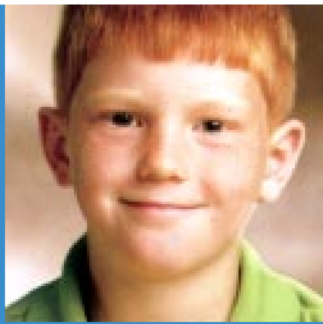
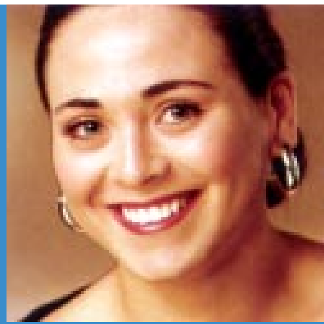
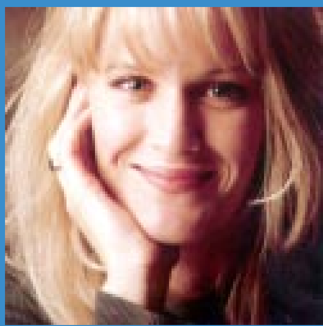
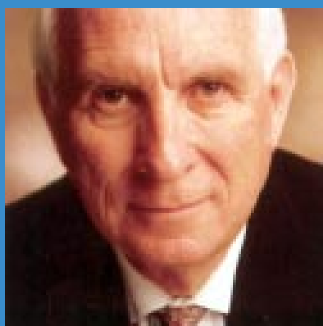
Tamro

Annual Report 1998

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The year in brief

- The Group's 1998 net sales expanded by 39% to FIM 17,955 million (EUR 3,020 million). The strong growth is attributable to the acquisition of Danish Nomeco A/S. The consolidated operating profit fell by 27% to FIM 162 million (EUR 27.2 million). The Group's financial performance was lowered by tightened competition and thereby reduced gross margins as well as a number of non-recurring expense items. The profit was improved by a gain on the sale of Kolmi's business operations.

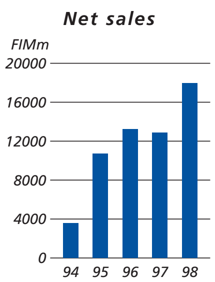
- Tamro and Danish Nomeco merged in June 1998. Nomeco is with its almost 70% market share the largest pharmaceutical wholesaler in Denmark. After the deal, Danish Meco Holding A/S became the biggest Tamro stockholder with a 28.1% stake. Simultaneously, the non-Finnish ownership share of Tamro rose to over 60 percent.

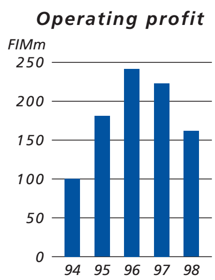
- The implementation of Tamro's new information management strategy continued. The project fell slightly behind the original schedule in the course of 1998 and will reach the roll-out phase in stages during 1999. Thanks to the reform, Tamro can offer its business partners and customers an advanced information service and enhance the efficiency of internal operations. The system provides high-quality operations during the roll-over into the next millennium.

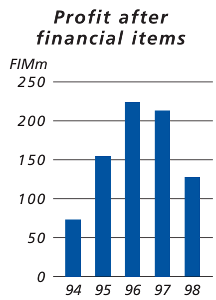
- Kolmi's and Swedish SCA's hospital supplies production was amalgamated in 1998 into Mölnlycke Health Care AB, the largest and leading disposable surgical textile manufacturer and marketer in Europe. Tamro's holding in the company is 30%. During the reporting year, the company undertook large-scale reorganization projects.

- On 12 May, 1998, the Board of Directors elected Mr. Pauli Kulvik, M. Sc. (Eng.) and MBA, as Tamro's new President and CEO starting from 1 January, 2000, when Commercial Counselor Matti Elovaara retires from his post.

- At the turn of 1998 and 1999, Tamro's business structure was altered by combining Tamro Medical and Tamro Lab activities into Tamro MedLab.



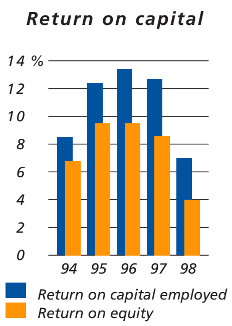


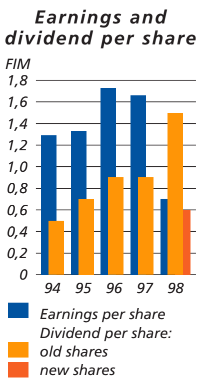


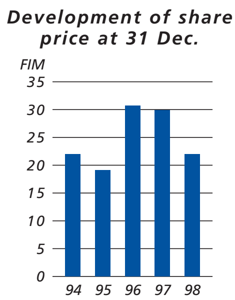
Financial highlights

		1998	1997	1996
Net Sales	FIMm	17,955	12,893	13,220
Sales change	%	39.3	–2.5	23.0
Sales outside Finland	FIMm	13,582	8,587	9,230
Operating profit	FIMm	162	223	242
Operating margin, %	%	0.9	1.7	1,8
Profit after net financial items	FIMm	128	213	224
Return on capital employed	%	7.0	12.7	13.4
Return on equity	%	4.0	8.6	9.5
Earnings per share	FIM	0.69	1.66	1.73
Dividend per share – old shares	FIM	1.50 *	0.90	0.90
Dividend per share – new shares	FIM	0.60 *	-	-
Share price at 31 December	FIM	22.00	29.90	30.70
Market capitalization at 31 December	FIMm	2,698	2,624	2,707
Net gearing	%	6.0	–9.8	–9.0
Interest cover	times	5.0	15.8	12.4
Equity ratio	%	38.1	42.8	39.7
Investments	FIMm	205	71	153
Number of employees at 31 December		2,538	2,252	2,222

* Board's proposal







CEO's letter

Today, Tamro has secured a strong position in all of its countries of operation coupled with an efficient network of subsidiaries and well-functioning organizations. Thanks to these tools and our consolidated market position, we as the leading Northern-European pharmaceuticals company have every opportunity of attaining a solid financial result in coming reporting periods. The previous four years were spent on creating the foundation for successful future operations.

Tamro's 1998 results were lower than planned and below all expectations. This was due to the larger-than-estimated decline in the gross profit and the unexpectedly large rise of information management expenditure. Despite the poor earnings, 1998 proved to be a very positive year for Tamro from a long-term viewpoint.

Tamro's internationalization campaign was launched in 1994 with the start-up of Baltic and Northwest-Russian operations. We took the next big step in 1995 by capturing a leading position in the Swedish market and by establishing a presence in Norway. By the end of the 1998 financial period, we had also managed to obtain a leading position on the Danish market. In the course of four years, Tamro was transformed from a purely domestic Finnish company into the leading healthcare product distributor and marketer in the Nordic Countries and the fourth-largest company within its field in Europe. Throughout this four-year period (1994–1998) and especially toward its end, we concentrated on building up the tools necessary for future expansion.

Today, Tamro has secured a strong position in all of its countries of operation coupled with an efficient network of subsidiaries and well-functioning organizations. Thanks to these tools and our consolidated market position, we as the leading Northern-European pharmaceuticals company have every opportunity of attaining a solid financial result in coming reporting periods. The previous four years were spent on creating the foundation for successful future operations.

We have had to sacrifice short-term profitability for long-term viability during this build-up period. Exactly this has been Tamro's dilemma during the past few years: long-range considerations overriding short-range goals. It would have been fantastic to have had the best of both worlds and be able to step up our operations while showing a healthy profit. Unfortunately this proved to be impossible. A far worse scenario for Tamro, however, would have been not expanding at all, but being content to remain a local corporation showing a relatively high profitability at least in the short run.

Our personnel has been faced with harsh realities throughout the expansion period 1994–1998. Staff-members have trained and also mastered novel operating methods and become acquainted with new corporate values. Tamro's business units active in the different countries of operation have for the most part been exclusively engaged in local-market business, and thus the whole conglomerate has been under pressure to adopt an international approach to other group companies. I would like to extend my warmest thanks to the entire corporate staff and especially to my closest colleagues for their efforts during the past four years and during 1998 in particular and for the good collaboration shown. My thanks and appreciation also go to our customers and partners whose trust in us is the basis of all our business activities.

The current year promises to be a period of significant development for Tamro as we introduce new considerably improved systems into our operations. The toughening competitive situation is also anticipated to sharpen our edge and enhance our capabilities of fulfilling customer requirements. We are in the best position to do so in Northern Europe.

Matti Elovaara
Helsinki, January 1999

Tamro overview

Roots

Tamro is a Northern-European pharmaceutical distribution and healthcare group with roots in Finland. Finnish pharmacists founded Tamro in 1895, and the company has been operating in the same line of business ever since. Tamro has remained a pioneer within its field and, more often than any other competing company, been a prime mover for development and growth in Nordic region.

Tamro's stock has been listed at the Helsinki Exchange since 1955.

Values

Across its vast operating area, Tamro strives for a uniform company identity with common business names, visual elements and a guiding corporate culture. The backbone of our corporate culture is the shared core values embraced by our multi-national personnel, namely:

- Commitment to customer success
- Openness, trust and appreciation
- Daily improvements
- Strong ethics.

Vision

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

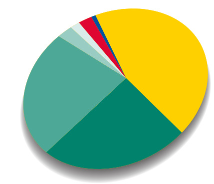
Positioning

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

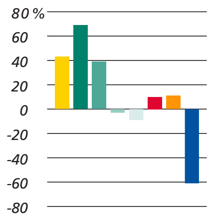
Business structure

Tamro's business activities are comprised of two business areas: Tamro Distribution group, specializing in pharmaceutical distribution, and Tamro MedLab, engaged in marketing of medical and laboratory products.

Distribution of net sales



Distribution of operating profit



Tamro Distribution encompasses eight business units in eight different countries: Finland, Sweden, Denmark, Norway, Estonia, Latvia, Lithuania and Russia. Tamro MedLab has operations in the Nordic Countries and the Baltic States.

The Group's other corporate holdings include Printel Oy (100%) and associated companies Mölnlycke Health Care AB (30%) and Castrum Oyj (45.7%). After 9 March, 1999, Tamro's holding in Castrum will be reduced to 19–22%.

TAMRO DISTRIBUTION

Tamro supplies pharmaceuticals efficiently, safely and without defects to those requiring them in all of its eight Northern-European countries of operation. Aided by its reliable business activities, high quality and transparency, Tamro endeavors to bring closer together the pharmaceuticals industry and healthcare professionals attending to consumers.

The division's regional advantage and leading market position in Northern Europe are employed to the benefit of our partners and customers alike. Our partners, manufacturers of pharmaceuticals and other healthcare products, are provided with a complete solution throughout the region. Known as the Tamro Nordic Concept, it stands for high-quality service and more economical and efficient flows of materials and information.

Tamro Distribution's business units in Sweden, Denmark, Finland and Norway as well as in the Baltic States and Russia furnish business partners operating in these countries with local market knowledge and expertise and offer a dependable and convenient service to pharmacies, hospitals, healthcare institutions, naturopathy stores and laboratories. Pharmaceuticals account for about 90% of the distribution activities of each business unit. In Sweden and Finland, distribution is based on an agreement between manufacturer and supplier (single-channel distribution). Denmark, Norway, the Baltic States and Russia have multi-channel distribution systems. Furthermore, the legislative environment in each of the eight countries of operation is different.

TAMRO MEDLAB

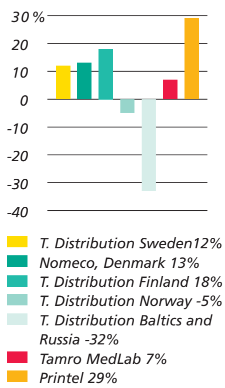
Tamro MedLab was established at the beginning of 1999 by amalgamating the operations of Tamro Medical and Tamro Lab.

Tamro MedLab sells, markets and imports a broad range of basic healthcare products, laboratory supplies, specialized medical devices, diagnostics and biotechnical products as well as equipment. The unit's customers are healthcare facilities and research, educational and industrial laboratories in the Nordic Countries and the Baltic States. It is the objective of MedLab to be the leading seller and marketer in its line of business and market area.

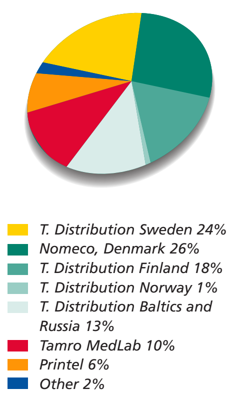
Tamro MedLab operates in Finland, Sweden, Norway, Denmark, Estonia, Latvia and Lithuania.

The 1998 business units' reviews are presented on pages 46–55.

Return on capital employed



Employees at 31 Dec.



Nordic BASE ready for roll-out

During 1998, implementation of Tamro's renewed information management strategy continued within the framework of the Nordic BASE development program. The most important operative areas were the roll-out of the new operations control system, completed outsourcing of IT services and development of reporting services for business partners.

J. D. Edwards' One World business control system will be introduced in stages in the Finnish and Swedish pharmaceutical distribution chains and Tamro MedLab's Finland operations by the fall of 1999. The system covers the majority of financial administration and materials management functions and creates a foundation for more advanced and efficient business activities. Counting in the instructors, the group responsible for commissioning the system has grown to about 30 full-time key Tamro personnel representing different business areas and countries of operation.

The reporting services targeted at business partners will be reformed in stages during 1999 through further upgrading and implementation of the new Data Warehouse solution introduced in the summer of 1998.

Sufficient resource allocation to the on-going projects has been secured through partnership agreements, most importantly with IBM. Under this agreement, IBM has been responsible for Tamro's current information system support in Sweden and Finland since the start of 1998. In addition, IBM will assist us in introducing the new system with its international IT competency and provide post-roll-out support and maintenance.

Tamro preparing for the year 2000

Tamro is on course to attain full year-2000-compliance for its IT systems. We want to make sure that our data systems will guarantee uninterrupted high-quality and competitive services to our business partners during the roll-over into the next millennium.

A key element of this strategy is the implementation of an integrated software package, the J. D. Edwards' One World business control system, which is to monitor and coordinate Tamro's sales, procurement, warehousing and financial operations.

One World will be implemented in Finland and Sweden. In Norway, business operations will be controlled by Astra/400, to be introduced on the same schedule as One World. This decision is the result of Tamro's spring 1998 acquisition of Danish Nomeco, which is already employing the Astra system. Astra/400 is fully year-2000-compliant and ideally suited to the multi-channel distribution environment in Denmark and Norway.

Nordic BASE, the One World implementation project, has been underway since 1997. It is staffed by a team of senior Tamro personnel and specialist consultants who are working full-time to ensure efficient system commissioning during 1999.

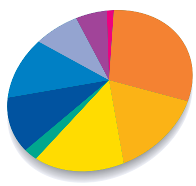
One World will not replace all of Tamro's IT systems. Both in Finland and Sweden, there are a number of information systems in use that must be upgraded before the year 2000. A separate Year-2000 project, manned with staff from Tamro and IBM, was launched as early as 1997 to tackle all anticipated millennium-bug errors. The work will be completed during the first half of 1999. The project team will, however, not be disbanded until after the roll-out to ensure fast and efficient solving of possible problem situations.

Two major warehouse management systems have already been converted as well as tested, and are now running in normal production. About forty other less critical systems have also undergone testing. Testing in a year-2000 environment is the next major step in the project.

There are on-going projects addressing all remaining areas possibly affected by Y2K problems, including measures to ensure the readiness of Tamro's facility control mechanisms and equipment and to guarantee a continuous power supply. These upgrading and testing activities are right on schedule and the test phase should be completed by the spring of 1999.

Information on Tamro's stock

Stockholders by group at 31 Dec. 1998



- Finnish companies 8%
- Finnish financial and insurance institutions 11%
- Finnish public institutions 9%
- Finnish individuals and others 7%
- Finnish non-profit seeking owners 2%
- Meco Holding A/S 28%
- Apoteket AB 18%
- Other foreign owners (incl. nominee holding) 15%
- Own shares 2%

Total foreign ownership 61%

Capital stock

The Parent Company Tamro Corporation's capital stock as of 31 December, 1998 totaled FIM 1,227,194,300 divided into 122,719,430 outstanding shares with a FIM 10 par value and one voting right each.

On 25 June, 1998, the capital stock was increased by a total of 34,456,060 Tamro Corporation shares issued to Meco Holding A/S in a private placement in consideration of the acquisition of Nomeco A/S's business activities. After the special issue, Tamro's capital stock rose by FIM 344,560,600 to FIM 1,226,194,300. The new shares subscribed to in the private offering have the same equity, voting and ownership rights as existing stock, with the exception of the dividend rights for the period Jan. 1–Dec. 31, 1998. For 1998 the new shares entitle their holders to a dividend FIM 0.90 lower than that paid to other stockowners. All shareholders will, however, at least be entitled to profit distribution at the approx. 50% payout ratio prescribed under the corporate dividend policy.

Tamro's capital stock had increased by FIM 1,000,000 by 21 December, 1998 through the exercise of subscription warrants issued in connection with the 1994 warrant bond. The capital stock rose to FIM 1,227,194,300 as a result of the subscription.

Incentive plan

The Group has adopted a warrant bond policy to enhance personnel performance. Under this incentive plan, the staff ownership share of Tamro's capital stock may not exceed 10 percent.

At the end of 1998, there were 4,896,000 valid outstanding warrants issued in connection with the 1994 and 1995 warrant bonds and a total of 5,000,000 valid unexercised warrants from the 1997 bond issue.

The 1994 and 1995 bond warrants entitle their holders to subscribe to one Tamro Corporation share with a FIM 10 face value at a subscription price of FIM 23 (EUR 3.87) between 1 December, 1998 and 31 January, 2000.

The "class A" 1997 bond warrants entitle their holders to subscribe to one Tamro Corporation share with a FIM 10 face value at a subscription price of FIM 39 (EUR 6.56), less the regular dividend paid out after issuance, between 1 December, 2000 and 31 December, 2004.

The "class B" 1997 bond warrants entitle their holders to subscribe to one Tamro Corporation share with a FIM 10 face value at a subscription price of FIM 39 (EUR 6.56), less the regular dividend paid out after issuance, between 1 December, 2001 and 31 December, 2004.

A total of 100,000 Tamro Corporation shares had been subscribed to by the end of 1998 using the warrants issued in connection with the 1994 bond.

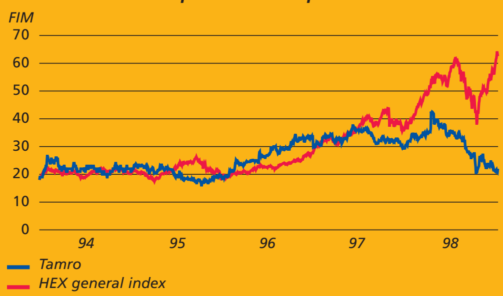
If all the valid warrants outstanding are exercised, the Tamro Corporation capital stock can maximally increase by 9,896,000 shares, equivalent to FIM 98,960,000.

Repurchase of company's own shares

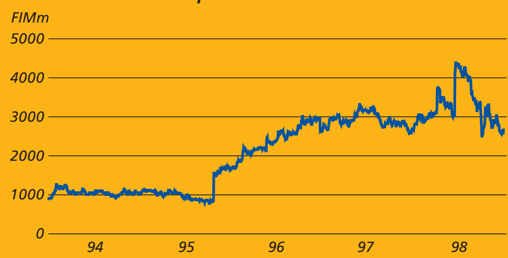
The 17 June, 1998 Extraordinary General Meeting granted the Board of Directors authorization to reacquire Tamro Corporation stock on the following conditions:

1. The total treasury stock repurchased may not exceed 5% of the total number of shares during the validity period of the authorization.
2. The shares are to be bought back at the going rate during public trading at the HEX Helsinki Exchanges.

Tamro's share price development 1994–1998



Market capitalization 1994–1998



3. The treasury stock may, if necessary, be reacquired to be used in the company's remuneration and incentive systems or in connection with corporate mergers and acquisitions if the Board deems this to be in the best interests of stockholders in light of share-specific key figures or otherwise an advantageous method of using liquid assets or for some other similar purpose.

4. The acquisition price of treasury stock reduces the company's non-restricted equity.

5. The authorization is valid for one year after Extraordinary General Meeting.

6. Board decisions based on this authorization are to be announced separately. Stockholders wishing to sell their holding or part of it back to the company must issue a selling order to an authorized securities broker-dealer after the Board's buyback decision is published.

By the end of 1998, the corporation had with the Board's authorization repurchased 2,404,000 of its own shares at a total acquisition cost of FIM 75.8 million. The treasury stock held by the company accounts for 1.96% of the year-end capital stock.

Stockholders

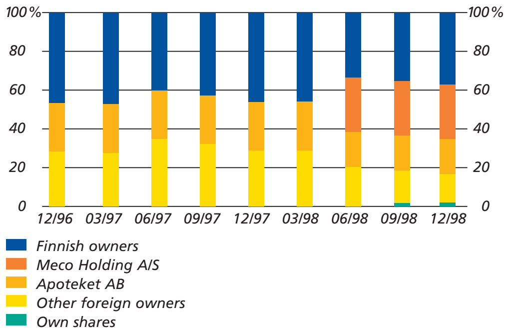
At the end of the accounting period, foreign-owned stock (incl. nominee stock) amounted to 74,646,909 Tamro Corporation shares (i.e. 60.8% of the capital stock). The Board Members and CEO held a total of 528,180 Tamro Corporation shares and Supervisory Board Members 41,870 shares. These holdings correspond to 0.5% of the stock and voting rights. The rest of the Group Management owned a total of 13,802 shares.

Dividend policy and distribution to owners

It is the main aim of the Board 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 payout ratio of about 50% of the earnings per share (EPS).

The Board of Directors proposes to the Annual General Meeting that the 1998 dividend be set at FIM 1.50 (EUR 0.25) per share for old Tamro stock and at FIM 0.60 (EUR 0.10) per share for

Development of stockholder structure 1996–1998



new stock issued to Meco Holding A/S. The dividend is calculated on Tamro's earnings before year-end adjustments and its size conforms to the corporate dividend policy and the terms and conditions of Nomeco's acquisition.

Long-term profit targets

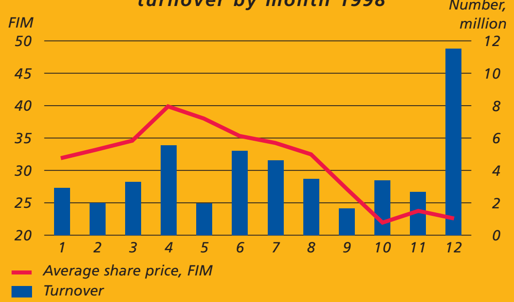
The Board of Directors set a few years ago long-term earnings objectives for the Group's operations. The earnings per share should increase by an annual average of over 15 percent. The return on equity is to exceed the yield on risk-free FIM (or euro-denominated from the beginning of 1999) long bonds by 5 percentage points.

Stock listing, performance and trading volume

The Tamro Corporation shares are listed on the HEX Helsinki Exchanges and the new stock class issued to Meco Holding A/S has been quoted since 29 June, 1998. Since the older stock is entitled to a FIM 0.90 higher dividend for 1998 than the newly introduced shares, these are quoted separately until the 1998 dividend has been paid out. The shares were quoted and traded in FIM until the end of 1998 and converted into euros at the beginning of 1999. The 1994 and 1995 bond warrants forming part of the Tamro staff incentive plan have also been listed on the HEX Helsinki Exchanges since 14 January, 1999.

The closing share price for 1998 stood at FIM 22.00 (EUR 3.70), down 26.4% from the end of 1997. The year's trading high was FIM 44.00 and low FIM 20.00. During 1998, a total of 48.3 mil-

Average share price and turnover by month 1998



Share price development 1998

lion Tamro Corporation shares changed hands at the HEX Helsinki Exchanges, equivalent to 45.7% of the average number of all Tamro shares. This stock turnover represented a market value of FIM 1,466.2 million (EUR 247 million). Only older shares were traded and the turnover proportionate to their average number was 54.7%. The newly issued Tamro stock was not traded on the Exchange during 1998.

Tamro's market capitalization at year's end was FIM 2,671 million (EUR 449 million) compared with FIM 2,624 million at the close of 1997. Information on stock price trends and share-specific data for the past five years are presented on pages 42 (in EUR) and 43 (in FIM).

Stockholdings by ownership bracket on 31 December, 1998

No. of shares held	No. of holders	Total no. of shares	Percentage of stock and voting rights, %
1-500	5,685	1,222,496	1.00
501-1,000	1,644	1,322,529	1.08
1,001-5,000	1,699	3,925,082	3.20
5,001-20,000	316	3,033,950	2.47
20,001-50,000	60	2,021,892	1.65
50,001-500,000	58	7,141,180	5.82
500,001-	23	103,929,723	84.69
On waiting list		9,750	0.01
Shares not transferred to book-entry securities system		112 ,828	0.09
Total	9,485	122,719,430	100.00

Major stockholders on 31 December, 1998

	Number of shares and votes in thousands	Ownership share %
1. Meco Holding A/S	34,456	28.1
2. Apoteket AB	22,114	18.0
3. Orion	6,849	5.6
4. Sampo Group	6,572	5.4
5. The Tapiola Insurance Group	5,080	4.1
6. Varma-Sampo Mutual Pension Insurance Company	2,489	2.0
7. Local Government Pensions Institution	2,173	1.8
8. Mutual Insurance Company Pension Fennia	1,027	0.8
9. Ilmarinen Mutual Pension Insurance Company	1,011	0.8
10. The Employment Pension Fund	910	0.7
11. OKOBANK and OKO Pension Foundation	811	0.7
12. Metra Oyj Abp	605	0.5
13. Investment Fund Merita Optima	520	0.4
14. Toivanen Erik Jalmari	378	0.3
15. Kaleva Mutual Insurance Company	350	0.3
16. Investment Fund Merita Fennia	343	0.3
17. ABB:s Pension Foundation	336	0.3
18. PT:s Pension Foundation	298	0.2
19. Merita Life Assurance Ltd	274	0.2
20. Fund Management Company Seligson&Co	200	0.2
Others*	35,925	29.3
Total	122,719	100.0

* Administratively registered holdings 14.7% of all shares. Holdings of Tamro Corporation 1.96% (2,404,000) of all shares.

Capital stock increases and share conversions 1990-1998

Increase method and time	Number of new shares	Capital stock increase, FIM	Capital stock, FIM
Private placement issued to Apoteket AB			
Aug 25–Oct. 15, 1995	40,114,333	401,143,330	881,633,700
Private placement issued to Meco Holding A/S			
June 18–June 26, 1998	34,456,060	344,560,600	1,226,194,300
Warrant subscription/1994 warrant bond			
December 21, 1998	100,000	1,000,000	1,227,194,300

Tamro stock held by members of Board of Directors and Supervisory Board and CEO on 31 December, 1998

	Holding under own name no. of shares	Holding incl. assets of under-age dependents and significantly influenced companies no. of shares
Toivanen Erik, Chairman of Board of Directors	378,180	378,180
von Frenckell Mikael, Member of Board of Directors	150,000	161,000
Forssell Erik, Supervisory Board Member	13,500	13,500
Kylmänen Seppo, Supervisory Board Member	2,370	2,370
Leskinen Jouko, Supervisory Board Member	2,000	6,500
Åkerlund Tage, Supervisory Board Member	24,000	24,000
Total	570,050	585,550

Breakdown of warrants by holder group on 31 December, 1998

Warrant holder group	No. of warrants [1]	No. of potentially subscribable shares	Capital stock increase after maximum subscriptions
Supervisory Board [2], Board of Directors and CEO, total	1,120,000	1,120,000	11,200,000
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 (Board secy)	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	60,000	60,000	600,000
Toivola, Juha	60,000	60,000	600,000
Other management	840,000	840 000	8,400,000
Others	7,936,000	7,936,000	79,360,000
Total	9,896,000	9,896,000	98,960,000

[1] Holding incl. assets of under-age dependents and significantly influenced companies.
[2] Based on previous membership in Board of Directors.

Financing and financial risk management

FINANCING

The Group's financing and risk management activities are centralized in the Parent Company, which acts as a captive (in-house) bank to meet the group companies' capital needs. Straight debt financing arrangements are also the exclusive domain of the Parent Company, with the exception of some Nomeco A/S and Tamro Distribution AB involvement.

Liquidity management with respect to Tamro's major operating currencies is principally carried out by the Parent Company with the aid of group accounts. This approach ensures external financing volume benefits and minimizes the total liquidity required for the Group's money transactions.

Owing to the mismatch between receipt and payment flows (asset-liability gap), the Group's need for working capital varies considerably from month to month. The Group's net gearing during 1998 averaged 15% and net interest-bearing liabilities FIM 311 million. The Group aims to maintain a good liquidity position under all circumstances in accordance with the finance policy approved by the Board of Directors. At year's end, the Group had, in addition to cash and cash equivalents, undrawn lines of credit worth approx. FIM 720 million.

The majority of Tamro's investments are made in money and bond market instruments. The Group does not actively invest in exchange-traded or other stocks. With a view to limiting the credit risk associated with investments and in line with corporate policy, investments in interest rate instruments are limited to certificates of deposit (CDs) issued by major banks operating in the Nordic Countries, commercial paper issued by companies with a high credit rating as well as short- and long-term securities issued by the Nordic states and state institutions.

RISK MANAGEMENT

In keeping with the corporate risk management policy, the Group's principal objective is to minimize and offset all significant currency and interest rate risks, using both internal and external hedging techniques.

Currency risks

The bulk of the Group's overseas purchases are effected in the respective home currencies of different business units to guarantee minimal transaction risks. Procurement in other than the units' home currencies is partially hedged with currency forwards, loans and clauses, with the exception of the Russian rouble for which there are no external hedging instruments available. Intra-group finance transaction risks are offset with either currency forwards or currency options.

Translation risk management

In line with the corporate financing policy, the foreign-currency-denominated shareholders' equity of overseas subsidiaries can be protected by currency loans, forwards and options as well as currency or interest rate swaps. The Group hedges its SEK position with currency options.

Interest rate risk management

It is the objective of the Group's risk management policy to match the interest risk period of receivables and payables denominated in the same currency so as to minimize the risk-exposed position. Due to the Group's balance sheet structure, Tamro is structurally a net investor in euros and a net borrower in DKK, SEK and NOK. Interest rate risks are managed using interest rate swaps, currency options and most frequently forward rate agreements (FRAs).

Derivate instruments employed in risk management are presented on pages 35 and 39.

EMU

Finland was Tamro's only country of operation to join the EU's Economic and Monetary Union (EMU) from 1 January, 1999. The possible entry into the eurozone by the Group's other EU members, Sweden and Denmark, will be decided on later. The Treasury of the Parent Company Tamro Corporation started using the euro in its money, currency and capital market transactions on 1 January, 1999. Tamro Corporation's domestic invoicing will be effected in FIM for the time being. The euro was introduced in purchasing activities of Finnish business units starting from 1 January, 1999.

Board of Directors' Report for 1998

Tamro's Board of Directors:

From left Juha Toivola, Dag Johannesson, Erik Søndergaard, Erkki J. Toivanen (Chairman of the Board), Jørgen Tandrup, Matti Niemi, Juhani Mäkinen (Secretary of the Board) and Mikael von Frenckell. Paul Bundgaard and Arne Björnberg are absent from the picture.

Tamro acquired the largest Danish pharmaceutical wholesaler Nomeco in the spring of 1998. At the same time, the company consolidated its position as the leading Northern-European healthcare distributor and marketer. As the competitive situation becomes fiercer and markets are deregulated, Tamro will develop its service concept to enhance its competitive edge in the entire healthcare supply chain from the manufacturing location to the end customer.

Nomeco complements Tamro Nordic Concept

Tamro and Danish Nomeco merged in June 1998 after the stockholders had approved the corporate amalgamation agreed on earlier in the spring. The acquired company was consolidated using the pooling-of-interests method and thus Nomeco's figures are included in the Group's financial statements from the beginning of 1998. Nomeco with its almost 70% market share is the biggest pharmaceutical wholesaler in Denmark, but its healthcare-sector subsidiaries will also reinforce Tamro's position as a major Nordic healthcare product marketer. In the wake of the deal, Meco Holding A/S became Tamro's largest stockowner with a 28.1% stake.

In the summer, a process to integrate Tamro's and Nomeco's operations in practice was launched with the result that the Tamro Nordic Concept service was refined into a more competitive product. Thanks to Nomeco, the Group has gained new expertise in pharmaceutical distribution under a multi-channel system and a strong pre-wholesaling function. Based on Nomeco's experience, the areas of responsibility in Tamro Nordic Concept functions have been reorganized with a view to making them more customer-oriented.

Information system project from construction to roll-out phase

Tamro's new integrated information system forms a significant part of Tamro's most important service product. The information system project fell slightly behind the original schedule in the course of 1998 and will proceed to the introduction phase in stages during 1999. The reform offers Tamro's business partners an advanced information service and boosts the company's internal operations efficiency. In addition to improved competitiveness, the new system offers a smooth roll-over into the next millennium.

MHC's activities reorganized

Mölnlycke Health Care AB, which was comprised of Kolmi's and the Swedish SCA's hospital supplies productions, is the leading disposable surgical textiles manufacturer and marketer in Europe. Tamro owns a 30% stake in the company, whose operations underwent a large-scale reorganization during the reporting period to ensure a significantly improving competitive edge and profitability for the years to come.

Pauli Kulvik to succeed Matti Elovaara

On 12 May, 1998, the Board elected Mr. Pauli Kulvik, M.Sc. (Eng.) and MBA, as Tamro's new President and CEO starting from 1 January, 2000, when Commercial Counselor Matti Elovaara retires. Mr. Kulvik started as the Group's COO in the beginning of September 1998, and assumed responsibility for the operations of Tamro's business units on 1 October,1998.

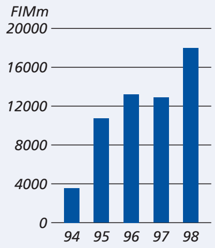
Developments and trends in 1998

The Group's profit was burdened by tightened competition and related diminished gross margins as well as several one-time expenses: upgrading of the information system, FIM 138 million, including the FIM 50 million IT reserve; devaluation of the Russian rouble in August, FIM 15 million; reorganization of Mölnlycke Health Care AB, FIM 32 million; as well as the FIM 54 million write-downs of goodwill posted in connection with 1996 corporate acquisitions, since the purchased companies did not reach the expected profit levels. Revenue increased due to a gain on the sale of Kolmi's business operations, FIM 116 million.

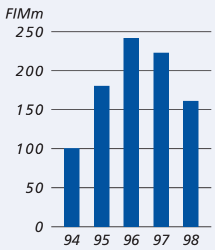
During 1999, the Group management is required to modify the corporate competitive strategy and implement measures to augment the Group's financial performance in line with stockholder expectations.

The consolidated profit after financial items totaled FIM 127.5 million (EUR 21.4 million).

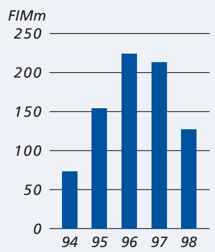
Net sales



Operating profit



Profit after financial items



Rise in net sales

The consolidated net sales for the fiscal year amounted to FIM 17,955 million (EUR 3,020 million), up 39% from the year before. The strong growth is attributable to the acquisition of Nomeco A/S, Denmark's largest pharmaceutical wholesaler. The net sales without the impact of corporate acquisitions expanded by 6%. The normalization of the Swedish pharmaceuticals market after the reform of the drug reimbursement system had a positive impact on the Group's net sales.

Net sales by Tamro Distribution Sweden expanded by 6% and totaled FIM 7,998 million (EUR 1,345 million). The market share in the sales of pharmaceuticals was 54% (58%). The fall-off of market share is explained by the increasing parallel import of pharmaceuticals and its impact on the sales of Tamro's largest business partners as well as the loss of a distribution contract.

Net sales by Nomeco, Denmark increased by 11% and stood at FIM 4,573 million (EUR 769 million). The market share was 69% (70%). The expansion of the Danish pharmaceuticals market exceeded the limits set under the two-year agreement curbing the National Health Insurance's medicinal expenditures concluded between the Danish Ministry of Health and the Danish Association of the Pharmaceutical Industry. This may slow down the market development next year.

Net sales by Tamro Distribution Finland amounted to FIM 3,775 million (EUR 635 million) showing an increase of 3%. The market share in the sales of pharmaceuticals was 62% (64%). The drop in the market share resulted from a loss of distribution agreements at the end of 1997. The decrease was, however, smaller than expected since the pharmaceutical companies under contract with Tamro showed satisfactory sales growth.

Net sales by country

	1998	Change
	FIMm	%
Sweden	8,044	+ 5
Denmark	4,491	-
Finland	4,373	+ 2
Norway	571	+26
Russia	104	-11
Estonia	112	+41
Latvia	116	+46
Lithuania	69	+41
Others	75	-44
Group	17,955	+39

Net sales by business unit, FIMm

	1998	1997	1996
Tamro Distribution Sweden	7,998	7,563	8,686
Nomeco, Denmark	4,573	-	-
Tamro Distribution Finland	3,775	3,652	3,354
Tamro Distribution Norway	503	389	161
Tamro Distribution Baltics and Russia	401	321	190
Tamro MedLab	512	466	354
Printel	223	188	182
Other and internal	-29	314	293
Group total	17,955	12,893	13,220

Net sales by Tamro Distribution Norway expanded by 29% to FIM 503 million (EUR 85 million). The market share of the sales of pharmaceuticals was 9% (8%).

Net sales by Tamro Distribution Baltics and Russia increased by 25% and totaled FIM 401 million (EUR 67 million). The estimated market share was in Estonia 32%, Latvia 18%, Lithuania 10% and Northwest Russia 12%.

Net sales by Tamro MedLab during the reporting period expanded by 10% and were FIM 512 million (EUR 86 million). The structural changes within its field of business had a negative influence on market development. The unit's growth, however, outpaced the market.

Net sales by Printel grew by 18% and came to FIM 223 million (EUR 37 million).

The net sales of other functions accounted for FIM 41 million (EUR 7 million).

Earnings

The consolidated operating profit for the accounting period fell 27% to FIM 162 million (EUR 27.2 million). Financial performance was depressed by a number of non-recurring expense items coupled with diminished gross margins caused by the tightened competitive situation in Sweden and Finland. In Sweden, the result was also depressed by the continued volume increase of parallel import pharmaceuticals. The Russian results collapsed owing to the devaluation of the Russian rouble. The Baltic units' profitability, on the other hand, remained good.

The results of Danish and Norwegian pharmaceutical distribution were satisfactory, and Tamro MedLab's profit reached the same level as the year before.

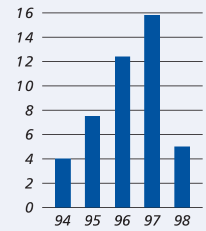
Operating profit by business unit, FIMm

	1998	1997	1996
Tamro Distribution Sweden	70	86	126
Nomeco, Denmark	112	-	-
Tamro Distribution Finland	63	75	70
Tamro Distribution Norway	-4	-9	-22
Tamro Distribution Baltics and Russia	-15	4	-3
Tamro MedLab	16	17	29
Printel	18	19	18
Other	-99	30	25
Group total	162	223	242

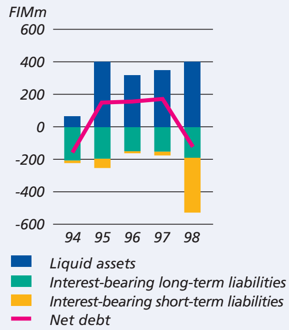
Return on capital employed by business unit, %

	1998	1997	1996
Tamro Distribution Sweden	12	17	25
Nomeco, Denmark	13	-	-
Tamro Distribution Finland	18	19	15
Tamro Distribution Norway	neg.	neg.	neg.
Tamro Distribution Baltics and Russia	neg.	14	neg.
Tamro MedLab	7	6	16
Printel	29	32	34
Group total	7,0	12,7	13,4

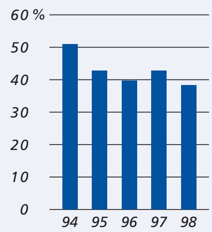
Interest cover



Year-end financial position



Equity ratio



Tamro's minority interest in Mölnlycke Health Care AB's profit was lowered by corporate restructuring efforts. Printel's earnings went down slightly compared with the previous year.

Currencies had a significant impact on the consolidated result. The impact of exchange losses and hedging expenditure totaled FIM 28.5 million.

The consolidated profit after financial items amounted to FIM 127.5 million (EUR 21.4 million) and it includes a portion of affiliated Castrum Oyj's and Mölnlycke Health Care AB's earnings. The impact of Castrum Oyj on the consolidated profit was FIM 0.3 million (approx. EUR 50,000) and that of Mölnlycke Health Care AB was negative, FIM -41 million (EUR -6.9 million). Tamro's year-end holding in Castrum Oyj was 45.7% and in Mölnlycke Health Care AB 30%.

The Group's pretax profit totaled FIM 136.4 million (EUR 22.9 million). The return on capital employed (ROCE) stood at 7.0% and return on equity (ROE) at 4.0%. In keeping with the Board's long-term growth objectives, ROE at the present interest level should be approximately 9%. Earnings per share (EPS) fell 58% to FIM 0.69.

Foreign currency

The bulk of the Group's net sales are denominated in SEK (45%), DKK (25%) and FIM (24%). In each Nordic Country, subsidiaries minimize their income-statement-related exchange rate risk by dealing almost exclusively in their home currencies. The majority of sales in the Baltic States and Russia are effected in the local currency and purchases in both western and local currencies. Foreign exchange risks are hedged by means of foreign exchange clauses, forwards and currency options, with the exception of the rouble for which there are no external hedging instruments available.

At year's end, 30% of the shareholder's equity consisted of SEK-denominated net assets, 24% of DKK-denominated and 44% of FIM-denominated net assets. Mainly due to the weakened Swedish krona and devalued Russian rouble, the consolidated stockholders' equity decreased by FIM 65 million. The Group hedges the translation risk associated with overseas subsidiaries' equities with currency forwards, options and loans.

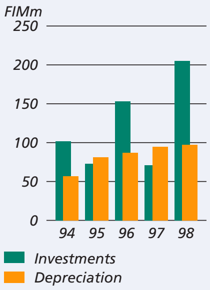
Finland was Tamro's only country of operation to join the EU's Economic and Monetary Union (EMU) from January 1, 1999. The possible entry into the eurozone by the Group's other EU members, Sweden and Denmark, will be decided on later. The Treasury of the Parent Company Tamro Corporation started using the euro in its money, currency and capital market transactions on January 1, 1999. Tamro Corporation's domestic invoicing will be effected in FIM for the time being. The euro was introduced in purchasing activities as from 1 January, 1999.

Financing

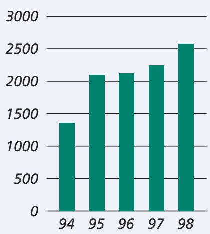
The free cash flow after capital investments came to FIM 253 million (EUR 43 million) and year-end liquid assets to FIM 401 million (EUR 67 million).

The Group's net gearing during the reporting period averaged 15%, finishing the fiscal year at 6%. Interest-bearing net liabilities at year's end totaled FIM 123 million (EUR 21 million) and averaged FIM 311 million (EUR 52 million) during the accounting period. The altered financial position was mostly caused by the consolidation of Nomeco A/S into the Group's financial statements and the divestiture of Kolmi's business activities.

Investments and depreciation



Employees, average



Investments by business unit, FIMm

	1998	1997	1996
Tamro Distribution Sweden	13	6	12
Nomeco, Denmark	19	-	-
Tamro Distribution Finland	2	6	6
Tamro Distribution Norway	8	1	1
Tamro Distribution Baltics and Russia	10	12	10
Tamro MedLab	4	2	83
Printel	5	6	6
Other	145	38	35
Group total	205	71	153

Number of employees by business unit, Dec. 31

	1998	1997	1996
Tamro Distribution Sweden	605	579	617
Nomeco, Denmark	656	-	-
Tamro Distribution Finland	456	444	447
Tamro Distribution Norway	33	27	24
Tamro Distribution Baltics and Russia	324	303	264
Tamro MedLab	256	233	221
Printel	159	161	171
Other	49	505	478
Group total	2 538	2 252	2 222

At year's end, Nomeco A/S redeemed outstanding bonds worth a total of DKK 89 million, financed with an intra-group loan provided by the Parent Company. The goal was to render intra-group financing more effective in future accounting periods.

The Group's net financing expenditure for the period accounted for FIM 34.5 million (EUR 5.8 million) and the interest coverage ratio stood at 5. The year-end equity ratio was 38.3%.

Investments

The most significant investment during the period was acquiring a 30% stake in Mölnlycke Health Care AB in connection with Kolmi's divestiture. The investment outlay totaled FIM 143 million (EUR 24 million). Aggregate capital spending came to FIM 205 million (EUR 34.5 million).

Personnel

The year-end payroll totaled 2,538 staff members, averaging 2,578 over the period. The workforce was reduced due to the sale of Kolmi's business operations (-359 employees), but increased by the acquisition of Nomeco (+658 employees). Of the Group's staff, 31% worked in Finland, 27% in Sweden, 26% in Denmark, 14% in the Baltic States and Russia and 2% in Norway.

The wages and salaries paid by the Group during the reporting period totaled FIM 403 million, including FIM 102.1 million paid by parent company Tamro Corporation. The remuneration paid to Tamro Corporation's Board of Directors and Supervisory Board amounted to FIM 1.3 million, while the CEO and other members of the Executive Team received a total of FIM 9 million in salaries and FIM 0.4 in bonuses.

Tamro has in cooperation with the Stockholm School of Economics initiated a Group-wide manager and expert development program that includes five courses spread over one year. The program deals with topics such as strategy, culture, communications, IT-management, markets, organization and leadership. The aim is to impart knowledge about Tamro's strategically important business areas and also develop collaboration between different languages and cultures within Tamro in order to increase personnel contacts and enhance the one-company feeling.

The most important company-wide project carried out during 1998 was to establish Tamro's core values. The Group management's proposals were reviewed in all departments and workplaces during the fall. Many interesting views and proposals came to light during the discussions and these in turn formed the basis and foundation for the corporate core values confirmed by the Executive Team in December. During 1999, the core values are to be put into practice through management-level seminars and workplace events.

During the reporting period, a Group-wide job evaluation system according to the international HAY job evaluation system was introduced. The Group's Executive Team and the Management Teams of business units were assessed during the year and the system will be gradually expanded to cover most levels of the enterprise.

The subscription period for Tamro stock based on the 1994 and 1995 warrant bonds issued to personnel started on 1 December, 1998 and will continue until 31 January, 2000. The warrant bonds were introduced on the Main List of the HEX Helsinki Exchanges in January 1999.

Stock trends and ownership structure

The Tamro Corporation shares are listed on the HEX Helsinki Exchanges and the new stock class issued to Meco Holding A/S has been quoted since 29 June, 1998. Since the older stock is entitled to a FIM 0.90 higher dividend for 1998 than the newly introduced shares, these are quoted separately until the 1998 dividend has been paid out.

During 1998, a total of 48.3 million Tamro Corporation shares changed hands at the HEX Helsinki Exchanges, equivalent to 45.7% of the average number of all Tamro shares. This stock turnover represented a market value of FIM 1,466 million (EUR 247 million). Only older shares were traded and the turnover proportionate to their average number was 54.7%. The closing share price for 1998 stood at FIM 22.00 (EUR 3.70). The year's trading high was FIM 44.00 and low FIM 20.00. The newly issued Tamro stock was not traded on the Exchange during 1998.

Tamro's year-end market capitalization amounted to FIM 2,671 million, compared with FIM 2,624 million at the beginning of the period. The capital stock was increased on 25 June through a private placement of 34,456,060 shares, corresponding to 28.1% of Tamro's capital stock, issued to Meco Holding A/S in consideration of the acquisition of Nomeco A/S. By the end of the year, Tamro's capital stock was raised by 100,000 shares through subscription using 100,000 warrants attached to the 1994 warrant bond.

Tamro reacquired a total of 2,404,000 of its own shares during 1998, equaling 1.96% of its capital stock.

At year's end, approximately 60.8% of Tamro's capital stock was in foreign and 39.2% in Finnish hands.

For more information on Tamro's stock and owners, see pages 10–12.

1998 Annual General Meeting

Tamro's Annual General Meeting, held on 23 April, 1998, approved the financial statements for 1997 and declared a FIM 0.90 dividend per share, representing 54% of the earnings per share (EPS). The General Meeting also discharged the Supervisory Board, Board of Directors and Corporate President from responsibility for the 1997 accounting period and elected new members to the Board of Directors and Supervisory Board as well as external auditors.

The size of Tamro's Board of Directors was confirmed as six members. Mr. Erkki J. Toivanen was re-elected Chairman. The other Board Members were also re-elected: Mr. Mikael von Frenckell, Mr. Arne Björnberg, Mr. Dag Johannesson, Mr. Juha Toivola and Mr. Matti Niemi.

The size of the Supervisory Board was confirmed as 18 members. Ms. Pirjo Ala-Kapee, Mr. Jan Ekberg and Mr. Tuomo Lähdesmäki had tendered their resignations from membership. Of the members up for re-election under the staggered terms of the Supervisory Board, Ms. Barbro Fischerström, Mr. Erik Forssell, Mr. Bengt Holgersson and Mr. Pär Stenbäck will continue on the Board. Mr. Rabbe von Weymarn was elected as a new member for the period until the 1999 Annual Meeting of Stockholders to succeed resigning Tuomo Lähdesmäki. Mr. Lars Isaksson was also chosen as a new Board Member. Ms. Barbro Fischerström continues as Chairperson and Mr. Reijo Purasmaa as Vice Chairman of the Supervisory Board.

SVH PricewaterhouseCoopers Oy and KPMG Wideri Oy, both Authorized Public Accountants, continue as Tamro's external auditors.

Extraordinary General Meeting on 17 June, 1998

The Extraordinary General Meeting passed the Board's proposal to amend Tamro's Articles of Association. The amendment was entered in the Finnish Trade Register on 25 June, 1998.

The Meeting also decided to raise the capital stock by FIM 344,560,600 to FIM 1,226,194,300 by issuing a total of 34,456,060 new shares with a FIM 10 face value to Meco Holding A/S at a price of FIM 34 per share in a private placement in deviation from the current stockholders' pre-emptive right. The shares were paid for in kind by surrendering to Tamro the entire capital stock of leading Danish pharmaceutical wholesaler Nomeco A/S. The newly issued shares entitle their holders to a first dividend payment for the current reporting period, but the dividend per share is FIM 0.90 lower than that paid for other Tamro stock. All stockowners will, however, receive dividends in line with the corporate dividend policy, i.e. approx. 50% of the earnings per share (EPS). The capital stock increase was entered in the Trade Register on 25 June, 1998.

After Danish Meco Holding A/S had become the largest Tamro stockholder with its 28.1% stake, a decision was made to increase the size of the Board of Directors from six to nine members; in addition to the present members, Mr. Jørgen Tandrup, Mr. Erik Søndergaard and Mr. Paul Bundgaard were elected to the Board. The size of the Supervisory Board also grew by three new Danish entrants, Mr. Ulrik Lett, Mr. Lars Pallesen and Mr. Hans Ulrik Schaffalitzky de Muckadell, to a total of 21 members.

The Extraordinary Meeting granted the Board of Directors authorization to decide about stock repurchases during public trading conducted at the HEX Helsinki Exchanges. The amount of treasury stock may not exceed 5% of the company's total capital stock. The authorization is valid for one year until 17 June, 1999. The Board decided to use its authorization prior to the close of 1998 and had by year's end reacquired a total of 2,404,000 shares at an acquisition cost of FIM 75.8 million (EUR 12.7 million). The treasury stock thus repurchased can constitute part of the company's remuneration and incentive systems or be used as payment for corporate acquisitions and mergers.

Group structure

Tamro Corporation acquired the entire capital stock of Danish Nomeco A/S during the period under review. In Sweden, Tamro AB has owned all Swedish subsidiaries since 4 February, 1998, while Tamro Corporation is the owner of Tamro AB.

On 1 January, 1999, Tamro Medical AB's operations were united with Tamro Lab AB in Sweden and Tamro Medical AS's operations with Tamro Lab AB in Norway, after which the merged companies were known as Tamro MedLab AB and Tamro MedLab AS, respectively. The name of Danish Tamro Medical A/S will change to Tamro MedLab A/S.

On 18 May, 1998, Tamro Corporation sold off its Kerko Sport Oy stock, owned jointly with Merita Bank Plc.

On 4 February, 1999, an agreement was concluded about increasing Castrum Oyj's real-estate capital and widening its ownership base. As a result of the arrangements, stock was issued to the new shareholders in a private placement which raises their ownership share to over 60 % of Castrum's capital stock. At the same time, Tamro's holding will be reduced to 19–22%.

Group organization on 1 March, 1999

The Group organization was modified on 1 March, 1999, as follows:

- Corporate President and CEO: Mr. Matti Elovaara
- Chief Operational Officer: Mr. Pauli Kulvik
- President of Nomeco A/S, Denmark: Mr. Jan Bonde
- Chief Financial Officer responsible for Group finance, financing and investor relations: Mr. Kim Ignatius
- President of Tamro Distribution Norway: Mr. Asbjørn Leirvik
- Chief Information Officer: Mr. Peter Lørup
- Chief Personnel Officer: Ms. Inger Malm
- President of Tamro Distribution Finland: Mr. Tapio Mansukoski
- President of Tamro Distribution Baltics and Russia: Mr. Björn Mattila
- Senior Vice President, Corporate Planning: Mr. Heikki Ojanperä
- President of Tamro Distribution Sweden: Mr. Bengt Persson
- President of Tamro MedLab: Mr. Keijo Väkiparta

In connection with the new organization a decision was made to move the Corporate Center from Stockholm, Kungens Kurva to the Tamro House, Vantaa, in greater Helsinki

Outlook for near future

The Nordic competitive situation will remain intense. The structural changes within the pharmaceuticals industry and wholesale continue, causing pressure for enhanced efficiency and lowered expenditure also this year. The aggregate market will keep on growing, but at a slower pace than the year before.

The Group's most important projects include the roll-out of the new information system, development of the Tamro Nordic Concept service and implementation of profitability-promoting measures. These efforts focus on upgrading value added services targeted at Tamro's business partners, a reappraisal of Tamro's role within the healthcare field, pruning of unviable Group operations and improvement of the corporation's internal structure and operational efficiency.

The growth of the Group's net sales is expected to slow down from the year before. The introduction of the new information system will continue to burden the result of the next accounting period. The 1999 profit after financial items is anticipated to improve markedly when the nonrecurring items impacting the 1998 earnings are taken into account.

CONSOLIDATED INCOME STATEMENT

Note	Jan. 1 – Dec. 31	1998 €m	1998 FIMm	%	1997 FIMm	%
1	**Net Sales**	3,019.8	17,955.2	100.0	12,893.0	100.0
1	**Other income**	12.7	75.3		-	
	Expenses					
	Materials, supplies and products					
	Purchases during the financial period	2,826.7	16,806.6		11,873.2	
	Inventories, incr. (-), decr. (+)	–30.6	–182.1		–153.8	
	External services	24.3	144.5		179.1	
2	Personnel expenses	81.6	485.0		415.6	
	Rents and leases	7.2	42.6		37.0	
	Other expenses	70.7	420.4		223.5	
		2,979.8	17,717.0		12,574.6	
	Operating profit before depreciation	52.7	313.5	1.7	318.4	2.5
3	Depreciation	–16.4	–97.4		–95.4	
3	Write-off of goodwill	–9.1	–54.4		-	
	Operating profit	27.2	161.7	0.9	223.0	1.7
4	Financial income and expenses	–5.8	–34.5		–13.5	
8	Share of affiliated companies' net income	0.1	0.3		3.9	
	Income after financial items	21.4	127.5	0.7	213.4	1.7
5	Extraordinary income and expense	1.5	8.9		3.3	
	Profit before taxes	22.9	136.4	0.8	216.7	1.7
6	Income taxes	–7.3	–43.2		–66.3	
	Minority interest	0.0	0.0		–0.8	
	Net profit for the period	15.7	93.2	0.5	149.6	1.2
	Earnings per share €/FIM	0.12	0.69		1.66	

CONSOLIDATED BALANCE SHEET

	Dec. 31	1998	1998	%	1997	%
	Fixed assets	€m	FIMm		FIMm	
7	**Intangible assets**					
	Intangible rights	4.4	26.2		22.9	
	Goodwill	0.1	0.7		3.9	
	Consolidated goodwill	24.1	143.3		228.4	
	Other capitalized expenditure	0.5	2.9		6.8	
		29.1	173.2		262.0	
7	**Tangible assets**					
	Land areas	16.0	95.2		72.0	
	Buildings and structures	103.4	614.6		533.6	
	Machinery and equipment	20.2	120.3		150.0	
	Other tangible assets	0.4	2.3		2.2	
	Advance payments and construction in progress	0.6	3.5		2.6	
		140.6	835.9		760.4	
	Financial assets					
	Shares in subsidiaries	0.3	1.7		1.4	
8	Shares in affiliated companies	17.5	104.1		54.4	
	Other shares and paricipations	3.4	20.1		19.2	
27	Own shares	8.9	52.9		-	
8,9	Loans receivable	11.1	65.8		65.6	
		41.2	244.7		140.6	
	Total fixed assets	210.9	1,253.8	22.7	1,163.0	28.6
	Current assets					
	Inventories					
	Materials and supplies	0.9	5.5		18.7	
	Work in progress	0.5	2.9		4.3	
	Goods	257.6	1,531.5		1,126.6	
		259.0	1,539.9		1,149.6	
9	**Receivables**					
	Accounts receivable	369.7	2,198.0		1,349.5	
	Loans receivable	1.1	6.7		1.8	
	Prepaid expenses and accrued income	20.6	122.2		54.2	
	Other receivables	0.5	3.1		178.8	
		391.9	2,330.0		1,584.3	
	Short-term investments	38.3	227.9		37.2	
	Cash and bank	29.1	172.9		132.7	
	Total current assets	718.3	4,270.7	77.3	2,903.8	71.4
	Total assets	929.2	5,524.5	100.0	4,066.8	100.0

CONSOLIDATED BALANCE SHEET

	Dec. 31	1998	1998	%	1997	%
11	*Shareholders' equity*	€m	FIMm		FIMm	
	Restricted equity					
10	Capital stock	206.4	1,227.2		881.6	
	Other restricted equity	1.5	8.9		7.6	
		207.9	1,236.1		889.2	
	Non-restricted eqyity					
	Profits brought forward	121.2	720.6		700.5	
	Fund for own shares	8.9	52.9		-	
	Net profit for the year	15.7	93.2		149.6	
		145.8	866.7		850.1	
	Total shareholders' equity	353.7	2,102.8	38.1	1,739.3	42.8
	Minority interest	0.0	0.0	0.0	2.7	0.1
13	*Obligatory reserves*	0.9	5.1	0.1	1.7	0.0
	Liabilities					
14	**Long-term liabilities**					
15	Bonds with warrants	0.7	4.4		9.2	
	Loans from financial institutions	22.2	132.1		85.4	
	Pension fund loans	9.0	53.3		57.3	
12	Deferred income tax liability	8.7	51.9		66.5	
	Other long-term liabilities	0.0	0.1		1.9	
		40.7	241.8		220.3	
	Short-term liabilities					
15	Bonds with warrants	0.8	5.0		-	
	Loans from financial institutions	33.7	200.3		23.7	
	Pension fund loans	0.0	0.0		0.1	
	Advances received	1.1	6.4		4.4	
	Accounts payable	415.5	2,470.2		1,798.8	
	Accrued expenses and deferred income	44.2	262.6		194.2	
	Other current liabilites	38.7	230.3		81.6	
		534.0	3,174.8		2,102.8	
	Total liabilities	574.6	3,416.6	61.8	2,323.1	57.1
	Total equity and liabilities	929.2	5,524.5	100.0	4,066.8	100.0

CONSOLIDATED CASH FLOW STATEMENT

Jan.1 – Dec. 31	1998	1998	1997
	€m	FIMm	FIMm
Operating profit before depreciation	27.2	162	223
Depreciation, value adjustments and other adjustments	40.9	243	95
Financial income and expenses	–5.9	–35	–12
Other income and expenses	1.5	9	11
Taxes	–18.2	–108	–49
	45.6	271	268
Change in net working capital			
Inventories, increase (-), decrease (+)	–7.6	–45	–159
Current receivables, increase (-), decrease (+)	–10.6	–63	260
Non-interest bearing debts, increase (+), decrease (-)	28.6	170	–216
Cash flow before investments	56.0	333	153
Investments			
Investments in fixed assets	–34.5	–205	–71
Sale of fixed assets and other changes	21.0	125	13
Free cash flow	42.6	253	95
Financing			
Long-term debt, increase (+), decrease (-)	–17.7	–105	–2
Short-term debt, increase (+), decrease (-)	14.8	88	5
Dividends	–13.3	–79	–79
Purchase of own shares	–12.8	–76	-
Translation differencies and other changes	–4.9	–29	4
Change in liquid assets, increase (+), decrease (-)	8.7	52	23

INCOME STATEMENT OF THE PARENT COMPANY

	Jan.1 – Dec. 31 (FIMm)	1998	%	1997	%
18	**Net sales**	4,115.6	100.0	3,985.3	100.0
	Other income	176.6		22.3	
	Expenses				
	Materials, supplies and products				
	Purchases during the financial period	3,795.3		3,670.4	
	Inventories, incr. (-), decr. (+)	–8.6		–14.1	
	External services	18.1		18.4	
19	Personnel expenses	126.1		126.0	
	Rents and leases	20.0		17.6	
	Other expenses	129.2		90.7	
		4,080.1		3,909.0	
	Operating profit before depreciation	212.1	5.2	98.6	2.5
20	Depreciation according to plan	–32.3		–32.0	
	Operating profit	179.8	4.4	66.6	1.7
21	Financial income and expenses	–20.0		95.7	
	Income after financial items	159.8	3.9	162.3	4.1
22	Extarordinary income and expense	77.9		13.4	
	Profit before taxes	237.7	5.8	175.7	4.4
23	Appropriations	–5.2		–7.5	
24	Direct taxes	–58.8		–22.5	
	Net profit for the period	173.7	4.2	145.7	3.7

BALANCE SHEET OF THE PARENT COMPANY

	Dec. 31 (FIMm)	1998	%	1997	%
	Fixed assets				
25	**Intangible assets**				
	Intangible rights	23.1		19.9	
	Goodwill	143.3		157.6	
	Other capitalized expenditure	0.2		0.2	
		166.6		177.7	
25	**Tangible assets**				
	Land areas	6.0		6.0	
	Buildings and structures	258.6		269.7	
	Machinery and equipment	13.0		17.8	
	Other tangible assets	1.4		1.1	
		279.0		294.6	
	Financial assets				
26	Shares in subsidiaries	1,481.9		1,098.7	
27	Other shares and participations	221.2		47.6	
27	Own shares	52.9		-	
28	Loans receivable	729.8		75.3	
		2,485.8		1,221.6	
	Total fixed assets	2,931.4	68.0	1,693.9	57.0
	Current assets				
	Inventories				
	Materials and supplies	499.7		491.1	
28	**Receivables**				
	Accounts receivable	195.9		198.4	
	Loans receivable	260.9		231.0	
	Prepaid expenses and accrued income	68.6		40.7	
		525.4		470.1	
	Short-term investments	213.6		37.2	
	Cash and bank	143.2		281.7	
	Total current assets	1,381.9	32.0	1,280.1	43.0
	Total assets	4,313.3	100.0	2,974.0	100.0
29	*Shareholders' equity*				
	Restricted equity				
10	Capital stock	1,227.2		881.6	
	Other restricted equity	1,276.0		447.8	
		2,503.2		1,329.4	
	Non-restricted equity				
	Profits brought forward	173.2		182.6	
	Fund for own shares	52.9		-	
	Net profit for the year	173.7		145.7	
		399.8		328.3	
	Total shareholders' equity	2,903.0	67.3	1,657.7	55.7
30	*Accumulated depreciation difference*	335.6	7.8	330.4	11.1
31	*Obligatory reserves*	1.5	0.0	1.5	0.1
	Liabilities				
32	**Long-term liabilities**				
15	Bonds with warrants	5.0		10.0	
	Loans from financial institutions	62.7		68.6	
		67.7		78.6	
28	**Short-term liabilities**				
15	Bonds with warrants	5.0		-	
	Loans from financial institutions	46.2		-	
	Advances received	3.6		1.7	
	Accounts payable	739.9		630.4	
	Accrued expenses and deferred income	71.9		32.4	
	Other current liabilites	138.9		241.3	
		1,005.5		905.8	
	Total liabilities	1,073.2	24.9	984.4	33.1
	Total equity and liabilities	4,313.3	100.0	2,974.0	100.0

CASH FLOW STATEMENT OF PARENT COMPANY

Jan.1 – Dec. 31 (FIMm)	1998	1997
Operating profit before depreciation	180	67
Depreciation	32	32
Financial income and expenses	–18	98
Other income and expenses	54	-
Taxes	–59	–23
	189	174
Change in net working capital		
Inventories, increase (-), decrease (+)	–9	–14
Current receivables, increase (-), decrease (+)	–55	–94
Non-interest bearing debts, increase (+), decrease (-)	150	36
Cash flow before investments	275	102
Investments		
Investments in fixed assets	–183	–28
Investment in subsidiary shares	–1,450	–22
Sale of fixed assets and other changes	1,070	15
Free cash flow	–288	67
Financing		
Long-term receivables, increase (-), decrease (+)	–655	42
Long-term debt, increase (+), decrease (-)	–11	–1
Short-term debt, increase (+), decrease (-)	–51	183
Group contribution	24	13
Share issue	1,174	-
Purchase of own shares	–76	-
Dividends	–79	–79
Change in liquid assets, increase (+), decrease (-)	38	225

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 and Nomeco A/S are consolidated using the pooling method. The elimination of the acquisition cost of the subsidiaries' shares is first carried out from the subsidiary's restricted equity in the beginning of the financial year that it was acquired, then from the share premium account generated from the Tamro Corporation's direct placement, and, lastly, from the Group's other distributable non-restricted equity. Thus the acquisitions do 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. Foreign exchange differences from the parent company´s non-current loan receivables from Group and the non-current loan payable by the Russian subsidiary to the parent company have been entered directly into translation differences in the consolidated accounts.

The Group's equity hedging policy states that 0 to 100% 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. In 1998 when the Kolmi operations were sold to the affiliated company Mölnlycke Health Care AB, 30% of the internal profit was eliminated.

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	10–20	years
Other intangible assets	5–7	years
Buildings and structures	10–40	years
Machinery and equipment	3–10	years

CAPITALIZED INTEREST IN TAMRO HOUSE

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

LEASING

Leasing payments are charged to rental expense. The Group has no significant contracts on Finance Lease. Leasing commitments are disclosed in the Explanatory Notes to the financial statements.

ACCOUNTING 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 profit.

RESEARCH AND DEVELOPMENT

Group R&D expenses, which are of immaterial as to amount, are charged directly to income.

INVENTORIES

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

FOREIGN CURRENCY RECEIVABLES AND LIABILITIES

All the foreign currency receivables and liabilities of the parent company and its subsidiaries in Finland have been converted into Finnish marks at the mid-rate quoted by the Bank of Finland on the final date of the balance sheets. The foreign subsidiaries' foreign currency receivables and liabilities are converted at the appropriate exchange rate on the final date of the respective balance sheets. Open positions on forward contracts relating to foreign exchange transactions are valued at market on the final date of the balance sheet, including the interest component.

PENSION COMMITMENTS

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

TAX APPROPRIATIONS AND UNTAXED RESERVES

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

The consolidated balance sheet and 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 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.

OTHER INCOME

Other income consists of the gain on the sale of Kolmi in 1998 and Group´s share of the net result of the affiliated company Mölnlycke Health Care AB.

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. From 1998 the change in the deferred income tax include tax effects from temporary differences, tax losses, changes in untaxed reserves and consolidation adjustments to net income. The effect of the change of accounting principle has been included as extraordinary expense in 1998.

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.	1998	1997
1. Net sales by market area and business unit		
By market area:		
Sweden	8,043.9	7,649.4
Denmark	4,491.1	24.6
Finland	4,372.8	4,307.7
Norway	571.1	454.2
Baltic States and Northwest Russia	401.5	324.6
France	69.7	76.1
Other countries	5.1	56.4
	17,955.2	12,893.0
By business unit:		
Tamro Distribution Sweden	7,998.3	7,563.5
Nomeco, Denmark	4 573.5	-
Tamro Distribution Finland	3 774.5	3,651.7
Tamro Distribution Norway	502.5	389.3
Tamro Distribution Baltics and Russia	401.0	320.7
Tamro MedLab	511.5	465.8
Printel	222.7	188.0
Kolmi	-	291.6
Others	–28.8	22.4
	17,955.2	12,893.0
Other income		
Gain on sale of Kolmi	116.4	-
Share of Mölnlycke Health Care AB net result 1998	–41.1	-
	75.3	-
2. Personnel and salaries		
Personnel by business unit at the end of the fiscal year:		
Tamro Distribution Sweden	605	579
Nomeco, Denmark	656	-
Tamro Distribution Finland	456	444
Tamro Distribution Norway	33	27
Tamro Distribution Baltics and Russia	324	303
Tamro MedLab	256	233
Printel	159	161
Kolmi	-	355
Others	49	150
	2,538	2,252
Personnel expenses:		
Wages and salaries during the fiscal year	389.5	303.9
Pension expenses	46.5	62.4
Other payroll related social costs	49.0	49.2
	485.0	415.6
Fringe benefits, taxation value	9.7	11.8
The wages and salaries paid to:		
Boards of Directors, Supervisory Board and Presidents	11.9	11.1
- of which bonuses related to profit targets	0.5	0.4
Other personnel	391.1	295.9
	403.0	306.9

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 commintments for the management of a certain subsidiary. This liability is not significant enough to be incorporated into the Group's financial statements.

	1998	1997
3. Depreciation according to plan		
Intangible rights	3.3	3.2
Goodwill	1.6	1.2
Consolidated goodwill	21.4	21.8
Other capitalized expenditure	4.1	3.2
Buildings	25.7	24.5
Machinery and equipment	41.2	41.2
Other tangible assets	0.0	0.1
	97.4	95.4
Value adjustments, MedLab goodwill	54.4	-

Figures are in FIM millions.	1998	1997

4. Financial income and expenses

	1998	1997
Dividend income	0.2	0.4
Interest income	18.9	9.3
Other financial income	10.5	1.6
Interest expenses	–31.5	–14.4
Other financial expenses	–11.9	–6.1
Exchange rate differencies, net	–20.7	–4.3
	–34.5	–13.5

5. Extraordinary income and expenses

	1998	1997
Income		
Sale of subsidiaries	8.0	7.6
Sundry income	5.3	1.8
	13.3	9.4
Expenses		
Change in deferred tax liability relating to prior year	–4.3	-
Sundry expenses	–0.1	–6.2
	–4.4	–6.2
Extraordinary income and expenses, total	8.9	3.3

6. Income taxes

	1998	1997
Current income taxes		
On this year's earnings		
Finnish Group companies	–59.0	–23.9
Foreign Group companies	–49.2	–24.7
	–108.2	–48.6
Income taxes from previous years	0.2	–0.2
Change in deferred income tax liability	64.8	–17.4
Current income taxes, total	–43.2	–66.3

7. Fixed assets

Fixed assets	Acquisition cost Jan. 1	Translation difference	Increase +	Incr./acq. companies +	Decrease –	Acquisition cost Dec. 31	Accumulated depreciation	Book value Dec. 31
Intangible assets								
Intangible rights	62.8	–0.1	5.6	1.2	–1.0	68.5	–42.2	26.2
Goodwill	15.5	–0.1	-	-	–5.5	9.8	–9.1	0.7
Consolidated goodwill	400.6	-	-	-	–70.0	330.7	–187.4	143.3
Other capitalized expenditure	20.8	–2.0	1.9	1.1	–4.5	17.3	–14.4	2.9
Jan. 1 – Dec. 31, 1998	499.7	–2.3	7.4	2.4	–81.0	426.3	–253.1	173.2
Jan. 1 – Dec. 31, 1997	496.8	0.7	21.1	0.0	–18.9	499.7	–237.7	262.0
Tangible assets								
Land areas	72.0	–2.8	0.0	35.3	–9.4	95.2	0.0	95.2
Buildings	715.5	–17.9	10.5	163.5	–102.0	769.7	–155.1	614.6
Machinery and equipment	545.6	–24.9	45.9	28.8	–126.1	469.3	–349.0	120.3
Other tangible assets	3.4	–0.2	0.5	0.0	–1.3	2.4	–0.1	2.3
Adv. payments and const. in prog.	2.6	–0.1	3.5	0.6	–3.1	3.5	0.0	3.5
Jan. 1 – Dec. 31, 1998	1,339.1	–45.8	60.3	228.3	–241.8	1,340.1	–504.2	835.9
Jan. 1 – Dec. 31, 1997	1,349.6	10.9	62.5	–5.7	–78.3	1,339.1	–578.6	760.4
Value adjustments								
The figures above include value adjustments:								
Land areas	5.4	-	-	-	–0.7	4.7	-	4.7
Buildings	32.9	-	-	-	–6.0	26.9	-	26.9
Other fixed assets	1.1	-	-	-	–1.1	0.0	-	0.0
Jan. 1 – Dec. 31, 1998	39.5	-	-	-	–7.9	31.6	-	31.6
Jan. 1 – Dec. 31, 1997	39.6	0.2	0.0	-	–0.3	39.5	-	39.5

	1998	1997
Machinery and equipment in production use, book value	2.5	40.0
Ratable values		
Land areas	56.0	34.6
Buildings	421.9	287.6
Other shares and participations	212.6	68.0
	690.5	390.2

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

Figures are in FIM millions.	*1998*	*1997*
8. Affliated companies		
Opening balance	54.4	51.4
New affiliated companies	92.8	-
Share of net results*	–40.8	3.9
Translation differences	–2.3	-
Change in ownership share	-	–0.8
Closing balance	104.1	54.4
* of which reported as other income	–41.1	0.0

The balance equals Tamro´s investments into Castrum Oyj and Mölnlycke Health Care AB.
The consolidated book value of Castrum equals 8.64 FIM per share. The corresponding stock price is 5.60 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	0.1

The loans to Group management are in force for the time being. The interest on the loans in 1998 was the Bank of Finland base rate + 1%.

Receivables in current assets, which fall due after one year or more

Loans receivable	5.2	0.0

10. Capital stock and subscription warrants

The company's capital stock as at December 31, 1998 was FIM 1,227,194,300 and is divided into 122,719,430 shares, each of which carries one vote. The total of 2,404,000 shares are owned by the company.

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	Holdings
Issue of bonds with warrants 1994	3,496,000	2.64%
Issue of bonds with warrants 1995	1,400,000	1.06%
Issue of bonds with warrants 1997	5,000,000	3.77%
	9,896,000	7.46%
Total number of shares including warrants	132,615,430	100.00%

Figures are in FIM millions.	1998	1997

11. Changes in shareholders' equity

Restricted equity		
Capital stock		
Opening balance	881.6	881.6
Increase	345.6	-
Closing balance	1,227.2	881.6
Reserve fund, no change	0.0	0.0
Share premium account		
Opening balance	-	-
Share premium in connection with share issue	1.3	-
Closing balance	1.3	-
Value adjustment fund, no change	7.6	7.6
Restricted equity, closing balance	1,236.1	889.2
Non-restricted equity		
Distributable non-restricted eqyity		
Opening balance	454.9	400.1
Pooling adjustment	90.3	-
Dividend	–79.3	–79.3
Net profit for the year	93.2	149.6
Translation differences	–64.7	10.8
To fund for own shares	–75.8	-
Change in untaxed reserves, net	82.3	–26.4
Other change	0.1	0.1
Closing balance	501.0	454.9
Other non-restricted equity		
Opening balance	395.2	368.8
Fund for own shares	75.8	-
Write-down of own shares	–22.9	-
Change in untaxed reserves, net	–82.3	26.4
Closing balance	365.8	395.2
Non-restricted equity, closing balance	866.7	850.1

12. Deferred income taxes

Tax losses	54.7	-
Untaxed reserves	–108.3	-66.5
Other temporary differences	–39.4	-
Consolidation adjustments	41.1	-
	–51.9	–66.5

The deferred income tax liability on overseas companies has been calculated using local tax rates.

In 1998 deferred taxes have been calculated based on tax losses, effect of consolidation adjustments on net income as well as calculating the full amount of tax on untaxed reserves. The change in deferred tax liability due to the change in accounting principles is reported as extraordinary expense.

Depreciation and other untaxed reserves in separate companies	464.4	511.6
– included in equity elimination of acquired subsidiaries	–43.2	–49.9
	421.2	461.7
Deferred income tax liability for accelerated depreciation and other untaxed reserves	–108.3	–66.5
Untaxed reserves, net of deferred tax liability, included in consolidated equity	312.9	395.2

Figures are in FIM millions.		**1998**	1997
13.	***Obligatory reserves***		
	Pension commitments	**3.5**	-
	Guarantee and other commitments	**1.6**	1.7
		5.1	1.7
	Changes in the obligatory reserves in the income statement		
	Expenses	**0.3**	0.4
	Extraordinary items	**-**	0.7
		0.3	1.1
14.	***Long-term liabilities***		
	Long-term liabilities fall due as follows:		
	2000	**44.4**	
	2001–2003	**112.1**	
	2004–	**18.8**	
	On special conditions	**66.5**	
		241.8	
	Foreign currency breakdown of long-term loans:		
	FIM	**4.6**	
	SEK	**128.5**	
	DKK	**108.1**	
	LVL	**0.7**	
		241.8	

Of the above pension loans FIM 53.3 (56.4) million equals pension provision of the Swedish subsidiary Tamro Distribution AB, according to local practise. The pension provision has a parent company guarantee.

15. *Bonds as of December 31, 1998*

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	3,596,000	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	3,496,000	1,400,000	2,500,000 A 2,500,000 B
Subscription period	Dec. 1, 1998 to Jan. 31, 2000	Dec. 1, 1998 to Jan. 31, 2000	A: Dec. 1, 2000 to Dec. 31, 2004 B: Dec. 1, 2001 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.	See bond 1994	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.

A total of 562,000 warrants are owned by the Group.

Figures are in FIM millions.	1998	1997
16. Contingent liabilities		
Mortgages		
For own debts (1)	26.3	66.6
Pledges		
For own obligations (2)	0.1	0.1
For others	0.1	0.0
	0.2	0.1
Guarantees		
For debts of others	17.4	15.2
	17.4	15.2
Other commitments		
Leasing commitments		
Next year	13.9	15.2
Over one year	13.9	10.8
Rent commitments	17.5	16.6
Repurchase commitments	0.7	2.0
Other commitments	0.2	0.6
	46.2	45.2
Group liabilities, secured by mortgages, pledges and other commitments:		
Mortgages (1)	20.4	34.1
Pledges (2)	0.1	0.1
	20.5	34.2
17. Off-balance sheet financial instruments for foreign currency and interest rate risks		
Currency instruments		
Currency forward contracts, FIM equivalent value at end of year, gross	1,034.4	892.9
Call options FIM equivalent, gross	2,418.0	174.0
Put options FIM equivalent, gross	2,814.1	292.0
Interest rate instruments		
Nominal value of forward contracts, gross	1,034.0	517.9
Nominal value of option contracts, gross	798.2	-
Currency instruments		
Market value of currency forward contracts at end of year	–1.3	1.1
Market value of option contracts at end of year	–0.5	0.3
Interest rate instruments		
Market value of forward contracts at end of year	–0.1	–0.1
Market value of option contracts at end of year	–0.7	-

Figures are in FIM millions.	1998	1997
18. Net sales by market area and business unit		
By market area:		
Finland	4,105.5	3,977.3
Sweden	0.3	0.5
Baltic countries and Northwest Russia	9.8	7.5
	4,115.6	3,985.3
By business unit:		
Tamro Distribution	3,751.7	3,629.0
Tamro MedLab	354.0	346.6
Others	9.9	9.7
	4,115.6	3,985.3
Other income		
Gain on sale of fixed assets	158.9	6.5
Rental and other income	17.7	15.8
	176.6	22.3
19. Personnel expenses		
Personnel expenses		
Fixed wages and salaries	98.5	98.0
Pension expenses	20.3	20.6
Other payroll-related social costs	7.2	7.4
	126.1	126.0
Fringe benefits, taxation value	4.6	5.0
The wages and salaries paid to:		
Board of Directors, Supervisory Board and President	3.0	2.7
-of which bonuses related to profit targets	0.1	0.1
Other personnel	99.1	97.0
	102.1	99.7
20. Depreciation according to plan		
Intangible rights	1.6	1.4
Goodwill	14.3	14.3
Other capitalized expenditure	0.1	0.1
Buildings	9.9	9.9
Machinery and equipment	6.4	6.3
	32.3	32.0
21. Financial income and expenses		
Dividend income	2.2	92.9
Interest income	65.9	19.8
Other financial income	9.8	0.7
Interest expenses	–12.6	–8.0
Other financial expenses	–7.8	–4.8
Exchange rate differencies, net	–77.4	–4.8
	–20.0	95.7
From Group companies		
Dividend income	0.3	92.6
Interest income	51.9	13.4
Interest expenses	–3.0	–1.0
	49.2	105.0
22. Extraordinary income and expenses		
Income		
Profit due to merger of subsidiary	78.5	-
Sale of shares	7.9	-
Cancellation of expense entries	6.4	1.4
Sundry income	-	0.0
	92.8	1.4
Group contribution	24.2	13.2
Expenses		
Write-off of loan receivables from Group and shares in subsidiaries	–36.6	-
Sale of shares	–2.5	-
Sundry expenses	-	–1.2
	–39.2	–1.2
Extraordinary income and expenses, total	77.9	13.4

Figures are in FIM millions.	1998	1997

23. Appropriations

	1998	1997
Accelerated depreciation in the income statement		
Intangible rights	0.1	0.1
Goodwill	–12.2	–12.2
Other capitalized expenditure	0.0	0.0
Buildings	5.1	4.3
Machinery and equipment	1.7	0.2
	–5.2	–7.5

24. Income taxes

	1998	1997
Current income taxes	–58.1	–23.1
Income taxes from previous years	–0.8	0.6
	–58.9	–22.6

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	52.5	4.7	-	57.2	–34.1	23.1
Goodwill	313.9	-	-	313.9	–170.6	143.3
Other capitalized expenditure	9.6	0.3	-	9.9	–9.7	0.2
Jan. 1 – Dec. 31, 1998	375.9	5.0	0.0	380.9	–214.4	166.6
Jan. 1 – Dec. 31, 1997	359.4	18.2	–1.6	375.9	–198.2	177.7
Tangible assets						
Land areas	6.0	-	-	6.0	-	6.0
Buildings	349.1	0.5	–1.7	347.9	-89.3	258.6
Machinery and equipment	140.5	2.4	–1.1	141.9	–128.8	13.0
Other tangible assets	1.1	0.3	-	1.4	-	1.4
Jan. 1 – Dec. 31, 1998	496.6	3.3	–2.7	497.2	–218.1	279.0
Jan. 1 – Dec. 31, 1997	496.2	8.9	–8.6	496.6	–202.0	294.6
Value adjustments						
The figures above include value adjustments						
Land areas	2.5	-	-	2.5	-	2.5
Buildings	14.0	-	-	14.0	-	14.0
	16.5	-	-	16.5	-	16.5

	1998	1997
Ratable values		
Land areas	4.1	4.1
Buildings	110.7	110.2
Shares in subsidiaries	1,481.9	1,119.0
Other shares and participations	31.7	31.7
	1,628.4	1,265.0

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 shareh. equity FIMm	Shares owned by the Parent company: Share of holding %	Number of shares	Par value FIMm	Book value FIMm	Net profit or loss for fiscal year FIMm
Nomeco A/S	Copenhagen, Denmark	100	504.4	100	7,200,000	114.9	1,172.2	67.4
Tamro Distribution AB	Göteborg, Sweden	100	493.1	-	-	-	-	0.5
Tamro AB	Stockholm, Sweden	100	145.6	100	1,000	0.1	204.6	–45.6
Tamro SIA	Riga, Latvia	100	14.4	100	148	11.7	8.2	3.6
Tamro Lab AB	Göteborg. Sweden	100	12.5	-	-	-	-	0.2
Printel Oy	Vantaa, Finland	100	10.3	100	1,000,000	10.0	21.2	0.3
Tamro UAB	Kaunas, Lithuania	100	10.0	100	1,904,500	8.8	7.3	1.9
Karttakeskus Oy	Vantaa, Finland	100	8.5	-	-	-	-	0.0
Tamro Distribution AS	Oslo, Norway	100	6.5	100	10,000	10.1	28.3	–7.9
Tamro Eesti AS	Tallinn, Estonia	100	6.4	100	5,500	2.1	3.1	3.8
Tamro Medical AS	Roskilde, Denmark	100	5.1	100	300	0.4	0.2	0.5
Tamro Medical AS	Skjetten, Norway	100	2.9	100	3,900	2.6	3.4	0.1
Tamro Medical AB	Stockholm, Sweden	100	2.5	-	-	-	-	–3.7
Tamro Lab AS	Oslo, Norway	100	2.0	100	2,050	1.4	3.2	0.0
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
Pharm Tamda 77	St. Petersburg, Russia	60	–35.3	60	1,980	0.1	0.0	–55.2
							1,456.4	
Other subsidiaries, incl. non-operational							25.5	
							1,481.9	

Figures are in FIM millions.	1998	1997

27. Other shares and participations:

Company	Registered office	Group share of holding and votes %	Parent company shareh. equity FIMm	Shares owned by the Parent company: Share of holding %	Number of shares	Par value FIMm	Book value FIMm	Net profit or loss for fiscal year FIMm
Castrum Oyj	Helsinki, Finland	45.7	59.5	45.7	6,330,000	43.4	60.5	0.6
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	96.6	30.0	2,100,000	56.4	142.7	–145.3
							203.2	
Other companies:								
Finnish Central Securities Depository Ltd.					10		0.2	
Helsinki Stock Exchange Ltd					20,000		0.2	
Telephone company shares etc.							0.6	
Housing corporations							5.2	
Real estate and other shares							11.8	
							18.0	
Other shares and participations total							221.2	
Own shares acquired by the company					2,404,000	24.0	52.9	

Own shares are valued at current share price at year-end, 22 FIM

28. Receivables and liabilities

	1998	1997
With Group companies		
Accounts receivable	9.5	8.6
Loans receivable, non-current	664.4	43.7
Loans receivable, current	259.4	230.2
Prepaid expenses and accrued income	51.2	20.3
Accounts payable	18.2	12.6
Accrued liabilities	10.6	0.3
Other short-term liabilities	75.3	161.6
Affiliated companies		
Loans receivable, non-current	65.5	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 1998 was the Bank of Finland base rate + 1%

29. Changes in shareholder's equity

	1998	1997
Restricted equity		
Capital stock		
Opening balance	881.6	881.6
Increase	345.6	-
Closing balance	1,227.2	881.6
Reserve fund, unchanged	441.3	441.3
Share premium account		
Opening balance	-	-
Share premium in connection with share issue	828.2	-
Closing balance	828.2	
Value adjustment fund, unchanged	6.5	6.5
Restricted equity, closing balance	2,503.2	1,329.4
Non-restricted equity		
Opening balance	328.3	262.0
Dividend	–79.3	–79.3
Net profit for the year	173.7	145.7
Transfer to fund for own shares	–75.8	-
Donations	0.0	-
Distributable non-restricted equity	346.9	328.3
Acquisition cost of own shares	75.8	-
Write-off of own shares	–22.9	-
Total non-restricted equity	399.8	328.3

Figures are in FIM millions.	1998	1997
30. Accelerated depreciation		
Accumulated depreciation difference		
Intangible rights	0.8	0.9
Goodwill	143.3	131.1
Other capitalized expenditure	0.0	0.0
Buildings	189.7	194.8
Machinery and equipment	1.9	3.6
	335.6	330.4
31. Obligatory reserves		
Reserve for loan guarantee	1.5	1.5
	1.5	1.5
32. Long-term liabilities		
Long-term liabilities fall due as follows:		
2000	5.0	
2001–2003	62.7	
	67.7	
Foreign currency breakdown of long-term liabilities:		
FIM	5.0	
SEK	62.7	
	67.7	
33. Contingent liabilities		
Mortgages		
For own debts	17.5	17.5
Guarantees		
For subsidiaries	82.1	81.2
For debts of others	4.2	3.9
	86.2	85.1
Other commitments		
Leasing commitments		
Next year	10.1	10.4
Over one year	8.9	6.8
Rent commitments	12.5	15.6
Repurchase commitments	0.7	2.0
	32.2	34.7
34. Off-balance sheet financial instruments for foreign currency and interest rate risks		
Currency instruments		
Currency forward contracts, FIM equivalent value at end of year, gross	1,042.9	945.1
Call options FIM equivalent, gross	2,418.0	174.0
Put options FIM equivalent, gross	2,814.1	292.0
Interest rate instruments		
Nominal value of forward contracts, gross	1,034.0	517.9
Nominal value of option contracts, gross	798.2	-
Currency instruments		
Market value of currency forward contracts at end of year	–1.0	0.8
Market value of option contracts at end of year	–0.5	0.3
Interest rate instruments		
Market value of forward contracts at end of year	–0.1	–0.1
Market value of option contracts at end of year	–0.7	-

PROPOSAL FOR PROFIT DISTRIBUTION

The net profit of Tamro Corporation for the fiscal year is	173,730,341.95 FIM
And other non-restricted equity amounts to	226,076,325.79 FIM
Total	399,806,667.74 FIM
- of which the distributable portion is	346,918,667.74 FIM
The non-restricted equity shown in the Consolidated Balance Sheet as at December 31, 1998 is	866,678,000.00 FIM
- of which the distributable portion is	500,911,000.00 FIM
The Board of Directors proposed that	
- the dividend of FIM 1.50 per share be paid on 85,859,370 old shares entitled to a dividend	128,789,055.00 FIM
- the dividend of FIM 0.60 per share be paid on 34,456,060 new shares entitled to a dividend	20,673,636.00 FIM
- a sum to be set aside for the discretionary use of the Board of Directors for scientific and charitable donations, being	100,000.00 FIM
- the remainder be posted to the retained earnings account	250,243,976.74 FIM

Vantaa, March 3, 1999

Erkki J. Toivanen
Chairman

Arne Björnberg

Paul Bundgaard

Mikael von Frenckell

Dag Johannesson

Matti Niemi

Erik Søndergaard

Jørgen Tandrup

Juha Toivola

Matti Elovaara
Corporate President

AUDITORS' REPORT

To the shareholders of Tamro Oyj

We have audited the accounting, the financial statements and the corporate governance of Tamro Oyj for the period from January 1 to December 31 1998. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Corporate President. Based on our audit we express an opinion on these financial statements and corporate governance.

We have conducted the audit in accordance with Finnish Standards an 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, 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 is to examine that the members of the Supervisory Board and the Board of Directors have legally complied with the rules of the Companies' Act.

In our opinion the financial statements which show a profit of FIM 173,730,341.95 for the parent company have been prepared in accordance with the Accounting Act and other rules and regulation 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 and the Board of Directors and the 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 by the Company during the financial year. In our opinion the interim reports have been prepared in accordance with the applicable regulations.

Vantaa, March 3, 1999

SVH PricewaterhouseCoopers Oy Authorised Public Accountants	KPMG Wideri Oy Ab Authorised 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 1998, and the auditors' report was examined.

As its statement to the 1999 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 Jaakko Aalto, Seppo Kylmänen, Börje Nilsson, Reijo Purasmaa, Hans Ulrik Schaffalitzky de Muckadell, Kurt Stenvall and Rabbe von Weymarn.

Vantaa, March 3, 1999

Reijo Purasmaa Vice Chairman	**Jaakko Aalto** Member

KEY FINANCIAL INDICATORS 1994–1998, €

	1998	1997	1996	1995	1994
From the income statement, €m					
Net sales	3,019.8	2,168.4	2,223.4	1,805.5	599.6
Operating profit before depreciation	52.7	53.6	55.3	44.0	26.4
Depreciation	16.4	16.0	14.6	13.5	9.5
Operating profit	27.2	37.5	40.6	30.4	16.9
Net financial items, incl. affiliated companies	-5.8	-1.6	-2.9	-4.5	-4.5
Profit after financial items	21.4	35.9	37.7	26.0	12.3
Profit before taxes and minority	22.9	36.4	37.5	26.4	15.1
Net income	15.7	25.2	25.2	20.1	13.3
From the balance sheet. €m					
Fixed assets	210.9	195.6	201.2	189.3	147.7
Inventories	259.0	193.4	166.6	163.2	90.2
Liquid assets	67.4	57.5	53.7	67.9	12.0
Other current assets	391.9	237.4	281.1	191.3	56.6
Equity	353.7	292.5	278.9	261.9	155.6
Minority	0.0	0.5	0.3	0.2	0.6
Obligatory reserves	0.9	0.3	5.9	6.3	7.8
Long term liabilities	40.7	37.0	33.6	38.3	35.4
Short term liabilities	534.0	353.7	383.9	304.9	107.2
Balance sheet total	929.2	684.0	702.6	611.6	306.6
Key figures					
Sales change, %	39.3	-2.5	23.1	201.1	10.3
Operating margin, %	0.9	1.7	1.8	1.7	2.8
Profit margin, %	0.7	1.7	1.7	1.4	2.1
Return on capital employed, %	7.0	12.7	13.4	12.4	8.5
Return on equity, %	4.0	8.6	9.5	9.5	6.8
Free cash flow, €m	42.6	16.0	19.5	59.9	6.2
Capital employed, €m	441.7	321.9	307.5	309.7	197.3
Net debt, €m	20.6	-28.6	-25.4	-20.3	29.2
Net gearing, %	6.0	-9.8	-9.1	-7.8	18.7
Interest cover	5.0	15.8	12.4	7.5	4.0
Equity ratio, %	38.1	42.8	39.7	42.8	50.9
Per share data[1)]					
Number of shares- at end, millions	120.3	88.2	88.2	88.2	48.0
Number of shares- average, millions	121.8	88.2	88.2	88.2	48.0
Earnings per share, €	0.12	0.28	0.29	0.22	0.22
Dividend per share, old shares, € [2)]	0.25	0.15	0.15	0.12	0.08
Dividend per share, new shares, € [2)]	0.10				
Dividend per earnings, %	180	54	52	53	39
Effective dividend yield, %	5.7	3.0	2.9	3.7	2.3
Equity per share, €	2.86	3.31	3.16	2.98	3.23
P/E multiple	32	18	18	14	17
Tamro share information [3)]					
Average trading price, €	5.11	5.53	4.37	3.48	3.81
Lowest trading price, €	3.36	4.79	3.11	2.64	3.03
Highest trading price, €	7.40	6.39	5.85	4.00	4.63
Price at December 31, €	3.70	5.03	5.16	3.21	3.70
Trading volume, million shares	48.3	40.4	48.8	14.4	18.3
Trading volume, %	46	46	55	25	38
Market capitalization at December 31,. €m	449.3	441.3	455.2	283.2	177.8
Other					
Investments, €m	34.5	11.9	25.7	12.3	17.2
as % of sales	1.1	0.6	1.2	0.7	2.9
Number of employees, average	2,578	2,249	2,122	2,098	1,362

1) excluding own shares
2) Board proposal
3) no prices quoted for new shares in 1998

KEY FINANCIAL INDICATORS 1994–1998, FIM

	1998	1997	1996	1995	1994
From the income statement, FIMm					
Net sales	17,955	12,893	13,220	10,735	3,565
Operating profit before depreciation	314	318	329	262	157
Depreciation	97	95	87	80	57
Operating profit	162	223	242	181	100
Net financial items, incl. affiliated companies	-34	-10	-17	-27	-27
Profit after financial items	128	213	224	154	73
Profit before taxes and minority	136	217	223	157	90
Net income	93	150	150	120	79
From the balance sheet, FIMm					
Fixed assets	1,254	1,163	1,196	1,125	878
Inventories	1,540	1,150	990	970	537
Liquid assets	401	342	319	404	71
Other current assets	2,330	1,412	1,672	1,137	337
Equity	2,103	1,739	1,658	1,557	925
Minority	0	3	2	1	3
Obligatory reserves	5	2	35	37	46
Long term liabilities	242	220	200	228	211
Short term liabilities	3,175	2,103	2,282	1,813	638
Balance sheet total	5,524	4,067	4,177	3,637	1,823
Key figures					
Sales change, %	39.3	-2.5	23.1	201.1	10.3
Operating margin, %	0.9	1.7	1.8	1.7	2.8
Profit margin, %	0.7	1.7	1.7	1.4	2.1
Return on capital employed, %	7.0	12.7	13.4	12.4	8.5
Return on equity, %	4.0	8.6	9.5	9.5	6.8
Free cash flow, FIMm	253	95	116	356	37
Capital employed, FIMm	2,626	1,914	1,829	1,841	1,173
Net debt, FIMm	123	-170	-151	-121	174
Net gearing, %	6.0	-9.8	-9.1	-7.8	18.7
Interest cover	5.0	15.8	12.4	7.5	4.0
Equity ratio, %	38.1	42.8	39.7	42.8	50.9
Per share data[1)]					
Number of shares- at end, millions	120.3	88.2	88.2	88.2	48.0
Number of shares- average, millions	121.8	88.2	88.2	88.2	48.0
Earnings per share, FIM	0.69	1.66	1.73	1.33	1.29
Dividend per share, old shares, FIM [2)]	1.50	0.90	0.90	0.70	0.50
Dividend per share, new shares, FIM [2)]	0.60				
Dividend per earnings, %	180	54	52	53	39
Effective dividend yield, %	5.7	3.0	2.9	3.7	2.3
Equity per share, FIM	17.00	19.70	18.80	17.70	19.20
P/E multiple	32	18	18	14	17
Tamro share information [3)]					
Average trading price, FIM	30.38	32.90	25.96	20.67	22.67
Lowest trading price, FIM	20.00	28.50	18.50	15.70	18.00
Highest trading price, FIM	44.00	38.00	34.80	23.80	27.50
Price at December 31, FIM	22.00	29.90	30.70	19.10	22.00
Trading volume, million shares	48.3	40.4	48.8	14.4	18.3
Trading volume, %	46	46	55	35	38
Market capitalization at December 31, FIMm	2,671	2,624	2,707	1,684	1,057
Other					
Investments FIMm	205	71	153	73	102
as % of sales	1.1	0.6	1.2	0.7	2.9
Number of employees, average	2,578	2,249	2,122	2,098	1,362

[1)] excluding own shares
[2)] Board proposal
[3)] no prices quoted for new shares in 1998

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. Operating profit for the business unit as a percentage of average capital.

Return on equity
Profit after financial items less income tax for the year as a percentage of average shareholders' equity and minority. Equity is decreased by the purchase cost of own shares.

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. Own shares have been deducted from the date of purchase.

Dividend per earnings
Dividend per share as a percentage of earnings per share. Dividend is weighted as to old and new shares.

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. The effect of won shares has been eliminated.

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 1998, Tamro released thirty-two stock-exchange bulletins. The following is a summary of the most important ones.

January 2

Eight subsidiaries in the Nordic Countries and Baltic States formally adopted the name Tamro by January 1, 1998.

January 21

The Commission of the European Union approved the merger of Finnish Kolmi and Swedish Mölnlycke Clinical.

March 5

Report on Financial Statements:In 1997, consolidated net sales amounted to FIM 12,893 (13,220) million and decreased by 2%. Operating profit was FIM 223 (242) million, a decline of 8%. Income after financial items amounted to FIM 213 (224) million. The earnings per share fell by 4% to FIM 1.66 (1.73). The Board of Directors' proposed distribution to owners was set at FIM 0.90 per share.

April 15

The Boards of Directors of Nordic-international Tamro Corporation and Danish Nomeco A/S propose that the business activities of Nomeco and its five subsidiaries be merged with Tamro. According to the proposal, Nomeco A/S is to pass into Tamro's ownership through a non-cash issue targeted at Meco Holding A/S, a holding company representing Nomeco's present stockholders. Meco Holding will become Tamro's biggest shareholder with its 28.1 percent stake in Tamro' increased capital stock after the deal.

In 1997, the combined net sales of the two companies totaled FIM 17 billion and the combined profit after financial items FIM 302 million.

April 23

Tamro Corporation's Annual General Meeting, held on April 23, adopted the 1997 financial statements and discharged the members of the Supervisory Board, the Board of Directors and the President from liability. The Meeting passed the Board of Directors' proposal to distribute a portion of the company's non-restricted surplus: a dividend of FIM 0.90 per share, or 54% of earnings per share, was declared.

It was decided that the structure of the Board of Directors is to remain unchanged. Mr. Erkki J. Toivanen, acts as Chairman of Tamro's Board. Mr. Arne Björnberg, Mr. Mikael von Frenckell, Mr. Dag Johannesson, Mr. Matti Niemi and Mr. Juha Toivola continue as Board members.

May 7

The Swedish Office of Free Competition has extended Tamro Distribution AB's license for single-channel pharmaceutical distribution in Sweden until the end of the year 2000.

May 12

Tamro's Board of Directors elected Mr. Pauli Kulvik, M. Sc. (Eng.) and MBA, as new President of Tamro Corporation and CEO of the Tamro Group to succeed Mr. Matti Elovaara who will retire at the end of 1999. Mr. Kulvik will start as COO on September 1, 1998 and as CEO on January 1, 2000.

May 18

Tamro divested its 74 percent stake in Kerko Sport.

June 11

Interim Report for January–April, 1998:

The consolidated net sales amounted to FIM 4,507 (4, 052) million, up 11 percent from the previous year. The operating profit for the reporting period totaled FIM 180 (77) million and the profit after financial items FIM 176 (79) million.

June 17

The Extraordinary General Meeting approved the Board's proposal for an increase of the Company's capital stock, which will be increased from FIM 881,633,700 to FIM 1,226,194,300 by a new stock issue worth FIM 344,560,600, each share having a nominal value of FIM 10.00. The stock will be offered to Nomeco A/S for subscription.

The Extraordinary Meeting passed a resolution that the Company's Board of Directors shall consist of at least three (3) and no more than ten (10) members. At the same time, the Annual Meeting resolved to increase the size of the Board by three new members, namely Mr. Jørgen Tandrup, Mr. Erik Søndergaard and Mr. Paul Bundgaard. As a result, the Board now comprises nine members. It was further decided to enlarge the Supervisory Board by three members.

The Extraordinary Meeting of Stockholders granted the Board the authorization to repurchase Tamro's own stock.

June 25

Danish Meco Holding A/S subscribed to 34,456,060 Tamro shares in a non-cash issue. The subscription price was paid in kind by Meco Holding A/S through a transfer to Tamro of Nomeco A/S's entire capital stock.

June 26

In accordance with the Board's authorization granted by the Extraordinary Meeting to reacquire Tamro's own stock, the company will start buying back its own shares after July 3.

October 1

Interim Report for January–August, 1998:

The Group's net sales totaled FIM 11,785 (8,136) million, which, Nomeco excluded, was 8 percent higher than the year before. The consolidated operating profit for the accounting period came to 219 million and the profit after financial items to FIM 202 (143) million.

The consolidated result for 1998 is expected to be markedly lower than that of the previous year, compared with Tamro's and Nomeco's proforma 1997 results.

December 17

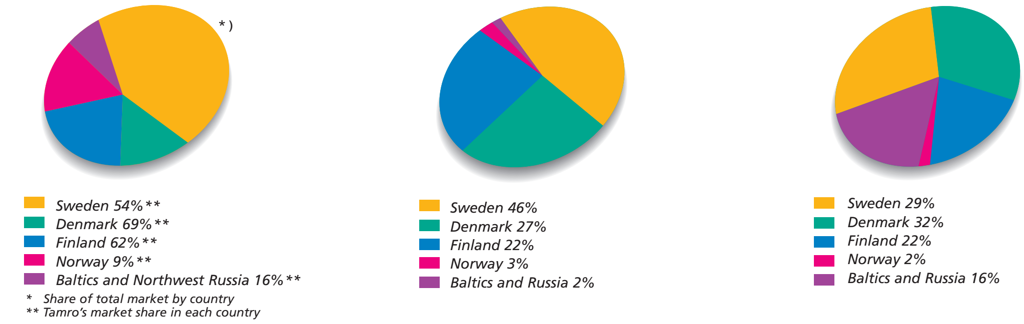
The Tamro Corporation Board of Directors agreed on the 1998 year-end allocations and on burdening the company's financial statements with FIM 100 million in extra expenditure compared with earlier announcements. About FIM 50 million more will be allocated toward the implementation expenses for the new Nordic IT system. The financial statements will also be burdened by an approx. FIM 50 million goodwill write-off associated with the 1996 corporate acquisitions by Tamro Medical and Tamro Lab, since the target companies have failed to generate the originally anticipated profits.

Tamro Distribution

Pharmaceutical markets in Tamro's area of operations FIM 29 billion

Sales by area FIM 17.3 billion

Personnel by area 2074 employees



Tamro Distribution is the leading Northern-European pharmaceutical distributor, which accounts for approx. 50% of the aggregate demand on the Nordic market. Tamro also has a dominant position in Estonia, Latvia and Lithuania. Tamro's joint venture Pharm Tamda 77 is a western trail-blazer in pharmaceutical distribution in Northwest Russia. The 1998 pharmaceutical sales by Tamro Distribution amounted to over FIM 13.4 billion.

TAMRO NORDIC CONCEPT

It is Tamro's principal objective to ensure that pharmaceuticals are supplied to potential buyers within all of its eight Northern-European countries of operation efficiently, safely and without defects. Through its operations, high quality and transparency, Tamro endeavors to bring the pharmaceutical industry and healthcare professionals attending to consumers closer to each other.

Tamro also has a goal which it promotes vigorously – the creation of a borderless Nordic market to be expanded in stages to cover the Baltic States and be linked with the Russian healthcare sector. Tamro is the only European company within its field which today has a reliable pharmaceutical distribution infrastructure covering the whole of Northern Europe. Tamro expresses this aspired-to state, its different dimensions and nuances under the pithy Tamro Nordic Concept, which spans a vast market area from Copenhagen to Archangel and encompasses the Northern European pharmaceuticals industry and Nordic pharmacies alike.

TAMRO DISTRIBUTION SWEDEN

	1998	1998	1997	1996
	€ m	FIMm	FIMm	FIMm
Net Sales	1 345,7	7 998	7 563	8 686
Operating Profit	11,8	70	86	126
Operating Margin (%)		0,9	1,1	1,4
Return on capital employed, (%)		12	17	25
Share of Group sales, (%)		44,5	58,7	65,7
Investments	2,2	13	6	12
Employees, December 31		605	579	617

Financial performance and market situation

Tamro Distribution Sweden's net sales rose 7% to SEK 11.8 billion (FIM 8 billion). Pharmacy sales accounted for 91% or SEK 10.7 billion, representing a 10% growth from the year before. The operating profit dropped 18% to SEK 104 million (FIM 70 million) owing to diminished distribution margins in the tightened competitive market and decreased market share in Home Distribution, distribution of incontinence products.

Capital spending, mostly in production equipment and related computerized control systems, totaled SEK 19.3 million (FIM 13 million). The year-end staff numbered 605.

The Swedish pharmaceutical market expanded by 16% and pharmaceutical sales in terms of wholesale prices rose to SEK 16.6 billion (FIM 11.2 billion). Price mark-ups accounted for approx. 1% of total sales. Lower prices on parallel imported products slowed down the increase.

Parallel imports increased from 2 % in 1997 to 6 % in 1998, of the total pharmaceutical market.

Tamro Distribution Sweden's share of Swedish pharmaceutical sales totaled 54% (58). The diminished market share results from the loss of a distribution contract and the reduced sales by certain Tamro business partners, caused especially by the increasing parallel import of pharmaceuticals. In the end of the year, Tamro Distribution Sweden's share of parallel imports amounted to approx. 50 %.

Partner distribution, responsible for rendering warehousing, transportation and distribution services for medical equipment suppliers, increased its sales by 6% to SEK 398 million (FIM 268 million). A distribution agreement was concluded with Tamro Corporation's affiliated company Mölnlycke Health Care AB.

The volume of home distribution of incontinence products shrank during the financial year owing to a contracting market in the wake of a decision by several county councils to take over the distribution of these products. About 70% of the aggregate deliveries were open to competitive bidding, of which Tamro managed to capture 60%.

Naturopathy product distribution continued to increase its net sales and cornered a market share of estimated 13%.

Outlook for 1999

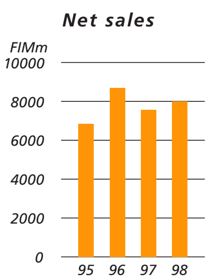
The sales volume is estimated to grow in 1999. During the year, the Swedish Parliament (Riksdagen) is expected to decide on the future of the medicinal care in 1999, but the decisions are expected to have impacts mainly after 1999.

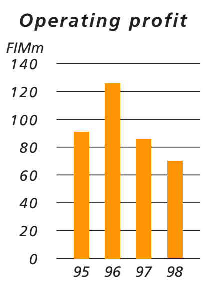
The new information system will be introduced during 1999. It facilitates improved information services, e-commerce operations and internal cost monitoring.

The program to streamline the company's logistics structure and render it more cost-effective will be continued and it will start yielding results in the course of 1999.

During the year, new 7,000-sq-m premises intended to be used by our healthcare product distribution will be completed in Gothenburg.

Compared with the year before, the 1999 result is expected to be significantly reduced by ever toughening competition, changing market conditions and the increasing IT expenditure caused by the roll-out of the One World system.





NOMECO, DENMARK

	1998	1998	1997	1996
	€ m	FIMm	FIMm	FIMm
Net Sales	769,5	4 573	4 123	3 664
Operating Profit	18,9	112	104	96
Operating Margin (%)		2,5	2,5	2,6
Return on capital employed, (%)		13		
Share of Group sales, (%)		25,5		
Investments	3,2	19	14	42
Employees, December 31		656	682	679

Financial performance and market situation

In 1998, the Nomeco Group's net sales increased by 11% to DKK 5.7 billion (FIM 4.6 billion) while the operating profit increased by 8% to DKK 141 million (FIM 112 million).

Capital spending totaled DKK 24 million (FIM 19 million). The year-end personnel of Nomeco numbered 656, 522 of them working for the parent company and 134 for the subsidiaries.

In 1998, the total market for pharmaceuticals in Denmark expanded by 6% to DKK 5.4 billion (FIM 4.3 billion) at a considerably faster pace than estimated. Nomeco's year-end market share amounted to 69% (70%).

At the beginning of 1998, the Danish Ministry of Health and the Danish Association of the Pharmaceutical Industry concluded a two-year agreement curbing the National Health Insurance's medicinal expenditures. The main objective of the agreement was to improve the conditions for launching new, effective and as a rule more expensive pharmaceuticals through manufacturer-initiated price reductions on certain groups of pharmaceuticals, but without significantly increasing the National Health Insurance's total reimbursements.

In spite of this agreement, the total market developed favorably during the first year of the contract period, mainly owing to the fact that the sales of new and more effective pharmaceuticals exceeded expectations, another reason being the general increase in medicine consumption.

Supplier Service's new partners

The Supplier Service Division had the expected influx of new partners and the Division once again showed satisfactory growth in net sales and earnings. The Division is responsible for the pre-wholesale link of the distribution chain and its core activities are purchasing, stocking, order picking and dispatch to wholesalers as well as related IT services.

The parent company's activities are supported by subsidiaries Bang&Tegner, Forex, Hermedico, Unikem and Viminco, all active within the healthcare sector. These group companies continued showing a satisfactory development within their operating areas and managed to increase their earnings.

Outlook for 1999

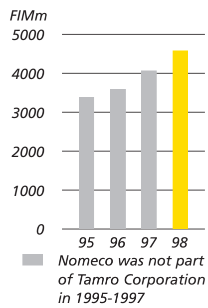
The objectives of the two-year agreement between the Ministry of Health and the Association of the Pharmaceutical Industry must be fulfilled in their entirety; this implies that the 1998 extra expenditure of the National Health Insurance has to be offset by equally retrenched costs during 1999. Consequently, the present growth of 1%–2% in the market segment covered by the agreement cannot be expected to continue.

1998 saw the launching of a number of pharmaceuticals in increasing demand by patients even though not covered by the National Health Insurance reimbursement scheme. This trend is expected to continue in the coming years and have a positive impact on the development of the total market.

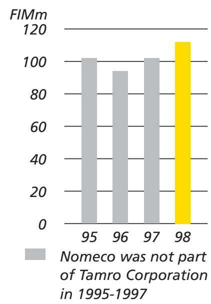
In connection with the adoption of the 1999 budget by the Danish Parliament (Folketing), it was decided that, subject to special rules, no social security reimbursements be granted for annual medicine purchases totaling under DKK 500. Similar schemes in the past have brought about reductions in pharmaceuticals use in Denmark, which has indeed been their aim. The program is slated for introduction on 1 October, 1999.

Provided that there are no further changes in Nomeco's business environment with an impact on consolidated earnings and no efforts on the part of the authorities to bring down pharmaceutical prices and consumption in 1999, an operating profit slightly below the 1998 level is anticipated.

Net sales



Operating profit



TAMRO DISTRIBUTION FINLAND

	1998	1998	1997	1996
	€ m	FIMm	FIMm	FIMm
Net Sales	635,0	3 775	3 652	3 354
Operating Profit	10,6	63	75	70
Operating Margin (%)		1,7	2,1	2,1
Return on capital employed, (%)		18	19	15
Share of Group sales, (%)		21,0	28,3	25,4
Investments	0,3	2	6	6
Employees, December 31		456	444	447

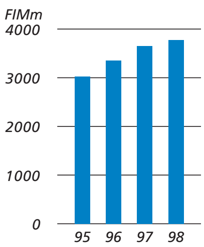
Financial performance and market situation

Tamro Distribution Finland's net sales were FIM 3.8 billion, showing an increase of 3%. The company's result was depressed by tightened price competition within the field and the unit-specific expenditures associated with Tamro's information system implementation. The operating profit fell 16% to FIM 63 million. Capital spending was insignificant and the year-end payroll numbered 456 employees.

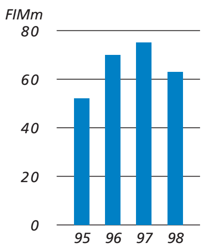
The unit's pharmaceutical sales came to FIM 3.6 billion, representing a 3.3% growth. Its market share stood at 62% (64%) and has thus declined by less than estimated thanks to the satisfactory sales increases of pharmaceutical companies under contract with Tamro Distribution.

The Finnish pharmaceutical market expanded almost 8% and pharmaceutical sales at wholesale prices amounted to FIM 5.8 billion in 1998. Volume increases accounted for 75% and new products for 25% of the growth. At the beginning of the year, the VAT on pharmaceuticals sank to 8% and the new pharmaceutical price list took effect in the beginning of April. These pricing changes coupled with the adjusted prices of products already on the market had a negative influence on market growth.

Net sales



Operating profit



Market growth was based on the increased pharmaceutical sales by foreign marketers, impact 70% (+11%), and on expanding prescription drug sales, impact 85% (+9%). The pharmaceutical wholesale volume to pharmacies accounted for 79% (+9%) and to hospitals for 21% (+7%) of aggregate wholesale-priced pharmaceutical sales.

Parallel medicine sales at wholesale prices totaled FIM 13 million and those of so-called generic products FIM 106 million.

Aim to improve service

The One World information system to be introduced during 1999 was the most important development project. Its development and preparatory roll-out work also tied up some of future users' (i.e., the unit organization's) resources. Tamro's upgraded year-2000-compatible information management system also includes data and reporting services for business partners based on a modern data warehouse solution.

During the year, the number of direct customer contacts was increased and operational control improved by renewing customer organizations. The objective of all development projects was to enhance customer satisfaction and total quality control.

Outlook for 1999

The pharmaceutical market is likely to develop at a slightly slower pace in 1999 compared with this year. Growth is spurred on by the rising average age of the population, the so-called lifestyle medicines, new products and prophylactic treatments. Pharmaceutical sales growth will be slowed down by price adjustments, modification of treatments, generic drugs and parallel preparations.

A focal point of activities is the introduction of new information systems. The new data and reporting service will be launched in stages starting from March 1999 and the One World information system will be rolled out in Finland in the beginning of September 1999.

The present fierce competitive situation is unlikely to let up and all measures called for will be implemented in all of the unit's core functions.

The unit's sales should rise in line with the general growth trend of the sector while operating profits are expected to go down from the previous year, for the most part owing to investments in various projects to boost our competitive edge, especially the roll-out of the One World.

TAMRO DISTRIBUTION NORWAY

	1998	1998	1997	1996
	€ m	FIMm	FIMm	FIMm
Net Sales	84,5	503	389	161
Operating Profit	-0,7	-4	-9	-22
Operating Margin (%)		-0,8	-2,3	-13,4
Return on capital employed, (%)		neg.	neg.	neg.
Share of Group sales, (%		2,8	3,0	1,2
Investments	1,4	8	1	1
Employees, December 31		33	27	24

Financial performance and market situation

The 1998 net sales of Tamro Distribution AS amounted to NOK 710 million (FIM 503 million), including NOK 554 million (FIM 392 million) in pharmaceutical sales. Net sales grew by 34% and operating profit increased 51% to NOK -5.9 million (FIM -4.2 million). The loss turned out to be smaller than estimated thanks to the unit's larger profit margins and lower costs. Capital spending totaled NOK 12 million (FIM 8 million). The year-end personnel strength, consisting of sales and marketing staff, numbered 33.

The Norwegian pharmaceutical market expanded by 10% in 1998, mainly owing to price mark-ups and the introduction of new expensive products. The aggregate market had a value of NOK 6.1 billion (FIM 4.3 billion). The Norwegian pharmaceutical players compete in a multi-channel distribution environment. Tamro Distribution AS, number three wholesaler on the market, saw its market share for pharmaceuticals increase throughout 1998, from 8.4% to finish at 10%.

The new draft Pharmacy Act and its possible effects have caused wide-spread concern and debate in the Norwegian pharmaceutical market. The draft act published in December 1998 contains provisions for a freer establishment and wider ownership base of pharmacies.

Public pharmaceuticals procurement cooperation involving competitive bidding has reduced the pharmaceutical costs for customers and will become a permanent arrangement. Tamro has been awarded the Oslo City Council's tender as from 1998. This contract, and another cooperation contract for public pharmaceuticals procurement as well, are up for renewal in mid-1999.

Investments in information management, premises and personnel

After Tamro acquired Danish Nomeco, Tamro Distribution AS became familiar with Nomeco's new information system, Astra/400, which there is supporting well requirements in a multi-channel environment. Tamro Norway decided to adopt the Astra/400 solution, since the Data Warehouse being built within the Group will facilitate the compilation, exploitation and distribution of data from different information systems. Sizeable resources have been allocated to the planning and implementation process of this new IT system since the latter part of 1998.

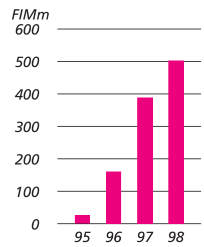
Another major undertaking in Norway during the financial year was the completion of new office and warehouse facilities, which were inaugurated on January 18, 1999. The new shared premises enable more uniform operations than our previous two places of business in Oslo. The 1999 payroll will increase considerably, since Tamro Distribution has employed its own distribution personnel starting from 18 January.

Outlook for 1999

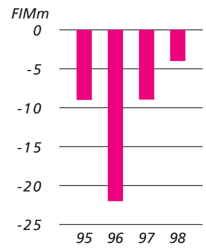
The total pharmaceutical market in Norway is expected to grow by approx. 9.5% to NOK 6.7 billion (FIM 4.5 billion) in 1999. This relatively high growth estimate is primarily anchored in the proposed legislative amendments and structural changes that will characterize the Norwegian market in the near future. A significant increase in the market share for parallel imports in the last two quarters of 1998 is likely to put a damper on market growth forecasts.

The operating profit is expected to be clearly better than in 1998.

Net sales



Operating profit

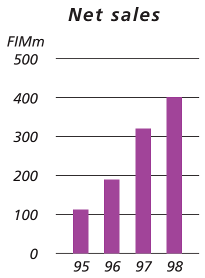


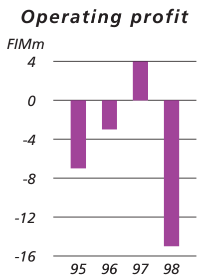
After moving to the new premises, Tamro Distribution Norway will focus on training new distribution personnel—with the aim of enhancing distribution service and warehousing quality and efficiency—and on introducing the new information system during the first four months of the year.

The information system, new premises and value added services (VAS) will provide a good foundation for the unit's sales and market share expansion.

TAMRO DISTRIBUTION BALTICS AND RUSSIA

	1998	1998	1997	1996
	€ m	FIMm	FIMm	FIMm
Net Sales	67,5	401	321	190
Operating Profit	-2,5	-15	4	-3
Operating Margin (%)		-3,6	1,4	-1,8
Return on capital employed, (%)		neg.	14	neg.
Share of Group sales, (%)		2,2	2,5	1,4
Investments	1,7	10	12	10
Employees, December 31		324	285	264





Financial performance and market situation

The unit's net sales totaled FIM 401 million, up 25% from the previous year. The most sales growth occurred in Estonia and Latvia with approx. 45%, while the increase was somewhat lower in Lithuania at approx. 40%. The market contracted by about 25% after the devaluation of the rouble and thus the sales in Russia remained slightly below last year's level. Sales in Estonia amounted to FIM 112 million, in Latvia to FIM 116 million, in Lithuania to FIM 69 million and in Russia to FIM 104 million.

The unit's operating profit was reduced drastically to FIM -15 million. The downtrend in financial results was caused by the loss on exchange of FIM -18.5 million following the devaluation of the rouble. The sales trend within the Baltic States exceeded expectations and the best profit hike was seen in Estonia.

Tamro is the market leader in the Baltic region and Northwest Russia and succeeded in consolidating its position also during the period under review. Tamro's share in Estonia totaled 32%, in Latvia

18% and in Lithuania about 10%. Despite the instability of the Russian market, Tamro managed to hold onto its 12% market share in Northwest Russia.

The unit's capital spending came to FIM 10 million and its year-end workforce to 324.

The Baltic and Northwest-Russian market for healthcare products grew by 4% to a total of FIM 2.4 billion. The aggregate market in the Baltic States continued expanding, with over 25% annual growth for Latvia and Lithuania, but only 10% for Estonia.

The number of pharmaceutical wholesalers and distributors decreased in the market area during 1998. An estimated 240 Baltic and 550 Northwest-Russian companies have pharmaceutical wholesale licenses. The number of these firms will be drastically reduced in the next few years. Only 2–4 corporations in each of these countries managed to attain a 10%-plus market share, Tamro being the only one to surpass this mark in all of them.

Tamro offers comprehensive service in the Baltic States

Tamro launched its Baltic Central Logistics (BCL) service in Riga, Latvia in May. Healthcare product manufacturers now have the opportunity to deliver all their products destined for the Baltic region to one central warehouse, from which Tamro will forward them to its points of sale and other wholesalers within the Baltic States. Tamro offers manufacturers several value added services, the most important of which is local-language labeling and package slips for the merchandise.

The need to centralize logistics functions has attracted the attention of our partners and several healthcare sector participants have already become BCL customers. The most significant cooperation agreements were signed with Novartis and Roche.

Business processes were developed during the year to better match customer and manufacturer requirements.

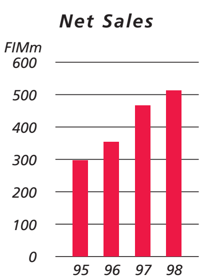
Outlook for 1999

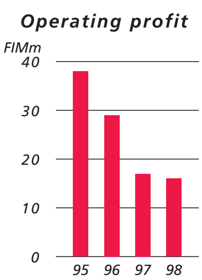
At the beginning of 1999, construction of a new distribution warehouse and office in Kaunas, Lithuania will be initiated. These new facilities will contribute to the further development of the distribution process, an on-going endeavor in other local units as well.

The market is expected to expand by over 10% in 1999 in the unit's area of operations. The largest growth is anticipated in Russia, even though the unfavorable and unstable economic trends over there make forecasting a tougher proposition. Tamro is expected to outstrip the general market growth by almost 100% and show a good profit level.

The profit in the Baltic States is expected to continue growing, but the Russian results will be strongly influenced by the country's economic development.

Tamro MedLab

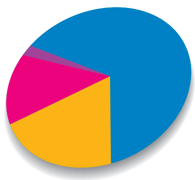




	1998	1998	1997	1996
	€ m	FIMm	FIMm	FIMm
Net Sales	**86,1**	**512**	466	354
Operating Profit	**2,7**	**16**	17	29
Operating Margin (%)		**3,2**	3,6	8,1
Return on capital employed, (%)		**7**	6	16
Share of Group sales, (%)		**2,8**	3,6	2,7
Investments	**0,6**	**4**	2	83
Employees, December 31		**256**	233	221

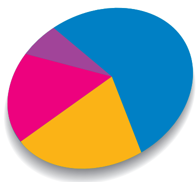
Tamro MedLab sells, markets and imports a broad range of basic healthcare products, laboratory supplies, specialized medical devices, diagnostics and biotechnical products as well as equipment. Customer groups include healthcare facilities as well as research, industrial and educational laboratories in the Nordic Countries and Baltic States. Tamro MedLab aims to be the leading seller and marketer within its field.

Sales by area
FIM 512 million



Finland 69 %
Sweden 18 %
Norway and Denmark 11 %
Baltics and Russia 2 %

Employees
by area



Finland 58 %
Sweden 21 %
Norway and Denmark 14 %
Baltics and Russia 7 %

At the beginning of 1999, the operations of Tamro Medical and Tamro Lab were united under Tamro MedLab. The amalgamation of activities is intended to bring about enhanced efficiency through synergy effects and more resources for operational development in the future. In connection with the merger, Tamro MedLab was organized into three business units which develop regional product portfolios and four country organizations according to the customers' procurement processes.

Financial performance and market situation

Manufacturers within the sector continued to merge during 1998, affecting Tamro MedLab's area of operations, competitive situation and distribution channels. Even though these changes had a negative impact on sales volumes, Tamro MedLab exceeded the general market growth rate and, with its annual 10%, reached net sales of FIM 512 million.

The unit's operating profit reached the same level as the year before and came to FIM 16 million. Capital spending totaled FIM 2 million and the year-end staff 256.

The aggregate market within Tamro MedLab's area of operations is estimated at FIM 14 billion, of which amount healthcare products account for FIM 9 billion and laboratory products for the remaining FIM 5 billion. The total markets were estimated to grow at a rate of 0% to 5%, but there is much variation between product groups.

Focus on refining TNC

The agreement over the sale of Mölnlycke Health Care AB's products via Tamro MedLab failed to be implemented and this slowed down the development of Tamro MedLab's operations in Sweden, Norway and Denmark considerably.

An upgraded information system was rolled out in Sweden and Denmark and system renewal plans for Finland and Norway were completed. E-commerce was launched in Finland by establishing an extranet market site called Tamro Market on the world-wide-web.

The objective of Tamro MedLab was to become the number one choice as business partner for healthcare and laboratory customers and suppliers within its field. To achieve this goal, Tamro MedLab founded three business units for the regional development of the Tamro Nordic Concept (TNC): laboratory and self care products, medical supplies and medical equipment. These business units are responsible for planning Tamro MedLab's activities from a regional perspective and negotiating cooperation agreements with potentially interesting suppliers. The commitment of increased resources to developing the Tamro Nordic Concept has already produced signs that several regional agreements with suppliers are in the offing during 1999. The Tamro Nordic Concept features a comprehensive sales and marketing solution offered by Tamro MedLab to its business partners, in addition to logistics and information services.

Outlook for 1999

Healthcare cutbacks to be implemented in 1999 will continue to lower the growth of the total market. Our customers aim to pare down their costs by concentrating purchases on a smaller number of reliable suppliers. Tamro MedLab intends to build up its operations to fulfill customer expectations. The Swedish market will break up and new market segments emerge. The tendency of supplier companies to merge into increasingly larger units continues.

Tamro MedLab operations, especially those outside Finland, will be expanded through acquisitions. Activities in Russia have been suspended until the market area starts showing more promising future prospects.

The net sales and operating profit are expected to continue rising thanks to expanding operations and efficiency-enhancing measures.

Other subsidiaries and associated companies

In the end of the year, Tamro owned a 100% stake in Printel Oy and affiliated Karttakeskus Oy, 30% of Mölnlycke Health Care AB and 45.7% of Castrum Oyj.

PRINTEL

Printel furnishes educational establishments and day-care centers with supplies and equipment as well as producing and marketing special printed forms for the public sector. Printel's subsidiary Karttakeskus Oy publishes, produces and markets graphic and digital map applications. The Printel companies have a leading position in Finland in all three of their business sectors.

Sales and performance trends

The Printel companies' net sales for the period amounted to FIM 223 million, up 18% from the year before. Profitability weakened slightly compared with the previous year owing to the diminished profit margins and reshuffle of sales in the municipal sector, but still remained satisfactory. The operating profit totaled FIM 18 million, capital spending FIM 5 million and the year-end payroll 159 employees.

Printel Oy managed to augment its market share in the sale of elementary school supplies in general and textbook distribution in particular. Cost-cutting programs launched by Finnish municipalities curbed the sale of educational equipment and furnishings. The demand for traditional municipal and healthcare-sector blank forms shrank somewhat.

The share of digital products in total map sales increased markedly. The sales volume of Karttakeskus Oy's graphic work commissions. The total sales of Karttakeskus remained at last year's level.

Outlook for 1999

No noticeable changes in demand are anticipated within the business sectors of the Printel companies during 1999. The competitive situation will become tighter in the map production market. Printel's profitability is expected to remain good throughout 1999.

	1998	1998	1997	1996
	€ m	FIMm	FIMm	FIMm
Net Sales	37,5	223	188	182
Operating Profit	3,0	18	19	18
Operating Margin (%))		7,9	10,2	9,7
Return on capital employed, (%)		29	32	34
Share of Group sales, (%)		1,2	1,5	1,4
Investments	0,8	5	6	6
Employees, December 31		159	161	171

MÖLNLYCKE HEALTH CARE

Mölnlycke Health Care AB was founded in February 1998 by combining the Tamro Kolmi division's and SCA's hospital supply production. The company produces and markets surgical textiles and wound care products.

The first year of operation was characterized by efforts to consolidate the newly established Group's market position. Mölnlycke Health Care AB operates in 19 countries. The reporting period saw a major overhaul and reorganization of the corporation's business activities.

Sales rose to SEK 1.8 billion (FIM 1.2 billion). The net profit came to SEK -216 million (FIM -145 million). The 1998 net profit was depressed by SEK 157 million (FIM 106 million) in expenditure associated with the Group reorganization, consisting of both 1998 period costs and provisions for future streamlining expenses.

Outlook for 1999

Due to Group reorganization the profitability of the Mölnlycke Health Care AB is expected to improve considerably.

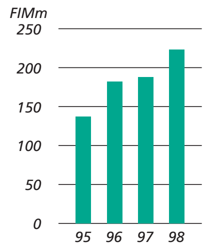
CASTRUM

The Group held a 45.7% stake in real-estate company Castrum Oyj. An agreement was signed on 4 February, 1999 concerning an increase of the company's real-estate capital and widening of its stockholder base. Under this agreement, Castrum's real-estate capital is to rise by FIM 700 million to FIM 1.3 billion and its shareholders' equity to FIM 600 million. According to the arrangement, Castrum Oyj will acquire real-estate properties from the Ilmarinen Mutual Pension Insurance Company, Sponda Oyj, Sampo Group, Merita Kiinteistöt (real estate company) and Nokia Corporation. After the private placement to be issued to these new stakeholders, they will own more than 60% of Castrum Oyj's entire capital stock, while Tamro's holding will be reduced to 19–22%.

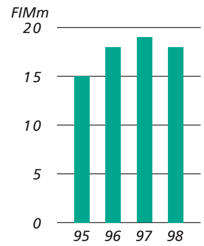
Castrum's net rental revenue will rise from the 1998 actual figure of FIM 37 million to about FIM 110 million. The net yield ratio will go up to over 8.5% and solidity (equity ratio) to 45%. In the future, Castrum will focus on real-estate constructed for logistics and light-industry use in Finnish growth areas. In keeping with its adopted strategy, the company is required to realize all non-core-business properties in the course of the next three years..

Castrum Oyj's 1998 net profit equals FIM 0.6 million.

Net sales PRINTEL



Operating profit PRINTEL



Corporate Governance

Tamro Corporation's governing bodies and management practices comply for the most part with the February 1997 Guidelines on the Corporate Governance of Publicly Traded Companies issued by the Central Chamber of Commerce in Finland and the Confederation of Finnish Industry and Employers (TT). The auditor's opinion on Tamro's corporate governance can be found on page 41 of the audit report.

Supervisory Board, Board of Directors and President/CEO

The Supervisory Board Members of Tamro Corporation are elected by the Annual General Meeting for a term of three years.

Tamro Corporation's Board of Directors proposes to the Annual General Meeting, to be held on April 28, 1999, that the Articles of Association be amended as follows: removal of current Section 12 concerning the Supervisory Board and amendment of Section 11 concerning the Annual General Meeting by removal of all references to the Supervisory Board.

The Board of Directors comprises a minimum of 3 and a maximum of 10 members elected at the Annual General Meeting. The one-year term of the Board runs out at the close of the following year's Annual Meeting.

The Articles of Association of Tamro Corporation specify no other tasks for the Board of Directors than those prescribed under the Finnish Companies Act.

In addition to the provisions of the Finnish Companies Act, it is the duty of the Corporate President to

– direct the company's business activities according to the guidelines and regulations issued by the Board of Directors,
– monitor economic trends in Finland and other countries of operation and to adjust corporate activities as required by the changing business environment,
– manage the company's strategic planning and monitor the development of the Group's operational organization and efficiency,
– direct and supervise the charting and implementation of development opportunities offered by inter-company cooperation within the Group's core business areas, and
– present the items on the agenda at different meetings to the Board of Directors and Supervisory Board.

In keeping with the Group's adopted principles, no Group employee may sit on the Parent Company's Board of Directors. The members of the Board of Directors and Supervisory Board are presented on page 57.

The Corporate President is nominated by the Board of Directors and the terms and conditions of his post are stipulated in a written executive employment contract.

Organization of business activities and areas of responsibility

Of the Group's core business operations, pharmaceutical distribution is organized under country-specific business units while business unit Tamro MedLab covers the Nordic countries and the Baltic states. COO is responsible for these Group operational functions and the Presidents of business units are required to report directly to him. Tamro's Executive Team comprises the Corporate President and CEO, COO, Presidents of various business units, Chief Information Officer, Chief Finance Officer, Senior Vice President and Chief Personnel Officer. The Executive Team supervises and directs the company's operating activities. Financial performance and trends are monitored with the help of monthly reports and corrective action is taken when necessary. The information gathered is also supplied to the Board of Directors.

Members of the Tamro Executive Team are responsible for Group Staff functions (see page 20).

The responsibility for the Group's managerial and financial accounting is decentralized among business units and subsidiaries, each required to produce accurate financial information on its own operations. The Finance Department of the Group determines the company-wide uniform accounting policy confirmed by Tamro Corporation's Board of Directors. The accounting policy is set out in the notes to the financial statements. The Finance Department also issues guidelines on the drafting of financial reports, short-term plans and final accounts required by Senior Management. The Finance Department is responsible for compiling the Parent Company's and consolidated financial statements and for monitoring compliance with the uniform accounting policy.

Auditing

The auditors elected by the Annual General Meeting are Authorized Public Accountants SVH PricewaterhouseCoopers Oy and KPMG Wideri Oy Ab. In addition to the tasks specified in the currently valid rules and regulations, these companies report their audit findings to the Board of Directors when necessary and take part in the meetings of Tamro's Board of Directors at least twice a year.

Risk management

The objective of Tamro Group's risk management practices is to identify and minimize risks associated with personnel, assets and operations. The responsibility for risk management is decentralized among s which must see to it that sufficient insurance coverage is taken out and that all deductibles are in accordance with the terms of the insurance policies contracted and that any loss or damage is reported to the appropriate insurance company. Insurance-related matters are decided by Group Administration.

Financial risk management is dealt with on page 13.

Administration

SUPERVISORY BOARD

Chairperson

Barbro Fischerström (55), Master of Laws, President, The Swedish Newspaper Publishers' Association

Vice-Chairman

Reijo Purasmaa (56), M.Sc. (Pharm.), Pharmacist, Espoonlahden apteekki

Members

Jaakko Aalto (61), B.Sc. (Econ.)
Håkan Björklund (42), Doctor of Medicine, President, Astra Sverige AB; Regional Director, Astra Region Europe I
Peter Egardt (49), M.Sc., President, Stockholm Chamber of Commerce
Jan Ekberg (62), Board Director, Pharmacia & Upjohn, Inc. (until the Annual General Meeting on April 23, 1998)
Erik Forssell (58), M.Sc. (Pharm.), Pharmacist, Porvoon Uusi apteekki
Bengt Holgersson (57), M.Sc., County Governor, County of Skåne
Carl-Olaf Homén (62), Master of Laws
Lars Isaksson (53), Chairman, the Federation of County Councils (after the Annual General Meeting on April 23, 1998)
Seppo Kylmänen (62), Master of Laws
Ritva Laurila (66), Master of Arts (until the Annual General Meeting on April 23, 1998)
Jouko K. Leskinen (55), Master of Laws, CEO, The Sampo Group
Ulrik Lett (60), Bachelor of Laws, Lawyer, Lett, Vilstrup & Partnere (after the Extraordinary General Meeting on June 17, 1998)
Tuomo Lähdesmäki (41), M.Sc.(Eng.), President, Elcoteq Network Corporation (until the Annual General Meeting on April 23, 1998)
Antti Moisio (57), M.Pol.Sc., B.Sc. (Econ.), Deputy Manager of Social Affairs and Public Health, City of Espoo (until the Annual General Meeting on April 23, 1998)
Börje Nilsson (68), B.Sc. in Soc., Member of the Swedish Parliament
Lars Pallesen (51), Graduate Engineer, Director, Danmarks Apotekerforening (after the Extraordinary General Meeting on June 17, 1998)
Arvo-T. Rautio (63), M.Sc. (Pharm.), Pharmacist, Viherlaakson apteekki
Arvo Relander (62), Ph.L., Hospital Director, Helsinki University Central Hospital
Hans Ulrik Schaffalitzky de Muckadell (52), Graduate in Pharmacology, Pharmacist, Svendborg Løve Apotek (after the Extraordinary General Meeting on June 17, 1998)
Torbjörn Sonck (52), M.Sc., President, Novartis Norge AS
Pär Stenbäck (57), M.Pol.Sc., Chairman, The Finnish Red Cross
Kurt Stenvall (66), Master of Laws
Rabbe von Weymarn (56), M.Sc.(Eng.), Vice President, Leiras Oy (after the Annual General Meeting on April 23, 1998)
Tage Åkerlund (59), M.Sc. (Pharm.), Pharmacist, Kokkolan Keskusapteekki

Representatives of Personnel

Kari Teräsalo (49), warehouse employees in Tamro House
Kirsi Lehtinen (35), employees of regional network
Petri Krogerus (44), office employees in Tamro House
Seija Halme (53), other employees

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

AUDITORS

SVH PricewaterhouseCoopers Oy and
KPMG Wideri Oy Ab,
Authorized Public Accountants

BOARD OF DIRECTORS

Chairman

Erkki J. Toivanen (71), Master of Laws, Chairman of the Board, Onninen Oy

Members

Arne Björnberg (47), Ph.D., President for Apoteket AB until August 25, 1998
Paul Bundgaard (55), Graduate in Pharmacology, Pharmacist, Roskilde Dom apotek, Danmarks Apotekerforening (after the Extraordinary General Meeting on 17 June, 1998)
Mikael von Frenckell (51), M. Pol.Sc., Chairman of the Board of Sponsor Capital Oy
Dag Johannesson (53), Master of Laws, B.Sc. (Econ.), Director, Apoteket AB
Matti Niemi (51), B.Sc. (Econ.), Executive Vice President, Varma-Sampo
Erik Søndergaard (53), B.Sc. (Econ.), President and CEO, Monberg & Thorsen Holding A/S (after the Extraordinary General Meeting on 17 June, 1998)
Jørgen Tandrup (51), B.Sc. (Econ.), President and CEO, Skandinavisk Tobakskompagni A/S (after the Extraordinary General Meeting on 17 June, 1998)
Juha Toivola (51), M.Sc., President, Industrial Insurance Company Ltd

The Board of Directors has convened 15 times during the period under review.

Group Organization as of 1 March, 1999


Matti Elovaara


Pauli Kulvik


Kim Ignatius


Peter Lørup


Inger Malm


Heikki Ojanperä

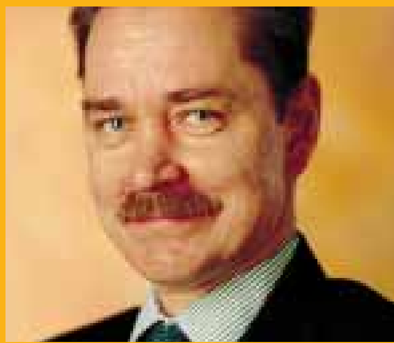

Bengt Persson


Jan Bonde


Tapio Mansukoski


Asbjørn Leirvik


Björn Mattila


Keijo Väkiparta

Tamro Group

Matti Elovaara (59)
B.Sc. (Econ.)
CEO, President

Pauli Kulvik (47)
M.Sc. (Eng.), MBA
COO

Group finance, financing and investor relations
Kim Ignatius (42)
B.Sc. (Econ.)
Chief Financial Officer

Group information management
Peter Lørup (42)
Computer Scientist
Chief Information Officer

Human resources
Inger Malm (49)
Master of Arts, MBA
Chief Personnel Officer

Corporate planning
Heikki Ojanperä (54)
M.Sc. (Eng.)
Senior Vice President

Business Units

Tamro Distribution Sweden
Bengt Persson (46)
M.Sc. (Eng.)
President

Nomeco, Denmark
Jan Bonde (48)
Graduate in Pharmacology
President

Tamro Distribution Finland
Tapio Mansukoski (50)
B.Sc. (Econ.)
President

Tamro Distribution Norway
Asbjørn Leirvik (53)
B.Sc. (Eng.)
President

Tamro Distribution Baltics and Russia
Björn Mattila (52)
DipBus
President

Tamro MedLab
Keijo Väkiparta (46)
M.Sc. (Pharm.), eMBA
President

Information to the stockholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Tamro Corporation will be held at Tamro House, Rajatorpantie 41 B, Vantaa, on 28 April, 1999 at 4 p.m. Stockholders who wish to attend must give notification by 4 p.m. on 26 April, 1999, 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 23 April, 1999, as well as those who were entered in the company's stockholders' register before 28 October, 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 stockholder's meeting passes the Board's proposal for dividend, FIM 1.50 per share for the old stock and FIM 0.60 per share for the new stock, will be paid to the stockholders in the stockholders' register kept by the Finnish Central Securities Depository Ltd. on the matching date, 3 May, 1999. The dividend will be paid out on 11 May, 1999.

PUBLISHING SCHEDULE

Tamro Corporation will publish the following interim reports for 1999 in Finnish, Swedish and English:

- For January - March on 6 May, 1999
- For January – June on 19 August, 1999
- For January – September on 10 November, 1999

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

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secretary +358 204 45 4004
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mobile phone +358 400 608 859
e-mail kim.ignatius@tamro.com

Risto Saarni
Treasurer
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Tamro's releases can also be found from websites www.tamro.com, www.huginonline.com and www.pressi.com.

home page http://www.tamro.com

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fax +358 9 651 093

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“There is one basic product in this business – pharmaceutical distribution. The real challenge is to wrap the product into a marketing package according to the wishes of the business partners. Pharmaceutical wholesalers have to know, how to transform ideas into actions.

Each pharmaceutical wholesaler has a handful of fundamental, strategic cornerstones. They surely comprise excellent knowledge on and proficiency in logistics and marketing, but that is not enough. Pharmaceutical wholesaler must also consider the needs of healthcare authorities and society as well as be creative in planning of totally new services. Thus, pharmaceutical distribution is about finding niches.

Furthermore, pharmaceutical wholesaler must find the unique fit between its fundamental skills, and only the best ones master the fine-tuning. The success factor is to see, feel and understand of customer needs. After having caught this image only work, work and work is required.

Future development of the pharmaceutical supply chain requires, however, unprejudiced ideas and initiatives uniting in a way or another interests of all actors of this business Like in many other fields of the society, also in the pharmaceutical distribution ‘nothing ain´t what it used to be’.“

Jyrki Tolonen: Study on Pharmaceutical Supply Chains

Delivering excellence in healthcare