

# Press release



4 June 2008

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Comparable figures refer to February–April 2007 unless otherwise stated.

## **TAMRO GROUP INTERIM REPORT FEBRUARY–APRIL 2008**

- Tamro Group net sales in February–April amounted to EUR 1,387 (1,352) million, an increase of 2.6%.
- The profit before extraordinary items was EUR 34 (31) million, up 7.7%. The profit margin was 2.3 (2.2)%.
- Market growth has been more modest than expected mainly due to price decreases and government interventions in several markets.

“It is becoming ever more difficult to predict how medicine distribution will be executed in the future. Both on the national and European level, discussions may lead to new structures which challenge the present systems. Sweden is a typical example of this development. Tamro is using substantial resources to guarantee that any changes are managed cautiously and that safety and efficiency of the delivery chain are maintained at the current high level to safeguard the interests of the consumers,” states Tamro’s President & CEO **Jo Langmoen**.

### **Operating environment**

Nordic pharmaceutical market growth during the period February–April 2008 was approximately 6% with a similar trend in all Nordic countries.

In the Baltic markets, growth continued at a double digit rate in Estonia but fell significantly below that in Latvia and Lithuania. These markets are characterised by high inflation and a slow down in economic growth. Pharmaceutical consumption and reimbursement are also far below the EU average.

### **Operations in business units**

#### Tamro Sweden

Total pharmaceutical sales for the period February– April 2008 were EUR 776 (736) million in pharmacy purchase prices (PPP), which represents growth of 5.5% at constant exchange rates (CER) compared to last year.

Tamro Sweden’s net sales during February–April were EUR 388 (429) million. The net sales in Sweden decreased by 9.7% compared to the corresponding period last year due to changes in some contracts with suppliers requiring a different accounting treatment of the agreements. Nevertheless, Tamro’s average market share for February– April was 53%.

Liberalisation of the state-owned pharmacy monopoly as from the beginning of 2009 continues to be at the top of the political agenda. It has been suggested that at least half of the current 900

pharmacies should be sold through auctions in clusters of 80–100 branches, while private pharmacists should be offered opportunities to buy individual pharmacies.

The Swedish government is also preparing the introduction of appropriate legislation to secure a functioning market with fair competition between the state owned Apoteket and new entrants. A successful liberalisation is dependent on a new state owned service company offering comprehensive infrastructure support to all market players. Privatisation is expected to bring healthy competition to the sector in terms of service efficiency and opening hours.

The share of Tamro Sweden's operations in the Group net sales decreased to 28%, and the company employed an average of 438 (428) people.

### Nomeco, Denmark

The Danish pharmaceutical market has shown relatively slow development during the reporting period. Sales through wholesalers rose by 4.6% to EUR 318 (304) million in PPP compared to the same period last year.

Nomeco's net sales during February–April were EUR 398 (356) million, an increase of 12%. Nomeco maintained its strong market position in Denmark with an average market share of 73%.

Nomeco's HealthCare Logistics Division is still showing significant growth due to added value services, i.e., handling of pharmaceutical samples and clinical trial products on behalf of the pharmaceutical industry, as well as repackaging. Furthermore, exchange of online information via a business intelligence platform is becoming more and more important in cooperation with the pharmaceutical industry.

Nomeco's VMI system continues to attract interest. Nomeco assesses the VMI pharmacies' expected sales and automatically replenishes the pharmacies' inventories based on their sales figures. The majority of Danish pharmacies have elected to take advantage of the VMI.

The share of Nomeco's operations in the Group net sales remained at 29%, and the company employed an average of 630 (594) people.

### Tamro Finland

The total pharmaceutical sales in Finland during February–April 2008 totalled EUR 481 (444) million in PPP. This amounts to a growth rate of 6.6% over the same period in the previous year. The strong growth was mainly driven by overall market development in pharmaceutical sales.

Tamro Finland's net sales in February–April were EUR 259 (242) million and grew 7.2% compared to the same period last year.

During the reporting period, Tamro Finland has initiated process improvements at the central warehouse in Vantaa. The aim of the project is to enhance the handling of incoming goods as well as to shorten the lead time needed for making the products available for sales in the market.

Tamro Finland launched four new products in its Elivo pharmacy product family in the beginning

of April. The popular Elivo product range now includes 22 different healthcare and hygiene products.

The average market share of Tamro Finland was 52.2%, which is 1.5 percentage points down year-over-year due to changes in the principal portfolio.

The share of Tamro Finland's operations in the Group net sales remained at 19%, and the company employed an average of 324 (330) people.

#### Apokjeden, Norway

In February–April 2008, the total sales of pharmaceuticals in Norway showed 3.7% growth at CER, totalling EUR 406 (392) million calculated in PSP (pharmacy sales price).

Apokjeden Group's February–April consolidated net sales in wholesale and retail grew by 6.5% to EUR 188 (176) million, mainly as a consequence of more foot traffic and prescriptions in the pharmacies. Apokjeden's retail market share, excluding hospitals and hospital pharmacies, was 36%. Apokjeden's operational performance has improved significantly in 2008 due to improvements in all entities.

Apokjeden opened three new pharmacies in the period February–April 2008. The recruitment of pharmaceutical personnel remains challenging, although the number of vacant positions has decreased substantially. New initiatives to recruit pharmacists from abroad have been successful.

The Norwegian customer barometer examines the customer satisfaction of 189 companies in over 30 industries. In 2008, Apotek 1 was number 5 (6 last year), which is the highest score among the pharmacy chains and a very respectable position overall.

The share of Apokjeden's operations in the Group net sales remained at 14%, and the company employed an average of 2,008 (1,855) people.

#### Tamro Estonia

Based on Tamro Estonia management estimates, total pharmaceutical sales in Estonia rose to 49 million EUR (765 million EEK) in PPP during February–April 2008, up by 15% from the same time last year. Key growth drivers included increased government spending on healthcare and optimistic economic growth forecasts.

Tamro's net sales in Estonia during February–April were EUR 20 (17) million. Apteek1 maintained its position as the largest pharmacy chain in Estonia with 186 Apteek1 outlets, including the fully owned and membership pharmacies. This corresponds to an estimated market share of approximately 31%.

The Estonian Ministry of Social Affairs is considering an option to approve the online retail of OTC pharmaceuticals, while prescription drugs could only be bought in an Internet pharmacy after the validation of digital prescriptions. The ministry has submitted the online pharmacy plan for government approval during the first half of 2008.

The Estonian Ministry of Social Affairs may also approve law amendments, which would cancel current restrictions on the opening of new pharmacies as of late 2008 or early 2009.

The share of Tamro Estonia's operations in the Group net sales remained at 1.5%, and the company employed an average of 305 (269) people.

#### Tamro Latvia

In the first three months of this financial year, total pharmaceutical sales in Latvia increased by 5% to EUR 69 (66) million in PPP. This was attributed to by increased medicine prices combined with considerable growth in the amount of reimbursed medicines sold to pharmacies.

Tamro's net sales in Latvia during February–April were EUR 31 (30) million. The average retail market share of Tamro Latvia's pharmacy chains during the reporting period was 26%, including the fully owned and membership pharmacies. The average wholesale market share of pharmaceuticals was 23%.

Despite the slower market growth in the first months of 2008 and continuous tough competition, Tamro Latvia maintained its solid market position. The general lack of pharmacists in Latvia caused pressure on Tamro Latvia's retail development, but the difficult situation was stabilised during the financial period.

The Latvian government has announced the concept for its national pharmaceutical policy developed by the Ministry of Health. It includes three new laws concerning pharmaceutical care, drug supply and veterinary medicine. The new laws would, for example, co-ordinate pharmaceutical provision services and determine the basic requirements of a reimbursement system. It is expected that the Ministry of Health will prepare the legislation by the end of this year.

Tamro Latvia will continue the 'Aptieka 1' partnership programme with independent pharmacies in order to increase overall customer satisfaction and loyalty. In retail, Tamro Latvia will focus on strengthening its market position through pharmacy acquisitions.

The share of Tamro's Latvia operations in the Group net sales remained at 2%, and the company employed an average of 394 (357) people.

#### Tamro Lithuania

In February–April, the Lithuanian pharmaceutical market grew by approximately 5% to EUR 110.3 (105.6) million in PPP. The market slowdown was driven by a 3.0% decline in volume and a 7.5% increase in price level. The negative market trend is mainly explained by a mild flu season and a temporary decrease in the general consumption of pharmaceuticals

Tamro Lithuania's net sales during February–April were up by 4% at EUR 27 (26) million. The wholesale market share during February–April was down to 18%, which is a consequence of a major retailer expanding its own wholesale operations. This consolidation of the market makes wholesale competition very tough. The market share in retail business was 6%. Fierce price competition between pharmacies and high personnel costs are putting pressure on the profitability of the whole pharmaceutical retail sector.

Tamro Lithuania's share of the Group net sales was 2%, and the company employed an average of 383 (408) people.

#### Phoenix Pharma Polska, Poland

In the first quarter of 2008, Polish pharmaceutical sales to pharmacies and hospitals grew to EUR 1,579 million, an increase of approximately 8.2% compared to the same period last year. Phoenix Pharma Polska's net sales during February–April were EUR 93 (89) million, and the market share in the competitive Polish pharmaceutical wholesale market was approximately 3%, similar to the previous reporting period.

Pharmaceutical market analysts expect market growth to slow down due to the Ministry of Health's refund policy, which promotes cheaper pharmaceuticals in order to reduce budget expenditures.

The Ministry of Health took a first step towards introducing its new reimbursement policy aimed at reducing the prices of prescription drugs. During this reporting period, the Ministry published a new list of pharmaceutical and medical products eligible for full or partial reimbursement, together with proposed sums of reimbursement for each class of drug.

During the reporting period, Phoenix Pharma Polska entered the retail segment of the market with the acquisition of 17 pharmacies. Subsequently, substantial efforts have been placed on the integration of newly acquired pharmacies with PPP structures, and on familiarisation and alignment with PPP operating procedures.

Phoenix Pharma Polska's share of the Group net sales was 7%, and the company employed an average of 380 (355) people.

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

#### February–April

The Group's February–April net sales amounted to EUR 1,387 (1,352) million, an increase of 2.6% compared to the same quarter last year.

The Group's operating profit in February–April was EUR 34 (31) million and the operating margin 2.4 (2.3) %. The profit before tax totalled EUR 31 (30) million, 6.4% more than in the same quarter a year ago. The net profit increased by 0.9% to EUR 23 (22) million. The return on equity was 28.9 (23.2) % and the equity ratio was 20.6 (29.7) %. The decrease in equity ratio is due to dividend distribution.

### **Investments and divestments**

The gross investments totalled EUR 8 (6) million during February–April. Investments consisted mainly of investments in operational assets and retail acquisitions.

### **Financing**

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

The interest bearing net debt increased from EUR 11 million at the end of the financial year 2007/08 to EUR 130 (126) million at the end of April 2008. The amount of sold receivables decreased from EUR 190 million at the end of the financial year 2007/08 to EUR 68 (76) million at the end of April and was the reason behind this change. The effective net debt including as debt the sold receivables of EUR 68 (76) million equalled EUR 198 (201) million.

Cash and liquid assets increased to EUR 21 (9) 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 programmes was EUR 177 (166) million at the end of April.

Net financial items totalled EUR -2 (-2) million during the first quarter. The higher interest rate level and the continuing turbulence in global credit markets will have a negative impact on the net financial items on a yearly level. Net gearing increased to 45 (32) % due to the dividend distribution.

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

In the first quarter, the operative cash flow before changes in net working capital and investments increased to EUR 33 (30) million. The change in the net working capital produced a cash flow of EUR -148 (-157) million and the net investments amounted to EUR -5 (-1) million. The free cash flow during the first quarter was EUR -120 (-128) million. The net working capital increased from EUR 16 million at the end of the financial year 2007/08 to EUR 161 (198) million at the end of April.

### **Personnel**

The Group employed 5,007 (4,631) people at the end of the reporting period. Of these, 2,643 (2,427) worked in retail and 2,364 (2,204) in pharmaceutical wholesale and administration.

### **Decisions of the Annual General Meeting 1 April 2008**

It was resolved that the Board of Directors shall consist of eight members. **Bernd Scheifele** was reelected chairman of the Board of Directors for the next mandate. **Mikael von Frenckell**, **Matti Elovaara**, **Lorenz Näger**, **Reinhard Rupp** and **Reimund Pohl** were reelected as members, and **Hans-Ulrich Kummer** and **Øyvind Winther** were elected as new members of the Board of Directors for the next mandate.

Ernst & Young, firm of auditors approved by the Central Chamber of Commerce of Finland and **Anna-Maija Simola**, auditor approved by the Central Chamber of Commerce of Finland were reelected auditors of the company for the financial period of 1 February 2008 – 31 January 2009.

### **Outlook for the year**

The on-going deregulation process in Sweden has a major effect on market development and on Tamro's performance, even though the main impact will not materialize until the financial year 2009/10. Uncertainty about the general economic development will slow down market growth in

some of Tamro's markets. However, for the remaining financial year Tamro expects the results to equal or exceed last year's thanks to operational improvements and cost efficiency. Customers are at the heart of Tamro's strategy, and Tamro's measures to ensure even better customer loyalty will help Tamro to continue developing its position as a leading pharmaceutical wholesaler and retailer in Northern Europe.

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).

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CONSOLIDATED INCOME STATEMENT				
	2/08-4/08	2/07-4/07	Change	2/07-1/08
(EURm)	2008	2007	%	2007
Net Sales	1,387.2	1,352.3	2.6	5,605.2
Other income	1.7	3.0	-43.3	3.6
Raw materials and services	-1,265.8	-1,244.0	1.8	-5,144.2
Personnel expenses	-54.7	-48.4	13.0	-211.3
Depreciation and value adjustments	-8.6	-8.6	0.0	-32.3
Other operating expenses	-26.1	-23.0	13.5	-98.6
Operating profit	33.7	31.3	7.7	122.4
Financial income and expenses	-2.3	-1.8	27.8	-1.9
Share of associated companies' net income	0.0	0.0	-	0.3
Profit before taxes	31.4	29.5	6.4	120.8
Income taxes	-8.8	-7.2	22.2	-31.9
Minority interest	-0.1	0.0	-	-0.1
Net profit for the period	22.5	22.3	0.9	88.8

CONSOLIDATED BALANCE SHEET			
	30.4.	30.4.	31.1.
(EURm)	2008	2007	2008
Assets			
Intangible and tangible assets	327.1	314.4	322.9
Financial assets	15.4	17.4	17.5
Inventories	405.9	389.1	391.7
Receivables	640.4	600.8	504.6
Liquid assets and short-term investments	21.2	9.3	38.6
	1,410.0	1,331.0	1,275.3
Equity & liabilities			
Shareholders' equity	289.1	395.7	335.9
Minority interest	1.0	0.2	0.3
Obligatory reserves	1.4	1.9	1.6
Long-term liabilities	28.8	28.3	28.7
Short-term liabilities	1,089.7	904.9	908.8
Balance sheet total	1,410.0	1,331.0	1,275.3

CONSOLIDATED CASH FLOW STATEMENT				
	2/08-4/08	2/07-4/07	Change	2/07-1/08
(EURm)	2008	2007	%	2007
Operating profit	33.7	31.3	7.7	121.3
Depreciation, value adjustments and other adjustments	8.6	8.6	0.0	32.1
Financial income and expenses	-0.9	-1.9	-52.6	-4.4
Other income and expenses	-1.9	-3.1	-38.7	2.4
Taxes	-6.8	-5.0	36.0	-14.1
Cash flow before change in net working capital	32.7	29.9	9.4	137.3
Change in net working capital	-147.7	-157.3	-6.1	10.5
Cash use in/from operating activities	-115.0	-127.4	-9.7	147.8
Investments in tangible and intangible assets	-7.7	-6.2	24.2	-37.1
Proceeds from disposal of tangible and intangible assets and financial investments	2.4	5.5	-56.4	5.3
Cash used in investing activities	-5.3	-0.7	657.1	-31.8
Free cash flow	-120.3	-128.1	-6.1	116.0
Change in loans and other financial items	102.8	82.0	25.4	-6.9
Dividends paid	0.0	0.0	-	-125.9
Translation differences and other changes	0.0	0.2	-100.0	0.1
Cash used in/from financing activities	102.8	82.2	25.1	-132.7
Change in cash and cash equivalents	-17.5	-45.9	-61.9	-16.7

KEY FIGURES				
	2/08-4/08	2/07-4/07	Change	2/07-1/08
	2008	2007	%	2007
Operating margin, %	2.4	2.3		2.2
Profit margin, %	2.3	2.2		2.2
Return on capital employed, %	33.3	26.7		32.0
Return on equity, %	28.9	23.2		25.1
Gross investments, €m	7.7	6.2	24.2	37.1
Free cash flow, €m	-120.3	-128.1	-6.1	116.0
Capital employed, €m	413.5	478.4	-13.6	405.8
Net working capital, €m	160.8	198.3	-18.9	16.1
Interest-bearing net debt, €m	130.1	125.5	3.6	10.8
Net gearing, %	44.8	31.7		3.2
Equity Ratio, %	20.6	29.7		26.4
Number of shares- at end, millions*	114.5	114.5	0.0	114.5
Number of shares- average, millions*	114.5	114.5	0.0	114.5
Earnings per share, €*	0.20	0.19	2.7	0.78
Equity per share, €*	2.53	3.46	-26.8	2.94
Number of employees, average	4,896	4,618	6.0	4,736
* excluding own shares				

NET SALES BY BUSINESS UNIT				
	2/08-4/08	2/07-4/07	Change	2/07-1/08
(EURm)	2008	2007	%	2007
Tamro Sweden	387.6	429.4	-9.7	1,685.7
Nomeco, Denmark	398.2	355.6	12.0	1,526.1
Tamro Finland	258.9	241.6	7.2	1,032.4
Apokjeden, Norway	187.7	176.3	6.5	765.5
Tamro Estonia	20.4	17.1	19.3	70.4
Tamro Latvia	30.6	30.0	2.0	117.6
Tamro Lithuania	26.6	25.7	3.5	101.5
PHOENIX Pharma Polska, Poland	93.4	88.8	5.2	362.7
Other and internal	-16.2	-12.2	32.8	-56.7
Group total	1,387.2	1,352.3	2.6	5,605.2

CONTINGENT LIABILITIES			
	30.4.	30.4.	31.1.
(EURm)	2008	2007	2008
Property mortgages	0.8	0.8	0.8
Guarantees for others	0.3	0.5	0.3
Other commitments	79.3	43.1	81.6
	80.4	44.4	82.7

DERIVATIVE FINANCIAL INSTRUMENTS			
	30.4.	30.4.	31.1.
(EURm)	2008	2007	2008
Derivatives - notional amounts			
Currency instruments			
Currency forward contracts	214.3	247.0	329.3
Derivatives - market value			
Currency instruments			
Currency forward contracts	0.1	-0.1	-0.6

\*) 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.