

# Press release



5 September 2007

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**Comparable figures refer to February–July 2006 unless otherwise stated.**

## **TAMRO GROUP INTERIM REPORT FEBRUARY–JULY 2007**

- Tamro Group net sales in February–July amounted to EUR 2,753 (2,687) million, up 2.4%.
- Profit before taxes was EUR 60 (105) million. Excluding the gain on the sale of the Tamro MedLab division last year, profit before taxes was up 6%. Operating margin was 2.3 (2.2)%.
- Market growth has been stronger than expected mainly due to growth in the hospital sector in several of our markets.

“Tamro’s financial performance improved strongly during the second quarter despite the continuously challenging market environment. The tough competition in Tamro’s markets made the situation demanding, but we managed to sustain our position as the most cost-effective and the leading pharmaceutical wholesaler and second largest retailer in Northern Europe,” says **Jo Langmoen**, President and CEO of Tamro Group.

### **Operating environment**

During the period February–July all Nordic markets continued to rise even more than expected. On average the markets grew by 6.6 percent compared to 3.8 % for the same period last year. However, intense competition kept the margins low. The wholesale margins are modest compared to the margins of the other parties in the pharmaceutical industry.

The Baltic markets continued to post good growth as well. The average market growth was 17%. These markets are characterized by high inflation and unstable economic growth. In spite of the good growth, pharmaceutical consumption is far below the EU average.

### **Operations in business units**

#### Sweden

Total pharmaceutical sales for the period February–July 2007 were EUR 1,473 million in PPP, which represents a growth of 7 percent (CER) compared to last year. During the first six months of this reporting period the net sales of Tamro Sweden increased to EUR 853 (824) million. Tamro’s average market share for February–July was 53%.

During this reporting period Tamro Sweden lost the contract with one of its main principals, but it was replaced by another distribution agreement of nearly the same value.

Mr. **Mats Johnson** was employed as the new Logistic Director of Tamro Sweden at the beginning of this reporting period.

Tamro Sweden's share of the Group's net sales was 31%, and the company employed an average of 445 (446) people.

The enquiry concerning the liberalisation of the Swedish pharmacy markets is still ongoing and the proposals are promised to be ready by the end of this year. The authorities in Sweden have also published an official proposal for deregulating the nicotine treatment products.

### Denmark

In February–July, the aggregate pharmaceutical wholesale in Denmark continued to show good growth. In February–July 2007, pharmaceutical sales through wholesalers totalled EUR 629 million in PPP, an increase of 7% at CER compared with the same period a year ago.

In order to improve transparency in the retail business, the authorities in Denmark have introduced extensive legislation amendments. Accordingly, a wholesaler's standard terms of sales and delivery must be public and transparent whilst statutory audits for pharmacies and wholesalers have been introduced.

Nomeco's February–July net sales were EUR 746 (647) million, up 15% from the previous year. Nomeco is the market leader, holding so far a stable market share of just over 70%.

Nomeco's share of the Group net sales was 27%, and the company employed an average of 609 (632) people.

### Finland

The aggregate pharmaceutical sales in February–July reached EUR 897 million in PPP. This amounts to growth of 6% over the same period in the previous year, which is more than expected. The strong growth was mainly driven by the OTC products and the use of medicines in the hospital sector.

Tamro Finland's February–July net sales totalled EUR 494 (506) million. The average market share of Tamro Finland was 53.2%, down by 2.6 percentage points year-over-year. The decrease in sales and market share was due to changes in Tamro's supplier contract portfolio at the beginning of the current year.

Tamro Finland's share of the Group net sales was 18%. During February–July, Tamro Finland employed an average of 332 (330) people.

### Norway

In February–July, the total sales on pharmaceuticals showed strong growth, 7% at CER, totalling EUR 725 million calculated in PPP. The rise is mainly due to the high growth in sales to hospitals and hospital pharmacies.

Apokjeden Group's February–July consolidated net sales in wholesale and retail grew by 4% to EUR 372 (358) million, mainly as a consequence of more traffic and prescriptions in the pharmacies. Apokjeden's retail market share (excluding hospitals and hospital pharmacies) remained at 38% and the market share in wholesale was 33%.

During the second quarter, Apokjeden Group opened three new pharmacies in Norway. The recruitment of pharmaceutical personnel remains very challenging.

Apokjeden's share of the Group net sales increased to 14%. Apokjeden Group employed an average of 1,882 (1,795) people, the majority of whom worked in pharmacies.

### Estonia

The wholesale market growth in Estonia was approximately 20% in February–July. Total pharmaceutical sales rose to EUR 99 million in PPP. The market continues to grow strongly in Estonia. Competition authorities have postponed handling the merger of the other major players in Estonia, in order to prevent concentration of ownership in the retail market.

Tamro Estonia's sales were EUR 34 (28) million, up by 23%. However, the market was characterised by tough competition and high inflation.

Tamro's estimated wholesale market share in February–July remained at 31%. The estimated retail market share of Tamro Estonia's fully owned pharmacies was 13%. During Q2 Tamro Estonia's retail organisation Koduapteek OÜ acquired four outlets strengthening its position in the market.

Tamro's net sales in Estonia represent 1% of the Group net sales, and the company employed an average of 274 (268) people.

## Latvia

During the first six months of this reporting period, total pharmaceutical sales in Latvia increased by 25% to EUR 126 million in PPP. This growth is explained mainly by the increase in medicine prices combined with considerable growth in the amount of reimbursed medicines sold to hospitals.

Tamro's net sales of pharmaceuticals in Latvia during February–July were EUR 56 (49) million, up by 14%. The average market share of Tamro Latvia's own pharmacy chains in retail business during the first six months of the reporting period was 8%. The average wholesale market share of pharmaceuticals was 23%.

The share of Tamro's Latvia operations in the Group net sales remained at 2%, and the company employed an average of 363 (298) people.

## Lithuania

In February–July, the Lithuanian pharmaceutical market rose by 12% to EUR 208 (185) million in PPP. The fierce competition over the remaining independent pharmacy clients is increasing thus putting pressure on the wholesale margins.

Tamro Lithuania's net sales during February–July were EUR 50 (49) million. The market share in wholesaling during February–July was 19%. The market share in retail business was 6%.

Ms. **Rita Juskyte** was appointed as the new Retail Director during the second quarter.

UAB Tamro's share of the Group net sales was 2%, and the Lithuanian operations employed an average of 407 (431) people.

## Poland

In Poland, the pharmaceutical sales for the period February–July increased by 8.7% to EUR 2,492 (2,293) million. The strongest growth originated from the OTC market, whereas the hospital sector suffered in Q2 from a strike organised by doctors and other hospital personnel.

During February–July, our net sales in Poland totalled EUR 172 (173) million, almost equal to the previous year, due to a change in the sales structure in pre-wholesale. The wholesale market share of PHOENIX Pharma Polska is still under 4% and not reflecting our ambitions.

Mr. **Piotr Stopczyk** has been appointed as President of the Polish Management Board, starting 1 September. The position of acting Managing Director during the recruitment period has been held by Tamro Group's Logistic Director **Stefan Pflug**.

Ms. **Izabela Kubisiak** was appointed the new Logistic Director of PHOENIX Pharma Polska as of 1 June 2007.

PHOENIX Pharma Polska represented 6% of the Group's net sales, and the company employed an average of 360 (301) people.

## **Group's financial performance**

### February–July

The Group's February–July net sales rose to EUR 2,753 (2,687) million, an increase of 2.4% compared to the same period last year.

The Group's operating profit in February–July was EUR 64 (60) million. The Group's ordinary profit before taxes was EUR 60 (105) million and the profit margin was 2.2 (3.9)%. The net profit for the period February–July was EUR 45 (88) million. The decline in the figures is due to the divestment of the Tamro MedLab division, which was sold to private equity investor CapMan in June 2006. Excluding the MedLab effects our comparable profit margin last year was 2.1%.

### May–July

The Group's second quarter net sales amounted to EUR 1,401 (1,373) million, up 2% from last year's figures.

The Group's operating profit in May–July was EUR 33 (31) million, up 5% from 2Q in the previous year. The ordinary profit before taxes was EUR 31 (78) million, down 61% and the profit margin contracted to 2.2 (5.7)% due to the one-time effect of the MedLab divestment.

The net profit for the period May–July was EUR 23 (68) million.

## **Investments and divestments**

The gross investments totalled EUR 12.1 (12.2) million during February–July. Investments consisted mainly of investments in operational assets and retail acquisitions.

## **Financing**

The financial position of the Group remained on a strong level during the second quarter.

The interest bearing net debt amounted to EUR 55 (98) million at the end of July. The effective net debt equalled EUR 162 (232) million as it includes as debt the sold receivables of EUR 107 (133) million.

Cash and liquid assets amounted to EUR 13 (6) million. The available limit in the committed credit facilities with core banks amounted to EUR 200 (200) million, and the unused limit in the securitisation programs was EUR 136 (113) million.

Net financial items increased to EUR -2,1 million compared with EUR -1,4 million during the second quarter in 2006. Year to date net financial expenses were EUR -3,9 (-3,4) million. The change is mainly explained by the higher general interest rate level.

Net gearing decreased to 13 (26)%, and equity ratio improved slightly to 33 (32)%.

#### Free cash flow and net working capital

For the quarter which ended 31<sup>st</sup> of July the operative cash flow before changes in the net working capital and investments improved to EUR 40 (32) million. Reduction in the net working capital brought in EUR 37 (-141) million. Together with the net investments of EUR -7 (51) million the free cash flow during the second quarter amounted to EUR 70 (-57) million.

Year to date operative cash flow before changes in the net working capital and investments was EUR 70 (62) million. Changes in the net working capital resulted in a negative cash flow of EUR -120 (-85) million while the net cash flow effect of investments was EUR -8 (45) million. On a year to date basis the free cash flow was EUR -58 (22) million.

The cash flow from investments during the second quarter in 2006 was impacted by the sale of MedLab division to CapMan equity funds.

#### **Personnel and organisation**

The average number of employees in the Group was 4,696 (4,771).

#### **Events after the financial period**

No significant events have taken place after the interim period closed at the end of July.

**Outlook for the full-year 2007/08**

Tamro Group will continue its strategy based on customer orientation and cost leadership, and it aims to offset the low margin and tight competition by continuous market and operational improvements. With these measures we expect even better profitability for the rest of the financial year 2007/08 than first estimated.

The interim figures are unaudited.

Tamro Corporation  
Board of Directors

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This interim report has been disclosed as a Web interim report on Tamro Group's Web site at the address [www.tamro.com](http://www.tamro.com).

TAMRO CORPORATION

## APPENDICES

Consolidated income statement  
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CONSOLIDATED INCOME STATEMENT							
	5-7	5-7	Change	2-7	2-7	Change	2/06-1/07
(EURm)	2007	2006	%	2007	2006	%	2006
Net Sales	1,400.6	1,372.8	2.0	2,752.9	2,687.3	2.4	5,464.5
Other income	0.0	2.1	-100.0	3.0	2.2	36.4	6.3
Raw materials and services	-1,284.4	-1,260.0	1.9	-2,528.4	-2,465.5	2.6	-5,028.2
Personnel expenses	-54.1	-52.0	4.0	-102.5	-100.1	2.4	-194.6
Depreciation and value adjustments	-7.2	-8.7	-17.2	-15.8	-17.6	-10.2	-33.7
Other operating expenses	-22.3	-23.2	-3.9	-45.3	-46.1	1.7	-97.0
Operating profit	32.6	31.1	4.8	63.9	60.2	6.1	117.4
Financial income and expenses	-2.1	-1.4	50.0	-3.9	-3.4	14.5	-6.2
Share of associated companies' net income	0.1	0.1	0.0	0.1	0.1	0.0	0.2
Profit before extraordinary items	30.6	29.8	2.7	60.1	59.6	5.6	111.4
Extraordinary items	0.0	48.0	-100.0	0.0	48.0	-100.0	48.5
Profit before taxes	30.6	77.8	-60.7	60.1	104.9	42.9	159.9
Income taxes	-7.5	-9.9	-24.2	-14.7	-17.0	-13.5	-33.2
Minority interest	-0.1	0.0	-	-0.1	-0.1	0.0	-0.2
Net profit for the period	23.0	67.9	-66.1	45.3	87.8	48.4	126.4

CONSOLIDATED BALANCE SHEET			
	31.7.	31.7.	31.1.
(EURm)	2007	2006	2007
Assets			
Intangible and tangible assets	317.0	318.5	319.1
Financial assets	17.5	19.2	17.4
Inventories	407.6	377.9	357.7
Receivables	546.5	489.2	464.7
Liquid assets and short-term investments	13.3	6.1	55.2
	1,301.9	1,210.8	1,214.2
Equity & liabilities			
Shareholders' equity	422.8	385.7	373.2
Minority interest	0.2	0.4	0.2
Obligatory reserves	2.1	2.2	2.0
Long-term liabilities	28.1	27.3	28.9
Short-term liabilities	848.7	795.2	809.9
Balance sheet total	1,301.9	1,210.8	1,214.2

CONSOLIDATED CASH FLOW STATEMENT				
	2-7	2-7	Change	2/06-1/07
(EURm)	2007	2006	%	2006
Operating profit	63.9	58.9	8.5	115.9
Depreciation, value adjustments and other adjustments	15.8	16.4	-3.7	30.4
Financial income and expenses	-3.7	-3.2	15.6	-5.9
Other income and expenses	-2.9	-1.9	52.6	-6.4
Taxes	-3.5	-8.5	-58.8	-15.9
Cash flow before change in net working capital	69.6	61.7	12.8	118.2
Change in net working capital	-120.1	-85.4	40.6	7.7
Cash from operating activities	-50.5	-23.7	113.1	126.0
Investments in tangible and intangible assets	-12.1	-10.2	18.6	-32.8
Proceeds from disposal of tangible and intangible assets and financial investments	4.6	55.5	-91.7	58.9
Cash from investing activities	-7.5	45.3	-116.6	26.0
Free cash flow	-58.0	21.6	-368.5	152.0
Change in loans and other financial items	15.7	1.8	772.2	-37.5
Dividends paid	0.0	-23.0	-100.0	-67.8
Translation differences and other changes	0.4	-4.2	-109.5	-1.4
Cash from financing activities	16.1	-25.4	-163.4	-106.7
Change in cash and cash equivalents	-41.9	-3.8	1,002.6	45.3

KEY FIGURES							
	5-7	5-7	Change	2-7	2-7	Change	2/06-1/07
(EURm)	2007	2006	%	2007	2006	%	2006
Operating margin. %	2.3	2.3		2.3	2.2		2.1
Profit margin. %	2.2	5.7		2.2	3.9		2.9
Return on capital employed. %	26.1	74.1		28.4	49.1		40.7
Return on equity. %	23.2	76.8		22.8	50.2		36.8
Gross investments. (EURm)	5.9	6.3	-6.6	12.1	12.2	-1.0	32.8
Free cash flow. (EURm)	70.1	-57.4	-222.0	-58.0	21.6	-368.8	152.0
Capital employed. (EURm)	511.0	435.2	17.4	458.7	449.1	2.1	416.9
Net working capital. (EURm)	151.0	141.4	6.8	151.0	141.4	6.8	41.3
Interest-bearing net debt. (EURm)	55.1	98.4	-44.0	55.1	98.4	-44.0	-2.5
Net gearing. %	13.0	25.5		13.0	25.5		-0.7
Equity ratio. %	32.5	31.9		32.5	31.9		30.8
Number of shares- at end. millions*	114.5	114.5	0.0	114.5	114.5	0.0	114.5
Number of shares- average. millions*	114.5	114.5	0.0	114.5	114.5	0.0	114.5
Earnings per share. EUR*	0.20	0.59	-66.0	0.40	0.77	-48.4	1.10
Equity per share. EUR*	3.69	3.37	9.6	3.69	3.37	9.6	3.26
Number of employees. average	4,758	4,858	-2.1	4,696	4,771	-1.6	4,693
* excluding own shares							

NET SALES BY BUSINESS UNIT							
	5-7	5-7	Change	2-7	2-7	Change	2/06-1/07
(EURm)	2007	2006	%	2007	2006	%	2006
Tamro Sweden	423.4	418.5	1.2	852.8	823.8	3.5	1,708.3
Tamro Denmark	390.7	336.7	16.0	746.3	647.2	15.3	1,334.8
Tamro Finland	252.3	259.9	-2.9	493.9	506.1	-2.4	1,040.6
Tamro Norway	195.2	189.8	2.8	371.5	358.3	3.7	723.2
Tamro Estonia	17.3	14.1	22.7	34.4	28.0	22.9	60.1
Tamro Latvia	25.9	23.9	8.4	55.9	49.1	13.8	106.5
Tamro Lithuania	23.8	26.7	-10.9	49.5	48.9	1.2	103.9
Tamro Poland	86.3	80.8	6.8	175.1	173.4	1.0	347.9
Tamro MedLab	0.0	26.6	-100.0	0.0	61.1	-100.0	61.2
Other and internal	-14.3	-4.1	248.8	-26.5	-8.5	211.8	-22.0
Group total	1,400.6	1,372.8	2.0	2,752.9	2,687.3	2.4	5,464.5

NUMBER OF EMPLOYEES BY BUSINESS UNIT, AVERAGE							
	5-7	5-7	Change	2-7	2-7	Change	2/06-1/07
	2007	2006	%	2007	2006	%	2006
Tamro Sweden	457	460	-0.7	445	446	-0.2	440
Tamro Denmark	623	648	-3.9	609	632	-3.6	634
Tamro Finland	333	334	-0.3	332	330	0.6	335
Tamro Norway	1,906	1,809	5.4	1,882	1,795	4.8	1,803
Tamro Estonia	277	281	-1.4	274	268	2.2	270
Tamro Latvia	370	307	20.5	363	298	21.8	311
Tamro Lithuania	405	429	-5.6	407	431	-5.6	422
Tamro Poland	362	351	3.1	360	301	19.6	321
Tamro MedLab	0	217	-100.0	0	248	-100.0	133
Other and internal	25	23	8.7	24	23	4.3	24
Group total	4,758	4,858	-2.1	4,696	4,771	-1.6	4,693

CONTINGENT LIABILITIES			
	31.7.	31.7.	31.1.
(EURm)	2007	2006	2007
Property mortgages	0.8	1.4	0.8
Guarantees for others	0.5	1.1	0.8
Other commitments	70.1	43.4	43.9
	71.4	45.9	45.5

DERIVATIVE FINANCIAL INSTRUMENTS			
	31.7.	31.7.	31.1.
(EURm)	2007	2006	2007
Derivatives - notional amounts			
Currency instruments			
Currency forward contracts	342.5	260.9	426.2
Derivatives - market value			
Currency instruments			
Currency forward contracts	0.5	0.4	0.5

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.