

2 April 2008

1 (9)

Tamro Group financial statements 1 February 2007–31 January 2008

- Tamro's annual net sales in 2007/08 amounted to EUR 5,605 (5,465) million, up by 2.6% from the previous year.
- Operating profit was EUR 122 (117) million, and the operating margin was 2.2 (2.1)%. Net profit was EUR 89 (126) million. The decline in the net profit 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 profit margin last year was 2.0%.
- During the fiscal year Tamro expanded its business through retail acquisitions and new pharmacy establishments.

“During the financial period 2007/08, we continued to improve our result and competitive edge. Despite the challenging business environment, we maintained our position as the leading pharmaceutical wholesaler in the Nordic and Baltic countries. Additionally, Tamro Group invested in the retail sector in Norway and the Baltic markets and in a warehouse expansion project in Tampere, Finland. These investments reflect our strong belief in both the wholesale and retail functions of the pharmacy distribution chain,” states **Jo Langmoen**, the President and CEO of Tamro Group.

Markets and operating environment

The overall pharmaceutical market growth in the Nordic countries was higher than in the previous years. Especially sales to the hospital sector showed strong development due to the use of more modern and thus more expensive therapies. The wholesale margins remained at a very low level compared to the margins of the other players in the pharmaceutical chain. Governments are monitoring the spending on prescription medicines very carefully as they consider a variety of possibilities for intervention.

The pharmaceutical market grew by 6.8% in Sweden compared to the previous year. The growth drivers were the aging population and the increased use of new medicines. The plans for a deregulation of the Swedish pharmacy system were made public in January 2008. The government will start drafting the legislative amendment during the spring of 2008, and the Parliament is expected to make its decision later this year.

Compared to the previous year's negative pharmaceutical market growth in Finland, this year's figure of 6.2% indicates significant growth, driven mainly by the hospital sector.

The pharmaceutical market in Denmark grew by 6.0%. The hospital sector's growth was significant due to the use of new, more expensive medicines in hospitals. The market share of generics continues to increase and is currently about 50%. The market share of parallel import has also been relatively high at over 10%, and it is expected to remain at this level.

Norway had a more stable market situation with slower growth than the other Nordic countries. The market grew by 2% compared to the previous year. General reimbursement arrangement was removed for several products and the market share by volume for generics has increased substantially. At the same time their prices have been reduced through the "step price model", allowing the government to save considerable funds.

Also in the Baltic region the pharmaceutical market continued to grow. In Estonia the pharmaceutical market grew by 19%, while in Latvia and Lithuania the growth was 23% and 13%, respectively. Pharmaceutical consumption in these markets is still considerably lower than the EU average. High growth was due to improved consumer purchasing power, increased state reimbursement (which is still modest compared with the EU average) and a low generics market share.

In Poland the pharmaceutical market grew by 10%. Consolidation of the wholesale market continued, and the number of pharmacies is still increasing although more slowly than the year before. The Polish pharmacy legislation offers the players limited room for business development.

Improved consumer purchasing power and government's increased pharmaceutical spending have influenced the pharmaceutical consumption positively in Russia. The pharmaceutical market growth continued but was more modest: at 5% compared to the previous year. The consolidation of the retail and wholesale markets continued.

Tamro maintained its position as a leading pharmaceutical wholesaler and retailer. Group wholesale business grew in Finland, Sweden, Norway and Denmark by 6%. Tamro's market share in the Nordic pharmaceutical wholesale market was thus 54.8%, or 1.2 percentage points higher than in the previous year.

Main events in 2007/08

A major investment in Tamro Finland's wholesale distribution centre in Tampere was completed. The objectives of the investment were to increase efficiency and improve the workplace for our employees.

Mr. **Piotr Stopczyk** was appointed as the President and Managing Director of Phoenix Pharma Polska as of September 2007.

Ms. **Terhi Kivinen** was appointed as the Tamro Group Communications Director as of November 2007.

Financial performance in November 2007–January 2008

During the reporting period November–January, the net sales of the Tamro Group totalled EUR 1,439 (1,422) million. The operating profit was EUR 28 (26) million and the operating margin 2.0 (1.8)%.

Financial performance in 2007/08

The net sales of Tamro Group were EUR 5,605.2 (5,464.5) million, up by 2.6% from the previous year.

Tamro Group's operating profit was EUR 122 (117) million, and the operating margin was 2.2 (2.1)%. The net profit for the reporting period was EUR 89 (126) million including extraordinary items. The return on equity decreased to 25.1 (36.8) % and the equity ratio was 26.4 (30.8) %. During the prior year (2006/07) Tamro Group divested the Tamro MedLab division.

Financing

During the reporting year 2007/08 Tamro Group's financial position remained strong.

The reported net debt was EUR 10.8 (-2.5) million at the end of the financial year. The effective net debt, which considers the receivables sold of EUR 189.7 (190.7) million as debt totalled EUR 200.5 (188.2) million. Cash and liquid assets amounted to EUR 38.6 (55.2) million. The available limit in the revolving credit facilities with core banks amounted to EUR 200 (200) million, and the unused limit in the securitisation programs was EUR 56 (56) million at the end of January.

Due to the excellent liquidity situation at the end of the financial year, Tamro Corporation's Extraordinary Shareholders' Meeting decided to distribute an additional dividend of EUR 125.9 million or EUR 1.10 per share. The dividend was paid in January 2008. Net gearing increased to 3.2 (-0.7) % compared to the end of last financial year.

Free cash flow and net working capital

Q4 cash flow

The operative cash flow before changes in net working capital and investments was in line with the fourth quarter 2006/07 at EUR 28.7 (28.6) million. Changes in net working capital produced a cash flow of EUR 167.6 (104.6) million, and net investments amounted to EUR -12.9 (-16.6) million. The free cash flow during the fourth quarter was very strong at EUR 183.4 (116.6) million.

Full-year cash flow

The full-year operative cash flow before changes in net working capital and investments was EUR 137.3 (118.2) million. Changes in net working capital resulted in a cash flow of EUR 11.5 (-6.7) million. The utilisation of the securitisation programs is unchanged compared to 2006. The net cash flow effect of investments turned negative to EUR -31.8 (26.0) million. The net cash flow from

investments during the second quarter in 2006 included the sales proceeds of the MedLab division. On a full-year basis the free cash flow was EUR 116.0 (152.0) million.

Financial expenses

Q4 financial expenses

Net financial expenses in the fourth quarter were EUR -0.8 (-1.6) million. The lower average net debt during the financial year 2007/08 had a counter-effect on the higher average interest rate level during year 2007. Foreign exchange differences and other expenses had a minor effect on the financial items during the fourth quarter.

Full-year financial expenses

For the whole financial year 2007/08 the Group's net financial expenses were EUR -1.9 (-6.2) million. The change is explained by external dividends reported in net financial items. Net interest expenses were EUR -2.9 (-3.7) million, exchange rate differences were EUR 0.7 (-0.2) and other financial income and expenses were EUR 0.3 (-2.3) million.

Capital expenditure, acquisitions and divestments

Capital expenditure and acquisitions totalled EUR 37.1 (32.8) million. Investments were made mainly in the warehouse expansion project in Finland and in the retail sector in Norway and the Baltic markets. The improved Tampere warehouse was taken into operation by the end of the financial year 2007/08.

Major changes in the Group Structure

There were no major changes in the Group structure during the last business year.

Personnel and organisation

In 2007/08, the average number of personnel employed by Tamro Group totalled 4,736 (4,693). The number is split by country as follows: 40% in Norway, 13% in Denmark, 9% in Sweden, 9% in Lithuania, 8% in Latvia, 8% in Poland, 7% in Finland and 6% in Estonia.

Board of Directors and Auditors

The Board members were re-elected at Tamro Group's Annual General Meeting on 28.2.2007. Dr Bernd Scheifele was re-elected as Chairman of the Board, and Matti Elovaara, Mikael von Frenckell, Reimund Pohl, Dr Lorenz Näger and Dr Reinhard Rupp were re-elected as Board members.

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

Events after the financial period

There have been no major events since the financial year-end.

Outlook for 2008/09

Except in Sweden, market conditions are expected to remain stable with some growth. In Finland the introduction of reference pricing is likely in the beginning of 2009. This may affect the market growth negatively from the beginning of 2009 onwards. The Nordic markets are estimated to grow by 4–5% during 2008/09. The Baltic markets are expected to grow by around 12%.

Deregulation of the Swedish pharmacy market is expected to come into effect in January 2009. The transition period is expected to last 2–3 years, forcing Tamro to be flexible and capable of working in different business modes. Investments are likely during this period.

In Poland the privatisation of government-owned wholesalers is continuing, and further amendments are expected to the pharmaceutical law. In Estonia the new pharmaceutical law will liberalise the retail outlet regulations, while Latvia is going the opposite way by enforcing the implementation of a more restrictive pharmacy law. If this takes place it could affect competition and the efficiency of the system, as only pharmacists could own pharmacies from 2011 onwards.

Tamro Group will continue to emphasize customer satisfaction and cost leadership in all its operations. The Group will continue to look for growth opportunities in its existing markets and elsewhere. In those markets where it is legally possible, Tamro will keep extending its retail operations. The lack of qualified pharmacists and the tight labour market in general are significant issues in all retail markets and constitute a threat to Tamro Group's growth. Tamro expects operational profitability to improve compared to the previous fiscal year.

The financial statements for the financial year 2007/08, except Q4 figures, are audited.

Tamro Corporation
Board of Directors

For further information, please contact:

Mr Jo Langmoen, CEO, phone +358 20 445 4050

Mr Lars Birkeland, CFO, phone +358 20 445 4057

Ms Terhi Kivinen, Communications Director, phone +358 20 445 4001, +358 40 848 4001,
terhi.kivinen@tamro.com

Tamro Group's Web Annual Report will be published at the week 18 at www.tamro.com.

TAMRO CORPORATION

Terhi Kivinen
Communications Director

Corporate Communications, phone +358 20 445 4001 or +358 40 848 4001,
terhi.kivinen@tamro.com

<http://www.tamro.com>

APPENDICES

Consolidated income statement
Consolidated balance sheet
Consolidated cash flow statement
Key figures
Net sales by business unit
Number of employees by business unit
Contingent liabilities

CONSOLIDATED INCOME STATEMENT						
	11/07-1/08	11/06-1/07	Change	2/07-1/08	2/06-1/07	Change
(EURm)	2007	2006	%	2007	2006	%
Net Sales	1,438.6	1,422.2	1.2	5,605.2	5,464.5	2.6
Other income	0.6	1.2	-48.6	3.6	6.3	-42.9
Raw materials and services	-1,318.0	-1,312.6	0.4	-5,144.2	-5,028.2	2.3
Personnel expenses	-54.9	-48.1	14.1	-211.3	-194.6	8.6
Depreciation and value adjustments	-8.2	-7.9	3.8	-32.3	-33.7	-4.2
Other operating expenses	-30.0	-29.1	3.1	-98.6	-97.0	1.6
Operating profit	28.1	25.6	9.8	122.4	117.4	4.3
Financial income and expenses	-0.8	-1.6		-1.9	-6.2	-69.4
Share of associated companies' net income	0.1	0.0	-	0.3	0.2	50.0
Profit before extraordinary items	27.4	24.0	14.2	120.8	111.4	8.4
Extraordinary items	0.0	0.0	-	0.0	48.5	-100.0
Profit before taxes	27.4	24.0	14.2	120.8	159.9	-24.5
Income taxes	-9.0	-7.7	16.9	-31.9	-33.2	-3.9
Minority interest	0.0	0.0	-	-0.1	-0.2	-50.0
Net profit for the period	18.4	16.2	13.6	88.8	126.4	-29.7

CONSOLIDATED BALANCE SHEET		
	31.1.	31.1.
(EURm)	2008	2007
Assets		
Intangible and tangible assets	322.9	319.1
Financial assets	17.5	17.4
Inventories	391.7	357.7
Receivables	504.6	464.7
Liquid assets and short-term investments	38.6	55.2
	1,275.3	1,214.2
Equity & liabilities		
Shareholders' equity	335.9	373.2
Minority interest	0.3	0.2
Obligatory reserves	1.6	2.0
Long-term liabilities	28.7	28.9
Short-term liabilities	908.8	809.9
Balance sheet total	1,275.3	1,214.2

CONSOLIDATED CASH FLOW STATEMENT			
	2/07-1/08	2/06-1/07	Change
(EURm)	2007	2006	%
Operating profit	121.3	115.9	4.7
Depreciation, value adjustments and other adjustments	32.1	30.4	5.6
Financial income and expenses	-4.4	-5.9	-25.4
Other income and expenses	2.4	-6.4	-137.5
Taxes	-14.1	-15.9	-11.3
Cash flow before change in net working capital	137.3	118.2	16.2
Change in net working capital	10.5	7.7	36.4
Cash from operating activities	147.8	126.0	17.3
Investments in tangible and intangible assets	-37.1	-32.8	13.1
Proceeds from disposal of tangible and intangible assets and financial investments	5.3	58.9	-91.0
Cash from investing activities	-31.8	26.0	-222.3
Free cash flow	116.0	152.0	-23.7
Change in loans and other financial items	-6.9	-37.5	-81.6
Dividends paid	-125.9	-67.8	85.7
Translation differences and other changes	0.1	-1.4	-107.1
Cash from financing activities	-132.7	-106.7	24.4
Change in cash and cash equivalents	-16.7	45.3	-136.9

KEY FIGURES						
	11/07-1/08	11/06-1/07	Change	2/07-1/08	2/06-1/07	Change
	2007	2006	%	2007	2006	%
Operating margin, %	2.0	1.8		2.2	2.1	
Profit margin, %	1.9	1.7		2.2	2.9	
Return on capital employed, %	25.5	24.0		32.0	40.7	
Return on equity, %	18.6	17.9		25.1	36.8	
Gross investments, €m	13.5	14.0	-3.6	37.1	32.8	13.1
Free cash flow, €m	183.4	116.6	57.3	116.0	152.0	-23.7
Capital employed, €m	459.7	434.8	5.7	405.8	416.9	-2.7
Net working capital, €m	16.1	41.3	-61.0	16.1	41.3	-61.0
Interest-bearing net debt, €m	10.8	-2.5		10.8	-2.5	
Net gearing, %	3.2	-0.7		3.2	-0.7	
Equity Ratio, %	26.4	30.8		26.4	30.8	
Number of shares- at end, millions*	114.5	114.5		114.5	114.5	
Number of shares- average, millions*	114.5	114.5		114.5	114.5	
Earnings per share, €*	0.16	0.14	14.3	0.78	1.10	-29.3
Equity per share, €*	2.94	3.26	-9.8	2.94	3.26	-9.8
Number of employees, average	4,790	4,598	4.2	4,736	4,693	0.9
* excluding own shares						

NET SALES BY BUSINESS UNIT						
	11/07-1/08	11/06-1/07	Change	2/07-1/08	2/06-1/07	Change
	2007	2006	%	2007	2006	%
Tamro Sweden	407.3	453.4	-10.2	1,685.7	1,708.3	-1.3
Tamro Denmark	401.2	356.4	12.6	1,526.1	1,334.8	14.3
Tamro Finland	272.0	267.9	1.5	1,032.4	1,040.6	-0.8
Tamro Norway	200.1	187.9	6.5	765.5	723.2	5.8
Tamro Estonia	18.9	17.0	11.2	70.4	60.1	17.1
Tamro Latvia	31.9	30.0	6.3	117.6	106.5	10.4
Tamro Lithuania	26.9	28.9	-6.9	101.5	103.9	-2.3
Tamro Poland	95.1	88.9	7.0	362.7	347.9	4.3
Tamro MedLab	0.0	0.1	-100.0	0.0	61.2	-100.0
Other and internal	-14.8	-8.2	80.5	-56.7	-22.0	157.7
Group total	1,438.6	1,422.2	1.2	5,605.2	5,464.5	2.6

NUMBER OF EMPLOYEES BY BUSINESS UNIT, AVERAGE						
	11/07-1/08	11/06-1/07	Change	2/07-1/08	2/06-1/07	Change
	2007	2006	%	2007	2006	%
Tamro Sweden	438	429	2.1	444	440	0.9
Tamro Denmark	633	630	0.5	620	634	-2.2
Tamro Finland	329	342	-3.8	331	335	-1.2
Tamro Norway	1,939	1,817	6.7	1,905	1,803	5.7
Tamro Estonia	293	269	8.9	281	270	4.1
Tamro Latvia	383	333	15.0	370	311	19.0
Tamro Lithuania	395	409	-3.4	402	422	-4.7
Tamro Poland	357	346	3.2	359	321	11.8
Tamro MedLab	0	0	-	0	133	-100.0
Other and internal	25	23	8.7	24	24	0.0
Group total	4,790	4,598	4.2	4,736	4,693	0.9

CONTINGENT LIABILITIES		
	31.1.	31.1.
(EURm)	2008	2007
Property mortgages	0.8	0.8
Guarantees for others	0.3	0.8
Other commitments	81.6	43.9
	82.7	45.5

DERIVATIVE FINANCIAL INSTRUMENTS		
	31.1.	31.1.
(EURm)	2008	2007
Derivatives - notional amounts		
Currency instruments		
Currency forward contracts	329.3	426.2
Derivatives - market value		
Currency instruments		
Currency forward contracts	-0.6	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.