

Press release



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TAMRO GROUP FINANCIAL STATEMENTS 1 FEBRUARY 2008–31 JANUARY 2009: STRONG RESULT IN A CHALLENGING BUSINESS ENVIRONMENT

Financial year highlights

- Tamro Group's annual net sales in the financial year 2008/09 amounted to EUR 5,534 (5,605) million, down by 1.3% from the previous year due to the fluctuating exchange rates and the new accounting procedure on some distribution contracts.
- Operating profit improved to an all-time-high EUR 139 (122) million, and the operating margin to 2.5 (2.2)%. Net profit was EUR 93 (89) million.
- Tamro Group further expanded its business through retail acquisitions and the establishment of new pharmacies. The volumes handled by the wholesale division reached record levels, close to the Group's current operative capacity.

Group key figures

	02/2008– 01/2009	02/2007– 01/2008	Change %	11/2008– 01/2009	11/2007– 01/2008	Change %
Net sales, EURm	5,534	5,605	-1.3	1,355	1,439	-5.8
Operating profit, EURm	139.3	122.4	13.8	36.3	28.1	29.2
Profit before taxes, EURm	125.9	120.8	4.2	32.0	27.4	16.8
Return on capital employed, %	36.0	32.0		40.5	25.5	
Personnel, average	5,168	4,736	9.1	5,396	4,790	12.7

Outlook for 2009/2010

In the new financial year, Tamro faces some uncertainty but also more opportunities than in the previous years. The effect of the global financial crisis cannot be fully determined yet. However, the operational performance of the company is expected to remain stable and strong despite turmoil in the financial environment.

The deregulation of the Swedish pharmacy market constitutes a major expansion opportunity for Tamro in 2009. For the time being, it is still unclear how the Swedish government will attract new competition to compete with the state-owned Apoteket AB. Tamro is monitoring this development with great interest. Tamro will most likely decide in early summer whether it will participate in the auction process.

The pharmaceutical markets are expected to remain rather stable and even grow somewhat. In Finland the introduction of reference pricing will have a clear negative effect on market value and growth in 2009 but volumes will continue to increase. On average, the Nordic pharmaceutical markets are estimated to grow by 3–5% in local currency during the financial year 2009/10. In the Baltic countries, market growth is expected to be impacted by the unfavourable market conditions. However, the growth is expected to exceed 5%.

Tamro Group President & CEO Jo Langmoen

“During the financial period 2008/09 we continued to improve our result and competitive edge. Despite the challenging business environment influenced by the global financial crisis, we were able to accomplish the best operating result ever and further develop our position as the leading pharmaceutical wholesaler in the Nordic and the Baltic markets. Tamro is strongly committed to efficient and high-quality operations in both the wholesale and retail functions of the pharmaceutical chain across Northern Europe.”

The financial statements for the financial year 2008/09, except Q4 figures, are audited.

TAMRO CORPORATION
Board of Directors

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Tamro Group’s Web Annual Report will be published in week 19 at www.tamro.com.

Markets and operating environment

Pharmaceutical market growth in the Nordic countries was slightly lower than in the previous year but overall positive. Contributing factors to the market growth were the strong hospital sector sales development in Denmark and the overall substantial increase in volumes in Finland and Sweden.

The business model with some pharmaceutical suppliers changed in Sweden. The distributed volume for these suppliers was handled as consignment stock and not booked as sales. This has lowered Tamro's net sales figure, although the margins generated from the distribution are unaffected.

The wholesale margins remained at a very low level compared to the margins of the other players in the pharmaceutical chain. Government actions to restrict pharmaceutical market growth continued in many markets.

The pharmaceutical market grew by 2.7% in Sweden compared to the previous year. The growth was driven by an increase in volumes. A government bill for the deregulation of the Swedish pharmacy system was presented in December 2008.

The pharmaceutical market growth in Finland was 5.8% compared to the same period last year. The Finnish government approved a new law that will implement medicine reference pricing and come into effect on 1 April 2009. This law will reduce the market value substantially.

The pharmaceutical market in Denmark grew by 6.4%. Hospital sector growth continued to be strong compared to the more modest development of the pharmacy sector. The market share of generics increased further and pushed down medicine prices until they were among the lowest in Europe.

Norway experienced a very stable market situation with much slower growth than the other Nordic countries. The pharmacy market grew by only 1% compared to the previous year. The generics market increased, and at the same time prices were reduced through the stepped pricing model.

In the Baltic region, pharmaceutical market growth slowed down due to the overall weakened economic situation. In Estonia the pharmaceutical market grew by 12%, in Latvia by 13% and in Lithuania by 5%. The slower market growth resulted from decreased personal consumption and pharmaceutical unit sales.

In Poland, the pharmaceutical market grew by 10%. Prescription medicine sales went up, as many new innovative medicines were included in the reimbursement list. The sale of commodities from pharmacies increased as well.

Main events in 2008/09

Tamro Group acquired all the shares of pharmacy chains UAB Farma vaistines, UAB Herbarijos vaistines and the real estate company UAB Naujininku turto vaistines in Lithuania. This acquisition of 44 pharmacies was completed in August 2008, and made Tamro's Seimos vaistine Lithuania's 3rd largest pharmacy chain.

Financial performance in November 2008–January 2009

During the reporting period November–January, the net sales of Tamro Group totalled EUR 1,355 (1,439) million. The operating profit was EUR 36 (28) million and the operating margin 2.7 (2.0)%.

Financial performance in 2008/09

The net sales of Tamro Group were EUR 5,534 (5,605) million, down 1.3% from the previous year. The decrease in sales is due to the fluctuating exchange rates and the new accounting procedure on some distribution contracts.

Tamro Group's operating profit improved strongly to EUR 139 (122) million, and the operating margin to 2.5 (2.2)%. The net profit for the reporting period was EUR 93 (89) million. The return on equity increased to 32.6 (25.1)% and the equity ratio was 17.7 (26.4)%.

Financing

Tamro Group has its own, stand-alone financing, and its financial independence from the owner has been secured with a so called ringfencing-arrangement. During the reporting year 2008/2009 significant changes took place in the financing environment. Short-term funding from the commercial paper market, so far most important source of funds for Tamro, diminished due to the general turmoil on the global financial market. Consequently, during the third and fourth quarter Tamro relied partly on revolving credit facilities with its Nordic core banks. Negotiations on the prolongation of these facilities within the next few months are being conducted. Tamro Group's shareholder PHOENIX is in the process of renegotiating its own long term financing arrangements.

At the end of the financial year the reported net debt was EUR 28 (11) million. The effective net debt, including as debt the receivables sold of EUR 175 (190) million, equalled EUR 203 (201) million. Cash and liquid assets amounted to EUR 138 (39) million. At the end of January, the unused limit in revolving credit facilities with Nordic core banks amounted to EUR 80 (200) million, and the unused limit in the securitisation programmes was EUR 60 (56) million.

Net gearing increased to 11.8% (3.2%) compared with the previous financial year.

Free cash flow and net working capital

Q4 cash flow

The operative cash flow before changes in net working capital and investments equalled EUR 32 (29) million. Change in net working capital produced a cash flow of EUR 43 (168) million, and net investments amounted to EUR -14 (-13) million. The free cash flow during the fourth quarter amounted to EUR 60 (183) million.

Full-year cash flow

The full-year operative cash flow before changes in net working capital and investments was EUR 123 (137) million. Change in net working capital resulted in a cash flow of EUR 78 (11) million. The cash flow effect of net investments was negative at EUR -46 (-32) million. On a full-year basis the free cash flow was EUR 155 (116) million.

Financial expenses

Q4 financial expenses

Net financial expenses in the fourth quarter were EUR -4.3 (-0.8) million. Higher average debt and a higher general interest rate level caused the increase in the financial expenses. Foreign exchange differences and other expenses from financing arrangements further affected the financial items during the fourth quarter. Due to a historically unprecedented liquidity crunch on the global financial market, the company utilised more expensive financing sources, driving up the financing costs.

Full-year financial expenses

The Group's net financial expenses were EUR -13.4 (-1.9) million for the whole financial year 2008/09. The change is explained partly by external dividend income received in the financial year 2007/08 and reported in net financial items, and partly by higher average debt together with higher interest rates in comparison with the previous financial year.

Capital expenditure, acquisitions and divestments

Capital expenditure and acquisitions totalled EUR 57 (37) million. Investments were made mainly in the retail sector in the Baltic countries, Norway and Poland. Among the most significant investments was the acquisition of pharmacy chains UAB Farma vaistines, UAB Herbarijos vaistines and the real estate company UAB Naujininku turto vaistines in Lithuania. In Poland, the retail expansion continued and Tamro took a larger role in the pharmaceutical chain by operating in both wholesale and retail.

Major changes in the Group structure

There were no major changes in the Group structure in the past business year. The retail expansion continued in Norway, the Baltic countries and Poland. During the financial year, Hermedico, a minor subsidiary company of Nomeco Denmark was divested.

Personnel and organisation

In 2008/09 the average number of personnel employed by Tamro Group totalled 5,168 (4,736). The number is distributed geographically as follows: 40% in Norway, 12% in Denmark, 9% in Sweden, 9% in Lithuania, 8% in Latvia, 8% in Poland, 7% in Finland and 6% in Estonia. On average, 55% of the personnel worked in retail and 45% in wholesale.

Board of Directors and Auditors

Eight members were elected to the Board of Directors at Tamro Group's Annual General Meeting on 1 April 2008. Dr Bernd Scheifele was re-elected as Chairman of the Board. Matti Elovaara, Mikael von Frenckell, Dr Lorenz Näger, Reimund Pohl and Dr Reinhard Rupp were re-elected as members and Dr Hans-Ulrich Kummer and Øyvind Winther were elected as new members of the Board of Directors.

At the Annual General Meeting in April 2008, Authorised Public Accountants Ernst & Young Oy and Anna-Maija Simola, APA, were re-elected as Tamro's external auditors.

Events after the financial period

Tamro Group CFO Lars Birkeland was appointed as the new Managing Director for the Tamro-owned Apokjeden Group as of 1 February 2009. The search for a new Group CFO has been initiated.

Tamro Group Logistics Director Stefan Pflug was appointed Managing Director of PHOENIX Healthcare Distribution Ltd., UK, and Managing Director of PPE, the PHOENIX purchasing organisation, as of 1 February 2009.

Dr. Hans-Ulrich Kummer was appointed as member of Tamro Group Management as of 28 February 2009. Dr. Kummer's logistic competence and experience will be a valuable asset for the company.

According to a decision made at the General Meeting on 28 February 2009, Dr Michael Majerus was elected as a new member of the Board. Dr Reinhard Rupp and Dr Hans-Ulrich Kummer left the Board.

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.

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
- Derivative financial instruments

CONSOLIDATED INCOME STATEMENT						
	11/08-01/09	11/07-01/08	Change	02/08-01/09	02/07-01/08	Change
(EURm)	2008	2007	%	2008	2007	%
Net sales	1,355.0	1,438.6	-5.8	5,534.4	5,605.2	-1.3
Other income	0.1	0.6	-83.3	5.7	3.6	58.3
Raw materials and services	-1,230.7	-1,318.0	-6.6	-5,037.5	-5,144.2	-2.1
Personnel expenses	-54.8	-54.9	-0.2	-226.7	-211.3	7.3
Depreciation and adjustments	-10.2	-8.2	24.4	-37.1	-32.3	14.9
Other operating expenses	-23.1	-30.0	-23.0	-99.5	-98.6	0.9
Operating profit	36.3	28.1	29.2	139.3	122.4	13.8
Financial income and expenses	-4.3	-0.8	437.5	-13.4	-1.9	605.3
Share of associated companies net income	0.0	0.1	-100.0	0.0	0.3	-100.0
Profit before taxes	32.0	27.4	16.8	125.9	120.8	4.2
Income taxes	-6.5	-9.0	-27.8	-32.4	-31.9	1.6
Minority interest	-0.2	0.0	-	-0.7	-0.1	600.0
Net profit for the period	25.3	18.4	37.5	92.8	88.8	4.5

CONSOLIDATED BALANCE SHEET		
	31.1.	31.1.
(EURm)	2009	2008
Assets		
Intangible and tangible assets	327.2	322.9
Financial assets	15.2	17.5
Inventories	373.9	391.7
Receivables	486.9	504.6
Liquid assets and short-term investments	138.2	38.6
	1,341.4	1,275.3
Equity & liabilities		
Shareholders' equity	235.7	335.9
Minority interest	1.1	0.3
Obligatory reserves	1.5	1.6
Long-term liabilities (1)	64.1	45.3
Short-term liabilities (1)	1,039.0	892.2
Balance sheet total	1,341.4	1,275.3

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

CONSOLIDATED CASH FLOW STATEMENT			
	02/08-01/09	02/07-01/08	Change
(EURm)	2008	2007	%
Operating profit	133.0	121.3	9.6
Depreciation, value adjustments and other adjustments	35.3	32.1	10.0
Financial income and expenses	-20.9	-4.4	375.0
Other income and expenses	-9.4	2.4	-491.7
Taxes	-14.9	-14.1	5.7
Cash flow before change in net working capital	123.1	137.3	-10.3
Change in net working capital	78.1	10.5	643.8
Cash used in / from operating activities	201.2	147.8	36.1
Investments in tangible and intangible assets	-57.0	-37.1	53.6
Proceeds from disposal of tangible and intangible assets and financial investments	10.9	5.3	105.7
Cash used in investing activities	-46.1	-31.8	45.0
Free cash flow	155.1	116.0	33.7
Change in loans and other financial items	105.2	-6.9	-1 624.6
Dividends paid	-160.3	-125.9	27.3
Translation differences and other changes	0.1	0.1	0.0
Cash from / used in financing activities	-55.0	-132.7	-58.6
Change in cash and cash equivalents	100.1	-16.7	-699.4

KEY FIGURES						
	11/08-01/09	11/07-01/08	Change	02/08-01/09	02/07-01/08	Change
	2008	2007	%	2008	2007	%
Operating margin, %	2.7	2.0		2.5	2.2	
Profit margin, %	2.4	1.9		2.3	2.2	
Return on capital employed, %	40.5	25.5		36.0	32.0	
Return on equity, %	43.8	18.6		32.6	25.1	
Gross investments, €m	16.3	13.5	20.7	57.0	37.1	53.6
Free cash flow, €m	60.2	183.4	-67.2	155.1	116.0	33.7
Capital employed, €m	366.7	459.7	-20.2	394.3	405.8	-2.8
Net working capital, €m	-67.6	16.1	-519.9	-67.6	16.1	-519.9
Interest-bearing net debt, €m	28.0	10.8	159.3	28.0	10.8	159.3
Net gearing, %	11.8	3.2		11.8	3.2	
Equity ratio, %	17.7	26.4		17.7	26.4	
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, €*	0.22	0.16	37.5	0.81	0.78	3.8
Equity per share, €*	2.07	2.94	-29.6	2.07	2.94	-29.6
Number of employees, Average	5 396	4 790	12.7	5 168	4 736	9.1
* excluding own shares						

NET SALES BY BUSINESS UNIT						
	11/08-01/09	11/07-01/08	Change	02/08-01/09	02/07-01/08	Change
(EURm)	2008	2007	%	2008	2007	%
Tamro Sweden	347.6	407.3	-14.7	1,496.2	1,685.7	-11.2
Tamro Denmark	398.4	401.2	-0.7	1,600.2	1,526.1	4.9
Tamro Finland	279.4	272.0	2.7	1,068.1	1,032.4	3.5
Tamro Norway	177.9	200.1	-11.1	756.8	765.5	-1.1
Tamro Estonia	21.8	18.9	15.3	83.1	70.4	18.0
Tamro Latvia	30.9	31.9	-3.1	118.9	117.6	1.1
Tamro Lithuania	28.5	26.9	5.9	105.6	101.5	4.0
Tamro Poland	86.7	95.1	-8.8	368.4	362.7	1.6
Other and internal	-16.2	-14.8	9.5	-62.9	-56.7	10.9
Group total	1,355.0	1,438.6	-5.8	5,534.4	5,605.2	-1.3

NUMBER OF EMPLOYEES BY BUSINESS UNIT, AVERAGE						
	11/08-01/09	11/07-01/08	Change	02/08-01/09	02/07-01/08	Change
	2008	2007	%	2008	2007	%
Tamro Sweden	462	438	5.5	462	444	4.1
Tamro Denmark	556	633	-12.2	596	620	-3.9
Tamro Finland	332	329	0.9	340	331	2.7
Tamro Norway	2,115	1,939	9.1	2,065	1,905	8.4
Tamro Estonia	330	293	12.6	319	281	13.5
Tamro Latvia	430	383	12.3	417	370	12.7
Tamro Lithuania	624	395	58.0	483	402	20.1
Tamro Poland	511	357	43.1	451	359	25.6
Other and internal	36	23	56.5	35	24	45.8
Group total	5,396	4,790	12.7	5,168	4,736	9.1

CONTINGENT LIABILITIES		
	31.1.	31.1.
(EURm)	2009	2008
Property mortgages	39.8	0.8
Guarantees for others	0.2	0.3
Other commitments	93.1	81.6
	133.1	82.7

DERIVATIVE FINANCIAL INSTRUMENTS		
	31.1.	31.1.
(EURm)	2009	2008
Derivatives – notional amounts		
Currency instruments		
Currency forward contracts	394.3	329.3
Derivatives – market value		
Currency instruments		
Currency forward contracts	0.7	-0.6

*) 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.