 131,328 |
| Apokjeden Distribusjon AS                 | Skårer, Norway      | 100 | 53,022  | -   | -         | -      | -       |
| Apotek 1 Norge AS                         | Skårer, Norway      | 100 | 169,334 | -   | -         | -      | -       |
| Tamro Eesti OÜ                            | Tallinn, Estonia    | 100 | 21,238  | 100 | 5,500     | 352    | 530     |
| OOO Tamro                                 | Moscow, Russia      | 100 | 3       | 100 | 1         | 0      | 0       |
| Tamro Finance Oy                          | Vantaa, Finland     | 100 | 37,863  | 99  | 99        | 990    | 29,700  |
| Tamro Russia Oy                           | Vantaa, Finland     | 100 | 168     | 100 | 100,000   | 100    | 170     |
|   |                     |     |         |     |           |        | 426,109 |
| Other subsidiaries, incl. non-operational |                     |     |         |     |           |        | 16      |
|   |                     |     |         |     |           |        | 426,125 |

### 35. OTHER SHARES AND PARTICIPATIONS

|                               | 31 Jan 2010 | 31 Jan 2009 |
|-------------------------------|-------------|-------------|
|                               |             | Book value  |
| Golf shares                   |             | 83          |
| Telephone company shares etc. |             | 7           |
| Real estate and other shares  |             | 47          |
|                               |             | 137         |
|                               | 31 Jan 2010 | 31 Jan 2009 |

### 36. LONG-TERM RECEIVABLES

|                           |     |     |
|---------------------------|-----|-----|
| Loan receivables          | 261 | 10  |
| Deferred income tax asset | 146 | 269 |
|                           | 407 | 279 |

**37. SHORT-TERM RECEIVABLES**

|   |        |         |
|---|--------|---------|
| Accounts receivable                         | 52,311 | 48,586  |
| Short-term receivables from Group companies | 9,205  | 82,961  |
| Dividend receivable                         | 4,038  | 0       |
| Other short-term receivables                | 1,105  | 4,112   |
|   | 66,659 | 135,659 |
| Short-term receivables from Group companies |        |         |
| Accounts receivable                         | 1,499  | 1,227   |
| Prepaid expenses and accrued income         | 262    | 338     |
| Loan receivables                            | 0      | 80,000  |
| Other short-term receivables                | 7,444  | 1,396   |
|   | 9,205  | 82,961  |

**38. PREPAID EXPENSES AND ACCRUED INCOME**

|                       |       |       |
|-----------------------|-------|-------|
| Income tax receivable | 0     | 2,429 |
| Financial items       | 197   | 196   |
| Prepaid expenses      | 430   | 374   |
| Other income          | 478   | 1,113 |
| Total                 | 1,105 | 4,112 |

**39. CHANGES IN SHAREHOLDERS' EQUITY**

|                         | Share capital | Share premium account | Revaluation reserve | Retained earnings  | Total equity       |
|-------------------------|---------------|-----------------------|---------------------|--------------------|--------------------|
| Equity 1 Feb 2008       | 114,837       | 5,640                 | 1,093               | 161,061            | 282,631            |
| Dividend                |               |                       |                     | -160,295           | -160,295           |
| Net profit for the year |               |                       |                     | 91,124             | 91,124             |
| Other change            |               |                       |                     | 104                | 104                |
| Equity 31 Jan 2009      | 114,837       | 5,640                 | 1,093               | 91,994             | 213,564            |
| Dividend                |               |                       |                     |                    | 0                  |
| Net profit for the year |               |                       |                     | 11,518             | 11,518             |
| Other change            |               |                       |                     | 280                | 280                |
| Equity 31 Jan 2010      | 114,837       | 5,640                 | 1,093               | 103,792            | 225,362            |
|                         |               |                       |                     | <b>31 Jan 2010</b> | <b>31 Jan 2009</b> |

**40. ACCUMULATED DEPRECIATION DIFFERENCE**

|                          |               |               |
|--------------------------|---------------|---------------|
| Accelerated depreciation |               |               |
| Intangible rights        | 495           | 517           |
| Goodwill                 | 0             | 0             |
| Buildings                | 21,741        | 22,538        |
| Machinery and equipment  | -317          | -254          |
|                          | <b>21,919</b> | <b>22,801</b> |

**41. OBLIGATORY RESERVES**

|                           |     |     |
|---------------------------|-----|-----|
| Pension reserves          | 0   | 357 |
| Other obligatory reserves | 200 | 200 |
|                           | 200 | 557 |

**42. LONG-TERM LIABILITIES**

|                    |        |        |
|--------------------|--------|--------|
| Pension fund loans | 10,000 | 20,000 |
|--------------------|--------|--------|

**43. SHORT-TERM LIABILITIES**

|   |         |         |
|---|---------|---------|
| Loans from financial institutions and interest bearing advance payments | 46,363  | 115,439 |
| Accounts payable  | 159,498 | 148,765 |
| Liabilities to group companies  | 197,469 | 173,601 |
| Accrued expenses and deferred income                                    | 13,480  | 12,596  |
| Other current liabilities   | 344     | 3,337   |
|   | 417,154 | 453,738 |
| Liabilities to Group companies  |         |         |
| Accounts payable  | 6,061   | 3,272   |
| Accrued liabilities   | 522     | 9,340   |
| Other short-term liabilities  | 190,886 | 160,989 |
|   | 197,469 | 173,601 |

**44. ACCRUED EXPENSES AND DEFERRED INCOME**

|  |        |        |
|--|--------|--------|
| Personnel expenses                         | 5,480  | 4,887  |
| Income taxes                               | 577    |        |
| Other accrued expenses and deferred income | 7,423  | 7,709  |
| Total                                      | 13,480 | 12,596 |

## OTHER NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 45. CONTINGENT LIABILITIES

|  | 31 Jan 2010 | 31 Jan 2009 |
|--|-------------|-------------|
| Mortgages (1)  |             |             |
| For own debts  | 39,841      | 39,841      |
| Guarantees (2)   |             |             |
| For subsidiaries                                       | 544,496     | 579,401     |
| For debts of others                                    | 150         | -           |
|  | 544,646     | 579,401     |
| Other commitments                                      |             |             |
| Leasing commitments                                    |             |             |
| Next year  | 763         | 842         |
| Over one year  | 790         | 533         |
| Rent commitments                                       | 1,966       | 2,815       |
|  | 3,519       | 4,190       |
| (1) Parent company's liabilities, secured by mortgages | 20,000      | 30,000      |

(2) 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 million and in Sweden SEK 1,000 million. At the end of the financial year, the amount of outstanding commercial papers amounted to EUR 15 (8.5) million in Finland. In Sweden, there were no outstanding amounts at the end of the financial years. Parent company has given its subsidiaries and on their behalf a Letter of Comfort type commitments.

### 46. DERIVATIVE FINANCIAL INSTRUMENTS

|                                | 31 Jan 2010 | 31 Jan 2009 |
|--------------------------------|-------------|-------------|
| Derivatives - notional amounts |             |             |
| Currency instruments           |             |             |
| Currency forward contracts     | 0           | 70,450      |
| Derivatives - market value     |             |             |
| Currency instruments           |             |             |
| Currency forward contracts     | 0           | 0           |

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

|  |                    |
|--|--------------------|
| Net profit of Tamro Corporation for the fiscal year is | EUR 11,517,982.36  |
| Retained earning from earlier periods                  | EUR 92,274,403.85  |
| Distributable equity total                             | EUR 103,792,386.21 |

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The Board of Directors proposes that

|  |                    |
|--|--------------------|
| - no dividend is paid and that the retained earnings are left on the retained earnings account | EUR 103,792,386.21 |
|--|--------------------|

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Vantaa, 31 March 2010

**Bernd Scheifele**

Chairman

**Matti Elovaara**

**Mikael von Frenckell**

**Lorenz Näger**

**Reimund Pohl**

**Michael Majerus**

**Jo Langmoen**

**Juha Koponen**

Corporate President

## Auditor's Report

### To the Annual General Meeting of Tamro Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, the administration of Tamro Oyj for the financial period 1 February 2009 - 31 January 2010. The financial statements comprise the consolidated and parent company balance sheets, income statements, cash flow statements and notes to the financial statements.

### The responsibility of the Board of Directors and Managing Director

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements and the report of the Board of Directors in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practise in Finland, and to express an opinion on these financial statements and on the report of the Board of Directors based on our audit. Good auditing practise requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatements and whether the members of the Board of Directors and the Managing Director of the parent company have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the group and the parent company in accordance with the laws and regulations governing the preparation and the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Vantaa, 31 March 2010

Ernst & Young Oy  
Authorised Public Accounting Firm

**Anna-Maija Simola**  
Authorised Public Accountant

**Eija Niemi-Nikkola**  
Authorised Public Accountant

## Financial indicators

|   | 2009/10  | 2008/09  | 2007/08  |
|---|----------|----------|----------|
| <b>FROM THE INCOME STATEMENT, EURm</b>    |          |          |          |
| Net Sales                                 | 5,467.2  | 5,534.4  | 5,605.2  |
| Other income                              | 0.1      | 5.7      | 3.6      |
| Operating expenses                        | -5,312.7 | -5,363.7 | -5,454.1 |
| Depreciation                              | -39.7    | -37.1    | -32.3    |
| Operating profit                          | 114.9    | 139.3    | 122.4    |
| Financial income and expenses             | -5.1     | -13.4    | -1.9     |
| Share of affiliated companies' net income | -0.1     | 0.0      | 0.3      |
| Profit before extraordinary items         | 109.7    | 125.9    | 120.8    |
| Extraordinary items                       | 0.0      | 0.0      | 0.0      |
| Profit before taxes                       | 109.7    | 125.9    | 120.8    |
| Minority and income taxes                 | -26.3    | -33.1    | -32.0    |
| Net profit for the period                 | 83.4     | 92.8     | 88.8     |
| <b>FROM THE BALANCE SHEET, EURm</b>       |          |          |          |
| Tangible and intangible assets            | 332.9    | 327.2    | 322.9    |
| Financial assets                          | 15.5     | 15.2     | 17.5     |
| Inventories                               | 379.5    | 373.9    | 391.7    |
| Receivables                               | 577.8    | 486.9    | 504.6    |
| Liquid assets and short-term investments  | 122.7    | 138.2    | 38.6     |
| Equity                                    | 342.1    | 235.7    | 335.9    |
| Minority                                  | 0.9      | 1.1      | 0.3      |
| Obligatory reserves                       | 1.3      | 1.5      | 1.6      |
| Long-term liabilities(1)                  | 54.9     | 64.1     | 45.3     |
| Short-term liabilities(1)                 | 1,029.2  | 1,039.0  | 892.2    |
| Balance sheet total                       | 1,428.4  | 1,341.4  | 1,275.3  |

**KEY FIGURES**

|                               |       |       |       |
|-------------------------------|-------|-------|-------|
| Sales change, %               | -1.2  | -1.3  | 2.6   |
| Operating margin, %           | 2.1   | 2.5   | 2.2   |
| Profit margin, %              | 2.0   | 2.3   | 2.2   |
| Return on capital employed, % | 28.8  | 36.0  | 32.0  |
| Return on equity, %           | 28.9  | 32.6  | 25.1  |
| Free cash flow, EURm          | 45.2  | 155.1 | 116.0 |
| Capital employed, EURm        | 418.9 | 394.3 | 405.8 |
| Net debt, EURm                | -30.9 | 28.0  | 10.8  |
| Net gearing, %                | -9.0  | 11.8  | 3.2   |
| Interest cover                | 11.0  | 9.3   | 13.5  |
| Equity Ratio, %               | 24.0  | 17.7  | 26.4  |

**PER SHARE DATA (2)**

|                                      |       |       |       |
|--------------------------------------|-------|-------|-------|
| Number of shares - at end, millions  | 114.5 | 114.5 | 114.5 |
| Number of shares - average, millions | 114.5 | 114.5 | 114.5 |
| Earnings per share, EUR              | 0.73  | 0.81  | 0.78  |
| Dividend per share, EUR              | 0.00  | 1.40  | 1.75  |
| Dividend per earnings, %             | 0     | 173   | 224   |
| Equity per share, EUR                | 3.00  | 2.07  | 2.94  |

**OTHER**

|                              |       |       |       |
|------------------------------|-------|-------|-------|
| Investments, EURm            | 33.9  | 57.0  | 37.1  |
| as % of sales                | 0.6   | 1.0   | 0.7   |
| Number of employees, average | 5,516 | 5,168 | 4,736 |

(1) Deferred tax liabilities are presented as long-term liabilities, and the figures for the comparison periods have been adjusted accordingly.

(2) 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.

|   | 11/09-<br>1/10<br>2009 | 8-10<br>2009 | 5-7<br>2009 | 2-4<br>2009 | 2/09-<br>1/10<br>2009 | 2/08-<br>1/09<br>2008 | Change<br>% |
|---|------------------------|--------------|-------------|-------------|-----------------------|-----------------------|-------------|
| <b>NET SALES</b>                        |                        |              |             |             |                       |                       |             |
| (EURm)                                  |                        |              |             |             |                       |                       |             |
| Tamro Sweden                            | 384.3                  | 379.1        | 363.1       | 353.9       | 1,480.3               | 1,496.2               | -1.1        |
| Tamro Denmark                           | 411.2                  | 397.4        | 413.4       | 393.6       | 1,615.6               | 1,600.2               | 1.0         |
| Tamro Finland                           | 283.9                  | 275.6        | 268.2       | 278.5       | 1,106.1               | 1,068.1               | 3.6         |
| Tamro Norway                            | 209.2                  | 197.0        | 193.6       | 176.1       | 775.8                 | 756.8                 | 2.5         |
| Tamro Estonia                           | 22.1                   | 19.5         | 19.2        | 20.9        | 81.7                  | 83.1                  | -1.7        |
| Tamro Latvia                            | 30.8                   | 27.0         | 25.0        | 27.4        | 110.3                 | 118.9                 | -7.2        |
| Tamro Lithuania                         | 21.6                   | 20.1         | 20.9        | 23.9        | 86.5                  | 105.6                 | -18.1       |
| Tamro Poland                            | 75.5                   | 74.6         | 70.7        | 69.9        | 290.7                 | 368.4                 | -21.1       |
| Other and internal                      | -22.6                  | -20.3        | -18.3       | -18.8       | -79.8                 | -62.9                 | 26.9        |
| Group total                             | 1,416.0                | 1,370.0      | 1,355.8     | 1,325.4     | 5,467.2               | 5,534.4               | -1.2        |
| <b>NUMBER OF EMPLOYEES,<br/>AVERAGE</b> |                        |              |             |             |                       |                       |             |
| Tamro Sweden                            | 507                    | 472          | 454         | 446         | 470                   | 462                   | 1.7         |
| Tamro Denmark                           | 553                    | 553          | 557         | 561         | 555                   | 596                   | -6.9        |
| Tamro Finland                           | 348                    | 347          | 351         | 327         | 343                   | 340                   | 0.9         |
| Tamro Norway                            | 2,195                  | 2,222        | 2,214       | 2,167       | 2,197                 | 2,065                 | 6.4         |
| Tamro Estonia                           | 338                    | 354          | 344         | 331         | 341                   | 319                   | 6.9         |
| Tamro Latvia                            | 389                    | 402          | 432         | 444         | 417                   | 417                   | 0.0         |
| Tamro Lithuania                         | 544                    | 578          | 585         | 605         | 577                   | 483                   | 19.5        |
| Tamro Poland                            | 593                    | 569          | 578         | 574         | 578                   | 451                   | 28.2        |
| Others                                  | 39                     | 37           | 35          | 34          | 38                    | 35                    | 8.6         |
| Group total                             | 5,506                  | 5,534        | 5,550       | 5,489       | 5,516                 | 5,168                 | 6.7         |

| <b>CONSOLIDATED INCOME STATEMENT</b>      |             |             |             |             |             |             |          |
|---|-------------|-------------|-------------|-------------|-------------|-------------|----------|
| (EURm)                                    |             |             |             |             |             |             |          |
| Net Sales                                 | 1,416.0     | 1,370.0     | 1,355.8     | 1,325.4     | 5,467.2     | 5,534.4     | -1.2     |
| Other income                              | 0.0         | 0.1         | 0.1         | 0.0         | 0.1         | 5.7         | -98.2    |
| Raw materials and services                | -1,280.0    | -1,243.8    | -1,230.3    | -1,204.4    | -4,958.5    | -5,037.5    | -1.6     |
| Personnel expenses                        | -65.7       | -60.3       | -60.7       | -55.8       | -242.5      | -226.7      | 7.0      |
| Depreciation and value adjustments        | -10.5       | -10.1       | -9.7        | -9.5        | -39.7       | -37.1       | 7.0      |
| Other operating expenses                  | -32.6       | -28.3       | -24.8       | -26.0       | -111.7      | -99.5       | 12.3     |
| Operating profit                          | 27.2        | 27.6        | 30.4        | 29.7        | 114.9       | 139.3       | -17.5    |
| Financial income and expenses             | 3.5         | -1.9        | -2.3        | -4.3        | -5.1        | -13.4       | -61.9    |
| Share of associated companies' net income | -0.1        | 0.0         | 0.0         | 0.0         | -0.1        | 0.0         | 0.0      |
| Profit before taxes                       | 30.6        | 25.7        | 28.1        | 25.4        | 109.7       | 125.9       | -12.9    |
| Income taxes                              | -3.3        | -7.3        | -8.2        | -7.3        | -26.0       | -32.4       | -19.8    |
| Minority interest                         | 0.0         | -0.1        | -0.1        | -0.1        | -0.3        | -0.7        | -57.1    |
| Net profit for the period                 | 27.3        | 18.3        | 19.8        | 18.0        | 83.4        | 92.8        | -10.1    |
|   | 31.1.       | 31.10.      | 31.7.       | 30.4.       | 31.1.       | 31.1.       | Change   |
|   | <b>2010</b> | <b>2009</b> | <b>2009</b> | <b>2009</b> | <b>2010</b> | <b>2008</b> | <b>%</b> |
| <b>CONSOLIDATED BALANCE SHEET</b>         |             |             |             |             |             |             |          |
| (EURm)                                    |             |             |             |             |             |             |          |
| Assets                                    |             |             |             |             |             |             |          |
| Intangible and tangible assets            | 332.9       | 334.4       | 332.9       | 336.4       | 332.9       | 327.2       | 1.7      |
| Financial assets                          | 15.5        | 15.6        | 15.5        | 15.5        | 15.5        | 15.2        | 2.0      |
| Inventories                               | 379.5       | 352.2       | 358.1       | 362.9       | 379.5       | 373.9       | 1.5      |
| Receivables                               | 577.8       | 530.0       | 536.2       | 480.2       | 577.8       | 486.9       | 18.7     |
| Liquid assets and short-term investments  | 122.7       | 125.5       | 23.2        | 53.9        | 122.7       | 138.2       | -11.2    |
|   | 1,428.4     | 1,357.7     | 1,265.9     | 1,248.9     | 1,428.4     | 1,341.4     | 6.5      |
| Equity & liabilities                      |             |             |             |             |             |             |          |
| Shareholders' equity                      | 342.1       | 307.6       | 282.7       | 256.6       | 342.1       | 235.7       | 45.1     |
| Minority interest                         | 0.9         | 0.9         | 0.8         | 0.4         | 0.9         | 1.1         | -18.2    |
| Obligatory reserves                       | 1.3         | 2.0         | 2.1         | 3.0         | 1.3         | 1.5         | -13.3    |
| Long-term liabilities(1)                  | 54.9        | 59.3        | 59.4        | 63.8        | 54.9        | 64.1        | -14.4    |
| Short-term liabilities(1)                 | 1,029.2     | 987.9       | 920.9       | 925.1       | 1,029.2     | 1,039.0     | -0.9     |
| Balance sheet total                       | 1,428.4     | 1,357.7     | 1,265.9     | 1,248.9     | 1,428.4     | 1,341.4     | 6.5      |

(1) Deferred tax liabilities are presented as long-term liabilities, and the figures for the comparison periods have been adjusted accordingly.

|                                       | 11/09-<br>1/10<br><b>2009</b> | 8-10<br><b>2009</b> | 5-7<br><b>2009</b> | 2-4<br><b>2009</b> | 2/09-<br>1/10<br><b>2009</b> | 2/08-<br>1/09<br><b>2008</b> | Change<br>% |
|---------------------------------------|-------------------------------|---------------------|--------------------|--------------------|------------------------------|------------------------------|-------------|
| <b>OTHER CONSOLIDATED KEY FIGURES</b> |                               |                     |                    |                    |                              |                              |             |
| Operating margin, %                   | 1.9                           | 2.0                 | 2.2                | 2.2                | 2.1                          | 2.5                          |             |
| Profit margin, %                      | 2.2                           | 1.9                 | 2.1                | 1.9                | 2.0                          | 2.3                          |             |
| Return on capital employed, %         | 30.1                          | 27.4                | 31.3               | 29.9               | 28.8                         | 36.0                         |             |
| Return on equity, %                   | 33.6                          | 24.8                | 29.4               | 29.4               | 28.9                         | 32.6                         |             |
| Gross investments, €m                 | 6.3                           | 7.3                 | 4.3                | 16.0               | 33.9                         | 57.0                         | -40.5       |
| Free cash flow, €m                    | 7.2                           | 106.0               | -16.0              | -52.0              | 45.2                         | 155.1                        | -70.9       |
| Capital employed, €m                  | 425.6                         | 407.9               | 394.8              | 396.8              | 418.9                        | 394.3                        | 6.2         |
| Net debt, €m                          | -30.9                         | -17.8               | 92.2               | 79.7               | -30.9                        | 28.0                         | -210.4      |
| Net gearing, %                        | -9.0                          | -5.8                | 32.5               | 31.0               | -9.0                         | 11.8                         |             |
| Equity ratio, %                       | 24.0                          | 22.7                | 22.4               | 20.6               | 24.0                         | 17.7                         |             |
| Number of shares - at end, millions*  | 114.5                         | 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                        | 114.5                        |             |
| Earnings per share, €*                | 0.24                          | 0.16                | 0.17               | 0.16               | 0.73                         | 0.81                         | -9.9        |
| Equity per share, €*                  | 3.00                          | 2.69                | 2.48               | 2.25               | 3.00                         | 2.07                         | 44.9        |
| Number of employees, average          | 5,506                         | 5,534               | 5,550              | 5,489              | 5,516                        | 5,168                        | 6.7         |

\* excluding own shares