Press release

7 April 2011

Comparable figures refer to last year's corresponding period unless otherwise stated. All the figures and comparable data are now presented according to IFRS.

TAMRO GROUP FINANCIAL STATEMENTS 1 FEBRUARY 2010–31 JANUARY 2011: RECORD YEAR FOR TAMRO GROUP

Highlights of the financial year

- Tamro Group's revenue in the financial year 2010/11 amounted to EUR 4,387 (4,075) million, up by 7.7% from the previous year.
- EBIT increased to EUR 198 (130) million, and the operating margin to 4.5% (3.2%). Profit for the period was EUR 147 (95) million.
- The financial year was a record year for Tamro Group.
- Beside positive one-off items, also the operational development was strong: operations in the Nordic and Baltic countries improved despite slow market growth.
- The operational improvements are driven by internal efficiency measures and successful category management in retail. Tamro Group's market shares developed positively, especially in the Nordic markets.
- In addition, the result was positively affected by strengthened exchange rates, the divestment of the Swedish retail operations and a minority stake in the Russian pharmaceutical wholesaler ZAO Rosta, and decreased pension obligations in Norway.
- The development of net working capital and balance sheet continued positively. Comparable interest-bearing net debt, including cash pool receivables, amounted to EUR 13 (61) million. Reported net debt was EUR 321 (61) million.
- In Poland, Tamro Group is considering its strategic alternatives. This includes discussions with external parties to find a stronger and more sustainable base for future operations.

Group key figures

	02/2010–01/2011	02/2009–01/2010	Change %
Revenue, EUR million	4,386.9	4,074.8	7.7
EBIT, EUR million	197.5	129.6	52.4
Profit before tax, EUR million	192.6	120.8	59.4
Return on capital employed, %	32.9	24.6	
Personnel, average	5,455	5,516	–1.1

Outlook for 2011/12

The pharmaceutical markets are expected to remain stable with modest overall growth. On average, growth in the Nordic pharmaceutical market is estimated to be 1% in local currency. In the Baltic countries, markets are expected to slowly recover as the economic environment further stabilises.

Tamro Group will invest significantly in developing the capacity of the logistics centres in Tampere and Gothenburg in 2011/12. This will enable Tamro to address the increasing volumes and high customer expectations also in the future.

Despite the expected low market growth, the financial results are expected to improve moderately in 2011/12 as compared to the previous year baseline without one-off and extraordinary items.

Tamro Group President and CEO Juha Koponen:

“During the financial period 2010/11 we continued to improve our performance significantly and reached the best result ever for Tamro Group. This was clearly supported by positive extraordinary items, but also our operational results were very good. As a crucial link in the pharmaceutical distribution chain, this performance gives us a strong basis to secure the needs and expectations of our customers also through new investments. I want to warmly thank all our employees, customers, and cooperation partners for the progress during last year.”

The financial statements for the financial year 2010/11 have been audited.

Tamro Corporation
Board of Directors

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Markets and operating environment

In Sweden, the operating environment continued its transformation following the pharmacy market deregulation in 2009. The actors in the pharmaceutical sector adapted their operations to suit the new situation and new pharmacy chains and pharmacies were established. The pharmaceutical market grew by 2% but this figure does not include OTC pharmaceutical sales in grocery stores.

The Danish pharmaceutical market grew by 1.1%. This growth resulted from the strong hospital sector, whilst the pharmacy sector contracted. The pharmacy sector decrease is due to the large share of inexpensive generic medicines. In Denmark, the prices of generics are among the lowest in Europe.

The pharmaceutical market growth in Finland decreased 0.5% as a result of the reference price system.

In Norway, growth in the pharmacy market, including hospital pharmacies, prescription medicines, OTC products and commodities, slowed down to 2.9%. The market growth is driven primarily by new, expensive pharmaceuticals exclusive to the hospital pharmacies.

The Baltic countries showed signs of stabilisation after the economic downturn towards the end of the financial year. In Estonia, the pharmaceutical market grew by 2.6% and in Latvia by 5% compared to previous year. In Lithuania, the pharmaceutical market decreased 2.6%.

In Poland, the growth of the pharmaceutical market slowed down slightly compared to previous years. The market grew by 5.9%.

Main events in 2010/11

At the end of the first quarter, Tamro decided to continue as an independent wholesaler not integrated with any retail activities on the Swedish market. Consequently, Tamro divested its pharmacy operations. This decision has been well received in the Swedish market. Tamro booked a capital gain of EUR 3.3 million from the sale of the retail operations.

Tamro Group’s independent external financing arrangements were discontinued and centralised to the European level during the third quarter when Tamro’s parent company PHOENIX Pharmahandel GmbH & Co KG successfully rearranged and centralised the group financing structure. As a part of these arrangements, certain Tamro Group companies, together with other PHOENIX Group companies, guaranteed loans for the parent company for a total value of EUR 2.4 billion. The centralisation of financing affects the reporting of cash and cash equivalents and interest-bearing net debt, which, on a comparable basis, have developed positively. The centralisation of financing had a small positive effect on Tamro’s profitability.

In the last quarter, Tamro Group divested its minority stake in Russian pharmaceutical wholesaler ZAO Rosta. Tamro acquired a minority stake in the company in 2002 and increased the stake to 42.5% in 2006. Tamro booked a capital gain of EUR 15.2 million from the sale of the shares. In addition, Tamro Group's result was positively affected by a decrease in pension obligations of EUR 18.3 million in Norway, due to the amendment of the Norwegian pension legislation.

Tamro Group began to consider its strategic alternatives in Poland. It is likely that a solution concerning operations in Poland will be reached during the financial year 2011/12.

Financial performance in 2010/11

In the financial year 2010/11, the revenue of Tamro Group amounted to EUR 4,387 (4,075) million, up by 7.7% from the previous year mainly due to strengthened exchange rates from the Swedish and Norwegian currencies and improvements in the Nordic markets.

Tamro Group's EBIT increased to EUR 198 (130) million, and the operating margin to 4.5% (3.2%). The increase resulted from operational improvements, coming from all Nordic and Baltic operations. In addition to the operational improvements, one-off items from divestments in Sweden and Russia, decreased pension obligations in Norway and stronger exchange rates all had a positive effect on the profits.

Profit for the financial year was EUR 147 (95) million. Return on equity was 40.6% (34.4%) and the equity ratio was 22.0% (20.9%).

Financing

During the third quarter, the financing operations of Tamro Group were centralised to the finance companies of the PHOENIX Group. External funding sources, including commercial paper programmes, revolving credit facilities and overdraft limits held by Tamro, were cancelled with the exception of certain minor local credit limits. The securitisation programmes were prolonged until end of December 2013. All foreign exchange dealings between Tamro and external banks were discontinued. All funding- and treasury-related operations now take place between Tamro companies and the parent company's finance companies.

At the end of the financial year, net debt was EUR 321 (61) million. The change is explained by the change of ownership of the cash pools since a major part of liquidity previously reported as cash is now reported as receivables from the parent company. The comparable net debt, including cash pool receivables, amounted to EUR 13 (61) million. The net debt includes as debt the receivables sold of EUR 76 (99) million. Cash and liquid assets amounted to EUR 23 (123) million. The unused limit in revolving credit facilities with core banks amounted to EUR 0 (120) million, and the unused limit in the securitisation programmes was EUR 105 (89) million at the end of January.

Net gearing increased to 81.7% (18.7%) from previous financial year while the net gearing including cash pool receivables improved to 3.3% (18.7%).

Free cash flow and net working capital

The operative cash flow before changes in net working capital and investments was EUR 161 (128) million. Change in net working capital resulted in a cash flow of EUR –35 (28) million. The net cash flow effect of net investments was EUR –1 (–32) million due to the divestment of the minority stake in ZAO Rosta. On a full-year basis the free cash flow was EUR 126 (124) million.

Financial expenses

For the financial year 2010/11 the Group's net financial expenses were EUR –4.8 (–8.9) million. The decrease is explained by lower net debt and fees received for guaranteeing the parent company's financing arrangements.

Capital expenditure, acquisitions and divestments

Gross capital expenditure and acquisitions totalled EUR 32 (33) million. Investments were made mainly in the retail sector, comprising acquisitions and refurbishment of pharmacies, and in operational improvements to maintain efficiency.

Changes in the Group structure

The Swedish retail operations and the minority stake in Russian company ZAO Rosta were divested. Other than that, there were no major changes in the Group structure.

Personnel and organisation

In 2010/11 the average number of personnel employed by Tamro Group totalled 5,455 (5,516). The number is distributed geographically as follows: 40% in Norway, 10% in Denmark, Sweden and Poland each, 9% in Lithuania, 7% in Finland and 6% in Latvia and Estonia. On average, 58% of the personnel worked in retail and 42% in wholesale.

Board of Directors and Auditors

According to a decision by the General Meeting on 3 February 2010, **Øyvind Winther** ceased to be a member of the Board of Directors. After this, the Board Directors consisted of seven members: **Dr Bernd Scheifele** (Chairman of the Board), **Matti Elovaara**, **Mikael von Frenckell**, **Jo Langmoen, Dr Lorenz Näger**, **Reimund Pohl** and **Dr Michael Majerus.**

At the Annual General Meeting on 29 April 2010, Authorised Public Accountants Ernst & Young Oy and **Anna-Maija Simola**, APA, were re-elected as Tamro's external auditors.

Events after the financial period

In March 2011, **Tarvo Vaasa** retired from his position as the CEO of Tamro Estonia. His responsibilities were, for the time being, taken over by Tamro Group CFO **Sakari Ahdekivi** in addition to his own duties.

APPENDICES
Consolidated income statement
Consolidated statement of financial position
Statement of changes in equity
Consolidated statement of cash flow
Key figures
Contingent liabilities
Revenue by business unit
Number of employees by business unit

All the figures and comparable data are now presented according to IFRS.