

# Press release



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

## **TAMRO GROUP INTERIM REPORT FEBRUARY–JULY 2009: CONTINUED SOLID RESULTS AND PERFORMANCE**

### **Second-quarter highlights**

- Tamro Group net sales in May–July 2009 amounted to EUR 1,356 million, a decrease of 2.4% due to the weaker foreign exchange rates mainly of the Swedish, Norwegian and Polish currencies. At constant exchange rates (CER), Tamro's net sales increased by 4.7%.
- Operating profit in May–July amounted to EUR 30.4 million, down EUR 7.6 million. Profit before taxes in May–July was EUR 28.1 million, down EUR 6.8 million. The negative profit development is largely explained by the weaker exchange rates, one-time capital gains included in last year's figures, and extraordinary costs from preparing for the market changes in Sweden.
- **Juha Koponen** assumed the responsibility of Tamro Group President & CEO from 1 August 2009 and also continues as the Managing Director of Tamro Finland. Tamro Group's former President & CEO **Jo Langmoen** retired at the end of July 2009, according to his employment contract. He was elected as a member of the Tamro Board of Directors from 1 August 2009.

### **Group key figures**

	5–7	5–7	Change	2–7	2–7	Change
	2009	2008	%	2009	2008	%
Net sales, mEUR	1,355.8	1,388.6	-2.4	2,681.2	2,775.8	-3.4
Operating profit, mEUR	30.4	38.0	-20.0	60.1	71.8	-16.3
Profit before taxes, mEUR	28.1	34.9	-19.5	53.5	66.4	-19.4
Return on capital employed, %	31.3	36.8		30.2	37.4	
Personnel, average	5,550	5,109	8.6	5,522	5,002	10.4

**Outlook for the full year 2009/2010**

Operating profit for 2009/10 is expected to be on the same level or improve slightly from 2008/09 if calculated at constant currency rates and excluding the preparatory costs for the Swedish market changes and one-time capital gains included in last year's figures.

For the rest of the financial year, pharmaceutical markets are expected to remain stable except in the Baltic States. In Sweden, Tamro is adjusting its business model to a reformed pharmaceutical market in the future. These preparations will result in one-time costs of over EUR 5 million during 2009/10.

**Tamro's President & CEO Juha Koponen:**

"Tamro Group's second-quarter results reflect continued solid performance and resistance to the economic downturn. We have managed to grow our business and keep the underlying profits at last year's level. I wish to thank all our employees for their hard and successful work in all business units. We will continue to emphasize effectiveness, high quality and customer focus in all our operations."

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 [www.tamro.com](http://www.tamro.com). Tamro's image bank can be found on the same web site.

## **Operating environment**

In the Nordic pharmaceutical market, growth was modest during February–July 2009. The strong growth in Denmark (7.2%) resulted from substantial deliveries to hospitals and does not represent the development in private pharmacies.

In the Baltic region, the economic slowdown strongly impacted consumer demand, leading also to a decline in pharmaceutical sales.

In Poland, the steady pharmaceutical market growth continued during the second quarter.

## **Operations in business units**

### Tamro Sweden

Total pharmaceutical sales in Sweden during February–July 2009 were EUR 1,397 (1,514) million in pharmacy purchase prices (PPP). In local currency, this represents an increase of 3.8% compared to the same period in the previous year.

Tamro Sweden's net sales during February–July were EUR 717 (767) million. In local currency, the sales increased by 8.4% due to a major new supply contract. The company's average market share rose to 55%. Tamro Sweden employed an average of 451 (459) people.

A new market situation is expected in Sweden once the pharmacy deregulation is finalised in late autumn. Due to the changes, the outlook for the full year 2009/10 cannot be forecasted.

### Nomeco, Denmark

Total pharmaceutical sales in Denmark during February–July 2009 were EUR 874 (815) million in PPP, which represents an increase of 7.2% at CER compared to the same period in the previous year. The growth was driven by hospital sales (up 16.5% compared to last year), while the growth in the pharmacy sector was modest (1.2%). The main reason for the slow growth of the pharmacy sector was the high proportion of generics combined with their very low prices.

Nomeco's net sales during February–July were EUR 807 (800) million, an increase of 0.8%. To streamline operations, the model of one delivery per day for Nomeco's pharmacy customers was implemented.

Nomeco maintained its strong market position in Denmark, with a market share well above 70%. The company employed an average of 559 (629) people, down from last year as a consequence of the divestment of a non-core subsidiary company.

The market growth is expected to remain at the current level for the full year 2009/10, with slow or no growth in the pharmacy market.

### Tamro Finland

Total pharmaceutical sales in Finland during February–July 2009 were EUR 977 (962) million in PPP, which represents growth of 1.6% compared to the same period in the previous year.

Tamro Finland's net sales in February–July were EUR 547 (517) million, an increase of 5.8%. Tamro Finland's average market share for February–July was 53%. The company employed an average of 340 (339) people.

The new medicine reference pricing model that came into effect in April 2009 slowed down market growth. Full-year market growth is estimated to be around 1–2%.

Tamro Finland's service level continued to be good also in the first months following the introduction of the new reference pricing model. The National Agency of Medicine chose Tamro as the sole distributor of the national emergency stock of antiviral medicines for H1N1 influenza.

### Apokjeden, Norway

Total pharmaceutical sales in Norway during February–July 2009 were EUR 1,248 (1,345) million in PPP. In local currency, this represents an increase of 3.2% compared to the same period in the previous year. Growth is somewhat higher mainly due to price increases on prescription medicines caused by exchange rate adjustments.

Apokjeden Group's February–July net sales amounted to EUR 370 (390) million. In local currency, the sales increased by 5.3%. The average market share of Apokjeden was 35%, and there are a total of 226 pharmacies in the Apotek 1 pharmacy chain. The company employed an average of 2,190 (2,025) people, of whom 89% worked in retail.

During the full year 2009/10, the market growth is expected to be approximately 3%.

### Tamro Estonia, Tamro Latvia and Tamro Lithuania

Total pharmaceutical sales in Estonia during January–June 2009 amounted to EUR 93 (93) million in PPP, an increase of 0.3% at CER compared to the same period in the previous year. Tamro's net sales in Estonia during February–July were EUR 40 (41) million, a decrease of 1.2%. The company employed an average of 337 (311) people, of whom 78% worked in retail.

Total pharmaceutical sales in Latvia during February–July 2009 were EUR 130 (141) million in PPP, a decrease of 8.0% at CER compared to the same period in the previous year. Tamro's net sales in Latvia during February–July were EUR 52 (57) million, a decrease of 8.1%. The company employed an average of 436 (403) people, of whom 75% worked in retail.

Total pharmaceutical sales in Lithuania during February–July 2009 totalled EUR 202 (208) million in PPP, a decrease of 2.8% at CER compared to the same period in the previous year. Tamro's net sales in Lithuania during February–July were EUR 45 (49) million, a decrease of 8.8%. The company employed an average of 596 (393) people, of whom 81% worked in retail.

The general economic downturn affected the pharmaceutical market growth negatively in all Baltic States. The pharmaceutical market in the Baltic States is not expected to expand in 2009/10.

#### PHOENIX Pharma Polska, Poland

Total pharmaceutical sales in Poland during February–July 2009 were EUR 2,312 (2,529) million in PPP. In local currency, this represents an increase of 9.8% compared to the same period in the previous year.

PHOENIX Pharma Polska's net sales during February–July were EUR 141 (186) million. In local currency, the sales decreased by 1.1%. The company's market share in the wholesale market remained at 3%. The company employed an average of 575 (409) people, of whom 35% worked in retail.

The Polish pharmaceutical market is estimated to grow by approximately 6% in the full year 2009/10.

### **Group's financial performance**

#### February–July 2009

Tamro Group's February–July 2009 net sales amounted to EUR 2,681 (2,776) million, a decrease of 3.4% compared to the same period last year.

Tamro Group's operating profit in February–July was EUR 60 (72) million. The Group's ordinary profit before taxes was EUR 54 (66) million and the profit margin was 2.0 (2.4)%. The net profit for the period February–July amounted to EUR 38 (49) million.

Compared to last year, the profits for the first half-year are negatively affected by the weaker foreign exchange rates, one-off capital gains included in last year's figures and by extraordinary costs from preparing for the market reform in Sweden. The exchange rate effect on operating profit was EUR -4.4 million and on profit before taxes EUR -4.2 million.

#### May–July 2009

Tamro Group's May–July 2009 net sales amounted to EUR 1,356 (1,389) million, a decrease of 2.4% compared to the same period last year. The decline is fully explained by the weaker foreign exchange rates.

Tamro Group's operating profit in May–July was EUR 30 (38) million, down 20% from the same period in the previous year. The ordinary profit before taxes was EUR 28 (35) million, down 20%, and the profit margin was EUR 2.1 (2.5)%. The net profit for the period May–July was EUR 20 (26) million. The profit decline is largely explained by the weaker exchange rates, one-time capital gains included in last year's figures and by the preparatory costs for the Swedish market changes. At comparable exchange rates and excluding one-time gains, the underlying business showed stable development in current market environment.

## **Investments**

The amount of gross investments remained stable at EUR 20 (21) million during February–July 2009. They consisted of replacements of operational assets to secure capacity and some retail acquisitions.

## **Financing**

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

The interest-bearing net debt amounted to EUR 92 (-11) million at the end of July. The effective net debt including as debt the sold receivables of EUR 102 (184) million equalled EUR 194 (173) million.

Cash and liquid assets amounted to EUR 23 (91) million. The available limit in the revolving credit facilities with core banks amounted to EUR 120 (200) million, and the unused limit in the securitisation programmes was EUR 140 (68) million.

Net financial items during the second quarter totalled EUR -2.3 (-3.0) million. The year-to-date net financial items were EUR -6.6 (-5.4) million. The increase is explained by a higher amount of debt compared with the corresponding period last year.

Net gearing increased to 33 (-3)% compared with the end of Q2 2008, and the equity ratio decreased to 22 (24)%.

## **Free cash flow and net working capital**

In the second quarter, the operative cash flow before changes in net working capital and investments amounted to EUR 37 (38) million. The increase in net working capital produced a cash flow of EUR -49 (186) million, as the decrease in the amount of receivables sold impacted the cash flow negatively during the second quarter. Net investments amounted to EUR -4 (-7) million. The free cash flow decreased to EUR -16 (217) million.

The year-to-date operative cash flow before changes in net working capital and investments was EUR 70 (70) million. Changes in net working capital resulted in a cash flow of EUR -118 (38) million. The net cash flow effect of investments was EUR -20 (-12) million. On a year-to-date basis the free cash flow decreased to EUR -68 (96) million.

## Personnel

The average number of employees in the Group in February–July 2009 was 5,522 (5,002), of whom 59 (53)% worked in retail.

**Juha Koponen** assumed responsibility as Tamro Group President & CEO from 1 August 2009 and also continues as the Managing Director of Tamro Finland. Tamro Group's former President & CEO **Jo Langmoen** retired at the end of July 2009 according to his employment contract. He was elected as a member of the Tamro Board of Directors from 1 August 2009.

**Sakari Ahdekivi** was appointed the new Chief Financial Officer for Tamro Group and member of the Tamro Group Management team. Ahdekivi will take over his position during September 2009.

## 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							
	5-7	5-7	Change	2-7	2-7	Change	2/08-1/09
(mEUR)	2009	2008	%	2009	2008	%	2008
Net sales	1,355.8	1,388.6	-2.4	2,681.2	2,775.8	-3.4	5,534.4
Other income	0.1	3.9	-97.4	0.1	5.6	-98.2	5.7
Raw materials and services	-1,230.3	-1,261.1	-2.4	-2,434.7	-2,526.8	-3.6	-5,037.5
Personnel expenses	-60.7	-58.9	3.1	-116.5	-113.6	2.6	-226.7
Depreciation and value adjustments	-9.7	-9.0	7.8	-19.2	-17.7	8.5	-37.1
Other operating expenses	-24.8	-25.5	-2.7	-50.8	-51.5	-1.4	-99.5
Operating profit	30.4	38.0	-20.0	60.1	71.8	-16.3	139.3
Financial income and expenses	-2.3	-3.0	-23.3	-6.6	-5.4	22.2	-13.4
Profit before taxes	28.1	34.9	-19.5	53.5	66.4	-19.4	125.9
Income taxes	-8.2	-8.7	-5.7	-15.5	-17.5	-11.4	-32.4
Minority interest	-0.1	-0.2	-50.0	-0.2	-0.3	-33.3	-0.7
Net profit for the period	19.8	26.0	-23.8	37.8	48.6	-22.2	92.8

CONSOLIDATED BALANCE SHEET			
	31.7.	31.7.	31.1.
(mEUR)	2009	2008	2009
Assets			
Intangible and tangible assets	332.9	330.6	327.2
Financial assets	15.5	15.4	15.2
Inventories	358.1	418.9	373.9
Receivables	536.2	484.5	486.9
Liquid assets and short-term investments	23.2	91.0	138.2
	1,265.9	1,340.4	1,341.4
Equity & liabilities			
Shareholders' equity	282.7	314.9	235.7
Minority interest	0.8	1.3	1.1
Obligatory reserves	2.1	2.3	1.5
Long-term liabilities	59.4	45.2	64.1
Short-term liabilities	920.9	976.7	1,039.0
Balance sheet total	1,265.9	1,340.4	1,341.4

CONSOLIDATED CASH FLOW STATEMENT				
	2-7	2-7	Change	2/08-1/09
(mEUR)	2009	2008	%	2008
Operating profit	61.0	71.4	-14.6	133.0
Depreciation, value adjustments and other adjustments	19.5	17.6	10.8	35.3
Financial income and expenses	-3.2	-4.8	-33.3	-20.9
Other income and expenses	-0.5	-5.1	-90.2	-9.4
Taxes	-6.7	-8.9	-24.7	-14.9
Cash flow before change in net working capital	70.1	70.2	-0.1	123.1
Change in net working capital	-118.0	38.4	-407.3	78.1
Cash used in / from operating activities	-47.9	108.6	-144.1	201.2
Investments in tangible and intangible assets	-20.3	-20.6	-1.5	-57.0
Proceeds from disposal of tangible and intangible assets and financial investments	0.2	8.3	-97.6	10.9
Cash used in investing activities	-20.1	-12.3	63.4	-46.1
Free cash flow	-68.0	96.3	-170.6	155.1
Change in loans and other financial items	-47.3	30.2	-256.6	105.2
Dividends paid	0.0	-74.4	-100.0	-160.3
Translation differences and other changes	0.0	0.2	-100.0	0.1
Cash from / used in financing activities	-47.3	-44.0	7.5	-55.0
Change in cash and cash equivalents	-115.3	52.3	-320.5	100.1

KEY FIGURES							
	5-7	5-7	Change	2-7	2-7	Change	2/08-1/09
	2009	2008	%	2009	2008	%	2008
Operating margin, %	2.2	2.7		2.2	2.6		2.5
Profit margin, %	2.1	2.5		2.0	2.4		2.3
Return on capital employed, %	31.3	36.8		30.2	37.4		36.0
Return on equity, %	29.4	34.6		29.2	30.0		32.6
Gross investments, mEUR	4.3	12.9	-66.7	20.3	20.6	-1.5	57.0
Free cash flow, mEUR	-16.0	216.6	-107.4	-68.0	96.3	-170.6	155.1
Capital employed, mEUR	394.8	419.0	-5.8	401.0	391.1	2.5	394.3
Net working capital, mEUR	38.6	-30.3	-227.4	38.6	-30.3	-227.4	-67.6
Interest-bearing net debt, mEUR	92.2	-10.6	-969.8	92.2	-10.6	-969.8	28.0
Net gearing, %	32.5	-3.3		32.5	-3.3		11.8
Equity ratio, %	22.4	23.6		22.4	23.6		17.7
Number of shares – at end, millions*	114.5	114.5		114.5	114.5		114.5
Number of shares – average, millions*	114.5	114.5		114.5	114.5		114.5
Earnings per share, EUR*	0.17	0.23	-26.1	0.33	0.42	-21.4	0.81
Equity per share, EUR*	2.48	2.76	-10.1	2.48	2.76	-10.1	2.07
Number of employees, average	5,550	5,109	8.6	5,522	5,002	10.4	5,168
* excluding own shares							

NET SALES BY BUSINESS UNIT							
	5-7	5-7	Change	2-7	2-7	Change	2/08-1/09
(mEUR)	2009	2008	%	2009	2008	%	2008
Tamro Sweden	363.1	379.4	-4.3	716.9	767.0	-6.5	1,496.2
Nomeco, Denmark	413.4	402.2	2.8	807.0	800.4	0.8	1,600.2
Tamro Finland	268.2	257.6	4.1	546.6	516.5	5.8	1,068.1
Apokjeden, Norway	193.6	202.5	-4.4	369.7	390.2	-5.3	756.8
Tamro Estonia	19.2	20.2	-5.0	40.1	40.6	-1.2	83.1
Tamro Latvia	25.0	26.4	-5.3	52.4	57.0	-8.1	118.9
Tamro Lithuania	20.9	22.5	-7.1	44.8	49.1	-8.8	105.6
PHOENIX Pharma Polska, Poland	70.7	92.5	-23.6	140.6	185.9	-24.4	368.4
Other and internal	-18.3	-14.7	24.5	-36.9	-30.9	19.4	-62.9
Group total	1,355.8	1,388.6	-2.4	2,681.2	2,775.8	-3.4	5,534.4

NUMBER OF EMPLOYEES BY BUSINESS UNIT, AVERAGE							
	5-7	5-7	Change	2-7	2-7	Change	2/08-1/09
	2009	2008	%	2009	2008	%	2008
Tamro Sweden	454	476	-4.6	451	459	-1.7	462
Nomeco, Denmark	557	627	-11.2	559	629	-11.1	596
Tamro Finland	351	350	0.3	340	339	0.3	340
Apokjeden, Norway	2,214	2,049	8.1	2,190	2,025	8.1	2,065
Tamro Estonia	344	318	8.2	337	311	8.4	319
Tamro Latvia	432	413	4.6	436	403	8.2	417
Tamro Lithuania	585	402	45.5	596	393	51.7	483
PHOENIX Pharma Polska, Poland	578	439	31.7	575	409	40.6	451
Other and internal	35	35	0.0	38	34	11.8	35
Group total	5,550	5,109	8.6	5,522	5,002	10.4	5,168

CONTINGENT LIABILITIES			
	31.7.	31.7.	31.1.
(mEUR)	2009	2008	2009
Property mortgages	39.8	0.8	39.8
Guarantees for others	0.2	0.3	0.2
Other commitments	113.5	76.0	93.1
	153.5	77.1	133.1

DERIVATIVE FINANCIAL INSTRUMENTS			
	31.7.	31.7.	31.1.
(mEUR)	2009	2008	2009
Derivatives – notional amounts			
Currency instruments			
Currency forward contracts	285.1	325.6	394.3
Derivatives – market value			
Currency instruments			
Currency forward contracts	2.1	-0.1	0.7

The principal 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.