



2009  
February–April

# Tamro Interim Report Q1

Comparable figures refer to last year's corresponding period unless otherwise stated.

## Tamro Group Interim Report February–April 2009: Good result in challenging market conditions

### First-quarter highlights

- Tamro Group net sales in February–April 2009 amounted to EUR 1,325 million, a decrease of 4.5% mainly due to the weakening of Norwegian, Swedish and Polish currencies. The FX effect on net sales was EUR -100.7 million. With constant exchange rates, Tamro's net sales increased by 2.8%.
- Operating profit in February–April amounted to EUR 30 million, down EUR 4 million. Profit before taxes in February–April was EUR 25 million, down EUR 6 million. Both of these changes were impacted by the weakening exchange rates, higher financing costs and one-time other income included in last year's figures.
- Market growth slowed down especially in Latvia and Lithuania, due to the weak general economic situation.
- Tamro Group's President & CEO **Jo Langmoen** will retire in July 2009. He will become a member of the Tamro Board of Directors as of 1 August 2009. **Juha Koponen** has been appointed as Tamro Group President & CEO from 1 August 2009. He will also continue as the Managing Director of Tamro Finland.

### Group key figures

	2–4 2009	2–4 2008	Change %	2/2008– 1/2009
Net sales, EURm	1,325	1,387	-4.5	5,534
Operating profit, EURm	29.7	33.7	-11.9	139.3
Profit before taxes, EURm	25.4	31.4	-19.1	125.9
Return on capital employed, %	29.9	33.3		36.0
Personnel, average	5,489	4,896	12.1	5,168

## Outlook for the full-year 2009/2010

It is likely that the market situation remains challenging for the rest of the current financial period. Thus the growth of the entire market is expected to be lower than in the previous years. Further operational improvements are expected to approximately offset the impact of the current market challenges. On operating profit level with constant currency rates, the profit outlook for 2009/10 is on par with 2008/09.

## Tamro's President & CEO Jo Langmoen

“The first quarter in the new business year was challenging but overall quite successful for Tamro. More volumes were handled than ever before, our market shares increased and customers showed high appreciation on our services. However, the price development was modest, so consequently, market growth was lower than expected at the start of the year. Adverse currency changes and higher financial costs had a negative effect.

Tamro is keenly considering entering the soon-to-be-liberalised Swedish pharmacy market. However, the future structure of Swedish pharmaceutical wholesaling has not yet been determined in the legislation. Several other initiatives such as OTC liberalisation must be defined more precisely before the profitability and attractiveness of pharmaceutical retailing in Sweden can be assessed.”

The interim figures are unaudited.

Tamro Corporation  
Board of Directors

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## Operating environment

Nordic pharmaceutical market growth slowed down slightly during February–April 2009. The higher than expected growth (6%) in Denmark results from substantial deliveries to hospitals and does not represent the development in private pharmacies.

In the Baltic region, the double-digit market growth has come to an end after many years. The economic slowdown has strongly impacted consumer demand and pharmaceutical sales have declined considerably.

In Poland, the steady pharmaceutical market growth continued during first quarter.



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## Tamro Sweden

Total pharmaceutical sales in Sweden during February–April 2009 were EUR 731 (777) million in pharmacy purchase prices (PPP). In local currency, this represents an increase of 5% compared to the same period in the previous year.

Tamro Sweden's net sales during February–April were EUR 354 (388) million. In local currency, the sales increased by 7%, mainly due to a new major supply contract. The company's average market share increased to 55%. Tamro Sweden employed an average of 446 (438) people.

At the end of April, the Swedish Parliament made the formal decision to de-regulate the Swedish pharmacy market as from 1 July 2009 and to sell out 466 state-owned pharmacies.

Tamro is considering entering the Swedish pharmacy market. However, the future structure of Swedish pharmaceutical wholesaling and some other issues such as OTC liberalisation have not yet been determined. Therefore, Tamro has not yet made its decision to participate in the auction process. The auction process is expected to be concluded during the late autumn.

### NET SALES

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
(EURm)				
Tamro Sweden	353.9	387.6	-8.7	1,496.2

### NUMBER OF EMPLOYEES, AVERAGE

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
Tamro Sweden	446	438	1.8	462

### See also:

→ [Net sales by business unit](#)



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## Nomeco

Total pharmaceutical sales in Denmark during February–April 2009 were EUR 511 (484) million in PPP, which represents an increase of 6% at CER compared to the same period in the previous year. The growth is driven by hospital sales (up nearly 15% compared to last year); the pharmacy sector is not growing.

A factor contributing to the halt of the pharmacy market growth are the prices of generics, which remain at a record-low level. A price-stop agreement on original pharmaceuticals has been extended until January 2010. The market growth in the pharmacy sector is expected to stay at a very low level during the full-year 2009/10.

Nomeco's net sales during February–April were EUR 394 (398) million, a decrease of 1.2%. The decrease is caused by a lower pre-wholesale turnover; the wholesale turnover is up by approximately 1%. Several measures were taken to streamline the operations by, for example, offering discounts to pharmacies accepting one-time delivery per day.

Nomeco maintained its strong market position in Denmark with a market share well above 70%. The company employed an average of 561 (630) people, down from last year as a consequence of the sale of a subsidiary company.

### NET SALES

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
(EURm)				
Nomeco	393.6	398.2	-1.2	1,600.2

### NUMBER OF EMPLOYEES, AVERAGE

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
Nomeco	561	630	-11.0	596

### See also:

→ [Net sales by business unit](#)



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## Tamro Finland

Total pharmaceutical sales in Finland during February–April 2009 were EUR 493 (481) million in PPP, which represents growth of 3% compared to the same period in the previous year.

Tamro Finland's net sales in February–April were EUR 279 (259) million, an increase of 7.6%. Tamro Finland's average market share for February–April was 53%. The company employed an average of 327 (324) people.

The new medicine reference pricing model came into effect on 1 April 2009 causing uncertainty in the market. The new system is logistically challenging for all market actors – pharmacies, pharmaceutical companies, authorities and wholesalers – as the demand for individual products can fluctuate significantly in a short period of time. However, Tamro Finland's service level was successfully kept on an acceptable level in April, thus ensuring medicine availability for patients.

The reference price model will reduce market growth; the full-year market growth is estimated to be around 1–2%.

### NET SALES

(EURm)	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
Tamro Finland	278.5	258.9	7.6	1,068.1

### NUMBER OF EMPLOYEES, AVERAGE

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
Tamro Finland	327	324	0.9	340

### See also:

→ [Net sales by business unit](#)



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## Apokjeden

Total pharmaceutical sales in Norway during February–April 2009 were EUR 480 (519) million in PPP. In local currency, this represents an increase of 2% compared to the same period in the previous year. The growth was driven by sales in hospital pharmacies; the sales of prescription medicines by private pharmacies decreased by 2%. This negative growth is due to government-initiated price reductions combined with an increased share of generics. The declining prescription sales were compensated by growth in sales of commodities and OTC medication, but also this growth was lower than in the previous years.

Apokjeden Group's February–April net sales amounted to EUR 176 (188) million. In local currency, the sales increased by 3.8%. Two pharmacies were acquired, and Apokjeden now owns 224 pharmacies. The average market share of Apokjeden was 35%. The company employed an average of 2,167 (2,008) people.

In the Norwegian consumer barometer, Apokjeden's pharmacy chain Apotek 1 was ranked as the fourth best company and the best pharmacy chain when examining customer satisfaction. The study evaluates customer satisfaction with 180 companies in over 30 industries. In 2008, Apotek 1 was ranked number 5.

**Lars Birkeland** succeeded **Øyvind Winther** as Managing Director of Apokjeden as of 1 February 2009.

### NET SALES

	02/09-04/09	02/08-04/08	Change	02/08-01/09
(EURm)	2009	2008	%	2008
Apokjeden	176.1	187.7	-6.2	756.8

### NUMBER OF EMPLOYEES, AVERAGE

	02/09-04/09	02/08-04/08	Change	02/08-01/09
	2009	2008	%	2008
Apokjeden	2,167	2,008	7.9	2,065

### See also:

→ [Net sales by business unit](#)



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## Tamro Estonia

Estonian pharmaceutical market during February–April 2009 decreased by 1% compared to the same period in the previous year. The negative growth is due to the weak economic situation in Estonia and the VAT increase on pharmaceuticals as from January 2009.

Tamro's net sales in Estonia during February–April were EUR 21 (20) million, an increase of 2.5%. Tamro's average market share in wholesale was approximately 32%. In retail, the average market share of Tamro's Apteek1 pharmacy chain was approximately 14% (excluding franchise pharmacies). The company employed an average of 331 (305) people, of whom 78% worked in retail.

The Estonian Government is looking into savings in health care spending due to the budget deficit. The estimated pharmaceutical market growth for the full year 2009/10 is 4–5%.

In the pharmacy market, aggressive consumer marketing continued and campaigns had a negative impact on margins. Despite the weak economic situation, the pharmacy market is expanding. As the pharmacy licenses are currently state-regulated, opening new pharmacies is difficult, however.

### NET SALES

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
Tamro Estonia	20.9	20.4	2.5	83.1

### NUMBER OF EMPLOYEES, AVERAGE

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
Tamro Estonia	331	305	8.5	319

### See also:

→ [Net sales by business unit](#)



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## Tamro Latvia

Total pharmaceutical sales in Latvia during February–April 2009 were EUR 68 (74) million in PPP, which represents a decline of 7% at CER compared to the same period in the previous year. The economic downturn in Latvia and the VAT increase on pharmaceuticals influenced pharmaceutical sales sharply.

Tamro's net sales in Latvia during February–April were EUR 27 (31) million, a decrease of 11%, mainly due to the general market decline. Tamro Latvia's average wholesale market share for February–April was 24%. In retail, Tamro's Gimenes Aptieka pharmacy chain continued expanding by acquiring four pharmacies and establishing one new pharmacy. Tamro's retail market share is 10% (excluding franchise pharmacies). The company employed an average of 444 (394) people, of whom 75% worked in retail.

The market conditions are expected to remain strained in Latvia for the full year 2009/10.

### NET SALES

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
(EURm)				
Tamro Latvia	27.4	30.6	-10.5	118.9

### NUMBER OF EMPLOYEES, AVERAGE

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
Tamro Latvia	444	394	12.7	417

### See also:

→ [Net sales by business unit](#)



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## Tamro Lithuania

Total pharmaceutical sales in Lithuania during February–April 2009 were EUR 105 (110) million in PPP, which represents a decline of 5% at CER compared to the same period in the previous year. The negative market growth is mainly due to the weak economic situation in Lithuania.

Tamro net sales in Lithuania during February–April were EUR 24 (27) million, a decrease of 10%, mainly due to the general market decline. To compensate for lower sales, Tamro Lithuania successfully introduced extensive cost alignment measures.

Tamro Lithuania's average market share in wholesale was 14% and in retail 10%. The company employed an average of 605 (383) people, of whom 80% worked in retail.

### NET SALES

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
(EURm)				
Tamro Lithuania	23.9	26.6	-10.2	105.6

### NUMBER OF EMPLOYEES, AVERAGE

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
Tamro Lithuania	605	383	58.0	483

### See also:

→ [Net sales by business unit](#)



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## PHOENIX Pharma Polska

Total pharmaceutical sales in Poland during February–April 2009 were EUR 1,281 (1,246) million in pharmacy purchase prices (PPP). In local currency, this represents an increase of 9% compared to the same period in the previous year.

PHOENIX Pharma Polska's net sales during February–April were EUR 70 (93) million. In local currency, the sales decreased by 2.8%. The company's market share in the competitive wholesale market remained at 3%. The retail sector showed a positive growth trend and is the key area of focus for the full year 2009/10.

The company employed an average of 574 (380) people, of whom 35% worked in retail.

### NET SALES

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
(EURm)				
PHOENIX Pharma Polska	69.9	93.4	-25.2	368.4

### NUMBER OF EMPLOYEES, AVERAGE

	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
PHOENIX Pharma Polska	574	380	51.1	451

### See also:

→ [Net sales by business unit](#)



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## Group's financial performance

### February–April 2009

The Group's first quarter net sales amounted to EUR 1,325 (1,387) million, a decrease of 4.5% compared to the same period last year. Net sales were impacted by the weakening of Norwegian, Swedish and Polish currencies.

The Group's operating profit in February–April was EUR 30 (34) million, down 11.9% from the same period in the previous year driven by weakening currencies and one-time other income included in last year's profits. The ordinary profit before taxes was EUR 25 (31) million, down 19.1%, and the profit margin was 1.9 (2.3)% due to above mentioned reasons and increased financing costs. The net profit for the period February–April was EUR 18 (23) million.

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- [Consolidated balance sheet](#)
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## Consolidated income statement

(€m)	02/09-04/09 2009	02/08-04/08 2008	Change %	02/08-01/09 2008
Net Sales	1,325.4	1,387.2	-4.5	5,534.4
Other income	0.0	1.7	-100.0	5.7
Raw materials and services	-1,204.4	-1,265.8	-4.9	-5,037.5
Personnel expenses	-55.8	-54.7	2.0	-226.7
Depreciation and value adjustments	-9.5	-8.6	10.5	-37.1
Other operating expenses	-26.0	-26.1	-0.4	-99.5
Operating profit	29.7	33.7	-11.9	139.3
Financial income and expenses	-4.3	-2.3	87.0	-13.4
Profit before taxes	25.4	31.4	-19.1	125.9
Income taxes	-7.3	-8.8	-17.0	-32.4
Minority interest	-0.1	-0.1	0.0	-0.7
Net profit for the period	18.0	22.5	-20.0	92.8



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## Consolidated balance sheet

(€m)	<b>30.4.</b> <b>2009</b>	30.4. 2008	<b>31.1.</b> <b>2009</b>
Assets			
Intangible and tangible assets	336.4	327.1	327.2
Financial assets	15.5	15.4	15.2
Inventories	362.9	405.9	373.9
Receivables	480.2	640.4	486.9
Liquid assets and short-term investments	53.9	21.2	138.2
	<b>1,248.9</b>	<b>1,410.0</b>	<b>1,341.4</b>
Equity & liabilities			
Shareholders' equity	256.6	289.1	235.7
Minority interest	0.4	1.0	1.1
Obligatory reserves	3.0	1.4	1.5
Long-term liabilities (1)	63.8	45.0	64.1
Short-term liabilities (1)	925.1	1,073.5	1,039.0
<b>Balance sheet total</b>	<b>1,248.9</b>	<b>1,410.0</b>	<b>1,341.4</b>

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



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## Consolidated cash flow statement

	02/09- 04/09 2009	02/08- 04/08 2008	Change %	02/08- 01/09 2008
(€m)				
Operating profit	30.0	33.7	-11.0	133.0
Depreciation, value adjustments and other adjustments	9.5	8.6	10.5	35.3
Financial income and expenses	-4.1	-0.9	355.6	-20.9
Other income and expenses	1.1	-1.9	-157.9	-9.4
Taxes	-3.7	-6.8	-45.6	-14.9
Cash flow before change in net working capital	32.8	32.7	0.3	123.1
Change in net working capital	-68.9	-147.7	-53.4	78.1
Cash used in / from operating activities	-36.1	-115.0	-68.6	201.2
Investments in tangible and intangible assets	-16.0	-7.7	107.8	-57.0
Proceeds from disposal of tangible and intangible assets and financial investments	0.1	2.4	-95.8	10.9
Cash used in investing activities	-15.9	-5.3	200.0	-46.1
Free cash flow	-52.0	-120.3	-56.8	155.1
Change in loans and other financial items	-32.8	102.8	-131.9	105.2
Dividends paid	0.0	0.0	-	-160.3
Translation differences and other changes	0.3	0.0	-	0.1
Cash used in / from financing activities	-32.5	102.8	-131.6	-55.0
Change in cash and cash equivalents	-84.5	-17.5	382.9	100.1



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## Key figures

	02/09- 04/09 2009	02/08- 04/08 2008	Change %	02/08- 01/09 2008
Operating margin, %	2.2	2.4		2.5
Profit margin, %	1.9	2.3		2.3
Return on capital employed, %	29.9	33.3		36.0
Return on equity, %	29.4	28.9		32.6
Gross investments, €m	16.0	7.7	107.8	57.0
Free cash flow, €m	-52.0	-120.3	-56.8	155.1
Capital employed, €m	396.8	413.5	-4.0	394.3
Net working capital, €m	-3.8	160.8	-102.4	-67.6
Interest-bearing net debt, €m	79.7	130.1	-38.7	28.0
Net gearing, %	31.0	44.8		11.8
Equity Ratio, %	20.6	20.6		17.7
Number of shares - at the end, millions*	114.5	114.5		114.5
Number of shares - average, millions*	114.5	114.5		114.5
Earnings per share, €*	0.16	0.20	-20.0	0.81
Equity per share, €*	2.25	2.53	-11.1	2.07
Number of employees, average	5,489	4,896	12.1	5,168

\* excluding own shares



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## Net sales by business unit

(€m)	02/09- 04/09 2009	02/08- 04/08 2008	Change %	02/08- 01/09 2008
Tamro Sweden	353.9	387.6	-8.7	1,496.2
Nomeco, Denmark	393.6	398.2	-1.2	1,600.2
Tamro Finland	278.5	258.9	7.6	1,068.1
Apokjeden, Norway	176.1	187.7	-6.2	756.8
Tamro Estonia	20.9	20.4	2.5	83.1
Tamro Latvia	27.4	30.6	-10.5	118.9
Tamro Lithuania	23.9	26.6	-10.2	105.6
Phoenix Pharma Polska	69.9	93.4	-25.2	368.4
Other and internal	-18.8	-16.2	16.0	-62.9
Group total	1,325.4	1,387.2	-4.5	5,534.4



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## Contingent liabilities

(€m)	<b>30.4. 2009</b>	30.4. 2008	<b>31.1. 2009</b>
Property mortgages	39.8	0.8	39.8
Guarantees for others	0.2	0.3	0.2
Other commitments	96.5	79.3	93.1
	<b>136.5</b>	<b>80.4</b>	<b>133.1</b>

### DERIVATIVE FINANCIAL INSTRUMENTS

(€m)	<b>30.4. 2009</b>	30.4. 2008	<b>31.1. 2009</b>
Derivatives - notional amounts			
Currency instruments			
Currency forward contracts	271.7	214.3	394.3
Derivatives - market value			
Currency instruments			
Currency forward contracts	0.9	0.1	0.7

The principal amounts of derivatives summarised here do not represent amounts actually exchanged between the parties and are thus not a measure of Tamro's derivatives-related exposure.



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## Investments

Gross investments totalled EUR 16 (8) million during February–April 2009, consisting of investments in replacements of operational assets, securing capacity and retail acquisitions in the Group.



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## Financing

The financial position of the Group remained stable during the first quarter.

The interest-bearing net debt increased from EUR 28 million at the end of the financial year 2008/09 to EUR 80 (130) million at the end of April 2009. The amount of sold receivables increased from EUR 175 million at the end of the financial year 2008/09 to EUR 190 (68) million at the end of April 2009. The effective net debt including as debt the sold receivables of EUR 190 (68) million equaled to EUR 270 (198) million.

Cash and liquid assets increased to EUR 54 (21) million. The available limit in the revolving credit facilities with core banks amounted to EUR 120 (200) million, and the unused limit in the securitisation programmes was EUR 45 (177) million at the end of April.

Net financial items totalled EUR -4 (-2) million during the first quarter. The higher financing cost as a result of the global financial turbulence increased the net financial items of the Group. Net gearing decreased to 31 (45)%.

## Free cash flow and net working capital

In the first quarter, the operative cash flow before changes in net working capital and investments was EUR 33 (33) million. The change in net working capital produced a cash flow of EUR -69 (-148) million and the net investments amounted to EUR -16 (-5) million. The free cash flow during the first quarter was EUR -52 (-120) million. The net working capital increased from EUR -68 million at the end of the financial year 2008/09 to EUR -4 (161) million at the end of April 2009.



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## Personnel

The average number of employees in the Group in February–April 2009 was 5,489 (4,896), of whom 59 (53)% worked in retail.

According to his employment contract Tamro Group's President & CEO **Jo Langmoen** will retire at the age of 60 in July 2009. On the request of PHOENIX Group, Langmoen will become a member of the Tamro Board of Directors as of 1 August 2009. He will also be available for special assignments until further notice.

The Tamro Board of Directors has appointed **Juha Koponen** as Tamro Group President & CEO from 1 August 2009. As from 1 April 2009, Juha Koponen will act as deputy President & CEO. He will also continue as the Managing Director of Tamro Finland.