



TAMRO  
1996



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## HIGHLIGHTS OF 1996

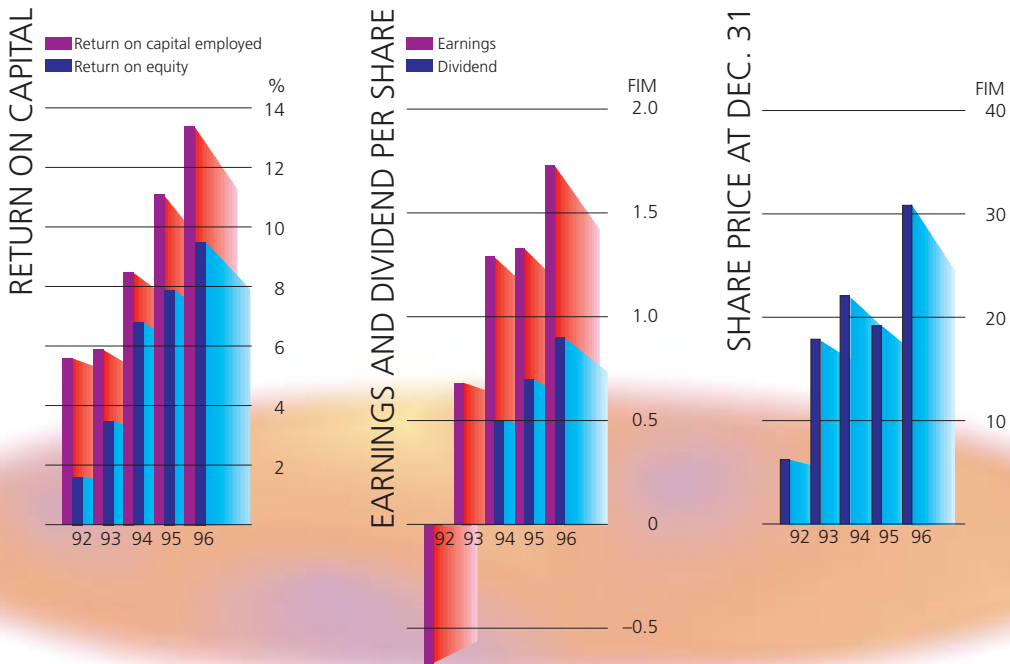
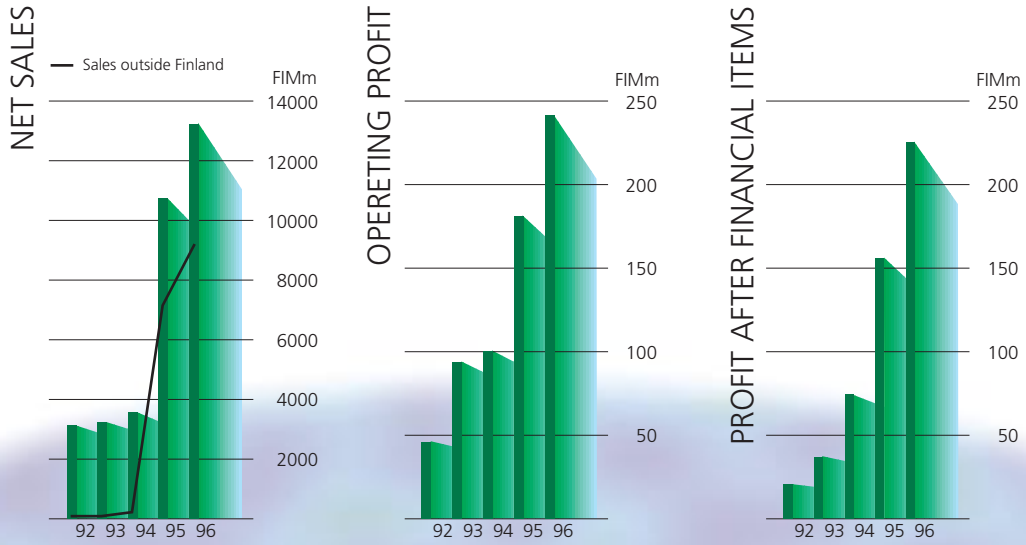
- The financial result of the Group was good. The profit after financial items grew by 45% to FIM 224 million.
- The earnings per share grew by 30% to FIM 1.73.
- The Group's net sales expanded by 23% to FIM 13,220 million. The hike was partly due to the strong rush on pharmaceuticals in Sweden toward the end of the year in anticipation of changed medicine reimbursement system which came into effect at the beginning of 1997.
- The Medical and Laboratory Division widened its market coverage to include Sweden and Norway through corporate acquisitions.
- The Kolmi Division bought a German-based marketing company.
- The loss generated by the Pharma Distribution Norway exceeded expectations.
- Tamro's Board of Directors ratified the dividend policy and the Group's long-term profit targets.
- Apoteksbolaget AB sold a total of 18 million Tamro Corporation's shares to Nordic and international institutional investors in May. Apoteksbolaget AB owned 25.1% of Tamro's stock and voting rights at the end of 1996.

## FINANCIAL HIGHLIGHTS

		<b>1996</b>	1995	1994
Net sales	FIMm	<b>13,220</b>	10,735	3,565
Sales growth	%	<b>23.0</b>	201.1	10.4
Sales outside Finland	FIMm	<b>9,230</b>	7,180	230
Operating profit	FIMm	<b>242</b>	181	100
Profit after financial items	FIMm	<b>224</b>	155	73
Return on capital employed	%	<b>13.4</b>	11.1	8.5
Return on equity	%	<b>9.5</b>	7.9	6.8
Earnings per share	FIM	<b>1.73</b>	1.33	1.29
Dividend per share	FIM	<b>0.90*</b>	0.70	0.50
Share price at December 31	FIM	<b>30.70</b>	19.10	22.00
Net gearing	%	<b>-9.1</b>	-7.8	18.7
Equity ratio	%	<b>39.7</b>	42.8	50.9
Investments	FIMm	<b>153</b>	73	102
Number of employees at December 31		<b>2,222</b>	2,041	1,383

\* Board proposal

# FINANCIAL GRAPHS OF THE GROUP



# GROUP REVIEW

## OUR VISION

The Tamro Group is a listed Northern European corporation with a leading position in distributing health care products and marketing hospital and laboratory products in the Nordic countries, the Baltic States and Northwest Russia. The Group is also one of the major producers of disposable hospital textiles in Europe.

The key to successful operations is

superior material and information flow management, which adds to the efficiency of the entire health care distribution chain.

The objective is to increase stockholder value, exceed business partners' expectations, be perceived by the personnel as a challenging and fair employer and operate in a socially responsible manner in all market areas.

## PROFIT TARGETS

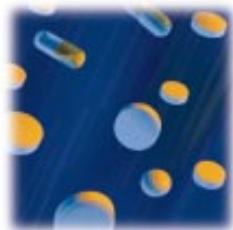
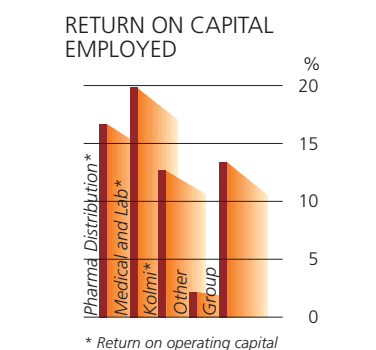
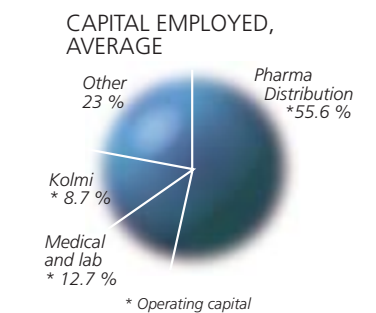
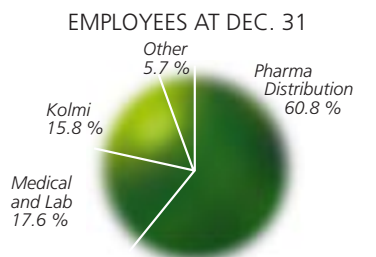
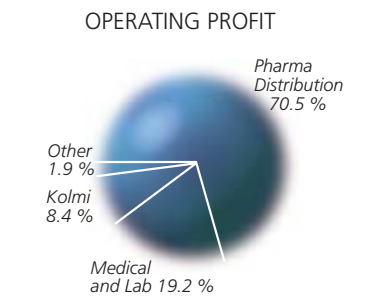
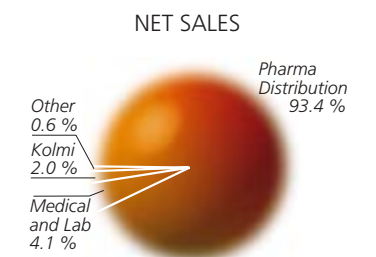
The Board of Directors has set long-term targets for the Group's performance. The earnings per share should increase on an average by over 15% annually. The target for the return on equity is to exceed the yield of the risk-free Finnish markka long bond by five percentage points.

## DIVIDEND POLICY

The Board of Directors endeavors to make Tamro's stock into a high-performance, long-term investment object. Provided that Tamro's financial development continues along healthy lines, the Board aims to distribute about half of the per-share profit in dividends.

## STRUCTURE OF BUSINESS OPERATIONS

The Tamro Group's business focus is on health care through three profit units: the Pharma Distribution Division, the Medical and Laboratory Division and the Kolmi Division. The Divisions are supported by shared Group functions and activities.



## PHARMA DISTRIBUTION DIVISION

The Pharma Distribution Division distributes pharmaceuticals, other health care products and OTC products in the Nordic countries, the Baltic States and Northwest Russia. The Division aims to be a leading distributor of health care products and create added value for its partners through efficient and high-quality materials and information flow management. The Division maintains

close cooperative ties with all its partners.

The Division is creating a new distribution concept for the Northern European market area. A single logistics and data management system, capable of processing and distributing the sales and inventory data of the whole market, is being introduced to meet market requirements. Local warehouses will

take care of local distribution and related data management.

The Division has at present operations in Sweden, Finland, Norway, Estonia, Latvia, Lithuania and Northwest Russia. Its clientele consists of pharmacies, hospitals and other health care institutions as well as companies. The business partners come from the international pharmaceuticals industry and

other health-care fields.

The Division comprises four profit units: Pharma Distribution Sweden, Pharma Distribution Finland, Pharma Distribution Norway and Pharma Distribution the Baltics and Northwest Russia.



## MEDICAL AND LABORATORY DIVISION

The Medical and Laboratory Division markets and maintains health care, laboratory and educational products and prepares special forms for purposes of public administration as well as cartography products. It is the Division's objective to expand operations to cover the entire Northern European market area.

The Division markets hospital products in Finland, Sweden, Estonia, Latvia, Lithuania and Northwest Russia. The market area of laboratory products covers also Norway besides above mentioned countries. Educational products and special forms are marketed in Finland.

The Division's customers include hos-

pitals and other health care institutions, training and research laboratories, schools and other government agencies. Business partners include leading international manufacturers in the field.

The Division consisted of five profit units in 1996: Tamro Medical Finland, Tamro Medical Scandinavia, Tamro Lab, Labasco and Printel.



## KOLMI DIVISION

The Kolmi Division develops, manufactures and markets disposable sterile hospital supplies, protective clothing and hygiene products for hospitals and other bulk buyers in Europe. It is the Division's objective to attain a significant position in its market area, i.e. the whole of Europe.

At the moment, the Division operates in Finland, Sweden, Norway, Denmark, France, Germany, Estonia, Latvia, Lithuania and Northwest Russia. Its customers include hospitals, other health care institutions and private individuals.

The Division's principal raw materials suppliers are globalized Finnish compa-

nies, leaders in their fields.

The Division is made up of three business areas: Kolmi-Drape (disposable sterile hospital textiles), Kolmi-Safe (disposable hospital textiles) and Kolmi-Inco (incontinence products).

## CEO'S LETTER



Tamro's result after financial items amounted to FIM 224 million and came up to the expected level, exceeding last year's profit by 45%.

The various group companies showed a rather uneven profit development. The result of the Pharma Distribution Division soared, boosted by two unpredicted events in the Swedish market: the strengthening of the Swedish krona and the year-end rush on pharmaceuticals caused by changed medicine reimbursement system. During the year, there were also unforeseeable developments with a negative impact on corporate income, most importantly our disappointing Norwegian operations. The result of the Medical and Laboratory Division was depressed by the increased investments in resources in Finland and new corporate acquisitions. The profit development of the Kolmi Division was favorable, yet below expectations.

In my opinion, the first year of operations turned out to be very successful for the "new" Tamro Group. We have had to undergo a major process of change and transform our entire business operation and organization in the Northern European health-care market.

Progress in the focal points of our growth program, such as building up the Nordic Concept, finding suitable data management systems, extending the Medical and Laboratory Division's operations into the other Nordic Countries, expanding the Kolmi Division's activities in Central Europe as well as developing operational management and controls, has been relatively fast. We have already concluded the first pharmaceuticals distribution agreements based on the Nordic Concept. As regards data management, our activities are steadily evolving closer to the integrated group-wide system targeted in our strategic plans. The Medical and Laboratory Division and the Kolmi Division have managed to expand their geographical coverage areas as planned and our operational management projects have progressed rapidly. Our business activities in the

Baltic States and Northwest Russia have also developed in a very satisfactory manner. During 1996, we managed to sell off the following non-health-care business entities: Tammermatic and LS-Logistics Services Ltd. as well as a number of real estate properties.

The most important on-going projects included launching pharmaceuticals distribution and laboratory supplies marketing in Denmark, augmenting the market share of Pharma Distribution Norway and realizing assets not related to our core business activities.

Our ownership structure underwent a major change during the year when Apoteksbolaget went ahead with its preliminary plans and sold 18 million Tamro shares to international investors in May. Tamro's stock attracted such overdemand from would-be-subscribers that many of them were left without any shares.

The Tamro Group's management group has been strengthened considerably during the year. The top management of the Pharma Distribution Division as well as the directors of Pharma Distribution Sweden, Finland and Norway, of Tamda, of the Tamro's laboratory unit all assumed their current positions during or just after the period under review.

I would like to thank my closest colleagues and the Group's entire staff for their input in the creation of the "reorganized" Group during 1996. I would also like to extend thanks to our customers, partners and authorities for all their support, without which we would not have made as much progress.

Even though our most important projects during the current year remain the same as before, we have managed to reach the next implementation stage within most of them. In the not too distant future, as we keep making headway with the Nordic Concept, we will be faced with the task of assessing the market situation in Central Europe and finding solutions required in that environment.

*February 1997*

**Matti Elovaara**



# PHARMA DISTRIBUTION DIVISION

The Pharma Distribution Division distributes pharmaceuticals, other health care products and OTC products in the Nordic countries, the Baltic States and Northwest Russia. The Division aims to be a leading distributor of health care products and create added value for its partners and customers through efficient and high-quality materials and information flow management. The Division maintains close cooperative ties with all its partners.

## NORTHERN EUROPE'S BIGGEST OPERATOR GETS SYNERGY BOOST

The Pharma Distribution Division is the only pharmaceuticals distributor in Northern Europe operating in the Swedish, Finnish, Norwegian, Estonian, Latvian, Lithuanian and Northwest-Russian markets. The Division's distribution units are market leaders in Sweden, Finland, Estonia and Latvia.

Pharmaceuticals use valued at whole-sale prices amounted to FIM 21 billion in our market area. The per-capita use of pharmaceuticals varies considerably from FIM 1,200 in Sweden to FIM 65 in Northwest Russia. There are about 40 million people living in the present coverage area.

The Pharma Distribution Division is in the process of developing a new Nordic Distribution Concept in its market area, which provides suppliers with the logistics and all the sales, inventory and other business data they need. The general distribution concept is always localized to suit specific conditions and customer requirements. The market structures in different countries vary and consequently the distribution concept is adapted to e.g. the single-channel distribution systems in Sweden and Finland and the multi-channel systems in other countries. Our common data management system for monitoring Group distribution sales and transaction data is

pivotal to the implementation of the distribution concept.

During the business year, the Nordic Distribution Concept was upgraded to meet the expectations and requirements of our customers and principals. Market surveys were conducted to determine the demand for new services producing added value, such as repackaging. The core business processes were described and choosing and acquiring of suitable ready-made software packages on the market was started. The current Finnish and Swedish transaction data can be combined and supplied to our principals starting from the beginning of 1997.

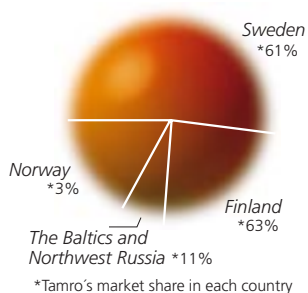
## SALES AND FINANCIAL RESULT EXCEEDED EXPECTATIONS

The net sales of the Pharma Distribution Division were FIM 12,342 million, up 24% from the previous year. Sweden accounted for 70% of the total net sales, Finland for 27%, Norway 1% and the Baltic States and Northwest Russia 2%. The Division posted an operating profit of FIM 170 million, up 34% from the year before. Return on working capital amounted to 17% (13%). Capital spending totaled FIM 29 million.

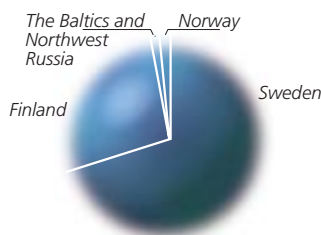
The strengthening of the Swedish krona contributed 8% to the division's sales growth and also 8% to the increase in the operating profit. The rush in Sweden to buy pharmaceuticals accounted correspondingly for 6% of the sales volume expansion and for 13% of the growth in the operating profit.

At the end of the year, the Division had a workforce of 1,352 people, 46% working in Sweden, 33% in Finland, 19% in the Baltic States and St. Petersburg and 2% in Norway.

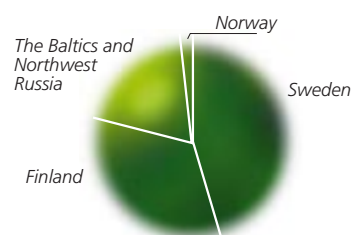
PHARMACEUTICAL MARKETS IN TAMRO'S AREA OF OPERATIONS



SALES BY AREA



EMPLOYEES BY AREA





## OUTLOOK FOR 1997

Tamro will continue to implement structural changes in the pharmaceuticals wholesale trade. Our competitors will adopt solutions of their own and there will be fierce competition over distribution service prices.

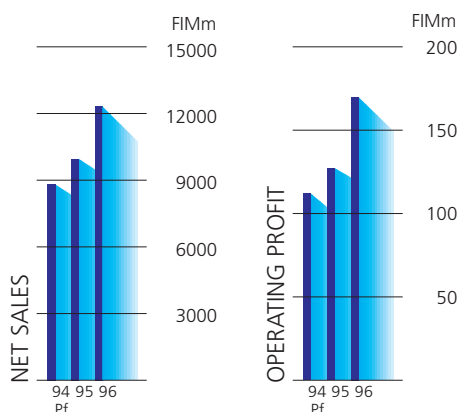
Market development in Finland and Norway is average. The year-end rush in Sweden to buy pharmaceuticals will affect the 1997 market prospects, leaving little hope of value expansion. The Baltic and Northwest-Russian markets are growing continuously.

## PHARMA DISTRIBUTION SWEDEN

The aggregate market expanded by about 18% and pharmaceutical sales valued at wholesale prices rose to SEK 15.8 billion (FIM 10.8 billion). The average effect of price mark-ups on the total pharmaceutical sales was about 1.4%. ADA's pharmaceutical sales increased 17% to SEK 9.8 billion (FIM 6.7 billion), representing a 61% (62%) share of the Swedish pharmaceuticals market. The contraction of market share is mainly attributable to the below-market-average sales increases of ADA's Swedish business partners. Cooperation with the major distributing partners was carried on as before.

Partner distribution, consisting of storage, delivery and distribution services mostly to municipalities, institutions, opticians and wholesalers, rolled up net sales by 23% to SEK 356 million (FIM 254 million). The development of home deliveries of incontinence products exceeded the expected trend. Despite amended legislation concerning home deliveries, ADA is likely to hold on to the majority of its orders and commissions in 1997. There was an increase in the sale of the newest product group, naturopathy products, which have captured approximately a 10% share of the health food market.

The net sales of Pharma Distribution Sweden during the fiscal year rose by 14% to SEK 12.7 billion (FIM 8.7 billion). Altered rules governing medicinal expense deductibles (excesses) effective from January 1, 1997 brought about a rush on pharmaceuticals toward the end of 1996 and additional sales



	1996	1995	1994
Operating profit, FIMm	170	127	111
Operating profit, %	1.4	1.3	1.2
Net sales, FIMm	12,342	9,958	8,920
Share of			
Group sales, %	93	93	93
Foreign sales, FIMm	8,988	6,935	6,101
Investments, FIMm	29	42	25
Employees, December 31	1,352	1,256	1,248

of over SEK 800 million. Broken down by profit unit, distribution to pharmacies accounted for 90%, home distribution for 7% and partner distribution for 3% of the net sales. The operating profit improved from 1995. At the end of the year, there were 617 employees on the unit's payroll.

Capital spending totaled SEK 17 million (FIM 11 million), consisting mostly of expenditure in production machinery and related ADP control systems.

#### OUTLOOK FOR 1997

The year-end rush on pharmaceuticals in Sweden is expected to diminish the growth in the pharmaceuticals market during 1997.

New studies on the future of pharmaceuticals distribution retail trade will be carried out during 1997. If the results are going to have any effect on operations at all, the impact will be felt in 1998 at the earliest. The cost effectiveness and reorganization programs launched within Pharma Distribution Sweden will lead to personnel cutbacks of approximately 50 people in the course of 1997. The changes will lower operational costs but the effects will mainly become visible during 1998.

### PHARMA DISTRIBUTION FINLAND

The Finnish sales of pharmaceuticals in terms of whole-sale prices amounted to FIM 5.1 billion, i.e. a 10% rise from the year before. The total number of prescriptions was 32 million, up 4.2% from the previous year. The factors contributing to the pharmaceuticals market expansion include new products (3.0% effect), price increases (0.5%) and growth in volume (6.5%).

Tamro's pharmaceutical sales increased by 13% and its market share from 60.7% the year before to 62.5%. This positive development was the result of a strong 17% uptrend in the sales of overseas drug plants in Tamro's distribution. In the wake of the Pharmacia-Upjohn merger, Tamro took over Upjohn's entire distribution in the summer. Hoechst, Marion and Roussel decided to join forces and also the distribution of Roussel's products came under Tamro's control. Business links with Organon Teknika were established toward the end of the year.

Customer satisfaction was enhanced: a service time reform was initiated in the fall, the targets set were achieved during the test run of a new invoice payment system and the cus-

tomers regarded the courses arranged by the Pharmacy Institute as useful.

The net sales of Pharma Distribution Finland were FIM 3.4 billion, up by 11%. The sales volume of pharmaceuticals expanded by 13% while that of our other products remained at last year's levels.

There was a relative drop in the distribution margin from the previous year owing to the sale of LS-Logistics Services Ltd's capital stock at the beginning of the year and tightened price competition in the market. There was, however, an upswing in the operating profit compared with the year before. The company's net working capital was reduced thanks to improved inventory and capital management.

Capital expenditure came up to FIM 6 million and was mostly spent on ADP equipment and minor production-related acquisitions. The year-end number of employees was 447.

#### OUTLOOK FOR 1997

The pharmaceuticals market is expected to continue expanding along similar lines as in 1996. No major changes are in the offing in pharmaceuticals use. The Patient Deductible Working Party is charting possible ways of curbing increases in medical expenditure and will submit its report in May. New and more expensive drugs will be introduced, price competition will intensify and lead to a lower price level in price-sensitive product groups. Pharmaceuticals usage is steadily on the increase, due to the rising average age of the population.

The price competition between pharmaceuticals distributors continues and puts downward pressure on distribution margins. The cost effectiveness and profitability of operations in different countries will have to be augmented with the help of Tamro Pharma Distribution Division's know-how to offset this shrinkage in margins.

### PHARMA DISTRIBUTION NORWAY

An organizational restructuring was carried out in Pharma Distribution Norway during the last quarter of the year, with the principal objective of attaining increased cost efficiency, stronger market and customer orientation as well as improved logistics and information technology.

The new organizational structure was effective as of January 1, 1997. The ownership structure of ADA AS corporation was changed, inasmuch as it became a direct subsidiary of Tamro Corporation.



## MARKET SHARE BOOST TOWARDS THE END OF THE YEAR

The Norwegian pharmaceuticals market expanded by 8% in 1996, partly due to price mark-ups, but chiefly because new and more expensive drugs were introduced. The aggregate market was worth NOK 5.1 billion (FIM 3.6 billion). ADA's net sales for its first whole business year grew at a lower pace than anticipated, owing mainly to various start-up problems. ADA's market share for the year averaged 2.6%, finishing at 4%.

The 1996 sales amounted to NOK 226 million (FIM 161 million), including NOK 134 million (FIM 97 million) in pharmaceutical sales. The operational loss was greater than anticipated due to unexpectedly high expenses and the sluggish growth of net sales. At the end of 1996, there were 24 people in ADA's employ. Capital spending in 1996 totaled NOK 2 million.

## OUTLOOK FOR 1997

The intensive program of improving control systems and inventory activities and polishing up personnel skills and know-how, launched after summer 1996, started to bear fruit towards the end of the year. Distribution service marketing will be intensified and the operational development project continued. The objective is to significantly consolidate ADA's market position and to improve operational results. The liberalization of pharmaceuticals distribution will continue. The Committee published a report in January calling for changes especially in the pharmacy retail supply of medicines.

## PHARMA DISTRIBUTION THE BALTICS AND NORTHWEST RUSSIA

Tamda had operations in all the Baltic States and Northwest Russia in 1996. The market area has a population of about 20 million. A chronic shortage of financing has slowed down market development compared with previous years. The market is becoming more and more centralized even though there are still about 700 competing distributing companies.

In spite of the tightening competition and slowed-down market growth, Tamda's net sales increased quickly and was 69% higher than the previous year. Tamda's market share expanded in every country of operations. Tamda concluded new cooperation agreements with leading pharmaceutical plants.

## YEAR OF FAST GROWTH AND POSITIVE PROFIT TREND

Tamda generated FIM 190 million in net sales, up by 69% from the previous year. The targets set were achieved. The operating profit was slightly in the red but profit development was positive and on target. There were 264 people on the staff at the end of the year.

In Estonia Tamda attained over and in Latvia nearly a 25% share of the total pharmaceuticals market. Estonian sales went up by 57% to FIM 51 million. Latvian sales grew by 48% to FIM 50 million. Tamda's second full year of operations in Lithuania was a period of rapid growth. The sales volume tripled from the year before. The company obtained a 10% market share in Lithuania. The operating profit was still in the red.

The Northwest-Russian joint venture Pharm Tamda 77 generated fast-growing sales, up nearly 56% from the previous year. Supplier confidence in Pharm Tamda 77 increased and it concluded several new cooperation agreements. The company obtained as the only western wholesaler a 8% market share in Northwest Russia and a 10% share in St. Petersburg. The ever-changing customs duty and payment regulations greatly complicated business development during the period under review.

The total capital spending in the Baltic States and St. Petersburg in 1996 amounted to FIM 10 million. Most of the investments were funneled toward a new distribution and customs warehouses in St. Petersburg, a new distribution center in Tallinn, procurement and renewal of transportation equipment and ADP capacity enhancement.

## OUTLOOK FOR 1997

Markets are expected to continue growing relatively fast, but the speed of expansion is dependent on the aggregate economic growth and the status of health care. The fierce competitive situation and tightened regulations by authorities are thinning out the competition and leaving Tamda with an increasingly strong market position. The greatest risks facing the company are associated with the still lingering legislative uncertainties in Russia and with the general economic development and inflationary trends in all countries concerned. The risk of devaluation is becoming more and more imminent in the Baltic States. In spite of this, Tamda is expected to close the year 1997 with a profit.



# MEDICAL AND LABORATORY DIVISION

The Medical and Laboratory Division markets and maintains health care, laboratory and educational products and prepares special forms for public administration as well as cartography products.

## OPERATIONS EXPANDED AND INTERNATIONALIZED

Tamro acquired three companies according to its strategy of expanding into the other Nordic countries. In order to strengthen the laboratory product unit, Swedish AB Labassco and Norwegian Heigar & Co. A/S were purchased. Both are among the leading companies in their field with a ca 10% share of their respective markets. The corporations market supplies, chemicals and equipment for laboratory use. Together with Tamro Lab, they give Tamro a solid foothold in the Nordic laboratory product market. Also customers and business partners benefit from the synergy effects generated.

Medical product marketing in Sweden was initiated through the acquisition of Swedish Hospital Supply SHS AB at the end of the year. Group synergy benefits were created when a joint marketing organization was founded in Sweden, Norway and Denmark in cooperation with the Kolmi Division. At the same time, Kolmi's marketing companies in these countries changed their names to Tamro. Since the clientele is the same, it is for the most part possible to use common administration, customer service and purchase functions. Tamro Medical Scandinavia, a new unit within the Medical and Laboratory Division, will in the future be responsible for marketing its own product lines in Sweden, Norway and Denmark.

Printel expanded operations in June by acquiring Karttakeskus from the Finnish State. Karttakeskus is Finland's largest map and sea chart maker and supports Printel's educational equipment activities.

The Medical and Laboratory Division consisted of five profit units in 1996: Tamro Medical Finland, Tamro Medical Scandinavia, Tamro Lab, Labassco and Printel.

The net sales of the Medical and Laboratory Division grew by 23% to FIM 536 million. Corporate acquisitions accounted for 14% of this growth. The operating profit totaled FIM 46 million, down by FIM 6 million from 1995. The reason for the diminished financial result can be found in the increase of resources in Finland and in the corporate acquisition investments in 1996. The operating profit failed to come up to expectations. Capital spending amounted to FIM 90 million, including FIM 85 million in corporate acquisitions. The return on working capital was 20% (29%).

The Division had a workforce of 392 at the end of the year, an increase of 197 employees attributable mainly to corporate acquisitions and increases in Finnish resources.

## TAMRO MEDICAL FINLAND

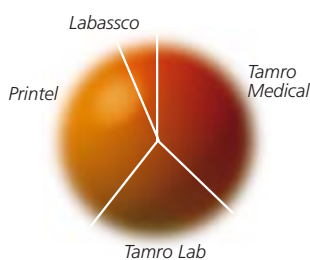
Tamro Medical Finland markets a wide range of e.g. basic health care products, specialized equipment and apparatus for customers in health care. The business unit enhanced its market share in Finland and net sales grew by 11%. Sales doubled in the expanding Baltic and St. Petersburg markets.

Tamro Medical Finland generated FIM 201 million in net sales, the best sellers being imaging equipment, films and pacemakers. More personnel was committed to technical customer service and specialized tasks. Tamro Medical Finland concluded new cooperation agreements in product groups such as wound treatment, basic health care and surgical products.

## TAMRO MEDICAL SCANDINAVIA

Tamro Medical Scandinavia will start operations in Sweden, Norway and Denmark after SHS AB has been acquired; most of the start-up phase should be concluded by the end of 1997. The main emphasis of activities will be on marketing disposable hospital supplies.

SALES BY UNIT



EMPLOYEES BY AREA





### TAMRO LAB

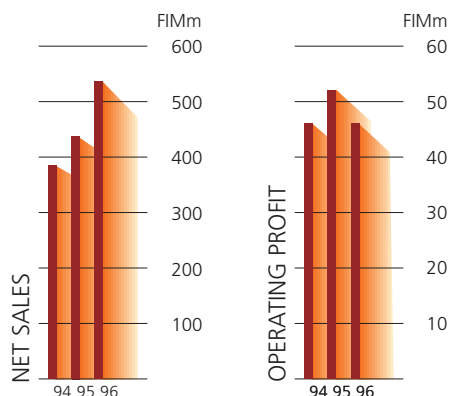
Tamro Lab markets laboratory products also in the Baltic States and St. Petersburg. To boost the sales of its product range, Tamro Lab entered into several new marketing agreements with major international manufacturers and in July started cooperating with Ortho Clinical Diagnostics, a subsidiary of the Johnson & Johnson Group, in marketing virological products.

The other new partners were US-based Barnstead/Thermolyne Corporation (water purification devices), French Immunotech S.A. (monoclonal antibodies), now in Coulter Corporation's ownership, and Canadian Spectral Diagnostics Inc. (quick tests for cardiac infarction diagnostics). Marketing activities were intensified by hiring 9 new employees in the focal and growth markets: Finland, the Baltic States and St. Petersburg.

The net sales of Tamro Lab amounted to FIM 122 million, an increase of 11%. Laboratory diagnostics and chemicals were the best selling product groups.

### LABASSCO

AB Labassco imports, markets and distributes laboratory products for e.g. chemical and biomedical analytics. Its prod-



uct range encompasses both consumption articles, chemicals and equipment.

The Swedish laboratory product market showed no growth during the period under review. The government sector has continued retrenching public expenditure, causing the demand for laboratory products to shrink in Sweden.

The product range has been supplemented through molecular biology and micro-biology product representations by Lithuanian Fermentas, US-based Bio 101, US-based Jackson and Spanish Hispanlab.

In the fall of 1996, Labassco acquired Norwegian Heigar & Co. A/S with a product range very similar to its own. The core clientele consists of research and industrial laboratories and thus the synergy benefits can start to be utilized rapidly.

Labassco's net sales during the latter part of the year totaled FIM 32 million (calculated from September 1 for AB Labassco and October 1 for Heigar & Co. A/S).

### PRINTEL

Printel Oy produces and markets special forms to be used in public administration and provides supplies to schools and day-care centers. Karttakeskus Oy, a unit of Printel, publishes and produces graphic and numerical map applications.

Demand for forms and basic supplies remained unchanged during the year. The slightly increased municipal investments boosted the sales of educational equipment and especially the sales of furnishings. There was a considerable upsurge in the demand for digital maps. Printel had a leading market position in all of its three business sectors in Finland. The unit's net sales rose to a total of FIM 182 million, of which Karttakeskus generated (after June 1) FIM 29 million.

### OUTLOOK FOR 1997

The market area of the Medical and Laboratory Division is expected to grow by less than 5% on average. The strong commitment to expanding operations to the other Scandinavian countries during 1996 in order to create the Nordic Marketing Concept and the related initial investment outlays will still somewhat burden the Division's relative profitability in 1997. Synergy effects can be fully utilized first in 1998.

	1996	1995	1994
Operating profit, FIMm	46	52	46
Operating profit, %	9	12	12
Net sales, FIMm	536	435	383
Share of			
Group sales, %	4	4	4
Foreign sales, FIMm	38	2	1
Investments, FIMm	90	5	5
Employees, December 31	392	195	185



# KOLMI-DIVISION

The Kolmi Division develops, manufactures and markets disposable sterile surgical textiles, protective clothing and hygiene products for hospitals and other institutions in Europe.

## MARKET AREA EXPANDED

The European surgical textiles market is worth about FIM 1.5 billion. The Kolmi Division has managed to capture a 10% share and covers about half of the European market with its sales organization in ten different countries.

The latest acquisition by Kolmi is German Brömeda GmbH, a company in the business of selling disposable health care products to hospitals all over Germany. Business prospects are favorable in Central Europe, since the share of disposable textiles of all surgical textiles is currently much lower than in the Nordic countries.

The Kolmi and the Medical and Laboratory Divisions introduced a common sales and management organization in Sweden, Norway and Denmark. At the same time, Kolmi's existing marketing companies in Sweden, Norway and Denmark changed their names to Tamro. This closer cooperation ensures increased customer satisfaction since it facilitates the larger-scale supply services required by the clientele. It is also possible to exploit Group synergy effects. Incontinence products are marketed in the Nordic countries.

## RESULT IMPROVED

The net sales of the Kolmi Division were FIM 263 million, an unexpectedly modest increase of 4%. The operating profit fell short of expectations and totaled FIM 20 million, however up by 29% from the year before. The past year saw moder-

ate raw materials price developments. The slight weakening of the Finnish markka gave a boost to the export trade and overseas business operations. The return on working capital was 13 (11)%.

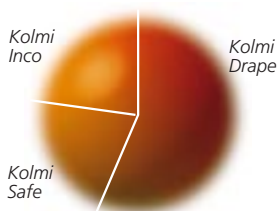
Activities outside Finland accounted for 67% of net sales. Capital spending totaled FIM 28 million. The biggest capital outlays included the purchase of a sales company in Germany as well as construction and machine investments by different production units. The Division employed a total of 352 people, including 132 staff-members working for overseas units. Since the beginning of the year, the Division has had three sectors of operations: Kolmi Drape, Kolmi Safe and Kolmi Inco.

## KOLMI DRAPE

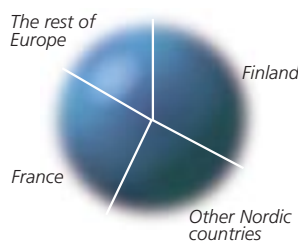
This business field generated FIM 148 million in net sales and very satisfactory profits. Toward the end of the year, a new-generation surgical textile material, designed to accommodate the past few years' advances in surgical techniques, was brought onto the market. More and more operations utilize minimally invasive keyhole surgery. New specialty packages were also launched. In connection with the introduction of the new surgical textile material, the appearance of packages was also upgraded to reflect these changes in the surgical field.

The enlargement of the Ilomantsi plant by 3,200 m<sup>2</sup> of new production and storage facilities commenced in August. Full operations in the extension will start in March 1997. The State Technical Research Center inspected and approved the sterility control system of the Ilomantsi plant and thus all products manufactured there may carry the CE mark.

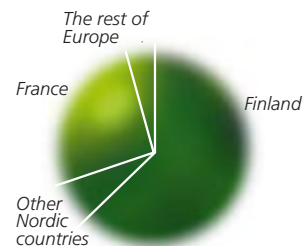
SALES BY UNIT



SALES BY AREA



EMPLOYEES BY AREA



Kolmi Drape products have been selling well in all market areas and they are the market leader in Finland, number two in the Nordic countries and number three in France.

### KOLMI SAFE

The sales of protective textiles amounted to FIM 54 million, but the Division's profit was below expectations. Streamlining and restructuring is underway at the Angers plant to improve profitability.

During the year, it was continued to clarify the product range. The assortment of surgical masks was diversified and at the end of the year a new ear-loop mask was introduced. The capacity at the Angers plant was augmented through capital investments in new mask and head-wear machines.

All Kolmi Safe products are CE marked. Most Kolmi Safe products are market leaders in France and the objective is to capture a larger market share also in the Nordic countries and Germany.

### KOLMI INCO

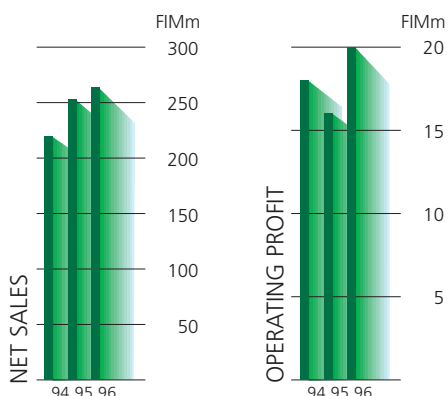
The sales of adult diapers totaled FIM 60 million. The fast growth in sales volume during the previous years came to a halt last year but profitability remained good. The tightening market situation has resulted in more severe quality competition. During the year, Kolmi Inco focused on improving the quality of its products. The shaped diaper was thoroughly altered and a new line of bed pads was launched. Improved diaper quality has decreased their quantitative demand.

All Kolmi Inco products are CE marked. Kolmi Inco is the market leader in Finland and its main goal is to corner a larger market share in the Nordic countries.



### OUTLOOK FOR 1997

No great changes in the market are anticipated in the near future. Raw materials price trends are predicted to be moderate in the coming year and the great pressure on hospital expenditure continues. The new Central European market areas are a challenge to the Kolmi Division but their growth potential is promising.



	1996	1995	1994
Operating profit, FIMm	20	16	18
Operating profit, %	8	6	8
Net sales, FIMm	263	252	219
Share of Group sales, %	2	2	2
Foreign sales, FIMm	176	161	133
Investments, FIMm	28	14	70
Employees, December 31	352	342	374



# GROUP-WIDE DEVELOPMENT PROJECTS

## HEALTHY FUTURE – SANA FUTURAE

Swift market changes demand that we recognize and continuously follow up our customers' and partners' needs. It is essential to constantly measure customer and personnel satisfaction and our competitors' and our own operational efficiency. Operation improvement projects are based on the results of annual operational self-assessment and environmental monitoring.

This group-wide development program was named after the well-known slogan "Sana Futurae".

In 1996, the Group's executive team assessed Tamro's operations, using the quality bonus criteria developed by Malcolm Balridge. During the evaluation, major areas of development were identified and given due prominence in the 1997 operational plans of business divisions and units. All managers are responsible for implementing these plans, with the assistance of the entire corporate staff.

The most important developmental objectives during the year are:

- improving measurement and monitoring of the quality and efficiency of operations, and comparing the results with those of our competitors
- reporting objectives to personnel more effectively and increasing their participation in the implementation of operational plans
- starting assessment and continuous improvement of business processes
- developing staff training and bonus schemes
- fully establishing the new planning and activity systems.

Thanks to the Sana Futurae program, a uniform plan of action is created for the entire Group. The guiding principle behind Tamro's operations is to recognize, continuously measure and purposefully improve customer, partner and personnel satisfaction.

## PERSONNEL DEVELOPMENT

The focus of Group personnel policy during 1996 and 1997 is on creating a personnel development scheme and incentive system. The starting point for these activities is our vision and objectives, developmental needs identified during the self-assessment of operations, discussions between managers and subordinates and the results of personnel satisfaction surveys.

Deficiencies can be identified by comparing ideally required and actual personnel competence. Based on the findings, a development program for key staff-members will be created.

These activities will be complemented by a work and performance appraisal system and the bonus system mentioned above.

The Group's Finnish staff have gone through ample training to incorporate more customer orientation into their daily work routines. The training program is an integral part of the Sana Futurae development scheme.

The monetary and other rewards of the bonus system are always given to employees with an excellent track record as regards work performance and quality. A Group team has worked out an incentive plan based on these criteria and test-runs will start in 1997.

## ENVIRONMENT

Tamro is an environmentally conscious corporation. It aims to use natural resources economically and effectively and minimize the environmental damage caused by products and services during their entire life-cycle. Tamro strives for greater competitiveness also in the environmental aspects of business.

In its own operations, Tamro utilizes products with a minimal environmental impact. It also takes into account the total environmental burden during production, distribution, sale, use, recycling and disposal.

Tamro constantly keeps abreast of developments in environmental legislation, statutes and agreements.

## DATA MANAGEMENT AN IMPORTANT PART OF BUSINESS

To quote Tamro's business vision: "The key success factor is the addition of efficiency in the whole health care distribution chain through our superior mastering of material and information flows."

A company faced with high service requirements and constantly changing markets must be able to adapt quickly and have extremely cost-effective production and data management processes. We also attempt to strongly influence and promote development and stay in the front line. By continually boosting operations and developing our products, a motivating and well-appreciated working atmosphere is created.

Tamro's data management strategy states how we are going to fulfill current and especially future requirements:

- Data management mainly utilizes ready software packages to ensure cost-efficient procedures and flexibility also in the future. Selecting a standard system ensures that future development and modification needs can often readily be ad-

dressed thanks to the system's integrated functionality. By choosing a specific data management package you are at the same time often committing to a long-term business relation with a certain cooperation partner.

– We place our trust in leading computer applications, e.g. Microsoft Office and Lotus Notes.

– We also utilize standards and open solutions in other areas relating to data management in order to avoid dependence on certain suppliers and to create more competition.

Development of the system related to the Nordic Concept

has been going on almost throughout 1996. A separate project launched during the fall in the Medical and Laboratory Division and the Pharma Distribution Division will continue until February 1997: the objective of the project is to assess and select for both divisions the most suitable ready software package, on the basis of such criteria as functionality, supplier competence, technical quality of the application and cost-effectiveness of the total solution. The new system will be introduced and start to be integrated into present system starting at the turn of 1998.

## FINANCIAL RISK MANAGEMENT

Currency and interest rate risk management has become a central issue for Tamro as the Group's operations have expanded. The Group has operational subsidiaries in ten different countries and about 70% of all cash flows are in currencies other than the Finnish markka.

The principal objective of Tamro's financial risk management policy is to minimize and hedge all significant currency and interest rate risks. Both internal and external hedging techniques are used.

The bulk of the Group's overseas purchases are paid for in the basic currency of the relevant business unit, which means that the transaction risks involved are only slight. Purchases in other than the group companies home currencies are partially protected with currency clauses. In other cases, the exposed position may be hedged using forward contracts, currency loans or currency accounts.

Tamro Corporation's Board of Directors ratified the Group's translation risk management policy on June 10, 1996. According to this policy, the foreign currency denominated equity of overseas subsidiaries can be protected with currency loans, currency forwards, currency and interest rate swaps and currency options. As of December 31, 1996, the parent company had contracted a total of SEK 100 million in foreign currency debt for this purpose, which accounts for about 11% of the translation risk relating to Swedish crown.

The aim of the Group's interest risk management policy is to avoid a mismatched book, i.e. to balance the interest-earning assets and interest-expense liabilities in balance sheet

so as to minimize the exposed interest rate position. The greatest risks are associated with interest rates in Finnish marks and Swedish crowns.

The hedging instruments most often utilized are the Forward rate agreements (FRA). At the end of 1996, the Group's forward rate agreements had a total nominal value of FIM 300 million, including both open and closed positions.

The Group's financial administration is centralized in the parent company which, acting in its capacity as the company-internal bank, provides financing for group companies to meet their capital needs and offers Group account services. With this finance system, the Group is guaranteed to reap external financing volume benefits and the total liquidity needed for the Group's payment transactions can be minimized. Owing to the time gaps in the revenue recognition of accounts receivable and accounts payable, the Group's working capital requirement varies during each month. Based on the average value of interest-bearing investments and liabilities, the Group's 1996 net gearing averaged 8% and the volume of interest-bearing net liabilities FIM 130 million.

The bulk of Tamro's investments consist of money market and bond investments. The Group does not actively invest in officially quoted or other stocks. In most cases, the maturities of the investments are less than one year and the investment objects are securities issued by companies with high credit ratings, certificates of deposit (CDs), issued by major banks as well as long- and short-term securities issued by the Finnish and Swedish states.

# INFORMATION ON TAMRO'S STOCK

## CAPITAL STOCK

Tamro Corporation's capital stock totals FIM 881,633,700, divided into 88,163,370 outstanding shares with a par value of FIM 10. Each share carries one voting right. No changes in the capital stock occurred during 1996.

## BOARD OF DIRECTORS' AUTHORIZATIONS

The Tamro stockholders' meeting held on April 25, 1996 granted the Board of Directors an authorization for the period August 1, 1996 - August 1, 1997 to raise the capital stock by issuing new shares, by issuing a convertible bond and/or by warranty bond, provided that the maximum increase in capital stock permitted under this authorization does not exceed FIM 96,000,000. The authorization also allows departures from the stockholders' normal preemptive right to subscribe for shares. The Board did not make use of its authorization during 1996.

## INCENTIVE SCHEME

At the end of 1996, the number of outstanding warrants issued in connection with the 1994 and 1996 warranty bonds was 4,994,000. The total amount of the warranty bonds and number of outstanding warrants changed after the Parent company redeemed the warranty bonds (FIM 1,106,000) and the (1,106,000) warrants issued to the Group companies. If all warrants are exercised, the capital stock of Tamro Corporation can maximally increase by 4,994,000 shares, or FIM 49,940,000.

## STOCKHOLDERS

At the end of the accounting period, foreign owned shares (including nominee stock) totaled 47,012,295 (or 53.3% of the entire capital stock). The members of the Board of Directors and the President owned a total of 342,680 Tamro Corporation shares, and the members of the Supervisory Board

owned 12,370 shares, these corresponding to 0.4% of the stock and voting rights. The rest of the Group management held 15,649 shares.

## DIVIDEND

The Board of Directors' main aim is to ensure that Tamro's stock remains a high-performance long-term investment object. Provided that Tamro's financial development continues along healthy lines, the Board targets a dividend payment of about 50% of the earnings per share.

The Board of Directors proposes that the dividend for 1996 be set at FIM 0.90 per share. The earnings per share was FIM 1.73.

## LONG-TERM PROFIT TARGETS

The Board of Directors has set long-term profit objectives for the Group's business activities. The earnings per share should increase on an average by over 15% annually. The return on equity is to exceed the yield of the risk-free Finnish markka long bond by five percentage points.

## SHARE PERFORMANCE AND TRADING VOLUME

Tamro Corporation is listed on the Helsinki Stock Exchange.

The share price on December 31 stood at FIM 30.70 and it was 60.7% higher than at the end of the year 1995. The highest trading price was FIM 34.80 and the lowest FIM 18.50. A total of 48.8 million shares, worth FIM 1,268 million, changed hands during the year (equal to 55.4% of the average capital stock), representing a trading volume increase of 426% during 1996. Tamro's market capitalization at the end of 1996 was FIM 2,707 million and it grew by 61% during 1996. Information on the price development and the share-specific data for the past five years are presented on page 51.

Tamro's stockholders received a total yield of 84.3% (including stock price development and dividend payments) for the 1994-1996 accounting periods when the Group's activities were concentrated on health care.

### INCREASES IN CAPITAL STOCK AND SHARE CONVERSIONS 1990–1996

Manner and time	Number of new shares	Increase in capital stock FIM	Capital stock FIM
Directed issue 25 Aug.–15 Oct. 1995	40,114,333	401,143,330	881,633,700

### DISTRIBUTION OF WARRANTS BY TYPE OF WARRANT HOLDER AS OF DECEMBER 31, 1996

Type of warrant holder	Number of warrants	Number of new shares if the warrants are exercised	Increase in capital stock if the warrants are exercised FIM
Members of the Supervisory Board and Board of Directors and President, total	820,000	820,000	8,200,000
* Elovaara, Matti	320,000	320,000	3,200,000
* von Frenckell, Mikael	100,000	100,000	1,000,000
* Leskinen, Jouko K.	200,000	200,000	2,000,000
* Stenvall, Kurt	100,000	100,000	1,000,000
* Toivanen, Erik	100,000	100,000	1,000,000
Other management	420,000	420,000	4,200,000
Others	3,754,000	3,754,000	37,540,000
Total	4,994,000	4,994,000	49,940,000

### LARGEST STOCKHOLDERS AS OF DECEMBER 31, 1996

	Number of shares 1,000	% of capital and votes
1. Apoteksbolaget	22,114	25.1
2. Merita*	9,045	10.3
3. Orion	6,260	7.1
4. Sampo Group	6,108	6.9
5. Pension Varma	2,337	2.6
6. OKOBANK	2,170	2.5
7. The Local Government Pensions Institution	1,634	1.9
8. Presta Unit Trust	363	0.4
9. PT Pension Foundation	198	0.2
10. Toivanen Erik Jalmari	193	0.2
11. Nova Life Insurance Company	192	0.2
12. Postipankki Oy Pension Foundation	181	0.2
13. Medko Oy	157	0.2
14. Merita Fennia	157	0.2
15. Alko Pension Foundation	156	0.2
16. The Finnish National Fund for Research and Development, SITRA	150	0.2
17. Frenckell von, Mikael	150	0.2
18. Jenny & Antti Wihuri Foundation	144	0.1
19. Folkhälsan Forskningsstiftelse	134	0.1
20. Riihimäen Seudun Op	133	0.1
Others	36,191 **	41.1
Total	88,163	100.0

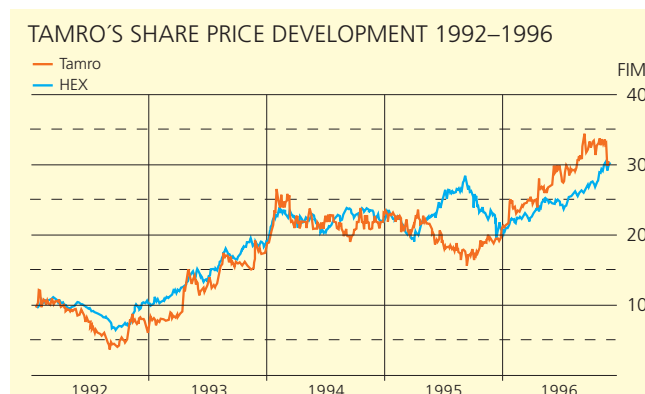
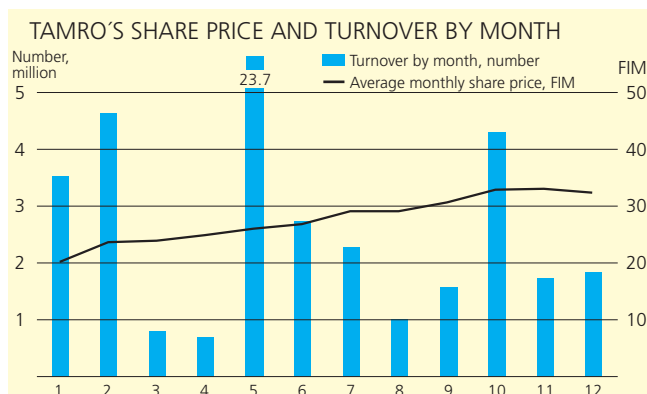
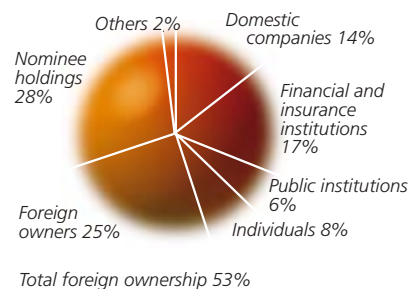
\* The ownership share of the Merita Group fell to 9.54% on January 21, 1997.

\*\* including 24,830,655 nominee holdings, or 28.3% of all capital stock.

### STOCKHOLDING IN TAMRO AS OF DECEMBER 31, 1996

Shares	Number of owners	Number of shares	% of shares and votes
1–500	5,594	1,096,558	1.24
501–1,000	1,458	1,116,679	1.27
1,001–5,000	1,458	3,235,414	3.67
5,001–20,000	253	2,412,616	2.74
20,001–50,000	36	1,122,016	1.27
50,001–500,000	36	4,578,466	5.19
500,001–	12	73,827,029	83.74
Shares which have not been transferred to the paperless book entry securities system		774,592	0.88
Total		88,163,370	100.00

### STOCKHOLDING IN TAMRO AS OF DECEMBER 31, 1996



# STOCK-EXCHANGE BULLETINS IN 1996

Tamro issued a total of 30 stock-exchange bulletins during 1996. This is a summary of the most important releases:

## January 12

According to the terms of a preliminary agreement, the entire capital stock and operations of Oy Tammermatic Ab, a subsidiary of Sponfinans Oy, were transferred to Tammermatic Holding Oy. The change in ownership is a step in the implementation of the Tamro Group's resolution to sell off business activities not related to health care. The corporate deal does not effect Tamro Corporation's financial result or solidity.

## February 7

The warrant bond worth a maximum of FIM 2.5 million, decided on at Tamro Corporation's extra-ordinary stockholders' meeting and directed at ADA personnel, was fully subscribed and approved. The warranty bond is part of Tamro's personnel incentive system, extended in the fall of 1995 to include the staff of the Swedish subsidiary, ADA AB.

## February 21

Preliminary report on financial statements: The consolidated net sales grew by 12% to FIM 10,736 (9,610) million and the operating profit rose to FIM 181 (174) million. The result after financial items amounted to FIM 155 (143) million. Non-recurring items – such as expenditure in connection with ADA's acquisition, start-up costs of Norwegian operations and expenses for Tamro Corporation's centennial celebrations – had a FIM 30 million downward impact on the financial result. The figures presented in the preliminary report are based on unaudited financial statements not approved by the Board of Directors.

## March 6

Finland Post Ltd. acquired 70% of the capital stock of Sponfinans Oy's subsidiary LS-Logistics Services Ltd., a part of the Tamro Group. The remaining 30% is divided between Alko Inc. and Sponfinans Oy. It is the objective of the owners to develop LS-Logistics Services Ltd.'s operations and turn it into an efficient logistics company.

## March 13

Information bulletin about the financial statements: The 1995 consolidated net sales grew by 12% to FIM 10,735 million

and the operating profit rose to FIM 181 million. The result after financial items amounted to FIM 155 million, or increased to FIM 1.33 per share. The Board proposed a FIM 0.70 dividend per share.

After the acquisition of Swedish ADA AB's capital stock, the reorganized Tamro Group became the largest pharmaceuticals and health-care product distributor in Northern Europe. After the merger, pharmaceuticals distribution accounts for 93% of the Tamro Group's net sales. Almost two-thirds of the consolidated net sales are generated in Sweden.

The Board of Directors attempt to make Tamro's stock into a high-performance, long-term capital investment object. Provided that Tamro's financial development remains healthy, the Board aims to distribute about half of the earnings per share in dividends.

The Group's 1996 operations will focus on implementing the plans for Tamro's and ADA's integration drafted during last fall as well as launching programs to promote future business growth. The proportion of health-care activities will continue to expand while more and more non-core activities will be disposed of. The 1997 net sales are estimated to rise to FIM 12 billion and the profit after financial items is predicted to exceed last year's figure.

## April 26

Tamro Corporation's regular stockholders' meeting was held on April 25, 1996 and the financial statements for 1995 were adopted. The Board of Directors, Supervisory Board and Corporate President were discharged from responsibility for 1995. The stockholders passed the Board's proposal for the appropriation of non-restricted equity, which means a FIM 0.70 dividend per share. New members of the Board of Directors and the Supervisory Board were elected at the meeting and the Board of Directors was granted authorization to increase the capital stock and issue convertible and/or warranty bonds.

## April 26

Tamro's largest stockholder, Swedish Apoteksbolaget AB, announced that it would sell 18 million Tamro Corporation shares to institutional investors. The stock to be sold represents 20.4% of Tamro Corporation's capital. Even after the transaction, Apoteksbolaget remains Tamro's largest stockowner with its 25% holding. Apoteksbolaget's Board of Di-

rectors stated that the company will hold on to this stake for at least two years.

### **May 15**

Tamro's Swedish stockholder, Apoteksbolaget AB, announced that it had sold 18 million Tamro Corporation shares to Nordic and international institutional investors. After the deal, Apoteksbolaget AB holds 22,114,333 Tamro shares or 25.1% of the capital stock and voting rights (previously 45.5%).

### **June 11**

Interim report for January - April: The Tamro Group's result after financial items rose to FIM 75 million and its consolidated operating profit amounted to FIM 79 million on net sales of FIM 4,097 million (i.e. a 20% sales increase). Interest-bearing net liabilities totaled FIM (-)27 million. If the economic development in the countries forming the Group's market area does not change compared with the first part of the year and the Swedish krona remains at the current level, the 1996 net sales are estimated to rise to FIM 12 billion and the profit after financial items are forecast to exceed last year's figure.

### **June 26**

Tamro's Hospital and Laboratory Division extends its operations to Sweden through the acquisition of AB Labassco, Sweden's second largest laboratory product company. This transaction is part of Tamro's strategic expansion in the Nordic Countries.

### **September 23**

The Tamro Group will boost the operations of its Swedish subsidiary Labassco, acquired in the summer, and extend its Hospital and Laboratory Division operations to Norway. AB Labassco is to purchase Norwegian Heigar & Co. A/S, engaged in the marketing of laboratory products. Heigar's share in the Norwegian laboratory product market is almost 10%, or as large as AB Labassco's share of the corresponding Swedish market.

### **October 2**

The Kolmi-Set Division acquired German Brömeda GmbH, a disposable health-care product distributor that will start marketing Kolmi-Set's disposable surgical textiles and protective clothing in Germany. The corporate acquisition fills a marketing void in continental Europe between the Kolmi-Set Division's French and Northern European coverage areas.

### **October 9**

The Hospital and Laboratory Division of the Tamro Group is in the process of establishing also hospital products marketing operations in Sweden and will with this aim in view purchase Swedish Hospital Supply SHS AB. The acquisition is the first step in the marketing of hospital supplies in Sweden by Tamro's Hospital and Laboratory Division.

### **October 17**

Interim report for January - August: The consolidated result after financial items improved by 26% to FIM 143 million and net sales grew by 19% to FIM 8,192 million. The profit per share increased to FIM 1.15 and the return on equity stood at 9.6%. The Group's operating profit for the period under review amounted to FIM 157 million. The 1996 net sales are expected to exceed FIM 12 billion and the profit after financial items to improve over the year before, provided that there is no significant weakening in the economic development of the countries within the Group's market area and in the relevant foreign exchange rates.

### **December 17**

The Swedish rules governing medicine refunds will be altered at the beginning of 1997. As a consequence, there has been a clear uptrend in pharmaceutical sales in Sweden. This rush on pharmaceutical products is predicted to continue throughout December 1996 and send the Tamro Group's net sales for 1996 soaring to approximately FIM 13 billion. These surplus sales will correspondingly diminish the demand for pharmaceuticals during the first two or three months of 1997.



## BOARD OF DIRECTORS' REPORT FOR 1996



### TAMRO'S BOARD OF DIRECTORS

*From left standing Lars-Steffen Kull,*

*Juhani Mäkinen (Secretary of Board of Directors)*

*and Dag Johannesson,*

*from left sitting Erkki J. Toivanen,*

*Jouko K. Leskinen (Chairman of the Board of Directors)*

*and Mikael von Frenckell.*



## OVERVIEW

Integrating the operations of Tamro and ADA AB, a subsidiary acquired by the Group the previous year, was the main focus of activities. Breaking in the Group's new organization and joint operational setup was high on our agenda. The principal projects involved developing the Nordic Distribution Concept and shared data management system, rendering Norwegian operations more effective and geographically expanding the Medical and Laboratory Division as well as the Kolmi Division.

During the year, the Group expanded its Medical and Laboratory Division operations by acquiring the whole capital stock of Swedish AB Labassco and Swedish Hospital Supply SHS AB as well as Norwegian Heigar & Co. A/S. while the Kolmi Division obtained the entire stock of German Brömeda GmbH. These acquisitions were in line with the Group's strategic plan of expansion and extended the Nordic Distribution Concept into marketing profit units.

Generally speaking, the Tamro Group experienced favorable developments during 1996. The consolidated net sales, growing at a vigorous 23%, totaled FIM 13.2 billion. The strengthening of the Swedish krona against the Finnish markka and the year-end rush on pharmaceuticals in Sweden contributed to this sales upsurge.

The Group's profit after financial items rose by 45% to FIM 224 million.

The Board has set long-term profit objectives for the Group's business activities. Their goal is to achieve a 15% annual rise in the yield per share and the return on equity is to exceed the yield of the risk-free Finnish markka long bond by 5 percentage points.

The Board proposes in accordance with the ratified dividend policy a FIM 0.90 dividend per share, or 52% of the earnings per share, for 1995. The year before the Group paid out FIM 0.70 per share in dividends.

## NET SALES

The Group's net sales expanded by a strong 23% during 1996 and reached FIM 13.2 billion. The rally of the Swedish krona accounted for 7 percentage points of the growth and the year-end rush on pharmaceuticals in Sweden for 5%. The rush was brought about by changed reimbursement system, which caused an increase in patient-excess effective from the beginning of 1997.

The Pharma Distribution Division (+24%) and the Medical

and Laboratory Division (+23%) posted the most significant net sales increases.

Net sales by country:

	1996, FIMm	Change, %
Sweden	8,709	+27
Finland	3,987	+11
Norway	202	+286
Denmark	22	+5
France	70	-1
Russia	63	+43
Estonia	52	+58
Latvia	49	+42
Lithuania	28	+308
Others	38	-27
Group	13,220	+23

Finnish exports totaled FIM 88 (113) million. The share of overseas activities of the Group's net sales was 70 (67)%.

The Pharma Distribution Division's sales amounted to FIM 12,342 million, representing a 24% increase. The Division exceeded the sales estimates. The strengthening of the Swedish krona accounted for 8% of the sales volume expansion and the rush in Sweden to buy pharmaceuticals for 6%.

The Group's market share of Swedish pharmaceutical sales was 61 (62)% and its net sales grew by 27% to a total of FIM 8,686 (6,834) million. Net sales in Finland rose by 11% to FIM 3,354 million while the market share was 63 (61)%. The market shares in the Baltic States and Northwest Russia were as follows: Estonia 27%, Latvia 23%, Lithuania 10% and Northwest Russia 8%. Net sales in the Baltic States and Northwest Russia grew by 69% to FIM 190 million. Net sales in Norway fell short of targets and totaled FIM 161 (26) million while the market share stood at 3%.

The Medical and Laboratory Division had a year of strong sales growth finishing at FIM 536 (435) million. New units accounted for 14 percentage points of the total 23% sales expansion. The Division maintained its leading market position in Finland and, thanks to the new units, operations will be extended to the other Nordic countries.

The Kolmi Division's net sales grew at a lower than expected rate of 4% to FIM 263 million. In the future, the Division's sales volume will also be augmented through Brömeda, incorporated into the Group in October 1996.

The Group is actively trying to divest itself of all operations outside core business. These, especially the Kerko-Sport business, generated FIM 79 million in net sales.

## GOOD PROFIT DEVELOPMENT

The Group's profit after financial items surpassed all predictions and grew by 45% to FIM 224 million. The strong up-trend in Swedish pharmaceutical sales contributed to this rise. The increase in pharmaceutical sales had an estimated FIM 16 million impact on the Group's financial result whereas the strengthening of the Swedish krona boosted it by FIM 10 million. The profit development of Pharma Distribution Norway was worse than expected.

The Pharma Distribution Division posted an operating profit of FIM 170 million, up by 34%. 8% of the growth in the operating profit results from the strengthening of the Swedish krona and 13% of the year-end rush. Of the different units, only Tamda's result still remains slightly in the red, but even this drawback is likely to be remedied by the end of 1997. The operational result of the Norwegian unit did not come up to expectations and corrective measures were put in place during the year. Pharma Distribution Sweden and Finland showed a good profit exceeding the estimates.

The Medical and Laboratory Division's 1996 operating profit fell short of expectations and decreased by FIM 6 million to FIM 46 million. The decline is attributable to corporate acquisition investments, an increase in resources and the slightly sluggish demand for the Finnish units' output at the end of the year. The impact of the newly acquired units on the Division's financial result was quite positive.

The Kolmi Division exhibited an upward trend in profits and its net sales grew by 29% to FIM 20 million. The main reason for the favorable, although slower than expected, profit development was the leveling off in raw material prices and the slight weakening of the Finnish markka. The German unit acquired during the period under review had no appreciable effect on the Division's result.

The units outside the health-care business generated FIM 5

(-14) million in operating profits.

After 1996, consolidated goodwill will be annually amortized by FIM 23 million, of which amount FIM 8 million originates from the companies purchased in 1996 and the remainder from the acquisition of Lääketukku Oy at the end of 1988.

The Group's net financial items totaled FIM -11 million, a FIM 3 million reduction.

The Group's share of the loss generated by Castrum Oy, an affiliated company, weakened the consolidated profit after financial items by FIM 6 (12) million.

Extraordinary income and expenditure totaled FIM -2 (+2) million.

No write-downs on property values were needed. The Group's capital expenditure for Castrum totals FIM 117 million, including 44 % of investments in stocks and 56% in convertible bonds.

The consolidated profit before taxes amounted to FIM 223 (157) million and the tax liability to 32 (24) % of the pre-tax result. The bulk of the tax payments were incurred on the dividend distributed by the parent company and on the profit generated by the Group's largest subsidiary, ADA AB.

The Group's return on investment (ROI) was 13.4 (11.1)% and return on equity 9.5 (7.9)%.

The profit per share improved by 30% to FIM 1.73.

## FOREIGN CURRENCIES

A total of 66% of the Group's sales during the fiscal year were in Swedish crowns and 30% in Finnish marks. The Group protects itself against exposure to income statement translation risks by effecting sales and purchases chiefly in local currencies. If necessary, open foreign currency positions are hedged with currency clauses or forward agreements.

The Group's net assets denominated in Swedish crowns and Finnish marks accounted for 38% and 58% of the corporate

### Net sales by Division, FIMm

	1996	1995	1994
Pharma Distribution	12,342	9,958	8,920*
Medical and Laboratory	536	435	383
Kolmi	263	252	219
Other	79	90	88
Group total	13,220	10,735	9,610

\* Pro forma figures

### Operating profit by Division, FIMm

	1996	1995	1994
Pharma Distribution	170	127	111*
Medical and Laboratory	46	52	46
Kolmi	20	16	18
Other	5	-14	-1
Group total	242	181	174

\* Pro forma figures

net worth (equity) as of December 31, 1996. At the moment, the Group is protected against possible translation risks associated with the owners' equity of its foreign subsidiaries through various foreign currency loan arrangements up to SEK 100 million.

#### CAPITAL EXPENDITURE

Gross capital spending during the accounting period amounted to FIM 153 (73) million. The focus of the capital outlays was in keeping with the 1996 key projects and the money was channeled toward corporate acquisitions, the development of logistics systems and the step-up of Kolmi's production capacity.

Corporate acquisitions accounted for FIM 95 million of total capital expenditure.

#### FINANCING AND FINANCIAL POSITION

Tamro's financing and liquidity position remained good throughout the period under review. From the turn of the year, the Group's liquid assets diminished by FIM 85 million to FIM 319 (404) million. The decrease is mainly attributable to corporate acquisitions and loan repayments.

The Group's net interest-bearing liabilities amounted to FIM -151 (-121) million at the end of the accounting period and net gearing to -9.1 (-7.8)%. Interest-bearing debt averaged FIM 130 million during 1996 and the corresponding net gearing becomes 8%. The Group's net financing expenses for the fiscal year totaled FIM -11 (-14) million, including FIM -9 (-10) million in net interest payments and FIM -2 (-4) million in other financing costs and net exchange rate differences.

The Group retired FIM 168 million in interest-bearing debt, of which sum FIM 138 million were long-term pension liabilities. Corporate acquisitions were mainly financed with new

loans. The Group's interest-bearing debt grew to FIM 169 million on December 31, 1996 (FIM 283 million). At the closing of the accounts, the consolidated equity ratio amounted to 39.7 (42.8)%.

#### STRUCTURAL CHANGES WITHIN THE GROUP

Tamro extended the operations of its Medical and Laboratory Division to Sweden by acquiring the entire capital stock of AB Labassco, the country's second largest marketer of laboratory products. Since August 31, Labassco's business has been incorporated in the group accounts. Printel Oy purchased the entire capital stock of Karttakeskus Oy and the acquired company's operations have appeared in group accounts since June 1.

The Medical and Laboratory Division expanded its operations to Norway when AB Labassco acquired the whole capital stock of Norwegian Heigar & Co. A/S. Tamro acquired Swedish Hospital Supply SHS AB, engaged in marketing hospital supplies, which was incorporated in the Medical and Laboratory Division. The Kolmi Division purchased German Brömeda GmbH, which sells disposable health-care products.

The Scandinavian operations of the Medical and Laboratory Division and the Kolmi Division are facilitated by a joint field and management organization. The name of the Kolmi-Set corporation was changed to Tamro AB in Sweden, Tamro A/S in Norway and Tamro AS in Denmark.

At the end of the accounting period, ADA AB sold off its wholly-owned subsidiary ADA AS to Tamro Corporation. At the same time the capital stock was increased.

#### TAMRO'S STOCK

During the year, a total of FIM 48.8 million Tamro shares, or 55.4% of the average capital stock, changed hands at the Helsinki Stock Exchange. The total value of these stock deal-

#### Investments by Division, FIMm

	1996	1995	1994
Pharma Distribution	29	42	25*
Medical and Laboratory	90	5	5
Kolmi	28	14	70
Other	6	12	18
Group total	153	73	118

\* Pro forma figures

#### Number of employees by Division, Dec. 31

	1996	1995	1994
Pharma Distribution	1,352	1,256	1,248*
Medical and Laboratory	392	195	185
Kolmi	352	342	374
Other	126	248	142
Group total	2,222	2,041	1,949

\* Pro forma figures

ings was FIM 1,268 million. The trading price on December 31, 1996 was FIM 30.70 (FIM 19.10 on December 31, 1995), fluctuating during the year between a high of FIM 34.80 and a low of FIM 18.50.

The market value of our capital stock at the end of the accounting period was FIM 2,707 million, compared with FIM 1,684 million at the end of 1995.

Tamro's largest stockholder, Apoteksbolaget AB, sold a total of 18 million Tamro Corporation shares to Nordic and international institutional investors in May. Apoteksbolaget has announced that it will refrain from selling any more Tamro stock for a two year period beginning in May 1996. About 53% of Tamro's capital stock was in foreign ownership at the end of 1996, about half in Swedish and the rest mainly in British and American hands.

The Corporation has at the moment no plans on going public in any stock exchange other than Helsinki where it is presently listed.

Major stockholders and management share holdings are presented on pages 20 and 21.

The Tamro stockholders' meeting held on April 25, 1996 granted the Board of Directors a one-year authorization from August 1, 1996 to August 1, 1997 to issue one or more convertible and warranty bonds and to raise the capital stock by one or several new issues, provided that the increase in share capital after all possible bond conversions, stock subscriptions based on warranty bond terms and new issues does not exceed FIM 96 million. The authorization also allows departures in the form of private (or direct) placement issues from the stockholders' normal preemptive right to subscribe new stock, convertible and warranty bonds and confers the right to accept capital contributions in kind or otherwise on certain terms. The Board may use this authorization to consolidate the company's capital stock structure, to effect corporate acquisitions and to support personnel policy measures. The entry of this authorization in the Finnish Trade Register cancels the Board's previous authorization, registered on August 23, 1995. The Board did not make use of its authorization during 1996.

## BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

Mr. Jaakko J. Aalto and Mr. Börje Nilsson were elected new board members for a term of office ending with the 1999 stockholders' meeting. The board members next in rotation were all re-elected, apart from Ms. Maj-Inger Klingvall and Mr. Göran Stenberg, who tendered their resignations. Ms. Barbro Fischerström was elected Chairperson and Mr. Reijo Purasmaa Vice-Chairman of the Supervisory Board.

The members of the Board of Directors for the next period of office are: Chairman Jouko K. Leskinen and members Mr. Mikael von Frenckell, Mr. Dag Johannesson, Mr. Lars-Steffen Kull and Mr. Erkki J. Toivanen.

SVH Coopers & Lybrand Oy and KPMG Wideri Oy Ab, both Associations of Certified Public Accountants, were appointed as the Group's auditors to review the accounting period January 1 - December 31, 1996.

Mr. Matti Elovaara was the CEO of the entire Group and the Corporate President of the parent company. The Vice-President of Tamro Corporation, ADA AB's long-standing

President, Mr. Bengt Ohlsson retired on October 31, 1996. The members of the Board wish to thank their esteemed colleague for his input in ADA AB and the Tamro Group.

## PERSONNEL

During the fiscal year, the Group employed an average workforce of 2,122 (2,098). The increased number of employees is principally attributable to the expansion of overseas operations, such as the launch of activities in Norway last fall, and corporate acquisitions. The year-end payroll totaled 2,222 (2,041) staff members, 1,175 (1,015) of them working abroad. The proportion of the Group's personnel working in Finland was 47 (50)%, in Sweden 33 (31)%, in the other Nordic countries 3 (3)%, in the Baltic States and St. Petersburg 12 (12)%, in France 4 (4)% and in Germany approximately 1%.

## PROSPECTS FOR THE NEAR FUTURE

The competitive situation in the distribution sector of the Group's market area has clearly stiffened while the growth of other health-care products has leveled out.

Group activities during 1997 will focus on further developing the Nordic Distribution Concept and joint data management systems, on securing profits from corporate acquisitions and rendering Pharma Distribution Norway's operations more effective. The possibilities of further expanding the operations of the Medical and Laboratory Division and extending distribution services to cover Denmark are being charted.

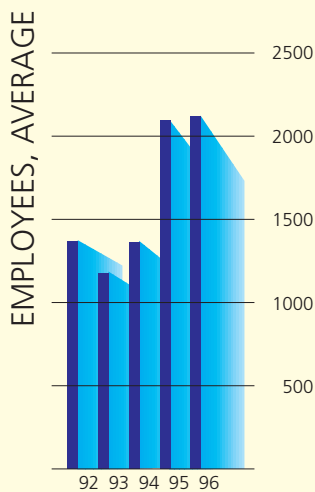
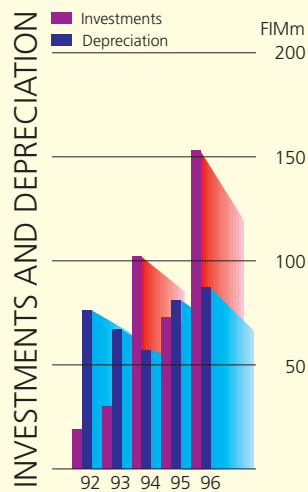
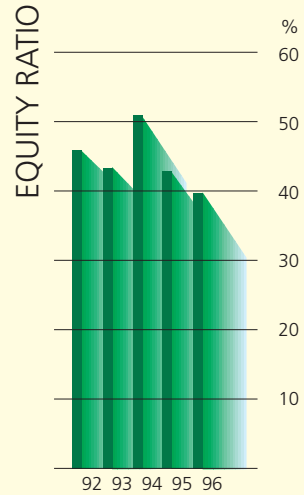
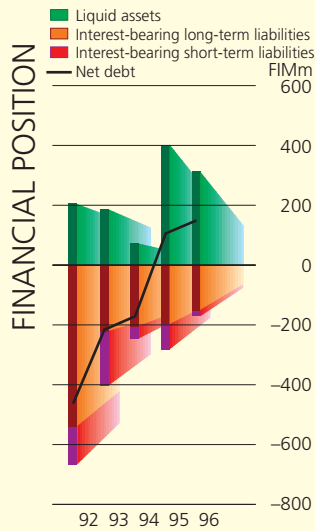
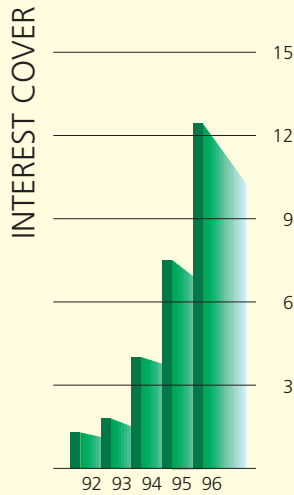
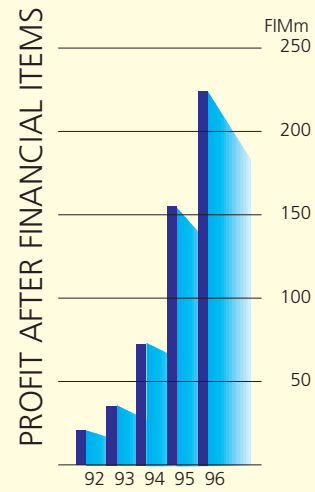
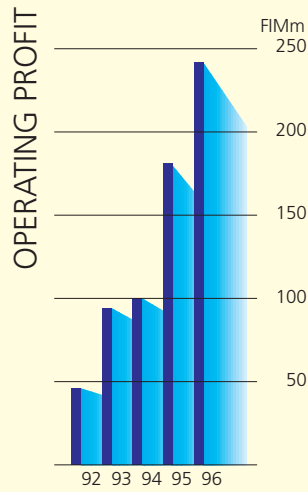
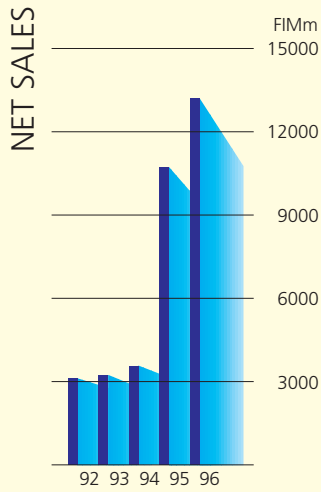
The profit trend within the Pharma Distribution Division for Finland, the Baltic States and Northwest Russia is expected to remain favorable. In Norway, a clearly improved financial result is anticipated. The profit level in Sweden is, however, likely to decline owing to the sharp uptrend in the year-end demand for pharmaceuticals and the subsequently stagnant sales in 1997. Cost-efficiency in Sweden will be drastically improved and the workforce pared by about 10% in the course of 1997. The Group's focus will be on further developing the Nordic Distribution Concept.

The main aim for the Medical and Laboratory Division is to bring under its control and fully assimilate the corporate acquisitions of 1996. Printel's activities will be bolstered by the incorporation of Karttakeskus.

The Kolmi Division will focus on integrating the operations of the German unit, followed by reinforcing market positions in Central Europe. The Division will also launch a bid to increase efficiency in France and the Finnish city of Hyvinkää.

The divestiture of outside core business units and holdings will be continued. The sales profit gained by Castrum in March 1997 for Julius Tallberg real estate corporation shares makes it possible for the company to close the 1997 accounting period with a positive result, provided that the present expenditure and interest rate levels remain unchanged. The joint and several indemnification liability of Cast-Rixa Oy and its owners, included in the company's statutory reserves, will be paid out in 1997 in accordance with an appeals court judgement.

The 1997 net sales and result after financial items are forecast to remain virtually at the previous year's levels, provided that the Swedish krona will stay on the level which it was at the beginning of the year.



# PROPOSAL FOR PROFIT DISTRIBUTION

The net profit of Tamro Corporation for the fiscal year is	81,231,855.67 FIM
And other non-restricted equity amounts to	<u>180,748,798.53 FIM</u>
Total	261,980,654.20 FIM
The non-restricted equity shown in the Consolidated Balance Sheet as at December 31, 1996 is	768,946,000.00 FIM
– of which the distributable portion is	400,149,000.00 FIM
The Board of Directors proposes that	
– the dividend of FIM 0.90 per share be paid on 88,163,370 shares entitled to a dividend	79,347,033.00 FIM
– a sum to be set aside for the discretionary use of the Board of Directors for scientific and charitable donations, being	150,000.00 FIM
– the remainder be posted to the retained earnings account	182,483,621.20 FIM

Vantaa, March 11, 1997

**Jouko K. Leskinen**  
Chairman

**Mikael von Frenckell**

**Dag Johannesson**

**Lars-Steffen Kull**

**Erkki J. Toivanen**

**Matti Elovaara**  
Corporate President

# CONSOLIDATED INCOME STATEMENT

<b>Jan. 1 - Dec. 31</b> (FIM m)	<b>1996</b>	<b>%</b>	<b>1995</b>	<b>%</b>
1 NET SALES	<b>13,219.7</b>	<b>100.0</b>	10,735.0	100.0
Expenses				
Materials, supplies and products				
Purchases during the financial period	<b>12,094.1</b>		9,843.2	
Inventories, incr. (-), decr. (+)	<b>5.2</b>		-89.6	
External services	<b>159.8</b>		127.0	
2 Personnel expenses	<b>380.0</b>		336.8	
Rents and leases	<b>34.6</b>		49.0	
Other expenses	<b>217.3</b>		207.1	
	<b>12,891.0</b>		10,473.5	
OPERATING PROFIT BEFORE DEPRECIATION	<b>328.7</b>	<b>2.5</b>	261.5	2.4
3 Depreciation	<b>-87.1</b>		-80.5	
OPERATING PROFIT	<b>241.6</b>	<b>1.8</b>	181.0	1.7
4 Financial income and expenses	<b>-11.0</b>		-14.3	
8 Share of affiliated companies' net income	<b>-6.3</b>		-12.2	
INCOME AFTER FINANCIAL ITEMS	<b>224.3</b>	<b>1.7</b>	154.5	1.4
5 Extraordinary income and expense	<b>-1.8</b>		2.5	
PROFIT BEFORE TAXES	<b>222.5</b>	<b>1.7</b>	157.0	1.5
6 Income taxes	<b>-72.2</b>		-37.0	
Minority interest	<b>-0.6</b>		-0.4	
NET PROFIT FOR THE PERIOD	<b>149.7</b>	<b>1.1</b>	119.6	1.1
Earnings per share, FIM	<b>1.73</b>		1.33	



# CONSOLIDATED BALANCE SHEET

Dec. 31 (FIM m)	1996	%	1995	%
FIXED ASSETS				
7 Intangible assets				
Intangible rights	9.5		6.1	
Goodwill	5.4		4.2	
Consolidated goodwill	252.4		187.7	
Other capitalized expenditure	5.4		4.3	
	<b>272.7</b>		202.3	
7 Tangible assets				
Land areas	70.5		64.8	
Buildings and structures	544.7		541.0	
Machinery and equipment	162.2		170.8	
Other tangible assets	3.5		2.0	
Advance payments and construction in progress	4.5		2.9	
	<b>785.4</b>		781.5	
Financial assets				
Shares in subsidiaries	1.4		0.9	
8 Shares in affiliated companies	51.3		57.6	
Other shares and participations	19.8		18.7	
8.9 Loans receivable	65.6		64.3	
	<b>138.1</b>		141.5	
<b>TOTAL FIXED ASSETS</b>	<b>1,196.2</b>	<b>28.6</b>	1,125.3	30.9
CURRENT ASSETS				
Inventories				
Materials and supplies	15.4		25.2	
Work in progress	3.1		5.4	
Goods	971.9		950.1	
	<b>990.4</b>		980.7	
9 Receivables				
Accounts receivable	1,615.4		1,074.8	
Loans receivable	3.6		6.5	
Prepaid expenses and accrued income	28.5		21.6	
Other receivables	24.0		24.0	
	<b>1,671.5</b>		1,126.9	
Short-term investments	22.7		46.8	
Cash and bank	296.6		357.0	
<b>TOTAL CURRENT ASSETS</b>	<b>2,981.2</b>	<b>71.4</b>	2,511.4	69.1
<b>TOTAL ASSETS</b>	<b>4,177.4</b>	<b>100.0</b>	3,636.7	100.0

# CONSOLIDATED BALANCE SHEET

Dec. 31 (FIM m)	1996	%	1995	%
11 SHAREHOLDERS' EQUITY				
Restricted equity				
10    Capital stock	<b>881.6</b>		881.6	
Other restricted equity	<b>7.6</b>		6.5	
	<b>889.2</b>		888.1	
Non-restricted equity				
Retained earnings	<b>619.2</b>		549.3	
Net profit for the year	<b>149.7</b>		119.6	
	<b>768.9</b>		668.9	
TOTAL SHAREHOLDERS' EQUITY	<b>1,658.1</b>	<b>39.7</b>	1,557.0	42.8
MINORITY INTEREST	<b>2.0</b>	<b>0.1</b>	1.3	0.1
13 OBLIGATORY RESERVES	<b>34.9</b>	<b>0.8</b>	37.4	1.0
LIABILITIES				
14 Long-term liabilities				
15    Bonds with warrants	<b>5.0</b>		3.3	
Loans from financial institutions	<b>91.0</b>		17.7	
Pension fund loans	<b>53.9</b>		174.6	
12    Deferred income tax liability	<b>48.4</b>		26.5	
Other long-term liabilities	<b>1.5</b>		5.8	
	<b>199.8</b>		227.9	
Short-term liabilities				
Loans from financial institutions	<b>12.2</b>		33.5	
Pension fund loans	<b>0.2</b>		24.0	
Advances received	<b>3.8</b>		1.9	
Accounts payable	<b>1,957.2</b>		1,537.4	
Accrued expenses and deferred income	<b>231.0</b>		156.8	
Other current liabilities	<b>78.2</b>		59.5	
	<b>2,282.6</b>		1,813.1	
TOTAL LIABILITIES	<b>2,482.4</b>	<b>59.4</b>	2,041.0	56.1
TOTAL EQUITY, RESERVES AND LIABILITIES	<b>4,177.4</b>	<b>100.0</b>	3,636.7	100.0

# CONSOLIDATED CASH FLOW STATEMENT

<b>Jan. 1 - Dec. 31</b> (FIM m)	<b>1996</b>	1995
Operating profit before depreciation	<b>242</b>	181
Depreciation	<b>87</b>	81
Financial income and expenses	<b>2</b>	5
Other income and expenses	<b>-8</b>	-12
Taxes	<b>-51</b>	-30
	<b>272</b>	225
<b>CHANGE IN NET WORKING CAPITAL</b>		
Inventories, increase (-), decrease (+)	<b>8</b>	-118
Current receivables, increase (-), decrease (+)	<b>-516</b>	1
Non-interest bearing debts, increase (+), decrease (-)	<b>490</b>	285
	<b>254</b>	393
<b>CASH FLOW BEFORE INVESTMENTS</b>	<b>254</b>	393
<b>INVESTMENTS</b>		
Investments in fixed assets	<b>-151</b>	-73
Sale of fixed assets and other changes	<b>13</b>	36
	<b>116</b>	356
<b>FREE CASH FLOW</b>	<b>116</b>	356
<b>FINANCING</b>		
Long-term receivables, increase (-)	<b>-2</b>	-22
Long-term debt, increase (+), decrease (-)	<b>-76</b>	-62
Short-term debt, increase (+), decrease (-)	<b>-76</b>	72
Dividends	<b>-62</b>	-24
Translation differences and other changes	<b>9</b>	14
	<b>-91</b>	334
<b>CHANGE IN LIQUID ASSETS, increase (+), decrease (-)</b>	<b>-91</b>	334

# INCOME STATEMENT OF THE PARENT COMPANY

Jan. 1 - Dec. 31 (FIM m)	1996	%	1995	%
18 NET SALES	<b>3,670.4</b>	<b>100.0</b>	3,303.7	100.0
Expenses				
Materials, supplies and products				
Purchases during the financial period	<b>3,310.8</b>		3,011.8	
Inventories, increase (-), decrease (+)	<b>20.3</b>		-30.2	
External services	<b>17.6</b>		16.3	
19 Personnel expenses	<b>115.9</b>		110.6	
Rents and leases	<b>18.2</b>		15.8	
Other expenses	<b>69.4</b>		74.7	
	<b>3,552.2</b>		3,199.0	
OPERATING PROFIT BEFORE DEPRECIATION	<b>118.2</b>	<b>3.2</b>	104.7	3.2
20 Depreciation according to plan	<b>-33.2</b>		-40.2	
OPERATING PROFIT	<b>85.0</b>	<b>2.3</b>	64.5	2.0
21 Financial income and expenses	<b>38.5</b>		67.0	
INCOME AFTER FINANCIAL ITEMS	<b>123.5</b>	<b>3.4</b>	131.5	4.0
22 Extraordinary income and expense	<b>-6.0</b>		39.6	
PROFIT BEFORE TAXES	<b>117.5</b>	<b>3.2</b>	171.1	5.2
23 Appropriations	<b>-8.5</b>		-7.6	
24 Direct taxes	<b>-27.8</b>		-10.5	
NET PROFIT FOR THE PERIOD	<b>81.2</b>	<b>2.2</b>	153.0	4.6

# BALANCE SHEET OF THE PARENT COMPANY

Dec. 31 (FIM m)	1996	%	1995	%	1996	%	1995	%	
FIXED ASSETS				29 SHAREHOLDERS' EQUITY					
25 Intangible assets					Restricted equity				
Intangible rights	5.2		4.4		10 Capital stock	881.6	881.6		
Goodwill	171.9		186.3		Other restricted equity	447.8	447.8		
Other capitalized expenditure	0.2		0.1			<u>1,329.4</u>	<u>1,329.4</u>		
	<u>177.3</u>		<u>190.8</u>		Non-restricted equity				
25 Tangible assets					Profits brought forward	180.8	89.5		
Land areas	5.8		5.8		Net profit for the year	81.2	153.0		
Buildings and structures	279.7		290.8			<u>262.0</u>	<u>242.5</u>		
Machinery and equipment	21.6		25.7		TOTAL SHAREHOLDERS' EQUITY	<u>1,591.4</u>	<u>59.3</u>	<u>1,571.9</u>	<u>58.5</u>
Other tangible assets	1.0		1.0						
	<u>308.1</u>		<u>323.3</u>		30 ACCUMULATED DEPRECIATION DIFFERENCE	322.9	12.0	314.4	11.7
Financial assets					31 OBLIGATORY RESERVES	32.1	1.2	27.7	1.0
26 Shares in subsidiaries	1,085.3		1,020.5		LIABILITIES				
27 Other shares and participations	47.3		46.9		32 Long-term liabilities				
28 Loans receivable	117.4		45.4		19 Bonds with warrants	5.0	3.6		
	<u>1,250.0</u>		<u>1,112.8</u>		Loans from financial institutions	67.5	0.0		
TOTAL FIXED ASSETS	<u>1,735.4</u>	<u>64.7</u>	<u>1,626.9</u>	<u>60.5</u>	Pension fund loans	2.0	102.2		
CURRENT ASSETS						<u>74.5</u>	<u>105.8</u>		
Inventories					28 Short-term liabilities				
Goods	477.1		497.5		Pension fund loans	0.2	8.4		
28 Receivables					Advances received	1.0	0.1		
Accounts receivable	181.3		178.6		Accounts payable	545.6	541.0		
Loans receivable	179.2		144.8		Accrued expenses and deferred income	56.2	63.4		
Prepaid expenses and accrued income	15.6		76.0		Other current liabilities	58.7	54.8		
	<u>376.1</u>		<u>399.4</u>			<u>661.7</u>	<u>667.7</u>		
Short-term investments	22.7		46.8		TOTAL LIABILITIES	<u>736.2</u>	<u>27.4</u>	<u>773.5</u>	<u>28.8</u>
Cash and bank	71.3		116.9		TOTAL EQUITY, RESERVES AND LIABILITIES	<u>2,682.6</u>	<u>100.0</u>	<u>2,687.5</u>	<u>100.0</u>
TOTAL CURRENT ASSETS	<u>947.2</u>	<u>35.3</u>	<u>1,060.6</u>	<u>39.5</u>					
TOTAL ASSETS	<u>2,682.6</u>	<u>100.0</u>	<u>2,687.5</u>	<u>100.0</u>					

# CASH FLOW STATEMENT OF PARENT COMPANY

<b>Jan. 1 - Dec. 31</b> (FIM m)	<b>1996</b>	<b>1995</b>
Operating profit before depreciation	<b>83</b>	65
Depreciation	<b>33</b>	40
Other income and expenses	<b>1</b>	2
Financial income and expenses	<b>42</b>	69
Taxes	<b>-28</b>	-11
	<b>131</b>	165
<b>CHANGE IN NET WORKING CAPITAL</b>		
Inventories, increase (-), decrease (+)	<b>20</b>	-30
Current receivables, increase (-), decrease (+)	<b>24</b>	-97
Non-interest bearing debts, increase (+), decrease (-)	<b>-30</b>	123
	<b>145</b>	161
<b>CASH FLOW BEFORE INVESTMENTS</b>	<b>145</b>	161
<b>INVESTMENTS</b>		
Investments in fixed assets	<b>-10</b>	-7
Investment in subsidiary shares	<b>-65</b>	-844
Sale of fixed assets and other changes	<b>8</b>	18
	<b>78</b>	-672
<b>FREE CASH FLOW</b>	<b>78</b>	-672
<b>FINANCING</b>		
Long-term receivables, increase (-)	<b>-72</b>	-31
Long-term debt, increase (+), decrease (-)	<b>-31</b>	-14
Short-term debt, increase (+), decrease (-)	<b>21</b>	-2
Share issue	<b>-</b>	842
Group contribution	<b>-4</b>	30
Dividends	<b>-62</b>	-24
	<b>-70</b>	129
<b>CHANGE IN LIQUID ASSETS, increase (+), decrease (-)</b>	<b>-70</b>	129

# ACCOUNTING POLICY

The Tamro Corporation's financial statements and consolidated financial statements have been prepared in accordance with Finnish legislation, which in all material parts is based on EU Directives 4 and 7.

## **SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The financial statements include the parent company as well as those Finnish and overseas subsidiaries 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 a subsidiary is sold before the close of the fiscal year, it is included in the consolidated financial statements until the time of sale.

The consolidated financial statements do not include certain smaller real estate companies or other, for practical purposes non-operating companies. The companies excluded from the consolidated financial statements have no significant effect on the consolidated non-restricted equity.

The financial statement data on the affiliated companies have been consolidated using the equity method. Affiliated companies are defined as those companies in which the Group has 20 to 50 percent of the stock voting rights. Certain small affiliates have not been included in the consolidated financial statements. The effect of these companies on the consolidated non-restricted equity is insignificant.

## **CONSOLIDATION PRINCIPLES**

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

### ***Consolidation of ADA AB***

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

### ***Consolidation of other subsidiaries***

The acquisition cost method was used in the elimination of inter-subsidiary shareholding.

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 sheet as a separate item which will be amortized over a period of 10 years, goodwill from certain strategic and significant acquisitions may, however, be amortized over a period of up to 20 years.

## **FOREIGN SUBSIDIARIES AND TRANSLATION DIFFERENCES**

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

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 foreign exchange mid-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 0.68 (0.61) and the rate at the end of the fiscal year was FIM 0.67 (0.65).

The Group's equity hedging policy states that a maximum of 50% of foreign-currency equity is to be hedged. In the consolidated accounts the exchange rate differences attributable to hedging transactions are netted against the period's translation difference in the Group's equity.

## **MINORITY INTEREST**

The minority interest is calculated as a share of the subsidiaries' equity and net profit.

## **DURATION OF THE FISCAL YEAR**

The fiscal year of the Group companies coincides with the calendar year.

## **INTRA-GROUP TRANSACTIONS**

The following intra-group transactions have been eliminated: sales and purchases within the Group, dividends paid by the Group companies to one another, intra-group 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 sheet as direct acquisition costs, with planned depreciation deducted. In addition, some real estate holdings include revaluations which have been specified in the explanatory notes to the balance sheets. No depreciation charge is recorded on these revaluation amounts.

The planned depreciation on fixed assets is based on the original acquisition cost and the expected economic lifetime of the item. For the most part, straight-line depreciation with the following life-times is used:

intangible rights	5 - 10 years
goodwill	10 years
consolidated goodwill	10 - 20 years
other intangible assets	5 - 7 years
buildings and structures	10 - 40 years
machinery and equipment	3 - 10 years

## **CAPITALIZED INTEREST IN TAMRO HOUSE**

Interest expenses incurred during the construction of the parent company's office building and warehouse have been capitalized and included in the acquisition cost of buildings. The capitalized interest is amortized over a period of 10 years and the amortization is charged to other financial costs.

## **LEASING**

Leasing payments are charged to rental expense. The Group has no significant contracts on finance lease. Leasing commitments are disclosed in the explanatory notes to the financial statements.



# ACCOUNTING POLICY

## **ACCOUNTING FOR INFORMATION TECHNOLOGY COSTS**

Software purchase costs are mainly capitalized and included in the balance sheet as intangible rights. Software is depreciated over a period of maximum 5 years. Own and purchased IT development costs are charged to income.

## **INVENTORIES**

Inventories have been valued at the lowest of their acquisition cost, replacement value or probable selling price. The use of materials and supplies is entered into account according to the FIFO principle.

## **FOREIGN CURRENCY RECEIVABLES AND LIABILITIES**

All the foreign currency receivables and liabilities 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. The foreign subsidiaries' foreign currency receivables and liabilities are converted at the appropriate exchange rate on the final date of the respective balance sheets. Open positions on forward contracts relating to foreign exchange transactions are valued at market on the final date of the balance sheet, including the interest component.

## **PENSION COMMITMENTS**

Pension expenses are calculated in accordance with the national legislation of each country. The retirement plan of the Group companies has, as a rule, been provided through external pension insurance companies. Certain pension commitments based on union agreements are included in the balance sheet as pension loans. The pension benefits in these cases are determined by the labor market and may not be influenced by the company.

## **TAX APPROPRIATIONS AND UNTAXED RESERVES**

The appropriations are transfers to untaxed reserves, mainly in the form of accelerated depreciation. In the income statement of the parent company, the difference between depreciation according to plan and accounting is transferred to untaxed reserves. The accumulated depreciation difference is shown as untaxed reserves in the balance sheet.

The consolidated balance sheet and income statement are presented without any untaxed reserves and appropriations. Untaxed reserves in the Group companies have been divided into deferred income tax liability, shown as a long-term liability, and equity. The appropriations by Group Companies, adjusted for the change in the deferred income tax liability, have correspondingly been eliminated from the consolidated income statement.

The accumulated depreciation difference of the Finnish companies recorded before fiscal year 1995 is not considered to include deferred tax liability. The accumulated depreciation difference for the parent company is mainly related to buildings and goodwill. The difference is dissolved over a long period of time, exceeding 30 years, and a large part of the depreciation difference on goodwill is dissolved without tax consequences. In addition, tax loss carry forwards will decrease the income tax charge in the near future. The untaxed

reserves, net of deferred income tax liability, may not be distributed to stockholders as dividend.

## **OBLIGATORY RESERVES**

The obligatory reserves in the balance sheet are defined as commitments related to the current or previous fiscal years which on the date of the balance sheet are certain or likely to occur but where there is uncertainty as to the amount or the timing of the obligation. The reserves are estimated based on information on the date of the balance sheet. 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 are stated net of indirect taxes, discounts on sales, and credits.

## **EXTRAORDINARY INCOME AND EXPENSE**

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 paid and/or received have also been recorded as extraordinary items.

## **INCOME TAXES**

The consolidated income tax charge has been calculated in accordance with local tax laws of the country where the relevant Group company operates. The taxes include income taxes incurred for the fiscal year as well as taxes to be paid or received for previous fiscal years. Moreover, any change in the deferred tax liability is included in the taxes.

## **KEY FINANCIAL INDICATORS**

The regulations in accordance with the current Finnish Accounting Act have been in use since 1993. Consequently, some of the unmodified data for fiscal year 1992 do not reflect the amended legislation. The unrevised parts relate mainly to the definitions of net sales, accounting for affiliated companies and accounting for untaxed reserves. Due to a significant change in the Group's structure since 1992 restatement was not deemed necessary.

## **THE CONSOLIDATED CASH FLOW STATEMENT**

Capital investments in the consolidated cash flow statement include significant acquisitions and divestiture of companies valued at the stock prices. Accordingly, the assets and liabilities of the acquired or sold company are not included in the change of net working capital, net investments or financing.

## **DIFFERENCES BETWEEN THE ANNUAL REPORT AND THE OFFICIAL FINANCIAL STATEMENTS**

This Annual Report deviates from the official accounts in that financial data is usually presented in millions of Finnish marks.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Figures are in FIM millions.

	<b>1996</b>	<b>1995</b>
<b>1. Net sales by market area and division</b>		
By market area:		
Sweden	<b>8,708.6</b>	6,865.3
Finland	<b>3,987.0</b>	3,555.0
Other Nordic countries	<b>223.8</b>	73.0
Baltic states and Northwest Russia	<b>192.6</b>	111.9
France	<b>70.4</b>	71.1
Other countries	<b>37.3</b>	58.7
	<b>13,219.7</b>	10,735.0
By division:		
Pharma Distribution Division	<b>12,341.5</b>	9,957.9
Medical and Laboratory Division	<b>536.1</b>	434.5
Kolmi Division	<b>262.8</b>	252.4
Others	<b>79.3</b>	90.2
	<b>13,219.7</b>	10,735.0
<b>2. Personnel, and wages and salaries</b>		
Personnel by division at the end of the fiscal year:		
Pharma Distribution Division	<b>1,352</b>	1,256
Medical & Laboratory Division	<b>392</b>	195
Kolmi Division	<b>352</b>	342
Others	<b>126</b>	248
	<b>2,222</b>	2,041
Personnel expenses:		
Wages and salaries during the fiscal year	<b>276.5</b>	246.5
Pension expenses	<b>59.7</b>	57.0
Other payroll related social costs	<b>43.8</b>	33.3
	<b>380.0</b>	336.9
Fringe benefits, taxation value	<b>11.6</b>	6.9
The wages and salaries paid to:		
Boards of Directors, Supervisory Board and Presidents	<b>11.0</b>	8.2
– of which bonuses related to profit targets	<b>0.2</b>	0.2
Other personnel	<b>264.8</b>	237.7
	<b>275.7</b>	245.9
<p>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 and of presidents of some other Group companies has been agreed to be 60 years.            Other pension commitments:            The Group has made pension commitments for the management of a certain subsidiary. This liability is not significant enough to be incorporated into the Group's financial statements.</p>		
<b>3. Depreciation according to plan</b>		
Intangible rights	<b>- 3.3</b>	- 4.3
Goodwill	<b>- 1.3</b>	- 1.2
Consolidated goodwill	<b>-17.7</b>	- 15.2
Other capitalized expenditure	<b>- 1.5</b>	- 1.6
Buildings	<b>- 23.7</b>	- 18.6
Machinery and equipment	<b>- 39.4</b>	- 39.7
Other tangible assets	<b>- 0.4</b>	-
	<b>- 87.1</b>	- 80.5
<b>4. Financial income and expenses</b>		
Dividend income	<b>0.1</b>	0.7
Interest income	<b>10.5</b>	13.8
Other financial income	<b>0.3</b>	1.4
Interest expenses	<b>- 19.6</b>	- 23.9
Other financial expenses	<b>- 2.0</b>	- 3.6
Exchange rate differences, net	<b>- 0.3</b>	- 2.7
	<b>- 11.0</b>	- 14.3
<b>5. Extraordinary income and expenses</b>		
Income		
Sale of subsidiaries	<b>1.9</b>	0.5
Sale of shares	<b>-</b>	21.5
Sundry income	<b>1.1</b>	4.7
	<b>3.0</b>	26.7

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	<b>1996</b>	1995
Expenses		
Contingent liability expenses, Convector	- 3.3	- 1.5
Write-downs of fixed assets	-	- 7.1
Share of associated companies' extraordinary expenses	-	- 4.9
Pension liability expense, non-recurrent charge	-	- 3.9
Loss on sale of subsidiary	-	- 2.0
Sundry expenses	- 1.5	- 4.8
	<b>- 4.8</b>	- 24.2
Extraordinary income and expenses, total	<b>- 1.8</b>	2.5

<b>6. Income taxes</b>	<b>1996</b>	1995
Current income taxes		
On this year's earnings		
Finnish Group companies	- 26.6	- 10.2
Swedish Group companies	- 21.2	- 16.9
Other Group companies	- 1.9	- 1.2
	<b>- 49.6</b>	- 28.3
Income taxes from previous years	- 0.9	- 1.4
Change in deferred income tax liability		
Finnish Group companies	- 15.3	- 1.1
Swedish Group companies	- 6.5	- 6.3
Other Group companies	0.1	0.1
	<b>- 21.7</b>	- 7.3
Current income taxes, total	<b>- 72.2</b>	- 37.0

Tax charge has been adjusted in the consolidated accounts in relation to tax credits received on intra-group dividends.

<b>7. Fixed assets</b>	Acquisition cost Jan. 1	Translation difference	Increase +	Incr/acq. companies +	Decrease -	Acquisition cost Dec. 31	Accumulated depreciation acc. to plan	Book value Dec. 31
Intangible assets								
Intangible rights	37.9	-	4.0	7.2	- 1.6	47.4	- 38.0	9.5
Goodwill	10.7	0.0	-	4.6	-	15.3	- 10.0	5.4
Consolidated goodwill	331.8	0.1	82.2	-	-	414.0	- 161.7	252.4
Other capitalized expenditure	17.8	0.1	3.2	-	- 1.0	20.0	- 14.5	5.5
Jan. 1 - Dec. 31, 1996	398.1	0.1	89.4	11.8	- 2.6	496.8	- 224.1	272.7
Jan. 1 - Dec. 31, 1995	389.0	-	5.5	5.6	- 2.0	398.1	- 195.9	202.2
Tangible assets								
Land areas	64.8	0.8	1.2	4.0	- 0.3	70.5	-	70.5
Buildings	675.8	5.5	5.5	24.4	- 8.0	703.3	- 158.6	544.7
Machinery and equipment	520.0	11.2	35.6	38.4	- 40.7	564.4	- 402.3	162.2
Other tangible assets	2.1	0.0	4.8	-	- 0.1	6.9	- 3.4	3.5
Advance payments and construction in progress	2.9	0.0	7.3	-	- 5.7	4.5	-	4.5
Jan. 1 - Dec. 31, 1996	1,265.6	17.6	54.3	66.9	- 54.8	1,349.6	- 564.3	785.4
Jan. 1 - Dec. 31, 1995	810.3	-	66.8	402.4	- 13.8	1,265.6	- 484.1	781.5

Value adjustments

The figures above include value adjustments:

Land areas	5.4	-	-	-	-	5.4	-	5.4
Buildings	33.0	-	-	-	-	33.0	-	33.0
Other fixed assets	-	-	1.1	-	-	1.1	-	1.1
	<b>38.4</b>	-	<b>1.1</b>	-	-	<b>39.6</b>	-	<b>39.6</b>

	<b>1996</b>	1995
Machinery and equipment in production use, book value	<b>126.6</b>	128.8
Ratable values		
Land areas	<b>34.3</b>	37.5
Buildings	<b>265.9</b>	316.7
Other shares and participations	<b>53.7</b>	43.1
	<b>353.9</b>	397.4

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>8. Affiliated companies</b>	<b>1996</b>	1995
Opening balance	<b>57.6</b>	74.7
Share of affiliated companies' net income before extraordinary items	<b>- 6.3</b>	- 12.2
Share of affiliated companies' extraordinary items	<b>-</b>	- 4.9
Closing balance	<b>51.4</b>	57.6

The balance equals Tamro's investment into Castrum Oy. The consolidated book value equals 7.65 FIM per share. The corresponding stock price was 6.50 FIM.

In addition the Group has long term loan receivable from affiliated companies **65.5** 63.9

<b>9. Loans to Group management and non-current receivables</b>	<b>1996</b>	1995
Loans to Group management	<b>0.2</b>	0.1

The loans to Group management are in force for the time being. The interest on the loans in 1996 was the Bank of Finland base rate + 1%.

Receivables in current assets, which fall due after one year or more	<b>1996</b>	1995
Loans receivable	<b>0.1</b>	0.7

### 10. Capital stock and subscription warrants

The company's capital stock as at December 31, 1996 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 subscription warrants (terms in point 15) which entitle to make following subscriptions:

	Number of shares	Holding %
Issue of bonds with warrants 1994	3,594,000	3.86
Issue of bonds with warrants 1995	1,400,000	1.50
	4,994,000	5.36

<b>11. Changes in shareholders' equity</b>	<b>1996</b>	1995
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Restricted equity		
Capital stock		
Opening balance	<b>881.6</b>	480.5
Capital stock increase	<b>-</b>	401.1
Closing balance	<b>881.6</b>	881.6
Reserve fund		
Opening balance	<b>0.0</b>	-
Capital stock increase over par	<b>-</b>	441.3
Pooling elimination	<b>-</b>	- 441.3
Closing balance	<b>0.0</b>	0.0
Value adjustment fund		
Opening balance	<b>6.5</b>	6.5
Increase	<b>1.1</b>	-
Closing balance	<b>7.6</b>	6.5
Restricted equity, closing balance	<b>889.2</b>	888.1
Non-restricted equity		
Opening balance	<b>668.9</b>	437.9
Pooling adjustment	<b>- 5.1</b>	117.0
Dividend	<b>- 61.7</b>	- 24.0
Net profit for the year	<b>149.7</b>	119.6
Translation differences	<b>17.4</b>	19.5
Other change	<b>- 0.2</b>	- 1.1
Non-restricted equity, closing balance	<b>768.9</b>	668.9
Less untaxed reserve, see note 12 below	<b>- 368.8</b>	- 359.1
Distributable non-restricted equity	<b>400.1</b>	309.8

The pooling adjustment of FIM million 5,1 is related to ADA AB's pre-acquisition accelerated depreciation. The adjustment was not recorded until 1996. The corresponding amount, increased by the related deferred income tax liability, was deducted from machinery and equipment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>12. Untaxed reserves and consolidated deferred income tax liability</b>	<b>1996</b>	1995
Accelerated depreciation and other untaxed reserves		
– Finnish Group companies	<b>352.1</b>	343.3
– foreign Group companies	<b>114.3</b>	90.9
	<b>466.4</b>	434.2
– included in equity elimination of acquired subsidiaries	<b>- 49.2</b>	- 48.6
	<b>417.2</b>	385.6
Deferred income tax liability		
– Finnish Group companies	<b>- 16.4</b>	- 1.1
– foreign Group companies	<b>- 32.0</b>	- 25.4
	<b>- 48.4</b>	- 26.5
Untaxed reserves, net of deferred tax liability, included in consolidated equity	<b>368.8</b>	359.1

The deferred income tax liability on overseas companies has been calculated using local tax rates. Corresponding liability for the parent company and domestic subsidiaries has been calculated starting from 1995 using the Finnish tax rate; the increase in the tax rate from 25% to 28% has been recorded in 1996.

	<b>1996</b>
Untaxed reserves of Finnish Group companies, FIM million	<b>352</b>
– Lääketukku goodwill, share of accelerated depreciation with no tax liability	<b>- 68</b>
	<b>284</b>
– accelerated depreciation on parent company buildings	<b>- 199</b>
	<b>85</b>

The accelerated depreciation related to buildings is dissolved according to the plan over a period of 30 year, why management believes that no deferred income tax liability should be recorded. In addition, loss carry forwards amount to over FIM 100 million.

<b>13. Obligatory reserves</b>	<b>1996</b>	1995
Damage claim liability *	<b>30.6</b>	26.0
Other reserves for losses	<b>4.3</b>	7.9
Unallocated write-downs, real estate	<b>-</b>	3.5
	<b>34.9</b>	37.4

\* Joint liability for damages together with other shareholders of Cast-Rixa Oy; Tamro's proportional share.

Changes in the obligatory reserves in the income statement	<b>1996</b>	1995
Net financial items	<b>- 1.3</b>	- 0.9
Extraordinary items	<b>- 4.2</b>	- 1.9
	<b>- 5.5</b>	- 2.8

### **14. Long-term liabilities**

Long-term liabilities fall due as follows:	
1998	<b>12.2</b>
1999–2001	<b>80.8</b>
2002–	<b>7.3</b>
On special conditions	<b>51.2</b>
	<b>151.4</b>
Foreign currency breakdown of long-term loans:	
FIM	<b>19.1</b>
SEK	<b>128.6</b>
Others	<b>3.8</b>
	<b>151.4</b>
Loans falling due in five years or more by balance sheet item:	
Loans from financial institutions	<b>3.9</b>
Pension fund loans	<b>2.2</b>
Other long-term loans	<b>1.2</b>
	<b>7.3</b>

Of the above pension loans FIM 51.0 (46.6) million equals pension provision of the Swedish subsidiary, according to local practise. The pension provision has a parent company guarantee.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. Bonds as of December 31, 1996

Bonds issued by the Group:		
	Issue of bond with warrants 1994	Issue of bond with warrants 1995
The bond		
Issued by	Tamro Corporation	Tamro Corporation
Amount of issue, FIM	3,594,000	1,400,000
Interest	5%	5%
Repayment of issue	Bullet payment on May 16, 1999	Bullet payment on Dec. 18, 1999
The warrants		
Number of warrants	3,594,000	1,400,000
Subscription period	Dec. 1, 1998 to Jan. 31, 2000	Like bond with warrants 1994
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	- " -

### 16. Contingent liabilities

	1996	1995
Mortgages		
For own debts (1)	<b>162.3</b>	188.9
For others	<b>0.8</b>	-
	<b>163.1</b>	188.9
Pledges		
For own obligations (2)	<b>3.9</b>	0.6
For others	<b>0.0</b>	0.4
	<b>4.0</b>	1.0
Guarantees		
For debts of others	<b>9.6</b>	4.9
Other commitments		
Leasing commitments		
Next year	<b>10.0</b>	21.9
Over one year	<b>5.0</b>	14.6
Rent commitments	<b>24.3</b>	26.7
Repurchase commitments	<b>1.9</b>	2.8
Other commitments	<b>0.8</b>	1.0
	<b>42.0</b>	66.9
Group liabilities, secured by mortgages, pledges and other commitments:		
Mortgages (1)	<b>43.4</b>	151.0
Pledges (2)	<b>3.4</b>	0.2
	<b>46.7</b>	151.2

### 17. Group and parent company off-balance sheet financial instruments, see no. 34.



## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

<b>18. Net sales by market area and division</b>	<b>1996</b>	1995
By market area:		
Finland	<b>3,665.4</b>	3,300.4
Sverige	<b>0.7</b>	-
Baltic states and Northwest Russia	<b>4.3</b>	3.3
	<b>3,670.4</b>	3,303.7
By division:		
Pharma Distribution Division	<b>3,346.8</b>	3,002.5
Medical and Laboratory Division	<b>318.4</b>	297.2
Others	<b>5.2</b>	4.0
	<b>3,670.4</b>	3,303.7
 <b>19. Personnel expenses</b>	 <b>1996</b>	 1995
Personnel expenses		
Fixed wages and salaries	<b>90.0</b>	84.4
Pension expenses	<b>19.4</b>	18.0
Other payroll-related social costs	<b>6.5</b>	8.2
	<b>115.9</b>	110.6
Fringe benefits, taxation value	<b>4.6</b>	3.6
The wages and salaries paid to:		
Board of Directors, Supervisory Board and President	<b>2.5</b>	1.9
– of which bonuses related to profit targets	<b>0.1</b>	0.1
Other personnel	<b>87.0</b>	82.4
	<b>89.5</b>	84.4
 <b>20. Depreciation according to plan</b>	 <b>1996</b>	 1995
Intangible rights	<b>-2.0</b>	-3.5
Goodwill	<b>-14.4</b>	-14.3
Other capitalized expenditure	<b>-0.1</b>	-0.3
Buildings	<b>-9.9</b>	-9.8
Machinery and equipment	<b>-6.9</b>	-12.2
	<b>-33.2</b>	-40.2
 <b>21. Financial income and expenses</b>	 <b>1996</b>	 1995
Dividend income	<b>29.1</b>	67.4
Interest income	<b>14.4</b>	13.5
Other financial income	<b>2.9</b>	-
Interest expenses	<b>-8.4</b>	-11.2
Other financial expenses	<b>-1.0</b>	-2.2
Exchange rate differences, net	<b>1.4</b>	-0.5
	<b>38.5</b>	67.0
From Group companies		
Dividend income	<b>29.1</b>	66.9
Interest income	<b>8.5</b>	7.2
Other financial income	<b>2.9</b>	-
Interest expenses	<b>-0.5</b>	-2.3
	<b>40.0</b>	71.9
 <b>22. Extraordinary income and expenses</b>	 <b>1996</b>	 1995
Income		
Cancellation of expense entries, Scantrailer	<b>0.4</b>	3.5
Sale of shares	<b>-</b>	15.1
Sundry income	<b>0.6</b>	0.3
	<b>0.9</b>	18.9
Group contribution	<b>-3.5</b>	29.6
Expenses		
Contingent liability expenses, Convector	<b>-3.3</b>	-1.5
Write-downs of fixed assets	<b>-</b>	-2.6
Write-downs and losses on loans receivable	<b>-</b>	-4.6
Sundry expenses	<b>-0.2</b>	-0.2
	<b>-3.5</b>	-8.8
Extraordinary income and expenses, total	<b>-6.0</b>	39.6

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

<b>23. Appropriations</b>	<b>1996</b>	1995				
Accelerated depreciation in the income statement						
Intangible rights	<b>0.3</b>	0.0				
Goodwill	<b>-12.1</b>	-12.2				
Other capitalized expenditure	<b>0.0</b>	0.1				
Buildings	<b>3.3</b>	1.8				
Machinery and equipment	-	2.8				
	<b>-8.5</b>	-7.6				
<b>24. Income taxes</b>	<b>1996</b>	1995				
Current income taxes	<b>-27.0</b>	-10.1				
Income taxes from previous years	<b>-0.8</b>	-0.5				
	<b>-27.8</b>	-10.5				
<b>25. Fixed assets</b>	Acquisition cost	Increase	Decrease	Acquisition cost	Accumulated depreciation	Book value
	Jan. 1	+	-	Dec. 31	acc. to plan	Dec. 31
Intangible assets						
Intangible rights	33.2	2.8	-	35.9	-30.7	5.2
Goodwill	313.9	-	-	313.9	-142.0	171.9
Other capitalized expenditure	9.4	0.2	-	9.5	-9.4	0.2
Jan. 1 - Dec. 31, 1996	356.4	2.9	-	359.4	-182.1	177.3
Jan. 1 - Dec. 31, 1995	354.7	1.7	-	356.4	-165.7	190.8
Tangible assets						
Land areas	5.8	-	-	5.8	-	5.8
Buildings	350.5	0.5	-	350.9	-71.2	279.7
Machinery and equipment	140.0	6.2	-7.7	138.5	-116.9	21.6
Other tangible assets	1.0	0.0	-	1.1	-	1.1
Jan. 1 - Dec. 31, 1996	497.3	6.7	-7.7	496.2	-188.1	308.2
Jan. 1 - Dec. 31, 1995	492.5	7.0	-2.3	497.3	-173.9	323.3
Value adjustments						
The figures above include value adjustments						
Land areas	2.5	-	-	2.5	-	2.5
Buildings	14.0	-	-	14.0	-	14.0
	16.5			16.5		16.5
				<b>1996</b>		1995
Machinery and equipment in production use, book value				<b>11.4</b>		12.7
Ratable values						
Land areas				<b>4.1</b>		3.5
Buildings				<b>113.0</b>		115.9
Shares in subsidiaries				<b>1,082.6</b>		1,053.8
Other shares and participations				<b>26.6</b>		20.7
				<b>1,226.3</b>		1,193.8

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

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 26. Group companies

Company/Registered office	Group share of holding and votes %	stockholders' equity FIM m	Parent company share of holding %	Shares owned by the parent company			Net profit or loss for fiscal year FIM m
				Number of shares	Par value FIM m	Book value FIM m	
Pharma Distribution Division, main companies:							
ADA AB/Gothenburg, Sweden	100	508.3	100	600,000	40.5	842.4	49.4
ADA AS/Oslo, Norway	100	17.5	100	10,000	7.2	20.2	-23.3
Oy Tamda Ab/Vantaa, Finland	100	3.8	100	5,000	5.0	8.0	-1.5
Pharm Tamda 77/St. Petersburg, Russia	60	-1.9	60	1,980	0.5	0.7	-3.3
ML & Tamda SIA/Riga, Latvia	100	8.5					0.1
Tamda Eesti AS/Tallinn, Estonia	100	1.6					-0.5
UAB Tamda/Kaunas, Lithuania	100	0.0					-0.3
Tam-Drug Oy/Vantaa, Finland	100	0.2	100	2,000	0,2	0,2	0.0
Medical and Laboratory Division, main companies:							
Printel Oy/Vantaa, Finland	100	10.0					0.0
Karttakeskus Oy/Helsinki, Finland	100	4.7					2.3
Mediala Oy/Vantaa, Finland	100	1.7	100	12	0.1	4.4	0.0
Labassco AB/Gothenburg, Sweden	100	12.7					2.6
Heigar & Co. A/S/Oslo, Norway	100	1.9					-0.2
Swedish Hospital Supply SHS AB/Gothenburg, Sweden	100	-2.2					-2.4
Kolmi Division							
Kolmi-Set Oy/Ilomantsi, Finland	100	21.6	100	160	16.0	26.1	-0.4
Tamro AB/Stockholm, Sweden	100	35.1	100	402,000	27.1	34.6	0.4
Tamro AS/Roskilde, Denmark	100	3.3	100	300	0.2	0.2	1.4
Tamro A/S/Skjetten, Norway	100	3.1	100	3,900	2.8	3.4	0.5
Kolmi S.A./St-Barthelemy, France	100	40.9	100	584,154	51.8	55.6	-5.3
Brömeda GmbH/Bad Laer, Germany	100	0.4					-0.4
Other subsidiaries, incl. non-operational							
Sponfinans Oy/Helsinki, Finland	100	126.9	100	1,497,628	119.8	84.3	35.2
Kerko Sport Oy/Porvoo, Finland	74.3	3.3	73	72,947	0.7	0.0	1.3
Simra AB/Hjärnarp, Sweden	74.3	5.0	-				1.3
Simab Sport AB/Söderköping, Sweden	74.3	3.1	-				0.0
Rantzows Sport AB/Hjärnarp, Sweden	74.3	4.0	-				0.0
AL Sport A/S/Minnesund, Norway	74.3	3.9	-				1.3
Ifas Sport A/S/Minnesund, Norway	74.3	1.2	-				0.6
Other companies						5.4	
						1 085.3	

### 27. Other shares and participations

Company/Registered office	Group share of holding and votes %	stockholders' equity FIM m	Parent company share of holding %	Shares owned by the parent company			Net profit or loss for fiscal year FIM m
				Number of shares	Par value FIM m	Book value FIM m	
Affiliated companies:							
Castrum Oy/Helsinki, Finland	49.5	51.4	33.4	4,342,606	43.4	41.5	-12.6
Cast-Rixa Oy/Helsinki, Finland	49.0	-23.5	49.0	16,241	1.6	0.0	-
						41.5	
Other companies:							
Nomeco A/S				12,000		0.4	
Finnish Central Securities Depository Ltd.				10		0.7	
Helsinki Stock Exchange Ltd				20,000		0.2	
Telephone company shares etc.						0.5	
Housing corporations						3.3	
Other						0.7	
						5.8	
Other shares and participations total						47.3	

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

<b>28. Receivables and liabilities</b>	<b>1996</b>	1995
With Group companies		
Accounts receivable	2.9	5.5
Loans receivable, non-current	85.9	15.5
Loans receivable, current	178.8	144.0
Prepaid expenses and accrued income	5.1	67.7
Accounts payable	9.9	4.8
Other short-term liabilities	28.0	54.1
Affiliated companies		
Loans receivable, non-current	31.5	29.9
Loans to Group management	0.1	0.1
The loans are in force for the time being. The interest on the loans in 1996 was the Bank of Finland base rate + 1%.		
 <b>29. Changes in stockholders' equity</b>	 <b>1996</b>	 1995
Restricted equity		
Capital stock		
Opening balance	881.6	480.5
Capital stock increase	-	401.1
Closing balance	881.6	881.6
Reserve fund		
Opening balance	441.3	0.0
Capital stock increase over par	-	441.3
Closing balance	441.3	441.3
Value adjustment fund, unchanged	6.5	6.5
Restricted equity, closing balance	1 329.4	1 329.4
Non-restricted equity		
Opening balance	242.5	113.6
Dividend	-61.7	-24.0
Net profit for the year	81.2	153.1
Donations	-0.1	-0.2
Non-restricted equity, closing balance	262.0	242.5
 <b>30. Accelerated depreciation</b>	 <b>1996</b>	 1995
Accumulated depreciation difference		
Intangible rights	1.0	1.3
Goodwill	118.9	106.8
Buildings	199.1	202.5
Machinery and equipment	3.8	3.8
	322.9	314.4
 <b>31. Obligatory reserves</b>	 <b>1996</b>	 1995
Damage claim liability *	30.6	26.0
Other reserves	1.5	1.7
	32.1	27.7
* Joint liability for damages together with other shareholders of Cast-Rixa Oy		
Changes in the obligatory reserves in the income statement	<b>1996</b>	1995
Interest expenses	-1.3	-0.9
Extraordinary items	-3.1	1.3
	-4.4	0.4

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

<b>32. Long-term liabilities</b>	<b>1996</b>	
Long-term liabilities fall due as follows:		
1998	0.1	
1999–2001	72.8	
2002–	1.5	
	<hr/>	
	<b>74.5</b>	
Foreign currency breakdown of long-term liabilities:		
FIM	7.0	
SEK	67.5	
	<hr/>	
	<b>74.5</b>	
Loans falling due in five years or more by balance sheet item:		
Pension fund loans	1.5	
<b>33. Contingent liabilities</b>	<b>1996</b>	1995
Mortgages		
For own debts	77.5	78.3
For debts of others	0.8	-
	<hr/>	
	<b>78.3</b>	78.3
Guarantees		
For subsidiaries	65.8	78.7
For debts of others	5.7	2.1
	<hr/>	
	<b>71.5</b>	80.8
Other commitments		
Leasing commitments		
Next year	5.0	12.9
Over one year	2.8	5.3
Rent commitments	26.1	28.4
Repurchase commitments	1.9	1.8
	<hr/>	
	<b>35.9</b>	48.4
<b>34. Off-balance sheet financial instruments for foreign currency and interest rate risks</b>	<b>1996</b>	1995
Currency forward contracts, gross amount at end of year in FIM	134.3	0.0
Interest rate forward contracts, nominal value	300.0	0.0
Currency forward contracts, market value	-0.9	0.0
Interest rate forward contracts, market value	0.2	0.0

### OTHER INFORMATION

- In this annual report you will find
- Key financial indicators for the five year period ending 1996 and related calculation of financial ratios on pages 51 to 52.
  - Information on the Tamro share on pages 20 and 21.

# AUDITORS' REPORT

## TO THE STOCKHOLDERS OF TAMRO CORPORATION

We have audited the accounting, the financial statements and the corporate governance of Tamro Corporation for the period January 1 – December 31, 1996. The financial statements, which include the report of the Board of Directors, consolidated and Parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Corporate President. 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 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 mem-

bers of the Supervisory Board and the Board of Directors and the Corporate President have legally complied with the rules of the Companies' Act.

In our opinion the financial statements, which shows the net profit of 81,231,855.67 FIM for the Parent company, 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 Corporate President 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 11, 1997*

**SVH Coopers & Lybrand Oy**  
*Authorized Public Accountants*

**Johan Kronberg**  
*APA*

**KPMG Wideri Oy Ab**  
*Authorized Public Accountants*

**Rolf Stubbe**  
*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 1996, and the auditors' report was examined.

As its statement to the 1997 Stockholders' meeting, the Supervisory Board recommends that the consolidated and

parent company's income statements and balance sheets for 1996 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 Matti Aura, Peter Egardt, Carl-Olaf Homén, Anders Lönner, Arvo Relander, Torbjörn Sonck and Tage Åkerlund.

*Vantaa, March 11, 1997*

**Reijo Purasmaa**  
*Vice Chairman*

**Jaakko J. Aalto**  
*Member*

## KEY FINANCIAL INDICATORS 1992–1996

	1996	1995	1994 Pro forma	1994	1993	1992
<b>From the income statement, FIM m</b>						
Net Sales	<b>13,220</b>	10,735	9,610	3,565	3,230	3,118
Operating profit before depreciation	<b>329</b>	262	243	157	160	122
Depreciation	<b>87</b>	81	69	57	67	76
Operating profit	<b>242</b>	181	174	100	94	46
Net financial items, incl. affiliated companies	<b>-17</b>	-27	-31	-27	-58	-25
Profit after financial items	<b>224</b>	155	143	73	36	21
Profit before taxes and minority	<b>223</b>	157	159	90	-164	-137
Net income	<b>150</b>	120	126	79	-167	-147
<b>From the balance sheet, FIM m</b>						
Fixed assets	<b>1,196</b>	1,125	1,116	878	881	1,028
Inventories	<b>990</b>	970	837	537	558	561
Liquid assets	<b>319</b>	404	75	71	186	205
Other current assets	<b>1,672</b>	1,137	1,134	337	368	467
Equity	<b>1,658</b>	1,557	1,413	925	856	1,035
Minority	<b>2</b>	1	3	3	7	3
Obligatory reserves	<b>35</b>	37	46	46	83	-
Long term liabilities	<b>200</b>	228	262	211	230	539
Short term liabilities	<b>2,283</b>	1,813	1,438	638	817	684
Balance sheet total	<b>4,177</b>	3,637	3,163	1,823	1,992	2,261
<b>Key figures</b>						
Sales growth, %	<b>23.1</b>	11.7	197.5	10.4	3.6	-7.8
Operating margin, %	<b>1.8</b>	1.7	1.8	2.8	2.9	1.5
Profit margin, %	<b>1.7</b>	1.4	1.5	2.1	1.1	0.7
Return on capital employed, %	<b>13.4</b>	11.1	11.7	8.5	5.9	5.6
Return on equity, %	<b>9.5</b>	7.9	9.6	6.8	3.5	1.6
Free cash flow, FIM m	<b>116</b>	356	48	37	239	88
Capital employed, FIM m	<b>1,829</b>	1,841	1,701	1,173	1,266	1,705
Net debt, FIM m	<b>-151</b>	-121	210	174	219	462
Net gearing, %	<b>-9.1</b>	-7.8	14.8	18.7	25.3	44.5
Interest cover	<b>12.4</b>	7.5	5.4	4.0	1.8	1.3
Equity ratio, %	<b>39.7</b>	42.8	44.8	50.9	43.3	45.9
<b>Per share data</b>						
Number of shares, millions <sup>1)</sup>	<b>88.2</b>	88,2	88.2	48.0	48.0	48.0
Earnings per share, FIM	<b>1,73</b> <sup>2)</sup>	1.33	1.25	1.29	0.68	-0.67
Dividend per share, FIM	<b>0.90</b> <sup>3)</sup>	0.70	-	0.50	-	-
Dividend per earnings, %	<b>52</b>	53	-	39	-	-
Effective dividend yield, %	<b>2.9</b>	3.7	-	2.3	-	-
Equity per share, FIM	<b>18.80</b>	17.70	16.00	19.20	17.80	21.40
P/E multiple	<b>18</b>	14	-	17	26	neg.
<b>Tamro share information</b>						
Average trading price, FIM	<b>25.90</b>	20.67	-	22.67	14.46	7.76
Lowest trading price, FIM	<b>18.50</b>	15.70	-	18.00	6.30	3.40
Highest trading price, FIM	<b>34.80</b>	23.80	-	27.50	19.60	13.00
Price at December 31, FIM	<b>30.70</b>	19.10	-	22.00	17.80	6.20
Trading volume, million shares	<b>48.8</b>	14.4	-	18.3	38.8	8.1
Trading volume, %	<b>55</b>	25	-	38	81	17
Market capitalization at December 31, FIM m	<b>2,707</b>	1,684	-	1,057	855	298
<b>Other</b>						
Investments, FIM m	<b>153</b>	73	118	102	30	19
as % of sales	<b>1.2</b>	0.7	1.2	2.9	0.9	0.6
Number of employees, average	<b>2,122</b>	2,098	1,961	1,362	1,178	1,371

<sup>1)</sup> average, end of the year and adjusted

<sup>2)</sup> dilution included

<sup>3)</sup> Board proposal

**1.67**



# CALCULATION OF FINANCIAL RATIOS

## **PROFIT MARGIN**

Profit after financial items divided by net sales.

## **CAPITAL EMPLOYED**

Total assets less non-interest bearing liabilities.

## **RETURN ON CAPITAL EMPLOYED**

Profit after financial items plus interest expenses and other financial expenses as a percentage of average capital employed. Average of the capital by Jan. 1 and Dec. 31.

## **OPERATING CAPITAL**

(divisional)

Capital employed less cash, short-term investments and financial receivables.

## **RETURN ON OPERATING CAPITAL**

(divisional)

Operating profit for the division as a percentage of average operating capital. Average is calculated based on month-ends of the year.

## **RETURN ON EQUITY**

Profit after financial items less income taxes for the year as a percentage of average stockholders' equity and minority.

## **FREE CASH FLOW**

see Cash Flow Statement.

## **NET DEBT**

Interest bearing debt less cash and short-term investments.

## **NET GEARING**

Net debt as a percentage of equity plus minority interest.

## **INTEREST COVER**

Profit after financial items plus interest expenses divided by the interest expenses.

## **EQUITY RATIO**

Shareholders' equity plus minority interest as a percentage of total assets.

## **AVERAGE TRADING PRICE**

Value of trading volume divided by the traded volume.

## **TRADING VOLUME, %**

Number of shares traded during the period as a percentage of average number of outstanding shares.

## **MARKET CAPITALIZATION**

Number of shares multiplied by share price at the end of the year.

## **EARNINGS PER SHARE**

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

## **EARNINGS PER SHARE WITH DILUTION**

Earnings has been increased by market interest, net of tax, on the capital increase corresponding to the warrants outstanding. The warrants outstanding have been included in the number of shares.

## **DIVIDEND PER EARNINGS**

Dividend per share as a percentage of earnings per share.

## **EFFECTIVE DIVIDEND YIELD**

Dividend per share as a percentage of market share price at Dec. 31.

## **EQUITY PER SHARE**

Stockholders' equity divided by the number of shares at Dec. 31.

## **P/E MULTIPLE**

Market share price at Dec. 31 divided by earnings per share.

## **AVERAGE NUMBER OF EMPLOYEES**

Calculated from month-end figures and adjusted for part time employees.

## **INVESTMENTS**

Includes corporate acquisitions.

## **SHARE ISSUE ADJUSTMENTS**

Number of shares are fully comparable for the whole five year period.

# ADMINISTRATION

## SUPERVISORY BOARD

Chairperson

**Barbro Fischerström** (53), President,  
The Swedish Newspaper Publishers' Association

Vice-Chairman

**Reijo Purasmaa** (54), Chairman,  
The Association of Finnish Pharmacies

Members

**Jaakko Aalto** (59), President,  
Glaxo Wellcome Oy,  
(after the Stockholders' meeting on April 25, 1996)

**Pirjo Ala-Kapee** (52), Mayor, City of Vantaa

**Matti Aura** (53), Member of the Parliament;  
President, Central Chamber of Commerce

**Peter Egardt** (47), President,  
Stockholm Chamber of Commerce

**Jan Ekberg** (60), CEO, Pharmacia & Upjohn, Inc.

**Erik Forssell** (56), Pharmacist

**Bengt Holgersson** (55), County Governor

**Carl-Olaf Homén** (60), Master of Laws

**Maj-Inger Klingvall** (50),  
Member of the Swedish Parliament,  
(until the Stockholders' meeting on April 25, 1996)

**Seppo Kylmänen** (60), Master of Laws

**Ritva Laurila** (64), Master of Arts

**Tuomo Lähdesmäki** (39), President, Leiras Oy

**Anders Lönner** (51), President, Karo Bio AB

**Antti Moisio** (55), Deputy Manager of Social Affairs  
and Public Health, City of Espoo

**Börje Nilsson** (66), Member of the Swedish Parliament,  
(after the Stockholders' meeting on April 25, 1996)

**Arvo-T. Rautio** (61), Pharmacist

**Arvo Relander** (60), Hospital Director,  
Helsinki University Central Hospital

**Torbjörn Sonck** (50), President,  
Novartis Norge AS

**Göran Stenberg** (61), Commercial Councillor,  
(until the Stockholders' meeting on April 25, 1996)

**Pär Stenbäck** (55), Chairman,  
The Finnish Red Cross

**Kurt Stenvall** (64), Master of Laws

**Tage Åkerlund** (57), Pharmacist  
Representatives of Personnel

**Helge Grönfors** (61),

warehouse employees in Helsinki

**Hertta Hytönen** (55),

employees of regional network, Kuopio

**Kirsti-Liisa Vieno** (61),

office employees in Helsinki

**Kristina Åhman** (53), other employees

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

## AUDITORS

SVH Coopers & Lybrand Oy,

Authorized Public Accountants

KPMG Wideri Oy Ab

Authorized Public Accountants

## BOARD OF DIRECTORS

Chairman

**Jouko K. Leskinen** (53),  
CEO, The Sampo Group

Vice Chairman

**Åke Hallman** (53), M. Pol.Sc.,  
(until the Stockholders' meeting on April 25, 1996)

Members

**Mikael von Frenckell** (49), M. Pol.Sc.

**Dag Johannesson** (51), Director,  
Apoteksbolaget AB

**Lars-Steffen Kull** (58), B.Sc. (Econ.),

(after the Stockholders' meeting on April 25, 1996)

**Erkki J. Toivanen** (69), Chairman of the Board,  
Onninen Oy

The Board of Directors has convened 10 times  
during the period under review.

# GROUP ORGANIZATION AT APRIL 1, 1997

## TAMRO GROUP

**Matti Elovaara**

Corporate President, CEO

## CORPORATE CENTER

Finance and Human Resources

**Tapio Mansukoski**

IT/IS

**KjellOwe Gustafsson**

## DIVISIONS

### PHARMA DISTRIBUTION DIVISION

**Heikki Ojanperä**

Pharma Distribution Sweden, ADA AB

**Bengt Persson**

Pharma Distribution Finland

**Kim Ignatius**

Pharma Distribution Norway, ADA as

**Asbjørn Leirvik**

Pharma Distribution the Baltics and  
Northwest Russia

**Keijo Väkiparta**

Logistics

**Mats Andersson**

### MEDICAL AND LABORATORY DIVISION

**Björn Mattila**

Tamro Medical Finland

**Asko Kinnunen**

Tamro Medical Scandinavia

**Tommy Forsell**

Tamro Lab

**Markku Pohjola**

Printel

**Hannu Leppänen**

### KOLMI DIVISION

**Jorma Turunen**

Kolmi Drape

**Anne Mykkänen**

Kolmi Safe

**Peter Johansson**

Kolmi Inco

**Jouko Pirkkanen**

# TAMRO GROUP'S EXECUTIVE TEAM



Matti Elovaara (57)



Tapio Mansukoski (48)



KjellOwe Gustafsson (54)



Heikki Ojanperä (52)



Björn Mattila (50)



Jorma Turunen (50)



Bengt Persson (44)



Kim Ignatius (40)



Mats Andersson (48)

# DIRECTORY

## HEAD OFFICES

### Head Office of the Tamro Group

Prismavägen 2-6  
S-141 75 Huddinge  
Sweden  
Tel. int. +46 8 454 78 00  
Fax int. +46 8 740 77 50

### Head Office of the Parent Company

Tamro Corporation  
Rajatorpantie 41 B  
FIN-01640 Vantaa  
Finland  
Postal address  
P.O. Box 11  
FIN-01641 Vantaa  
Finland  
Tel. int. +358 204 4511  
Fax int. +358 204 45 4049  
Others: see Divisions

## PHARMA DISTRIBUTION DIVISION

### PHARMA DISTRIBUTION FINLAND

see Tamro Corporation  
Fax int. +358 204 45 4200

### Tamro House Distribution Center

Rajatorpantie 41 E  
FIN-01640 Vantaa  
Finland  
Postal address  
P.O. Box 11  
FIN-01641 Vantaa  
Finland  
Tel. int. +358 204 4511  
Fax int. +358 204 45 3246

### Southern Finland

see Tamro Corporation  
Fax int. +358 204 45 3270

### Kuopio

Kellonkierto 7  
FIN-70460 Kuopio  
Finland  
Tel. int. +358 204 45 123  
Fax int. +358 204 45 5412

### Oulu

Kangaskontiontie 14  
FIN-90240 Oulu  
Finland  
Tel. int. +358 204 45 124  
Fax int. +358 204 45 5630

### Tampere

Kaskimäenkatu 7  
FIN-33900 Tampere  
Finland  
Postal address  
P.O. Box 154  
FIN-33101 Tampere  
Finland  
Tel. int. +358 204 45 122  
Fax int. +358 204 45 5300

### Turku

Rieskalähteentie 75  
20300 Turku  
Finland  
Postal address  
P.O. Box 219  
FIN-20101 Turku  
Finland  
Tel. int. +358 204 45 121  
Fax int. +358 204 45 5048

### Tam-Drug Oy

Rajatorpantie 41 B  
FIN-01640 Vantaa  
Finland  
Tel. int. +358 204 4511  
Fax int. +358 9 853 2991

## PHARMA DISTRIBUTION SWEDEN

### Göteborg

ADA AB  
Importgatan 18  
S-401 20 Gothenburg  
Sweden  
Postal address  
P.O. Box 49  
S-401 20 Gothenburg  
Sweden  
Tel. int. +46 31 58 43 00  
Fax int. +46 31 52 17 11

### Stockholm

tel. and address,  
see Head Office of the Tamro Group  
Fax int. +46 8 740 65 73

### Malmö

Skogholmsgatan 5  
S-200 39 Malmö  
Sweden  
Postal address  
P.O. Box 9517  
S-200 39 Malmö  
Sweden  
Tel. int. +46 40 31 47 00  
Fax int. +46 40 94 33 55

### Umeå

Formvägen 7  
S-906 02 Umeå  
Sweden  
Postal address  
P.O. Box 6044  
S-906 02 Umeå  
Sweden  
Tel. int. +46 90 15 35 00  
Fax int. +46 90 18 85 94

## PHARMA DISTRIBUTION NORWAY

### ADA AS

Ole Deviks vei 2  
N-0666 Oslo  
Norway  
Postal address  
P.O. Box 77 Bryn  
N-0611 Oslo  
Norway  
Tel. int. +47 22 72 36 90  
Fax int. +47 22 72 36 91

## PHARMA DISTRIBUTION THE BALTIC STATES AND NORTHWEST RUSSIA

### Oy Tamda Ab

Rajatorpantie 41 B  
FIN-01640 Vantaa  
Finland  
Tel. int. +358 204 4511  
Fax int. +358 204 45 4060

### Tamda Eesti AS

Pärnu mnt 232  
EE 0013 Tallinn  
Estonia  
Tel. int. +372 6 503 600  
Fax int. +372 6 503 601

**ML & Tamda SIA**

Kleistu str. 24  
LV-1067 Riga  
Latvia  
Tel. int. +371 2 411 269, 417 554,  
416 973, 414 915  
Fax int. +371 2 414 797, +371 7 217 455

**UAB Tamda**

Taikos Avenue 102  
LT-3031 Kaunas  
Lithuania  
Tel. int. +370 7 766 463, 751 534,  
759 745, 766 198, 766 353  
Fax int. +370 7 764 213

**Pharm Tamda 77**

Zelenogorskaya str. 3  
St. Petersburg, 194 156  
Russia  
Tel. int. +7 812 553 4404  
Fax int. +7 812 553 2009

**MEDICAL AND LABORATORY  
DIVISION**

see Tamro Corporation

Fax int.  
Tamro Medical: +358 204 45 4815  
Tamro Lab: +358 204 45 4770,  
204 45 4717

**Printel Oy**

Sähkötie 1  
FIN-01510 Vantaa  
Finland  
Postal address  
P.O. Box 29  
FIN-01511 Vantaa  
Finland  
Tel. int. +358 9 82 941  
Fax int. +358 9 821 820

**Karttakeskus Oy**

Opastinsilta 12 B  
FIN-00520 Helsinki  
Finland  
Postal address  
P.O. Box 85  
FIN-00521 Helsinki  
Finland  
Tel. int. +358 9 154 521  
Fax int. +358 9 154 5650

**AB Labassco**

Aminogatan 30  
S-431 53 Mölndal  
Sweden  
Tel. int. +46 31 706 30 00  
Fax int. +46 31 706 30 30

**Heigar & Co. A/S**

Stanseveien 31  
N-0976 Oslo 9  
Norway  
Postal address  
P.O. Box 137 Kalbakken  
N-0902 Oslo  
Norway  
Tel. int. +47 22 25 50 54  
Fax int. +47 22 25 56 30

**KOLMI DIVISION****Kolmi-Set Oy**

Rajatorpantie 41 B  
FIN-01640 Vantaa  
Finland  
Tel. int. +358 204 45 11  
Fax int. +358 204 45 6100

**Ilomantsi Plant:**

FIN-82900 Ilomantsi  
Finland  
Tel. int. +358 204 45 133  
Fax int. +358 204 45 6500

**Hyvinkää Plant:**

Postal address:  
P.O. Box 200  
FIN-05801 Hyvinkää  
Finland  
Tel. int. +358 204 45 131  
Fax int. +358 204 45 6300

**Nakkila Plant:**

Tuottajantie  
FIN-29250 Nakkila  
Finland  
Tel. int. +358 204 45 132  
Fax int. +358 204 45 6650

**Kolmi-Set S.A.**

B.P. 59  
F-49181 St-Barthelemy d'Anjou Cedex  
France  
Tel. int. +33 241 963 434  
Fax int. +33 241 963 453, 963 452

**SALES COMPANY:****Brömeda GmbH**

Wilhelmstrasse 3  
D-49196 Bad Laer  
Germany  
Tel. int. +49 5424 801 124  
Fax int. +49 5424 801 228

**JOINT SALES COMPANIES****Tamro AB**

Danmarksgatan 46  
S-164 40 Kista  
Sweden  
Tel. int. +46 8 751 03 90  
Fax int. +46 8 751 03 92

**Tamro A/S**

Hvamveien 4  
N-2013 Skjetten  
Norway  
Tel. int. +47 63 84 46 60  
Fax int. +47 63 84 41 00

**Tamro AS**

Langebjerg 23  
DK-4000 Roskilde  
Denmark  
Tel. int. +45 46 740 030  
Fax int. +45 46 740 059

## STOCKHOLDERS' MEETING

The regular stockholders' meeting of Tamro Corporation will be held at Tamro House, Rajatorpantie 41 B, Vantaa, on April 23, 1997 at 4 p.m. Stockholders who wish to attend must give notification by 4 p.m. on April 21, 1997, either by writing to Tamro Corporation, P.O. Box 11, FIN-01641 Vantaa or by phoning, +358 204 45 4563/ Eva Mäkeläinen. Please mention any proxies in the notification.

Those stockholders whose shares have been transferred to

the share register maintained by the Finnish Central Securities Depository Ltd. no later than April 11, 1997, as well as those who were entered in the company's stockholders' register before October 28, 1994, are entitled to attend the meeting. In the latter case, the stockholder must present his or her share certificate or other documentary evidence that the holding is not yet entered in a book-entry securities account.

## PAYMENT OF DIVIDEND

If the stockholders' meeting passes the Board's proposal for dividend, FIM 0.90 per share will be paid to the stockholders in the stockholders' register kept by the Finnish Central Securities Depository Ltd. on the matching date, April 28, 1997. The dividend will be paid out on May 2, 1997.

## PUBLISHING SCHEDULE

Tamro Corporation will publish the following interim reports for 1997 in Finnish, Swedish and English:

- For January-April on June 6, 1997
- For January-August on October 1, 1997

Annual and Interim Reports can be ordered from Corporate Communications, see below.

## INVESTOR RELATIONS

### **Tapio Mansukoski**

Chief Financial Officer  
tel. +358 204 45 4001, Stockholm +46 8 454 77 44  
mobile tel. +358 400 441 293  
secretary +358 204 45 4005  
fax +358 204 45 4055  
e-mail tapio.mansukoski@tamro.fi

### **Risto Saarni**

Finance Manager  
tel. +358 204 45 4557  
fax +358 204 45 4500  
e-mail risto.saarni@tamro.fi

## CORPORATE COMMUNICATIONS

### **Eila Volanen**

Communications Manager  
tel. +358 204 45 4007  
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