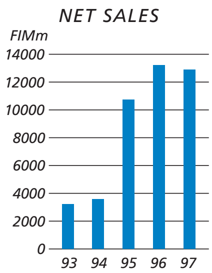
Annual Report 1997

Tamro

Contents

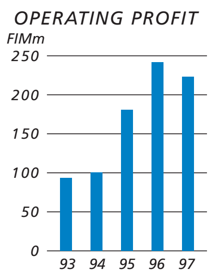
The year *in brief*



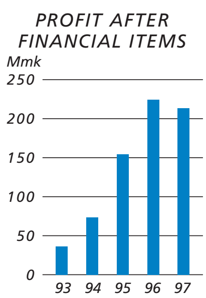
- The Group sales and result showed a slight downward trend in 1997. Net sales fell by two per cent to FIM 12,893 million, and the operating profit by eight per cent to FIM 223 million. This trend was due primarily to a ten per cent decline in the Swedish pharmaceutical market.

- Now in its fourth year, the business operation in the Baltic states and Northwest Russia began to make a profit.

- The Group's key service, Tamro Nordic Concept, moved forward with the help of a number of broadbased projects. The most important were the increased concentration of the Northern European operation in healthcare distribution and marketing, an information system solution, and the streamlining and highlighting of the single company identity, together with a complete transformation of the Group structure.



- At the beginning of the year, Tamro sold Kolmi's Drape and Safe units to the new company Mölnlycke Health Care AB, which was also merged with SCA's Mölnlycke Clinical division. Tamro holds 30% of the company. Under the Letter of Intent between the owners, Tamro Medical is negotiating for the sale and distribution of Mölnlycke Health Care AB's surgical textiles in the Nordic countries, Baltic states and Northwest Russia.



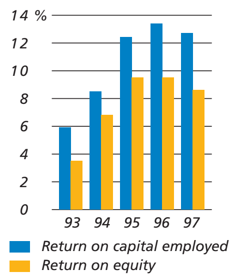
- Tamro's IT operations were outsourced in Finland and Sweden to IBM, and the American company J.D. Edwards was enlisted to start up new software applications for the Group's information management requirements.

Financial highlights

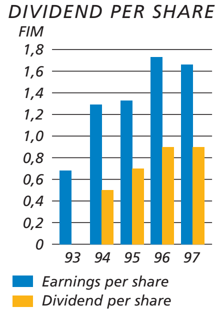
		1997	1996	1995
Net Sales	FIM m	12,893	13,220	10,735
Sales change	%	-2.5	23.0	201.1
Sales outside Finland	FIM m	8,587	9,230	7,180
Operating profit	FIM m	223	242	181
Operating margin	%	1.7	1.8	1.7
Profit after net financial items	FIM m	213	224	155
Return on capital employed	%	12.7	13.4	12.4
Return on equity	%	8.6	9.5	9.5
Earnings per share	FIM	1.66	1.73	1.33
Dividend per share	FIM	0.90*	0.90	0.70
Share price at 31 December	FIM	29.90	30.70	19.10
Market capitalization at 31 December	FIM m	2,624	2,707	1,684
Net gearing	%	-9.8	-9.0	-7.8
Interest cover	times	15.8	12.4	7.5
Equity ratio	%	42.8	39.7	42.8
Investments	FIM m	71	153	73
Number of employees at 31 December		2,252	2,222	2,041

* Board proposal

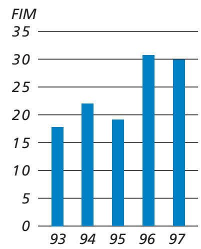
RETURN ON CAPITAL



EARNINGS AND DIVIDEND PER SHARE



DEVELOPMENT OF SHARE PRICE AT DEC. 31



CEO's *letter*

In 1997, our target was for the same result level as in our best ever year of 1996, but we fell short of our goal. All the units in pharmaceutical distribution exceeded their targets, but Tamro Lab, Tamro Medical and Kolmi-Set clearly did not meet theirs. The main focus during the year was on building up the Tamro Nordic Concept service. The costs of development projects relating to this also brought down our result. The effect of these projects will nevertheless be reflected positively in future results.

The most important decision reached last year concerned the information system solution. The introduction of the One World system and the related partnership agreement with IBM for the outsourcing of our information management will ultimately provide us with considerable competitive edges in the implementation of the Tamro Nordic Concept logistics service. The ability to serve our customers and partners quickly and reliably with the same system irrespective of the country is a distinct advantage.

Another important decision was to concentrate Tamro's operations in a single North European healthcare distribution and marketing company. This objective was supported by the divestment of industrial activity with the transfer of Kolmi-Set to a new environment and its merger with Mölnlycke Clinical to form a new company. It is known as Mölnlycke Health Care AB, and Tamro has a 30% holding in it. The solution was adopted primarily in order to strengthen Tamro Medical's position by means of extensive cooperation with the new company throughout Northern Europe. Tamro now has no industrial operations in the healthcare field.

The above objective was also underpinned by changes to the Group's identity and structure. *Delivering excellence in healthcare* identity will transform our operating methods. It also called for a change in our structure. We are a young company on the international scene, and so we must gather our strength in order to be seen and we must develop our personnel to meet the challenges of this international era. The structural change is designed to give Tamro employees freedom and responsibility and to allow those that want to grow to do so. Initial experiences have been very encouraging.

Our operating environment changed faster than in earlier years. Indications of trends are reduced regulation of structures in regulated sectors and the opening up of these sectors to competition with the decline in official regulations. This was reflected in a variety of ways in the healthcare field in Finland, Sweden and Norway. Another mainstream trend is continued consolidation. The pharmaceutical industry is witnessing the merging of large companies, which also take the distribution sector with them. The undersigned believes that two major healthcare distribution Groups are emerging in Europe, and there is a similar situation in the United States. Almost three years ago now, Tamro began a structural change in Northern Europe, which is bound to lead to new transformations in this part of the world as well. Owners must nurture the values of the companies they own, and that cannot be achieved by turning a blind eye to changes.

During the year, I have met more than half of the Group's personnel in person. I have sensed their strong commitment to building up the Tamro Nordic Concept. For this, I would like to thank my closest colleagues and the Group's personnel as a whole. Tamro's future and result are in your hands.

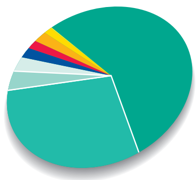
Our customers, partners and the authorities merit gratitude for supporting Tamro. The varied changes around us mean that your support is appreciated more than ever before.

The confidence placed in me by Tamro's Supervisory Board and Board of Directors have enabled me to do my own work, for which I am humbly thankful.

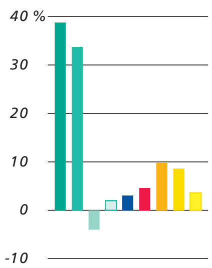
Matti Elovaara
Helsinki, 8th February 1998

Group *review*

DISTRIBUTION OF NET SALES



DISTRIBUTION OF OPERATING PROFIT



VISION

Our customers and partners seek high-quality efficiency and first-class marketing services throughout the health care supply chain. We meet these needs in Northern Europe.

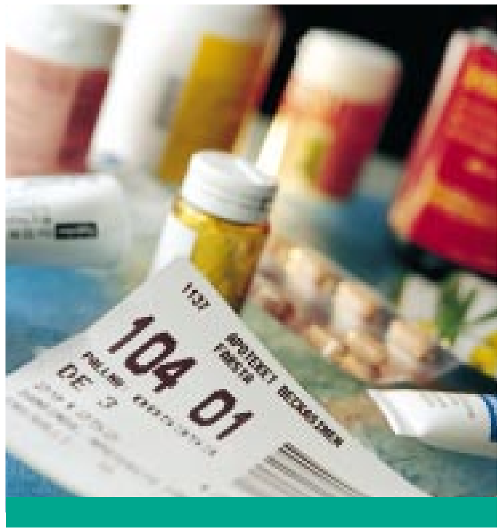
POSITIONING

Tamro is a leading healthcare distributor in the Nordic and Baltic region and has a significant position in the marketing of medical and laboratory products in this region.

STRUCTURE OF BUSINESS OPERATIONS

Tamro's business operations focus on the trade of healthcare products. There are three business areas: distribution of pharmaceuticals and other healthcare products, marketing of medical products, and marketing of laboratory products, known as Tamro Distribution, Tamro Medical and Tamro Lab. Distribution has four independent business units: Tamro Distribution in Sweden, Finland, Norway and in the Baltic states and Northwest Russia. The other business units are Tamro Medical and Tamro Lab. Joint Group operations support the activities of the business units.

Tamro also wholly owns Printel, Finland's leading educational supplier, and its Karttakeskus unit. Kolmi Division was sold in January 1998 and Tamro holds 30% of Mölnlycke Health Care AB, which emerged from the merger of the Kolmi Drape and Safe units with the Swedish company Mölnlycke Clinical. Tamro also owns some companies outside the core business area.

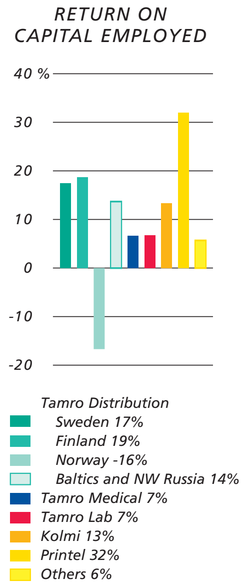


TAMRO DISTRIBUTION

Our customers and partners require high-quality and efficient distribution and wholesale services in order to meet the demand for healthcare products. Tamro Distribution meets the need for these services in Sweden, Finland, Norway, the Baltic states and Northwest Russia. The service covers the entire materials and information flow, from production right through to the customers in our entire business area.

The distribution units are united by an identical business operation across the extensive Northern European area. This regional advantage and leading market position is employed to the benefit of our partners and customers alike. The partners, manufacturers of pharmaceuticals and other healthcare products, are provided with a complete logistic solution covering the entire region. Known as Tamro Nordic Concept, it stands for high-quality service and even more economical and efficient flows of goods and information.

The independent Tamro Distribution units in Sweden, Finland and Norway and in the Baltic states and Northwest Russia provide partners in these countries with local expertise, and offer a dependable and convenient service to pharmacies, hospitals, healthcare institutions, naturopathy stores and laboratories. Pharmaceuticals account for approx. 90% of distribution in each unit.



TAMRO MEDICAL

Tamro Medical sells, markets and imports a broad range of products, from basic healthcare supplies to specialist care equipment for healthcare customers. Tamro Medical aims to be the leading distributor and seller in its area.

Tamro Medical operates in Finland, Sweden, Norway, Denmark, all the Baltic states and Northwest Russia. The unit's customers are hospitals, clinics and other healthcare institutions, and old people's homes.

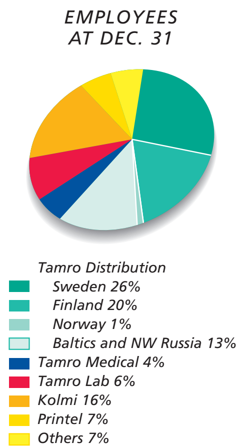
Tamro Medical applies Tamro Nordic Concept for the benefit of its own partners by offering them marketing services covering the entire area. Tamro Nordic Concept thereby ensures that our customers can draw on a world-class range of products.

TAMRO LAB

Tamro Lab sells and markets laboratory products and related care maintenance services and also operates as an importer. The extensive range consists of laboratory chemicals, equipment and supplies, laboratory diagnostics and biotechnical products.

Tamro Lab's market area covers Finland, Sweden, Norway, all the Baltic states and Northwest Russia. The unit's customers are healthcare, research, educational and industrial laboratories.

Tamro Lab also employs its broad geographical coverage for the benefit of its partners and customers. It offers a marketing service in tune with Tamro Nordic Concept and a world-class range of products.



An international *identity* to show our strength

THE BACKGROUND

From 1994 to1996, Tamro underwent considerable expansion and internationalisation. The Group became the leading player in the Nordic and Baltic healthcare business, and it excelled as a pioneer in its field. Its strategic objective has been to build up one-stop centre for the logistic requirements of the international pharmaceutical industry and manufacturers of healthcare and laboratory products. The centre distributes products to customers throughout the extensive Baltic area. The new logistics service is known as Tamro Nordic Concept. In marketing, TNC is applied by offering producers of health care and laboratory products a marketing service covering our whole region.

However, as the companies were known by different names and located in different countries, the Tamro Group was a highly fragmented and incoherent entity. The Group had a clear positioning as a leader of its own field and a vision for meeting the requirements of customers and partners in this field. The positioning was being put to full use and the goals of the vision were coming to fruition in Tamro Nordic Concept. The sole obstacle to this trend was Tamro's fragmented identity, which was hampering the image of a single company, which large projects required.

THE IDENTITY OF A SINGLE COMPANY EMERGES

In autumn 1996, Tamro's Board of Directors decided that Tamro would take on the identity of a single company, with its name and identical visual elements clearly serving to unite the entire healthcare trade. Collaboration with the British consultancy Sampson Tyrrell got underway in January 1997 and the new identity was launched on 5th November.

In the coming years, Tamro aims to take healthcare and laboratory logistics service to the peak of perfection. This is also evident in the slogan for the new identity: *Delivering excellence in healthcare*, symbolised by our new logo. We are in the process of establishing a global logistics system, comprehensive marketing service and tailor-made service solutions. This calls for us to have the desire to do things better and to develop new solutions. We must advance single-mindedly towards our joint objectives and commit ourselves to our partners' needs. Our entire field also requires us to have a person- and customer-oriented approach, taking the form of a flexible and reliable local service in each country where we operate.

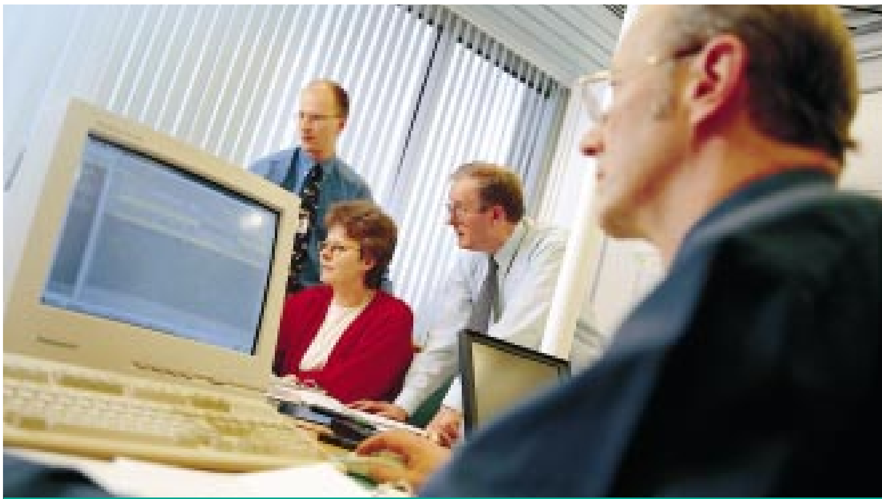
Tamro's identity structure was streamlined so that the three areas of distribution and marketing were given a new common logo and descriptor: Tamro Distribution, Tamro Medical and Tamro Lab. The Group's organisation was also altered at the beginning of the year, so that Tamro Distribution now has four business units, with Tamro Medical and Tamro Lab each constituting a single unit.

The identity project also generated some basic messages, i.e., communication emphases, which we expect will obtain a response over the next few years as our corporate image is evaluated.

Nordic BASE reinforces the future of our operation

In 1997, as part of our information management strategy, we decided to switch to an integrated software package and to outsource the production of IT services to a specialist partner.

An extensive software survey was carried out at the beginning of the year from the standpoint of our business requirements. The outcome was that all of Tamro's divisions chose to recommend the introduction of J.D.Edwards' One World software, which represents state-of-the-art technology. One World will provide the best support for the future needs of Tamro's operation and will supersede the majority of the information systems currently supporting materials management and financial administration.



The implementation project is known as Nordic BASE. It constitutes a major investment in developing Tamro's business operation. Nearly twenty key members of the personnel from Tamro's organisation have been earmarked for the project in order to ensure that our partners' and customers' current and future service requirements are properly taken into account. These individuals representing various business areas and countries have been given the opportunity to concentrate on the project tasks full-time in teams. They are also assisted in their work by a Group of external information management consultants.

Nordic BASE is there to define and develop joint business processes for the business units, to implement the new system, to alter the remaining systems to accommodate the introduction of EMU and the year 2000, and to outsource IT services to IBM under a long-term partnership agreement.

The project has progressed in line with the objectives and schedules. The feasability study for the year 2000 and EMU projects was concluded in the autumn, and the necessary changes are underway. At the end of the year, a partnership agreement was signed with IBM, under which Tamro's IT operations were outsourced in Finland and Sweden to IBM from the start of 1998.

The close cooperation with this strong and global partner generated by the agreement will support Tamro's information management, safeguard the maintenance of existing systems and secure the resources required for the implementation of the One World. The EMU and the year 2000 adaptations to the remaining applications are covered in the agreement.

Nordic BASE will cover Tamro's business units Tamro Distribution in Sweden, Finland and Norway, and Tamro Medical and Tamro Lab in Finland. These will introduce the new information system gradually in 1998 and 1999. The system will subsequently be extended to units excluded from the introduction of the first stage. The project will continue in its present form for two years.

The estimated costs of the project including expenses from EMU and the year 2000 will total approx. FIM 100 million.

Board of Directors' report for 1997

TAMRO'S BOARD OF DIRECTORS

From left Matti Niemi, Juha Toivola, Arne Björnberg, Erkki J. Toivanen (Chairman of the Board of Directors), Dag Johannesson, Mikael von Frenckell and Juhani Mäkinen (Secretary of Board of Directors).

TOWARDS A NEW TAMRO

For the Group, 1997 was a year of major changes. There was a marginally downward trend in sales and profit.

Together with the Swedish company Nordic Capital AB, Tamro founded a new company, which purchased from SCA Mölnlycke its Mölnlycke Clinical division, specialising in surgical textiles and wound care products, and from Tamro its Kolmi Division, active in the same product area. The contract included Mölnlycke Clinical Division's business activities and assets and Kolmi's companies, Kolmi-Set Oy in Finland, Kolmi S.A. in France and Brömeda GmbH in Germany. Nordic Capital owns 70% and Tamro holds 30% of the new company, known as Mölnlycke Health Care AB. This purchase will secure the development of Kolmi's competitiveness. Under the owners' Letter of Intent, the deal will also provide the Group's Tamro Medical unit with the opportunity for closer cooperation with the new Mölnlycke in the Nordic countries, Baltic states and Northwest Russia. The final deals called for the approval of the EU authorities, which was obtained on 20th January 1998. Kolmi-Set factories in Hyvinkää and Nakkila producing adult diapers will pass into SCA's possession in the purchase. The estimated non-recurrent impact on Tamro's profit will be approx. FIM 115 million for 1998. Tamro will be investing about FIM 140 million in the new company's capital stock in 1998.

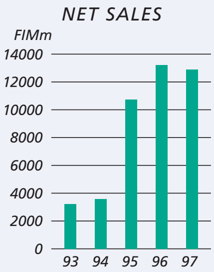
As a result of these arrangements, Tamro gained an even clearer profile as a Northern European healthcare distribution and marketing company. Major IT projects and the resources required by these took the organisation in the same direction. On 25th of October 1997, the Board of Directors ratified the new structure and appointments to senior management. There was a desire to alter not only the structure but also the personnel in the areas of responsibility, as part of management development, too. The aim is to equip top management to take charge of increasingly demanding assignments in a continuously changing environment.

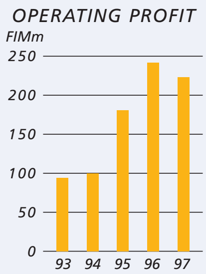
The Tamro Group has a leading position in pharmaceutical distribution in the Nordic and Baltic region. For our purposes, the Nordic region also includes Northwest Russia. The Group's position in the marketing of other healthcare products and laboratory supplies in this area is also growing stronger all the time. Tamro's strategy is based on the establishment of a one-stop centre (Tamro Nordic Concept) in this area of operation. The Group's fragmented structure did not however support this objective. This is why the identity structure has been streamlined and harmonised. Tamro's strong presence in Baltic area healthcare is now evident in the new, uniform corporate image. Distribution and marketing in the entire Nordic and Baltic region now go under one and the same name: TAMRO.

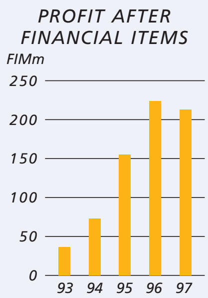
In Sweden, ADA AB's new name is Tamro Distribution AB, Tamro AB was re-named Tamro Medical AB, and AB Labassco is now known as Tamro Lab AB. In Norway, ADA is now Tamro Distribution AS, Tamro A/S became Tamro Medical AS, and Heigar & Co. A/S's new name is Tamro Lab AS. In Denmark, Tamro AS became Tamro Medical AS. In Estonia, the new name is Tamro Eesti AS, in Latvia Tamro SIA and in Lithuania UAB Tamro. In Russia, the name is to remain Pharm Tamda 77 for the time being. Primarily operating within Finland, Printel and Karttakeskus are to continue with their existing name and look.

Tamro and IBM signed a partnership agreement under which Tamro's IT operations were outsourced to IBM in Finland and Sweden. The arrangements will safeguard the maintenance of the existing applications and secure the resources required for introducing the new system. The agreement also encompasses the changes that will have to be made to Tamro's IT systems as a result of the year 2000 and EMU. The Tamro Group had already concluded an agreement with the American application package vendor J.D.Edwards for the supply of a new information system to the Group's business units Tamro Distribution in Finland, Sweden and Norway and to the Tamro Lab and Tamro Medical business units in Finland. The system is to be introduced gradually in 1998 and 1999. IBM will be involved in the implementation of the new information system and be responsible for use and support.

The Group's profit and net sales declined slightly. The main reason for this was the 10% fall in the Swedish pharmaceutical market. Another factor hampering profit trends was the slower than expected development in profits from the corporate







acquisitions made by the medical and laboratory units in the previous year.

FALL IN NET SALES

The Group's net sales in the period under review were FIM 12,893 (13,220) million, a decline of 2% compared to the previous year. This fall was due in large part to the state of the Swedish pharmaceutical market. Sweden's entire pharmaceutical markets fell by 10%, primarily as a result of the new reimbursement practice which took effect at the start of 1997 and of the run on buying it provoked at the end of 1996. The parallel import of pharmaceuticals also pushed down sales of original products in Sweden. Trends in exchange rates had no appreciable effect on sales.

Tamro Distribution's sales in Sweden were FIM 7,563 (8,686) million and its share of the pharmaceutical market 58 (61)%. Following a slight decline at the beginning of the year, Tamro's market share in Sweden began to rise again in June. This was due to the distribution agreement with Novartis, which took effect at the start of the month. This agreement meant that Novartis became the first major customer for Tamro Nordic Concept. Tamro Distribution's total sales in Finland were FIM 3,652 (3,354) million and its share of the pharmaceutical market 64 (62)%. Tamro Distribution's sales in Norway were FIM 389 (161) million, with a share in the pharmaceutical market of 8 (3)%. Tamro Distribution's sales in the Baltics and Northwest Russia came to FIM 321 (190) million and the estimated market shares were 30 (26)% in Estonia, 15 (14)% in Latvia, 10 (6)% in Lithuania and 12 (8)% in Northwest Russia.

NET SALES BY COUNTRY

	1997 FIMm	Change %
Sweden	7,649	-12
Finland	4,308	+8
Norway	454	+125
Denmark	25	+12
France	76	+9
Russia	116	+85
Estonia	79	+53
Latvia	80	+63
Lithuania	50	+75
Others	56	+49
Group	12,893	-2

NET SALES BY BUSINESS UNIT, FIMm

	1997	1996	1995
Tamro Distribution in Sweden	7,563	8,686	6,834
Tamro Distribution in Finland	3,652	3,354	3,023
Tamro Distribution in Norway	389	161	26
Tamro Distribution in the Baltics and Northwest Russia	321	190	112
Tamro Medical	242	201	184
Tamro Lab	224	154	113
Printel	188	182	137
Kolmi	292	263	252
Other and internal	23	30	53
Group total	12,893	13,220	10,735

Tamro Medical's sales in the period amounted to FIM 242 (201) million. Tamro Lab's sales in the period were FIM 224 (154) million. Kolmi's sales in the period came to FIM 292 (263) million and Printel's total sales to FIM 188 (182) million. The net sales of other operations came to FIM 76 (79) million.

PROFIT SLIGHTLY LOWER

The Group's operating profit during the period amounted to FIM 223 (242) million. The result was undermined by the state of the Swedish pharmaceutical market and by non-recurring investments in structures. At the start of the year, the Swedish unit's result was reduced by the decline in pharmaceutical sales caused by the run on buying in 1996, but measures to improve competitiveness helped slow down the decline. The trend was good for Tamro Distribution's business units in Finland, Norway, the Baltic states and Northwest Russia. Operations in Norway proceeded well and the loss there was markedly lower than in 1996. All the units in the Baltic states and Northwest Russia posted a profit.

Tamro Medical and Tamro Lab had a lower profit than in 1996. This was due largely to increased competition, run-in costs relating to the strengthening of the marketing organisation and extra costs tied to the previous year's corporate acquisitions.

Kolmi and Printel posted an improved profit.

Exchange rates did not have a fundamental effect on the operating profit and result trends.

The Group's profit after financial items was lower than in the previous year, FIM 213 (224) mil-

OPERATING PROFIT BY BUSINESS UNIT, FIMm

	1997	1996	1995
Tamro Distribution in Sweden	86	126	91
Tamro Distribution in Finland	75	70	52
Tamro Distribution in Norway	-9	-22	-9
Tamro Distribution in the Baltics and Northwest Russia	4	-4	-6
Tamro Medical	7	14	21
Tamro Lab	10	15	17
Printel	19	18	15
Kolmi	22	20	16
Others	8	5	-16
Group total	223	242	181

lion. The result was influenced by a realised profit of FIM 11 million from the sale of shares. The result also incorporates part of the affiliated company, Castrum Oy's result, affecting the Group by FIM +4 (-6) million. Castrum's result includes a realised profit of FIM 12 million from the sale of shares. The Group's holding in Castrum at the end of the period stood at 45.7%. The damages for which Cast-Rixa Oy and its owners were jointly and severally liable, included in the previous year's obligatory reserves, were paid to Convector during the financial period.

The Group's profit before taxes came to FIM 217 (223) million. The return on investments was 12.7 (13.4)% and the return on equity 8.6 (9.5)%. Under the longterm objective set by the Board of Directors, at current interest rates the return on equity should be approx. 10 per cent. The earnings per share fell by 4% to FIM 1.66 (1.73).

NO MARKED FLUCTUATION IN EXCHANGE RATES

Most of the Group's operating profit, i.e., 59%, was in Swedish crowns, with the other principal currency, the Finnish mark, accounting for 33%. Income statement translation risks were limited by effecting sales and purchases primarily in local currency. The Group's net assets denominated in Swedish crowns and Finnish marks accounted for 35% and 61% of equity as of 31st December 1997. Translation difference mainly due to the strengthening of the Swedish crown increased equity by FIM 10.8 million by the end of the year. At the end of the year, the Group had protected itself against translation risks associated with foreign subsidiaries' equities by taking out a loan of SEK 100 million.

FINANCING

The free cash flow after investments was FIM 95 (116) million. At the end of the period there were liquid assets of FIM 342 (319) million.

The Group's net gearing during the period averaged 8 (8)%. At the end of the period, the corresponding figure was -10 (-9)%. Net interest-bearing liabilities at the end of the period stood at FIM -170 (-151) million, averaging FIM 145 (130) million during the period.

The Group's net financing expenses in the period were FIM 13.5 (11.0) million. The interest cover was 16 (12). The consolidated equity ratio strengthened to finish at 42.8 (39.7) per cent.

INVESTMENTS

The Group made no corporate acquisitions during the period. Total investments came to FIM 71 (153) million, with the most important ones relating to IT applications and Kolmi's production.

PERSONNEL

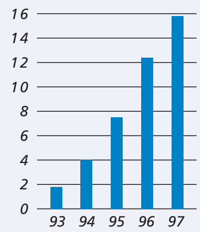
The year-end payroll totalled 2,252 (2,222) staff members, averaging 2,249 (2,122) over the period. The growth was due to expansion of overseas operations and in particular to the business operations acquired in 1996. Tamro Distribution in Sweden had a decline of 38 employees during the period. The Group had a staff of 31 (33)% in Sweden, 48 (47)% in Finland, 3 (3)% in the other Nordic countries, 13 (12)% in the Baltic states and Northwest Russia, 4 (4)% in France and 1 (1)% in Germany.

Tamro's Board of Directors approved the warrant bond policy as part of the personnel incentive

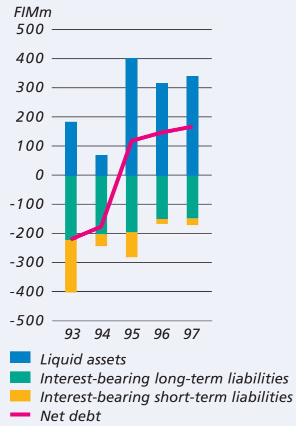
INVESTMENTS BY BUSINESS UNIT, FIMm

	1997	1996	1995
Tamro Distribution in Sweden	6	12	23
Tamro Distribution in Finland	6	6	6
Tamro Distribution in Norway	1	1	4
Tamro Distribution in the Baltics and Northwest Russia	12	10	6
Tamro Medical	1	5	1
Tamro Lab	1	78	1
Printel	6	6	2
Kolmi	12	28	14
Others	26	7	16
Group total	71	153	73

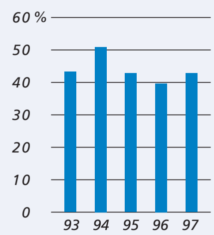
INTEREST COVER



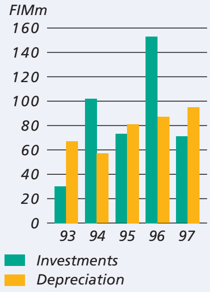
FINANCIAL POSITION



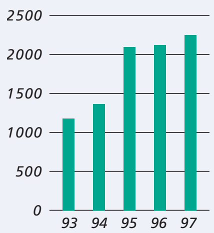
EQUITY RATIO



INVESTMENTS AND DEPRECIATION



EMPLOYEES, AVERAGE



NUMBER OF EMPLOYEES BY BUSINESS UNIT, DEC. 31

	1997	1996	1995
Tamro Distribution in Sweden	579	617	588
Tamro Distribution in Finland	444	447	435
Tamro Distribution in Norway	27	24	20
Tamro Distribution in the Baltics and Northwest Russia	285	264	233
Tamro Medical	92	84	68
Tamro Lab	141	137	68
Printel	161	171	59
Kolmi	359	352	342
Others	164	126	136
Group total	2252	2222	1949

scheme: "The objective of the Board of Directors is to permit the Group personnel to participate on a permanent basis in an incentive scheme that rewards the personnel for any long-term increase in the price of the share. The incentive is based on warrants entitling to the subscription of shares. Under the scheme the personnel's share of ownership in Tamro Corporation may not exceed ten per cent." Under the warrant bond scheme, the warrant bonds in Tamro are directed at the entire personnel and form part of the personnel incentive scheme. Passed at the Tamro Annual General Meeting of 23rd April 1997, the subscription of the warrant bond directed at the entire personnel was approved to the maximum amount of FIM 5 million. The Tamro Group's personnel and members of the Board of Directors subscribed the warrant bond to the amount of FIM 4.2 million and the subsidiaries to the amount of FIM 0.8 million. Under the terms of the warrant bond, the subscriptions were paid by 19th June 1997.

STOCK TRENDS AND OWNERSHIP STRUCTURE

During the year, 45.8% of Tamro Corporation's total capital stock changed hands at HEX Helsinki Exchanges, these stock transactions being worth FIM 1,329 million in total. The last trading price of the year, on 30 December 1997, was FIM 29.90, the highest during the period was FIM 38.00, and the lowest FIM 28.50.

The market value of the capital stock at the end of the period stood at FIM 2,624 million, compared to FIM 2,706 million at the beginning of the year.

At the end of the period, approx. 53.9% of Tamro's shares were in foreign ownership and 46.1% in Finnish ownership. For more information on shares and owners, see page 16.

1997 ANNUAL GENERAL MEETING

The Tamro Annual General Meeting held on 23rd April 1997 ratified the financial statements for 1996 and decided on a dividend of FIM 0.90 per share, equivalent to 52% of the earnings per share. The Annual General Meeting also discharged the Supervisory Board, Board of Directors and Corporate President from responsibility for 1996, elected the new members of the Board of Directors and Supervisory Board and approved the Board of Directors' proposal to issue a warrant bond and to convert the company into a public corporation.

In accordance with the warrant bond policy adopted, the Annual General Meeting approved the Board of Directors' proposal to issue a FIM 5 million warrant bond directed at the entire personnel. The interest-free loan matures in three years and will be redeemed in a single amount on 30th May 2000. Under the stock subscription terms, 5,000 bonds with a FIM 1,000 face value, each carrying 1,000 warrants, will be issued in connection with the issue of the warrant bond. The first 500 warrants can be converted into shares starting on 1st December 2000 and the remaining 500 starting on 1st December 2001. Each warrant option entitles the holder to subscribe to one Tamro Corporation share with a FIM 10 par value. The subscription price is FIM 39 less any normal dividends paid out after the issue of the warrants.

The number of the members of the Tamro's Board of Directors was confirmed as six. Mr Jouko K. Leskinen, Chairman of the Board since 1993, resigned his post, and Mr Erkki J. Toivanen, Chairman of the Board of Onninen Oy, replaced him as Chairman. Mr Mikael von Frenckell, M. Pol. Sc., was also re-elected. Mr Dag Johannesson, Director, together with Mr Arne Björnberg, a new member of the Board, represent Apoteket AB (former Apoteksbolaget AB), Tamro's largest shareholder. The other new members of the Board are Mr Juha Toivola, President (representing the Teollisuusvakuutus Industrial Insurance Company) and Mr Matti Niemi, Executive Vice President (representing the Pension Varma Company). The Annual General Meeting expressed its gratitude to Mr Jouko K. Leskinen for the outstanding work as the Chairman of the Tamro's Board of Directors in 1993-1997.

There was no change in the number of members of the Supervisory Board, confirmed as 22. The

Board members next in rotation were all re-elected, apart from Mr Matti Aura, Minister of Transport and Communications, and Mr Anders Lönner, President. Mr Jouko K. Leskinen, CEO of the Sampo Group, and Mr Håkan Björklund, President (representing the Astra Läkemedel pharmaceuticals company) were elected new members of the Supervisory Board. Ms Barbro Fischerström, President of the Swedish Newspaper Publishers' Association, continues as Chairperson, and Mr Reijo Purasmaa, Pharmacist, as Vice Chairman.

SVH Coopers & Lybrand Oy and KPMG Wideri Oy Ab, both Associations of Certified Public Accountants, continue as Tamro's auditors.

The Annual General Meeting resolved to convert the company into a public corporation starting 1st September 1997, in accordance with the amended Finnish Companies Act. The registered corporate name of Tamro is now Tamro Oyj in Finnish, Tamro Abp in Swedish and Tamro Corporation in English.

The Board of Directors did not exercise the authorisation, granted by the Annual General Meeting on 25th April 1996, to decide on an issue of shares. The authorisation expired on 1st August 1997.

CORPORATE STRUCTURE

Oy Tamda Ab was merged with the parent company during the year. Sponfinans Oy's merger with the parent company was started up in 1997 and registered on 2nd January 1998.

The Swedish subsidiaries are owned by Tamro AB as of 4 February 1998, itself owned by the parent company Tamro Corporation.

The companies in the Kolmi Division belonged to the Group at the end of 1997. The EU Commission's authorisation for the arrangements concerning the sale of the business operation and companies to Mölnlycke Health Care AB was obtained on 20th January 1998 and the final contract was concluded on 2nd February 1998.

There were no corporate acquisitions during the year.

A NEW ORGANISATION AS OF 1ST JANUARY 1998

With the change in the organisation decided upon at the end of the year, the following appointments to the management Group and main areas of responsibility took effect on 1st January 1998:

Mr Matti Elovaara continues as Corporate President and CEO; Mr Kim Ignatius, Chief Financial Officer, responsible for Group finance, financing and investor relations; Mr Asbjørn Leirvik, President of Tamro Distribution, Norway; Ms Inger Malm, Chief Personnel Officer, responsible for Group personnel matters; Mr Tapio Mansukoski, President of Tamro Distribution in Finland, also the parent company's finance and administration; Mr Björn Mattila, President of Tamro Distribution in the Baltic states and Russia; Mr Heikki Ojanperä, Senior Vice President, Nordic Concept and Nordic BASE; Mr Bengt Persson, President of Tamro Distribution, Sweden; Mr Markku Pohjola, President of Tamro Lab; Mr Keijo Väkiparta, President of Tamro Medical. The supervision of the operational units is divided among Matti Elovaara, Heikki Ojanperä and Tapio Mansukoski.

THE OUTLOOK FOR THE NEAR FUTURE

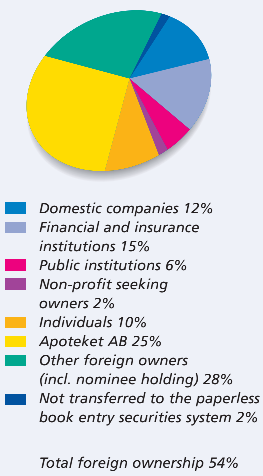
The curbing of rises in healthcare costs will likely hamper market growth in the Nordic countries in 1998. In Finland, the market will develop a bit slower than in previous years, and in Sweden, with an exceptional year behind, the market will once again start improving. Structural changes in the pharmaceutical industry and retail trade will continue and also lead to pressure to step up efficiency and profitability.

The Group's operations will focus on securing the Nordic BASE project to support Tamro Nordic Concept, starting up Mölnlycke Health Care AB, close monitoring of the Norwegian situation, the effectiveness of the new organisational structure and consolidating the Group identity.

The Group's net sales are expected to rise by approx. 10 per cent in 1998. The profit after financial items is expected to improve in accordance with the long-term targets set by the Board of Directors. The result will include the non-recurring IT system expenses incurred by Nordic BASE and by the year 2000 and EMU, amounting in 1998 to approx. FIM 70 million as well as the non-recurring impact resulting from the acquisition of Kolmi division. The investments and costs of the Nordic BASE project between 1997 and 1999 will be in the region of FIM 100 million.

Information on Tamro's *stock*

STOCKHOLDERS BY GROUP AS OF DECEMBER 31, 1997



CAPITAL STOCK

The parent company Tamro Corporation's capital stock totals FIM 881,633,700, and is divided into 88,163,370 outstanding shares with a par value of FIM 10. Each share carries one vote. No changes in the capital stock occurred in 1997.

INCENTIVE SCHEME

In accordance with a proposal by the Board of Directors, the stockholders' meeting held on April 23, 1997 decided to direct a warranty bond issue of FIM 5 million at the entire personnel. The Board of Directors also published its warranty bond policy, according to which the warranty bond can also be used in future as a personnel incentive scheme. Under the policy, the personnel's share of ownership in Tamro Corporation does not exceed ten per cent.

At the end of 1997, there were a total of 4,994,000 outstanding warrants issued in connection with the 1994 and 1996 warranty bonds, and 5,000,000 outstanding warrants issued in connection with the 1997 warranty bond.

If all the warrants are exercised, Tamro Corporation's capital stock may rise by a maximum of 9,994,000 shares, or FIM 99,940,000.

STOCKHOLDERS

At the end of the accounting period, foreign-owned shares (incl. nominee stock) totalled 47,499,334 (53.9% 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 29,370 shares, these corresponding to 0.4% of the stock and voting rights. The rest of the Group management held 15,649 shares.

DIVIDEND POLICY AND 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 1997 be set at FIM 0.90 per share, or 54% of the earnings per share, which were FIM 1.66.

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 annually by an average of over 15%. The return on equity is to exceed the yield of the risk-free Finnish markka long bond by five percentage points.

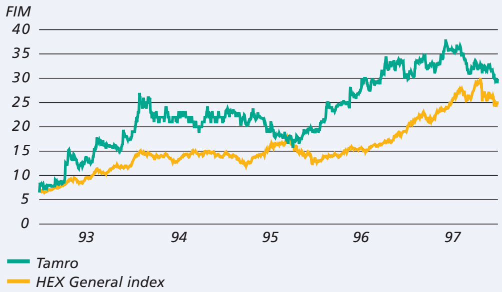
SHARE PERFORMANCE AND TRADING VOLUME

Tamro Corporation is listed on the HEX Helsinki Exchanges.

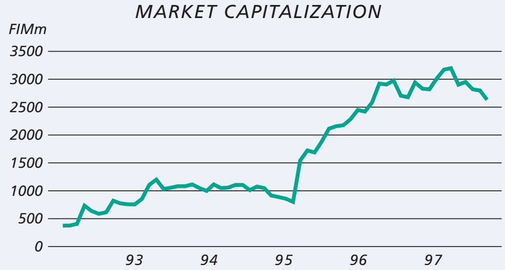
The share price on December 31 stood at FIM 29.90, or 2.6% lower than at the end of 1996. The highest trading price was FIM 38.00 and the lowest FIM 28.50. A total of 40.4 million shares, worth FIM 1,328.8 million, changed hands during the year (45.8% of the average capital stock), representing an increase in trading volume of 4.8% during 1997.

Tamro's market capitalisation at the end of 1997 was FIM 2,624 million, compared to FIM 2,707 million a year earlier. Information on price trends and the share-specific data for the past five years are presented on page 40.

TAMRO'S SHARE PRICE DEVELOPMENT 1993-1997



MARKET CAPITALIZATION



INCREASE IN CAPITAL STOCK AND SHARE CONVERSIONS 1990-1997

Manner and time	Number of new shares	Increase in share capital, FIM	Share capital, FIM
Directed issue 25 Aug. - 20 Oct. 1995	40,114,333	401,143,330	881,633,700

STOCKHOLDING IN TAMRO AS OF DECEMBER 31, 1997

Shares	Number of owners	Number of shares	% of shares and votes
1-500	5,571	1,148,044	1.30
501-1 000	1,632	1,301,689	1.48
1 001-5 000	1,709	3,958,926	4.49
5 001-20 000	348	3,315,644	3.76
20 001-50 000	60	1,897,122	2.15
50 001-500 000	73	10,579,674	12.00
500 001-	13	65,207,423	73.96
Shares which have not been transferred to the paperless book entry securities system		754,848	0.85
Total	9,406	88,163,370	100.00

DISTRIBUTION OF WARRANTS BY TYPE OF WARRANT HOLDER AS OF DECEMBER 31, 1997

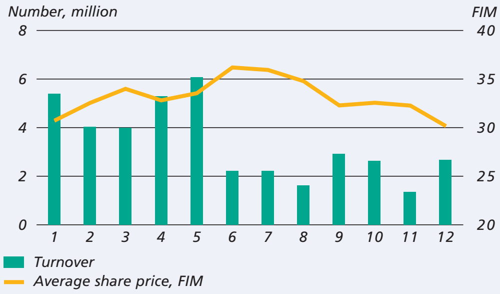
Type of warrant holder	Number of warrants	Number of new shares if the warrants are exercised	Increase in capital stock if the warrants are exericised, FIM
Members of the Supervisory Board and Board of Directors and President, total	1,220,000	1,220,000	12,200,000
* Elovaara, Matti	440,000	440,000	4,400,000
* von Frenckell, Mikael	160,000	160,000	1,600,000
* Leskinen, Jouko K.	200,000	200,000	2,000,000
* Mäkinen, Juhani (admin.sec.)	60,000	60,000	600,000
* Niemi, Matti	40,000	40,000	400,000
* Stenvall, Kurt	100,000	100,000	1,000,000
* Toivanen, Erik	160,000	160,000	1,600,000
* Toivola, Juha	60,000	60,000	600,000
Other management	860,000	860,000	8,600,000
Others	7,914,000	7,914,000	79,140,000
Total	9,994,000	9,994,000	99,940,000

LARGEST STOCKHOLDERS AS OF DECEMBER 31, 1997

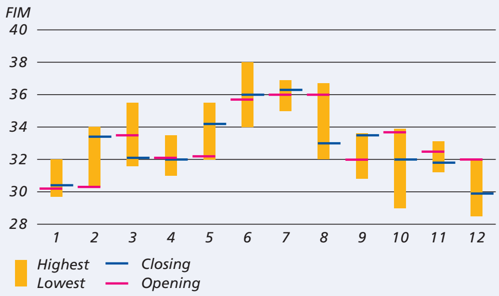
	Number of shares and votes in thousands	Ownership share in %
1. Apoteket (former Apoteksbolaget)	22,114	25.1
2. Orion	6,849	7.8
3. Sampo Group	6,596	7.5
4. Pension Varma	2,767	3.1
5. OKOBANK and OKO Pension Foundation	1,809	2.1
6. Local Government Pensions Foundation	1,669	1.9
7. Postipankki ja Postipankki Pension Foundation	683	0.8
8. The Employment Pension Fund	555	0.6
9. Alko Pension Foundation	358	0.4
10. Investment Fund Merita Fennia	343	0.4
11. ABB Pension Foundation	327	0.4
12. Investment Fund Merita Optima	286	0.3
13. United Nations / Un Joint staff Mam	284	0.3
14. Investment Fund Leijona-Osake	256	0.3
15. OP-Delta Investment Fund	227	0.3
16. Seamen's Pension Fund	225	0.3
17. PT's Pension Foundation	218	0.2
18. Finnish Nat. Fund for Research and Develop., SITRA	213	0.2
19. Toivanen Erik Jalmari	193	0.2
20. Finnish Export Credit	185	0.2
Others*	42,008	47.6
Total	88,163	100.0

* Administratively registered holdings 28,37% of all shares.
The ownership share of the Merita Group fell to less than 10% on January 21, 1997.

AVERAGE SHARE PRICE AND TURNOVER BY MONTH 1997



SHARE PRICE DEVELOPMENT 1997



FINANCING

The Group's financing and risk management are centralised in the parent company which, acting as the company-internal bank, meets the Group companies' capital needs. Financing using borrowed capital has essentially been centralised in the parent company and to some extent in Tamro Distribution AB.

Liquidity management has also been concentrated in the Group accounts kept by the parent company as regards the most important operating currencies (SEK, FIM and NOK). This ensures external financing volume benefits and minimises the total liquidity required for the Group's payments transactions.

The time gaps in the cash flows of accounts receivable and accounts payments mean that the Group's need for working capital varies considerably each month. The Group's net gearing in 1997 averaged 8%, and interest-bearing net liabilities FIM 145 million. The Group aims to maintain good liquidity under all circumstances in accordance with the financial policy approved by the Board of Directors. At the close of the accounting period, the Group had, in addition to cash assets, unused credit limits of approx. FIM 670 million.

The bulk of Tamro's investments are made in the money and bond markets. The Group does not actively invest in officially quoted or other stocks. With a view to limiting the credit risk associated with investments and in line with Group policy, interest investments are made solely in certificates of deposit issued by banks operating in the Nordic countries, commercial papers issued by companies with a high credit rating and in short- and long-term securities issued by the Finnish and Swedish states and state institutions.

RISK MANAGEMENT

In keeping with the adopted risk management policy, the basic principle of the Group's financial risk management is to minimise and hedge all significant currency and interest rate risks. Both internal and external hedging techniques are used.

CURRENCY RISKS

The Group's overseas purchases are mainly made in the home currencies of the business units, in order to reduce transaction risks. Purchases in other than the units' home currencies are partially hedged by forward transactions and currency clauses. The Group's internal transaction risks are protected either by forward transactions or currency options.

MANAGEMENT OF TRANSLATION RISKS

In line with the financial policy, the shareholders' equity of overseas subsidiaries denominated in foreign currency can be protected by currency loans, forward transactions and by currency and interest rate swaps or currency options. As of 31st December 1997, the parent company had contracted a total of SEK 100 million in foreign currency debt for this purpose, corresponding to approx. 11 per cent of the translation risk relating to the Swedish crown.

MANAGEMENT OF INTEREST RATE RISKS

The aim of the Group's interest risk management is to balance the interest-earning assets and interest-expense liabilities in the balance sheet by currency so as to minimise the exposed interest rate position. The Group's balance sheet structure means that the Group is structurally a net investor in Finnish marks and a net borrower in Swedish and Norwegian crowns. Interest rate risks can be managed using forward rate agreements (FRA), interest rate swaps and currency options. FRA's are the most commonly employed instrument.

DERIVATE INSTRUMENTS EMPLOYED
IN RISK MANAGEMENT
(including both closed and open positions)

FIMm	**31st Dec. 1997**	31st Dec. 1996
CURRENT VALUE		
Interest rate instruments		
- *Forward contracts*	***-0.1***	0.2
Currency instruments		
- *Forward contracts*	***0.8***	-0.9
(parent company)	***1.1***	-0.9
- *Currency options*	***0.3***	-
NOMINAL VALUES OF UNDERLYING INSTRUMENTS		
Interest rate instruments		
- *Forward contracts*	***518***	300
Currency instruments		
- *Forward contracts*	***893***	134
(parent company)	***945***	134
- *Currency options*		
Purchased	***174***	-
Sold	***292***	-

CONSOLIDATED INCOME STATEMENT

	Jan. 1 - Dec. 31 *(FIM m)*	**1997**	**%**	1996	%
1	*NET SALES*	**12 893.0**	**100.0**	13 219.7	100.0
	Expenses				
	Materials, supplies and products				
	Purchases during the financial period	**11 873.2**		12 094.1	
	Inventories, incr. (-), decr. (+)	**-153.8**		5.2	
	External services	**179.1**		159.8	
2	*Personnel expenses*	**415.6**		380.0	
	Rents and leases	**37.0**		34.6	
	Other expenses	**223.5**		217.3	
		12 574.6		12 891.0	
	OPERATING PROFIT BEFORE DEPRECIATION	**318.4**	**2.5**	328.7	2.5
3	*Depreciation*	**-95.4**		-87.1	
	OPERATING PROFIT	**223.0**	**1.7**	241.6	1.8
4	*Financial income and expenses*	**-13.5**		-11.0	
8	*Share of affiliated companies' net income*	**3.9**		-6.3	
	INCOME AFTER FINANCIAL ITEMS	**213.4**	**1.7**	224.3	1.7
5	*Extarordinary income and expense*	**3.3**		-1.8	
	PROFIT BEFORE TAXES	**216.7**	**1.7**	222.5	1.7
6	*Income taxes*	**-66.3**		-72.2	
	Minority interest	**-0.8**		-0.6	
	NET PROFIT FOR THE PERIOD	**149.6**	**1.2**	149.7	1.1
	Earnings per share	**1.66**		1.73	

CONSOLIDATED BALANCE SHEET

Note	Dec. 31 (FIM m)	1997	%	1996	%
	FIXED ASSETS				
7	**Intangible assets**				
	Intangible rights	22.9		9.5	
	Goodwill	3.9		5.4	
	Consolidated goodwill	228.4		252.4	
	Other capitalized expenditure	6.8		5.4	
		262.0		272.7	
7	**Tangible assets**				
	Land areas	72.0		70.5	
	Bulidings and structures	533.6		544.7	
	Machinery and equipment	150.0		162.2	
	Other tangible assets	2.2		3.5	
	Advance payments and construction in progress	2.6		4.5	
		760.4		785.4	
	Financial assets				
	Shares in subsidiaries	1.4		1.4	
8	Shares in affiliated companies	54.4		51.3	
	Other shares and paricipation	19.2		19.8	
8.9	Loans receivable	65.6		65.6	
		140.6		138.1	
	TOTAL FIXED ASSETS	1 163.0	28.6	1 196.2	28.6
	CURRENT ASSETS				
	Inventories				
	Materials and supplies	18.7		15.4	
	Work in progress	4.3		3.1	
	Goods	1 126.6		971.9	
		1 149.6		990.4	
9	**Receivables**				
	Accounts receivable	1 349.5		1 615.4	
	Loans receivable	1.8		3.6	
	Prepaid expenses and accrued income	54.2		28.5	
	Other receivables	178.8		24.0	
		1 584.3		1 671.5	
	Short-term Investments	37.2		22.7	
	Cash and bank	132.7		296.6	
	TOTAL CURRENT ASSETS	2 903.8	71.4	2 981.2	71.4
	TOTAL ASSETS	4 066.8	100.0	4 177.4	100.0

CONSOLIDATED BALANCE SHEET

	Dec. 31 (FIM m)	1997	%	1996	%
11	SHAREHOLDERS' EQUITY				
	Restricted equity				
10	Capital stock	881.6		881.6	
	Other restricted equity	7.6		7.6	
		889.2		889.2	
	Non-restricted equity				
	Retained earnings	700.5		619.2	
	Net profit for the year	149.6		149.7	
		850.1		768.9	
	TOTAL SHAREHOLDERS' EQUITY	1 739.3	42.8	1 658.1	39.7
	MINORITY INTEREST	2.7	0.1	2.0	0.0
13	OBLIGATORY RESERVES	1.7	0.0	34.9	0.8
	LIABILITIES				
14	**Long-term liabilities**				
15	Bonds with warrants	9.2		5.0	
	Loans from financial institutions	85.4		91.0	
	Pension fund loans	57.3		53.9	
12	Deferred income tax liability	66.5		48.4	
	Other long-term liabilities	1.9		1.5	
		220.3		199.8	
	Short-term liabilities				
	Loans from financial institutions	23.7		12.2	
	Pension fund loans	0.1		0.2	
	Advances received	4.4		3.8	
	Accounts payable	1 798.8		1 957.2	
	Accrued expenses and deferred income	194.2		231.0	
	Other current liabilites	81.6		78.2	
		2 102.8		2 282.6	
	TOTAL LIABILITIES	2 323.1	57.1	2 482.4	59.4
	TOTAL EQUITY, RESERVES AND LIABILITIES	4 066.8	100.0	4 177.4	100.0

CONSOLIDATED CASH FLOW STATEMENT

Jan. 1 - Dec. 31 *(FIM m)*	***1997***	*1996*
Operating profit before depreciation	**223**	242
Depreciation	**95**	87
Other income and expenses	**11**	2
Financial income and expenses	**-12**	-8
Taxes	**-49**	-51
	268	272
CHANGE IN NET WORKING CAPITAL		
Inventories, increase (-), decrease (+)	**-159**	8
Current receivables, increase (-), decrease (+)	**260**	-516
Non-interest beraing debts, increase (+), decrease (-)	**-216**	490
CASH FLOW BEFORE INVESTMENTS	**153**	254
INVESTMENTS		
Investments in fixed assets	**-71**	-151
Sale of fixed assets and other changes	**13**	13
FREE CASH FLOW	**95**	116
FINANCING		
Long-term receivables, Increase (-)	**0**	-2
Long-term debt, increase (+), decrease (-)	**-2**	-76
Short-term debt, increase (+), decrease (-)	**5**	-76
Dividends	**-79**	-62
Translation differencies and other changes	**4**	9
CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (-)	**23**	-91

INCOME STATEMENT OF THE PARENT COMPANY

	Jan. 1 - Dec. 31 *(FIM m)*	***1997***	***%***	*1996*	*%*
18	NET SALES	4 007.6	100.0	3 670.4	100.0
	Expenses				
	Materials, supplies and products				
	Purchases during the financial period	3 670.4		3 310.8	
	Inventories, incr. (-), decr. (+)	-14.1		20.3	
	External services	18.4		17.6	
19	Personnel expenses	126.0		115.9	
	Rents and leases	17.6		18.2	
	Other expenses	90.7		69.4	
		3 909.0		3 552.2	
	OPERATING PROFIT BEFORE DEPRECIATION	98.6	2.5	118.2	3.2
20	Depreciation	-32.0		-33.2	
	OPERATING PROFIT	66.6	1.7	85.0	2.3
21	Financial income and expenses	95.7		38.5	
	INCOME AFTER FINANCIAL ITEMS	162.3	4.0	123.5	3.4
22	Extarordinary income and expense	13.4		-6.0	
	PROFIT BEFORE TAXES	175.7	4.4	117.5	3.2
23	Appropriations	-7.5		-8.5	
24	Income taxes	-22.5		-27.8	
	NET PROFIT FOR THE PERIOD	145.7	3.6	81.2	2.2

BALANCE SHEET OF THE PARENT COMPANY

Note	Dec. 31 (FIM m)	1997	%	1996	%
	FIXED ASSETS				
25	**Intangible assets**				
	Intangible rights	19.9		5.2	
	Goodwill	157.6		171.9	
	Other capitalized expenditure	0.2		0.2	
		177.7		177.3	
25	**Tangible assets**				
	Land areas	6.0		5.8	
	Buildings and structures	269.7		279.7	
	Machinery and equipment	17.8		21.6	
	Other tangible assets	1.1		1.0	
		294.6		308.1	
	Financial assets				
26	Shares in subsidiaries	1 098.7		1 085.3	
27	Other shares and participations	47.6		47.3	
28	Loans receivable	75.3		117.4	
		1 221.6		1 250.0	
	TOTAL FIXED ASSETS	1 693.9	57.0	1 735.4	64.7
	CURRENT ASSETS				
	Inventories				
	Goods	491.1		477.1	
28	**Receivables**				
	Accounts receivable	198.4		181.3	
	Loans receivable	231.0		179.2	
	Prepaid expenses and accrued income	40.7		15.6	
		470.1		376.1	
	Short-term investments	37.2		22.7	
	Cash and bank	281.7		71.3	
	TOTAL CURRENT ASSETS	1 280.1	43.0	947.2	35.3
	TOTAL ASSETS	2 974.0	100.0	2 682.6	100.0
29	SHAREHOLDERS' EQUITY				
	Restricted equity				
10	Capital stock	881.6		881.6	
	Other restricted equity	447.8		447.8	
		1 329.4		1 329.4	
	Non-restricted equity				
	Profits brought forward	182.6		180.8	
	Net profit for the year	145.7		81.2	
		328.3		262.0	
	TOTAL SHAREHOLDERS' EQUITY	1 657.7	55.7	1 591.4	59.3
30	ACCUMULATED DEPRECIATION DIFFERENCE	330.4	11.1	322.9	12.0
31	OBLIGATORY RESERVES	1.5	0.1	32.1	1.2
	LIABILITIES				
32	**Long-term liabilities**				
15	Bonds with warrants	10.0		5.0	
	Loans from financial institutions	68.6		67.5	
	Pension fund loans	-		2.0	
		78.6		74.5	
28	**Short-term liabilities**				
	Pension fund loans	-		0.2	
	Advances received	1.7		1.0	
	Accounts payable	630.4		545.6	
	Accrued expenses and deferred income	32.4		56.2	
	Other current liabilites	241.3		58.7	
		905.8		661.7	
	TOTAL LIABILITIES	984.4	33.1	736.2	27.4
	TOTAL EQUITY, RESERVES AND LIABILITIES	2 974.0	100.0	2 682.6	100.0

CASH FLOW STATEMENT OF PARENT COMPANY

Jan. 1 - Dec. 31 *(FIM m)*	***1997***	*1996*
Operating profit before depreciation	***67***	*83*
Depreciation	***32***	*33*
Financial income and expenses	***0***	*1*
Other income and expenses	***98***	*42*
Taxes	***-23***	*-28*
	174	*131*
CHANGE IN NET WORKING CAPITAL		
Inventories, increase (-), decrease (+)	***-14***	*20*
Current receivables, increase (-), decrease (+)	***-94***	*24*
Non-interest bearing debts, increase (+), decrease (-)	***36***	*-30*
CASH FLOW BEFORE INVESTMENTS	***102***	*145*
INVESTMENTS		
Investments in fixed assets	***-28***	*-10*
Investment in subsidiary shares	***-22***	*-65*
Sale of fixed assets and other changes	***15***	*8*
FREE CASH FLOW	***67***	*78*
FINANCING		
Long-term receivables, increase (-), decrease (+)	***42***	*-72*
Long-term debt, increase (+), decrease (-)	***-1***	*-31*
Short-term debt, increase (+), decrease (-)	***183***	*21*
Group contribution	***13***	*-4*
Dividends	***-79***	*-62*
CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (-)	***225***	*-70*

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.

POOLING METHOD

Tamro Distribution AB is consolidated using the pooling method. The elimination of the difference of the acquisition cost of the shares and the equity of purchased subsidiary 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.

ACQUISITION COST METHOD

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 that 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 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 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 revaluation, 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 lifetimes is used:

Intangible rights	5–10 years
Goodwill	10 years
Consolidated goodwill	1–20 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 FOR IT 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 midrate 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 the 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.

THE CONSOLIDATED CASH FLOW STATEMENT

Capital Investments in the consolidated cash flow statement include significant acquisitions and divesture 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.

Figures are in FIM millions.	1997	1996
1. Net sales by market area and division		
By market area:		
Sweden	7 649.4	8 708.6
Finland	4 307.7	3 987.0
Other Nordic countries	478.8	223.8
Baltic States and Northwest Russia	324.6	192.6
France	76.1	70.4
Other countries	56.4	37.3
	12 893.0	13 219.7
By business unit:		
Tamro Distribution in Sweden	7 563.5	8 686.3
Tamro Distribution in Finland	3 651.7	3 354.3
Tamro Distribution in Norway	389.3	160.8
Tamro Distribution in the Baltics and Northwest Russia	320.7	189.6
Tamro Lab	223.5	153.6
Tamro Medical	242.3	200.6
Printel	188.0	181.8
Kolmi	291.6	262.8
Others	22.4	29.9
	12 893.0	13 219.7
2. Personnel and salaries		
Personnel by division at the end of the fiscal year:		
Tamro Distribution in Sweden	579	617
Tamro Distribution in Finland	444	447
Tamro Distribution in Norway	27	24
Tamro Distribution in the Baltics and Northwest Russia	303	264
Tamro Lab	141	137
Tamro Medical	92	84
Printel	161	171
Kolmi	355	352
Others	150	126
	2 252	2 222
Personnel expenses:		
Wages and salaries during the fiscal year	303.9	276.5
Pension expenses	62.4	59.7
Other payroll related social costs	49.2	43.8
	415.6	380.0
Fringe benefits, taxation value	11.8	11.6
The wages and salaries paid to:		
Boards of Directors, Supervisory Board and Presidents	11.1	11.0
- of which bonuses related to profit targets	0.4	0.2
Other personnel	295.9	264.8
	306.9	275.7

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.

	1997	1996
3. Depreciation		
Intangible rights	3.2	3.3
Goodwill	1.2	1.3
Consolidated goodwill	21.8	17.7
Other capitalized expenditure	3.2	1.5
Buildings	24.5	23.7
Machinery and equipment	41.2	39.4
Other tangible assets	0.1	0.4
	95.4	87.1
4. Financial income and expenses		
Dividend income	0.4	0.1
Interest income	9.3	10.5
Other financial income	1.6	0.3
Interest expenses	-14.5	-19.6
Other financial expenses	-6.1	-2.0
Exchange rate differencies, net	-4.3	-0.3
	-13.5	-11.0

5. Extraordinary income and expenses	1997	1996
Income		
Sale of subsidiaries	7.6	1.9
Sundry income	1.8	1.1
	9.4	3.0
Expenses		
Contingent liability expenses, Convector	-0.4	-3.3
Sundry expenses	-5.8	-1.5
	-6.2	-4.8
Extraordinary income and expenses, total	3.3	-1.8

6. Income taxes		
Current income taxes		
On this year's earnings		
Finnish Group companies	-23.9	-26.6
Swedish Group companies	-23.1	-21.2
Other Group companies	-1.6	-1.9
	-48.6	-49.6
Income taxes from previous years	-0.2	-0.9
Change in deferred income tax liability		
Finnish Group companies	-10.9	-15.3
Swedish Group companies	-6.5	-6.5
Other Group companies	0.0	0.1
	-17.4	-21.6
Current income taxes, total	-66.3	-72.2

7. Fixed assets	Acquisition cost Jan. 1	Translation difference	Increase +	Incr./acq. companies +	Decrease -	Acquisition cost Dec. 31	Accumul. depreciation	Book value Dec. 31
Intangible assets								
Intangible rights	47.4	0.0	18.2		-2.9	62.8	-39.8	22.9
Goodwill	15.3	0.1	0.1			15.5	-11.6	3.9
Consolidated goodwill	414.0	0.3			-13.8	400.6	-172.3	228.4
Other capitalized expenditure	20.0	0.2	2.8		-2.2	20.8	-14.0	6.8
Jan. 1-Dec. 31, 1997	496.8	0.7	21.1	0.0	-18.9	499.7	-237.7	262.0
Jan. 1-Dec. 31, 1996	398.1	0.1	89.4	11.8	-2.6	496.8	-224.1	272.7
Tangible assets								
Land areas	70.6	0.6	1.2	-0.3	0.0	72.0		72.0
Buildings	703.3	4.5	24.0	-5.4	-10.9	715.5	-181.9	533.6
Machinery and equipment	564.4	5.7	33.9		-58.4	545.6	-395.6	150.0
Other tangible assets	6.9	0.1	0.2		-3.8	3.4	-1.2	2.2
Advance payments and const. in prog.	4.5	0.1	3.2		-5.1	2.6	0.0	2.6
Jan. 1-Dec. 31, 1997	1 349.6	10.9	62.5	-5.7	-78.3	1 339.1	-578.6	760.4
Jan. 1-Dec. 31, 1996	1 265.6	17.6	54.3	66.9	-54.8	1 349.6	-564.3	785.4
Value adjustments								
The figures above include value adjustments:								
Land areas	5.4	0.0	0.0	-	-	5.4	-	5.4
Buildings	33.0	0.2	-	-	-0.3	32.9	-	32.9
Other fixed assets	1.1	-	-	-	-	1.1	-	1.1
Jan. 1-Dec. 31, 1997	39.6	-	0.0	-	-	39.5	-	39.5
Jan. 1-Dec. 31, 1996	38.4	-	1.1	-	-	39.6	-	39.6

Machinery and equipment in production use, book value	40.0	50.7
Ratable values		
Land areas	34.6	34.3
Buildings	287.6	265.9
Other shares and participations	68.0	53.7
	390.2	353.9

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

8. Affiliated companies	1997	1996
Opening balance	51.4	57.6
Share of affiliated companies' net income before extraordinary items	3.9	-6.3
Change in ownership	-0.8	-
Closing balance	54.4	51.4

The balance equals Tamro´s investment into Castrum Oy. The consolidated book value equals 8.60 FIM per share.
The corresponding stock price 8.50 FIM per share.

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

9. Loans to Group management and non-current receivables		
Loans to Group management	0.1	0.2

The loans to Group management are in force for the time being. The interest on the loans in 1997 was the Bank of Finland base rate + 1%.

Receivables in current assets, which fall due after one year or more		
Loans receivable	0.0	0.1

10. Capital stock and subscription warrants

The company's capital stock as at December 31, 1997 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	3.66 %
Issue of bonds with warrants 1995	1 400 000	1.43 %
Issue of bonds with warrants 1997	5 000 000	5.09 %
	9 994 000	10.18 %
Total number of shares including warrants	98 157 370	100.00 %

11. Changes in shareholders' equity		
Restricted equity		
Capital stock, no change	881.6	881.6
Reserve fund, no change	0.0	0.0
Value adjustment fund		
Opening balance	7.6	6.5
Increase	-	1.1
Closing balance	7.6	7.6
Restricted equity, closing balance	889.2	889.2
Non-restricted equity		
Opening balance	768.9	668.9
Pooling adjustment	-	-5.1
Dividend	-79.3	-61.7
Net profit for the year	149.6	149.7
Translation differences	10.8	17.4
Other change	0.1	-0.2
Non-restricted equity, closing balance	850.1	768.9
Less untaxed reserve, see note 12 below	-395.2	-368.8
Distributable non-restricted equity	454.9	400.1

12. Untaxed reserves and consolidated deferred income tax liability

	1997	1996
Accelerated depreciation and other untaxed reserves		
- Finnish Group companies	362.1	352.1
- foreign Group companies	149.5	114.3
	511.6	466.4
- included in equity elimination of acquired subsidiaries	-49.9	-49.2
	461.7	417.2
Deferred income tax liability		
- Finnish Group companies	-27.3	-16.4
- foreign Group companies	-39.2	-32.0
	-66.5	-48.4
Untaxed reserves, net of deferred tax liability, included in consolidated equity	395.2	368.8

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.

	1997	1996
Untaxed reserves of Finnish Group companies, FIM million	362	352
- Lääketukku goodwill, share of accelerated depreciation with no tax liability	-73	-68
	289	284
- Accelerated depreciation on parent company buildings	-195	-199
	94	85

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

13. Obligatory reserves

	1997	1996
Damage claim liability	-	30.6
Other reserves for losses	1.7	4.3
	1.7	34.9

Changes in the obligatory reserves in the income statement

	1997	1996
Expenses	0.4	-
Net financial items	-	-1.3
Extraordinary items	0.7	-4.2
	1.1	-5.5

14. Long-term liabilities

	1997
Long-term liabilities fall due as follows:	
1999	7.7
2000–2002	79.8
2003–	9.0
On special conditions	57.2
	153.7

	1997
Foreign currency breakdown of long-term loans:	
FIM	18.2
SEK	132.4
Others	3.2
	153.7

Loans falling due in five years or more do not exist.

Of the above pension loans FIM 56.4 (51.0) million equals pension provision of the Swedish subsidiary, according to local practise. The pension provision has a parent company guarantee.

15. Bonds as of December 31, 1997

Bonds issued by the Group:

The bond	Issue of bond with warrants 1994	Issue of bond with warrants 1995	Issue of bond with warrants 1997
Issued by	Tamro Corporation	Tamro Corporation	Tamro Corporation
Amount of issue, FIM	3 594 000	1 400 000	5 000 000
Interest	5 %	5 %	0
Repayment of issue	Bullet payment on May 16, 1999	Bullet payment on Dec. 18, 1999	Bullet payment on May 30, 2000
The warrants			
Number of warrants	3 594 000	1 400 000	2 500 000 A 2 500 000 B
Subscription period	Dec. 1, 1998 to Jan. 31, 2000	Dec. 1, to Jan. 31, 2000	A: Dec. 1, 2000 to Dec. 31, 2004 B: Dec. 1, 2000 to Dec. 31, 2004
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.	As 1994 issue	One warrant entitles a holder to subscribe one Tamro Corporation share with a par value of FIM 10 at a subscription price of FIM 39 per share less ordinary dividends paid after the loan was issued.

16. Contingent liabilities

Contingent liabilities	1997	1996
Mortgages		
For own debts (1)	66.6	162.3
For others	-	0.8
	66.6	163.1
Pledges		
For own obligations (2)	0.1	3.9
For others	0.0	0.0
	0.1	4.0
Guarantees		
For debts of others	15.2	9.6
	15.2	9.6
Other commitments		
Leasing commitments		
Next year	15.2	10.0
Over one year	10.8	5.0
Rent commitments	16.6	24.3
Repurchase commitments	2.0	1.9
Other commitments	0.6	0.8
	45.2	42.0

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

	1997	1996
Mortgages (1)	34.1	43.4
Pledges (2)	-	3.4
	34.1	46.7

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

18. Net sales by market area and business unit

	1997	1996
By market area:		
Finland	3 999.6	3 665.4
Sweden	0.5	0.7
Baltic countries and Northwest Russia	7.5	4.3
	4 007.6	3 670.4
By business unit:		
Tamro Distribution	3 644.7	3 346.8
Tamro Lab	134.5	121.3
Tamro Medical	220.4	197.1
Others	8.0	5.2
	4 007.6	3 670.4

19. Personnel expenses

Personnel expenses:		
Fixed wages and salaries	98.0	90.0
Pension expenses	20.6	19.4
Other payroll-related social costs	7.4	6.5
	126.0	115.9
Fringe benefits, taxation value	5.0	4.6
The wages and salaries paid to:		
Board of Directors, Supervisory Board and President	2.7	2.5
- of which bonuses related to profit targets	0.1	0.1
Other personnel	97.0	87.0
	99.7	89.5

20. Depreciation

Intangible rights	1.4	2.0
Goodwill	14.3	14.4
Other capitalized expenditure	0.1	0.1
Buildings	9.9	9.9
Machinery and equipment	6.3	6.9
	32.0	33.2

21. Financial income and expenses

Dividend income	92.9	29.1
Interest income	19.8	14.4
Other financial income	0.7	2.9
Interest expenses	-8.0	-8.4
Other financial expenses	-4.8	-1.0
Exchange rate differencies, net	-4.8	1.4
	95.7	38.5
From Group companies		
Dividend income	92.6	29.1
Interest income	13.4	8.5
Other financial income	-	2.9
Interest expenses	-1.0	-0.5
	105.0	40.0

22. Extraordinary income and expenses

Income		
Cancellation of expense entries, Scantrailer	1.4	0.4
Sundry income	0.0	0.6
	1.4	0.9
Group contribution	13.2	-3.5
Expenses		
Contingent liability expenses, Convector	-0.4	-3.3
Loss due to merger of a subsidiary	-0.8	-
Sundry expenses	0.0	-0.2
	-1.2	-3.5
Extraordinary income and expenses, total	13.4	-6.0

23.	Appropriations	1997	1996
	Accelerated depreciation in the income statement		
	Intangible rights	0.1	0.3
	Goodwill	-12.2	-12.1
	Other capitalized expenditure	0.0	0.0
	Buildings	4.3	3.3
	Machinery and equipment	0.2	-
		-7.5	-8.5

24.	Income taxes		
	Current income taxes	-23.1	-27.0
	Income taxes from previous years	0.6	-0.8
		-22.6	-27.8

25. Fixed assets	Acquisition cost Jan. 1	Increase +	Decrease -	Acquisition cost Dec. 31	Accumulated depreciation acc. to plan	Book value Dec. 31
Intangible assets						
Intangible rights	35.9	18.2	-1.6	52.5	-32.5	20.0
Goodwill	313.9	-	-	313.9	-156.3	157.6
Other capitalized expenditure	9.5	0.0	-	9.6	-9.4	0.2
Jan. 1-Dec. 31, 1997	359.4	18.2	-	375.9	-198.2	177.7
Jan. 1-Dec. 31, 1996	356.4	2.9	-	359.4	-182.1	177.3
Tangible assets						
Land areas	5.8	0.2	-	6.0	-	6.0
Buildings	350.9	1.5	-3.3	349.1	-79.4	269.7
Machinery and equipment	138.5	7.2	-5.2	140.5	-122.7	17.8
Other tangible assets	1.1	-	-	1.1	-	1.1
Jan. 1-Dec. 31, 1997	496.2	8.9	-8.6	496.6	-202.0	294.6
Jan. 1-Dec. 31, 1996	497.3	6.7	-7.7	496.2	-188.1	308.2
Value adjustments						
The figure 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

Ratable values	1997	1996
Land areas	4.1	4.1
Buildings	110.2	113.0
Shares in subsidiaries	1 119.0	1 082.6
Other shares and participations	31.7	26.6
	1 265.0	1 226.3

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

26. Group companies

Company	Registered office	Group share of holding and votes %	Parent company shareholder's equity FIM mill.	Shares owned by the Parent company: Share of holding %	Number of shares	Par value FIM mill.	Book value FIM mill.	Net Profit or loss for fiscal year FIM mill.
Tamro Distribution AB	Göteborg, Sweden	100	574.0	100	600,000	41.2	842.4	73.0
Tamro Medical AB	Stockholm, Sweden	100	36.5	100	402,000	27.6	34.6	0.8
Kolmi S.A.	St-Barthelemy, France	100	36.1	100	584,154	52.8	55.6	-5.5
Kolmi-Set Oy	Ilomantsi, Finland	100	21.3	100	160	16.0	26.1	-0.3
Tamro Lab AB	Göteborg, Sweden	100	13.8					0.4
Tamro SIA	Riga, Latvia	100	11.1	100	148	8.3	8.2	1.8
Printel Oy	Vantaa, Finland	100	10.2					0.0
Karttakeskus Oy	Vantaa, Finland	100	8.5					3.7
Tamro Distribution AS	Oslo, Norway	100	6.5	100	10,000	7.4	20.2	-11.3
Tamro Medical AS	Roskilde, Denmark	100	4.6	100	300	0.2	0.2	1.2
Tamro Medical AS	Skjetten, Norway	100	3.1	100	3,900	2.9	3.4	-0.1
Tamro Eesti AS	Tallinn, Estonia	100	2.6	100	5,500	2.1	3.2	1.0
Tamro Lab AS	Oslo, Norway	100	2.1	100	2,050	1.5	9.2	0.8
UAB Tamro	Kaunas, Lithuania	100	1.8	100	1,904,500	0.7	0.3	1.8
Mediala Oy	Vantaa, Finland	100	1.7	100	12	0.1	4.4	0.0
Tam-Drug Oy	Vantaa, Finland	100	0.2	100	2,000	0.2	0.2	0.0
Tamro AB	Stockholm, Sweden	100	0.1	100	1,000	0.7	0.1	0.0
Tamro BmbH	Bad Laer, Germany			100	1,000	0.3	2.3	
Brömeda GmbH	Bad Laer, Germany	100	-0.2					-0.6
Pharm Tamda 77	St. Petersburg, Russia	60	-2.5	60	1,980	0.3	0.7	-0.7
Other subsidiaries, incl. non-operational								
Sponfinans Oy	Helsinki, Finland	100	162.8	100	1,497,628	119.8	84.3	35.9
Kerko Sport Oy	Porvoo, Finland	74	4.7	73	72,947	0.7	0.0	1.9
Rantzows Simab AB	Hjärnarp, Sweden	74	6.4	-				1.5
AL Sport AS	Minnesund, Norway	74	2.1	-				0.4
Ifas Sport AS	Minnesund, Norway	74	3.4	-				0.8
Other companies							3.4	
							1,098.8	

27. Other shares and participations

Company	Registered office	Group share of holding and votes %	Parent company shareholder's equity FIM mill.	Shares owned by the Parent company: Share of holding %	Number of shares	Par value FIM mill.	Book value FIM mill.	Profit or loss for fiscal year FIM mill.
Affiliated companies:								
Castrum Oy	Helsinki, Finland	45.7	59.5	31.3	4,342,606	43.4	41.5	8.6
Cast-Rixa Oy	Helsinki, Finland	49.0	-23.5	49.0	16,241	1.6	0.0	-
Mölnlycke Health Care AB	Stockholm, Sweden	30.0	0.0				0.0	0.0
							41.5	
Other companies:								
Nomeco A/S					12,000		0.4	
Finnish Central Securities Depository Ltd.					10		0.2	
Helsinki Stock Exchange Ltd.					20,000		0.2	
Telephone company shares etc.							0.6	
Housing corporations							4.0	
Other							0.7	
							6.0	
Other shares and participations, total							47.6	

28.	Receivables and liabilities	1997	1996
	With Group companies		
	Accounts receivable	8.6	2.9
	Loans receivable, non-current	43.7	85.9
	Loans receivable, current	230.2	178.8
	Prepaid expenses and accrued income	20.3	5.1
	Accounts payable	12.6	9.9
	Accrued liabilities	0.3	3.5
	Other short-term liabilities	161.6	28.0
	Affiliated companies		
	Loans receivable, non-current	31.5	31.5
	Loans to Group management	0.1	0.1

The loans are in force for the time being. The interest on the loans in 1997 was the Bank of Finland base rate + 1%.

29.	Changes in shareholders' equity		
	Restricted equity		
	Capital stock, unchanged	881.6	881.6
	Reserve fund, unchanged	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	262.0	242.5
	Dividend	-79.3	-61.7
	Net profit for the year	145.7	81.2
	Donations	-	-0.1
	Non-restricted equity, closing balance	328.3	262.0

30.	Accelerated depreciation		
	Accumulated depreciation difference		
	Intangible rights	0.9	1.0
	Goodwill	131.1	118.9
	Other capitalized expenditure	0.0	0.0
	Buildings	194.8	199.1
	Machinery and equipment	3.6	3.8
		330.4	322.9

31.	Obligatory reserves		
	Damage claim liability	-	30.6
	Other reserves	1.5	1.5
		1.5	32.1
	Changes in the obligatory reserves in the income statement		
	Interest expenses	-	-1.3
	Extraordinary items	-	-3.1
		-	-4.4

32.	Long-term liabilities	
	Long-term liabilities fall due as follows:	
	1999	5.0
	2000–2002	73.6
	2003–	-
		78.6
	Foreign currency breakdown of long-term liabilities:	
	FIM	10.0
	SEK	68.6
		78.6

OTHER NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

33. Contingent liabilities	1997	1996
Mortgages		
For own debts	17.5	77.5
For debts of others	-	0.8
	17.5	78.3
Guarantees		
For subsidiaries	81.2	65.8
For debts of others	3.9	5.7
	85.1	71.5
Other commitments		
Leasing commitments		
Next year	10.4	5.0
Over one year	6.8	2.8
Rent commitments	15.6	26.1
Repurchase commitments	2.0	1.9
	34.7	35.9

34. Off-balance sheet financial instruments for foreign currency and interest rate risks		
Currency forward contracts, gross amount at end of year in FIM	945.1	134.3
Interest rate forward contracts, nominal value	517.9	300.0
Currency forward contracts, market value	1.1	-0.9
Interest rate forward contracts, market value	-0.1	0.2

OTHER INFORMATION

Key financial indicators for the five year period ending 1997 and related calculation of financial ratios on pages 39 to 40.

PROPOSAL FOR PROFIT DISTRIBUTION

The net profit of Tamro Corporation for the fiscal year is	145,692,122.29 FIM
And other non-restricted equity amounts to	182,633,621.20 FIM
Total	328,325,743.49 FIM
The non-restricted equity shown in the	
Consolidated Balance Sheet as at December 31, 1997 is	850,106,000.00 FIM
- of which the distributable portion is	454,876,000.00 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	248,828,710.49 FIM

Vantaa, March 4, 1998

Erkki J. Toivanen
Chairman

Arne Björnberg

Mikael von Frenckell

Dag Johannesson

Matti Niemi

Juha Toivola

Matti Elovaara
Corporate President

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 1,1997. The financial statements, which include the report of the Board of Directors, consolidated and parent company income satements, balance sheets and notes to the financial satements, have been prepared by the Board of Directors and the 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 members 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 FIM 145,692,122.29 for 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 4, 1998

SVH Coopers & Lybrand Oy
Authorized Public Accountants

KPMG Wideri Oy Ab
Authorized Public Accountants

Johan Kronberg
APA

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 1997, and the auditors' report was examined.

As its statement to the 1998 Stockholders' meeting, the Supervisory Board recommends that the consolidated and parent company's income by the Board of Directors for the disposal of profits be approved.

The terms expire on the Supervisory Board of members Barbro Fischerström, Erik Forssell, Bengt Holgersson, Ritva Laurila, Antti Moisio, Arvo-T. Rautio and Pär Stenbäck.

Vantaa, March 4, 1998

Barbro Fischerström
Chairperson

Reijo Purasmaa
Vice Chairman

KEY FINANCIAL INDICATORS 1993–1997

	1997	1996	1995	1994	1993
From the income statement, *FIM m*					
Net Sales	**12,893**	13,220	10,735	3,565	3,230
Operating profit before depreciation	**318**	329	262	157	160
Depreciation	**95**	87	81	57	67
Operating profit	**223**	242	181	100	94
Net financial items, incl.affiliated companies	**-10**	-17	-27	-27	-58
Profit after financial items	**213**	224	155	73	36
Profit before taxes and minority	**217**	223	157	90	-164
Net income	**150**	150	120	79	-167
From the balance sheet, *FIM m*					
Fixed assets	**1,163**	1,196	1,125	878	881
Inventories	**1,150**	990	970	537	558
Liquid assets	**342**	319	404	71	186
Other current assets	**1,412**	1,672	1,137	337	368
Equity	**1,739**	1,658	1,557	925	856
Minority	**3**	2	1	3	7
Obligatory reserves	**2**	35	37	46	83
Long term liabilities	**220**	200	228	211	230
Short term liabilities	**2,103**	2,283	1,813	638	817
Balance sheet total	**4,067**	4,177	3,637	1,823	1,992
Key figures					
Sales change, %	**-2.5**	23.1	201.1	10.4	3.6
Operating margin,%	**1.7**	1.8	1.7	2.8	2.9
Profit margin, %	**1.7**	1.7	1.4	2.1	1.1
Return on capital employed, %	**12.7**	13.4	12.4	8.5	5.9
Return on equity, %	**8.6**	9.5	9.5	6.8	3.5
Free cash flow, FIM m	**95**	116	356	37	239
Capital employed, FIM m	**1,914**	1,829	1,841	1,173	1,266
Net debt, FIM m	**-170**	-151	-121	174	219
Net gearing, %	**-9.8**	-9.1	-7.8	18.7	25.3
Interest cover	**15.8**	12.4	7.5	4.0	1.8
Equity ratio (%)	**42.8**	39.7	42.8	50.9	43.3
Per share data					
Number of shares, millions [1]	**88.2**	88.2	88.2	48.0	48.0
Earnings per share, FIM	**1.66** [2]	1.73	1.33	1.29	0.68
Dividend per share, FIM	**0.90** [3]	0.90	0.70	0.50	-
Dividend per earnings, %	**54**	52	53	39	-
Effective dividend yield, %	**3.0**	2.9	3.7	2.3	-
Equity per share, FIM	**19.70**	18.80	17.70	19.20	17.80
P/E multiple	**18**	18	14	17	26
Tamro share information					
Average trading price, FIM	**32.90**	25.96	20.67	22.67	14.46
Lowest trading price, FIM	**28.50**	18.50	15.70	18.00	6.30
Highest trading price, FIM	**38.00**	34.80	23.80	27.50	19.60
Price at December 31, FIM	**29.90**	30.70	19.10	22.00	17.80
Trading volume, million shares	**40.4**	48.8	14.4	18.3	38.8
Trading volume, %	**46**	55	25	38	81
Market capitalization at December 31, FIM m	**2,624**	2,707	1,684	1,057	855
Other					
Investments, FIM m	**71**	153	73	102	30
as % of sales	**0.6**	1.2	0.7	2.9	0.9
Number of employees, average	**2,249**	2,122	2,098	1,362	1,178

1) average, end of year and adjusted
2) dilution included, FIM **1.59**
3) Board proposal

CALCULATION OF FINANCIAL RATIOS

PROFIT MARGIN

Profit after financial items divided by Net Sales.

CAPITAL EMPLOYED

Total assets less non-interest bearing liabilities. In business units cash and financial assets are excluded.

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 profit for the business unit as a percentage of average capital. Average is calculated based on month-ends of the year.

RETURN ON EQUITY

Profit after financial items less income tax for the year as a percentage of average shareholders' 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 have 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

Shareholders' 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 fort part time employees.

INVESTMENTS

Includes corporate acquisitions.

SHARE ISSUE ADJUSTMENTS

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

Stock-exchange bulletins in 1997

In 1997, Tamro released twenty-three stock-exchange bulletins. The following is a summary of the most important ones.

21st January

The Merita Group's holding in Tamro Corporation will decline to less than one-tenth of the company's voting rights and capital stock as a result of a share deal. The Merita Group's holding will be divided as follows: Merita Bank Ltd 5.86% of the voting rights and capital stock, 5,164,500 shares; Partita Ltd 3.67%, i.e., 3,234,700 shares and Merita Life Assurance Ltd 0.02%, i.e., 15,000 shares. After the deal, the Merita Group's holding in the voting rights and capital stock will come to 9.54%, i.e., 8,414,200 shares.

21st February

Preliminary report on financial statements: Consolidated net sales for 1996 grew by 23%, i.e., FIM 13,220 (10,736) million. The operating profit rose to FIM 242 (181) million. The result after financial items was FIM 224 (155) million. The growth in net sales was affected considerably by the strengthening of the Swedish crown in relation to the Finnish mark and by the rush on pharmaceuticals in Sweden towards the end of the year. The rush was a consequence of the new pharmaceutical reimbursement practice which entered into force at the start of 1997 and under which the patient has to bear a greater deductible.

The figures in the preliminary report are not based on audited financial statements passed by the corporation's Board of Directors.

11th March

Report on financial statements: The consolidated net sales for 1996 grew by 23%, i.e., to FIM 13,220 (10,736) million. The operating profit rose to FIM 242 (181) million. The result after financial items was FIM 224 (155) million. The result per share increased by 30% and was FIM 1.73. The Board of Directors proposed a dividend of FIM 0.90 per share.

The operation focused on integrating the operations of ADA AB, acquired by the Group in 1995, and Tamro. High on the agenda were the breaking in of the Group's new organisation and joint operational setup. Key projects involved the development of the Nordic Distribution Concept and shared information management systems, rendering the Norwegian operations more effective and the geographical expansion of the Medical and Laboratory Division and Kolmi Division.

The Board of Directors set long-term profit objectives for the Group. The earnings per share is to increase on average by 15% per annum and the return on equity is to exceed the risk-free Finnish markka long bond by five percentage points.

Group activities in 1997 will focus on further developing the Nordic Distribution Concept and joint data management systems, on securing profits from corporate acquisitions and on rendering Pharma Distribution Norway's operations more effective. The potential for expanding further the Medical and Laboratory Division and for extending distribution services to Denmark are being investigated. The 1997 net sales and result after financial items is expected to remain at roughly the same level as in 1996, provided the Swedish krona remains at the level it was at the start of the year.

8th April

Tamro Corporation's Board of Directors proposes to the Annual General Meeting to be held on 23rd April 1997 that a warrant bond of FIM 5.0 million, directed at the entire personnel, be issued and that the company's corporate form be changed to that of a public company in accordance with the new Finnish General Corporation Law. The warrant bond issue will be offered to the whole personnel of the Tamro Group and to the members of Tamro Corporation's Board of Directors. It is intended to form part of the personnel incentive scheme.

24th April

Tamro Corporation's Annual General Meeting was held on 23rd April 1997, when it adopted the closing of the accounts for 1996. The Supervisory Board, Board of Directors and the President were released from liability. The Meeting decided that the non-restricted shareholders' equity would be employed as proposed by the Board of Directors; dividend of FIM 0.90 per share, i.e., 52% of the result per share, will be distributed. The Annual General Meeting also approved the Board of Directors' proposal for a warrant bond issue and for the company's corporate form to be changed to that of a public company.

The number of the members of the Tamro's Board of Directors was raised to six. Mr Jouko K. Leskinen (representing the Sampo Group) resigned his post owing to other engagements, and Mr Erkki J. Toivanen, Chairman of the Board of Onninen Oy, replaced him as Chairman. Mr Arne Björne-berg, President of Apoteksbolaget AB, was elected to the Board of Directors to replace Mr. Lars-Steffen Kull, B. Sc. (Econ.). Mr Juha Toivola, President of Industrial Insurance Company Ltd. and Vice President of the Sampo Group, and Mr Matti Niemi, Executive Vice President of the Pension Varma Company were elected to the Board of

Directors as new members. Mr Mikael von Frenckell, M. Pol. Sc., and Mr Dag Johannesson, Director, Apoteksbolaget AB, were re-elected.

21st May

The pharmaceutical company Novartis and Tamro signed a distribution agreement in Sweden under which Novartis will hand over the distribution of all its medicines in Sweden to Tamro's subsidiary ADA AB. Novartis has already concluded an agreement with Tamro in Finland. This agreement between the second biggest pharmaceutical company in the world and Northern Europe's largest pharmaceutical distributor will strengthen the realisation of the benefits of Tamro's Nordic Concept.

6th June

The subscription of the warrant bond issue directed to the Tamro Group's entire personnel has been approved to the maximum amount of FIM 5,000,000. The Group's personnel and members of the Board of Directors subscribed to the warrant bonds to the amount of FIM 4.2 million and the subsidiaries to the amount of FIM 0.8 million. These subscriptions mean that Tamro Corporation's share capital can be increased by a maximum of FIM 50 million. The warrant bond issue forms part of the Tamro Group's personnel incentive scheme.

6th June

Interim report for January-April 1997: The consolidated profit after financial items rose to FIM 79 (75) million. The operating profit totalled FIM 77 (79) million and net sales FIM 4,052 (4,097) million.

17th July

The Tamro Group is negotiating with the American application package vendor J.D. Edwards on acquiring and implementing a new information system for the Pharma Distribution Division and the Medical and Laboratory Division. Tamro and IBM have signed a Letter of Intent under which IBM will be integrally responsible for the implementation of the system.

1st September

Under a decision made at Tamro's Annual General Meeting, Tamro Corporation will become a public company, and after being entered in the Trade Register on 1st September 1997 it will be known as Tamro Oyj in Finnish, as Tamro Abp in Swedish and, as before, as Tamro Corporation in English.

16th September

The Tamro Group is to expand its operations in Russia by opening a distribution centre at Petrozavodsk in the Republic of Karelia.

19th September

The Tamro Group has signed an agreement with the American application package vendor J.D. Edwards for a new information system. The Group's Pharma Distribution Division and Medical and Laboratory Division are acquiring the system jointly. It is due to be implemented in stages between 1998 and 1999.

1st October

Interim report January-August 1997: The consolidated profit after financial items came to FIM 143 (143) million and the operating profit to FIM 145 (157) million. The consolidated net sales were FIM 8,136 (8,192) million, a decline of 1% from the previous year. The fall in net sales was due in large part to the pharmaceutical market situation in Sweden. There have so far been no fundamental changes in economic trends and exchange rates in the countries where the Group operates that would affect the Board of Directors' earlier estimate of the 1997 net sales and profit after financial items.

29th October

Tamro Corporation and Nordic Capital AB are to establish jointly a company to buy Mölnlycke Clinical Division, specialising in surgical textiles and wound care products, from SCA Mölnlycke and the Kolmi Division, active in the same product area, from Tamro. Nordic Capital will own 70% and Tamro will hold 30% of the new company. It will be known as Mölnlycke and will be based in Gothenburg. The final deals will require the approval of the EU authorities.

5th November

The Tamro Group is to harmonise its corporate structure in the Nordic and Baltic countries. The Group will obtain a uniform structure to visibly underpin its basic operations. The key factors in this will be a new common corporate look and the same name: Tamro. Chiefly active in Finland, Printel and Karttakeskus will continue with their current name and identity; Kolmi Division has just been sold.

29th December

Tamro and IBM signed a partnership agreement to outsource Tamro's IT operations to IBM in Finland and Sweden. Once implemented, the arrangement will secure the maintenance of current applications and safeguard the resources required for implementing the new system. The agreement will also cover the requirements for Tamro IT systems imposed by the year 2000 and EMU.

Tamro
Distribution

Our customers and partners need world-class and efficient distribution and wholesale services in order to meet the demand for healthcare products. Tamro Distribution responds to the need for these services in the Nordic countries, Baltic states and Northwest Russia. Our service covers the entire materials and information flow, from manufacturers' production right through to the customers in our entire area of operation.

MODERATE MARKET GROWTH

The demand for healthcare products in the Nordic and Baltic region is growing all the time. This is due to change in the age structure of the population, positive trends in national economies and people's own healthcare needs. Market growth is being restrained by the limited economic resources of those bodies involved in financing healthcare. A variety of measures have been planned and implemented all over the region for restricting growth in healthcare expenditure.

The price-sensitivity of the market is well illustrated by the rush on pharmaceuticals in Sweden towards the end of 1996. Changes to the deductibles paid by patients and to the reimbursement of pharmaceuticals affected the market throughout 1997. In Finland and Norway, the changes have been more controlled and the markets have thereby expanded according to expectations. The pharmaceutical markets in the Baltic countries and Northwest Russia continued with the growth of 20-25 per cent. One exception was Lithuania, where the introduction of a new reimbursement system caused the market to halt at the 1996 level.

The pharmaceutical markets in Tamro's area of operation had sales of FIM 21 billion, a growth of 1%. Tamro had a market share in the area of 46%.

THE NEW LOGISTICS SERVICE TAKES SHAPE

The service solution offered by Tamro to its partners is known as Tamro Nordic Concept, which consists of two parts. Tamro Distribution is building up uniform logistics service for healthcare products and providing its partners with distribution services covering the Nordic countries, Baltic states and Northwest Russia. Tamro Medical and Tamro Lab also offer healthcare and laboratory products manufacturers with a marketing service covering the whole region.

Many pharmaceutical companies are looking for a debate at Nordic level on how the pharmaceutical logistics chain from production to the customer and patient can be jointly developed. Tamro and its partners are together working on a number of strategic logistics projects to further the establishment of Tamro Nordic Concept over the years to come. This kind of cooperation was started up in Sweden with Novartis, our partner in our entire area of operation.

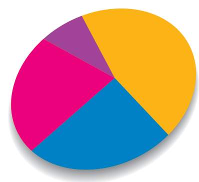
A uniform information system is a key factor in the broad-based introduction of Tamro Nordic Concept. At the close of 1996, Tamro made a strategic decision to acquire a new information system in the form of as complete a software package as possible. This decision led to the Nordic BASE project, described in greater detail on page 9.

OUTLOOK FOR 1998

The restraint of growth in healthcare costs will continue to be one of the factors having a marked effect on the market. All the Nordic countries have projects aimed at maintaining or reducing the current level of costs of medical treatment and pharmaceutical supplies. The efficiency of operators in the pharmaceuticals distribution chain and trade margins will be subject to greater scrutiny.

The structural change in the pharmaceuticals wholesale trade initiated by Tamro will continue in its area of operation. Mergers of pharmaceutical plants will also influence the distribution of pharmaceuticals.

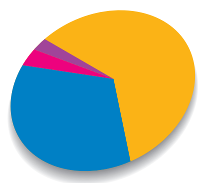
PHARMACEUTICAL MARKETS IN TAMRO'S AREA OF OPERATIONS FIM 21 billion



*Sweden 58%**
*Finland 64%**
*Norway 7%**
*The Baltics and Northwest Russia 14%**

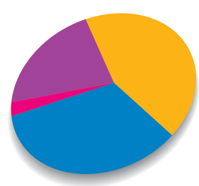
** Tamro's market share in each country*

SALES BY AREA



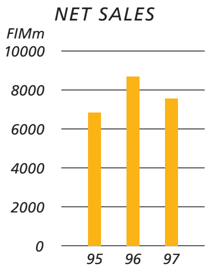
Sweden
Finland
Norway
The Baltics and Northwest Russia

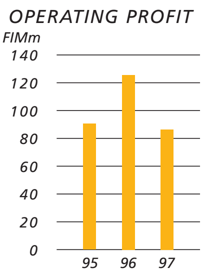
EMPLOYEES BY AREA



Sweden
Finland
Norway
The Baltics and Northwest Russia

Tamro Distribution in Sweden





DECLINE IN MARKET AND SALES

Sweden's aggregate pharmaceutical market declined by approx. 10% and sales at wholesale prices fell to SEK 14.2 (15.8) billion (FIM 9.7 billion).

Tamro Distribution's pharmaceutical sales was reduced by approx. 14% and stood at SEK 8.3 (9.8) billion (FIM 5.6 billion). In Sweden, pharmaceutical sales had a market share of 58% (61%). The decline in market share was due primarily to the fact that some of Tamro Distribution's partners experienced a development in sales that was lower than the general market growth. This applied in particular to Losec's sales, whose parallel import of drugs had a detrimental effect on Tamro Distribution's sales. The rush on buying in 1996 had a negative influence on sales during the year to the sum of approx. SEK 650 million.

MAJOR DISTRIBUTION AGREEMENTS MADE UP FOR FALL IN VOLUME

During the year, Tamro Distribution concluded two important distribution agreements. One was signed with Novartis and the other with Becton Dickinson, which is a leading medical supplier in Sweden. Novartis is also a key Tamro Nordic Concept partner, since Tamro distributes Novartis' pharmaceuticals throughout our area of operation. At the close of the year, Tamro Distribution also began distributing parallel import pharmaceuticals.

Tamro Distribution's aggregate net sales came to SEK 11.1 (12.7) billion (FIM 7.6 billion). 1997 was the first year for decades to see a decline in volume. The fall in aggregate net sales was due to reduced pharmaceutical sales. 90% of net sales were pharmacy sales, 7% home distribution and 3% partner distribution.

The unit's operating profit was SEK 127 (184) million (FIM 86.5 million). Profit declined primarily owing to a fall in volume, but also to pressures on the margin caused by increased competition. The return on capital employed fell to 17 (25) percent and this was due to a decline in sales compared to the previous year. Investments totalled SEK 9 million (FIM 6 million). The majority of investments were in production equipment and related computerised control devices.

The unit had 537 people on an average in its employ in 1997, or 57 fewer than in 1996. At the end of the year, there were 579 (617) people on the personnel.

Partner distribution, consisting of warehousing, transportation and distribution services for medical equipment suppliers, increased its sales by 5% to SEK 373 million (FIM 256 million).

Structural changes on 1st January 1997 affected home distribution, i.e., the deliveries of incontinence products to consumers, because responsibility for free incontinence products switched from the state to the provinces (landsting) and municipalities. Nonetheless, Tamro Distribution succeeded in maintaining more than 90% of its volume in 1997.

Naturopathy product distribution increased its net sales, and has a market share of approx. 27%.

ADA AB was registered as Tamro Distribution AB in November. This change of name results from the new profiling of the Group.

OUTLOOK FOR 1998

Alterations affecting the reimbursement of medicinal expenses will temper demand in 1998 too. The volume is nevertheless expected to increase compared to 1997. Lars Jeding's report came out in early 1998, as well as his recommendation on the future of pharmaceutical distribution and Apoteket AB (formerly Apoteksbolaget AB). The consequences of the report will not affect operations in 1998.

The programme to alter the logistics structure and render it more cost-effective will continue and lead to further reductions in costs in 1998.

These improvements will cut operating costs, and their effects will become apparent essentially during 1999.

	1997	1996	1995
Net Sales (FIMm)	7,563	8,686	6,834
Operating Profit (FIMm)	86	126	91
Operating Margin (%)	1.1	1.4	1.3
Share of Group sales (%)	58.7	65.7	63.7
Investments (FIMm)	6	12	23
Employees, December 31	579	617	588

IMPROVED MARKET SHARE

The sales of pharmaceuticals in Finland in terms of wholesale prices came to FIM 5.5 billion. There were a total of 33 million prescriptions, a growth of 2.3%. The pharmaceutical market had a growth in terms of wholesale prices of 7%. The growth in the pharmaceutical market was due to new products (2.7%), price increases (0.5%) and increased volume (4%).

Tamro's pharmaceutical sales increased by 9.7%, with the market share rising to 64 per cent from the previous year's 62 per cent. In the same way as last year, the trend was influenced positively by growth in sales by pharmaceutical companies in Tamro's distribution.

WORKING TOGETHER TO ACHIEVE A SUPERIOR SERVICE

In accordance with the Tamro Nordic Concept strategy, the Finnish business unit and its partners began a number of extensive projects aimed at furthering long-term cooperation. The principal objective of the cooperation projects is to develop logistic service and information systems controlling operations in order to meet the requirements of partners and customers.

In the spring, a satisfaction survey was carried out among customers and partners. The feedback obtained from these comprehensive studies is being harnessed in the development of distribution solutions and information systems.

The major information system project, Nordic BASE, started up by Tamro this year is also primarily aimed at improving the service to customers and partners. The system is due to be introduced in early 1999, and so the solution also takes the demands of the year 2000 and EMU into account, see page 9.

IMPROVED PROFITABILITY

Finnish pharmaceuticals distribution sales totalled FIM 3.7 (3.4) billion. The costs were reduced, but the price competition on the market tightened. The unit's operating profit was FIM 75 (70) million, an improvement on the previous year. Enhanced capital management meant a significant improvement in the unit's profitability. The return on capital employed came to 19%, compared to the figure for 1996 of 15%. Investments totalled FIM 6 million and focused essentially on machinery and equipment for the distribution centres. At the end of the year the unit had 444 (447) employees.

OUTLOOK FOR 1998

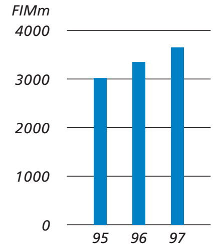
The pharmaceutical market will develop a bit slower than during previous years. As the average age of the population goes on rising, the volume of pharmaceuticals consumed will keep increasing. New, more expensive products will enter the market just as in previous years. The implementation of many proposals of authorities is nevertheless likely to cut medicinal expenditure in future. The prices of products covered by the Decree on Obligatory Reserve Supplies declined, value added tax on pharmaceuticals dropped to eight per cent at the start of the year and a new price list for drugs will take effect from 1st April 1998. However, the effect of changes affecting prices on Tamro's profitability will be quite limited.

The business operation in 1998 will focus on developing reporting and partnership, on securing an efficient distribution process, on advancing Tamro Nordic Concept in collaboration with Tamro's other units, on bringing the Nordic BASE information system project to the implementation stage and on developing and introducing new personnel management systems.

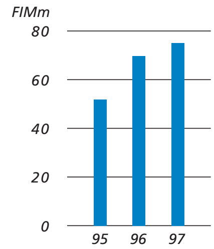
The growth in the unit's sales is expected to slow down a bit, owing to the termination of a few distribution agreements at the end of 1997. The unit's overall profitability in Finnish marks is expected to remain at the previous year's healthy level.

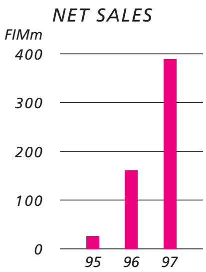
	1997	1996	1995
Net Sales (FIMm)	3,652	3,354	3,023
Operating Profit (FIMm)	75	70	52
Operating Margin (%)	2.1	2.1	1.7
Share of Group sales (%)	28.3	25.4	28.2
Investments (FIMm)	6	6	6
Employees, December 31	444	447	435

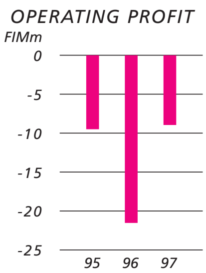
NET SALES



OPERATING PROFIT







BIGGER MARKET SHARE

The Norwegian pharmaceutical market grew by 9 per cent, mainly as a result of price increases and new, expensive products. The aggregate market had a value of NOK 5.5 billion. The Norwegian pharmaceutical distribution market is based on a multi-channel system.

The market share of Tamro Distribution, rose steadily throughout the year. At the start of 1997, it stood at 3.9% and in December at 8.4%. Growth was brought about by the unit's marked focus on marketing and customer service, and by improvements in logistics and information technology.

Norway's pharmaceutical market is in a state of flux, and there is widespread talk of deregulating it. During the year, a committee appointed by the Stortinget (parliament) published its evaluation of the demand for healthcare services and of the pharmaceutical market in Norway. The Stortinget will consider the evaluation in 1998, after which its effect on pharmaceutical distribution and pharmacy ownership remains to be seen. Furthermore, increased parallel import had an intense effect on the pharmaceutical market. The Stortinget will endeavour by the autumn to settle the future of the state-owned NMD, ie whether to sell all or part of it. Public pharmaceutical purchasing cooperations through tenders (LIS/Oslo City Council) reduce pharmaceutical expenses for customers and lead to permanent agreements. Tamro has an agreement with Oslo City Council until 1999.

SERVICES DEVELOPED

During the year, Tamro Distribution focused on the customers and meeting their needs. This has led to an increased market share and customer satisfaction (market survey, autumn 1997). Tamro Nordic Concept, is under continuous development in order to meet the competition. The unit has increased services connected with supporting customers' business activities and warehouse operations have also undergone numerous improvements.

ADA as changed its name in November and was registered as Tamro Distribution AS.

RESULT STILL LOSS-MAKING

Tamro Distribution's net sales for 1997 came to NOK 530 (226) million (FIM 389 million), with pharmaceutical sales accounting for NOK 389 (134) million (FIM 286 million) of this. The operational loss was NOK 12 (30) million (FIM 9 million), which was markedly lower than foreseen due to growth in sales and higher profitability. The return on capital employed was negative. Investments totalled NOK 2 million (FIM 1 million). Personnel increased from 24 at the beginning of the year to 27 at the end.

OUTLOOK FOR 1998

The aggregate pharmaceutical market in Norway is expected to grow by approx. 5% in 1998. This modest growth is due primarily to legislation and market structural changes, which will lead to extensive price competition in pharmaceuticals in future.

The market share and sales are expected to increase more slowly than during 1997. In order for the unit to continue to be able to grow and expand and to preserve its excellent competitive services, it will also be making significant investments in 1998. A minor operational loss is to be expected.

In addition to customer orientation, 1998 will see a focus on the introduction of the Tamro Group's common IT system and on the development of warehouse functions.

	1997	1996	1995
Net Sales (FIMm)	389	161	26
Operating Profit (FIMm)	-9	-22	-9
Operating Margin (%)	-2.3	-13.4	-36.8
Share of Group sales (%)	3.0	1.2	0.2
Investments (FIMm)	1	1	4
Employees, December 31	27	24	20

Tamro Distribution in the Baltics and Northwest Russia

MARKET AS A WHOLE CONTINUES TO BOOM

The market for healthcare products in the Baltic states and Northwest Russia grew 20-25% from the previous year and totalled over FIM 2 billion. Northwest Russia accounted for less than 50% of the estimate. Pharmaceuticals account for an estimated 85% of the aggregate market. Consumption per capita ranged from Latvia's 33 US dollars to Northwest Russia's approx. 13 US dollars. The Latvian market has previously been underestimated, but growth was nonetheless of the order of 30 per cent. The markets of Estonia and Northwest Russia both grew by approximately 20 - 25 per cent. The Lithuanian market developed weakly in 1997 and there was hardly any growth. This was due to the introduction of a new drug reimbursement fund at the beginning of August. It contracted the market to half its previous level. The new fund nevertheless operated more effectively than its predecessor, which meant a rapid recovery on the market.

Tamro's market share grew the fastest in Estonia and at the close of 1997 accounted for approx. a third of the market. In Estonia, Tamro is the clear market leader. Besides Tamro's own contribution, the rapid rise in the market share was assisted by the economic difficulties faced by a principal competitor during the year. In Latvia, Tamro's position at the top of the market did not change. Tamro's share of the market in Latvia was about 15%, and of the Lithuanian market about 10%. The growth in the share was hampered by the aforementioned change to the reimbursement system. In Northwest Russia, Tamro's market share developed favourably and stood at approx. 12%.

IMPROVED CUSTOMER SERVICE AND INCREASED INVESTMENTS

In spring 1997, Tamro commissioned an extensive market survey. The findings of the survey have been employed to develop operations in favour of the customer. The principals were provided with new additional services.

New distribution centres were opened at Petrozavodsk in the Republic of Karelia in June and in Archangel right at the end of the year. Petrozavodsk's monthly sales more than quadrupled by the end of the year compared to previous sales in the area. The year's biggest investment was made in Riga and focused on the purchase of land and on an operations centre. All the warehouse operations were transferred to the same level in order to achieve efficient logistics. The refurbished warehouse will also be home to Tamro's new service: Baltic Central Logistics (BCL). BCL forms part of Tamro Nordic Concept and means that all the logistics functions of Tamro's partners in the Baltic states will be concentrated in one place. BCL will be ready by early spring 1998.

All companies in the Baltic states changed their names to Tamro. Tamro Eesti AS was registered in Estonia and Tamro SIA in Latvia at the end of the year. UAB Tamro was registered in Lithuania at the beginning of 1998.

RESULT NOW CLEARLY PROFIT-MAKING

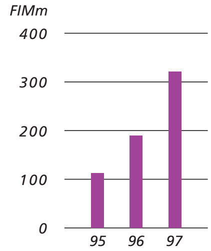
The unit had aggregate sales of FIM 321 (190) million, a growth in FIM of almost 70%. In terms of local currency, sales increased the most in Russia, by more than 80%, and Lithuania, by more than 60%. Estonia and Latvia saw a growth in excess of 50%. Estonian sales came to FIM 78 million, Latvian to FIM 81 million, Lithuania's to FIM 49 million and Northwest Russia's to FIM 113 million. All the countries yielded a positive operating profit, with Latvia improving its result the most. The entire unit's operating profit came to FIM 4 (-4) million, an improvement of approx. FIM 8 million on the previous year. The unit's return on capital employed was 14 (neg.)%. Tamro's total investments in the region came to FIM 12 million. The unit had a staff of 285 (264) at the end of the year.

OUTLOOK FOR 1998

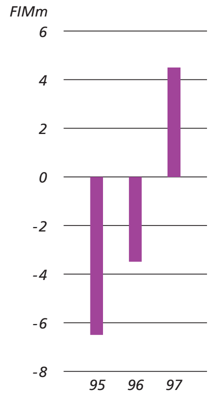
Market growth is expected to average approx. 20% in 1998. The biggest uncertainty factors include not only the effectiveness of Lithuania's new reimbursement system and Russia's usual legislative difficulties but also the possible rise in import duty from the current 10 per cent to 20-30 per cent, which would slow down market growth. The trends at the close of 1997 suggest that the Lithuanian market is returning to a pattern of growth. Tamro's growth is planned to be about double that of the market. This growth will also almost certainly have a favourable effect on results.

	1997	1996	1995
Net Sales (FIMm)	321	190	112
Operating Profit (FIMm)	4	-4	-6
Operating Margin (%)	1.4	-1.8	-5.8
Share of Group sales (%)	2.5	1.4	1.0
Investments (FIMm)	12	10	6
Employees, December 31	285	264	233

NET SALES

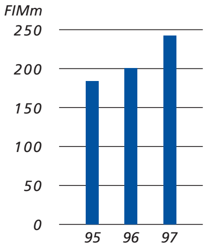


OPERATING PROFIT

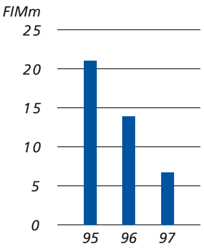


Tamro *Medical*

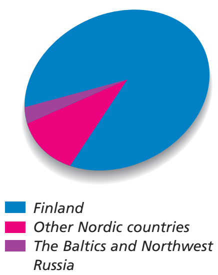
NET SALES



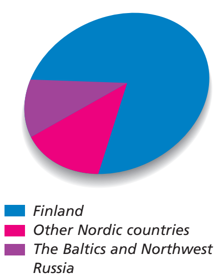
OPERATING PROFIT



SALES BY AREA



EMPLOYEES BY AREA



Tamro Medical sells, markets and imports a broad range of products, from basic health care products to specialised equipment for healthcare customers, in the Nordic countries, the Baltics and Northwest Russia. Tamro Medical's objective is to be the leading marketer and seller in its area.

The aggregate market in Tamro Medical's area of operation is estimated to be worth FIM 7 billion. The market grew in Finland by 5%, in other Nordic countries by 0-5% and in the Baltic and Northwest Russia by an average of 20%.

Tamro Medical enhanced its market share and concluded a number of new cooperation agreements, facilitating growth in sales in other Nordic countries, too.

OPERATIONS GET UNDERWAY IN THE NORDIC COUNTRIES

In Finland, sales proceeded according to plan with respect to basic products and equipment, anaesthesia and imaging products.

In Sweden, Norway and Denmark, resources were pooled with the Kolmi's marketing organisation. The new Nordic Tamro Medical has set itself the long-term objective of becoming the leading supplier of healthcare supplies and equipment on the market. In keeping with the Group's new identity, all the Nordic companies in the unit are changing their name to Tamro Medical. During the year, Tamro Medical AS was registered in Norway and Tamro Medical AS in Denmark. Tamro AB was registered in Sweden as Tamro Medical AB at the beginning of 1998.

The Nordic structural change has not gone according to plan, resulting in extra costs during the year.

Tamro Nordic Concept incorporates not only a logistics and information services but also a comprehensive marketing solution for Tamro Medical's own partners, and this added value makes it attractive to numerous manufacturers. A number of new partners are expected to sign a contract in 1998.

EXPANSION PROJECTS UNDERMINE RESULT

Tamro Medical's net sales rose by 21% and stood at FIM 242 (201) million. The operating profit was FIM 7 (14) million and fell by 52%. The expansion of the operation to other Nordic countries, involving corporate acquisitions and development projects, weakened the unit's result in 1997. The return on capital employed was 7 (16)%. Investments totalled FIM 1 (5) million. The unit had a personnel of 92 (84) at the end of the year.

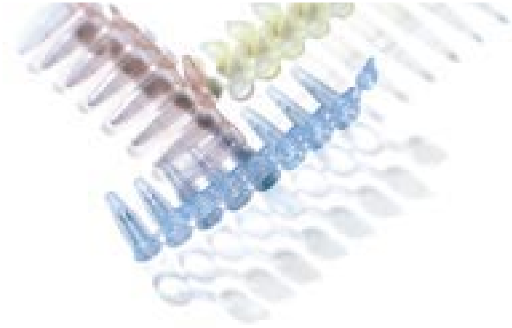
OUTLOOK FOR 1998

Healthcare cutbacks implemented in different countries will reduce the growth in the total market in 1998. Our customers are keen to cut their costs by concentrating their acquisitions with a smaller number of reliable suppliers. Tamro Medical will be building up its operation to meet its customers' expectations.

Nordic Capital, a holding company of Swedish investors, and Tamro Corporation have founded a new company known as Mölnlycke Health Care AB. Tamro Medical intends to start selling and distributing this new company's products in the Nordic countries, the Baltic and Northwest Russia.

The net sales and operating profit are expected to increase in 1998 as a result of the expansion of the operation and measures to improve profitability.

	1997	1996	1995
Net Sales (FIMm)	242	201	184
Operating Profit (FIMm)	7	14	21
Operating Margin (%)	2.8	6.9	11.1
Share of Group sales (%)	1.9	1.5	1.7
Investments (FIMm)	1	5	1
Employees, December 31	92	84	68



Tamro
Lab

Tamro Lab sells and markets laboratory products and related maintenance services and operates as an importer of products. Customer groups include healthcare, research and industrial laboratories as well as educational establishments. The extensive range consists of laboratory chemicals, equipment and supplies and of laboratory diagnostics and biotechnical products. The market area is the Nordic countries, the Baltic states and Northwest Russia.

MARKET SHARES FLUCTUATE

The estimated aggregate market of laboratory products was approx. FIM 4 billion. Tamro Lab's share of the aggregate Finnish market for laboratory products rose by one per cent to approx. 18%. On the markets in the Baltic and Northwest Russia, local suppliers maintained their strong position as a result of the cheaper prices of the products they represent. Interest in high-quality products was however evidenced by a heightening demand for disposal healthcare products and diagnostics products.

The public sector's cutback objectives in different countries have also reduced acquisitions costs incurred by healthcare, the universities and research bodies. Sluggish market trends have led to fiercer competition and reduced the prices of consumer products in particular. Industry was in a better position than the public sector, as indicated in particular by brisker sales of laboratory equipment.

TAMRO NORDIC CONCEPT ATTRACTIVE

Tamro Lab's organisational structure was altered from the start of 1997 to support better the development of the marketing solution relating to Tamro Nordic Concept.

Interest in Tamro Nordic Concept clearly grew during 1997. As a result, marketing cooperation was extended in our area of operation with, e.g., the following key partners: Mallinckrodt Baker (laboratory chemicals and reagents), Nalge Nunc International (disposal and reusable plastic products), Sorvall (centrifuges and accessories), Büchi Labortechnik AG (analysis and basic laboratory equipment) and Schleicher & Schüll (filterware). The most significant new cooperation agreement covering the Nordic countries was concluded with Anatel Corporation (TOC analysers).

In keeping with the Group's new identity, all the Nordic companies in the unit were re-named Tamro Lab. The names of the Swedish AB Labassco and Norwegian Heigar & Co. A/S belonging to the unit were registered at the end of the year as Tamro Lab AB and Tamro Lab AS.

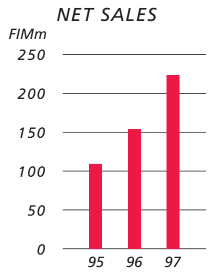
IMPROVED SALES BUT POORER RESULT

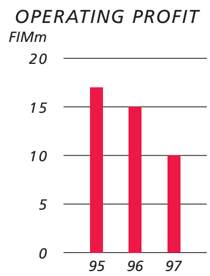
Tamro Lab's sales came to FIM 224 (154) million and grew by 46%, most of which was due to corporate acquisitions in 1996. The Finnish unit's sales advanced the best and much faster than growth in sector sales. Tamro Lab's operating profit was FIM 10 (15) million and lower than in the previous year. The result was undermined by marketing investments implemented because of the Nordic corporate acquisitions of 1996, which sent costs up but did not bring the planned extra sales. The return of capital employed was 7 (17)%. Investments totalled FIM 1 (78) million. Tamro Lab had a personnel of 141 (137) at the end of the year.

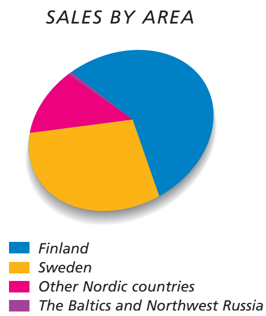
OUTLOOK FOR 1998

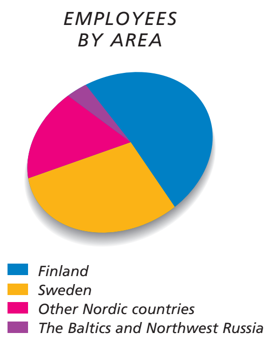
The growth prospects for the sector in 1998 are similar to those in 1997. Major merger projects in progress between sector manufacturers may alter local competition arrangements if they come to fruition. The extension of cooperation with our partners in our area of operation and the emergence of new partners form a firm foundation for enhancing the unit's net sales and result.

	1997	1996	1995
Net Sales, (FIMm)	224	154	113
Operating Profit (FIMm)	10	15	17
Operating Margin (%)	4.6	9.7	15.0
Share of Group sales (%)	1.7	1.2	1.1
Investments (FIMm)	1	78	1
Employees, December 31	141	137	68



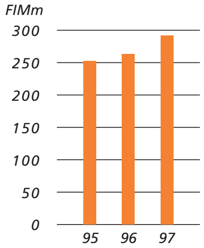




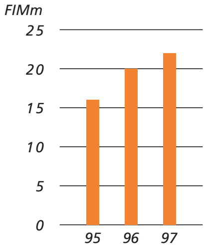


Kolmi

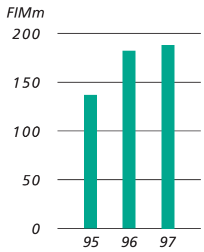
NET SALES KOLMI



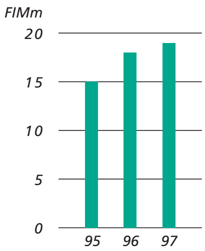
OPERATING PROFIT KOLMI



NET SALES PRINTEL



OPERATING PROFIT PRINTEL



MERGER OF KOLMI AND MÖLNLYCKE CLINICAL

In autumn 1997, Tamro Corporation and SCA Mölnlycke agreed on the sale of their divisions manufacturing surgical textiles and wound care products to a new company known as Mölnlycke Health Care AB. Under the agreement, Kolmi and Mölnlycke Clinical were merged to form a single company. The Swedish investors represented by Nordic Capital own 70% and Tamro holds 30% of the company. It was also agreed that the new company would sell Kolmi Inco, i.e., incontinence production, to SCA.

On 20th January 1998, the EU competition authorities approved the structural arrangements and Mölnlycke Health Care AB started up its operation. The new company will be focusing on surgical textiles and wound care products, in which it has a leading position on the European market.

INCREASED SALES

In 1997, Kolmi's net sales grew by 11% to FIM 292 (263) million. Sales of Kolmi products developed most favourably in France, the Baltic states and St Petersburg, but fell below the previous year's level in Sweden. Kolmi Drape was the business field to enjoy the most success, with a growth in sales of 16%. Kolmi Safe grew slightly and Kolmi Inco's sales remained at the level for 1996.

The operating profit was FIM 22 (20) million, an increase of 7% compared to the previous year. The return on capital employed was 13 (13)%. External factors had only a marginal effect on the result. Investments totalled FIM 12 (28) million, the largest being made in buildings and machinery for production units. The division had a total staff of 359 (352).

In 1997, Det Norske Veritas granted Kolmi Drape the ISO 9001/EN 46001 quality system certificate.

	1997	1996	1995
Net Sales (FIMm)	292	263	252
Operating Profit (FIMm)	22	20	16
Operating Margin (%)	7.6	7.7	6.0
Share of Group sales (%)	2.3	2.0	2.3
Investments (FIMm)	12	28	14
Employees, December 31	359	352	342

Printel

Printel equips educational establishments and child day-care centres and produces and markets special forms for the public sector. Printel's unit Karttakeskus Oy publishes and produces graphic and digital map applications. The Printel companies have a leading position in Finland in all three of their business sectors.

CHANGES IN MARKET REFLECTED IN SALES

Sales of basic school supplies remained at their previous level during the year, with the exception of textbook distribution, which saw a decline in market share. Increased investments by the municipalities boosted sales of educational equipment and furnishings. Sales of forms fell compared to 1996 mainly as a result of reduced production of bank books. Map production started focusing on digital products, and sales progressed well. At the end of the year, Printel opened an office in Tallinn for the Estonian map and educational supply market.

PROFITABILITY GOOD

The Printel companies' net sales in the accounting year came to FIM 188 (182) million, a growth of 3% on the previous year. 1997 was a good year for profitability, with an operating profit of FIM 19 (18) million. The return on capital employed was 32 (34) %. Investments came to FIM 6 (6) million and there were 161 (171) employees on the payroll at the end of the year.

OUTLOOK FOR 1998

No marked changes in demand in the Printel companies' business sectors are foreseen. Sales of CD map products to consumers and project sales of educational products are expected to rise. Printel's profitability is expected to continue developing favourably.

	1997	1996	1995
Net Sales (FIMm)	188	182	137
Operating Profit (FIMm)	19	18	15
Operating Margin (%)	10.2	9.7	10.7
Share of Group sales (%)	1.5	1.4	1.3
Investments (FIMm)	6	6	2
Employees, December 31	161	171	59

Administration

SUPERVISORY BOARD

CHAIRPERSON

Barbro Fischerström (54),
President, The Swedish Newspaper Publishers' Association

VICE-CHAIRMAN

Reijo Purasmaa (55), Pharmacist

MEMBERS

Jaakko Aalto (60), B.Sc. (Econ.)
Pirjo Ala-Kapee (53), County Governor (until December 2, 1997)
Matti Aura (54), Minister of Communications (until the Stockholders' meeting on April 23, 1997)
Håkan Björklund (41), President, Astra Läkemedel (from the Stockholders' meeting on April 23, 1997)
Peter Egardt (48), President, Stockholm Chamber of Commerce
Jan Ekberg (61), Board Director, Pharmacia & Upjohn, Inc.
Erik Forssell (57), Pharmacist
Bengt Holgersson (56), County Governor
Carl-Olaf Homén (61), Master of Laws
Seppo Kylmänen (61), Master of Laws
Ritva Laurila (65), Master of Arts
Jouko K. Leskinen (54), CEO, The Sampo Group (from the Stockholders' meeting on April 23, 1997)
Tuomo Lähdesmäki (40), President, Elcoteq Network Corporation
Anders Lönner (52), Director (until the Stockholders' meeting on April 23, 1997)
Antti Moisio (56), Deputy Manager of Social Affairs and Public Health, City of Espoo
Börje Nilsson (67), Member of the Swedish Parliament
Arvo-T. Rautio (62), Pharmacist
Arvo Relander (61), Hospital Director, Helsinki University Central Hospital
Torbjörn Sonck (51), President, Novartis Norge AS
Pär Stenbäck (56), Chairman, The Finnish Red Cross
Kurt Stenvall (65), Master of Laws
Tage Åkerlund (58), Pharmacist

REPRESENTATIVES OF PERSONNEL

Helge Grönfors (62), warehouse employees in Helsinki
Hertta Hytönen (56), employees of regional network, Kuopio
Kirsti-Liisa Vieno (62) until 31 October, 1997 and
Petri Krogerus (43), after 1 November, 1997, office employees in Helsinki
Kristina Åhman (54), 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

BOARD OF DIRECTORS

CHAIRMAN

Erkki J. Toivanen (70), Chairman of the Board, Onninen Oy (after the Stockholders' meeting on April 23, 1997)

Jouko K. Leskinen (54), CEO, The Sampo Group (until the Stockholders' meeting on April 23, 1997)

MEMBERS

Arne Björnberg (46), President, Apoteket AB (after the Stockholders' meeting on April 23, 1997)
Mikael von Frenckell (50), M. Pol.Sc.
Dag Johannesson (52), Director, Apoteket AB
Lars-Steffen Kull (59), B.Sc. (Econ.), (until the Stockholders' meeting on April 23, 1997)
Matti Niemi (50), Executive Vice President, Pension Varma (from the Stockholders' meeting on April 23, 1997)
Erkki J. Toivanen (70), Chairman of the Board, Onninen Oy (member until the Stockholders' meeting on April 23, 1997, chairman from April 23, 1997)
Juha Toivola (50), President, Industrial Insurance Company Ltd (from the Stockholders' meeting on April 23, 1997)
The Board of Directors has convened 11 times during the period under review.

Group organization
1 January, 1998


Matti Elovaara


Kim Ignatius


Inger Malm

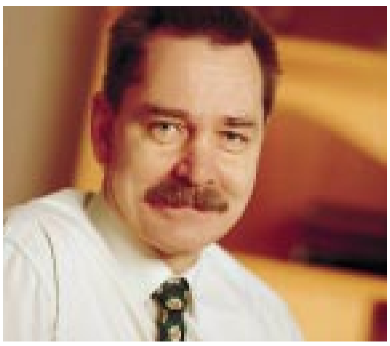

Heikki Ojanperä


Bengt Persson


Tapio Mansukoski


Asbjørn Leirvik


Björn Mattila


Keijo Väkiparta


Markku Pohjola

TAMRO GROUP

Matti Elovaara
CEO, President

Finance
Kim Ignatius
Chief Financial Officer

Human Resources
Inger Malm
Chief Personnel Officer

Tamro Nordic Concept
Heikki Ojanperä
Senior Vice President

BUSINESS UNITS

Tamro Distribution, Sweden
Bengt Persson
President

Tamro Distribution, Finland
Tapio Mansukoski
President

Tamro Distribution, Norway
Asbjørn Leirvik
President

Tamro Distribution, Baltics and Northwest Russia
Björn Mattila
President

Tamro Medical
Keijo Väkiparta
President

Tamro Lab
Markku Pohjola
President

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see Tamro Corporation

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KARTTAKESKUS OY
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Fax int. +204 45 5919

Information to the stockholders

STOCKHOLDERS' MEETING

The regular stockholders' meeting of Tamro Corporation will be held at Tamro House, Rajatorpantie 41 B, Vantaa, on April 23, 1998 at 4 p.m. Stockholders who wish to attend must give notification by 4 p.m. on April 21, 1998, either by writing to Tamro Corporation, P.O. Box 11, FIN-01641 Vantaa or by phoning +358 204 45 4004/ Tuula Lönnström. 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 17, 1998, 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, 1998. The dividend will be paid out on May 5, 1998.

PUBLISHING SCHEDULE

Tamro Corporation will publish the following Interim Reports for 1998 in Finnish, Swedish and English:

- For January-April on June 11, 1998
- For January-August on October 1, 1998

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

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Enskilda Securities / Johannes Schulman
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Смелый
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Drošs
Pikem
samm
The future
Et større
sprang
Ett stort
steg
Isompi
askel
uuteen elämään
Tamro

Delivering excellence in healthcare