TAMRO
Group

Tamro Annual Report 1995

Tamro Group 1995

CONTENTS

3
THE ANNUAL GENERAL MEETING

4
TAMRO IN BRIEF

5
REVIEW OF THE BULLETINS TO THE STOCK EXCHANGE 1995

6-7
THE REVIEW BY THE CEO

8-13
PHARMA DISTRIBUTION DIVISION

14-15
HOSPITAL AND LABORATORY DIVISION

16-17
KOLMI-SET DIVISION

18-19
GROUP DEVELOPMENT

20
KEY FINANCIAL INDICATORS 1991–1995

21
CALCULATION OF FINANCIAL RATIOS

22-26
ANNUAL REPORT OF THE BOARD OF DIRECTORS

27
CONSOLIDATED INCOME STATEMENT

28-29
CONSOLIDATED BALANCE SHEET

30
CONSOLIDATED CASH FLOW STATEMENT

31
INCOME STATEMENT AND CASH FLOW STATEMENT OF PARENT COMPANY

32
BALANCE SHEET OF PARENT COMPANY

33-35
ACCOUNTING POLICY

35-41
NOTES TO THE FINANCIAL STATEMENTS

42
BOARD'S PROPOSAL FOR THE DISPOSAL OF NON-RESTRICTED EQUITY

43
AUDITOR'S REPORT

43
STATEMENT BY THE SUPERVISORY BOARD

44-45
INFORMATION ON TAMRO'S SHARES

46-47
ADMINISTRATION

48-49
GROUP ORGANIZATION

50-51
DIRECTORY

The Annual General Meeting of Tamro Corporation will be held at Tamro House, Rajatorpantie 41 B, Vantaa, on April 25, 1996 at 4 p.m. Shareholders who wish to attend must give notification not later than 4 p.m. on April 23, 1996, either by writing to Tamro Corporation, P.O. Box 11, FIN–01641 Vantaa, or by phoning Eva Mäkeläinen/ +358 0 8520 1562. Please give notice of any proxies in the notification.

Shareholders whose shares have been transferred to the share register maintained by the Central Share Register of Finland Cooperative no later than April 15, 1996, as well as those shareholders who were entered in the company's shareholders' register before October 28, 1994, are entitled to attend the company meeting. In such a case, the shareholder must present his or her share certificate or other evidence that the holding is not entered in a book–entry securities account.

PAYMENT OF DIVIDEND

If the company meeting passes the Board's proposal for dividend, FIM 0.70 per share will be paid to those shareholders who are registered in the shareholders' register kept by the Central Share Register of Finland Cooperative on the matching date, April 30, 1996. Dividend will be paid on May 6, 1996.

PUBLISHING SCHEDULE

Tamro Corporation will publish the following
interim reports for 1996 in Finnish, Swedish and English:

— January–April, on June 11, 1996

— January–August, on October 17, 1996

Annual and interim reports
can be ordered from:

Tamro Corporation
Corporate Communications
P.O. Box 11, FIN–01641 Vantaa
Fax int. +358 0 8520 1009

WHO WE ARE AND WHERE WE ARE GOING

OUR VISION

The Tamro Group as a North-European public company has a leading position in distributing health care products and in marketing hospital and laboratory products in the Nordic countries, the Baltic states and in St. Petersburg. The Group is also one of the major producers of disposable hospital textiles in Europe.

Our key success factor is the addition of efficiency in the whole health care distribution chain through superior mastering on material and information flows.

Our goals are to increase the shareholder value, to exceed the expectations of our business partners, to be a challenging and fair employer for the personnel and a good citizen in the countries we operate.

OUR POSITION IN THE PHARMACEUTICAL CHAIN

The distiribution of pharmaceuticals in Finland and Sweden is based on a partnership between the pharmaceuticals manufacturer and the distributor. The partnership means that the manufacturer gives its entire logistics for one distributor to handle. At its furthest extent, the contract covers the import of products as well as their materials and information management. Thus an intermediate step between the producer and the distributor, common in other parts of Europe, is not needed. The main emphasis in Tamro's pharmaceutical supply is increasing cost-efficiency for the entire distribution chain. At the same time that the share of distribution in pharmaceutical costs is smaller in Sweden and Finland than in other European countries, the prices of pharmaceuticals in these Nordic countries are also lowest compared to the average European price level. The progression of efficiency and cost rationalisation which is credited to the Nordic distribution concept, inspired by Tamro and ADA, benefits the pharmaceutical supply in all of Northern Europe for the good of the health of everyone.

FOCUS DURING 1995

The most characteristic feature during Tamro´s centennial year was the strong expansion of the core business into other Nordic countries, especially Sweden. Tamro acquired ADA AB, the most predominant distributor of pharmaceuticals in the Nordic countries. Net sales grew threefold and two thirds accumulated in Sweden. Profits also have a new higher starting level, beginning in this fiscal year.

During the end of 1995, we spent a lot of time planning our future and defining our goals. The control of the flow of information and materials that exists between the producers and Tamro in all of Northern Europe, the expansion of the market of hospital and laboratory products into Sweden as well as the growth of the market area of Kolmi-Set products in Europe are the new Tamro Group´s crystalised goals for the near future.

The profit of the Group after financial items grew by 8 percent from the the previous year's pro forma result and was FIM 155 million. The entire year´s profit was at the targeted level, but during the third tertial of the year it did not develop at the same rate as it did during the first two periods. The planning and start-up costs that resulted from the big change process weakened the result at the end of the year. The operating profits of the Hospital and Laboratory Division and the Pharma Distribution Division grew by 14 percent from the previous year's pro forma results, and the Kolmi-Set Division´s operating profit decreased from the year before. The net sales of the Goup grew by 12 percent and exceeded the targeted level. The free cash flow of the Group was much better than expected and the net gearing ratio decreased. The equity ratio of the company was 42.8 percent.

FINANCIAL HIGHLIGHTS

		1995	1994 *pro forma*	1994
Net Sales	FIM m	**10,735**	9,610	3,565
Operating profit	FIM m	**181**	174	100
Profit after net financial items	FIM m	**155**	143	73
Profit before tax	FIM m	**157**	159	90
Return on capital employed	%	**11.1**	11.7	8.5
Earnings per share	FIM	**1.33**	1.25	1.29
Dividend	FIM	**0.70** *	0.50	0.50
Net gearing	%	**–7.8**	14.8	18.7
Equity ratio	%	**42.8**	44.8	50.9
Investments	FIM m	**73**	118	102
Number of employees, end of period		**2,041**	1,949	1,383

** Board proposal*

Tamro issued 24 Stock Exchange bulletins in 1995. A summary of the most significant bulletins is in the following.

23 JANUARY

Tamro Corporation's extraordinary general meeting agreed that the Auditors' Report given on the Spontel Oy special audit does not give cause for further action. The audit concerned the investments in the subsidiaries and affiliates of Spontel, the management and accounts of the company for the years 1988–1992, as well as the management incentive schemes during their validity, up until 17 May 1993.

10 MARCH

Financial Statement Bulletin: The net sales of the Tamro Group grew in 1994 by 8 percent from the year before, totaling FIM 3,503 million. The profit after financial items doubled, amounting to FIM 73.4 million. The results before appropriations and taxes increased to FIM 89.7 million and were profitable, after having shown a loss of FIM 164.1 million the year before.

The share of health care in the net sales of Tamro increased to over 98 percent. The Pharmaceutical Distribution Division and the Hospital and Laboratory Division reinforced their positions in the distribution of pharmaceuticals and sales of hospital products. The Kolmi-Set Division was strengthened through the acquisition of a factory manufacturing disposable surgical textiles and protective clothing in France. The Tamda Division extended its operations to the St. Petersburg area. A new financing agreement was signed for the affiliate company Castrum, lasting until the end of the century.

The Board of Directors of the Tamro Corporation proposed that the general meeting authorise it for one year to take up one or more convertible bond issues or warrant bond issues, and to raise the share capital by a maximum total of FIM 96 million with one or more subscription issues.

15 JUNE

Interim Report, January-April 1995: The net sales of the Tamro Group grew by 10 percent to FIM 1,236 million. The profit after financial items was FIM 26.6 million, showing an increase of 5 percent from the corresponding period the year before. The profit before taxes and minority grew by 27.5 percent from the previous year and amounted to FIM 26.4 million. The sales during the latter half of the year were expected to grow more slowly than during the first half. The profit after financial items was expected to remain on the same level as the year before.

6 JULY

According to the proposal by the principal owners of the Tamro Corporation and the Swedish ADA AB, the two companies will be integrated into one. Tamro will direct a non-cash issue to ADA's owner Apoteksbolaget which will pay the issue with ADA's share capital. Thus Apoteksbolaget will become the major shareholder in Tamro, owning 45.5 percent of the shares.

The goals of the integration will be to gain the best possible benefit and cost-efficiency in the core business, generating from the size of the new corporation, to enable the companies to expand further and to avoid overlapping investments in Northern Europe. The new group distributes pharmaceuticals in Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Russia.

23 AUGUST

The extraordinary general meeting of 22 August approved the Board of Directors' proposal of raising the share capital from FIM 480,490,370 to FIM 881,633,700 through a subscription issue with FIM 21 per share. The new shares will be offered to Apoteksbolaget for subscription. Apoteksbolaget will remit the subscription price to Tamro by a non-cash issue of the entire share capital it owns in ADA AB.

The general meeting approved the Board of Directors' proposal of introducing into the articles of association a new stipulation concerning the redemption obligation. The obligation will come into force when a shareholder's ownership reaches or exceeds 34 percent.

A decision was made to increase the number of members in the Board of Directors to five. The membership of the Supervisory Board was confirmed to 22 instead of the former 15.

The meeting granted the Board of Directors the right to exercise, when needed, the issue authorisation given at the general meeting of 27 April 1995, and to direct a warrant bond issue of a maximum of FIM 2.5 million to the ADA AB personnel according to the same conditions as with the personnel of Tamro earlier.

25 OCTOBER

Interim Report, January-August 1995: the net sales of the Tamro Group (including ADA) grew by 11.3 percent to FIM 6,841 million. The operating profit grew approximately by 5 percent amounting to FIM 132 million. The profit after financial items was FIM 114 million (FIM 101 million). The net interest-bearing debt decreased to FIM 217 million (FIM 304 million), i.e. to 14.7 percent of the equity. The figures are pro forma accounts, as ADA was not officially a part of the Group on 31 August 1995. The net sales of the new Group for 1995 are expected to be FIM 10.5 billion (SEK 1 = FIM 0.6), and the profit after financial items is expected to improve from the year before.

10 NOVEMBER

The Board of Directors appointed the top management of the new Tamro Group as well as the Directors for the different business areas. The new CEO of the Group will be Mr. Matti Elovaara. Mr. Bengt Ohlsson, President of ADA AB, was appointed to Executive Vice President of the Tamro Corporation. Tamro Group's new directors are as follows: Mr. Tapio Mansukoski as Chief Financial Officer, Mr. Ulf Pregmark as Chief Personnel Officer, and Mr. KjellOwe Gustafsson as Chief Infotech Officer. The Division Presidents will be Mr. Bengt Ohlsson in Pharma Distribution, Mr. Björn Mattila in the Hospital and Laboratory Division and Mr. Jorma Turunen in Kolmi-Set.

In 1995, the profit after financial items of the Tamro Group was FIM 155 million. This met with our expectations and exceeded the previous year's pro forma results by 8 percent. The profit more than doubled compared with Tamro's official result for the previous year. The trend in earnings and operations of the whole group was influenced by exceptional non-recurring projects occuring during the year under review of which the greatest were the acquisition of the share capital of ADA AB and integrating its operations into the Tamro Group as well as starting the operations in Norway. The profit of the Hospital and Laboratory Division developed exceptionally well as did the profit of the Pharma Distribution compared with the previous year. The profit of the Kolmi-Set Division remained 14 percent smaller than in the previous year due to the costs that increased more rapidly than planned.

Last year, Tamro began a structural change in the commercial activities of health care in Northern Europe. The goal is to create an extensive and leading commercial health care corporation in the Nordic countries, the Baltic states and Northwest Russia that offers, to the regional customers and the international health care industry, the best partnership in the distribution of pharmaceuticals and in the marketing and distribution of hospital and laboratory products. We call this the Nordic Concept. In the previous year, we began transferring the focus of the operations of our other core business area, Kolmi-Set, producing disposable hospital textiles, from Northern Europe and aiming it at the entire European market. This work continued last year when the French operations were integrated into the organisation of Kolmi-Set.

> "The goal is to create an extensive and leading commercial health care corporation in the Nordic countries, the Baltic states and Northwest Russia that offers, to the regional customers and the international health care industry, the best partnership in the distribution of pharmaceuticals and in the marketing and distribution of hospital and laboratory products. We call this the Nordic Concept."

Today, the commercial activity in Northern Europe in terms of the distribution of pharmaceuticals covers Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Northwestern Russia, and in terms of hospital and laboratory supplies, all the aforementioned with the exception of Sweden and Norway. The Kolmi-Set Division operates with its own organisation in the Nordic countries, France, the Baltic states and Northwest Russia. The merging of ADA into the Tamro Group thus created massive possibilities for commercial activity in Northern Europe. The commencement of operations in Norway during November of 1995 and the possibility of opening the market in Denmark as well as great expectations of increases in consumption in the Baltic states and Northwest Russia offer a firm foundation for the distribution of pharmaceuticals. Similarily, and even to a greater extent, the future outlook of the Hospital and Laboratory Division is good, since Sweden, with its large markets, can be added to the aforementioned growth potential.

The Nordic Concept in the distribution of pharmaceuticals as well as in the marketing of hospital and laboratory products, the geographical expansion of commercial activity, and the growth of the market area of Kolmi-Set´s hospital textiles as well as increasing the efficiency of data management and the overall control of operations are our most important development projects with respect to the near future. The financial basis for the acquisition of ADA AB was predominantly founded on growth in operations and cost-efficiency.

We used the autumn to plan our next three years. Our goal was to learn to solve common problems in small groups with new co-workers, so that we can, in the future, work as one corporation. The amount of work, as well as the plans resulted from it, exceeded all our expectations. I dare say that the basis for success seems very promising.

The Board of Directors along with the Supervisory Board proposed, and our share holders agreed, that we can execute our plan for structural change in the Northern countries. I would like to express my sincere gratitude for your confidence. I also wish to thank all co-workers and the entire personnel for carrying out the plans and activities of this demanding year according to their timetables. I wish to thank our customers, partners and authorities for giving unreserved support. It has been extremely encouraging and up-lifting.

I believe that we are on the right track.

February 1996
Matti Elovaara

The Pharmaceutical Distribution Division distributes pharmaceuticals and other health care products as well as OTC products. The Division's market area covers Northern Europe, and the operations are based on close cooperation with partners. The Division aims to be a leading distributor of pharmaceuticals in Northern Europe in terms of the quality and efficiency of its services, creating added value for its partners through the effective management of information and materials.

REORGANISATION OF BUSINESS ACTIVITIES

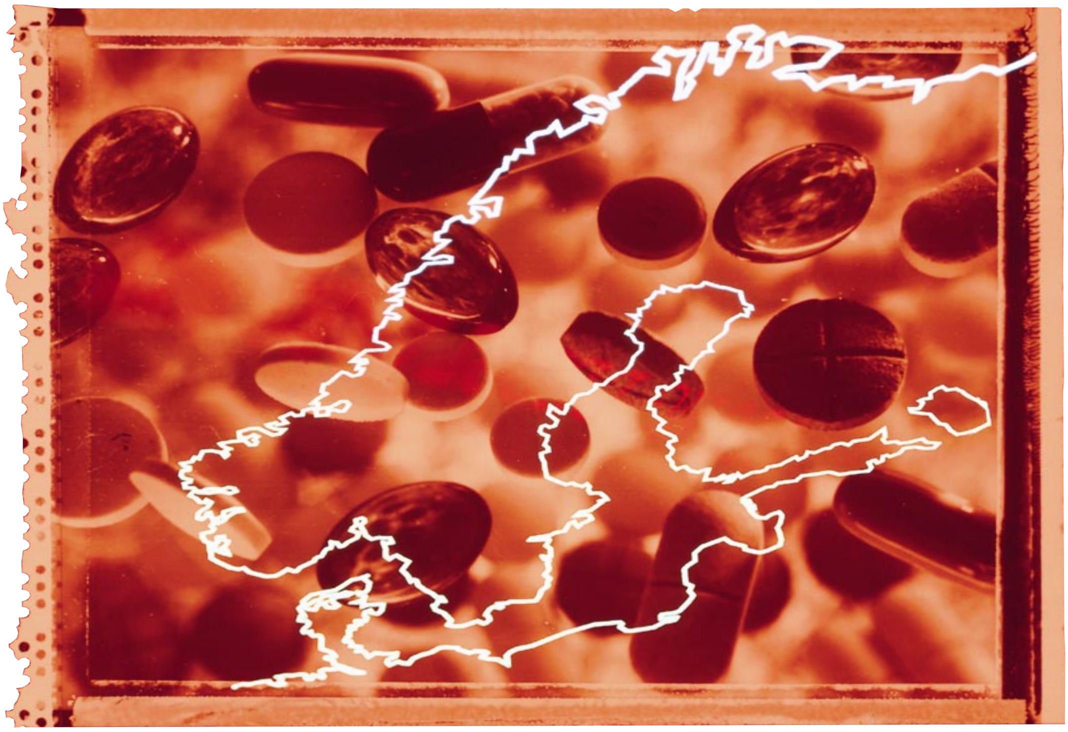
The new international Pharma Distribution Division was formed in December by combining into the same profit centre the former Pharmaceutical Distributing Division of Tamro, ADA AB in Sweden, ADA as in Norway, as well as Oy Tamda Ab in the Baltic states and Pharm Tamda 77 in St. Petersburg.

The most extensive project was the integration of Tamro and the Swedish ADA that began at the end of August. The integration of these two pharmaceutical distributors, the most significant in their respective countries, provided a unique opportunity to compare their internal operations and to exchange expertise. During the autumn, employees from both organisations planned together how profit improvements can be achieved and cost-efficiency increased in various operations.

The objective of the Pharma Distribution Division is to develop a distribution concept for pharmaceuticals and health care products covering the Nordic countries, the Baltic states, St. Petersburg and Northwest Russia. The concept consists of one central warehouse for the needs of the entire market area, and one data management system from which information concerning the inventories and sales of the entire market area can be distributed. The new service concept will accelerate and intensify the logistics in the distribution of pharmaceuticals which starts in the factory and ends with the pharmacy customer or a hospital patient. Through intensified logistics, the amount of capital tied to distribution will decrease and costs will be reduced while the level of customer service improves. The Nordic Concept comprises services that provide our partners and customers with opportunities to improve their profitability. The concept also promotes the position of the Pharma Distribution Division as an important link between production and consumers. Many multinational pharmaceutical companies have expressed interest in the new Nordic distribution concept in order to improve the management of their own flows of information and goods.

The Division is the largest distributor of pharmaceuticals in Northern Europe and the fourth largest in Europe.

THE OBJECTIVE OF THE PHARMA DISTRIBUTION DIVISION IS TO CREATE A NEW DISTRIBUTION CONCEPT FOR THE NORTH-EUROPEAN MARKET AREA. ONE LOGISTICS CENTRE AND DATA MANAGEMENT SYSTEM WILL BE FORMED FOR PROCESSING AND CONVEYING INFORMATION CONCERNING THE SALES AND INVENTORIES OF THE ENTIRE MARKET. THE REGIONAL WAREHOUSES IN THE DIFFERENT COUNTRIES WILL HANDLE LOCAL DISTRIBUTION AND THE RELATED DATA MANAGEMENT.



TREND IN EARNINGS

The net sales of the Pharma Distribution Division was FIM 9,958 million. The share of Pharma Distribution Sweden, ADA, of the Division's net sales was 68 percent, the share of Finland was 30 percent, that of Norway 0.3 percent, and that of the Baltic states and St. Petersburg 1.1 percent. The Division's operating profit was FIM 127 million, or 1.3 percent of the net sales. The result nearly reached the targeted figures and grew by 14 percent from the previous year's pro forma result.

At the end of the year, the number of employees in the Division was 1,256, of whom 35 percent worked in Finland, 45 percent in Sweden, 2 percent in Norway, and 18 percent in the Baltic states and St. Petersburg.

INVESTMENTS

The investments amounted to FIM 42 million and were divided by area as follows: Sweden FIM 26 million, Finland FIM 5 million, Norway FIM 5 million, and the Baltic states and St. Petersburg FIM 6 million.

FUTURE OUTLOOK

The integration process of Tamro and ADA will continue through the implementation of development ideas and the realization of the benefits gained. The flow of information and goods in the Nordic distribution concept will be tied together through development activities and the integration of data management systems. The emphasis of the operations will be on new joint core processes and the development of integrated data management systems in logistics.

	1995	1994 *pro forma*
Operating profit (mFIM)	**127**	111
Net sales (mFIM)	**9,958**	8,920
Share of Group Sales (%)	**93**	93
Investments (mFIM)	**42**	25
Employees, Dec. 31	**1,256**	1,248


Oulu
Umeå
Kuopio
Tampere
Turku
Vantaa
St. Petersburg
Oslo
Stockholm
Tallinn
Tartu
Göteborg
Riga
Malmö
Kaunas

PHARMA DISTRIBUTION SWEDEN

MARKET SITUATION

The growth of the total market was 12.7 percent, and the sales in terms of wholesale prices increased to SEK 13.4 billion (FIM 8.1 billion). The influence of price increases was, on average, 2 percent of the total value in the sales of pharmaceuticals. The sales of pharmaceuticals in pharmacy distribution grew by 9.8 percent and amounted to SEK 8.4 billion (FIM 5.1 billion). The market share of ADA in the sales of pharmaceuticals in Sweden was 63 percent (64.6 percent). The change was primarily due to the fact that the growth in the sales of ADA's partners was smaller than the overall development of the market. Cooperation with important distribution partners continued as in the previous year.

Partner distribution, including storage, delivery and distribution services mainly to municipalities, institutions, opticians and wholesalers, increased its sales by 102 percent amounting to SEK 289 million (FIM 177 million). Partner disribution is the fastest growing field in ADA.

Home delivery of incontinence products to approximately 180,000 consumers in Sweden, excl. Gotland, followed the expected trend. The agreement was renewed also for 1996 and 1997. The net sales were SEK 748 million (FIM 456 million).

In September, ADA expanded its distribution markets with a new product group, naturopathy products to health food stores. ADA signed agreements with, for example, Boehringer Ingelheim and Ferrosan on the storage and distribution to other wholesale dealers, as well as directly to health food stores. The total market for naturopathy products is estimated at SEK 1.7 billion (FIM 1.0 billion). Specialty stores have a market share of approximately 50 percent. The field will increasingly move towards preparations and the share of foodstuffs will decrease. Quantitative increase is expected to take place through new cooperation agreements and an increase in market share.

TREND IN EARNINGS

The net sales of ADA AB grew by 10 percent during 1995 and amounted to SEK 11.1 billion (FIM 6.8 billion). Divided by profit unit, 90 percent of the net sales was distribution to pharmacies, 7 percent home distribution and 3 percent distribution to partners. The operating profit improved significantly from 1994 and reached the targeted figures.

At the end of the year, the number of employees was 568.

INVESTMENTS

The total amount of investments was SEK 39 million (FIM 26 million), excluding the real estate investments, which were part of the merger. Investments consisted primarily of production equipment and related EDP control systems.

FUTURE OUTLOOK

Pharmaceutical distribution, in both retail and wholesale, was the topic of lively discussion in Sweden. The foundations of the Swedish pharmaceutical distribution market did not change during 1995, and 1996 is not expected to bring changes to the prevailing market situation. The possible implications of the surveys under way will, at the earliest, be visible in 1997.

During 1995, a pilot project for intensifying distribution has been under way with two large hospitals in Sweden. One of them intends to rapidly expand their activities during 1996. Several other Swedish hospitals have also expressed their interest in launching similar projects in 1996. The total value of these markets is estimated to be SEK 2 billion. The objective of ADA is to gain a significant share of the markets within three years.

PHARMA DISTRIBUTION FINLAND

MARKET SITUATION

The sales in the Finnish market in terms of wholesale prices grew by 10 percent, amounting to FIM 4.6 billion. The influence of price increases was less than one percent of the total amount of the sales of pharmaceuticals. The sales of pharmaceuticals by Tamro in Finland was FIM 2.8 billion in terms of wholesale prices and showed an increase of 8 percent. Thus the company's share of the sales of pharmaceuticals in Finland, measured in wholesale prices, was 61 percent (62 percent).

All important business partners in the distribution of pharmaceuticals continued their cooperation with Tamro. New distribution partners included Schering Oy, Institute Pasteur Merieux and Ciba Vision.

COOPERATION WITH CUSTOMERS AND PRINCIPALS

The results of an extensive survey amongst principals and pharmacy customers commissioned by Tamro were reported in the spring. According to the survey, the customers consider Tamro a leading pharmaceutical distributor in terms of level of service, quality of operations, know-how and expertise. The survey also showed what the customers' needs are and in which direction the customers want us to develop our range of services. Development has already been launched and it will be combined with the development projects of the new organisation.

Two core processes were defined in the Healthy Future business development program. The joint process teams of the Pharma Distribution and the Hospital and Laboratory Division started the description of these processes, as well as the quality improvement based on the customers' needs. Personnel training has begun and shall continue, the goal being to train the entire personnel to understand, internalize and implement the objectives of the business development program. The Healthy Future development program is a long-term project aiming at improving the overall quality of operations and customer satisfaction. At the same time, the work environment and job satisfaction of the personnel will improve.

Tamro's customer-oriented operations have been supported by the Pharmacy Institute, which was received better than expected by pharmacists, pharmacy employees and our business partners. The changing operational environment of pharmacies and an increase in competition require new expertise in customer service and business management. This is also the main objective of the Institute's training program. The courses in the Pharmacy Institute have been developed in cooperation with our customers in order to meet their actual needs.

TREND IN EARNINGS

The net sales grew by 7 percent and amounted to FIM 3.0 billion. Growth was mainly due to increase in the market. The operating profit grew by 8 percent from the year before. The result did not reach the targeted figures mainly because of the credit loss reserves made at the end of the year.

At the end of the year, the number of employees was 435.

INVESTMENTS

The investments of Pharma Distribution Finland were FIM 5 million, consisting mainly of EDP equipment and programmes as well as storage equipment.

FUTURE OUTLOOK

New instructions on the prescription of medicines using their generic names will become effective in 1996. The first sales permits for parallel imports will also be expected on the market. It remains to be seen how the changes will affect the price level of pharmaceuticals and costs caused by pharmaceuticals to patients and the national health insurance system. On the other hand, new significant medical preparations will enter the market which are more effective and safer than the old ones and will either replace old medicines or supplement medical care. In addition, sales of pharmaceuticals will be increased by the aging of the population and development in self-care. Thus it can be estimated that the sales of pharmaceuticals in Finland will grow following the average trend of the past years.

PHARMA DISTRIBUTION NORWAY

The total sales of pharmaceuticals increased by 17.5 percent, amounting to NOK 4.7 billion (appr. FIM 3.2 billion). 1995 was the first year of free competition in pharmaceutical distribution in Norway. At the beginning of 1994 ADA decided to start up a business in Norway. The organisation was built during 1995, and in October Statens Helsetilsyn granted ADA the permission to distribute pharmaceuticals wholesale.

The distribution of pharmaceuticals and OTC products to customers began on 1 November. The share of ADA as during the two months of operating was approximately 1 percent of the total markets.

In logistics, ADA as works in cooperation with the former AS Vinmonopolet, now called ARCUS. The cooperation also includes transport to customers. Other transport cooperation partners are Tollpost-Globe and Nordisk Transport AB.

TREND IN EARNINGS

During the two months of operation, the total sales of pharmaceuticals and other products increased to NOK 39 million (FIM 26 million). The share of pharmaceuticals of the total sales was 82 percent. The start-up costs for operations in Norway were NOK 15 (FIM 10 million).

At the end of the year, the number of employees was 20. The warehouse personnel are employed by ARCUS, and the number of employees hired from ARCUS is 12.

INVESTMENTS

The investments were NOK 7 million (FIM 5 million).

FUTURE OUTLOOK

The pharmaceuticals market is expected to grow in 1996 primarily due to new, more expensive products. The realization of the Nordic distribution concept is expected to create new competitive advantages for the Tamro Group and its operations in the Norwegian market.

PHARMA DISTRIBUTION
THE BALTICS AND ST. PETERSBURG

MARKET SITUATION

The expansion of Tamda´s operations has been rapid and the division has obtained a substantial share of the market in its region of operations, within the Baltic states as well as St. Petersburg. Through cooperation with its business partners – including international as well as local pharmaceutical manufacturers – Tamda has further expanded its product range. In addition, new cooperation agreements were made.

During 1995, emphasis was placed upon the computer systems, their capacity, the development of their content as well as user training. Each office of Tamda uses integrated data management covering both logistics management as well as financial control.

In its operations, Tamda complies with the GDP standards (Standards of Good Distribution Practise) of the European Union as well as with local legislation and regulations by authorities.

TREND IN EARNINGS

The net sales of the unit were FIM 112 million and grew by 134 percent. The operating result remained negative, but the trend in earnings was favourable and in accordance with set goals.

The number of employees at the end of the year was 233.

TRENDS WITHIN EACH COUNTRY

Pharmaceutical markets in Estonia showed intense growth during 1995. Tamda, with a substantial market share of over 20 percent, achieved the leading position in the Estonian market. The sales in Estonia exceeded their targets and in comparison with the previous year, growth was 52 percent. The operating result remained at a net loss. At the end of the year, the number of employees was 51.

Tamda achieved the lead in the Latvian pharmaceutical market with a share of over 20 percent. The company exceeded its sales targets and, compared to the previous year, the improvement in sales was 49 percent. The operating profit of Tamda in Latvia was positive and clearly improved, even though the unstable financial times experienced by Latvia unfavourably influenced the development of the pharmaceuticals market. Due to financial difficulties, the national health insurance system remains insufficient. At the end of the year, the number of employees was 73.

This past year was Tamda Lithuania´s first full year of operation. Operations were set in motion at a slower pace than was planned. The pharmaceutical market did not develop as was anticipated and the establishing of Western pharmaceutical companies was unexpectedly slow. The aforementioned factors resulted in Tamda Lithuania´s sales remaining under the targeted level and the operating result remained negative. The development of sales during the last months of the year was, however, rapid. The company built its organisation and at the same time created and developed operational methods. The office and warehouse premises that the company had in use were renovated and the official opening was held on 11 May 1995. At the end of the year, the number of employees was 28.

Tamro owns 60 percent of Pharm Tamda 77, operating in St. Petersburg. The company´s operations have begun as anticipated and the sales have been close to the targeted level. The operating profit was positive, though continually changing legislation and the price development of the ruble caused problems. The product range was enriched and new distribution agreements were made. At the end of the year, the number of employees was 73.

INVESTMENTS

Investments in pharmaceutical distribution in the Baltic states and St. Petersburg were, in total, FIM 6 million and were directed towards the purchase of minority-held stocks in the Latvian company, obtaining transport equipment and the renovation of real estate.

FUTURE OUTLOOK

In Tamda´s area of operations, the pharmaceutical and health care sector is extremely dependent on the authorities and on the development of legislation. If the pending changes to legislation do occur, the markets will change to be in accordance with Western standards. The number of wholesale distributors in the market will probably decrease and therefore Tamda´s market position is likely to strengthen.

The consumption of pharmaceuticals per person is expected to increase from its present level and thus the markets will develop in a positive direction. The greatest risks are the continuing instability of the payment system as well as a strong inflationary trend in salaries, wages and prices.

The Hospital and Laboratory Division markets and maintains the products in the fields of health care, laboratories, and education as well as prepares special forms used in public administration.

THE REORGANISATION OF THE DIVISION

An organisational change was made in August in order to ensure and build future competitiveness. The new organisational structure makes possible the further development of customer-oriented operations and creates potential for internationalising business practices. The present operational units of the Hospital and Laboratory Division are Tamro Medical, Tamro Lab and Printel.

Tamro Medical was formed by combining the departments of Hospital Equipment and Medipart. By means of sales teams, the new unit aims to serve health care customers more comprehensively. The service personnel participate in the sales teams and, compared to before, are even more than earlier involved in cooperation with their customers and the continuing development of operations. Tamro Medical has a wide product range, starting from supplies used in basic health care, to equipment for specialized fields in health care institutions. At the end of the year, the number of employees in the unit was 70.

Tamro Lab was formed in August by combining the departments of Apta and Kemia as well as laboratory instruments services. It is believed that cooperation between the customers and the new Tamro Lab will work more flexibly once all marketing related to laboratory products is situated in one operational unit. Customers include the laboratories in health care, as well as those of research, education and industry. The main product groups are in vitro diagnostics, laboratory supplies, chemicals, and instruments. At the end of the year, the number of employees in the unit was 64.

Printel was incorporated into the Hospital and Laboratory Division at the beginning of 1995. Printel´s field includes the wholesale of educational supplies and equipment, office supplies as well as the preparation and marketing of special forms. Customers include municipalities, cities, health care, public administration and nationwide companies. At the end of the year, the number of personnel in the unit was 59.

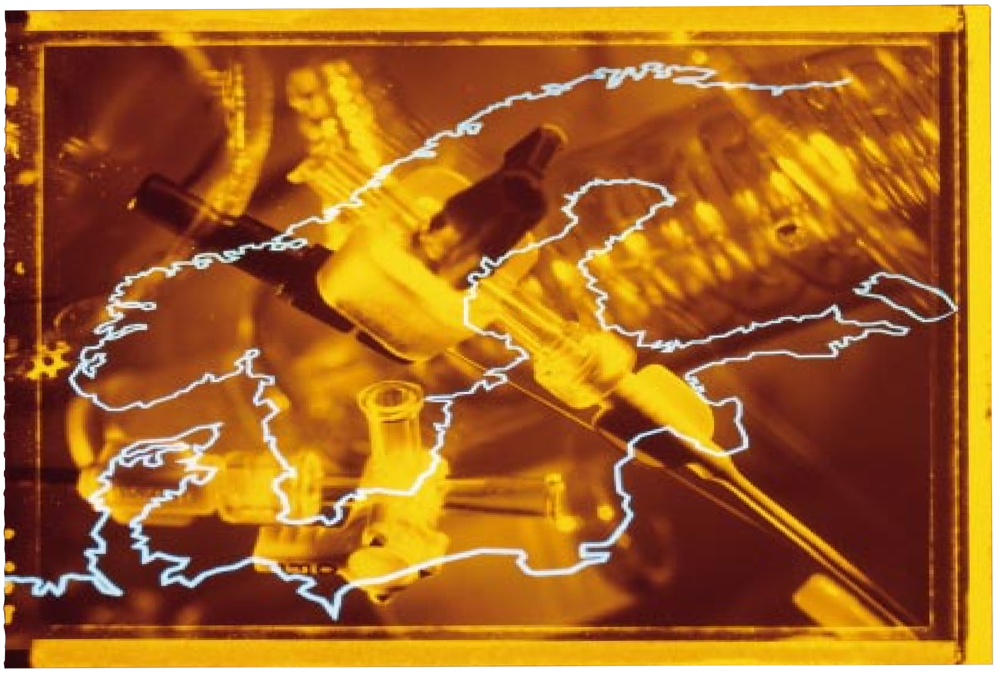
> The Hospital and Laboratory Division exceeded targeted figures in all fields of operation and increased its market shares in Finland, the Baltic states and St. Petersburg. The new and more customer-oriented organisation, as well as investments in data communications that serve marketing activity arising from the needs of the customers, will combine to create a solid platform for expanding business operations into other Nordic countries.

MAJOR EVENTS

Tamro Medical reinforced its position as an expert in specialized products through the acquisition of Mediala Oy on 29 December 1995, in which the operations of Mediala were incorporated into the division. New product groups are, for example, supplies and equipment used in ophthalmology as well as surgical instruments.

During the course of the year, Tamro Lab´s product range was expanded with microscale organic chemistry kits, standard and reference material, as well as biochemicals. Marketing of the autoradiography instruments of the Fuji Photo Film Co. was begun. Tamro Lab also began operations in the St. Petersburg region.

Influencing Printel´s main business sectors of educational sup-



plies and special forms was the fact that public finances remained tight. In the second half of the year the demand in products related to schools' investments began to recover. Storage was transferred to the company's own premises in the latter part of 1995.

TREND IN EARNINGS AND MARKET SITUATION

The net sales of the Division grew by 13 percent and were FIM 435 million. The operating profit was FIM 52 million and grew by 14 percent. The Hospital and Laboratory Division exceeded all targeted figures in all fields of operation and, in addition, increased their market share in Finland, the Baltic states and in the St. Petersburg region.

Tamro Medical increased its market share and its net sales grew by 10 percent. Net sales were FIM 185 million. According to calculations, the strike in the health care sector during the spring of 1995 decreased sales by approximately FIM 10 million. The best developments were seen in the net sales of X-ray and cardiological products, which grew by 37 percent. The investments in marketing activity in the Baltic states and the St. Petersburg region increased the sales there by 50 percent.

The net sales of Tamro Lab grew by 8 percent and were FIM 113 million. The growth in market share was especially influenced by the notable growth in the sales of laboratory instruments, 19 percent.

The net sales of Printel were FIM 137 million and grew by 24 per cent. The increase was mainly due to the growth in the market share of educational supplies.

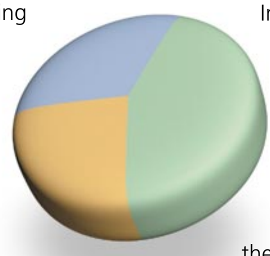
At the end of the year, the number of employees in the Division was 195.

INVESTMENTS

The investments were FIM 5 million and were focused mainly on the development and strengthening of the information technology of marketing as well as Printel's logistics.

FUTURE OUTLOOK

In Finland, the growth in demand for the products of the Hospital and Laboratory Division is expected to remain at the same level as in previous years. Competition in the main fields will intensify, yet by emphasizing the quality of operations and expanding the marketing of health care and laboratory products into other Nordic countries, the Division builds a good foundation for favourable business operations in the near future.



	1995	1994
Operating profit (mFIM)	52	46
Net sales (mFIM)	435	383
Share of Group Sales (%)	4	4
Investments (mFIM)	5	5
Employees, Dec. 31	195	185

DISTRIBUTION OF SALES

- Tamro Medical
- Tamro Lab
- Printel

Kolmi-Set Division develops, manufactures and markets disposable sterile hospital supplies and hygiene products for hospitals and institutions in Europe.

The most important task of Kolmi-Set during 1995 was the integration of the French company, purchased the previous year. The integration was achieved according to original plans. The number of employees had to be substantially reduced. Since its reorganisation, the French company now has opportunities for growth and development.

Another important task for the company was the clarification of production so that during the course of the year, a large portion of the production of sterile products, previously performed in the French factory, was transferred to the factory located in Ilomantsi. This factory in Ilomantsi concentrates mainly on sterile products. In the future, the French factory will concentrate on non-sterile product manufacturing whereas the Hyvinkää factory will focus its production on incontinence products.

PRODUCTION AND PRODUCTS

The net sales of surgical textiles (Kolmi Drape) were FIM 133 million. In part, a new product range was developed for the French market but the normal selection of Kolmi-Set products continue to be sold as well. The range of surgeon´s gowns was expanded by developing a new gown suitable for short-stay surgery. In its production, the world´s first fully-automatic production line for surgeon´s gowns was brought into use. As new products, Caesarean section and TUR packs as well as a urological surgeon´s gown, were introduced onto the market. The surgical textiles of Kolmi-Set have a strong market position in the Nordic countries and France.

> THE SALES AND COST DEVELOPMENT WAS NOT FAVOURABLE IN KOLMI-SET. FOR THIS REASON, KOLMI-SET DID NOT REACH THEIR PERFORMANCE TARGETS. THE STATE OF THE FRENCH COMPANY WAS IMPROVED DURING THE YEAR AND A GOOD PERIOD FOR GROWTH AND DEVELOPMENT IS EXPECTED. PRODUCT DEVELOPMENT CONTINUED TO BE STRONG AND THE COMPANY STARTED THE PRODUCTION OF NEW SURGEON´S GOWNS, MASKS AND BED PADS.

The net sales of protective clothing (Kolmi Safe) were FIM 53 million. At the Angers factory in France, the focus was on the upgrading of the most important protective clothing groups. The main emphasis in product development was on the development of surgical masks. The material of the masks and packaging methods were improved to be more customer-friendly. The capacity was increased by investing in new machinery for producing masks with ties. The range of head wear was renewed and the manual manufacturing of head wear was moved, in order to increase flexibility, from the Far East to Estonia.

The net sales of incontinence products (Kolmi Inco) were FIM 66 million. At the end of the year, a new line of bed pads was brought onto the market. The pads have unique product characteristics and the latest technology has been used in their production. The shaped diaper was also upgraded during the year and the new product was introduced onto the market at the turn of the year.

At the beginning of 1996, the business operations of Kolmi-Set were divided into three independent areas of business. Kolmi Drape is responsible for surgical textiles, Kolmi Safe for protective clothing and Kolmi Inco for adult diapers. This change clarifies the structure of the Kolmi-Set Division.

TREND IN EARNINGS

The net sales of the Kolmi-Set Division grew by 15 percent and were FIM 252 million. The net sales were below the expected levels. The

sales of the French company, Kolmi-Set S.A. were included in the sales results of the entire year, for the first time. Growth in sales was slower than in previous years. Growth continued to be most rapid in Sweden, where it was 26 percent. The development of sales in Finland and Estonia was also good. The share in total sales of export and other foreign activity was 63 percent and increased to FIM 161 million.

The Division's operating profit was FIM 16 million, which was 14 percent below that of the previous year. The Division did not achieve their performance targets due to the fact that the increase of costs was much more rapid than the rise in net sales. In part, this was influenced by severe price increases in the most important raw materials, pulp and plastic, occuring throughout the year, which could not fully be included in the prices of the finished products. Due to the internationalisation of the operations, the strengthening of the Finnish mark also had unfavourable impacts on sales and results. The French company continued to show a net loss.

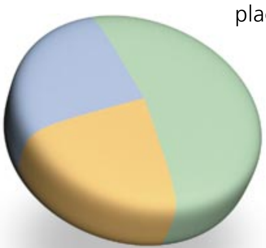
The number of employees in the Division at the end of the year was 342.

INVESTMENTS

Investments were FIM 14 million, which were mainly used in the purchase of production machinery.

FUTURE OUTLOOK

During the last part of the year, the price of raw materials started to decline. This trend is expected to continue this year. The goal is to increase the market share of protective clothing and incontinence products in the Nordic countries and that of sterile products in France. Even though financial growth slows down and strong pressure is placed on hospitals' expenditure, disposable products will remain a competitive alternative in lowering expenses.



DISTRIBUTION OF SALES

- Kolmi Drape
- Kolmi Safe
- Kolmi Inco

	1995	1994
Operating profit (mFIM)	**16**	18
Net sales (mFIM)	**252**	219
Share of Group Sales (%)	**2**	2
Foreign sales (mFIM)	**161**	133
Investments (mFIM)	**14**	70
Employees, Dec. 31	**342**	374

INTERNATIONAL OPERATIONS BY AREA

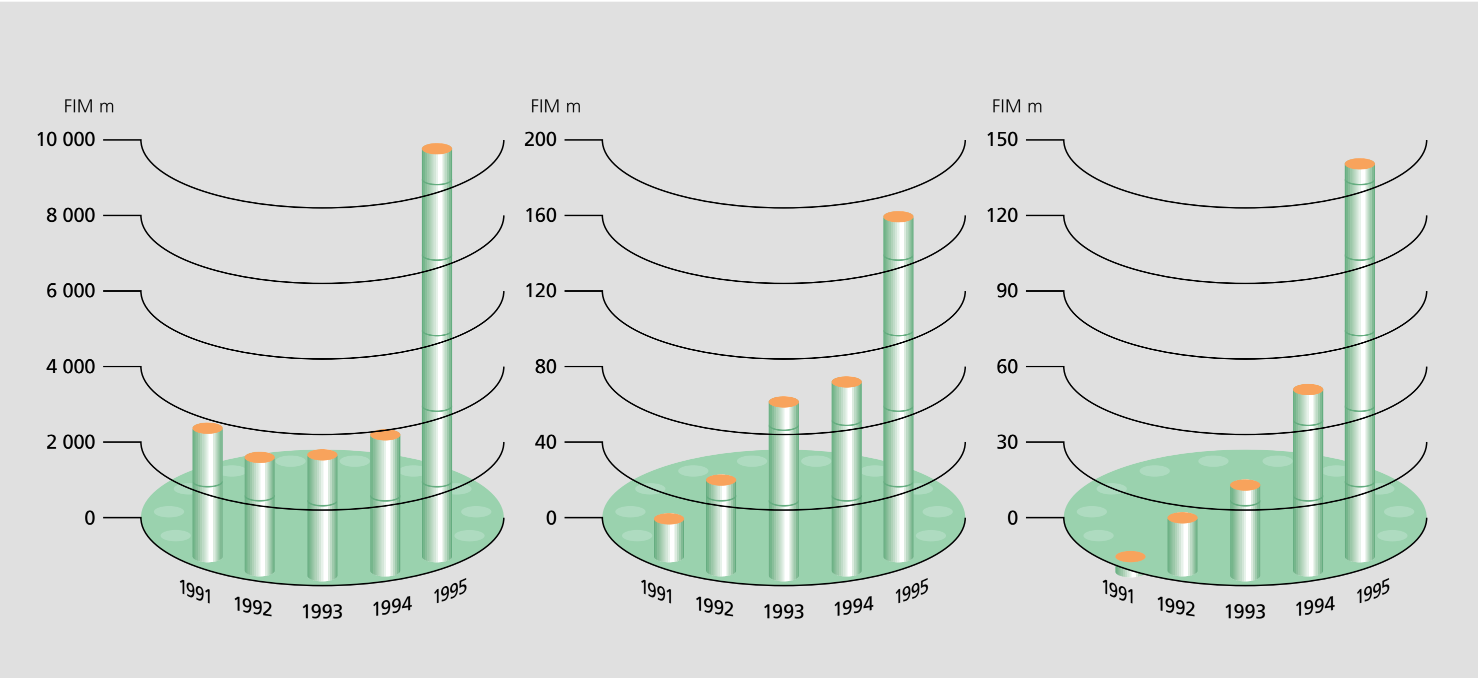
- Finland
- Other Nordic countries
- France
- Other Europe

GROUP DEVELOPMENT*

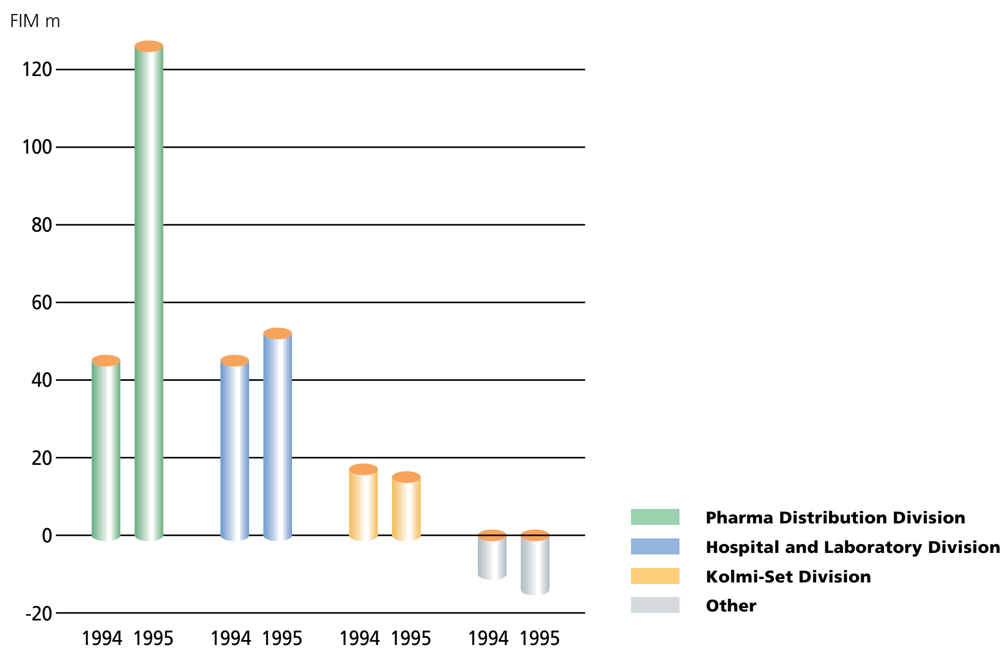
NET SALES

OPERATING PROFIT

PROFIT AFTER FINANCIAL ITEMS

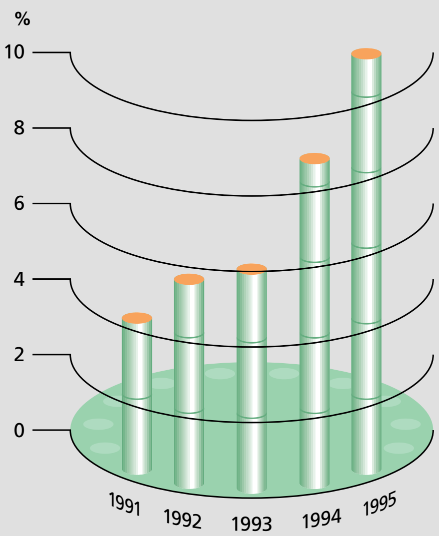


OPERATING PROFIT BY DIVISION

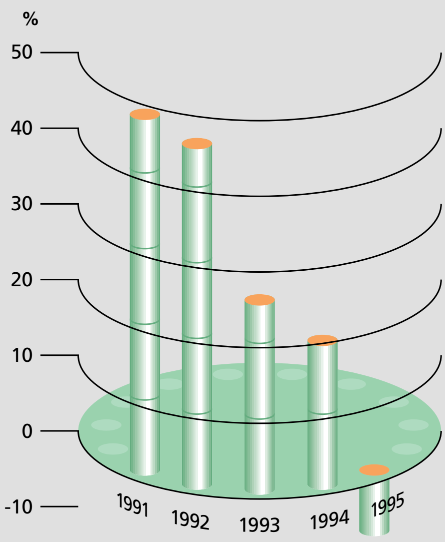


** According to the Group´s official Financial Statements*

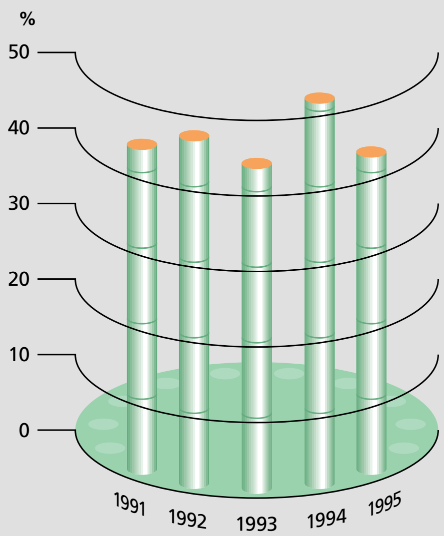
RETURN ON CAPITAL EMPLOYED



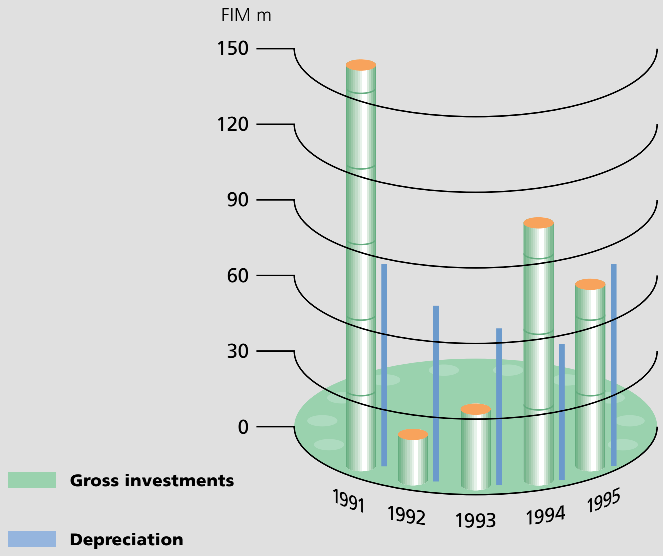
NET GEARING



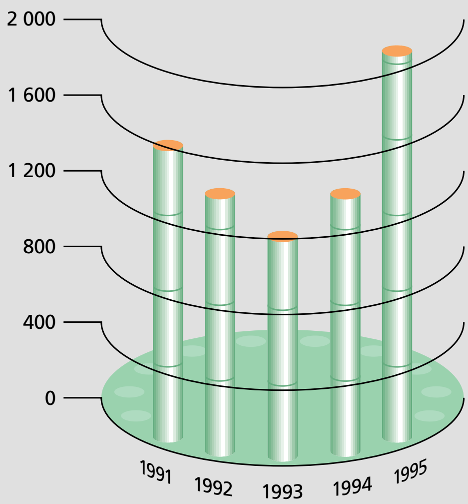
EQUITY RATIO



GROSS INVESTMENTS AND DEPRECIATION



EMPLOYEES, AVERAGE



	1995	1994 *pro forma*	1994	1993	1992	1991
From the income statement (FIM m)						
Net sales	**10,735**	9,610	3,565	3,230	3,118	3,380
Operating profit before depreciation	**262**	243	157	160	122	108
Depreciation	**81**	69	57	67	76	86
Operating profit	**181**	174	100	94	46	22
Net financial items, incl. affiliated companies	**–27**	–31	–27	–58	–25	–24
Profit after financial items	**155**	143	73	36	21	–3
From the balance sheet (FIM m)						
Fixed assets	**1,125**	1,116	878	881	1,028	1,186
Inventories	**970**	837	537	558	561	500
Liquid assets	**404**	75	71	186	205	199
Other current assets	**1,137**	1,134	337	368	467	826
Equity and minority	**1,558**	1,416	928	862	1,038	1,173
Interest bearing liabilities	**283**	285	245	404	667	751
Non interest bearing liabilities	**1,796**	1,461	650	726	556	787
Balance sheet total	**3,637**	3,163	1,823	1,992	2,261	2,711
Key figures						
Sales growth, %	**11.7**	197.5	10.4	3.6	–7.8	–6.0
Operating margin, %	**1.7**	1.8	2.8	2.9	1.5	0.6
Return on capital employed, %	**11.1**	11.7	8.5	5.9	5.6	4.1
Return on operating capital, %	**13.6**	12.9	10.3	8.3	–	–
Return on equity, %	**7.9**	9.6	6.8	3.5	1.6	–0.4
Free cash flow, FIM m	**356**	48	37	239	88	–212
Capital employed, FIM m	**1,841**	1,701	1,173	1,266	1,705	1,924
Operating capital, FIM m	**1,316**	1,341	993	950	–	–
Net debt, FIM m	**–121**	210	174	219	462	552
Net gearing, %	**–7.8**	14.8	18.7	25.3	44.5	47.0
Equity ratio, %	**42.8**	44.8	50.9	43.3	45.9	43.3
Per share data						
Number of shares, millions	**88.2**	88.2	48.0	48.0	48.0	48.0
Earnings per share, FIM	**1.33**	1.25	1.29	0.68	–0.67	–1.58
Dividend per share, FIM	**0.70** *	0.50	0.50	–	–	–
Dividend per earnings, %	**53**	40	39	–	–	–
Effective dividend yield, %	**3.7**	2.3	2.3	–	–	–
Equity per share, FIM	**17.70**	16.00	19.25	17.80	21.40	23.50
Price at 31 December, FIM	**19.10**	22.00	22.00	17.80	6.20	9.50
P/E multiple	**14**	18	17	26	neg.	neg.
Other						
Investments, FIM m	**73**	118	102	30	19	160
Number of employees, average	**2,098**	1,961	1,362	1,178	1,371	1,584

**Board proposal*

CAPITAL EMPLOYED
Balance sheet total less non-interest bearing liabilities.

RETURN ON CAPITAL EMPLOYED
Profit after net financial items plus interest expenses and other financial expenses as a percentage of average capital employed.

OPERATING CAPITAL
Capital employed less liquid assets and investments in affiliated companies.

RETURN ON OPERATING CAPITAL
Operating profit as a percentage of average operating capital.

RETURN ON EQUITY
Profit after financial items minus income taxes for the year as a percentage of average shareholders´ equity and minority interest.

FREE CASH FLOW
See Cash Flow Statement.

NET DEBT
Interest bearing debt less liquid assets.

NET GEARING
Net debt as a percentage of equity plus minority interest.

EQUITY RATIO
Shareholders´ equity plus minority interest as a percentage of balance sheet total.

EARNINGS PER SHARE
Earnings, defined as profit after net financial items minus income taxes for the year minus minority interest, divided by average number of shares.

DIVIDEND PER EARNINGS
Dividend per share as a percentage of earnings per share.

EFFECTIVE DIVIDEND YIELD
Dividend per share as percentage of market share price at the end of the year.

EQUITY PER SHARE
Shareholders´ equity divided by the number of shares at year end.

P/E MULTIPLE
Market share price at the end of the year divided by earnings per share.

TAMRO´S BOARD OF DIRECTORS

Front, from left

Jouko K. Leskinen *(Chairman)*

Erkki J. Toivanen.

Back, from left

Mikael von Frenckell

Dag Johannesson

Juhani Mäkinen

(secretary to the Board).

Additionally,

*Mr **Åke Hallman** (Vice Chairman)*

has also been a member of the Board.

MAIN FEATURES OF 1995

During its one hundredth year of operation, the Tamro Corporation acquired the share capital of the Swedish ADA AB, the leading distributor of pharmaceuticals in the Nordic countries. The new Tamro Group is the largest distributor of pharmaceuticals and health care products in Northern Europe. After the merger, the share of the distribution of pharmaceuticals in the net sales of the Tamro Group is 93 percent. Two-thirds of the net sales of the Tamro Group accumulates in Sweden.

Through the merger of 2 October 1995, size advantages will be achieved as well as synergy benefits, especially in the handling of material and information. The Tamro Group thus strengthened its 1995 position in the distribution of pharmaceuticals as well as in the marketing and distribution of other health care products. The operating profit of the Pharma Distribution Division grew by 14 percent and that of the Hospital and Laboratory Division by 14 percent.

The recent consolidation of the international pharmaceuticals industry also demands operations from the wholesale of pharmaceuticals that exceed national boundaries, since large international pharmaceutical companies want to make distribution agreements with wholesalers that cover larger geographic areas. The new Tamro Group carries out distribution of pharmaceuticals in Finland, Sweden, Norway, Estonia, Latvia, Lithuania as well as St. Petersburg and Northwest Russia.

The pooling method is used in the consolidation of ADA. For this reason, the result of the Group for 1995 includes ADA´s share for the entire year and no consolidated goodwill was formed in the Consolidated Balance Sheet. To facilitate the comparison, the pro forma accounts for 1994 are presented in this Annual Report by combining the figures of the old Tamro Group and those of ADA.

A massive plan called Project Pill was accomplished this past autumn relating to the plans to merge the operations of Tamro and ADA. The result of this was the confirming of the new Group´s vision, basic structure, action plans of the near future as well as its corporate image. The name of the group is the Tamro Group but each company of the group uses its own name locally and its own logo in its region. Structurally, the Group is made up of three divisions: the Pharma Distribution Division, the Hospital and Laboratory Division and the Kolmi-Set Division. The divisions act as independent entities within their areas of operations. The central administration of the Group, the Corporate Center, mainly handles the policies of the Group, such as finance, human resources and information technology. The number of people in the Corporate Center is meant to be minimised to under 20. The domicile of the Group is in Vantaa, Finland and the Group´s head office is located in Stockholm in connection with the distribution center of Kungens Kurva.

The past year was favourable for the net sales of the new Tamro Group. Planned result levels were achieved and, compared to the previous year, the profitability of the Group improved slightly.

The Group´s profit after financial items was FIM 155 million (FIM 143 million). The profitability of the Pharma Distribution Division nearly reached its set goals. Of the three divisions, the most successful was the Hospital and Laboratory Division, whose trend in earnings was very positive. The profitability of the Kolmi-Set Division fell in comparison to the previous year.

At the end of the year under review, the equity ratio of the Group was 42.8 percent and the net gearing dropped to –7.8 percent.

STRUCTURAL CHANGES OF THE GROUP

According to the decision made by the Board of Directors, Tamro´s operations are concentrated in health care. The acquisition of ADA AB reinforced the Group´s distribution operations and its position throughout Europe. At the end of the fiscal year the operations of the Group were organised into three principal business divisions: the Pharma Distribution Division, the Hospital and Laboratory Division and the Kolmi-Set Division. Since the beginning of 1995, Printel Oy has belonged to the Hospital and Laboratory Division.

The Sponfinans Division has been liquidated. Kerko-Sport, par tial ownership of Castrum Oy, as well as certain real estate ownerships are controlled through the financial administration of the parent company. Since the beginning of May 1995, Kerko-Sport Oy has belonged to the Group. After the end of the fiscal year Tammermatic Oy and the share majority (85%) of LS-Logistics Services Ltd. were sold. The Group aims at relinquishing at an opportune moment other aforementioned operations as well.

At the end of the year, Oy Tamda Ab became a subsidiary of the Tamro Corporation (100 percent). The Hospital and Laboratory Division was strengthened through the acquisition of Mediala Oy which markets ophthalmological products.

GROWTH IN NET SALES WAS SATISFYING

The net sales of the Group were FIM 10.7 billion, which was 12 percent higher than in the previous year. The influence that the strengthening of the Swedish krona had on the growth of the net sales was FIM 150 million. The development in net sales exceeded the goals set by the Group.

The net sales of the Pharma Distribution Division increased to FIM 9,958 million and grew by 12 percent. The division achieved its net sales targets. The market share of the Group in the sale of pharmaceuticals was 61 percent (62 percent) in Finland and 63 percent (65 percent) in Sweden. In addition, the Group has already achieved a leading position in the sale of pharmaceuticals in Estonia and Latvia. Net sales in the Baltic states and St. Petersburg were FIM 112 million and grew by 134 percent.

The Hospital and Laboratory Division´s net sales grew by 13 percent and were FIM 435 million. The sales consisted mainly of sales in Finland and the Baltic states. The market share of the Division continued to grow in Finland and the Division strengthened its leading position and achieved its set sales targets.

The net sales of the Kolmi-Set Division grew but did not, however, reach the target. The net sales of the Division were FIM 252 million and were 15 percent higher than in the previous year.

The net sales of operations outside the health care sector were FIM 90 million, consisting mainly of the operations of Tammermatic and Kerko-Sport.

NON-RECURRING ITEMS WEAKENED PROFIT

The profit of the Group after financial items grew by 8 percent and was FIM 155 million. The targeted figures for the whole year were reached but performance development during the final tertial of the year was not quite on the same level as during the two first periods. The planning and start up costs of the big change process weakened the result at the end of the year. The results were most favourably influenced by the trends in earnings of the Hospital and Laboratory Division and the Pharma Distribution Division. The trend in earnings was negatively influenced by non-recurring items, especially the costs related to the acquisition of ADA, the start up costs of the distribution in Norway as well as expenses accrued during the centennial anniversary of the Tamro Corporation. These in total were FIM 30 million.

The operating profit of the Pharma Distribution Division grew by 14 percent amounting to FIM 127 million and was almost in accordance with the target. The development of operating profit was slowed down by non-recurring credit loss reserves entries made in Finland, amounting to FIM 3 million, as well as the operating loss in Norway that was higher than expected and amounted to FIM 10 million.

The operating profit of the Hospital and Laboratory Division was FIM 52 million and clearly exceeded the targets. The operating profit grew by 14 percent.

The Kolmi-Set Division did not obtain their targeted results and the operating profit decreased 14 percent to FIM 16 million. The main reason for the decline was a rise in the price of raw materials during the first part of the year as well as a more rapid growth of fixed costs than of sales.

The operating profit of the other companies was as expected and was FIM –14 million, which includes the non-recurring items of the Group.

The net financial expenses of the Group declined by FIM 5 million and were FIM 14 million.

Recorded exchange rate differences affecting profit were FIM 3 million. The Group´s share of the losses of the affiliated company Castrum Oy weakened the profits after financial items by FIM 12 million.

Extraordinary items were FIM 2 million positive, while the year

NET SALES BY DIVISION (FIM m)

	1995	1994
Pharma Distribution	**9,958**	8,920 *
Hospital and Laboratory	**435**	383
Kolmi-Set	**252**	219
Other	**90**	88
TOTAL	**10,735**	**9,610**

**Pro forma figures*

OPERATING PROFIT BY DIVISION (FIM m)

	1995	1994
Pharma Distribution	**127**	111 *
Hospital and Laboratory	**52**	46
Kolmi-Set	**16**	18
Other	**– 14**	– 1
TOTAL	**181**	174

**Pro forma figures*

before they were FIM 16 million positive. The largest extraordinary items during the fiscal year were profit obtained through the sale of the shares in Martela, the net influence in the results amounting to FIM 18 million as well as write-downs in the amount of FIM 10 million made in Sponfinans Oy's property. In addition, the Group´s share of property write-downs in Castrum Oy were FIM 5 million.

Profit before tax was FIM 157 million (FIM 159 million).

The return on capital employed of the Group was 11.1 percent (11.7%) and the return on equity was 7.9 percent (9.6%). Earnings per share amounted to FIM 1.33 compared to FIM 1.25 the previous year.

The applicable taxes for this fiscal year were FIM 37 million (FIM 33 million).

The profit after the financial items of the parent company, Tamro Corporation, was FIM 132 million (FIM 20 million) and profit before taxes was FIM 171 million (FIM 4 million).

DIVIDEND POLICY AND BOARD'S PROPOSAL

The Board's aim is that a share investment in Tamro will be a good long-term capital investment. Provided that Tamro's financial development will continue to be on a sound basis, the objective of the Board of Directors is that the company will pay a dividend of about 50 percent of the earnings per share. The dividend proposal is FIM 0.70 per share for 1995.

THE ADDITION TO FIXED ASSETS BY ADAS REAL ESTATES

The Group acquired the warehouse properties of ADA in Göteborg, Stockholm, Malmö and Umeå on 1 September 1995. The acquisition, with a value of FIM 187 million, was wholly financed by a capital injection from Apoteksbolaget and it will increase the Group's profitability and cash flow in the future.

Other investments of the Group´s core business amounted to FIM 71 million. The most important of these were the investments in production equipment for the Kolmi-Set Division as well as in information technology.

The Group subscribed a convertible bond issue of FIM 30 million of Castrum Oy according to the financial agreement made with other shareholders. The value of the Group´s investments in Castrum was FIM 121 million on 31 December 1995.

The total gross investments were FIM 73 million (FIM 118 million).

A DECLINE IN NET GEARING

The financing position of the Tamro Group remained good throughout the fiscal year and improved during the last part of the year due to, for instance, the sale of shares in Martela Oy. The liquid assets of the Group at the end of the fiscal year were FIM 404 million, whereas in the previous year they were FIM 75 million. The free cash flow was FIM 356 million and was clearly better than expected, due to a strong decline in accounts receivable in December. Calculated from the net sales, the net financial expenses were 0.1 percent (0.2 percent).

The net gearing of the Group fell to –7.8 percent from the previous year´s 14.8 percent. The amount of interest bearing liabilities was FIM 283 million at the end of the year. Of the interest bearing liabilities, FIM 197 million were long-term. The equity ratio of the Group was 42.8 percent, whereas in the previous year it had been 44.8 percent. The net total of the Group´s balance sheet rose by approximately 15 percent to FIM 3.6 billion. The main reasons for the rise were the growth in liquid assets as well as in non-interest bearing accounts payables.

The new Group creates possibilities for continuous improvement in financing. The currency policy involved in securing equity will be confirmed at the beginning of 1996.

PERSONNEL

During the fiscal year, there was an average of 2,098 people (1,961) employed by the Group. The number of employees grew by 92 people during the fiscal year and was 2,041 at the end of the year. The number of employees at the parent company was 574 at the end of the fiscal year and the average was 599 people. Of the number of employees in the Group at the end of the fiscal year 50 percent were in Finland, 31 percent in Sweden, 3 percent in other Nordic countries, and 12 percent in the Baltic states and St. Petersburg as well as 4 percent in France.

The personnel incentive scheme was expanded by directing a FIM

INVESTMENTS BY DIVISION (FIM m)

	1995	1994
Pharma Distribution	**42**	25*
Hospital and Laboratory	**5**	5
Kolmi-Set	**14**	70
Other	**12**	18
TOTAL	**73**	118

Pro forma figures

NUMBER OF EMPLOYEES BY DIVISION, DEC. 31

	1995	1994
Pharma Distribution	**1,256**	1,248*
Hospital and Laboratory	**195**	185
Kolmi-Set	**342**	374
Other	**248**	142
TOTAL	**2,041**	1,949

Pro forma figures

2.5 million warrant bond at the employees of ADA with the same conditions as had previously been directed at the employees of Tamro in Finland.

SHARE CAPITAL, ANNUAL GENERAL MEETINGS, THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD.

The Tamro Corporation shares are quoted on the Helsinki Stock Exchange. During the year 14 million shares were traded, which was 16 percent of the year end number of shares. The closing price fluctuated from its low FIM 15.70 to its high FIM 23.80. At the end of the year the price was FIM 19.10. More in-depth information on the shares is presented in the Annual Report on page 44. The Corporation does not have complete plans for being quoted on the Stockholm Stock Exchange.

At Tamro´s extraordinary general meeting on 22 August 1995, the proposal of the Board of Directors to direct 40.1 million shares to Apoteksbolaget AB was approved; the price per share was FIM 21. This entails 45.5 percent of Tamro´s shares and voting rights. Following the issue, the number of shares grew to 88.2 million. Apoteksbolaget paid the subscription on 2 October 1995 by transferring their entire shareholding in ADA AB to the Tamro Corporation. Apoteksbolaget has announced that they will decrease their stake of ownership to 25 percent at the earliest possible opportunity.

The same extraordinary general meeting approved the Board of Directors´ proposal that a stipulation be introduced into the articles of association concerning redemption obligation. According to this stipulation the shareholder, whose share of the total stock of the Group or voting rights obtained through the shares reaches or exceeds 34 percent, is obligated to redeem the shares if other shareholders so demand. This provision will not be applied to the issue directed at Apoteksbolaget AB.

At the general meeting, the Board of Directors was authorised to direct a warrant bond issue of at up to FIM 2.5 million to the employees of ADA AB according to the same conditions as with the personnel of Tamro. The subscription rights allow up to FIM 2.5 million in new share subscriptions. At the meeting held on 6 February 1996, the Board of Directors approved the subscriptions and the FIM 2.5 million warrant bonds became fully subscribed.

The authorisation to determine the raising of share capital that the Board of Directors received at the annual general meeting held on 27 April 1995, has an unused portion of FIM 71.0 million after directing the warrant bonds at the employees of ADA. This authorisation includes the right to deviate with directed issues from the shareholders´ preemptive right.

After the extraordinary general meeting the members of the Board of Directors consisted of : Mr. Jouko K. Leskinen, Chairman, Mr. Åke Hallman, Vice Chairman, Mr. Mikael von Frenckell, Mr. Dag Johannesson and Mr. Erkki J. Toivanen.

The number of members on the Supervisory Board rose from 15 to 22. Ms. Barbro Fischerström was elected as the new Chairperson of the Supervisory Board. Other new members are Mr. Peter Egardt, Mr. Jan Ekberg, Mr. Bengt Holgersson, Ms. Maj-Inger Klingvall, Mr. Seppo Kylmänen, Mr. Anders Lönner and Mr. Kurt Stenvall. The president and the CEO of the Tamro Group and the parent company is Mr. Matti Elovaara.

OUTLOOK FOR 1996

The operations of the Group in 1996 will focus on the execution of the merging of Tamro and ADA that was prepared last autumn, in addition to starting growth programs for the future. The share of health care in the Group will continue to be strengthened and the relinquishing of other operations will continue. Non-recurring cost items are not seen to be substantial in 1996.

Market outlooks in the operational areas of the Group remain continuously positive. The building of a North European operational concept as well as improving cost efficiency create a foundation for a good trend in earnings.

The Pharma Distribution Division has positive growth expectations in Norway, the Baltic states as well as St. Petersburg. In Finland and Sweden, stabilizing positions as well as continuing to strengthen them through the use of the Nordic Distribution Concept are important areas of emphasis.

With respect to the Hospital and Laboratory Division, most important is to stabilise the position that has already been obtained in Finland as well as to expand into other Nordic countries.

The Kolmi-Set Division will concentrate on fine-tuning the renewed production and operational structure as well as on the essential strengthening of marketing in Central Europe.

The operating opportunities of Castrum seem to have been improved and Castrum Oy's Board of Directors has considered that there is no need to property write-downs. Castrum has set a target of a positive cash flow for 1996.

In addition to the aforementioned areas of emphasis, the development of the new Group´s mode of operations as well as strengthening the one company principle are very important. The integration of information technology and systems has an essential influence on increasing competitiveness.

The net sales of 1996 are predicted to rise to FIM 12 billion, and profit after financial items is expected to be better than that of the previous year.

CONSOLIDATED INCOME STATEMENT

	Jan. 1 – Dec. 31 (FIM m)	1995	%	1994 *pro forma*	%	1994	%
1	NET SALES	**10,735.0**	**100.0**	9,610.0	100.0	3,565.0	100.0
	Expenses						
	Materials, supplies and products						
	Purchases during the financial period	**9,846.4**		8,671.7		2,975.0	
	Inventories, incr. (–), decr. (+)	**–89.6**		50.9		54.1	
	External services	**123.8**		112.1		35.5	
2	Personnel expenses	**339.1**		304.0		209.1	
	Rents and leases	**49.0**		68.1		24.5	
	Other expenses	**204.8**		160.7		109.9	
		10,473.5		9,367.5		3,408.1	
	OPERATING PROFIT BEFORE DEPRECIATION	**261.5**	**2.4**	242.5	2.5	156.9	4.4
3	Depreciation according to plan	**80.5**		68.8		56.6	
	OPERATING PROFIT	**181.0**	**1.7**	173.7	1.8	100.3	2.8
4	Financial income and expenses	**–14.3**		–19.3		–15.5	
10	Share of affiliated companies' net income	**–12.2**		–11.4		–11.4	
	INCOME AFTER FINANCIAL ITEMS	**154.5**	**1.4**	143.0	1.5	73.4	2.1
5	Extarordinary income and expense	**2.5**		16.3		16.3	
	PROFIT BEFORE TAXES	**157.0**	**1.5**	159.3	1.7	89.7	2.5
7	Direct taxes	**–37.0**		–33.2		–12.7	
	Minority interest	**–0.4**		0.0		2.2	
	NET PROFIT FOR THE PERIOD	**119.6**	**1.1**	126.1	1.3	79.2	2.2

Note	**Dec. 31** (FIM m)	**1995**	**%**	1994 *pro forma*	%	1994	%
	FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS						
8	Intangible assets						
	Intangible rights	**6.1**		7.5		7.5	
	Goodwill	**4.2**		5.2		5.2	
	Consolidated goodwill	**187.7**		201.3		201.3	
	Other capitalized expenditure	**4.3**		4.7		4.7	
		202.3		218.7		218.7	
8	Tangible assets						
	Land and water areas	**64.8**		62.4		39.4	
	Buildings and structures	**541.0**		533.4		380.0	
	Machinery and equipment	**170.8**		149.2		90.0	
	Other tangible assets	**2.0**		1.9		1.1	
	Advance payments and construction in progress	**2.9**		4.1		4.2	
		781.5		751.0		514.7	
	Financial assets						
	Shares in subsidiaries	**0.9**		1.6		1.6	
10	Shares in affiliated companies	**57.6**		74.7		74.7	
11	Other shares and participations	**18.7**		35.7		33.3	
13	Loans receivable	**64.3**		34.6		34.5	
		141.5		146.6		144.1	
	TOTAL FIXED ASSETS	**1,125.3**	**30.9**	1,116.3	35.3	877.5	48.1
	CURRENT ASSETS						
	Inventories						
	Materials and supplies	**25.2**		8.2		8.2	
	Work in progress	**5.4**		4.8		4.8	
	Goods	**939.8**		824.1		523.6	
12	Securities	**10.3**		24.6		24.6	
		980.7		861.7		561.2	
	Receivables						
	Accounts receivable	**1,074.8**		1,022.8		237.8	
13	Loans receivable	**6.5**		29.2		29.2	
	Prepaid expenses and accrued income	**21.6**		33.8		25.2	
	Other receivables	**24.0**		23.4		20.5	
		1,126.9		1,109.2		312.7	
12	Investments	**46.8**		20.9		20.9	
	Cash and bank	**357.0**		54.4		50.5	
	TOTAL CURRENT ASSETS	**2,511.4**	**69.1**	2,046.2	64.7	945.3	51.9
	TOTAL ASSETS	**3,636.7**	**100.0**	3,162.5	100.0	1,822.8	100.0

	Dec. 31 (FIM m)	1995	%	1994 *pro forma*	%	1994	%
15	SHAREHOLDERS' EQUITY						
	Restricted equity						
14	Capital stock	**881.6**		881.6		480.5	
	Other restricted equity	**6.5**		6.5		6.5	
		888.1		888.1		487.0	
	Non-restricted equity						
	Distributable non-restricted equity	**309.8**		190.7		103.8	
	Other non-restricted equity	**359.1**		334.1		334.1	
		668.9		524.8		437.9	
	TOTAL SHAREHOLDERS' EQUITY	**1,557.0**	**42.8**	1,412.9	44.7	924.9	50.7
	MINORITY INTEREST	**1.3**	**0.0**	3.4	0.1	3.4	0.2
16	OBLIGATORY RESERVES	**37.4**	**1.0**	46.3	1.5	46.3	2.5
	LIABILITIES						
18	Long-term liabilities						
19	Bonds with warrants	**3.3**		3.2		3.2	
	Convertible bonds	**-**		-		2.4	
	Loans from financial institutions	**17.7**		48.6		48.6	
	Pension fund loans	**174.6**		193.1		152.3	
	Deferred income tax liability	**26.5**		17.0		0.4	
	Other long-term liabilities	**5.8**		0.1		3.8	
		227.9		262.0		210.7	
	Short-term liabilities						
	Loans from financial institutions	**33.5**		3.8		3.8	
	Pension fund loans	**24.0**		12.5		12.5	
	Advances received	**1.9**		0.7		0.7	
	Accounts payable	**1,537.4**		1,245.0		506.3	
	Accrued expenses and deferred income	**156.8**		111.1		66.0	
	Other current liabilities	**59.5**		64.8		48.2	
		1,813.1		1,437.9		637.5	
	TOTAL LIABILITIES	**2,041.0**	**56.1**	1,699.9	53.8	848.2	46.5
	TOTAL EQUITY AND LIABILITIES	**3,636.7**	**100.0**	3,162.5	100.0	1,822.8	100.0

Jan. 1 – Dec. 31 (FIM m)	**1995**	1994 *pro forma*	1994
Operating profit before depreciation	**181**	174	100
Depreciation	**81**	69	57
Other income and expenses	**5**	30	30
Financial income and expenses	**–12**	–18	–14
Taxes	**–30**	–32	–13
	225	223	160
Change in net working capital			
Inventories, increase (–), decrease (+)	**–118**	59	63
Current receivables, increase (–), decrease (+)	**1**	–108	–35
Non-interest bearing debts, increase (+), decrease (–)	**285**	–36	–76
Cash flow before investments	**393**	138	112
Investments			
Investments in fixed assets	**–73**	–95	–79
Sale of fixed assets and other changes	**36**	5	4
Free cash flow	**356**	48	37
Financing			
Long-term receivables, increase	**–22**	–	–
Long-term debt, decrease	**–62**	–16	–15
Short-term debt, increase (+), decrease (–)	**72**	–138	–138
Dividends	**–24**	–	–
Translation differencies and other changes	**14**	–6	2
Change in liquid assets, increase (+), decrease (–)	**334**	–112	–114

Jan. 1 – Dec. 31 (FIM m)

INCOME STATEMENT	1995	1994
1 NET SALES	**3,303.7**	1,079.9
Expenses		
Materials, supplies and products		
Purchases during the financial period	**3,011.8**	900.5
Inventories, incr. (–), decr. (+)	**–30.2**	71.6
External services	**16.3**	5.5
2 Personnel expenses	**112.9**	41.6
Rents and leases	**15.8**	5.5
Other expenses	**72.4**	26.7
	3,199.0	1,051.4
OPERATING PROFIT BEFORE DEPRECIATION	**104.7**	28.5
3 Depreciation according to plan	**40.2**	12.6
OPERATING PROFIT	**64.5**	15.9
4 Financial income and expenses	**67.0**	4.4
INCOME AFTER FINANCIAL ITEMS	**131.5**	20.3
5 Extarordinary income and expense	**39.6**	–16.5
PROFIT BEFORE TAXES	**171.1**	3.8
6 Appropriations	**–7.6**	142.9
7 Direct taxes	**–10.5**	0.0
NET PROFIT FOR THE PERIOD	**153.0**	146.7

CASH FLOW STATEMENT	1995	1994
Operating profit before depreciation	**65**	16
Depreciation	**40**	13
Other income and expenses	**2**	21
Financial income and expenses	**69**	4
Taxes	**–11**	0
	165	54
Change in net working capital		
Inventories, increase (–), decrease (+)	**–30**	72
Current receivables, increase (–), decrease (+)	**–97**	229
Non-interest bearing debts, increase (+), decrease (–)	**123**	–87
Cash flow before investments	**161**	268
Investments		
Investments in fixed assets	**–7**	–21
Investment in subsidiary shares	**–844**	–
Sale of fixed assets and other changes	**18**	21
Free cash flow	**–672**	268
Financing		
Long-term receivables, increase	**–31**	–
Long-term debt, decrease	**–14**	–4
Short-term debt, decrease	**–2**	–229
Share issue	**842**	–
Received group contribution	**30**	–
Dividends	**–24**	–
Change in liquid assets, increase	**129**	35

Note	**Dec. 31** (FIM m)	**1995**	**%**	1994	%
	FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS				
8	Intangible assets				
	Intangible rights	**4.4**		6.2	
	Goodwill	**186.3**		200.6	
	Other capitalized expenditure	**0.1**		0.4	
		190.8		207.2	
8	Tangible assets				
	Land and water areas	**5.8**		5.7	
	Buildings and structures	**290.8**		302.0	
	Machinery and equipment	**25.7**		31.5	
	Other tangible assets	**1.0**		1.0	
		323.3		340.2	
	Financial assets				
9	Shares in subsidiaries	**1,020.5**		176.6	
10	Shares in affiliated companies	**41.5**		41.5	
11	Other shares and participations	**5.4**		12.4	
13	Loans receivable	**45.4**		6.6	
		1,112.8		237.1	
	TOTAL FIXED ASSETS	**1,626.9**	**60.5**	784.5	49.0
	CURRENT ASSETS				
	Inventories				
	Goods	**497.5**		467.2	
	Receivables				
	Accounts receivable	**178.6**		186.3	
	Loans receivable	**0.8**		10.3	
13	Group receivables	**144.0**		105.2	
	Prepaid expenses and	**76.0**		12.5	
	accrued income	**0.0**		0.1	
	Other receivables	**399.4**		314.4	
	Investments	**46.8**		20.9	
	Cash and bank	**116.9**		13.8	
	TOTAL CURRENT ASSETS	**1,060.6**	**39.5**	816.3	51.0
	TOTAL ASSETS	**2,687.5**	**100.0**	1,600.8	100.0

Note		**1995**	**%**	1994	%
15	SHAREHOLDERS' EQUITY				
	Restricted equity				
14	Capital stock	**881.6**		480.5	
	Other restricted equity	**447.8**		6.5	
		1,329.4		487.0	
	Non-restricted equity				
	Profits brought forward	**89.5**		-33.1	
	Net profit for the year	**153.0**		146.7	
		242.5		113.6	
	TOTAL SHAREHOLDERS' EQUITY	**1,571.9**	**58.5**	600.6	37.5
17	ACCUMULATED DEPRECIATION DIFFERENCE	**314.4**	**11.7**	306.8	19.2
16	OBLIGATORY RESERVES	**27.7**	**1.0**	28.1	1.8
	LIABILITIES				
18	Long-term liabilities				
19	Bonds with warrants	**3.6**		3.6	
	Loans from financial institutions	**-**		3.8	
	Pension fund loans	**102.2**		112.0	
		105.8		119.4	
	Short-term liabilities				
	Group payables	**54.1**		19.9	
	Loans from financial institutions	**-**		1.3	
	Pension fund loans	**8.4**		9.0	
	Advances received	**0.1**		0.5	
	Accounts payable	**541.0**		480.7	
	Accrued expenses and deferred income	**63.4**		32.5	
	Other current liabilities	**0.7**		2.0	
		667.7		545.9	
	TOTAL LIABILITIES	**773.5**	**28.8**	665.3	41.6
	TOTAL EQUITY AND LIABILITIES	**2,687.5**	**100.0**	1,600.8	100.0

The Tamro Corporation's financial statements and consolidated financial statements have been prepared in accordance with the revised accounting legislation. The profit information of the parent company is not comparable with that of the previous year due to the merger of 1994.

SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements include the parent company as well as those subsidiaries both in Finland and abroad in which the parent company holds, directly or indirectly, more than 50 percent of the voting rights. The subsidiaries acquired during the fiscal year are included in the consolidated financial statements from the date of acquisition. If the subsidiary has been sold before the close of the fiscal year, it is included in the consolidated financial statements up until the time of sale.

The consolidated financial statements do not include certain smaller real estate companies or other, primarily non-operating companies. The companies which have been excluded from the consolidated financial statements have no material effect on the consolidated non-restricted equity.

The financial statement information of the affiliated companies has been consolidated using the equity method. Affiliated companies are taken to be those companies in which the Group has 20 to 50 percent of the votes conferred by the shares. Certain small affiliates have not been included in the consolidated financial statements. The effect of these companies on the consolidated non-restricted equity is immaterial.

SHARES IN SUBSIDIARIES

Both the acquisition cost method and the pooling method have been used when preparing the consolidated financial statements.

The pooling method

The pooling method can be used when the forming of the consolidation corresponds to a merger between two companies of equal size.

The pooling method can be used when

- a merger has been formed by means of a non cash-issue
- neither company dominates in size nor differs essentially from the other in its operations
- the ownership in the new company is mainly the same as in the separate companies before the merger
- the business activities continue as before.

Consolidation of ADA AB

As the aforementioned conditions were met when ADA AB and Tamro merged, the pooling method was used in eliminating the shares of ADA AB. The shares of ADA AB have been acquired by means of a non-cash issue in the Tamro Corporation's targeted share issue to the former shareholder of ADA AB.

This being the case, the assets and liabilities of ADA AB have been combined in the consolidated financial statements with the company's own balance sheet values at the beginning of the fiscal year. In the merger agreement, the transfer of ADA AB's operational real estate with the terms of a non-cash issue to the ownership of ADA AB was agreed upon. The transfer took place in the autumn of 1995. The implications of these arrangements have been taken into account in the opening balance. In addition, the dividend paid by ADA AB in the spring of 1995 to the previous owner has been taken into consideration in the elimination.

The elimination of the difference of acquisition cost of subsidiaries and ADA AB equity was first carried out from the subsidiary's restricted equity, then from the reserve fund generated from the Tamro Corporation targeted issue, and, lastly, from the Group's other distributable non-restricted equities. Thus the acquisition did not create consolidated goodwill.

According to the pooling method, the entire results of ADA AB for the fiscal year 1995 are included in the Group's results.

Consolidation of other subsidiaries

The acquisition cost method was used in the elimination of inter-subsidiary shareholding. Accordingly, both restricted and non-restricted equity at the time of the acquisition have been taken to constitute the shareholders' equity of the subsidiary.

The difference between the acquisition cost of shares in subsidiaries and the shareholders' equity has been partially allocated to the fixed assets of the subsidiaries. The consolidated goodwill after the allocations is shown in the balance sheets as a separate item which will be amortized over a period of 20 years.

FOREIGN SUBSIDIARIES

The financial statements of foreign subsidiaries have been converted and grouped to correspond the Accounts Act of Finland.

Their income statements have mainly been converted into Finnish marks at the weighted average rate of the fiscal year and the balance sheets at the average foreign exchange rate quoted by the Bank of Finland on the final date of the balance sheets. Translation differences have been entered directly in equity. The weighted average rate of the most significant currency, the Swedish krona, was FIM 0.61 and the rate at the end of the fiscal year was FIM 0.65.

In accordance with the previous calculation practice, the conversion of income statements was also carried out at the exchange rate quoted by the Bank of Finland on the final date of the balance sheets. The income statement for the comparison year has not been changed.

MINORITY INTEREST

The minority interest consists of the minority share in the subsidiaries' equity.

DURATION OF THE FISCAL YEAR

The fiscal year of the companies in the Group is usually based on the calendar year. The income statement of a company that has become part of the Group during the fiscal year is included in the consolidat ed financial statements from the date of acquisition. The information concerning the Group, presented in the Notes to the Financial Statements, include the subsidiaries from the time of their acquisition.

INTER-COMPANY TRANSACTIONS

The following inter-company transactions have been eliminated: sales and purchases within the Group, dividends paid by the Group companies to one another, inter-company receivables and liabilities as well as the gross margin included in the value of inventories and fixed assets acquired from other companies within the Group.

FIXED ASSETS

Fixed assets have been entered into the balance sheets as direct acquisition costs, with planned depreciation deducted. In addition, some real estate holdings include revaluations which have been broken down in the notes to the balance sheets. In the consolidated financial statements, part of the cost of acquiring subsidiaries has been allocated to real estate properties. These items have been accounted for in the consolidated financial statements by recording planned depreciation of the buildings belonging to the properties.

The planned depreciation of fixed assets is based on the original acquisition cost and the expected economic lifetime of the item. No depreciation has been recorded on revaluations.

The depreciation is, for the most part, based on straight-line depreciation according to the following scheme:

buildings and structures	2.5 – 10.0 percent
machinery and equipment	7.0 – 20.0 percent
other long-term expenditure	16.0 – 20.0 percent

Consolidated goodwill will be amortized in equal amounts over a maximum period of 20 years.

For the parent company, the difference between the planned depreciation and accounting depreciation is shown as an appropriation in the income statement. The accumulated difference between the planned and accounting depreciation is shown as a single item in reserves.

VALUATION ITEMS IN THE 1994 FINANCIAL STATEMENTS

The valuation items, presented in liabilities in the balance sheets of the 1994 financial statements, have in these financial statements been presented as follows, differing from the previous calculation practice. The interests during the construction have been transferred to the acquisition costs of the building, and the pension liabilities have been entered as expenses in 1995.

INVENTORIES

Inventories have been valued according to the principle of lowest value, i.e. the inventories are valued at the acquisition cost, replacement value or probable selling price, whichever lowest. The use of materials and supplies has been recorded according to the FIFO principle.

RECEIVABLES AND DEBTS DENOMINATED IN FOREIGN CURRENCY

All the receivables and debts denominated in foreign currency of the parent company and its subsidiaries in Finland have been converted into Finnish marks at the mid-rate quoted by the Bank of Finland on the final date of the balance sheets.

PENSION COMMITMENTS

The pension expenses are shown in accordance with the national legislation of each country. The retirement plan of the companies in the Group has, as a rule, been provided through external pension insurance companies. To a small extent, the Group companies themselves have arranged retirement plans. This commitment was made as expense entries in 1995. In the 1994 financial statements they are stated as commitments.

APPROPRIATIONS

The appropriations as well as voluntary reserves and accumulated depreciation difference at the end of the fiscal year have been divided into the Group's non-restricted equity and calculatory tax liability.

The accumulated depreciation difference of the Finnish subsidiaries at the beginning of the fiscal year is not considered to include deferred tax liability, as the year-end tax losses of the Finnish subsidiaries not used exceedes the deferred tax liability included in the accumulated losses of the Group companies.

OBLIGATORY RESERVES

The obligatory reserves in the balance sheets include those items that are based on either contractual obligation or other commitments but which have not yet been realised. These may include contingent liabilities or other future losses which are considered unavoidable. The change of obligatory reserves is included in the income statement items to which they, by their nature, belong.

NET SALES

The net sales consist of sales income from ordinary operations and rents and leases as well as minor gains from the sales of fixed assets. The sales is stated as a net amount of indirect taxes, discounts on sales, and credits. Furthermore, the parent company's net sales include administrative services and guarantee commissions.

Following the earlier calculation practice, the freight charges for the goods shipped and credit losses were deducted from the net sales. In the new definition these are listed in expenses, and the net sales of the year before have also been adjusted to be comparable.

In these accounts the 1994 net sales of securities brokerage are presented in accordance with the net principle. These operations were sold in early 1995. The net principle gives a true picture of the extent of the 1994 operations.

EXTRAORDINARY ITEMS AND INCOME ITEMS

The extraordinary income and expense items consist of significant, extraordinary business transactions that are not part of the Group's normal operations. These also include correction items from previous years. In the parent company, Group contributions received have also been recorded as extraordinary items.

DIRECT TAXES

The taxes of the Group companies have been included in the consolidated financial statements that have been calculated according to the local practices applied in each subsidiary. The taxes include accrued income taxes for the period as well as taxes due or rebated. Moreover, the change of deferred tax liability is included in the taxes.

PRO FORMA 1994

The comparative pro forma accounts of 1994 have been made according to the same principles as those of 1995. ADA AB has been accounted for as if it were owned by Tamro at the beginning of 1994. The Group equity has also been correspondingly increased. The impact of the aforementioned real estate non-cash issue has only been noted in the balance sheets.

The pro forma accounts have been calculated according to the exchange rate of SEK 1 = FIM 0.60.

DIFFERENCES BETWEEN THE ANNUAL REPORT AND THE OFFICIAL FINANCIAL STATEMENTS

In the Annual Report there are some deviations from the official financial statements. The differences have primarily to do with the method of presentation and do not change the contents of information.

NOTES TO THE FINANCIAL STATEMENTS

Figures are in FIM millions, unless informed to the contrary.

1. Net sales by market area and division

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
By market area:				
Sweden	**6,865.3**	28.6	**-**	-
Finland	**3,555.0**	3,333.2	**3,300.4**	1,078.3
Other Nordic countries	**73.0**	49.5	**-**	-
Baltic countries	**73.0**	47.3	**3.3**	1.6
France	**71.1**	47.0	**-**	-
Other countries	**97.6**	59.4	**-**	-
Total	**10,735.0**	3,565.0	**3,303.7**	1,079.9
By division:				
Pharma Distribution Division	**9,957.9**	2,819.4	**3,002.5**	975.7
Hospital & Laboratory Division	**434.5**	382.9	**297.2**	101.8
Kolmi-Set Division	**252.4**	218.8	**-**	-
Others	**90.2**	143.9	**4.0**	2.4
Total	**10,735.0**	3,565.0	**3,303.7**	1,079.9

2. Personnel expenses

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Manufacturing wages and salaries	**38.3**	39.7	**-**	-
Fixed wages and salaries	**208.3**	117.5	**84.4**	29.7
	246.5	157.1	**84.4**	29.7
Pension expenses	**57.0**	29.2	**18.0**	7,0
Other personnel expenses	**35.6**	22.8	**10.5**	4.9
	92.6	52.0	**28.5**	11.9
Wages and other personnel expenses total	**339.1**	209.1	**112.9**	41.6
Fringe benefits, taxation value	**6.9**	6.0	**3.6**	1.5
The wages and salaries paid to:				
Boards of Directors, Supervisory Board and Presidents	**8.2**	6.0	**1.9**	1.1
- of which bonus-related bonuses	**0.2**	0.2	**0.1**	-
Other personnel	**237.7**	156.4	**82.4**	29.3
	245.9	162.4	**84.4**	30.4

3. Depreciation

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Depreciation according to plan				
Intangible rights	**–4.3**	–3.8	**–3.5**	–1.1
Goodwill	**–1.2**	–1.1	**–14.3**	–4.8
Consolidated goodwill	**–15.2**	–15.8	**-**	-
Other capitalized expenditure	**–1.6**	–1.7	**–0.3**	–0.1
Buildings	**–18.6**	–15.2	**–9.8**	–3.3
Machinery and equipment	**–39.7**	–19.0	**–12.2**	–3.3
Total	**–80.5**	–56.6	**–40.2**	–12.6

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Depreciation difference				
Intangible rights	**-**	-	**–0.0**	–0.1
Consolidated goodwill	**-**	-	**–12.2**	–5.7
Other capitalized expenditure	**-**	-	**0.1**	-
Buildings	**-**	-	**1.8**	3.0
Machinery and equipment	**-**	-	**2.8**	3.3
Sales/correction item relating to fixed assets	**-**	-	**–0.0**	–0.0
Change in depreciation difference in the income statement	**-**	-	**–7.6**	0.4

4. Financial income and expenses excluding the share of affiliated companies´ net income

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Dividend income	**0.7**	0.0	**67.4**	4.5
Interest income	**13.8**	13.4	**13.5**	12.2
Other financial income	**1.4**	0.4	**-**	-
Interest expenses	**–23.9**	–24.5	**–11.2**	–11.1
Other financial expenses	**–3.6**	–4.4	**–2.2**	–1.2
Exchange rate differencies, net	**–2.7**	–0.5	**–0.5**	0.0
Total	**–14.2**	–15.5	**67.0**	4.3
From group companies				
Dividend income	**-**	-	**66.9**	4.5
Interest income	**-**	-	**7.2**	6.2
Interest expenses	**-**	-	**–2.3**	–1.4
Total	**-**	-	**71.8**	9.2

5. Extraordinary income and expenses

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Income				
Cancellation of expense entries, Castrum	**-**	19.2	**-**	4.7
Sale of shares	**21.5**	-	**15.1**	-
Adjustment to Speditor sales price	**-**	17.9	**-**	17.9
Cancellation of expense entries, Scantrailer	**3.5**	4.7	**3.5**	4.7
Sale of business operations	**-**	4.7	**-**	-
Gain of merger	**-**	-	**-**	19.9
Sale of subsidiaries	**0.5**	10.1	**-**	0.5
Sundry income	**1.2**	1.0	**0.3**	-
Total	**26.7**	57.7	**18.9**	47.7
Group contributions	**-**	-	**29.6**	-
Expenses				
Contingent liability expenses, Convector	**–1.5**	–11.8	**–1.5**	–23.7
Write-downs of fixed assets	**–7.1**	–11.1	**–2.6**	–9.8
Write-downs and losses on loans receivable	**–3.0**	–9.2	**–4.6**	–9.2
Goodwill expense entry	**-**	-	**-**	–19.6
Other contingent liability expenses	**-**	–1.5	**-**	–1.5
Share of affiliated companies’ extraordinary expenses	**–4.9**	–0.8	**-**	-
Pension liability expense	**–3.9**	-	**-**	-
Loss on sale of subsidiary	**–2.0**	-	**-**	-
Sundry expenses	**–1.9**	–7.0	**–0.2**	–0.4
Total	**–24.2**	–41.4	**–8.8**	–64.2
Extraordinary income and expenses, total	**2.4**	16.3	**39.6**	–16.5

6. Appropriations

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Depreciation difference	**-**	-	**–7.6**	0.4
Transition reserve	**-**	-	**-**	142.5
Total	**-**	-	**–7.6**	142.9

7. Income taxes

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Current income taxes	**–28.3**	–13.6	**–10.1**	-
Income taxes from previous years	**–1.4**	1.1	**–0.5**	-
Change in deferred income tax liability	**–7.2**	–0.1	**-**	-
Total	**–37,0**	–12.7	**–10.5**	-

Current income tax charge for domestic companies amounts to FIM 9.7 million and for Swedish companies to FIM 16.8 million.
Tax charge has been adjusted in the Group accounts in relation to tax credits received on Group internal dividends.
FIM 1.1 million of the increase in deferred tax liability relates to accelerated depreciation booked in the Finnish companies.

8. Fixed assets

		Acquisition cost January 1	Increase +	Incr./acq. companies +	Decrease –	Accumulated depreciation acc. to plan	Book value December 31
Group							
Intangible assets							
Intangible rights		34.3	3.5	0.0	-	–31.8	6.1
Goodwill		10.6	0.2	0.1	–0.1	–6.6	4.2
Consolidated goodwill		326.2	-	5.5	-	–144.0	187.7
Other capitalized expenditure		17.8	1.9	-	–1.9	–13.5	4.3
Group	Jan. 1– Dec. 31, 1995	389.0	5.5	5.6	–2.0	–195.9	202.2
Group	Jan. 1– Dec. 31, 1994	383.9	7.0	-	–2.0	–170.3	218.7
Tangible assets							
Land areas		39.4	0.1	25.9	–0.5	-	64.8
Buildings		485.0	4.1	187.2	–0.4	–134.8	541.0
Machinery and equipment		280.6	59.1	188.4	–8.2	–349.2	170.7
Other tangible assets		1.1	0.2	0.9	–0.1	–0.1	2.0
Advance payments and construction in progress		4.1	3.4	-	–4.7	-	2.9
Group	Jan. 1– Dec. 31, 1995	810.3	66.8	402.4	–13.8	–484.1	781.5
Group	Jan. 1– Dec. 31, 1994	729.3	102.5	-	–21.6	–295.6	514.7
Parent company							
Intangible assets							
Intangible rights		31.4	1.7	-	-	–28.8	4.4
Goodwill		313.9	-	-	-	–127.6	186.3
Other capitalized expenditure		9.4	0.0	-	-	–9.3	0.1
Parent company	Jan. 1– Dec. 31, 1995	354.7	1.7	-	-	–165.7	190.8
Parent company	Jan. 1– Dec. 31, 1994	2.8	354.3	-	–2.4	–147.5	207.2
Tangible assets							
Land areas		5.8	-	-	-	-	5.8
Buildings		351.8	0.3	-	–1.7	–59.6	290.8
Machinery and equipment		134.0	6.6	-	–0.6	–114.3	25.7
Other tangible assets		1.0	0.1	-	-	-	1.0
Parent company	Jan. 1– Dec. 31, 1995	492.5	7.0	-	–2.3	–173.9	323.3
Parent company	Jan. 1– Dec. 31, 1994	14.0	482.7	-	–4.1	–152.3	340.2
Value adjustments							
The above-mentioned figures include value adjustments							
Group							
Land areas		4.7	-	0.7	-	-	5.4
Buildings		26.9	-	6.1	-	-	33.0
Parent company							
Land areas		2.5	-	-	-	-	2.5
Buildings		14.0	-	-	-	-	14.0

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Machinery and equipment in production use, book value	**128.8**	64.1	**12.7**	18.2
Taxation values				
Land areas	**37.5**	12.3	**3.5**	2.7
Buildings	**316.7**	174.0	**115.9**	118.7
Shares in subsidiaries	**-**	-	**1,053.8**	676.9
Other shares and participations	**43.1**	62.8	**20.7**	35.5
Total	**397.4**	249.2	**1,193.8**	833.7

If no taxation value was available, the book value is used.

9. Shares in subsidiaries

Company/registered	Number of shares	Holding by parent company %	Group holding %	Par value 1,000 units	Book value in parent company FIM million	Group´s share of equity FIM million	Profit or loss for fiscal year FIM million
Pharma Distribution Division:							
ADA AB/Göteborg	600,000	100	100	60,000 SEK	842.4	469.7	45.8
ADA International AB/Göteborg		-	100			0.5	–0.3
ADA AS/Oslo		-	100			–6.0	–7.1
Pharma Trade Norway AS/Sandefjord		-	100			0.2	0.0
Oy Tamda Ab/Vantaa	5,000	100	100	5,000	0.0	–7.7	–11.5
Pharm Tamda 77/St. Petersburg/Russia	1,980	60	60	377,507 RBL	0.7	–1.3	–0.5
ML & Tamda LV SIA/Latvia		-	100			4.8	0.1
Tamda LV SIA/Latvia		-	100			0.2	–0.1
Tamda Eesti AS/Estonia		-	100			–1.1	–2.1
AS Pharos/Estonia		-	100			1.1	–0.1
Tamda Lithuania/Lithuania		-	100			0.3	–0.3
Oy Drugtrade Ab/Vantaa	5,400	100	100	54	0.5	0.4	0.0
Tam-Drug Oy/Vantaa	2,000	100	100	200	0.2	0.2	0.0
LS-Logistics Services Ltd./Vantaa		-	100			0.3	–0.3

Company/registered	Number of shares	Holding by parent company %	Group holding %	Par value 1,000 units	Book value in parent company FIM million	Group´s share of equity FIM million	Profit or loss for fiscal year FIM million
Hospital and Laboratory Division:							
Printel Oy/Vantaa		-	100			10.6	0.4
Mediala Oy/Vantaa	12	100	100	60	4.0	2.9	1.2
Division Kolmi-Set:							
Kolmi-Set Oy/Ilomantsi	160	100	100	16,000	26.1	22.0	–0.3
Kolmi-Set AB/Spånga, Sweden	2,000	100	100	200 SEK	0.6	1.4	0.9
Kolmi-Set AS/Roskilde, Denmark	300	100	100	300 DKK	0.2	3.5	1.6
Kolmi-Set A/S/Skjetten, Norway	3,900	100	100	3,900 NOK	3.4	2.6	1.6
Kolmi-Set S.A/Angers, France	584,154	100	100	58,415 FRF	55.6	46.4	–0.5
Other companies, incl. non-operational					2.6	2.2	–0.1
Other companies:							
Sponfinans Oy/Helsinki	1,497,628	100	100	119,810	84.3	91.7	–8.1
Oy Tammermatic Ab/Tampere		-	100			5.0	0
Kerko Sport Oy/Porvoo	72,947	72.9	74.3	729	0.0	2.3	0.7
Simra AB/Ängelholm, Sweden		-	74.3				
Simab Sport AB/Söderköping, Sweden		-	74.3				
Rantzows Sport AB/Hjärnarp, Sweden		-	74.3				
AL Sport A/S/Bergen, Norway		-	74.3				
Ifas Sport A/S/Minnesund, Sweden		-	74.3				
Total					1,020.5		

10. Affiliated companies

Company/registered office	Number of shares	Holding %	Par value 1,000 units	Book value FIM million	Group's share of equity FIM million	Profit or loss for fiscal year FIM million
Affiliated company holdings owned by the parent company:						
Castrum Oy/Helsinki*)	4,342,606	33	43,426	41.5	57.3	–32.6
Cast-Rixa Oy/Helsinki**)	16,241	49	1,624	0.0	–23.5	–50.9
				41.5		
Affiliated company holdings owned by a subsidiary:						
Castrum Oy	2,087,394	16	20,874	19.9		

*) according to preliminary 1995 financial statements at the time of preparing the Tamro Group's financial statements
**) according to 1994 financial statements; the company was placed in receivership in 1994

Including the holding of Sponfinans Oy the Group's holding in Castrum Oy rises to 49.5% of the shares and votes.

The changes in the book values of affiliated companies are:	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Opening balance	**74.7**	97.2	**41.5**	50.5
Write-down on shares	**-**	–10.3	**-**	–9.0
Share of affiliated companies' net income*)	**–17.1**	–12.2	**-**	-
Closing balance	**57.6**	74.7	**41.5**	41.5

In the Group accounts the book value of affiliated companies corresponds to Group's share of the equity of the affiliated companies as at January 1, 1993, adjusted for subsequent changes.

*) of which recorded as extraordinary expense -4.9 (-0.8)

11. Other shares and participations:

Company	Number of shares	Holding %	Par value 1,000 units	Book value FIM million
Other shares and participations owned by the parent company:				
Nomeco A/S	2,000		200 DKK	0.4
Suomen Osakekeskusrekisteri Osuuskunta	6			0.4
Helsinki Stock Exchange Ltd	1			0.2
Telephone company shares				0.5
Housing corporations				3.3
Other				0.6
Total				5.4
Other shares and participations owned by subsidiaries:				
KOy Hermitec	2,155	22		9.0
Real estate and housing corporations				1.7
Other				2.5
Total				13.3
Consolidated total				18.7

12. Shares and participations included in inventories and financial assets

The difference between the book value of shares and participations included in inventories and financial assets and their market values is immaterial.

13. Receivables and liabilities

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
With Group companies				
Accounts receivable	**-**	-	**5.5**	2.7
Group receivables, non-current	**-**	-	**15.5**	6.4
Group receivables, current	**-**	-	**144.0**	105.2
Prepaid expenses and accrued income	**-**	-	**67.7**	1.4
Accounts payable	**-**	-	**4.8**	5.3
Group payables	**-**	-	**54.1**	19.9
With affiliated companies				
Loans receivable, current	**-**	8.2	**-**	8.2
Loans receivable, non-current	**63.9**	34.0	**29.9**	-
Loans to Group management	**0.1**	0.1	**0.1**	0.1

The loans are in force for the time being. The interest on the loans in 1995 was the Bank of Finland base rate + 1%.

Receivables in financial assets, which fall due after one year or more	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Loans receivable	**0.7**	4.0	**-**	-
Accounts receivable	**0.1**	-	**-**	-

14. Capital stock

The company's capital stock as at December 31, 1995 was FIM 881,633,700 and is divided into 88,163,370 shares, each of which carries one vote. At the end of the year the company had also issued the following subsciption warrants

	Number of shares	Holding
Issue of bonds with warrants 1994 (terms in point 19)	3,600,000	3.92%

Including the bond with warrants issued in the beginning of 1996 (2,500,000 subscription warrants) total warrants, if executed, entitle to a maximum of 6.47% share of holding.

15. Changes in shareholder's equity

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Restricted equity				
Capital stock				
Opening balance	**480.5**	480.5	**480.5**	480.5
Capital stock increase	**401.1**	-	**401.1**	-
Closing balance	**881.6**	480.5	**881.6**	480.5
Reserve fund				
Opening balance	**-**	177.2	**-**	177.2
Capital stock increase over par	**441.3**	-	**441.3**	-
Pooling elimination	**–441.3**	-	**-**	-
Covered previous years' losses	**-**	–177.2	**-**	–177.2
Closing balance	**-**	-	**441.3**	-
Value adjustment fund				
Opening balance	**6.5**	6.5	**6.5**	-
From merger	**-**	-	**-**	6.5
Closing balance	**6.5**	6.5	**6.5**	6.5
Opening balance				
Opening balance	**-**	7.0	**-**	-
Change	**-**	–7.0	**-**	-
Closing balance	**-**	-	**-**	-
Restricted equity closing balance	**888.1**	487.0	**1,329.4**	487.0
Non-restricted equity				
Opening balance	**437.9**	184.4	**113.6**	-177.3
Covered from reserve fund	-	177.2	**-**	177.2
Pooling effect	**117.0**	-	**-**	-
Dividend	**–24.0**	-	**–24.0**	-
Net profit for the year	**119.6**	79.2	**153.1**	146.7
Translation difference	**19.5**	–4.6	**-**	-
Other change	**–1.1**	1.8	**–0.2**	–33.1
Non-restricted equity, closing balance	**668.9**	437.9	**242.5**	113.6
Untaxed reserves	**–385.6**	–334.1	**-**	-
Deferred income taxes on untaxed reserves	**26.5**	-	**-**	-
	–359.1	–334.1	**-**	-
Distributable non-restricted equity	**309.8**	103.8	**242.5**	113.6

16. Obligatory reserves

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Damage claim liability *)	**26.0**	23.7	**26.0**	23.7
Contingent liability reserve	**0.2**	2.9	**0.2**	2.9
Unallocated write-downs, real estate	**3.5**	11.4	**-**	-
Other reserves for losses	**4.1**	4.3	**1.5**	1.5
Other provisions	**3.6**	4.0	**-**	-
Total	**37.4**	46.3	**27.7**	28.1

*) joint liability for damages together with
other shareholders of Cast-Rixa Oy

Changes in the obligatory reserves in the income statement	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Profit before financial items	**–0.9**	0.0	**–0.9**	0.0
Extraordinary items	**–1.9**	1.9	**1.3**	–20.8
	–2.8	1.9	**0.4**	–20.8

17. Untaxed reserves

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Depreciation difference				
Intangible rights	**-**	-	**1.3**	1.3
Goodwill	**-**	-	**106.8**	94.7
Other capitalized expenditure	**-**	-	**0.0**	0.1
Buildings	**-**	-	**202.5**	204.3
Machinery and equipment	**-**	-	**3.8**	6.5
Accumulated depreciation difference, total	**-**	-	**314.4**	306.8

In the Consolidated Balance Sheet, the accumulated depreciation and voluntary reserves totaling FIM 385.6 million (334.1 million) are shown as other non-restricted equity and deferred income tax liability.

18. Long-term liabilities

Long-term liabilities fall due as follows: (excluding deferred income tax)	CONSOLIDATED	PARENT COMPANY
1997	12.9	7.7
1998–2000	34.0	22.9
2001–	103.0	75.2
On special conditions	51.5	-
Total	201.4	105.8
Foreign currency breakdown of long-term loans:		
FIM	145.9	105.8
SEK	48.5	-
Others	7.0	-
Total	201.4	105.8
Loans falling due in five years or more by balance sheet item:		
Loans from financial institutions	7.2	-
Pension fund loans	94.4	75.2
Other long-term loans	1.3	-
Total	103.0	75. 2

19. Bonds as at December 31, 1995

Conditions of bonds issued by the parent company:

Issue of bonds with warrants 1994	Amount of issue, FIM	3,600,000
	Interest	5%
	Warrants, no.	3,600,000
	Subscription period	Dec. 1, 1998 to Jan. 31, 2000
	Subscription conditions	One warrant entitles a holder to subscribe one Tamro Corporation share with a par value of FIM 10 at a subscription price of FIM 23 per share
	Repayment of issue	Bullet payment on May 16, 1999

In addition to the above the parent company issued a FIM 2,500,000 bond with warrants which entitles to subscribe 2,500,000 new shares at a subscription price of FIM 23 per share.
The subscription period is the same as for the 1994 bond issue and repayment of the loan is on December 18, 1999.
Interest rate for the loan is 5%.

Bonds issued by the Group	Total amount outstanding and unpaid	In the Group's possession	In the possession of others
Tamro Corporation			
Issue of bonds with warrants	3.6	0.3	3.3

20. Contingent liabilities

	CONSOLIDATED		PARENT COMPANY	
	1995	1994	**1995**	1994
Mortgages for own debts (1)	**188.9**	137.2	**78.3**	78.3
Pledges				
For own obligations (2)	**0.6**	10.4	**-**	-
For others	**0.4**	0.8	**-**	-
	189.8	148.5	**78.3**	78.3
Guarantees				
For subsidiaries	**-**	-	**78.7**	51.3
For debts of affiliated companies	**-**	30.0	**-**	30.0
For debts of others	**4.9**	5.5	**2.1**	4.2
	4.9	35.5	**80.8**	85.5
Pension commitments	**-**	4.7	**-**	-
Other commitments				
Leasing commitments				
Next year	**21.9**	22.6	**12.9**	19.3
Over one year	**14.6**	6.1	**5.3**	3.2
Rent commitments	**26.7**	34.2	**28.4**	35.0
Repurchase commitments	**2.8**	2.6	**1.8**	0.8
Other commitments	**1.0**	7.7	**-**	-
	66.9	73.1	**48.4**	58.3

Group liabilities, secured by mortgages, pledges and other commitments:

	1995	1994
Mortgages (1)	**151.0**	109.2
Pledges (2)	**0.2**	1.6

Pension commitments for members of the Board of Directors and the Presidents

The parent company does not have pension commitments for members of the Board of Directors. The pensionable age of the parent company's president has been agreed to be 60 years. The pensionable age of the other presidents of Group companies is determined as a rule in accordande with the Group's normal dispositions regarding pensions.

21. Management ownership of shares

At the end of the fiscal year, the members of the company's Supervisory Board and Board of Directors as well as the president owned a total of 136,050 Tamro Corporation shares and 720,000 warrants for the bonds issued in 1994. The share ownership corresponds to 0.15% of the company's shares and voting rights. If the warrants connected with the bond issue are exercised for share subscriptions, the above-mentioned ownership of shares and warrants will correspond to 0.93% of the Company's shares and voting rights in 1998.

Similarly, the Group's other management owned a total of 15,649 Tamro Corporation shares at the end of 1995 and 240,000 warrants for the bond issue.

The net profit of Tamro Corporation for the fiscal year is	FIM 153,053,920.61
And other non-restricted equity amounts to	FIM 89,459,246.92
Total	FIM 242,513,167.53
The distributable non-restricted equity shown in the Consolidated Balance Sheet as at December 31, 1995 is	FIM 309,836,000.00
The Board of Directors proposes that	
– a dividend of FIM 0.70 per share be paid on 88,163,370 shares entitled to a dividend	FIM 61,714,359.00
– a sum to be set aside for the discretionary use of the Board of Directors for scientific and charitable donations, being	FIM 100,000.00
– the remainder be posted to the retained earnings account	FIM 180,698,808.53

Vantaa, March 12, 1996

Jouko K. Leskinen
Chairman

Mikael von Frenckell

Åke Hallman **Dag Johannesson** **Erkki J. Toivanen**

Matti Elovaara
President

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TAMRO CORPORATION

We have audited the accounting, the financial statements and the corporate governance of Tamro Corporation (Oy Tamro Ab) for the period January 1– December 31, 1995. The financial statements, which include the report of the Board of Directors, consolidated and parent company income satements, balance sheets and notes to the financial satements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining and on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Supervisory Board and the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board, the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

We have reviewed the interim reports published during the financial year. The interim reports have been prepared in accordance with the applicable regulations.

Vantaa, March 14, 1996

SVH Coopers & Lybrand Oy,
Authorized Public Accountants

Johan Kronberg
APA

Pekka Nikula
APA

STATEMENT BY THE SUPERVISORY BOARD

At its meeting held today, the Supervisory Board has discussed Tamro Corporation's financial statements and the consolidated financial statements, both for 1995, and the auditors' report was examined.

As its statement to the 1996 Annual General Meeting, the Supervisory Board recommends that the consolidated and parent company's income statements and balance sheets for 1995 be adopted and that the proposal by the Board of Directors for the disposal of profits be approved.

The terms expire on the Supervisory Board of members Pirjo Ala-Kapee, Jan Ekberg, Maj-Inger Klingvall, Seppo Kylmänen, Tuomo Lähdesmäki, Reijo Purasmaa, Göran Stenberg and Kurt Stenvall.

Vantaa, March 14, 1996

Barbro Fischerström
Chairman

Reijo Purasmaa
Vice Chairman

SHARE CAPITAL

The share capital of Tamro Corporation consists of 88,163,370 shares in denominations of FIM 10 corresponding to a nominal value of FIM 881,633,700. Each share entitles the holder to one vote.

AUTHORIZATIONS

The Annual General Meeting (AGM) authorized the Board of Directors, on 27 April 1995, to decide on increase in the share capital through a rights issue, an issue of convertible bonds or an issue with warrants. The share capital can be increased by a total maximum amount of FIM 96,000,000.

The Extraordinary General Meeting (EGM) on 22 August 1995 authorized the Board of Directors to direct a share issue to Apoteksbolaget AB. On October 2 a total of 40,114,333 shares with a nominal value of FIM 10 per share were subscribed at a price of FIM 21 per share. The share capital increase was FIM 401,143,330 and the issue premium was FIM 441,257,663. The share capital increase was entered in the Trade Register on October 11, 1995.

Furthermore, the EGM approved the proposal by the Board of Directors to issue a warrant bond of FIM 2,500,000 to employees in ADA on the same terms as employees in Tamro by using the authorization given by the AGM. The subscription ended on 31 January 1996. The issue was fully subscribed. If exercised, those warrants will increase the number of shares by 2,500,000 and the share capital by FIM 25,000,000.

Of the authorization given by the AGM FIM 71,000,000 is unutilized after the issue of warrant bond to ADA´s employees. The authorization is valid until 23 August 1996.

LIABILITY TO REDEEM SHARES

The extraordinary meeting on 22 August 1995 resolved to amend the articles of the association such that a shareholder whose share – either singly or jointly with that of other shareholder as defined in the articles of the association – of the total votes carried by the shares of the Company equals or exceeds 34 percent shall, at request of other shareholders, be liable to redeem in the manner prescribed in the articles of the association their shares and securities which under the Companies Act carry right to such shares.

INCENTIVE SCHEME

The total number of warrants at the end of February 1996 in connection with the warrant bond subscribed in 1994 and 1996 totaled to 6,100,000. The total loan amount is FIM 6,100,000 and the interest rate is 5 percent. The warrants entitle to subscribe shares at a subscription price of FIM 23 between December 1, 1998 and January 31, 2000. Should all the warrants be converted to shares, the number of shares may increase by at most 6,100,000 shares and the share capital by at most FIM 61,000,000.

SHAREHOLDERS

At the end of 1995 foreign owned shares (including shares in the name of a nominee) totaled to 44,298,722 (50.24% of votes and shares). Members of the Supervisory Board and the Board of Directors and the President owned a total of 136,050 shares corresponding to 0.15% of the shares. The Group´s other management held a total of 15,649 Tamro Corporation shares.

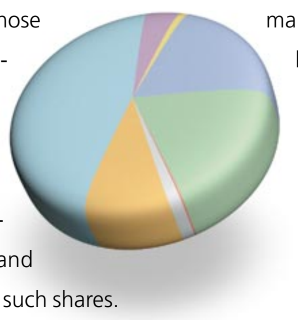
DIVIDEND

The Board's aim is that a share investment in Tamro will be a good long-term capital investment. Provided that Tamro's financial development will continue to be on a sound basis, the objective of the Board of Directors is that the company will pay a dividend of about 50 percent of the earnings per share.

The Board of Directors proposes that a dividend of FIM 0.70 per share, i.e. a total of FIM 61.7 million, be distributed.

SHARE PERFORMANCE AND TURNOVER

During 1995 Tamro´s shares were traded on the Helsinki Stock Exchange at a high of FIM 23.80 and a low of FIM 15.70. The last traded price in 1995 was FIM 19.10. During the year under review, 14.4 million shares were traded with a value of FIM 297.6 million. Tamro´s market capitalization at the year-end was FIM 1,684 million. Information about the price development and the share-specific data for the past five years are presented on page 20.



SHAREHOLDING IN TAMRO AS OF DECEMBER 31, 1995

- **Companies**
- **Financial institutions**
- **Public institutions**
- **Non-profit institutions**
- **Individuals**
- **Foreign owners**
- **Administratively registered holdings**
- **Shares which have not been transferred to the paperless book entry securities system**

INCREASES IN SHARE CAPITAL AND SHARE CONVERSIONS 1990-1995

Manner and time	Number of new shares	Increase in share capital, FIM	Share capital, FIM
Directed issue 25 Aug. – 2 Oct. 1995	40,114,333	401,143,330	881,633,700

DISTRIBUTION OF WARRANTS BY TYPE OF WARRANT HOLDER AS OF FEBRUARY 29, 1996

Type of warrant holder	Number of warrants	Number of new shares if the warrants are exercised	Increase in share capital if the warrants are exercised, FIM
Members of the Supervisory Board and Board of Directors and the President	720,000	720,000	7,200,000
Other management	360,000	360,000	3,600,000
Others	5,020,000	5,020,000	50,200,000
Total	6,100,000	6,100,000	61,000,000

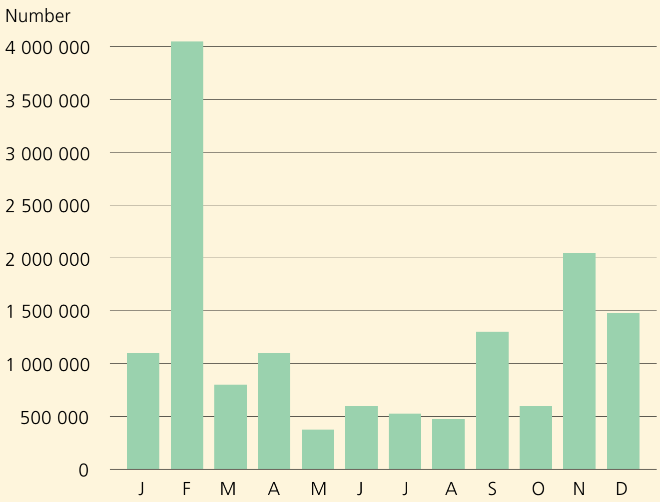
LARGEST SHAREHOLDERS AS OF DECEMBER 31, 1995

	Number of shares, 1,000	% of capital and votes
1. Apoteksbolaget	40,114	45.5
2. Merita	9,808	11.1
3. Orion	6,260	7.1
4. Sampo Group	6,108	6.9
5. OKOBANK	2,607	3.0
6. Pension Varma	1,537	1.7
7. OP-Delta	716	0.8
8. Veikko Laine Oy	430	0.5
9. SYP-Invest Oy	400	0.5
10. Nova Life Ins. Company	390	0.4
Other	19,794	22.5
Total	88,163	100.0

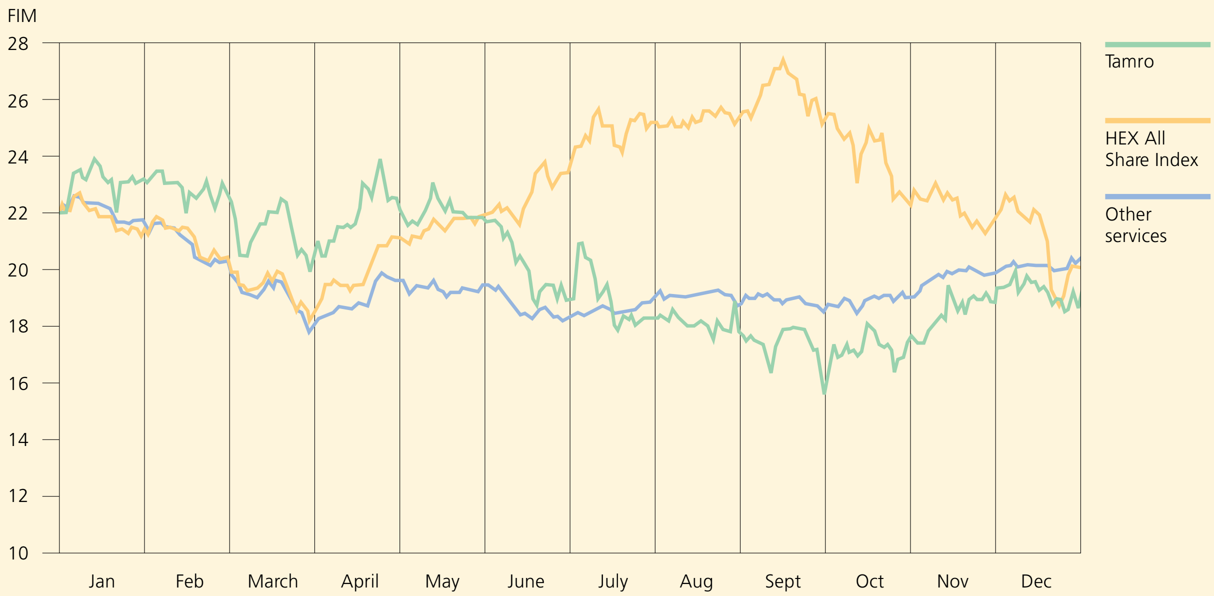
SHAREHOLDINGS IN TAMRO AS OF DECEMBER 31, 1995

Shares	Number of owners	Number of shares	% of shares and votes
1-500	5,975	1,157,266	1.31
501-1,000	1,652	1,274,123	1.45
1,001-5,000	1,776	4,010,586	4.55
5,001-20,000	329	3,096,186	3.51
20,001-50,000	41	1,331,702	1.51
50,001-500,000	42	6,661,104	7.56
500,001-	13	69,706,912	79.07
Shares which have not been transferred to the paperless book entry securities system		925,491	1.05
Total		88,163,370	100.00

TAMRO´S SHARE TURNOVER BY MONTH



TAMRO´S SHARE PRICE DEVELOPMENTS



TAMRO´S SUPERVISORY BOARD

Front, from left

***Reijo Purasmaa** (Vice Chairman), **Barbro Fischerström** (Chairman), **Pirjo Ala-Kapee**,*

Arvo Relander, Carl-Olaf Homén, Antti Moisio, Peter Egardt,

Erik Forssell, Tage Åkerlund, Göran Stenberg,

Seppo Kylmänen, Torbjörn Sonck, Anders Lönner, Tuomo Lähdesmäki

and representatives of personnel

Petri Nikkarinen** (vice representative), **Kirsti-Liisa Vieno, Kristina Åhman** and **Helge Grönfors

*and the secretary to the Supervisory Board **Juhani Mäkinen.***

Eight members are absent from the picture.

SUPERVISORY BOARD

Chairman
Mikael von Frenckell (48),
M. Pol. Sc.
(until the Extraordinary General Meeting on August 22, 1995)
Barbro Fischerström (52),
President, The Swedish Newspaper Publishers' Association
(after the Extraordinary General Meeting on August 22,1995)

Vice Chairman
Reijo Purasmaa (53), Pharmacist

Members
Pirjo Ala-Kapee (51), Mayor, City of Vantaa
Matti Aura (52), President, Central Chamber of Commerce
Peter Egardt (46), President, Stockholm Chamber of Commerce
(after the Extraordinary General Meeting on August 22, 1995)
Jan Ekberg (59), Chairman of Pharmacia & Upjohn AB
(after the Extraordinary General Meeting on August 22, 1995)
Erik Forssell (55), Pharmacist
Bengt Holgersson (54), Country Council Commissioner
(after the Extraordinary General Meeting on August 22, 1995)
Carl-Olaf Homén (59), President, Industrial Insurance Company Ltd.
Maj-Inger Klingvall (49), Member of Parliament
(after the Extraordinary General Meeting on August 22, 1995)
Seppo Kylmänen (59), President, OKOBANK
(after the Extraordinary General Meeting on August 22, 1995)
Ritva Laurila (63), Member of the EC Parliament
Tuomo Lähdesmäki (38), President, Leiras Oy
Anders Lönner (50), President, Astra Läkemedel AB
(after the Extraordinary General Meeting on August 22, 1995)
Antti Moisio (54), Deputy Manager of Social Affairs and
Public Health, City of Espoo
Arvo-T. Rautio (60), Pharmacist
Arvo Relander (59), Hospital Director,
Helsinki University Central Hospital
Torbjörn Sonck (49), President, Ciba–Geigy Oy
Göran Stenberg (60), Commecial Councellor, Suomen Astra Oy
Pär Stenbäck (54), Secretary General, Nordic Council of Ministers
Kurt Stenvall (63), Master of Laws
(after the Extraordinary General Meeting on August 22, 1995)
Tage Åkerlund (56), Pharmacist

Representatives of Personnel
Helge Grönfors (60), warehouse employees in Helsinki
Hertta Hytönen (54), employees of regional network, Kuopio
Kirsti-Liisa Vieno (60), office employees in Helsinki
Kristina Åhman (52), other employees

The Supervisory Board has convened 3 times
during the period under review.

BOARD OF DIRECTORS

Chairman
Jouko K. Leskinen (52), CEO, The Sampo Group

Vice Chairman
Åke Hallman (53), President, Apoteksbolaget AB
(after the Extraordinary General Meeting on August 22, 1995)

Members
Mikael von Frenckell (48), M. Pol.Sc.
(after the Extraordinary General Meeting on August 22, 1995)
Dag Johannesson (50), Director, Apoteksbolaget AB
(after the Extraordinary General Meeting on August 22, 1995)
Matti Liukkonen (50), Bank Director
(until the Extraordinary General Meeting on August 22, 1995)
Kurt Stenvall (63), Master of Laws
(until the Extraordinary General Meeting on August 22, 1995)
Erkki J. Toivanen (68), Chairman of the Board, Onninen Oy

The Board of Directors has convened 16 times during the
period under review.

AUDITORS

Pekka Nikula, APA
SVH Coopers & Lybrand Oy, Authorized Public Accountants

TAMRO GROUP´S EXECUTIVE TEAM

From left

Björn Mattila, Ulf Pregmark, KjellOwe Gustafsson, Matti Elovaara, Bengt Ohlsson, Tapio Mansukoski *and* ***Jorma Turunen.***

TAMRO GROUP

Matti Elovaara
CEO, President

Bengt Ohlsson
Executive
Vice President

CORPORATE CENTER

Finance and
Administration
Tapio Mansukoski
Chief Financial Officer

IT/IS
KjellOwe Gustafsson
Chief Infotech Officer

Human Resources
Ulf Pregmark
Chief Personnel Officer

CEO SUPPORT

Executive Assistant
Arja Wikstedt

Corporate
Communications
Eila Volanen

Internal Audit
Ritva Salomaa

PHARMA DISTRIBUTION DIVISION

Bengt Ohlsson
Division President

Pharma Distribution
Sweden
Bengt Ohlsson
(acting)

Pharma Distribution
Finland
Heikki Ojanperä
Director

Pharma Distribution
Norway
Peter Nobel
Director

Pharma Distribution
the Baltics and
St. Petersburg
Keijo Väkiparta
Director

HOSPITAL AND LABORATORY DIVISION

Björn Mattila
Division President

Tamro Medical
Asko Kinnunen
Director, Marketing

Tamro Lab
Markku Pohjola
Director, Marketing

Printel
Hannu Leppänen
Director

KOLMI-SET DIVISION

Jorma Turunen
Division President

Kolmi Drape
Anne Mykkänen
Director

Kolmi Safe
Rémy Rochard
Director

Kolmi Inco
Jouko Pirkkanen
Director

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