



2009

February–October

Tamro Interim Report Q3



Interim
Report



Financial
Performance

Content of the Report:

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

Tamro Group Interim Report February–October 2009: Stable development of operations and performance

Third-quarter highlights

- Tamro Group net sales in August–October 2009 amounted to EUR 1,370 million, a decrease of 2.4% due to the weaker foreign exchange rates mainly of the Swedish, Norwegian and Polish currencies. At constant exchange rates (CER), Tamro's net sales increased by 1%.
- Operating profit in August–October amounted to EUR 27.6 million, down by EUR 3.6 million. Profit before taxes in August–October was EUR 25.7 million, down by EUR 1.8 million. The negative profit development is fully explained by the weaker exchange rates and the preparatory costs for the changes in the Swedish market. Tamro Group balance sheet continued to develop positively.
- Free cash flow in August–October increased to extraordinarily high amount of EUR 106 million due to strong profitability and successful decrease of net working capital.
- Tamro Group decided not to make a final bid in the sale of Swedish pharmacy clusters. At the moment, Tamro continues its preparations for taking an active role in the Swedish pharmacy market while negotiating with possible partners about strategic alternatives.
- **Sakari Ahdekivi** took over the position of Tamro Group CFO from 14 September 2009.

Tamro's President & CEO Juha Koponen:

"Tamro Group's third-quarter results reflect continued solid performance and resistance to the economic downturn. We have succeeded in developing most of our businesses positively according to our plans. The economic downturn is visible mainly in the Baltic countries, which represent approximately 5% of Tamro Group's business volume. The change in the Swedish pharmacy market opens further interesting opportunities."

Group key figures

	8–10 2009	8–10 2008	Change %	2–10 2009	2–10 2008	Change %
Net sales, EURm	1,370.0	1,403.6	-2.4	4,051.2	4,179.4	-3.1
Operating profit, EURm	27.6	31.2	-11.5	87.7	102.9	-14.8
Profit before taxes, EURm	25.7	27.5	-6.5	79.1	93.8	-15.7
Return on capital employed, %	27.4	34.7		28.8	39.0	
Personnel, average	5,534	5,322	4.0	5,518	5,100	8.2

Outlook for the full year 2009/2010

Operating profit for 2009/10 is expected to be on the same level or improve slightly from 2008/09 if calculated at constant exchange rates and excluding special items related to Sweden and one-time gains in 2008.

For the rest of the financial year, pharmaceutical markets are expected to remain stable except in the Baltic countries. In Sweden, Tamro is adjusting its business model to a reformed pharmaceutical market. As the leading pharmaceutical wholesaler, Tamro is strongly committed to providing a full range of efficient and high-quality distribution and supply services to all its customers, including the new pharmacy operators.

The interim figures are unaudited.

Tamro Corporation
Board of Directors

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Operating environment

The Nordic pharmaceutical market grew slightly during February–October 2009. The growth in Denmark (4.9%) resulted from hospital sales, while the size of the pharmacy sector stayed at the previous level. The growth in Norway (4.2%) resulted mainly from lower price decreases in pharmaceutical products than last year.

In Latvia and Lithuania, the economic slowdown strongly impacted consumer demand, leading also to a decline in pharmaceutical sales. The Estonian pharmaceutical market has not been impacted as strongly and the market grew slightly.

In Poland, the stable pharmaceutical growth continued during the third quarter.



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Tamro Sweden

Total pharmaceutical sales in Sweden during February–October 2009 were EUR 2,127 (2,268) million in pharmacy purchase prices (PPP). In local currency, this represents an increase of 2.8% compared to the same period in the previous year.

Tamro Sweden's net sales during February–October were EUR 1,096 (1,149) million. In local currency, the sales increased by 7.6% due to a major new supplier contract. The company's average market share in wholesale was 55%. Tamro Sweden employed an average of 457 (462) people.

The operating environment in Sweden changed significantly when the pharmacy market de-regulation came into effect in July 2009. Tamro decided not to make a final bid in the sale of the pharmacy clusters and is now considering its strategic alternatives and adjusting its business model to the reformed pharmaceutical market. The market adaptation will incur some costs for Tamro Sweden during the rest of the year.

NET SALES

	08/09- 10/09	08/08- 10/08	Change	02/09- 10/09	02/08- 10/08	Change	02/08- 01/09
(€m)	2009	2008	%	2009	2008	%	2008
Tamro Sweden	379.1	381.6	-0.7	1,096.0	1,148.6	-4.6	1,496.2

NUMBER OF EMPLOYEES, AVERAGE

	08/09- 10/09	08/08- 10/08	Change	02/09- 10/09	02/08- 10/08	Change	02/08- 01/09
	2009	2008	%	2009	2008	%	2008
Tamro Sweden	472	483	-2.3	457	462	-1.1	462



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Nomeco

Total pharmaceutical sales in Denmark during February–October 2009 were EUR 1,562 (1,489) million in PPP, which represents an increase of 4.9% at constant exchange rates (CER) compared to the same period in the previous year. The growth was driven by hospital sales (up 13.5% compared to last year), while the pharmacy sector did not grow due to the very low prices of generic pharmaceuticals.

Nomeco's net sales during February–October were EUR 1,204 (1,202) million, an increase of 0.2%. Nomeco maintained its strong market position in Denmark, with a market share well above 70%. The company employed an average of 556 (608) people, down from last year as a consequence of the divestment of a non-core subsidiary company.

During the reporting period, Nomeco announced its intention to close the Kolding distribution centre by the end of the financial year. The number of remaining distribution centres will be 4.

The market growth is expected to remain at the current level for the full year 2009/10, with slow or no growth in the pharmacy market.

NET SALES

	08/09- 10/09	08/08- 10/08	Change	02/09- 10/09	02/08- 10/08	Change	02/08- 01/09
(€m)	2009	2008	%	2009	2008	%	2008
Nomeco	397.4	401.4	-1.0	1,204.4	1,201.8	0.2	1,600.2

NUMBER OF EMPLOYEES, AVERAGE

	08/09- 10/09	08/08- 10/08	Change	02/09- 10/09	02/08- 10/08	Change	02/08- 01/09
	2009	2008	%	2009	2008	%	2008
Nomeco	553	581	-4.8	556	608	-8.6	596



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Tamro Finland

Total pharmaceutical sales in Finland during February–October 2009 were EUR 1,464 (1,460) million in PPP, which represents growth of 0.3% compared to the same period in the previous year. The medicine reference pricing model that came into effect in April 2009 slowed down market growth.

Tamro Finland's net sales in February–October were EUR 822 (789) million, an increase of 4.3%. Tamro Finland's average market share for February–October was 53%. The company employed an average of 340 (343) people.

During the reporting period, Tamro Finland reached agreements with three new suppliers. The distribution will begin in January 2010. This is expected to increase Tamro Finland's market share by approximately 2.5%.

The market growth for the full year 2009/10 is expected to be 0.5–1.5%.

NET SALES

	08/09- 10/09	08/08- 10/08	Change	02/09- 10/09	02/08- 10/08	Change	02/08- 01/09
(€m)	2009	2008	%	2009	2008	%	2008
Tamro Finland	275.6	272.1	1.3	822.3	788.7	4.3	1,068.1

NUMBER OF EMPLOYEES, AVERAGE

	08/09- 10/09	08/08- 10/08	Change	02/09- 10/09	02/08- 10/08	Change	02/08- 01/09
	2009	2008	%	2009	2008	%	2008
Tamro Finland	347	358	-3.1	340	343	-0.9	340



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Apokjeden

Total pharmaceutical sales in Norway during February–October 2009 were EUR 1,534 (1,547) million in PPP. In local currency, this represents an increase of 4.2% compared to the same period in the previous year. The market growth resulted mainly from lower price decreases in pharmaceutical products than last year.

Apokjeden Group's February–October net sales amounted to EUR 567 (579) million. In local currency, the sales increased by 6.2%. The average market share of Apokjeden was 35%, and there are a total of 226 pharmacies in the Apotek 1 pharmacy chain. The company employed an average of 2,197 (2,049) people, of whom 89% worked in retail.

The market growth for the full year 2009/10 is expected to be approximately 4%.

NET SALES

	08/09- 10/09	08/08- 10/08	Change	02/09- 10/09	02/08- 10/08	Change	02/08- 01/09
(€m)	2009	2008	%	2009	2008	%	2008
Apokjeden	197.0	188.6	4.5	566.7	578.8	-2.1	756.8

NUMBER OF EMPLOYEES, AVERAGE

	08/09- 10/09	08/08- 10/08	Change	02/09- 10/09	02/08- 10/08	Change	02/08- 01/09
	2009	2008	%	2009	2008	%	2008
Apokjeden	2,222	2,104	5.6	2,197	2,049	7.2	2,065



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Tamro Estonia, Tamro Latvia and Tamro Lithuania

Total pharmaceutical sales in Estonia during January–September 2009 amounted to EUR 136 (136) million in PPP, an increase of 0.8% at CER compared to the same period in the previous year. Tamro's net sales in Estonia during February–October were EUR 60 (61) million, a decrease of 2.8%. The company employed an average of 342 (316) people, of whom 78% worked in retail.

Total pharmaceutical sales in Latvia during February–October 2009 were EUR 192 (214) million in PPP, a decrease of 10.4% at CER compared to the same period in the previous year. Tamro's net sales in Latvia during February–October were EUR 79 (88) million, a decrease of 9.7%. The company employed an average of 425 (413) people, of whom 75% worked in retail.

Total pharmaceutical sales in Lithuania during February–October 2009 totalled EUR 300 (316) million in PPP, a decrease of 5.1% at CER compared to the same period in the previous year. Tamro's net sales in Lithuania during February–October were EUR 65 (77) million, a decrease of 15.8%. The company employed an average of 590 (443) people, of whom 81% worked in retail.

The general economic downturn affected the pharmaceutical market growth negatively in all Baltic countries. The pharmaceutical sales are not expected to grow for the rest of the financial year 2009/10. Tamro's strong costs saving measures in the Baltic countries compensated some of the negative impact of the economic downturn.

NET SALES

	08/09- 10/09	08/08- 10/08	Change	02/09- 10/09	02/08- 10/08	Change	02/08- 01/09
(€m)	2009	2008	%	2009	2008	%	2008
Tamro Estonia	19.5	20.7	-5.8	59.6	61.3	-2.8	83.1
Tamro Latvia	27.0	30.9	-12.6	79.4	87.9	-9.7	118.9
Tamro Lithuania	20.1	28.0	-28.2	64.9	77.1	-15.8	105.6

NUMBER OF EMPLOYEES, AVERAGE

	08/09- 10/09	08/08- 10/08	Change	02/09- 10/09	02/08- 10/08	Change	02/08- 01/09
	2009	2008	%	2009	2008	%	2008
Tamro Estonia	354	325	8.9	342	316	8.2	319
Tamro Latvia	402	431	-6.7	425	413	2.9	417
Tamro Lithuania	578	525	10.1	590	443	33.2	483



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PHOENIX Pharma Polska

Total pharmaceutical sales in Poland during February–October 2009 were EUR 3,639 (3,321) million in PPP. In local currency, this represents an increase of 9.6% compared to the same period in the previous year.

PHOENIX Pharma Polska's net sales during February–October were EUR 215 (282) million. In local currency, the sales decreased by 2.4%. The company's market share in the wholesale market remained at 3%. The company employed an average of 574 (431) people, of whom 36% worked in retail.

The full year 2009/10 market growth is expected to be approximately 9%.

NET SALES

	08/09- 10/09 2009	08/08- 10/08 2008	Change %	02/09- 10/09 2009	02/08- 10/08 2008	Change %	02/08- 01/09 2008
(€m)							
PHOENIX Pharma Polska	74.6	95.8	-22.1	215.1	281.7	-23.6	368.4

NUMBER OF EMPLOYEES, AVERAGE

	08/09- 10/09 2009	08/08- 10/08 2008	Change %	02/09- 10/09 2009	02/08- 10/08 2008	Change %	02/08- 01/09 2008
PHOENIX Pharma Polska	569	478	19.0	574	431	33.2	451



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Group's financial performance

February–October 2009

Tamro Group's February–October 2009 net sales amounted to EUR 4,051 (4,179) million, a decrease of 3.1% compared to the same period last year. At constant exchange rates (CER), Tamro's net sales increased by 2.8%.

Tamro Group's operating profit in February–October was EUR 88 (103) million. The Group's ordinary profit before taxes was EUR 79 (94) million, and the profit margin was 2.0 (2.2)%. The net profit for the period February–October amounted to EUR 56 (68) million.

Compared to last year, the profits after three quarters are negatively affected by the weaker foreign exchange rates, one-time capital gains included in last year's figures and by extraordinary costs from preparing for the new market situation in Sweden. On a comparable basis, the operating result reaches last year's level.

August–October 2009

Tamro Group's August–October 2009 net sales amounted to EUR 1,370 (1,404) million, a decrease of 2.4% compared to the same period last year. The decline is fully explained by the weaker foreign exchange rates.

Tamro Group's operating profit in August–October was EUR 28 (31) million, down by 11.5% from the same period in the previous year. The ordinary profit before taxes was EUR 26 (28) million, down by 6.5%, and the profit margin was EUR 1.9 (2.0)%. The net profit for the period August–October was EUR 18 (19) million. The profit decline is fully explained by the weaker exchange rates, one-time capital gains included in last year's figures and by the preparatory costs for the changes in the Swedish market. On a comparable basis, the underlying business showed stable development.



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Consolidated income statement

(€m)	08/09- 10/09 2009	08/08- 10/08 2008	Change %	02/09- 10/09 2009	02/08- 10/08 2008	Change %	02/08- 01/09 2008
Net Sales	1,370.0	1,403.6	-2.4	4,051.2	4,179.4	-3.1	5,534.4
Other income	0.1	0.0	-	0.1	5.6	-98.2	5.7
Raw materials and services	-1,243.8	-1,280.0	-2.8	-3,678.5	-3,806.8	-3.4	-5,037.5
Personnel expenses	-60.3	-58.3	3.4	-176.8	-171.9	2.9	-226.7
Depreciation and value adjustments	-10.1	-9.2	9.8	-29.2	-26.9	8.6	-37.1
Other operating expenses	-28.3	-24.9	13.7	-79.1	-76.5	3.4	-99.5
Operating profit	27.6	31.2	-11.5	87.7	102.9	-14.8	139.3
Financial income and expenses	-1.9	-3.7	-48.6	-8.6	-9.1	-5.5	-13.4
Profit before taxes	25.7	27.5	-6.5	79.1	93.8	-15.7	125.9
Income taxes	-7.3	-8.4	-13.1	-22.7	-25.9	-12.4	-32.4
Minority interest	-0.1	-0.1	0.0	-0.3	-0.5	-40.0	-0.7
Net profit for the period	18.3	19.0	-3.7	56.1	67.5	-16.9	92.8



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Consolidated balance sheet

(€m)	31.10. 2009	31.10. 2008	31.1. 2009
Assets			
Intangible and tangible assets	334.4	331.7	327.2
Financial assets	15.6	15.3	15.2
Inventories	352.2	409.2	373.9
Receivables	530.0	486.7	486.9
Liquid assets and short-term investments	125.5	19.5	138.2
	1,357.7	1,262.4	1,341.4
Equity & liabilities			
Shareholders' equity	307.6	228.1	235.7
Minority interest	0.9	1.4	1.1
Obligatory reserves	2.0	1.8	1.5
Long-term liabilities	59.3	43.3	64.1
Short-term liabilities	987.9	987.8	1,039.0
Balance sheet total	1,357.7	1,262.4	1,341.4



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Consolidated cash flow statement

	02/09- 10/09 2009	02/08- 10/08 2008	Change %	02/08- 01/09 2008
(€m)				
Operating profit	89.8	99.5	-9.7	133.0
Depreciation, value adjustments and other adjustments	30.0	25.9	15.8	35.3
Financial income and expenses	-7.4	-11.4	-35.1	-20.9
Other income and expenses	-0.5	-7.8	-93.6	-9.4
Taxes	-6.5	-14.6	-55.5	-14.9
Cash flow before change in net working capital	105.4	91.6	15.1	123.1
Change in net working capital	-40.6	35.6	-214.0	78.1
Cash used in / from operating activities	64.8	127.2	-49.1	201.2
Investments in tangible and intangible assets	-27.6	-40.7	-32.2	-57.0
Proceeds from disposal of tangible and intangible assets and financial investments	0.8	8.4	-90.5	10.9
Cash used in investing activities	-26.8	-32.3	-17.0	-46.1
Free cash flow	38.0	94.9	-60.0	155.1
Change in loans and other financial items	-51.5	46.7	-210.3	105.2
Dividends paid	0.0	-160.3	-100.0	-160.3
Translation differences and other changes	0.0	-0.1	-100.0	0.1
Cash used in / from financing activities	-51.5	-113.7	-54.7	-55.0
Change in cash and cash equivalents	-13.5	-18.8	-28.2	100.1



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Key figures

	08/09- 10/09 2009	08/08- 10/08 2008	Change %	02/09- 10/09 2009	02/08- 10/08 2008	Change %	02/08- 01/09 2008
Operating margin, %	2.0	2.2		2.2	2.5		2.5
Profit margin, %	1.9	2.0		2.0	2.2		2.3
Return on capital employed, %	27.4	34.7		28.8	39.0		36.0
Return on equity, %	24.8	28.0		27.6	32.0		32.6
Gross investments, €m	7.3	20.1	-63.7	27.6	40.7	-32.2	57.0
Free cash flow, €m	106.0	-1.4	7,671.4	38.0	94.9	-60.0	155.1
Capital employed, €m	407.9	363.5	12.2	409.7	357.9	14.5	394.3
Net working capital, €m	-51.8	-26.3	97.0	-51.8	-26.3	97.0	-67.6
Interest-bearing net debt, €m	-17.8	81.3	-121.9	-17.8	81.3	-121.9	28.0
Net gearing, %	-5.8	35.4		-5.8	35.4		11.8
Equity Ratio, %	22.7	18.2		22.7	18.2		17.7
Number of shares - at the end, millions*	114.5	114.5		114.5	114.5		114.5
Number of shares - average, millions*	114.5	114.5		114.5	114.5		114.5
Earnings per share, €*	0.16	0.17	-5.9	0.49	0.59	-16.9	0.81
Equity per share, €*	2.69	2.00	34.5	2.69	2.00	34.5	2.07
Number of employees, average	5,534	5,322	4.0	5,518	5,100	8.2	5,168

* excluding own shares



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Net sales by business unit

(€m)	08/09- 10/09 2009	08/08- 10/08 2008	Change %	02/09- 10/09 2009	02/08- 10/08 2008	Change %	02/08- 01/09 2008
Tamro Sweden	379.1	381.6	-0.7	1,096.0	1,148.6	-4.6	1,496.2
Nomeco, Denmark	397.4	401.4	-1.0	1,204.4	1,201.8	0.2	1,600.2
Tamro Finland	275.6	272.1	1.3	822.3	788.7	4.3	1,068.1
Apokjeden, Norway	197.0	188.6	4.5	566.7	578.8	-2.1	756.8
Tamro Estonia	19.5	20.7	-5.8	59.6	61.3	-2.8	83.1
Tamro Latvia	27.0	30.9	-12.6	79.4	87.9	-9.7	118.9
Tamro Lithuania	20.1	28.0	-28.2	64.9	77.1	-15.8	105.6
PHOENIX Pharma Polska, Poland	74.6	95.8	-22.1	215.1	281.7	-23.6	368.4
Other and internal	-20.3	-15.5	31.0	-57.2	-46.5	23.0	-62.9
Group total	1,370.0	1,403.6	-2.4	4,051.2	4,179.4	-3.1	5,534.4



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Contingent liabilities

(€m)	31.10. 2009	31.10. 2008	31.1. 2009
Property mortgages	39.8	0.8	39.8
Guarantees for others	0.2	0.3	0.2
Other commitments	117.0	70.1	93.1
	157.0	71.2	133.1

DERIVATIVE FINANCIAL INSTRUMENTS

(€m)	31.10. 2009	31.10. 2008	31.1. 2009
Derivatives - notional amounts			
Currency instruments			
Currency forward contracts	280.0	325.8	394.3
Derivatives - market value			
Currency instruments			
Currency forward contracts	-1.0	0.7	0.7

The notional 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

The amount of gross investments decreased from last year and amounted to EUR 28 (41) million during February–October 2009. Last year, the investments included pharmacy expansion. The investments in February–October 2009 consisted of replacements of operational assets to secure capacity and retail acquisitions.



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Financing

The financial position of the Group strengthened further during the third quarter.

The interest-bearing net debt amounted to EUR –18 (81) million at the end of October 2009. The effective net debt including as debt the sold receivables of EUR 167 (196) million equalled EUR 149 (277) million.

Cash and liquid assets amounted to EUR 126 (20) 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 74 (47) million.

Net financial items during the third quarter amounted to EUR –1.9 (–3.7) million. The year-to-date net financial items were EUR –8.6 (–9.1) million. The decrease in interest expenses is explained by lower interest rates, whereas other financing expenses increased compared with the corresponding period last year.

Net gearing decreased to –6 (35)% compared with the end of Q3 2008, and the equity ratio increased to 23 (18)%.

Free cash flow and net working capital

In the third quarter, the operative cash flow before changes in net working capital and investments amounted to EUR 35 (21) million. The decrease in net working capital produced a cash flow of EUR 77 (–3) million, as the increase in the amount of receivables sold impacted the cash flow positively during the third quarter. Cash flow from net investments amounted to EUR –7 (–20) million. The free cash flow increased to EUR 106 (–1) million.

The year-to-date operative cash flow before changes in net working capital and investments was EUR 105 (92) million. Changes in net working capital resulted in a cash flow of EUR –41 (36) million. The net cash flow effect of investments was EUR –27 (–32) million. On a year-to-date basis the free cash flow decreased to EUR 38 (95) million.



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Personnel

The average number of employees in the Group in February–October 2009 was 5,518 (5,100), of whom 59 (54)% worked in retail.

Sakari Ahdekivi took over the position of Tamro Group CFO from 14 September 2009.