

Press release



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

TAMRO GROUP INTERIM REPORT FEBRUARY–APRIL 2010: SIGNIFICANT IMPROVEMENT IN RESULTS

First-quarter highlights

- Tamro Group's net sales in February–April 2010 amounted to EUR 1,424 million, an increase of 7.4%. A significant part of the sales increase is due to strengthened exchange rates of the Swedish, Norwegian and Polish currencies. At constant exchange rates, Tamro's net sales increased by 1.8%.
- Operating profit for February–April amounted to EUR 31.3 million, up by EUR 1.6 million.
- Profit before taxes for February–April was EUR 33.5 million, up by EUR 8.1 million despite the negative effect of the costs related to Tamro's Swedish pharmacy operations. The profit increase is driven by operational improvements in the Nordic countries, strengthened exchange rates, lower financing costs and dividend income from Russia.
- Tamro Group's balance sheet continued to develop positively. At the end of the first quarter, interest bearing net debt amounted to EUR 20 million with net gearing being 5%. Cash flow was affected by lower sale of receivables.
- After evaluating various strategic alternatives on the Swedish pharmaceutical market, Tamro has decided to continue as an independent wholesaler. Consequently, Tamro divested its pharmacy operations to the Apotek Hjärtat pharmacy chain at the end of the first quarter.

Tamro's President and CEO Juha Koponen:

“Our first-quarter results show success in developing our operations in a difficult economic environment. We have derived further benefit from the currency exchange rates. We have now defined our role in Sweden and decided to concentrate on further developing and strengthening our services in the wholesale operations as the only independent pharmaceutical wholesaler in the market.”

Group key figures

	2–4	2–4	Change	2/2009–
	2010	2009	%	1/2010
Net sales, MEUR	1,424	1,325	7.4	5,467
Operating profit, MEUR	31.3	29.7	5.4	114.9
Profit before taxes, MEUR	33.5	25.4	31.9	109.7
Return on capital employed, %	32.3	29.9		28.8
Personnel, average	5,496	5,489	0.1	5,516

Outlook for the full year 2010/2011

As a whole, the Nordic pharmaceutical market is expected to grow slightly compared to 2009/10. In Finland, the market will decline compared to the previous year as a consequence of the reference pricing system. The Swedish market is still going through a period of rapid change in the aftermath of the liberalisation of pharmacies. In Sweden, Tamro will concentrate on the further development of its wholesale operations. In Estonia and Latvia the markets have shown signs of stabilisation, while Lithuania's economic situation remains difficult.

Tamro expects considerable profit growth compared to the previous year as a result of divesting its pharmacy operations in Sweden. Also, the favourable currency exchange rate trends will have a positive effect on Tamro's result.

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 website at www.tamro.com. Tamro's image bank can be found on the same web site.

Operating environment

The pharmaceutical market grew by 6% in Norway in February–April 2010. The markets in Denmark and Sweden grew slightly. The growth in Denmark was mainly driven by the strong hospital sector. Also, the first-quarter growth in Norway was positively influenced by hospital pharmacies. In Finland, the pharmaceutical market declined due to the pharmaceutical reference pricing system.

In Latvia and Lithuania, the economic downturn continued and the pharmaceutical markets declined by 3% and 4%, respectively. The Estonian pharmaceutical market has not been impacted as strongly and the market grew by 5%.

In Poland, the growth of the pharmaceutical market slowed to 7%.

Operations in business units

Tamro Sweden

Total pharmaceutical sales in Sweden during February–April 2010 were EUR 791 (731) million in pharmacy purchase prices, an increase of 1.7% at constant exchange rates compared to the previous year.

Tamro Sweden's net sales during February–April were EUR 418 (354) million, an increase of 4.9% at constant exchange rates compared to the previous year. The company's average market share in wholesale was 56%. Tamro Sweden employed an average of 576 (446) people. The personnel figure includes Tamro's retail operations in the first quarter.

Tamro Group signed an agreement to sell all of Ada AB's shares, including the pharmacy operations of Apotek1 in Sweden, to Apotek Hjärtat pharmacy chain. Tamro will concentrate on the further development of its Swedish wholesale operations.

Nomeco, Denmark

Total pharmaceutical sales in Denmark during February–April 2010 were EUR 519 (513) million in pharmacy purchase prices, an increase of 1.3% compared to the previous year. This comes as a result of growth in the hospital sector. The pharmacy sector stagnated due to a high level of generic substitution and the low prices of generic pharmaceuticals.

Nomeco's net sales during February–April were EUR 404 (394) million, an increase of 2.7%. Nomeco maintained its strong market position in Denmark, with a market share above 70%. The company employed an average of 543 (561) people.

Growth in the pharmaceutical market is expected to remain at the current level for the full year 2010/11, with slow or no growth.

Tamro Finland

Total pharmaceutical sales in Finland during February–April 2010 amounted to EUR 485 (493) million in pharmacy purchase prices, a decrease of 1.6% compared to the previous year. The reason for the decrease was the pharmaceutical reference pricing system that came into effect in April 2009. This has affected market growth more than originally estimated.

Tamro Finland's net sales in February–April were EUR 284 (279) million, an increase of 2.1%. Tamro's average market share reached 54%. During the reporting period, Tamro continued actively launching new services for pharmacies and hospitals. The company employed an average of 362 (327) people.

The pharmaceutical market in Finland is not expected to grow for the full year 2010/11.

Apokjeden, Norway

Total pharmaceutical sales in Norway during February–April 2010 were EUR 556 (480) million in pharmacy purchase prices, an increase of 5.6% at constant exchange rates compared to the previous year. The market growth resulted from increases in volumes and prices, and was driven by the hospital sector.

Apokjeden Group's February–April net sales amounted to EUR 198 (176) million, an increase of 2.6% at constant exchange rates compared to the previous year. Apokjeden's pharmacy chain Apotek 1 opened four new outlets, having now 231 fully-owned pharmacies and an average market share of 35%. The company employed an average of 2,163 (2,167) people, of whom 90% worked in retail.

Market growth is expected to slow for the full year 2010/11, due to expected price reductions on pharmaceuticals.

Tamro in the Baltic countries

Total pharmaceutical sales in Estonia during January–March 2010 amounted to EUR 47 (45) million in pharmacy purchase prices, an increase of 5% compared to the previous year. Tamro's net sales in Estonia during February–April were EUR 22 (21) million, an increase of 3.3%. The company employed an average of 345 (331) people, of whom 80% worked in retail.

Total pharmaceutical sales in Latvia during February–April 2010 were EUR 67 (69) million in pharmacy purchase prices, a decrease of 2.9% compared to the previous year. Tamro's net sales in Latvia during February–April were EUR 29 (27) million, an increase of 6.6%. The company employed an average of 372 (444) people, of whom 72% worked in retail.

Total pharmaceutical sales in Lithuania during February–April 2010 totalled EUR 101 (105) million in pharmacy purchase prices, a decrease of 3.8% compared to the previous year. Tamro's net sales in Lithuania during February–April were EUR 20 (24) million, a decrease of 17.2%. The company employed an average of 508 (605) people, of whom 80% worked in retail.

The economic downturn and high unemployment affected pharmaceutical sales in all Baltic countries. Governments continued health care cost-cutting measures and, as a result, decreasing margins created a challenging situation for pharmacies. Tamro's strong cost-saving measures in the Baltic countries compensated for some of the negative impact. In Latvia and Lithuania, pharmaceutical sales are not expected to grow during the financial year 2010/11. In Estonia, the estimated market growth is 0–3%.

PHOENIX Pharma Polska, Poland

Total pharmaceutical sales in Poland during February–April 2010 were EUR 1,451 (1,281) million in pharmacy purchase prices. At constant exchange rates, the market increased by 6.1%, which was less than expected.

PHOENIX Pharma Polska's net sales during February–April were EUR 73 (70) million. At constant exchange rates, this represents a decrease of 9.8%. The company's share of the competitive wholesale market was 2.7%. The company employed an average of 587 (574) people, of whom 42% worked in retail. During the reporting period, the company launched a pharmacy loyalty marketing program, APTEKA1, aimed at attracting more customers and offering new promotional opportunities to pharmacies.

The full year 2010/11 market growth is expected to be approximately 7%.

Group financial performance

February–April 2010

Tamro Group's February–April 2010 net sales amounted to EUR 1,424 (1,325) million, an increase of 7.4% compared to the previous year. However, at constant exchange rates, Tamro's net sales increased by 1.8%. The increase in sales is due in large part to stronger exchange rates of the Swedish, Norwegian and Polish currencies.

Tamro Group's operating profit in February–April was EUR 31 (30) million, up by 5.4%. The Group's ordinary profit before taxes was EUR 34 (25) million, up by 31.9%, and the profit margin was 2.4 (1.9)%. The net profit for the period February–April amounted to EUR 24 (18) million, up by 31.7%.

Profit before taxes increased despite the negative effect of the costs related to Tamro's Swedish pharmacy operations. This profit increase was driven by operational improvements in the Nordic countries, strengthened exchange rates, lower financial costs and dividend income from Russia.

Investments

The amount of gross investments decreased to EUR 6 (16) million during February–April 2010. The decrease is explained by lower investments in pharmacy acquisitions in Norway, the Baltic countries and Poland. In addition, normal replacement investments were lower compared to the exceptionally high investment level in the first quarter of 2009.

Financing

The financial position of the Group remained stable during the first quarter.

Interest-bearing net debt increased from EUR -31 million at the end of the financial year 2009/10 to EUR 20 (80) million at the end of April. Effective net debt including as debt the sold receivables of EUR 100 (190) million equalled EUR 120 (270) million.

Cash and liquid assets amounted to EUR 44 (54) million. The available limit in the revolving credit facility with core banks amounted to EUR 150 (120) million, and the unused limit in the securitisation programmes was EUR 90 (45) million.

Net financial items during the first quarter amounted to EUR 2,2 (-4,3) million. The change is explained partly by a lower amount of debt compared with the corresponding period last year and partly by dividend income. Net gearing decreased to 5% (31%) compared with the end of the first quarter of 2009, and the equity ratio increased to 27% (21%).

Free cash flow and net working capital

In the first quarter, operative cash flow before changes in net working capital and investments amounted to EUR 24 (33) million. The decrease in net working capital produced a cash flow of EUR -82 (-69) million and net investments amounted to EUR -6 (-16) million. Free cash flow during the first quarter was EUR -64 (-52) million. Net working capital increased from EUR -28 million at the end of the financial year 2009/10 to EUR 58 (-4) million at the end of April.

Personnel

The average number of employees in the Group in February–April 2010 was 5,496 (5,489), of whom 59% (59%) worked in retail.

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				
	2-4	2-4	Change	2/09-1/10
(MEUR)	2010	2009	%	2009
Net sales	1,423.8	1,325.4	7.4	5,467.2
Other income	4.1	0.0	-	0.1
Raw materials and services	-1,287.9	-1,204.4	6.9	-4,958.5
Personnel expenses	-66.0	-55.8	18.3	-242.5
Depreciation and value adjustments	-10.5	-9.5	10.5	-39.7
Other operating expenses	-32.2	-26.0	23.8	-111.7
Operating profit	31.3	29.7	5.4	114.9
Financial income and expenses	2.2	-4.3	-151.2	-5.1
Share of associated companies' net income	0.0	0.0	-	-0.1
Profit before taxes	33.5	25.4	31.9	109.7
Income taxes	-9.8	-7.3	34.2	-26.0
Minority interest	0.0	-0.1	-100.0	-0.3
Net profit for the period	23.7	18.0	31.7	83.4

CONSOLIDATED BALANCE SHEET			
	30.4.	30.4.	31.1.
(MEUR)	2010	2009	2010
Assets			
Intangible and tangible assets	335.2	336.4	332.9
Financial assets	15.5	15.5	15.5
Inventories	400.2	362.9	379.5
Receivables	588.1	480.2	577.8
Liquid assets and short-term investments	44.2	53.9	122.7
	1,383.2	1,248.9	1,428.4
Equity & liabilities			
Shareholders' equity	374.3	256.6	342.1
Minority interest	0.8	0.4	0.9
Obligatory reserves	0.9	3.0	1.3
Long-term liabilities	56.9	63.8	54.9
Short-term liabilities	950.3	925.1	1,029.2
Balance sheet total	1,383.2	1,248.9	1,428.4

CONSOLIDATED CASH FLOW STATEMENT				
	2-4	2-4	Change	2/09-1/10
(MEUR)	2010	2009	%	2009
Operating profit	31.7	30.0	5.7	118.4
Depreciation, value adjustments and other adjustments	10.7	9.5	12.6	40.9
Financial income and expenses	6.3	-4.1	-253.7	-9.3
Other income and expenses	-4.6	1.1	-518.2	-0.3
Taxes	-20.3	-3.7	448.6	-25.5
Cash flow before change in net working capital	23.8	32.8	-27.4	124.2
Change in net working capital	-82.3	-68.9	19.4	-46.1
Cash used in/from operating activities	-58.5	-36.1	62.0	78.1
Investments in tangible and intangible assets	-5.8	-16.0	-63.8	-33.9
Proceeds from disposal of tangible and intangible assets and financial investments	0.0	0.1	-100.0	1.0
Cash used in investing activities	-5.8	-15.9	-63.5	-32.9
Free cash flow	-64.3	-52.0	23.7	45.2
Change in loans and other financial items	-3.9	-32.8	-88.1	-61.9
Dividends paid	-11.2	0.0	-	0.0
Translation differences and other changes	0.2	0.3	-33.3	0.0
Cash used in/from financing activities	-14.9	-32.5	-54.2	-61.9
Change in cash and cash equivalents	-79.2	-84.5	-6.3	-16.7

KEY FIGURES				
	2-4	2-4	Change	2/09-01/10
	2010	2009	%	2009
Operating margin, %	2.2	2.2		2.1
Profit margin, %	2.4	1.9		2.0
Return on capital employed, %	32.3	29.9		28.8
Return on equity, %	26.4	29.4		28.9
Gross investments, MEUR	5.8	16.0	-63.8	33.9
Free cash flow, MEUR	-64.3	-52.0	23.7	45.2
Capital employed, MEUR	437.0	396.8	10.1	418.9
Net working capital, MEUR	57.6	-3.8	-1,615.8	-28.0
Interest-bearing net debt, MEUR	19.9	79.7	-75.0	-30.9
Net gearing, %	5.3	31.0		-9.0
Equity Ratio, %	27.1	20.6		24.0
Number of shares - at end, millions*	114.5	114.5		114.5
Number of shares - average, millions*	114.5	114.5		114.5
Earnings per share, EUR*	0.21	0.16	31.3	0.73
Equity per share, EUR*	3.28	2.25	45.8	3.00
Number of employees, average	5,496	5,489	0.1	5,516
* excluding own shares				

NET SALES BY BUSINESS UNIT				
	2-4	2-4	Change	2/09-1/10
(MEUR)	2010	2009	%	2009
Tamro Sweden	417.5	353.9	18.0	1,480.3
Nomeco, Denmark	404.4	393.6	2.7	1,615.6
Tamro Finland	284.3	278.5	2.1	1,106.1
Apokjeden, Norway	198.3	176.1	12.6	775.8
Tamro Estonia	21.6	20.9	3.3	81.7
Tamro Latvia	29.2	27.4	6.6	110.3
Tamro Lithuania	19.8	23.9	-17.2	86.5
PHOENIX Pharma Polska, Poland	73.3	69.9	4.9	290.7
Other and internal	-24.6	-18.8	30.9	-79.8
Group total	1,423.8	1,325.4	7.4	5,467.2

NUMBER OF EMPLOYEES BY BUSINESS UNIT, AVERAGE				
	2-4	2-4	Change	2/09-01/10
	2010	2009	%	2009
Tamro Sweden	576	446	29.1	470
Nomeco, Denmark	543	561	-3.2	555
Tamro Finland	362	327	10.7	343
Apokjeden, Norway	2,163	2,167	-0.2	2,197
Tamro Estonia	345	331	4.2	341
Tamro Latvia	372	444	-16.2	417
Tamro Lithuania	508	605	-16.0	577
PHOENIX Pharma Polska, Poland	587	574	2.3	578
Other and internal	40	34	17.6	38
Group total	5,496	5,489	0.1	5,516

CONTINGENT LIABILITIES			
	30.4.	30.4.	31.1.
(MEUR)	2010	2009	2010
Property mortgages	39.8	39.8	39.8
Guarantees for others	0.4	0.2	0.4
Other commitments	107.2	96.5	120.4
	147.4	136.5	160.6

DERIVATIVE FINANCIAL INSTRUMENTS			
	30.4.	30.4.	31.1.
(MEUR)	2010	2009	2010
Derivatives – notional amounts			
Currency instruments			
Currency forward contracts	372.6	271.7	324.8
Derivatives – market value			
Currency instruments			
Currency forward contracts	1.0	0.9	-0.3

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.