

29 March 2007

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Tamro Group financial statements 1.2.2006-31.1.2007

- Tamro's annual net sales in 2006/07 amounted to EUR 5,465 (4,857) million, up by 12.5% from the previous year.
- Operating profit was EUR 117 (117) million, and the operating margin was 2.1 (2.4)%.
- Net profit rose by 52.7% to EUR 126 (83) million including extraordinary items related to the MedLab divestment and operational improvements in several subsidiaries.
- The fiscal year was the first year Tamro Group operated as a full-line wholesaler in Poland.

“During the financial period 2006/07, we continued to improve our result. Despite the challenging business environment, we reconfirmed our position as the leading pharmaceutical wholesaler in the Nordic and in the Baltic countries. This first year as a full-line wholesaler in the huge market of Poland should be considered as a year of repositioning for the future,” states Jo Langmoen, the President and CEO of Tamro Group.

Markets and operating environment

During the reporting period the overall pharmaceutical market growth in the Nordic countries remained rather low measured at constant exchange rates (CER). Like in many other European markets, new innovative products and the aging population contribute to the growth, which is partly offset by the expiring patents of many pharmaceuticals. Expiring patents have opened markets for new generics, which increase the price competition in all the Nordic countries. In some countries the authorities have launched regulatory measures in order to reduce the increasing medicine costs of the ageing population. The main actions include restrictions on reimbursement of medicines as well as significant price cuts. This trend is expected to continue and new measures are likely to be enforced during the next years.

In the full year 2006 the pharmaceutical sales in the Nordic countries totalled EUR 7.1 billion in PPP (Pharmacy Purchase Price), an increase of 2.9% compared to the previous year (rated at CER). Denmark showed the highest growth at 7–8%, the main reason being the strong growth in the hospital sector.

The most notable market growth reduction took place in Finland, where the market decreased by 1.1% compared to 2005. This was largely due to the statutory 5% wholesale price cut of all reimbursable medicines as of 1 January 2006, and the tough price competition between generic products. In addition, the pharmacy-specific wholesale rebates on medicine were prohibited as of 1 January 2006, and this shifted pharmacies' purchases to the fourth quarter of the previous year. Furthermore, the price cuts on three popular original statins affected the growth. The liberalisation

of nicotine treatment products complicated the distribution logistics without any softening in the GDP requirements of pharmaceutical distribution.

In Sweden the pharmaceutical wholesale market grew by 4.5%. The relatively low growth was primarily caused by an increase in generics sales. Norway showed only a 2.9% market growth, heavily influenced by higher sales of generics and price cuts from the government side.

All the Baltic countries had high growth rates. The Estonian market grew by 12% while the Latvian and Lithuanian markets grew 25% and 17% respectively. Despite the strong growth rates in the Baltic countries, the per capita consumption of pharmaceuticals still remained quite modest compared to the EU average. High inflation rate, fierce competition and unpredictable government actions also put pressure on profitability.

The Polish market was characterised by a slow-down in pharmaceutical sales as the market grew by only 4.2%. The main reason for this was the price cuts on selected reimbursable pharmaceuticals.

Tamro continued as the market leader in the Nordic countries. The company's total pharmaceutical wholesale sales in Sweden, Denmark, Finland and Norway rose by 5.3%, totalling EUR 3,810 million in PPP (rated at CER). This corresponds to a wholesale market share of 53.6%, and was 1.3 percentage points higher than in the previous year.

Moreover, Tamro continued to invest in retail activities in the Baltic and the Norwegian markets. This is in line with Tamro's strategy of securing the wholesale market position in deregulated markets through an integrated wholesale-retail operation.

Main events in 2006/07

Tamro's financial year 2006/07 was characterised by the main events described below.

Tamro acquired the Polish pre-wholesaler FarmPlus Sp. z o.o in March 2006. At the end of the reporting period FarmPlus was merged with the wholesale company PHOENIX Pharma Polska, which was acquired by Tamro Group earlier in 2006. The merged company continues under the name PHOENIX Pharma Polska Sp. z o.o.

In March, Tamro Group received the competition authorities' approval for increasing its ownership in ZAO ROSTA from 18% to 42.5%. ZAO ROSTA is Russia's third largest pharmaceutical wholesaler. ZAO ROSTA is one of the seven nationwide pharmaceutical wholesalers in Russia and it employs 1,700 persons in 27 distribution centres from St Petersburg to Vladivostok.

In June 2006 Tamro MedLab was sold to the Finnish private equity investor CapMan. MedLab sells, markets and imports healthcare and laboratory products, diagnostics and biotechnical products and equipment. After the divestment Tamro continues to focus on its core business of pharmaceutical distribution and retailing.

Additionally, a major investment in Tamro Group's largest distribution centre in Stockholm was completed. The investment allows further improvements in quality and efficiency.

In summer 2006, an organisational change was carried out in the Group management of Tamro. Juha Koponen, Tamro Group's CFO since 2002, was appointed as the Managing Director of Tamro Finland. Tamro Finland's previous Managing Director Jorma Turunen continued as Managing Director for the divested business unit Tamro MedLab. Lars Birkeland, CFO of Apokjeden since 2001, was appointed as the new CFO of Tamro Group as from June 2006. The Group Management consists of Jo Langmoen, Lars Birkeland, Juha Koponen and Stefan Pflug.

Financial performance in November-January

During the reporting period November-January, the net sales of the Tamro Group totalled EUR 1,422 (1,279) million. The operating profit was EUR 26 (29) million and the operating margin 1.8 (2.3)%. The merger of FarmPlus and PHOENIX Pharma Polska took place in January 2007, which had a positive impact on the fourth quarter sales compared to last year.

In the fourth quarter the slow market growth continued. In Norway the price reductions of generics, which came into force as of January 1, and the freezing of RX product prices as from the same date in Denmark, have negative impact on the growth rates for the year 2007.

The Q4 figures are unaudited.

Financial performance in 2006/07

The net sales of Tamro Group amounted to EUR 5,465 (4,857) million, up by 12.5% from the previous year.

Tamro Group's operating profit was EUR 117 (117) million, and the operating margin was 2.1% (2.4%). The net profit for the reporting period was EUR 126 (83) million including extraordinary items of EUR 48.5 million coming from the MedLab divestment and operational improvements in many countries, most notably in Norway. The return on equity increased to 36.8 (24.9)% and the equity ratio was 30.8 (29.8)%.

The financial statement reflects a provision of EUR 6 million related to an old reconciliation difference in one of our business units.

The fiscal year 2006/07 was the first year Tamro Group operated as a full-line wholesaler in Poland. This had a significant turnover impact while the operating profit from Poland was limited, largely due to its small share of the market.

Financing

During the reporting year 2006/07 Tamro Group's financial position improved significantly. Operational profitability strengthened further combined with an extraordinary cash flow from the divestments. Reported net debt decreased by EUR 95.4 million from the beginning of the financial year to the negative EUR -2.5 million at the end of the financial year. The back stop arrangement made with the Group's core banks had a EUR 200 (200) million available limit at the end of January 2007. The arrangement ensured funding for an average of one year and four months. The aggregate available limit in the Danish DKK 1,050 (EUR 141) million and in the Swedish SEK 1,200 (EUR 133) million Asset Securitisation programmes was EUR 56 (67) million.

Tamro Finance Ltd has a EUR 300 million Finnish commercial paper programme with the Group's core banks. In January 2007 Tamro Finance Ltd entered the Swedish commercial paper market by signing a SEK 1,000 (EUR 110) million Swedish commercial paper programme. Both commercial paper programmes are guaranteed by Tamro Corporation.

The effective net debt at the end of the year, including as debt the EUR 190.7 (176.3) million receivables sold, was reduced to EUR 188.2 (269.2) million. The average effective net debt in the financial year 2006/07 was EUR 259.1 (254.0) million. With the current operational cash flow before the net working capital changes and investments, the effective net debt amount could be repaid in one year and seven months.

EUR 22.9 million, or EUR 0.20 per share, dividend was paid in April 2006 based on the financial period 2005/06. Due to excellent liquidity situation at the end of January 2007, Tamro Corporation's Extraordinary Shareholders' Meeting decided to distribute an additional dividend of EUR 45.8 million, or EUR 0.40 per share. The dividend was paid in 29 January 2007. At the end of the financial year the Group's liquid assets and short term investments totalled EUR 55.2 (9.9) million. The Group's net gearing was negative -0.7 (26.4)%, and the equity ratio 30.8 (29.8)%. The effective net debt / EBITDA ratio without extraordinary items improved to 1.3 (1.7) at the end of the financial year.

Free cash flow and net working capital

Q4 cash flow

The fourth quarter free cash flow of EUR 116.5 (32.0) million was exceptionally strong, mainly due to the excellent net working capital management. Cash flow from net working capital changes was EUR 104.6 million. Of this, EUR 47.7 million came from the change in receivables sold. Operational cash flow before the net working capital changes was EUR 28.6 (33.2) million. The net investments during the fourth quarter were EUR -16.6 (-37.7) million.

Full year cash flow

The full year free cash flow was EUR 152.0 (95.1) million. The operative cash flow before net working capital changes improved slightly to EUR 118.2 (116.8) million. The cash flow from the net working capital changes was positive at EUR 7.7 (32.7) million, but as a change in the sold

receivable amount affected the reported cash flow positively by EUR 14.4 (43.2) million, the effective change was EUR -6.7 million negative. The net investments were positive at EUR 26.0 (-54.4) million due to the divestments. More than half of the cash flow gained from non-core divestments was invested back in the core business. The net working capital decreased to EUR 41.3 (48.3) million. The reduction is less than the amount by which the sold receivables increased and so, effectively, the net working capital increased by EUR 7.4 million to EUR 232.0 (224.6) million.

Financial expenses

Q4 financial expenses

Net financial expenses were EUR -1.6 (-1.7) million for the fourth quarter. The net interest expenses EUR -1.7 (-1.7) million were at the same level as last year. This year's interest rates were clearly higher, but the negative effect was eliminated by lower average effective net debt. The foreign exchange differences and other expenses were insignificant during the fourth quarter 2007.

The Group's net financial expenses were EUR -6.2 (-5.7) million in the financial year 2006/07. The increase is explained by the higher interest rates which have risen steadily. Net interest expenses were EUR -6.7 (-6.0) million. The exchange rate differences were EUR -0.2 (0.3) million, and the other financial income and expenses were EUR 0.7 (0.0) million. The total cost of financing increased to 2.4 (2.2)%.

Capital expenditure, acquisitions and divestments

The capital expenditures and acquisitions were EUR 32.8 (71.8) million. Investments were made mainly in the warehouse expansion project in Sweden and in the retail sector in Norway and Lithuania. The new Stockholm warehouse was taken in operation during the third quarter. The majority of the Norwegian retail investments were made in January 2007.

Tamro MedLab was sold to CapMan equity funds in the second quarter, and this was the main reason for the increase in divestments to EUR 58.9 (17.4) million. The transaction was the largest individual divestment made by Tamro Group in several years. Additionally, Tamro Corporation sold the Kylpyläkasino Oyj shares in the third quarter. A non-core real estate was also sold in Sweden and bank bonds in Poland during the financial year 2006/07.

Major changes in the Group structure

In March 2006 Tamro acquired the Polish pre-wholesaler FarmPlus Sp. z o.o. After the merger of FarmPlus and Tamro's another business unit PHOENIX Pharma Polska, the name of the company was changed into PHOENIX Pharma Polska Sp. z o.o.

In June 2006 Tamro MedLab was sold to CapMan and in December 2006 the Danish entity Viminco A/S was divested from Nomeco A/S.

In Norway pharmacy acquisitions continued, and by year end 2006/07 the number of pharmacies included in the retail business of Apokjeden was 219. The retail expansion continued also in the Baltic countries with several acquisitions. For example in Lithuania Tamro Group acquired the second biggest pharmacy Medinsta located in Vilnius.

Personnel and organisation

In 2006/07, the average number of personnel employed by Tamro Group totalled 4,693 (4,223). The number is split by country as follows: 40% in Norway, 14% in Denmark, 10% in Sweden, 9% in Lithuania, 7% in Finland, 7% in Latvia, 6% in Estonia and 7% in Poland. The divested business unit MedLab employed 133 people.

Board of Directors and Auditors

The following six Board members were re-elected at Tamro Group's Annual General Meeting on 7 April 2006. Dr Bernd Scheifele was re-elected as Chairman of the Board, and Matti Elovaara, Mikael von Frenckell, Dr Lorenz Näger, Reimund Pohl and Dr Reinhard Rupp were re-elected as Board members.

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

Events after the financial period

Nothing significant has occurred after the financial year-end.

Outlook for 2007/08

Tamro believes that the challenging market conditions with slow growth will continue in 2007/08. For example, in Denmark the prices of RX products have been frozen for two years as of 1 January 2007, while in Norway the revised pricing model for generics will significantly reduce the market growth. During 2007, Tamro expects the market to grow at around 4% in the Nordic countries.

The Baltic markets are expected to grow in the 10–15% range. However, the high inflation rate, fierce competition and unpredictable government actions will put pressure on profitability. In Poland a new pharmaceutical law is under discussion. Its implications are still unclear, but the market growth is anticipated to be modest, less than 1%. In the long-term, nonetheless, Tamro believes that Poland has significant growth potential.

Tamro will continue to follow its strategy based on cost leadership and customer satisfaction. The operational improvements will continue, and the Group will consistently look for attractive expansion alternatives. Tamro expects the operational profitability to remain at the same level as in the fiscal year of 2006/07.

The financial statements for the financial year 2006/07 are audited.

Tamro Corporation
Board of Directors

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The web annual report of Tamro Group will be published on week 19 at our web site
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TAMRO CORPORATION

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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						
	11/06-01/07	11/05-01/06	Change	2/06-01/07	2/05-01/06	Change
(EURm)	2006	2005	%	2006	2005	%
Net Sales	1,422.2	1,279.4	11.2	5,464.5	4,856.8	12.5
Other income	1.2	0.2	483.4	6.3	7.6	-17.1
Raw materials and services	-1,312.6	-1,166.0	12.6	-5,028.2	-4,442.1	13.2
Personnel expenses	-48.1	-49.5	-2.7	-194.6	-185.7	4.8
Depreciation and value adjustments	-7.9	-9.3	-15.3	-33.7	-34.9	-3.3
Other operating expenses	-29.1	-25.4	14.7	-97.0	-85.2	13.8
Operating profit	25.6	29.4	-13.0	117.4	116.5	0.7
Financial income and expenses	-1.6	-1.7	-6.4	-6.2	-5.7	8.8
Share of associated companies' net income	0.0	0.2	-93.6	0.2	0.3	-31.3
Extraordinary items	0.0	0.0	-	48.5	0.0	-
Profit before taxes	24.0	27.9	-14.0	111.4	111.1	0.2
Income taxes	-7.7	-5.6	37.3	-33.2	-28.1	18.3
Minority interest	0.0	0.0	-	-0.2	-0.2	5.0
Net profit for the period	16.2	22.3	-27.4	126.4	82.8	52.7

CONSOLIDATED BALANCE SHEET		
	31.1.	31.1.
(EURm)	2007	2006
Assets		
Intangible and tangible assets	319.1	324.7
Financial assets	17.4	19.3
Inventories	357.7	305.1
Receivables	464.7	399.1
Liquid assets and short-term investments	55.2	9.9
	1,214.2	1,058.1
Equity & liabilities		
Shareholders' equity	373.2	314.5
Minority interest	0.2	0.3
Obligatory reserves	2.0	2.3
Long-term liabilities	28.9	28.0
Short-term liabilities	809.9	713.0
Balance sheet total	1,214.2	1,058.1

CONSOLIDATED CASH FLOW STATEMENT			
	2/06-1/07	2/05-1/06	Change
(EURm)	2006	2005	%
Operating profit	115.9	116.5	-0.5
Depreciation, value adjustments and other adjustments	30.4	30.3	0.5
Financial income and expenses	-5.9	-6.0	-1.4
Other income and expenses	-6.4	-7.0	-9.2
Taxes	-15.9	-17.0	-6.7
	118.2	116.8	1.2
Change in net working capital	7.7	32.7	-76.3
Cash from operating activities	126.0	149.5	-15.7
Investments			
Investments in fixed assets	-32.8	-71.8	-54.2
Sale of fixed assets and other changes	58.9	17.4	238.4
Cash used in investing activities	26.0	-54.4	-147.9
Free cash flow	152.0	95.1	59.8
Change in loans and other financial items	-37.5	27.0	-238.9
Dividends paid	-67.8	-121.4	-44.2
Translation differences and other changes	-1.4	-4.0	-65.0
Cash used in financing activities	-106.7	-98.4	8.4
Change in cash and cash equivalents	45.3	-3.3	-1,473.8

KEY FIGURES						
	11/06-1/07	11/05-1/06	Change	2/06-1/07	2/05-1/06	Change
	2006	2005	%	2006	2005	%
Operating margin. %	1.8	2.3		2.1	2.4	
Profit margin. %	1.7	2.2		2.9	2.3	
Return on capital employed. %	24.0	29.2		40.7	28.3	
Return on equity. %	17.9	29.2		36.8	24.9	
Gross investments. €m	16.3	39.7	-58.9	35.1	71.8	-51.2
Free cash flow. €m	116.6	32.0	264.0	152.0	95.1	59.8
Capital employed. €m	434.8	411.8	5.6	416.9	416.9	0.0
Net working capital. €m	41.3	48.3	-14.6	41.3	48.3	-14.6
Interest-bearing net debt. €m	-2.5	92.9	-102.7	-2.5	92.9	-102.7
Net gearing. %	-0.7	26.4	-102.6	-0.7	26.4	
Equity Ratio. %	30.8	29.8	3.4	30.8	29.8	
Number of shares- at end. millions*	114.5	114.5	0.0	114.5	114.5	0.0
Number of shares- average. millions*	114.5	114.5	0.0	114.5	114.5	0.0
Earnings per share. €*	0.14	0.19	-26.8	1.10	0.72	52.7
Equity per share. €*	3.11	2.75	13.0	3.26	2.75	18.6
Number of employees. average	4,598	4,302	6.9	4,693	4,223	11.1
* excluding own shares						

NET SALES BY BUSINESS UNIT						
	11/06-1/07	11/05-1/06	Change	2/06-1/07	2/05-1/06	Change
(EURm)	2006	2005	%	2006	2005	%
Tamro Sweden	453.4	396.1	14.5	1,708.3	1,536.3	11.2
Tamro Denmark	356.4	321.4	10.9	1,334.8	1,230.9	8.4
Tamro Finland	267.9	275.9	-2.9	1,040.6	1,039.1	0.1
Tamro Norway	187.9	187.2	0.4	723.2	699.5	3.4
Tamro Estonia	17.0	14.6	16.5	60.1	54.9	9.4
Tamro Latvia	30.0	23.4	28.2	106.5	87.0	22.4
Tamro Lithuania	28.9	23.1	25.2	103.9	83.6	24.3
Tamro Poland	88.9	0.0	-	347.9	0.0	-
Tamro MedLab	0.1	39.5	-99.7	61.2	132.5	-53.8
Other and internal	-8.2	-1.8	357.8	-22.0	-7.0	214.1
Group total	1,422.2	1,279.4	11.2	5,464.5	4,856.8	12.5

NUMBER OF EMPLOYEES BY BUSINESS UNIT, AVERAGE						
	11/06-1/07	11/05-1/06	Change	2/06-1/07	2/05-1/06	Change
	2006	2005	%	2006	2005	%
Tamro Sweden	429	433	-0.9	440	448	-1.8
Tamro Denmark	630	617	2.1	634	614	3.3
Tamro Finland	342	330	3.6	335	332	0.9
Tamro Norway	1,817	1,698	7.0	1,803	1,650	9.3
Tamro Estonia	269	210	28.1	270	209	29.2
Tamro Latvia	333	282	18.1	311	276	12.7
Tamro Lithuania	409	425	-3.8	422	397	6.3
Tamro Poland	346	0	-	321	0	-
Tamro MedLab	0	285	-100.0	133	274	-51.5
Other and internal	23	22	4.5	24	23	4.3
Group total	4,598	4,302	6.9	4,693	4,223	11.1

CONTINGENT LIABILITIES

CONTINGENT LIABILITIES		
	31.1.	31.1.
(EURm)	2007	2006
Property mortgages	0.8	1.4
Pledges	0.0	0.0
Guarantees for others	0.8	0.5
Other commitments	43.9	44.1
	45.5	46.0

DERIVATIVE FINANCIAL INSTRUMENTS		
	31.1.	31.1.
(EURm)	2007	2006
Derivatives - notional amounts		
Currency instruments		
Currency forward contracts	426,2	288,7
Interest rate instruments		
Interest rate swaps	0,0	0,0
Interest rate forward contracts	0,0	0,0
Derivatives - market value		
Currency instruments		
Currency forward contracts	0,5	-0,1
Interest rate instruments		
Interest rate swaps	0,0	0,0
Interest rate forward contracts	0,0	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 Tamro's derivatives-related exposure.