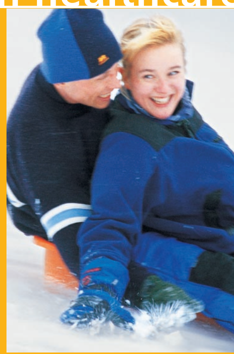
Annual Report 1999

Tamro

Delivering excellence in healthcare

Contents

The year in brief

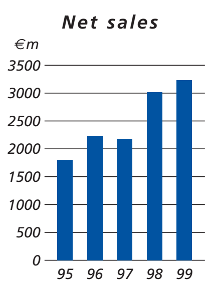
- Consolidated ordinary profit before taxes in 1999 rose by 49% to EUR 31.9 million. The operating profit from core business rose by 10% from the year before. Consolidated net sales amounted to EUR 3,236 million, up 7% from the year before. The increase in net sales is attributable to the strong growth of pharmaceuticals trading within Tamro's market area.

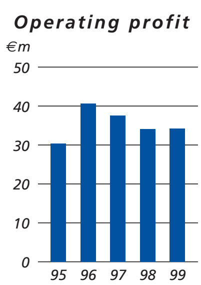
- New information systems were commissioned in Norway, Sweden and Finland and the new platform provides a powerful and modern basis for operations. Tamro started to rebuild its own IT resources and acquired a 30% stake in Soft Design A/S.

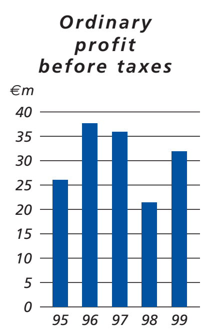
- Tamro acquired the operations of AB Farmacija, one of Lithuania's largest pharmaceuticals wholesalers, and rose to market leadership in Lithuania. New distribution facilities were taken into service in Oslo, Norway, and Kaunas, Lithuania. In Gothenburg, a hospital supplies distribution center was commissioned. A construction project was launched in Tampere. The Murmansk distribution center in Russia was inaugurated and sales outlets were opened in Moscow and Vologda.

- Tamro's healthcare and laboratory supplies business, Tamro Medical and Tamro Lab, were merged into one division. Tamro MedLab was reinforced by acquisitions and, at the end of the year, demerged in Finland into Tamro MedLab Oy.

- Printel Oy's business operations were divested and Tamro's holding in Castrum was lowered. At the beginning of 2000, a 19.9% stake in Karttakeskus was sold.





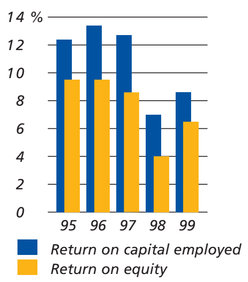


Financial highlights

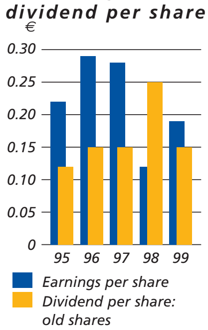
		1999	1998	1997
Net Sales	*€m*	***3,235.8***	*3,019.8*	*2,168.4*
Sales change	*%*	***7.2***	*39.3*	*–2.5*
Sales outside Finland	*€m*	***2,459.8***	*2,284.3*	*1,444.2*
Operating profit	*€m*	***34.2***	*34.1*	*37.5*
Operating margin	*%*	***1.1***	*1.1*	*1.7*
Ordinary profit before taxes	*€m*	***31.9***	*21.4*	*35.9*
Ordinary net profit	*€m*	***22.6***	*14.2*	*24.6*
Return on capital employed	*%*	***8.6***	*7.0*	*12.7*
Retun on equity	*%*	***6.5***	*4.0*	*8.6*
Earnings per share	*€*	***0.19***	*0.12*	*0.28*
Dividend per share, old shares	*€*	***0.15 ****	*0.25*	*0.15*
Dividend per share, new shares	*€*	*–*	*0.10*	*–*
Share price at December 31	*€*	***3.04***	*3.70*	*5.03*
Market capitalization at December 31	*€m*	***352.3***	*445.2*	*441.3*
Net gearing	*%*	***43.5***	*5.9*	*–9.8*
Interest cover	*times*	***5.3***	*5.0*	*15.8*
Equity ratio	*%*	***31.7***	*38.1*	*42.8*
Investments	*€m*	***22.6***	*34.5*	*11.9*
Number of employees, average		***2,650***	*2,578*	*2,249*

** Board's proposal*

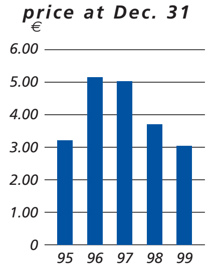
Return on capital



Earnings and dividend per share



Development of share price at Dec. 31



The year in br

CEO's letter

Dear Stockholders,

Tamro attained its 1999 target for earnings per share (EPS), 19 cents/share (+58%). Net sales grew by 7% to EUR 3.24 billion. The result still falls short of Tamro's long-term profitability requirements. The Board of Directors proposes a dividend of 15 cents per share in line with EPS and thus continues its owner-friendly payout policy based on long-range rather than short-term financial performance.

The year 2000 is expected to bring about great changes in many of our markets. Tamro is at the same time intensifying its action plan aimed to increase strategic growth and streamline operations. Achieving the set profit targets will remain a central goal. Unexpected financial result trends in this hard-to-predict operating environment will partly be offset by the value growth and possible realisation of investment assets.

Tamro focuses on core business

Both Tamro Distribution's customers and the pharmaceutical industry serving the Group's natural markets define its core market area, which is on the one hand being diversified and transformed by national pharmaceutical legislation in all of Tamro's eight countries of operation and on the other hand becoming increasingly unified as a result of global-scale merging of pharmaceutical players.

Tamro's strategic focus within this framework is on developing and expanding the Group as a leading Northern-European pharmaceutical wholesaler, distributor and service provider through investments in operational quality and efficiency enhancement to boost competitiveness.

During the fiscal year, the share of Tamro's core business of consolidated net sales grew to 97%.

Tamro MedLab, which complements Tamro's role as a healthcare service provider, will become increasingly independent and empowered to take charge of its own operational development. This corporate sector, shaped through various acquisitions and internal restructuring campaigns during the reporting period, was incorporated into a separate sub-group, headed by parent company Tamro MedLab Oy.

Tamro's non-core investment assets, for instance the holdings in Mölnlycke Health Care AB, Castrum Oyj, Karttakeskus Oy and Ikaalisten Kylpylä Oy, will continue to be developed and managed as short-term portfolio investments. During 1999, the business operations of Printel Oy were sold off and at the beginning of 2000, a 19.9% stake in Karttakeskus was divested to a strategic partner.

Management of diversity remains an essential success factor

Tamro's basic philosophy is geared up to meet the needs, expectations and special features of national pharmaceutical markets. Even though we regard measures for wider European harmonization as meaningful, these can only be implemented within a time frame that allows the various requirements of our clientele, public authorities and the pharmaceutical industry to be reconciled.

Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Russia and Sweden, Tamro's current natural market area, represent eight independent pharmaceutical markets, each with its own language, history, commercial practices, currency, governing legislation and sovereignty as regards national healthcare decisions. Broadly speaking, they form three economic areas: the EU-legislated Nordic Countries, the Baltic States, linked to the European Union through Europe agreements and as aspiring members, and Russia as a separate entity. Tamro's clientele, for the most part daily customers, serve a total of about 46 million consumers across an area riddled with pharmacies and hospitals spanning 3000 km from east to west and 2500 km from the Artic Ocean up north to the Danish-German border down south.

Strengthening market positions

By the beginning of 2000, Tamro had captured a leading position as a pharmaceuticals distributor, wholesaler and service provider in seven of its eight countries of operation.

Northwest-Russian Pharm Tamda 77, just as hard hit by the 1998 crisis as its business sector in general, adjusted its operational approach to the uncertainties plaguing the market and continued its cautious expansion. Most recently, a new distribution center was inaugurated in Murmansk and a sales office in Moscow.

In Lithuania, UAB Tamro timed the acquisition of its best competitor, AB Farmacija, to coincide with the commissioning of the new, state-of-the-art distribution center in Kaunas in November 1999.

Tamro Distribution AS in Norway, which attained an over 10% market share toward the year's end, moved into new facilities in March, rolled smoothly out a new information system in May and concluded a wide-ranging collaboration agreement with Norway's leading independent pharmacy chain, Apokjeden, at the beginning of 2000.

During the final months of 1999, Finland became the next focal point of the Group's development efforts. Under a new management starting from the beginning of March, 2000, Tamro Distribution Finland will accelerate its efforts aimed to enhance quality, efficiency and profitability to match the future requirements of customers, the pharmaceutical industry and stockholders. The tightening of the competitive situation expected to be caused by the partial crumbling of the single-channel distribution system in the coming few years, should also contribute to this.

Information systems boost competitiveness

After rolling out the new information systems in Norway, Sweden and Finland, Tamro has started to rebuild its IT resources and capabilities. Information technology will be elevated as one of Tamro's critical areas of competence. The acquisition of a 30% holding in Danish Soft Design A/S and cooperation arrangements with its principal partner, IBM, are part of this transition.

Values guide evolving corporate culture

The core values confirmed at the beginning of 1999 brought "commitment to customer success" into the foreground in Tamro's company culture and strategic thinking. Adherence to the core values will help release the inherent inner energy and skills of all Tamro employees to be harnessed for continuous innovation and renewal.

We have come a long way. I would like to extend my thanks to our stockholders, customers and the pharmaceutical industry for all their support and to our personnel for their extraordinary efforts during extremely taxing fiscal year 1999. But we can still make a great deal of progress.

Pauli Kulvik

Tamro overview

Roots

Tamro is the leading Northern-European pharmaceutical distributor and healthcare group with deep roots in the Nordic Countries. Tamro was founded in Finland in 1895, but the Group's Danish origins date back to 1801. Tamro started its globalization by small steps in the Baltic States in 1992, advancing to Russia in 1994. Giant strides were made during 1995–1998 when the company expanded to Sweden, Norway and Denmark.

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

Values

Tamro, with its international approach yet strong commitment to the success of national customers, enforces a handful of group-wide norms. One of the Group's central objectives is to create a learning organization guided by the following core values.

Commitment to customer success

- Tamro's clientele includes the international pharmaceuticals industry as well as pharmacies, hospitals and healthcare institutions in each of Tamro's countries of operation. For the industry, we offer both distribution services and the Supplier Service throughout our operating area. We are a wholesaler that supplies pharmacies, hospitals and laboratories with products needed by their customers and patients and we do this efficiently, safely and without defects. We can only succeed by committing to the success of both of our customer groups.

Openness, trust and appreciation

- We want to learn from one another in our intercompany dealings and that is why we openly share information. We reward good performance. Through open and reliable communication, we seek to bolster confidence and appreciation for our operations and show the same trust and esteem for our stakeholder groups.

Daily improvement

- We want to work in a learning, trailblazing organization. To maintain continuous improvement, Tamro employees are allowed to test, try, hit, and experiment.

Strong ethics

- Much is expected of us as a leading player in the healthcare sector. Throughout our operating area, we strive to be upstanding citizens, fulfill our promises and live up to all ethical codes of behavior, whether explicit or implied.

Positioning

Tamro is the leading healthcare distributor in Northern Europe and the market leader in pharmaceutical distribution in seven countries.

Business structure

Tamro's principal business line is the distribution of pharmaceuticals and other healthcare products and the related Supplier Service. The Tamro MedLab subgroup, specialized in the sale of healthcare and laboratory products, is a complementary business operation.

Tamro Distribution operates in eight countries: Finland, Sweden, Denmark, Norway, Estonia, Latvia, Lithuania and Russia. Tamro MedLab's operation covers the Nordic Countries and Baltic States.

The Group's affiliates include subsidiary Karttakeskus Oy (80% holding) and associated company Mölnlycke Health Care AB (30%).

Pharmaceuticals

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 customers.

Sweden and Finland maintain single-channel distribution systems, based on a contractual relation between manufacturer and distributor, while Denmark, Norway, the Baltic States and Russia have a multi-channel system in place.

Tamro exploits its regional advantage and leading market position in Northern Europe for the benefit of its suppliers and partners.

MedLab

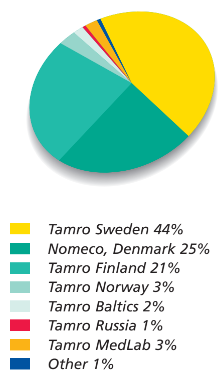
Tamro MedLab Finland was incorporated in December 1999 and amalgamated with other Nordic and Baltic MedLab companies into a subgroup of Tamro.

The Tamro MedLab subgroup 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 Baltic States. It is the objective of Tamro MedLab to be the leading seller and marketer in its line of business and market area.

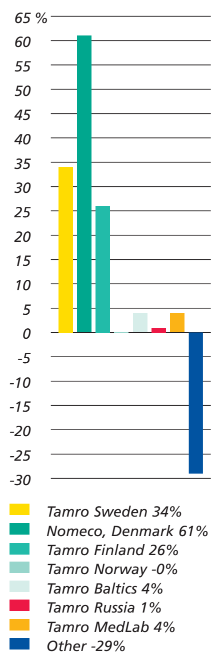
Tamro MedLab operates in Finland, Sweden, Norway, Denmark, Estonia, Latvia and Lithuania.

The 1999 business units' reviews are presented on pages 45–52.

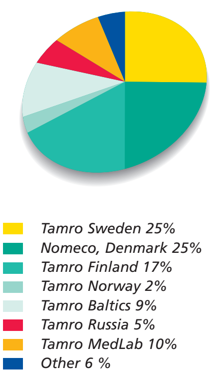
Distribution of net sales



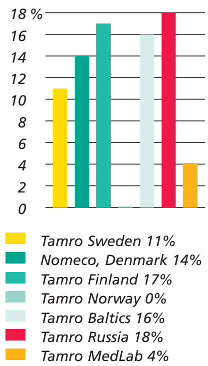
Distribution of operating profit



Employees average



Return on capital employed



Tamro and customer

Good service is a combination of making promises and delivering on them. Tamro not only serves pharmacies, hospitals, healthcare centers and other healthcare customers, but also forms part of the entire healthcare and welfare network. We can serve our clientele well only by totally committing to their success.

Pharmaceutical distribution is caring. Tamro serves thousands of pharmacies and other healthcare and retail customers within its area of operation. It is Tamro's main principle to support the high professional standards of pharmacies, to help them serve end users in each of Tamro's home markets as required by set healthcare and medicine supply objectives.

As a general rule, Tamro can deliver products from its entire distribution range within 24 hours at an about 98% service level, irrespective of factors such as the single- or multi-channel distribution environments or varying geographic, demographic and government regulations. It is Tamro's goal to be its customers' best service provider and partner.

Our strength is our long-running experience and traditions, which will carry us into the new millennium. The 21st century will definitely be an era of fast development and changes. The fundamental structure of many of our business fields will most likely have changed in a few years' time: there are pharmaceutical legislation reforms underway in many of Tamro's countries of operation and new distribution channels, such as e-commerce, are emerging. There is also on-going consolidation within the pharmaceutical industry, wholesalers and retailers.

No matter how challenging the future is, we will systematically keep on developing services that enable our customers to attain their goals in the pharmaceutical distribution chain. We will only promise what we can actually deliver.

Pharmaceuticals market in Tamro's operating areas

The structure of the pharmaceuticals market, the use and reimbursement of pharmaceuticals, and treatment practices vary greatly in the countries within Tamro's operating area. In all these countries, growth of pharmaceutical sales has been significantly affected by a move to using newer and more expensive drugs as well as by the launch of new drugs for previously medicinally untreatable illnesses. The growth of the pharmaceuticals market has been constrained by public sector measures directed at curbing pharmaceutical prices, reimbursement and guiding drug prescription practices.

Nordic Countries

Sales of pharmaceuticals continued to grow steadily in all the Nordic Countries. In 1999 the Nordic Countries' pharmaceuticals market represented EUR 5.0 billion at wholesale prices. Average growth was nearly 10%. In Sweden and Norway, growth was highest at 11–12%, while Finland and Denmark posted figures of 8% and 6% respectively.

During fiscal year 1999, the highest sales in the Nordic Countries were generated by drugs for diseases of the central nervous system and for cardiovascular complaints. Next came drugs for digestive and metabolic illnesses, as well as medicines for respiratory diseases. The growth in sales for cardiovascular drugs owed much to the increased use of drugs that reduce blood lipid levels. Fast-growing pharmaceuticals include cancer drugs and biological treatments for cancer, as well as medicines for sexual and urinary disorders. In terms of sales value, omeprazole maintained its number one position on the Nordic pharmaceuticals market, followed by simvastatin, budesonide, citalopram and insulins.

The best selling pharmaceutical preparations of 1999 were Losec/Losec MUPS (anti-ulcerant), Zocor (cholesterol reducer), Cipramil (anti-depressant), Pulmicort (anti-asthmatic) and Imigran (anti-migraine). Parallel import sales grew by little over 20% in the Nordic Countries to more than EUR 316 million, representing a market share of over 6%.

In recent years, wholesale prices of pharmaceuticals have remained roughly stable or, as in Finland and Denmark, have dropped slightly.

Baltic States and Russia

The 1999 sales of pharmaceuticals in the Baltic States totaled around EUR 300 million, in terms of wholesale prices. Sales growth in the Baltic States was 10–15%. The Russian pharmaceuticals market is gradually recovering to its 1998 sales level.

Tamro's market position

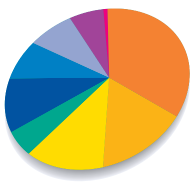
During the accounting period, the Tamro Group's pharmaceutical sales grew by a bit over 9 % to EUR 2.5 billion. Tamro's market share averaged 48%, ranging from a high of 69% in Denmark to Norway's 10%. Tamro is the largest pharmaceutical distributor in Sweden, Finland, Denmark, Estonia, Latvia and Lithuania. Tamro occupies third place in Norway and currently only has operations in the northwestern part of Russia, where it has captured a nearly 20% market share.

Pharmaceuticals market growth prospects

Growth prospects for the pharmaceuticals market also appear to be stable in the next few years. Population aging and the introduction of new, more expensive drugs will accelerate growth. The growing life expectancy will predispose the aged to chronic illnesses and long-term multiple ailments and increase the need for combination drug treatments. Drug use will also be boosted by people using medicines increasingly for both the prevention of illnesses and their recurrence. On the other hand, health insurance compensation for pharmaceuticals has a major impact on their aggregate use. So a key objective of the authorities is to increase healthcare practitioners' cost awareness.

Information on Tamro's stock

Stockholders by group at Dec. 31, 1999



- *Finnish companies 8%*
- *Finnish financial and insurance institutions 7%*
- *Finnish public institutions 9%*
- *Finnish individuals and others 8%*
- *Finnish non-profit seeking owners 1%*
- *Monberg & Thorsen Holding A/S 34%*
- *Apoteket AB 18%*
- *Other foreign owners (incl. nominee holdings) 12%*
- *Own shares 4%*

Total foreign ownership 64%

Capital stock

The Parent Company Tamro Corporation's capital stock as of December 31, 1999 amounted to EUR 120,365,430 and it was divided into a total of 120,365,430 shares with a par value of EUR 1.

Tamro Corporation's Annual General Meeting on April 28, 1999 decided to decrease the capital stock by FIM 24,040,000 by canceling 2,404,000 treasury shares acquired in open trading. The effect of the cancellation was to lower the capital stock from FIM 1,227,194,300 to FIM 1,203,154,300, equaling 120,315,430 shares. The capital stock decrease was effected in accordance with the provisions of Chapter 6 of the Companies Act by allocating the aggregate par value of the retired stock, FIM 24,040,000, to the premium fund included under the company's restricted equity. The lowering of the capital stock through the retirement of shares was entered into the Trade Register on May 28, 1999.

The Annual General Meeting also approved an amendment to the Articles of Association changing the par value of each share from FIM 10 to EUR 1. The capital stock decreased as a result of the change in par value by EUR 82,040,596.93, which amount was transferred to the non-restricted reserve. At the same time, an entry was made into the Trade Register concerning the transfer of EUR 143,344,120 from the premium fund and the transfer of EUR 74,214,211 from the reserve fund to the non-restricted reserve, which is included under non-restricted equity and administered by the Annual General Meeting. The amendment was entered into the Trade Register on September 29, 1999.

In May 1999, 50,000 shares were subscribed to using Tamro Corporation's bond warrants issued in 1994 and 1995. The corresponding increase of the capital stock was entered into the Trade Register on December 13, 1999. After the increase, the number of Tamro shares totaled 120,365,430 and the capital stock stood at EUR 120,365,430.

Incentive plan

The Group uses stock option plans as incentives. Under this system, the staff ownership share of Tamro's capital stock may not exceed 10 percent.

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

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

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

At the end of 1999, there were 4,844,000 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.

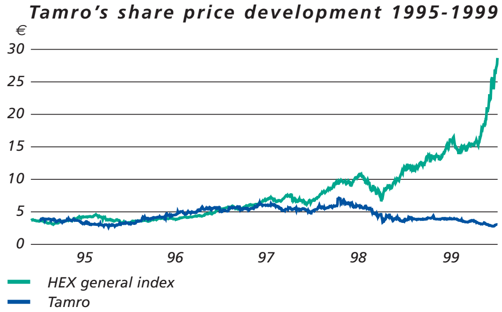
By the end of 1999, a total of 150,000 Tamro Corporation shares were subscribed to with 1994 bond warrants.

If all the outstanding warrants are exercised, the Tamro Corporation capital stock can maximally increase by 9,844,000 shares, equivalent to EUR 9,844,000.

Repurchase of company's own shares

The Annual General Meeting held on April 28, 1999 granted the Board of Directors authorization

Tamro's share price development 1995-1999



Market capitalization 1995-1999

to repurchase Tamro Corporation stock on the following conditions:

1. The total number of shares (book-entry securities) repurchased plus existing treasury stock may not exceed 5% of the total number of shares during the validity period of the authorization.
2. The shares are to be repurchased at the going rate in open trading on the Helsinki Exchanges.
3. The shares may, if necessary, be repurchased 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, if the Board considers this to be an advantageous method of expending liquid assets, or for some other similar purpose.
4. The acquisition price of the shares reduces the company's distributable non-restricted equity.
5. The authorization is valid for one year after the Annual General Meeting.
6. Board decisions based on this authorization are to be announced separately. Stockholders wishing to sell their holding or part thereof back to the company must issue a selling order to an authorized securities broker after the Board has separately decided to reacquire the company's own shares.

By the end of 1999, the company had with the Board's authorization bought back 4,476,347 of its own shares at a total cost of EUR 14.9 million. The company's holding of treasury stock corresponds to 3.72% of the year-end capital stock.

Stockholders

At the end of the accounting period, 88.3% of Tamro Corporation shares were in Nordic hands: namely 36.2% in Finland, 33.7% in Denmark and 18.4% in Sweden. Other foreign owners held 11.7% of the shares.

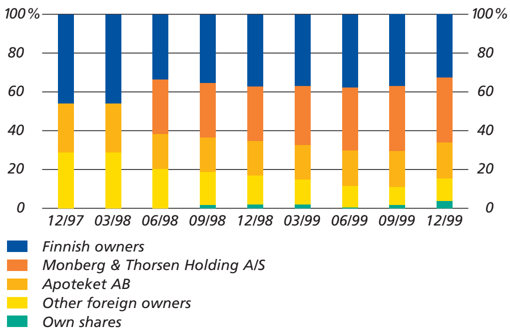
At year's end, the Board Members and the CEO held a total of 100,000 Tamro Corporation shares, 15,000 year 1994 and 1995 bond warrants and 430,000 year 1997 bond warrants. These holdings correspond to 0.08% of stock and voting rights. The rest of the Group management and the permanent insiders owned a total of 7,730 shares, 40,300 year 1994 and 1995 bond warrants and 366,000 year 1997 bond warrants (see table on page 57).

Dividend policy and distribution to owners

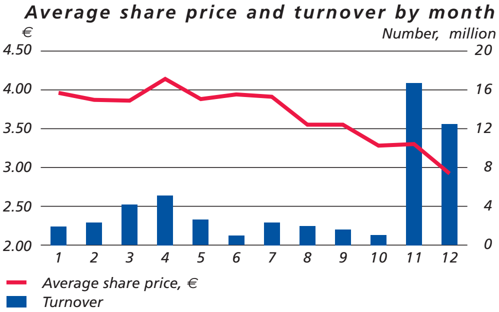
It is the main aim of the Board to ensure that Tamro's stock remains a high-performance long-term investment object. Provided that Tamro's financial development continues along healthy lines, the Board targets a dividend payout ratio of around 50% of the earnings per share (EPS).

The Board of Directors proposes to the Annual General Meeting that the 1999 dividend be set at EUR 0.15 per share. The dividend ratio in that case would be 79%.

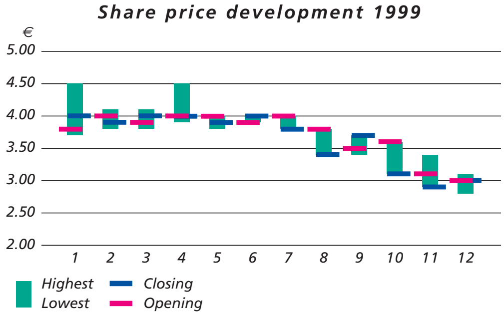
Development of stockholder structure 1997-1999



Average share price and turnover by month



Share price development 1999



Information on Tamro's stock

Stock listing, performance and trading volume

Tamro Corporation shares are listed on the Helsinki Exchanges. The 1994 and 1995 bond warrants forming part of the staff incentive plan have also been listed on the Helsinki Exchanges since January 14, 1999.

The closing share price for 1999 stood at EUR 3.04, down 18% from the end of 1998. The year's trading high was EUR 4.50 and the trading low EUR 2.75. During 1999, a total of 53.2 million shares changed hands, equivalent to 44.6% of the average number of all Tamro shares. This stock turnover represented a market value of EUR 184.3 million, a decrease of 25.3% from the previous year. The total stock turnover increased by 10.1%.

The newly issued Tamro stock was not traded on the Exchange during 1999.

Tamro's market capitalization at year's end was EUR 352.3 million compared with EUR 445.2 million at the close of 1998. The market capitalization figure does not include treasury stock. Information on stock price trends and share-specific data for the past five years are presented on page 42.

A total of 3,882,618 warrants issued in connection with the 1994 and 1995 warrant bonds were traded on the Helsinki Exchanges during 1999. The closing price for warrants in 1999 stood at EUR 0.02, the year's trading high was EUR 0.50 and the trading low EUR 0.02. The market value of warrants calculated using the year-end closing price was EUR 0.1 million.

Tamro's stock and warrants held by members of the Board of Directors, CEO and permanent insiders are presented on page 57.

Stockholdings by ownership bracket on December 31, 1999

No. of shares held	No. of holders	Total no. of shares	Percentage of stock and voting rights, %
1-500	5,428	1,199,073	1.00
501-1 000	1,723	1,420,382	1.18
1 001-5 000	1,840	4,283,872	3.56
5 001-20 000	334	3,208,947	2.67
20 001-50 000	65	2,098,070	1.74
50 001-500 000	47	5,771,261	4.79
500 001-	22	102,291,527	84.98
On waiting list		41	0.00
Shares not transferred to book-entry securities system		92,257	0.08
Total	9,459	120,365,430	100.00

Major stockholders on December 31, 1999

	Number of shares and votes, in thousands	Ownership share, %
1. Monberg & Thorsen Holding A/S *)	40,541	33.7
2. Apoteket AB	22,114	18.4
3. The Tapiola Insurance Group	7,203	5.8
4. Orion	6,849	5.7
5. Sampo Group **)	5,731	4.8
6. Varma-Sampo Mutual Pension Insurance Company	2,489	2.1
7. Ilmarinen Mutual Pension Insurance Company	1,313	1.1
8. Kaleva Mutual Insurance Company **)	1,278	1.1
9. Local Government Pensions Institution	1,010	0.8
10. The Employment Pension Fund	910	0.8
11. OKOBANK and OKO Pension Foundation	644	0.5
12. Mutual Insurance Company Pension Fennia	563	0.5
13. Toivanen Erik Jalmari	443	0.3
14. Investment Fund Merita Optima	340	0.3
15. PT Pension Foundation	298	0.2
16. Merita Life Assurance Ltd	274	0.2
17. OP-Delta Investment Fund	228	0.2
18. Investment Fund Aktia Capital	210	0.2
19. Odin Finland	204	0.2
20. Fund Management Company Seligson & Co	196	0.2
Others ***)	27,530	22.9
Total	120,365	100.0

*) Including Meco Holding A/S's 28.6% share and S & L Invest's 5.1% share of total capital stock.
**) Sampo-Varma Group total 7.9% of all shares.
***) nominee holdings 11.4% of all shares, holdings of Tamro Corporation 3.7% of all shares

Capital stock changes 1990-1999

Increase method and time	Change in number of shares	Change in capital stock FIM/EUR	New capital stock FIM/EUR
Private placement Aug. 25-Oct. 15, 1995	40,114,333	FIM 401,143,330	FIM 881,633,700
Private placement June 18-June 26, 1998	34,456,060	FIM 344,560,600	FIM 1,226,194,300
Warrant subscription / 1994 warrant bond, Dec. 21, 1998	100,000	FIM 1,000,000	FIM 1,227,194,300
Cancellation of shares / Treasury stock repurchased by Tamro Corporation in 1998, April 28, 1999	−2,404,000	FIM −24,404,000	FIM 1,203,154,300
Change of stock par value from FIM 10 to EUR 1, April 28, 1999		EUR −82,040,596.93	EUR 120,315,430
Warrant subscription / 1994 warrant bond, December 13, 1999	50,000	EUR 50,000	EUR 120,365,430

Financing and financial risk management

Financing

The Group's financing and financial risk management activities are centralized in the Parent Company, which acts as a captive (in-house) bank to meet the group companies' needs. Straight debt financing arrangements are also the exclusive domain of the Parent Company, with the exception of some Nomeco A/S involvement. In the end of October, Tamro Corporation introduced a EUR 100 million commercial paper program to facilitate the Group's general-purpose financing activities.

Liquidity management with respect to Tamro's major functional 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 monetary 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 1999 averaged 28% and net interest-bearing liabilities EUR 93 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 approximately EUR 106 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 papers and bonds issued by companies with a high credit rating as well as short- and long-term securities issued by the Finnish and Swedish states and state institutions.

In November 1999, Tamro Corporation launched a financing-related project to renew the Group's treasury information systems. The new systems will be rolled out during the spring of 2000.

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

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 ruble for which there are no external hedging instruments available. Intra-group financial transaction risks are hedged 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 hedged partly its SEK position with currency loans, forwards and options during 1998 and 1999.

Interest-rate risk management

Due to the Group's balance sheet structure, Tamro is 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).

Tamro's open and closed derivative instruments are presented in tabular form on pages 34 and 39 in the Notes to the financial statements.

Board of Directors' Report for 1999

Tamro's Board of Directors:

from left Paul Bundgaard, Erik Søndergaard, Dag Johannesson, Mikael von Frenckell (Chairman of the Board), Johan Horelli and Juhani Mäkinen (Secretary of the Board). Stefan Carlsson and Juha Toivola are absent from the picture.

Tamro continues to grow and develop as the leading Northern-European pharmaceuticals distributor and a major hospital and laboratory products supplier in the changing competitive and market environment. We rise to the challenges of our changing operating environment through customer orientation, adaptability, operational quality and cost-efficiency.

Transforming operating environment

The pharmacy legislation of Norway and the Baltic States is already being deregulated. The issue is also under consideration in Denmark. The Finnish Competition Authority has noted that pharmaceutical players themselves are reaching conclusions that will bring about drastic structural changes in pharmaceuticals wholesaling. Mergers within the pharmaceuticals industry continue, increasingly often creating some potential for wider solutions even though the pharmaceutical markets were to remain mainly national. Tamro, which already operates in eight countries in Northern-Europe, is in a strong position to tackle these changes.

Introduction of new information systems

New information systems were rolled out in Norway, Sweden and Finland during last year. Even though the upgrading proved more arduous and required more resources than anticipated, the new platform provides a powerful and modern basis for operations. The focus will now shift to further improving the systems and these efforts will be buttressed by the Nordic Countries' advanced telecommunications and information system infrastructure.

Tamro rolled over smoothly into the new millennium.

Tamro started to rebuild its own IT resources. In the fall of 1999, Tamro acquired a 30% stake in Soft Design A/S, specialized in the integration of state-of-the-arts software solutions and demanding business applications into wholesaling systems in particular.

Expansion and increased independence for MedLab group

Tamro Medical and Tamro Lab were merged into one division. The division was reinforced in Norway by acquiring Leica Microskopi AS and the business activities of DicoMed AS and AS Pihl during 1999. In Sweden, Tamro MedLab, together with Fuji Film Sverige AB, founded a joint venture offering consulting and network solution integration services and acquired Mikron Med AB's business activities.

At the end of the year, Tamro's healthcare and laboratory supplies business in Finland was incorporated into Tamro MedLab Oy. Through the incorporation, the Group intends to intensify its customer orientation, streamline the internal division of tasks and accountability and develop Tamro MedLab's operations exploiting its own strengths and capabilities.

Tamro emphasizes and strengthens its core business pharmaceuticals distribution

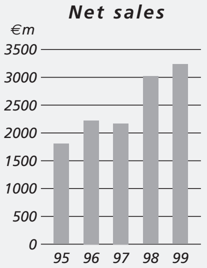
Tamro maintained a leading market position in Denmark, Sweden, Finland, Estonia and Latvia and no major changes occurred in market shares during the year. Tamro also leads and managed to further increase its share of the pharmaceutical market in Northwest Russia. Tamro acquired the operations of AB Farmacija, one of Lithuania's largest pharmaceuticals wholesalers, and rose to market leadership in Lithuania. Its market position in Norway was further strengthened.

New distribution facilities were taken into service in Oslo, Norway, and Kaunas, Lithuania. In Gothenburg, a hospital supplies distribution center was commissioned. A construction project was launched in Tampere. The Murmansk distribution center in Russia was inaugurated and sales outlets were opened in Moscow and Vologda.

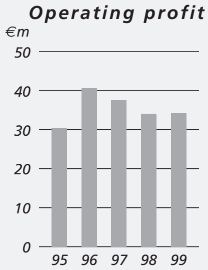
Investment assets

Mölnlycke Health Care AB, in which Tamro holds a 30% stake, has during 1999 proved its ability to

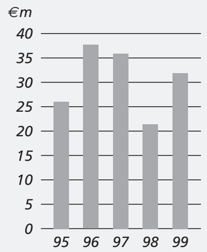
Net sales



Operating profit



Ordinary profit before taxes



implement the planned restructuring plan and to achieve the set growth and earnings targets. Both the company itself and investment banks closely monitoring its operations estimate that the company's stock might very well be listed in the course of 2000.

Printel Oy's business operations were divested. A 19.9% stake of Karttakeskus' capital stock was sold to publicly traded US-based MapInfo. Tamro's stake in Castrum was diluted to 17.9% during the reporting period.

Group's earnings in 1999

Earnings per share rose by 58% to EUR 0.19. The consolidated ordinary profit before taxes amounted to EUR 31.9 million, up 49% over the previous year.

The consolidated operating profit for 1999 came to EUR 34.2 (34.1) million. In accordance with Tamro's usual practice, IT development expenditures are expensed as incurred and their impact on the operating profit was EUR 21.6 million. The profit for the accounting period was boosted by capital gains of EUR 5.5 million on the divestiture of Printel's business as well as gains on the disposition of fixed assets totaling EUR 2 million. The operating profit from core business rose by 10% from the year before.

The operating result for pharmaceutical distribution in Denmark and Norway as well as Russia and the Baltic States were in line with the Group's expectations. In Sweden and Finland, profits were burdened by diminished distribution margins in the tightened competitive situation and by costs related to the commissioning of the new IT system. Tamro MedLab's profit fell from last year's level.

The consolidated ordinary profit before taxes amounted to EUR 31.9 (21.4) million. The figure includes a portion of affiliated Castrum Oyj's and Mölnlycke Health Care AB's earnings, EUR +2.4 million. Tamro's year-end holding in Castrum Oyj was 17.9% and in Mölnlycke Health Care AB 30%.

The Group's ordinary net income totaled EUR 22.6 million. The return on capital employed (ROCE) stood at 8.6% and return on equity (ROE) at 6.5%.

Net sales grew

The consolidated net sales for the fiscal period were EUR 3,236 million, up 7% over the previous year.

The net sales of Tamro Distribution Sweden rose to EUR 1,432 million (+6%).

The net sales by Nomeco, Denmark grew to EUR 810 million (+5%).

The net sales of Tamro Distribution Finland grew to EUR 684 million (+8%).

The net sales of Tamro Distribution Norway rose to EUR 107 million (+26%).

The net sales of Tamro Distribution in Baltics rose to EUR 68 million (+36%) and in Russia to EUR 22 million (+30%).

The net sales of Tamro MedLab for the fiscal period grew to EUR 89 million (+3%).

Net sales by country (€ m)

	1999	Change, %
Sweden	**1,439**	+ 6
Denmark	**800**	+ 6
Finland	**777**	+ 6
Norway	**118**	+23
Estonia	**25**	+37
Latvia	**29**	+46
Lithuania	**15**	+30
Russia	**23**	+30
Other and internal	**11**	–
Group	**3,236**	+ 7

Net sales by business unit (€ m)

	1999	1998	1997
Tamro Distribution Sweden	**1,431.6**	1,345.2	1,272.1
Nomeco, Denmark	**810.4**	769.2	–
Tamro Distribution Finland	**683.9**	634.8	614.2
Tamro Distribution Norway	**106.6**	84.5	65.5
Tamro Distribution Baltics	**68.3**	50.1	34.9
Tamro Distribution Russia	**22.5**	17.4	19.0
Tamro MedLab	**88.6**	86.0	85.2
Other and internal	**23.8**	32.6	77.6
Group total	**3,235.8**	3,019.8	2,168.4

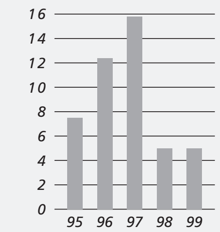
Operating profit by business unit (€ m)

	1999	1998	1997
Tamro Distribution Sweden	***11.5***	*11.8*	*14.5*
Nomeco, Denmark	***20.9***	*19.0*	*–*
Tamro Distribution Finland	***8.9***	*10.6*	*12.6*
Tamro Distribution Norway	***–0.1***	*–0.7*	*–1.5*
Tamro Distribution Baltics	***1.5***	*1.5*	*0.6*
Tamro Distribution Russia	***0.5***	*–3.9*	*0.1*
Tamro MedLab	***1.3***	*2.7*	*2.7*
Other	***–10.2***	*–6.9*	*8.5*
Group total	***34.2***	*34.1*	*37.5*

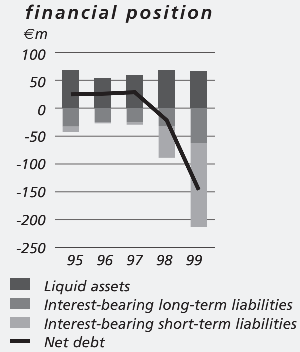
Return on capital employed by business unit (%)

	1999	1998	1997
Tamro Distribution Sweden	***11***	*12*	*17*
Nomeco, Denmark	***14***	*13*	*–*
Tamro Distribution Finland	***17***	*18*	*19*
Tamro Distribution Norway	***–0***	*–5*	*–17*
Tamro Distribution Baltics	***16***	*24*	*13*
Tamro Distribution Russia	***18***	*–243*	*5*
Tamro MedLab	***4***	*7*	*6*
Group	***8.6***	*7.0*	*12.7*

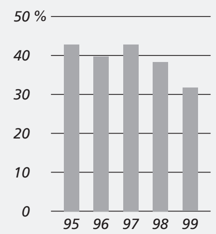
Interest cover



Year-end financial position



Equity ratio



Foreign currency

Of Tamro Group's net sales, 44.5% are denominated in SEK, 24.7% in DKK and 24.0% in FIM. In the Nordic Countries, exchange rate risks are minimized and home currencies are used almost exclusively. In the Baltic States and Russia, purchases are effected mainly in foreign currencies. With the exception of Russia, foreign exchange risks are hedged by means of foreign exchange clauses, forwards and currency options. For ruble there are no external hedging instruments available.

At year's end, 31.2% of the shareholders' equity consisted of SEK-denominated net assets, 24.2% of DKK-denominated and 38.6% of FIM-denominated net assets. Owing to translation differences, the consolidated shareholders' equity rose by EUR 7 million. The Group hedges partially against the translation risk associated with overseas subsidiaries' equities with currency forwards, options and loans.

Financing

The free cash flow after capital investments came to EUR –87 (+43) million and year-end liquid assets to EUR 67 (67) million.

The Group's net gearing during the year averaged 28%, finishing the year at 43.5%. Interest-bearing net liabilities at year's end totaled EUR 146 (21) million and averaged EUR 93 (52) million during the accounting period. The altered financial position was mostly caused by the extra dividends (totaling EUR 13 million) paid in the spring of 1999 in connection with the acquisition of Nomeco, by repurchased treasury stock (worth EUR 15 million) and by the increased net working capital. The increase in net working capital is attributable to Tamro units' increased business volumes, the changed competitive situations, preparations for the turn of the year 2000 and the introduction of the new IT systems.

At year's end, Tamro initiated a EUR 100 million commercial paper program to ensure short-term financing for the company.

The Group's net financial items for the period accounted for EUR –4.7 (–5.8) million. The interest cover ratio stood at 5. The year-end equity ratio was 31.7%.

Capital investments

The most significant investments during the period were Tamro MedLab's new business operations (EUR 2.2 million) and investments in the Kaunas and Tampere distribution centers. Aggregate gross capital investments came to EUR 23 million.

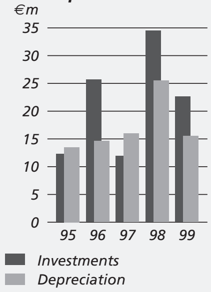
Shareholders' equity

The decrease of Tamro's capital stock by lowering the stock par value from FIM 10 to EUR 1, effected in accordance with the resolution of Tamro's Annual General Meeting, was entered in the Trade Register on September 29, 1999. As a consequence, the capital stock diminished by EUR 82,040,596.93, which amount was transferred to the non-restricted reserve.

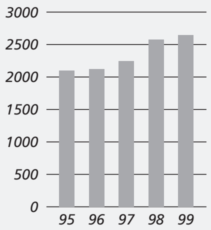
At present, Tamro's capital stock is worth EUR 120,365,430, divided into 120,365,430 shares.

Board of Directors' Report for 1999

Investments and depreciation



Employees average



Investments by business unit (€ m)

	1999	1998	1997
Tamro Distribution Sweden	***1.3***	*2.2*	*1.0*
Nomeco, Denmark	***5.5***	*3.5*	*–*
Tamro Distribution Finland	***1.9***	*0.2*	*0.5*
Tamro Distribution Norway	***1.2***	*1.8*	*0.1*
Tamro Distribution Baltics	***7.9***	*1.6*	*1.2*
Tamro Distribution Russia	***0.5***	*0.1*	*0.7*
Tamro MedLab	***3.3***	*0.6*	*0.6*
Other	***1.1***	*24.4*	*7.7*
Group total	***22.6***	*34.4*	*11.9*

Number of employees by business unit

	1999	1998	1997
Tamro Distribution Sweden	***658***	*603*	*574*
Nomeco, Denmark	***666***	*643*	*–*
Tamro Distribution Finland	***458***	*459*	*465*
Tamro Distribution Norway	***63***	*30*	*25*
Tamro Distribution Baltics	***229***	*188*	*163*
Tamro Distribution Russia	***140***	*122*	*98*
Tamro MedLab	***265***	*256*	*251*
Other	***171***	*277*	*673*
Group total	***2,650***	*2,578*	*2,249*

A further Trade Register entry was made indicating the transfer of EUR 143,344,120 from the premium fund and EUR 74,214,211 from the reserve fund to the non-restricted reserve, which is included under non-restricted equity and administered by the Annual General Meeting.

Stock trends and ownership structure

The Tamro Corporation shares are listed on the Helsinki Exchanges. During 1999, a total of 53.2 million shares changed hands, equivalent to 44.6% of the average number of all Tamro shares. This stock turnover represented a market value of EUR 184.3 million. The closing share price for 1999 stood at EUR 3.04. The year's trading high was EUR 4.50 and low EUR 2.75.

Tamro's year-end market capitalization amounted to EUR 352.3 million, compared with EUR 445.2 million at the end of 1998. The market capitalization figure does not include treasury stock.

Under the authorization granted by the Annual General Meeting to the Board of Directors, the company reacquired by year's end a total of 4,476,347 treasury shares at an average price of EUR 3.33 per share. The amount equaled approx. 3.72% of Tamro's capital stock.

At year's end, approximately 88.3% of Tamro's capital stock was in Nordic hands, 36.2% in Finland, 33.7% in Denmark and 18.4% in Sweden. Other foreign owners' share was 11.7% (incl. nominee holdings).

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

Personnel

Tamro's year-end payroll numbered 2,759, averaging 2,650 during the period. Of the corporate staff, 27% worked in Finland, 26% in Sweden, 24% in Denmark, 19% in the Baltic States and Russia and 4% in Norway.

The wages and salaries paid by the Group during the reporting period totaled EUR 73.6 million, including EUR 18.7 million paid by parent company Tamro Corporation. The remuneration paid to Tamro Corporation's Board of Directors and Supervisory Board amounted to EUR 0.2 million, while the CEO and other members of the Executive Board received a total of EUR 1.9 million in salaries and EUR 0.2 million in bonuses.

1999 Annual General Meeting

Seven board members were elected. Mr. Mikael von Frenckell (M.Sc. (Pol.), Sponsor Capital Oy) succeeded Mr. Erkki J. Toivanen as Chairman of Tamro's Board of Directors. Mr. Paul Bundgaard (Danmarks Apotekerforening), Mr. Dag Johannesson (Apoteket AB), Mr. Erik Søndergaard (Monberg & Thorsen Holding A/S) and Mr. Juha Toivola (Industrial Insurance Company Ltd) were re-elected into the Board and Mr. Stefan Carlsson (Apoteket AB) and Mr. Johan Horelli (Aktia Bank) became new board members.

At the initial board meeting, Mr. Erik Søndergaard was appointed Vice Chairman.

All provisions related to the Supervisory Board were revoked in the Articles of Association and Tamro Corporation abolished its Supervisory Board.

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

Pursuant to Section 6 (1.1) of the Finnish Companies Act, the Annual General Meeting decided to cancel 2,404,000 treasury shares acquired in open trading prior to March 3, 1999, and to lower capital stock by the total par value of these shares. The capital stock decrease was effected in accordance with the provisions of Chapter 6 of the Companies Act by allocating the aggregate par value of the retired stock, FIM 24,040,000, to the premium fund, included under restricted equity.

The capital stock decrease had no effects on the distribution of stockholder's ownership shares or voting rights since the canceled stock is owned by the company.

A decision was made to decrease Tamro's capital stock also by lowering the stock par value from FIM 10 to EUR 1 and to transfer the diminished amount to the non-restricted reserve under non-restricted equity, administered by the Annual General Meeting. The company's capital stock and stock par value are denominated in euros.

As Tamro's stock par value was altered to EUR 1, Articles of 3 and 4 of the Articles of Association were amended. The maximum capital stock became EUR 40,000,000 and minimum capital stock EUR 160,000,000.

The Annual General Meeting decided to assign all funds in the premium and reserve funds to the non-restricted reserve administered by the Annual General Meeting. All funds thus allocated are non-restricted equity.

The Annual General Meeting authorized the Board of Directors to decide on repurchases of the company's own stock (book-entry securities) on the terms specified on page 11.

The 1998 dividend was set at FIM 1.50 (EUR 0.25) per old share and at FIM 0.60 (EUR 0.10) per new. The dividends were paid out on May 11, 1999.

Group's Executive Board

Mr. Pauli Kulvik became Tamro's new President and CEO as of May 1, 1999. Mr. Matti Elovaara retired on December 31, 1999.

- Corporate President and CEO: Mr. Pauli Kulvik
- President of Nomeco A/S, Denmark: Mr. Jan Bonde
- President of Tamro Distribution Finland: Mr. Jussi Holopainen
- President of Tamro Distribution Norway: Mr. Asbjørn Leirvik
- President of Tamro Distribution Baltics and Russia: Mr. Björn Mattila.
- President of Tamro Distribution Sweden: Mr. Bengt Persson.
- President of Tamro MedLab: Mr. Keijo Väkiparta
- Chief Financial Officer: Mr. Pekka Laitasalo, as from June 1, 2000
- Chief Information Officer: Mr. Peter Lørup
- Corporate Vice President, Corporate Affairs: Mr. Tapio Mansukoski

Events in early 2000

On February 5, 2000, Tamro and Norwegian Apokjeden AS concluded a long-term collaboration agreement, which aims to develop Norway's leading, independent pharmacy chain and ensure the continued competitiveness of its members in the country's fast-changing market environment.

Apokjeden will issue a NOK 200 million private placement to Tamro equivalent to a 23% stake in the pharmacy chain and receive in partial consideration a 49% holding in Norwegian Tamro Distribution AS. This arrangement was approved by the Annual General Meeting of Apokjeden AS on February 25, 2000.

On February 17, 2000, Tamro MedLab Oy acquired part of the business activities of

Instrumentarium Oyj's Instrumed division. The deal covers Instrumed's medical equipment, laboratory devices and supplies and certain radiological products suited to Tamro MedLab's range.

In January, subsequent to the fiscal year, Tamro divested 19.9% of Karttakeskus's capital stock to the US-based public company MapInfo Corporation, retaining itself an 80.1% holding in the company.

Outlook for the near future

The Nordic competitive situation will remain intense. The new market situation will weaken profitability especially in Finland. The Norwegian state is expected to decide on a thoroughgoing liberalization of the country's pharmacy system. The Danish Ministry of Health has taken a positive stand on liberalizing the pharmacy system. The solid growth of the aggregate market is forecast to continue.

The most important in-house projects include the further development of the new information system and internal IT functions, the development of the core business in a still more customer-oriented direction and the adaptation of operations to match changing competitive and market situations.

The consolidated net sales are predicted to grow more slowly than in 1999. The development of IT systems will continue. IT development expenditure is estimated to be approx. EUR 8 million lower than for 1999. The ordinary profit before taxes for 2000 is expected to be somewhat higher than for 1999.

Quarterly development during 1998 – 1999

NET SALES

(€m)	10–12 1999	7–9 1999	4–6 1999	1–3 1999	10–12 1998	7–9 1998	4–6 1998	1–3 1998
Tamro Distribution Sweden	374.7	342.7	355.6	358.6	343.6	317.6	341.1	343.0
Nomeco, Denmark	210.0	199.5	199.3	201.6	202.4	187.9	190.9	188.0
Tamro Distribution Finland	186.9	167.2	165.7	164.1	171.0	155.4	157.4	151.1
Tamro Distribution Norway	32.6	26.1	26.1	21.8	24.6	18.4	21.5	20.0
Tamro Distribution Baltics	20.8	15.5	16.3	15.7	14.3	11.4	12.1	12.3
Tamro Distribution Russia	8.5	5.9	4.4	3.7	3.3	3.7	5.1	5.4
Tamro MedLab	24.8	20.5	21.7	21.6	21.5	19.3	22.0	23.3
Other and internal	2.0	4.1	16.0	1.8	3.6	4.1	17.5	7.4
Group total	860.3	781.5	805.1	788.9	784.2	717.8	767.6	750.3

OPERATING PROFIT AND RESULT

(€m)	10–12 1999	7–9 1999	4–6 1999	1–3 1999	10–12 1998	7–9 1998	4–6 1998	1–3 1998
Tamro Distribution Sweden	3.0	1.9	3.1	3.5	3.3	1.9	2.6	4.0
Nomeco, Denmark	4.9	5.9	4.8	5.3	4.5	4.9	4.2	5.4
Tamro Distribution Finland	2.6	2.0	1.6	2.7	2.9	2.2	2.5	3.0
Tamro Distribution Norway	0.2	–0.1	–0.1	–0.2	–0.1	–0.0	–0.2	–0.3
Tamro Distribution Baltics	0.3	0.5	0.2	0.5	0.4	0.3	0.3	0.5
Tamro Distribution Russia	–0.3	0.3	0.4	0.1	–0.8	–2.6	–0.4	–0.1
Tamro MedLab	–0.6	0.0	0.5	1.4	0.2	0.5	0.7	1.3
Others	–3.5	–1.2	–2.5	–3.0	–22.5	–3.0	–1.8	20.4
Group total	6.6	9.3	8.0	10.3	-12.1	4.1	8.1	34.0
Net financial items	–1.9	–3.7	–0.6	1.5	–3.0	–1.4	–0.8	–0.6
Affiliated companies	1.0	0.4	0.3	0.7	–1.1	–5.8	0.2	–0.2
Ordinary profit before taxes	5.7	6.0	7.7	12.5	–16.1	–3.1	7.4	33.3

OPERATING MARGIN

%	10–12 1999	7–9 1999	4–6 1999	1–3 1999	10–12 1998	7–9 1998	4–6 1998	1–3 1998
Tamro Distribution Sweden	0.8	0.6	0.9	1.0	1.0	0.6	0.8	1.2
Nomeco, Denmark	2.3	2.9	2.4	2.6	2.2	2.6	2.2	2.9
Tamro Distribution Finland	1.4	1.2	1.0	1.6	1.7	1.4	1.6	2.0
Tamro Distribution Norway	0.6	–0.3	–0.3	–1.0	–0.6	–0.2	–0.9	–1.7
Tamro Distribution Baltics	1.4	3.4	1.4	3.0	2.7	2.3	2.3	4.2
Tamro Distribution Russia	–3.5	4.3	7.9	4.0	–24.0	–71.4	–7.4	–1.8
Tamro MedLab	–2.4	0.1	2.4	6.4	1.1	2.7	3.4	5.4
Group total	0.8	1.2	1.0	1.3	–1.5	0.6	1.1	4.5

Consolidated income statement *(in EUR thousands)*

	Jan. 1 – Dec. 31	1999	%	1998	%
1	NET SALES	3,235,760	100.0	3,019,839	100.0
2	OTHER INCOME	7,568		19,579	
3	Raw materials and services	3,025,148		2,820,335	
4	Personnel expenses	90,747		81,568	
5	Depreciation and value adjustments	15,507		25,526	
	Other operating expenses	77,705		77,874	
	TOTAL OPERATING EXPENSES	3,209,107		3,005,303	
	OPERATING PROFIT	34,221	1.1	34,115	1.1
6	Financial income and expenses	–4,707		–5,803	
11	Share of affiliated companies' net income	2,428		–6,864	
	ORDINARY PROFIT BEFORE TAXES	31,942	1.0	21,449	0.7
8	Income taxes on ordinary activities	–9,339		–7,270	
	ORDINARY NET PROFIT	22,603	0.7	14,178	0.5
7	Extarordinary income and expense net of taxes	888		1,492	
	NET PROFIT FOR THE PERIOD	23,491	0.7	15,671	0.5
	Earnings per share, €	0.19		0.12	

Consolidated balance sheet *(in EUR thousands)*

Note	Dec. 31	1999	%	1998	%
	FIXED ASSETS				
9	**INTANGIBLE ASSETS**				
	Intangible rights	**4,167**		4,414	
	Goodwill	**1,439**		122	
	Consolidated goodwill	**22,976**		24,097	
	Other capitalized expenditure	**1,321**		491	
		29,902		29,124	
9	**TANGIBLE ASSETS**				
	Land areas	**15,201**		16,005	
	Buildings and structures	**110,043**		103,369	
	Machinery and equipment	**21,214**		20,231	
	Other tangible assets	**435**		394	
	Advance payments and construction in progress	**485**		589	
		147,378		140,588	
	FINANCIAL ASSETS				
	Shares in subsidiaries	**155**		280	
11	Shares in affiliated companies	**14,090**		17,515	
	Other shares and participations	**23,499**		3,388	
10	Other financial assets	**33,619**		11,071	
33	Own shares	**13,608**		8,895	
		84,972		41,150	
	TOTAL FIXED ASSETS	**262,252**	**24.7**	210,861	22.7
	CURRENT ASSETS				
	Inventories				
	Materials and supplies	**1,261**		928	
	Work in progress	**539**		480	
	Goods	**305,319**		257,582	
		307,119		258,990	
	Receivables				
	Accounts receivable	**447,380**		369,683	
	Loans receivable	**1,540**		1,131	
12	Prepaid expenses and accrued income	**8,001**		20,552	
	Other receivables	**617**		522	
		457,537		391,888	
	Short-term investments	**20,763**		38,337	
	Cash and bank	**13,247**		29,071	
	TOTAL CURRENT ASSETS	**798,666**	**75.3**	718,287	77.3
	TOTAL ASSETS	**1,060,919**	**100.0**	929,148	100.0

Consolidated balance sheet *(in EUR thousands)*

	Dec. 31	1999	%	1998	%
14	**SHAREHOLDERS' EQUITY**				
13	Capital stock	**120,365**		206,399	
	Share premium account	**143**		219	
	Revaluation reserve	**1,137**		1,278	
	Other reserves	**449**		1	
	Fund for own shares	**13,608**		8,895	
	Retained earnings	**215,512**		136,870	
		351,216	**33.1**	353,662	38.1
15	**OBLIGATORY RESERVES**	**601**	0.1	852	0.1
	LIABILITIES				
16	**LONG-TERM LIABILITIES**				
17	Bonds with warrants	–		746	
	Loans from financial institutions	**23,160**		22,209	
	Pension fund loans	**10,144**		8,963	
18	Deferred income tax liability	**3,219**		8,726	
	Other long-term liabilities	**126**		24	
		36,649		40,669	
	SHORT-TERM LIABILITIES				
17	Bonds with warrants	**763**		840	
	Loans from financial institutions	**179,711**		33,687	
	Advances received	**169**		1,077	
	Accounts payable	**447,792**		415,452	
19	Accrued expenses and deferred income	**33,668**		44,173	
	Other current liabilites	**10,351**		38,736	
		672,454		533,965	
	TOTAL LIABILITIES	**709,103**	**66.8**	574,634	61.8
	TOTAL EQUITY AND LIABILITIES	**1,060,919**	**100.0**	929,148	100.0

Consolidated cash flow statement *(in EUR millions)*

Jan. 1 – Dec. 31	***1999***	*1998*
Operating profit	***34.2***	*27.2*
Depreciation, value adjustments and other adjustments	***15.5***	*40.9*
Financial income and expenses	***–4.7***	*–5.9*
Other income and expenses	***0.9***	*1.5*
Taxes	***–14.0***	*–18.2*
	31.9	*45.6*
CHANGE IN NET WORKING CAPITAL		
Inventories, increase (–), decrease (+)	***–48.1***	*–7.6*
Current receivables, increase (–), decrease (+)	***–64.5***	*–10.6*
Non-interest bearing debts, increase (+), decrease (–)	***13.8***	*28.6*
CASH FLOW BEFORE INVESTMENTS	***–66.9***	*56.0*
INVESTMENTS		
Investments in fixed assets	***–22.6***	*–34.5*
Sale of fixed assets and other changes	***2.8***	*21.0*
FREE CASH FLOW	***–86.7***	*42.6*
FINANCING		
Long-term debt, increase (+), decrease (–)	***2.2***	*–17.7*
Short-term debt, increase (+), decrease (–)	***122.9***	*14.8*
Long-term bonds, increase (–), decrease (+)	***–32.7***	*–*
Capital increase	***0.2***	*–*
Dividends	***–25.1***	*–13.3*
Purchase of own shares	***–14.7***	*–12.8*
Translation differencies and other changes	***0.8***	*–4.9*
CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (–)	***–33.2***	*8.7*

Income statement of the parent company *(in EUR thousands)*

	Jan. 1 – Dec. 31	1999	%	1998	%
22	**NET SALES**	**743,290**	**100.0**	692,202	100.0
23	**OTHER INCOME**	**4,881**		29,695	
24	Expenses	**693,097**		639,925	
25	Personnel expenses	**22,910**		21,206	
26	Depreciation according to plan	**5,326**		5,425	
	Other expenses	**31,353**		25,097	
		752,686		691,653	
	OPERATING PROFIT	**–4,515**	**–0.6**	30,244	4.4
27	Financial income and expenses	**43,704**		–3,361	
	ORDINARY PROFIT BEFORE TAXES	**39,189**	**5.3**	26,884	3.9
28	Extraordinary income and expense	**18,221**		13,099	
	PROFIT BEFORE TAXES	**57,411**	**7.7**	39,983	5.8
29	Appropriations	**8,557**		–878	
30	Income taxes	**–6,635**		–9,885	
	NET PROFIT FOR THE PERIOD	**59,332**	**8.0**	29,219	4.2

Balance sheet of the parent company *(in EUR thousands)*

Note	Dec. 31	1999	%	1998	%
	FIXED ASSETS				
31	**INTANGIBLE ASSETS**				
	Intangible rights	**1,945**		3,885	
	Goodwill	**16,266**		24,097	
	Other capitalized expenditure	**17**		30	
		18,228		28,012	
31	**TANGIBLE ASSETS**				
	Land areas	**1,381**		1,002	
	Buildings and structures	**43,796**		43,496	
	Machinery and equipment	**1,313**		2,193	
	Other tangible assets	**240**		238	
		46,729		46,929	
	FINANCIAL ASSETS				
32	Shares in subsidiaries	**269,661**		249,233	
34	Loans receivable from group companies	**120,906**		111,725	
33	Other shares and paricipations	**47,452**		37,202	
10,34	Other financial assets	**32,736**		11,013	
33	Own shares	**13,608**		8,895	
		484,363		418,068	
	TOTAL FIXED ASSETS	**549,320**	**63.3**	493,010	68.0
	CURRENT ASSETS				
	INVENTORIES				
	Materials and supplies	**95,681**		84,041	
	LONG-TERM RECEIVABLES				
34	Receivables from group companies	**44,725**		1,300	
	SHORT-TERM RECEIVABLES				
	Accounts receivable	**50,342**		31,352	
34	Receivables from group companies	**97,244**		52,552	
	Loans receivable	**213**		252	
35	Prepaid expenses and accrued income	**6,355**		2,919	
		154,153		87,076	
	Short-term investments	**14,504**		35,919	
	Cash and bank	**9,879**		24,089	
	TOTAL CURRENT ASSETS	**318,941**	**36.7**	232,424	32.0
	TOTAL ASSETS	**868,262**	**100.0**	725,434	100.0
36	**SHAREHOLDERS' EQUITY**				
13	Capital stock	**120,365**		206,399	
13	Share premium account	**143**		139,301	
	Revaluation reserve	**1,093**		1,093	
	Fund for own shares	**13,608**		8,895	
	Legal reserve	**–**		74,214	
	Retained earnings	**377,402**		58,348	
		512,612	**59.0**	488,250	67.3
	APPROPRIATIONS				
37	**ACCUMULATED DEPRECIATIONS DIFFERENCE**	**47,895**	**5.5**	56,452	7.8
38	**OBLIGATORY RESERVES**	**–**	**0.0**	246	0.0
	LIABILITIES				
39	**LONG-TERM LIABILITIES**				
17	Bonds with warrants	**–**		841	
	Loans from financial institutions	**11,679**		10,540	
		11,679		11,381	
	SHORT-TERM LIABILITIES				
17	Bonds with warrants	**841**		841	
	Loans from financial institutions	**48,633**		7,770	
	Advances received	**–**		603	
	Accounts payable	**133,721**		121,384	
34	Liabilities to group companies	**19,122**		17,499	
40	Accrued expenses and deferred income	**12,476**		10,309	
	Other current liabilites	**81,283**		10,698	
		296,076		169,105	
	TOTAL LIABILITIES	**307,754**	**35.4**	180,486	24.9
	TOTAL EQUITY AND LIABILITIES	**868,262**	**100.0**	725,434	100.0

Cash flow statement of the parent company *(in EUR millions)*

Jan. 1 – Dec. 31	***1999***	*1998*
Operating profit	***–4.5***	*30.3*
Depreciation	***5.3***	*5.4*
Financial income and expenses	***43.7***	*–3.0*
Other income and expenses	***10.3***	*9.1*
Taxes	***–6.6***	*–9.9*
	48.2	*31.8*
CHANGE IN NET WORKING CAPITAL		
Inventories, increase (–), decrease (+)	***–11.6***	*–1.5*
Current receivables, increase (–), decrease (+)	***–67.1***	*–9.3*
Non-interest bearing debts, increase (+), decrease (–)	***9.4***	*25.2*
CASH FLOW BEFORE INVESTMENTS	***–21.1***	*46.3*
INVESTMENTS		
Investments in fixed assets	***3.0***	*–30.8*
Investment in subsidiary shares	***–20.5***	*–243.9*
Sale of fixed assets and other changes	***–8.5***	*180.0*
FREE CASH FLOW	***–47.1***	*–48.4*
FINANCING		
Long-term receivables, increase (–), decrease (+)	***–74.3***	*–110.2*
Long-term debt, increase (+), decrease (–)	***0.3***	*–1.9*
Short-term debt, increase (+), decrease (–)	***117.5***	*–8.6*
Group contribution	***7.9***	*4.0*
Share issue	***0.2***	*197.5*
Purchase of own shares	***–14.7***	*–12.8*
Obligatory reserves	***–0.2***	
Dividends	***–25.1***	*–13.3*
CHANGE IN LIQUID ASSETS, INCREASE (+), DECREASE (-)	***–35.6***	*6.4*

Accounting policy

Tamro Corporation's financial statements and consolidated financial statements have been prepared in accordance with Finnish legislation, which in all material respects is based on the provisions of 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 divested before the close of the fiscal year, its figures are included in the consolidated financial statements until the time of sale.

The consolidated financial statements do not include certain smaller real property companies or other 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 companies in which the Group holds 20 to 50 percent of the 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 purchase method and the pooling-of-interests method have been used when preparing the consolidated financial statements.

Pooling method

Tamro Distribution AB and Nomeco A/S are consolidated using the pooling-of-interests method. The acquisition cost of the subsidiaries' shares is first eliminated from the subsidiary's restricted equity in the beginning of the financial year of acquisition, then from the premium fund created in connection with Tamro Corporation's private placement, and, lastly, from the Group's other non-restricted equity available for dividends. Thus the acquisitions do not create consolidated goodwill.

Purchase method

The acquisition cost method was used in the elimination of inter-subsidiary shareholdings. The difference between the acquisition cost of subsidiary shares and the shareholders' equity has been partially allocated to the fixed assets of the subsidiaries. The consolidated goodwill remaining after the allocations is shown in the balance sheet as a separate item that will be amortized over a period of 10 years; however, goodwill from certain strategic and significant acquisitions may 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 restated to correspond to the Finnish Accounts Act.

The income statements have been converted into Euro at the weighted average rate of the fiscal year and the balance sheets at the foreign exchange mid-rate quoted by the European Central Bank on the balance sheet date. Translation differences have been recorded directly into equity. Exchange rate differences from the parent company's long-term intra-group loan receivables and the long-term debt payable by the Russian subsidiary to the parent company have been posted directly under translation differences in the consolidated accounts.

Transaction costs associated with hedging the Parent Company's above-mentioned long-term intra-group loan receivables are posted under translation differences in the consolidated accounts.

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 net of any significant tax effects
.

Minority interest

The minority interest is calculated as a portion of the subsidiaries' equity and net income.

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, dividend payments, receivables and liabilities as well as the gross margin included in the value of inventories and fixed assets acquired from other Group companies. Internal profits between the Group and associated companies are eliminated in proportion to the ownership share and deducted from the consolidated retained earnings and non-current assets. The eliminated profit is recognized in revenue at the rate of depreciation.

Fixed assets

Fixed assets have been recorded on the balance sheet at their direct acquisition costs, allowing for depreciation according to plan. Some real-estate holdings include revaluation, which have been specified in the notes to the balance sheets. The revaluation surplus is not subject to depreciation. The depreciation according to plan on fixed assets is based on the original acquisition cost and the expected economic life of the item. For the most part, the straight-line method applying the following useful lives is used:

Intangible rights	5–10 years
Goodwill	10 years
Consolidated goodwill	5–20 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 Capital Lease contracts. Leasing commitments are disclosed in the 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. In-house and outsourced IT development costs are charged to income.

Research and development

The Group R&D expenses, which represent only small amounts are charged directly to income.

Bonds

Long-term debt instruments, in Tamro's case Finnish Government bonds maturing between 2006-2010 are held by the Group until maturity. The bonds are issued by the Finnish, are held by the Group until maturity. Long-term bonds have been valued by allocating the difference between the bond's acquisition cost and nominal value over the term-to-maturity. They are included on Other Investments under non-current assets.

Trading debt securities are included in short-term investments under current assets and they are recorded at the lower of adjusted acquisition cost or market value.

Derivate financial instruments

Received and paid premiums related to currency options are posted as a prepayment in the balance sheet. Premium income and expenses are recorded to the income statement as the option matures.

Received and paid premiums related to interest options are posted as a prepayment in the balance sheet and accrued into income or expense over the period from purchase until maturity.

Open option agreements are valued at market price.

Inventories

Inventories have been valued at the lowest of their acquisition cost, replacement value or probable selling price. Materials and supplies use is recorded under the FIFO principle.

Foreign-currency receivables and liabilities

All the foreign currency receivables and liabilities of the parent company and its Finnish subsidiaries have been converted into Euro at the mid-rate quoted by the European Central Bank on the balance sheet date. Foreign subsidiaries' foreign-currency-denominated receivables and liabilities are converted at their appropriate exchange rates on the balance sheet date. Open positions on foreign-exchange forward contracts are valued at their market price on the balance sheet date. Exchange rate differences are posted under financial items on the income statement.

Pension liabilities

Pension expenses are calculated in accordance with the national legislation of each country. The pension plans of the Group companies have, as a general rule, been arranged with external pension insurance companies. Certain pension obligations based on collective bargaining agreements are included under long-term pension loans in the balance sheet. These pension benefits are determined by the labor market and cannot be influenced by the company.

Year-end tax appropriations and untaxed reserves

Appropriations include allocations 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 accelerated cost recovery is transferred to untaxed reserves. The accumulated temporary depreciation difference is shown as an item under untaxed reserves in the balance sheet.

The consolidated balance sheet and the income statement are presented without any untaxed reserves and appropriations. The untaxed reserves of the Group companies break down into deferred income tax liability, shown as a long-term liability, and non-restricted equity. The appropriations made 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 prior fiscal years which on the balance sheet date are certain or likely to materialize but where there is uncertainty as to the amount or the timing of the obligation. The estimated reserves are based on information available on the balance sheet date. Any income-impacting changes of obligatory reserves are included in the income statement item(s) to which they relate by their nature.

Net sales

The net sales consist of sales revenue from ordinary operations, rentals and leases as well as minor gains from the sale of fixed assets. The net sales are stated net of indirect taxes, sale discounts and credits (refunds).

Other income

Other income consists of capital gains on the divested business operations and major sale of fixed assets.

Extraodinary income and expense

Extraordinary income and expense items consist of significant, unusual business transactions incidental to the Group's normal operations. These also include correction items from prior years. In the parent company, group contributions paid and /or received have also been recorded under Extraordinary Items. Taxes payable on extraordinary items are presented separately from income taxes on normal operations and included under extraordinary items.

Income taxes

The consolidated income tax charges of the Group companies' normal operations have been calculated in accordance with local tax laws of the relevant country of operation. The taxes include income taxes incurred for the fiscal year as well as taxes to be paid or received for prior periods on accrual basis. Moreover, any change in the deferred tax liability is included in the taxes. Since 1998, the change in the deferred income tax includes tax effects of temporary differences, confirmed tax losses, changes in untaxed reserves and consolidation adjustments to net income. The effect of the change of accounting principle was posted under extraordinary expense in 1998.

Accounting for income taxes related to extraordinary items see the chapter extraordinary income and expense above.

The consolidated cash flow statement

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

Differences between annual report and official financial statements

This Annual Report deviates from the official accounts in that financial data is partly presented in EUR millions.

Chapter "Financing and financial risk management" is presented on page 13 and the 5-year review on page 42.

Notes to the consolidated financial statements

Figures are in EUR thousands unless otherwise stated	**1999**	1998
1. NET SALES BY MARKET AREA AND BUSINESS UNIT, EUR MILLIONS		
By market area:		
Sweden	**1,438.6**	1,352.9
Denmark	**799.6**	755.3
Finland	**777.1**	735.5
Norway	**118.3**	96.1
Baltic States	**68.1**	50.1
Russia	**22.7**	17.5
Other countries	**11.4**	12.6
	3,235.8	3,019.8
By business unit:		
Tamro Distribution Sweden	**1,431.6**	1,345.2
Nomeco, Denmark	**810.4**	769.2
Tamro Distribution Finland	**683.9**	634.8
Tamro Distribution Norway	**106.6**	84.5
Tamro Distribution Baltics	**68.3**	50.1
Tamro Distribution Russia	**22.5**	17.4
Tamro MedLab	**88.6**	86.0
Others	**23.8**	32.6
	3,235.8	3,019.8
2. OTHER INCOME		
Gain on sale of business operations	**5,519**	19,579
Gain on sale of fixed assets	**2,050**	–
	7,568	19,579
3. RAW MATERIALS AND SERVICES		
Raw materials and consumables		
Purchases during the financial period	**3,029,556**	2 826,664
Inventories, incr. (–), decr. (+)	**–30,150**	–30,626
External services	**25,742**	24,297
Raw materials and services total	**3,025,148**	2,820,335
4. PERSONNEL EXPENSES		
Personnel by business unit at the end of the fiscal year:		
Tamro Distribution Sweden	**683**	605
Nomeco, Denmark	**666**	656
Tamro Distribution Finland	**437**	456
Tamro Distribution Norway	**80**	33
Tamro Distribution Baltics	**344**	202
Tamro Distribution Russia	**156**	122
Tamro MedLab	**270**	256
Others	**123**	208
	2,759	2,538
Personnel expenses:		
Wages and salaries during the fiscal year	**72,856**	65,502
Payroll-related social security costs		
Pension expenses	**7,823**	7,828
Other payroll-related social security costs	**10,067**	8,238
	90,747	81,568
Wages and salaries paid to:		
Board of Directors, Supervisory Board and Presidents	**1,783**	2,001

Pension commitments for Board Members and the Corporate Presidents:
The parent company has no pension liabilities for Board Members. The pensionable age of the parent company's President and some other Corporate Presidents has been stipulated at 60 years.

Other pension commitments:
The Group has contracted pension liabilities for the management of a certain subsidiary. This liability is not significant enough to be incorporated into the consolidated financial statements.

	1999	1998
5. DEPRECIATION AND VALUE ADJUSTMENTS		
Depreciation / amortization according to plan		
Intangible rights	**672**	554
Goodwill	**342**	266
Consolidated goodwill	**2,552**	3,601
Other capitalized expenditure	**422**	694
Buildings	**4,313**	4,322
Machinery and equipment	**7,188**	6,934
Other tangible assets	**19**	6
	15,507	16,378
Value adjustments, MedLab goodwill	**–**	9,148

Figures are in EUR thousands unless otherwise stated	*1999*	*1998*

6. ***FINANCIAL INCOME AND EXPENSES***

Income from non-current financial assets	***1,872***	*37*
Other interest and financial income		
Interest income	***1,084***	*3,180*
Other financial income	***1,359***	*1,759*
Other interest and financial expenses		
Interest expenses	***–7,668***	*–5,300*
Other financial expenses	***–1,504***	*–1,999*
Exchange rate differencies, net	***150***	*–3,480*
	–4,707	*–5,803*

7. ***EXTRAORDINARY INCOME AND EXPENSES***

Income		
Reversal of reserves	***246***	*–*
Adjustment of share in affiliated company profits	***467***	*–*
Sale of subsidiaries	***151***	*1,341*
Sundry income	***117***	*888*
	982	*2,229*
Expenses		
Change in deferred tax liability relating to prior year	***–53***	*–717*
Sundry expenses	***–105***	*–20*
	–158	*–737*
Taxes on extraordinary items	***64***	*–*
Extraordinary income and expenses, total	***888***	*1,492*

8. ***INCOME TAXES ON ORDINARY ACTIVITIES***

Current income taxes		
Finnish Group companies	***–7,708***	*–9,931*
Foreign Group companies	***–6,645***	*–8,268*
	–14,353	*–18,199*
Income taxes from previous year	***366***	*35*
Change in deferred tax liability specified in note 18	***4,648***	*10,893*
Income taxes on ordinary activities	***–9,339***	*–7,270*

9. ***FIXED ASSETS***

	Intangible assets				***Tangible assets***				
	Intangible rights	*Goodwill*	*Consoli-dated goodwill*	*Other capitalized expen-diture*	*Land areas*	*Build-ings*	*Machinery and equipment*	*Other tangible assets*	*Advance payments and con-struction in progress*
Acquisition value Jan. 1	*11,517*	*1,655*	*55,613*	*2,909*	*15,585*	*127,093*	*78,934*	*407*	*589*
Increase	*3,974*	*1,666*	*1,431*	*1,270*	*2,160*	*9,133*	*9,320*	*39*	*507*
Decrease	*–4,618*	*–*	*–*	*–6*	*–1,954*	*–9,475*	*–8,685*	*–15*	*–654*
Other changes	*503*	*–*	*–*	*–504*	*–1,564*	*1,867*	*–115*	*34*	*–*
Acquisition value Dec. 31	*11,376*	*3,321*	*57,044*	*3,668*	*14,226*	*128,617*	*79,454*	*465*	*442*
Accumulated depr. Jan. 1	*–7,103*	*–1,533*	*–31,516*	*–2,417*	*–*	*–26,079*	*–58,703*	*–13*	*–*
Increase	*–507*	*–349*	*–2,552*	*–36*	*–*	*–4,291*	*–7,374*	*–15*	*–*
Decrease	*595*	*–*	*–*	*–*	*–*	*6,255*	*6,538*	*8*	*–*
Other changes	*–191*	*–*	*–*	*74*	*–*	*–*	*142*	*–21*	*–*
Accumulated depr. Dec. 31	*–7,207*	*–1,883*	*–34,068*	*–2,379*	*–*	*–24,115*	*–59,397*	*–42*	*–*
Value adjustments Jan. 1 & Dec. 31					*420*	*2,355*			
Translation difference	*–3*	*0*	*–*	*31*	*555*	*3,186*	*1,156*	*13*	*43*
Book value Dec. 31, 1999	*4,167*	*1,439*	*22,976*	*1,321*	*15,201*	*110,043*	*21,214*	*435*	*485*
which includes capitalized interest	*–*	*–*	*–*	*–*	*–*	*281*	*–*	*–*	*–*
Book value Dec. 31, 1998	*4,414*	*122*	*24,097*	*491*	*16,005*	*103,369*	*20,231*	*394*	*589*
which includes capitalized interest	*–*	*–*	*–*	*–*	*–*	*562*	*–*	*–*	*–*

Value adjustments relate to the parent company only (from 1988). Deferred tax libility (EUR 805,000) has not been accounted for. It is not considered the Group's normal accounting practice to write down fixed assets.

	1999	*1998*
Machinery and equipment in productive use, book value	***0***	*429*

Figures are in EUR thousands unless otherwise stated	**1999**	1998

10. OTHER FINANCIAL ASSETS

Government bonds	**32,736**	–
Loan receivables from affiliated company	–	11,013
Loans to Group management	–	17
Other receivables	**882**	41
	33,619	11,071

The market value of government bonds as at Dec. 31, 1999 equals to EUR 30,001,000.

11. AFFILIATED COMPANIES

Opening balance	**17,515**	9,156
New affiliated companies	**1,139**	15,611
Divested affiliated companies	**–10,638**	
Share of net income	**2,428**	–6,864
Translation differences	**1,936**	–388
Share of adjusted deferred tax in affiliated company	**1,816**	–
Other changes	**–107**	–
Closing balance	**14,090**	17,515

12. PREPAID EXPENSES AND ACCRUED INCOME

Accrued other income	**1,866**	2,154
Accrued financial income	**1,655**	655
Prepaid expenses	**1,873**	13,601
Accrued income tax receivable	**1,763**	4,006
Other prepaid expenses and accrued income	**844**	136
Total	**8,001**	20,552

13. CAPITAL STOCK AND SUBSCRIPTION WARRANTS

The company's capital stock as at December 31, 1999 totaled EUR 120,365,430, divided into 120,365,430 shares, each carrying one voting right. A total of 4,476,347 treasury shares are owned by the company.

At the end of the year the company had also issued the following subscription warrants which entitle their holders to the following stock subscriptions:

	Number of shares	Holding
Issue of bonds with warrants 1994	3,496,000	2.68%
Issue of bonds with warrants 1995	1,400,000	1.07%
Issue of bonds with warrants 1997	5,000,000	3.84%
	9,896,000	7.60%
Total number of shares including warrants	130,261,430	100.00%

Terms of subscription

The bond	Issue of bond with warrants 1994	Issue of bond with warrants 1995	Issue of bond with warrants 1997
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 Jan. 31, 2004 B: Dec. 1, 2001 to Jan. 31, 2004
Subscription conditions	One warrant entitles the holder to subscribe to one Tamro Corporation share with a par value of EUR 1 at a subscription price of EUR 3.87 per share.	As 1994 issue	One warrant entitles the holder to subscribe to one Tamro Corporation share with a par value of EUR 1 at a subscription price of EUR 6.56 per share less ordinary dividends paid after loan inssuance.

A total of 466,000 warrants are owned by the Group.

14. CHANGES IN SHAREHOLDERS' EQUITY

	Capital stock	Premium fund	Revaluation reserve	Fund for own shares	Other reserves	Retained earnings	Total equity
Equity Dec. 31,1997	148,280		1,278		1	142,978	292,536
Increase	58,119	219					58,338
Pooling adjustment						15,186	15,186
Dividend						–13,345	–13,345
Net profit for the year						15,671	15,671
Translation differences						–10,882	–10,882
Fund for own shares				12,742		–12,742	0
Write-down of own shares				–3,847			–3,847
Other change						5	5
Equity Dec. 31,1998	206,399	219	1,278	8,895	1	136,870	353,662

Figures are in EUR thousands unless otherwise stated	1999	1998

	Capital stock	Premium fund	Revaluation reserve	Fund for own shares	Other reserves	Retained earnings	Total equity
Subscription of new shares/loan with warrants	50	143					193
Decrease	−86,084					86,084	0
Cancelled own shares				−8,895			−8,895
Pooling adjustment						2,859	2,859
Dividend						−25,138	−25,138
Net income						23,491	23,491
Translation differences			−141			7,360	7,218
Fund for own shares				14,728		−14,728	0
Write-down of own shares				−1,120			−1,120
Adjustment of share in affiliated company						−1,379	−1,379
Allocations within equity		−219			449	−230	0
Other change						324	324
Equity Dec. 31,1999	120,365	143	1,137	13,608	449	215,512	351,216

Distributable equity	
Retained earnings	215,512
Accumulated appropriations, net of tax	−38,684
Distributable equity Dec. 31, 1999	176,828

15. OBLIGATORY RESERVES

	1999	1998
Pension commitments	**601**	591
Guarantee and other commitments	–	261
	601	852
Changes in the obligatory reserves in the income statement		
Expenses	–	45
Extraordinary items	**288**	–
	288	45

16. LONG-TERM LIABILITIES

	1999	1998
Long-term liabilities mature as follows:		
2001	**17,259**	7,474
2002–2004	**5,542**	18,849
2005–	**544**	3,164
On special conditions	**13,305**	11,182
	36,649	40,669
Foreign currency breakdown of long-term loans:		
EUR	**0**	771
SEK	**21,168**	21,608
DKK	**15,297**	18,175
Other	**184**	115
	36,649	40,669

Of the above pension loans EUR 10,048,000 (8,963,000) equals the pension provision of the Swedish subsidiary Tamro Distribution AB, which according to local practice can be recorded as a liability. The pension provision has been guaranteed by the parent company.

17. BONDS AS OF DECEMBER 31, 1999

Bonds issued by the Group:

The bond	Issue of bond with warrants 1997
Issued by	Tamro Corporation
Amount of issue, €	840,940
Interest	0
Repayment of issue	Bullet payment on May 30, 2000

Terms of subscription (see note 13)

18. DEFERRED INCOME TAXES

	Dec. 31, 1997	Charged (+) credited (–) to P/L income tax	Charged (+) credited (–) to P/L extraord. tax	Other changes	Acqui-sitions	Dec. 31, 1998
DEFERRED INCOME TAX LIABILITIES						
Untaxed reserves and accum. depr.	11,183	–1,837	7,774	–490	8,209	24,840
	11,183	–1,837	7,774	–490	8,209	24,840
DEFERRED INCOME TAX ASSETS						
Tax loss carry forwards	–	–2,430	–6,768	–	–	9,198
Other temporary differences	–	–6,626	–290	–	–	6,916
	–	–9,056	–7,058	–	–	16,114
Net deferred income tax liability	11,183	–10,893	717	–-490	8,209	8,726

Figures are in EUR thousands unless otherwise stated			1999			1998

	Dec. 31, 1998	Charged (+) credited (–) to P/L income tax	Charged (+) credited (–) to P/L extraord. tax	Other changes	Acqui-sitions	Dec. 31, 1999
DEFERRED INCOME TAX LIABILITIES						
Untaxed reserves and accum. depr.	24,840	–4,504	369	–2,306	–	18,399
	24,840	–4,504	369	–2,306	–	18,399
DEFERRED INCOME TAX ASSETS						
Tax loss carry forwards	9,198	2,730	–78	–227	–	6,773
Other temporary differences	6,916	–2,874	–801	2,184	–	8,407
	16,114	–144	–880	1,958	–	15,180
Net deferred income tax liability	8,726	–4,648	–510	–348	–	3,219

Deferred tax libility (EUR 805,000) related to the value adjustments has not been accounted for.

19. ACCRUED EXPENSES AND DEFERRED INCOME

	1999	1998
Accrued personnel expenses	**9,892**	8,091
Accrued financial expenses	**4,221**	992
Accrued IT-expenses	**4,725**	9,727
Uninvoiced expenses	–	13,806
Accrued income tax liability	**4,181**	6,446
Other accrued expenses and deferred income	**10,649**	5,111
Total	**33,668**	44,173

20. CONTINGENT LIABILITIES

	1999	1998
Mortgages		
For own debts (1)	**4,420**	4,418
Pledges		
For own obligations (2)	–	12
For others	–	23
	–	35
Guarantees		
For debts of others	**2,026**	2,924
	2,026	2,924
Other commitments		
Leasing commitments		
Next year	**3,245**	2,334
Over one year	**3,030**	2,346
Rental commitments	**1,948**	2,951
Repurchase commitments	**95**	116
Other commitments	**196**	28
	8,514	7,774

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

	1999	1998
Mortgages (1)	**19,230**	3,429
Pledges (2)	–	12
	19,230	3,441

21. DERIVATE FINANCIAL INSTRUMENTS

Derivatives – notional amounts	Closed	Open	Closed	Open
Currency instrument				
Currency forward contracts	51,872	68,483	75,271	98,703
Currency options – purchased	27,500	20,000	89,436	317,239
Currency options – sold	27,500	448,286	89,436	383,859
Interest rate instrument				
Interest rate forward contracts and futures	35,037	11,686	134,591	39,315
Interest rate option contracts	107,479	26,870	107,398	26,850
Derivatives – market value				
Currency instrument				
Currency forward contracts	53	–2,433	142	–315
Currency options	0	–1,334	0	–86
Interest rate instrument				
Interest rate forward contracts and futures	11	14	17	–29
Interest rate option contracts	–	–33	–	–121

The nominal values of derivative instruments used for hedging purposes as at Dec. 31, 1999 per instrument type are as follows: interest rate option contracts EUR 134.3 million, currency forward contracts EUR 67.2 million and currency options EUR 130.7 million. The notional amounts of derivatives summarized here do not represent amounts actually exchanged between the parties and are thus not a measure of Tamro's derivates-related exposure.

Notes to the parent company financial statements

Figures are in EUR thousands unless otherwise stated		**1999**	1998
22.	**NET SALES BY MARKET AREA AND DIVISION**		
	By market area:		
	Finland	**740,255**	690,498
	Sweden	**65**	51
	Baltic States	**2,858**	1,569
	Russia	**112**	85
		743,290	692,202
	By business unit:		
	Tamro Distribution	**683,913**	630,991
	Tamro MedLab	**63,342**	59,539
	Others	**–3,965**	1,673
		743,290	692,202
23.	**OTHER INCOME**		
	Gain on sale of fixed assets	**1,441**	26,718
	Rental and other income	**3,440**	2,977
		4,881	29,695
24.	**RAW MATERIALS AND SERVICES**		
	Raw materials and consumables		
	Purchases during the financial period	**700,655**	638,319
	Inventories, incr. (–), decr. (+)	**–11,643**	–1,442
	External services	**4,086**	3,047
		693,097	639,925
25.	**PERSONNEL EXPENSES**		
	Personnel expenses:		
	Wages and salaries during the fiscal year	**17,883**	16,573
	Payroll-related social security costs		
	Pension expenses	**3,771**	3,422
	Other payroll-related social security costs	**1,256**	1,211
		22,910	21,206
	Wages and salaries paid to:		
	Board of Directors, Supervisory Board and Presidents	**734**	510
26.	**DEPRECIATION ACCORDING TO PLAN**		
	Intangible rights	**296**	266
	Goodwill	**2,408**	2,408
	Other capitalized expenditure	**13**	15
	Buildings	**1,669**	1,667
	Machinery and equipment	**940**	1,069
		5,326	5,425
27.	**FINANCIAL INCOME AND EXPENSES**		
	Income from non-current financial assets		
	Dividend income	**29,247**	371
	Interest income	**7,465**	6,564
	Other interest and financial income		
	Interest income	**5,124**	4,515
	Other financial income	**1,179**	1,653
	Other interest and financial expenses		
	Interest expenses	**–4,816**	–2,126
	Other financial expenses	**–5,111**	–1,314
	Exchange rate differencies, net	**10,617**	–13,024
		43,704	–3,361
	From Group companies:		
	Income from non-current financial assets		
	Dividend income	**29,215**	46
	Interest income	**6,154**	6,564
	Other interest and financial income		
	Interest income	**4,549**	2,168
	Other interest and financial expenses		
	Interest expenses	**–136**	–496
		39,782	8,281

Figures are in EUR thousands unless otherwise stated	**1999**	1998
28. EXTRAORDINARY INCOME AND EXPENSES		
Income		
Profit on sale of business operations	**12,070**	–
Liquidation of a subsidiary	**346**	–
Profit due to merger of subsidiary		13,207
Sale of shares	**27**	1,335
Cancellation of expense entries	**11**	1,072
	12,453	15,614
Group contribution	**7,936**	4,071
Expenses		
Write-off of loan receivables from Group and shares in subsidiaries	**–1,019**	–6,161
Sale of shares	**–943**	–425
Loss due to merger of subsidiary	**–172**	–
Sundry expenses	**–35**	–
	–2,168	–6,585
Extraordinary income and expenses, total	**18,221**	13,099

29. APPROPRIATIONS		
Accelerated depreciation in the income statement		
Intangible rights	**–218**	22
Goodwill	**3,922**	–2,046
Sold goodwill	**3,908**	–
Other capitalized expenditure	**0**	2
Buildings	**998**	861
Machinery and equipment	**–54**	283
	8,557	–878

30. INCOME TAXES		
Current income taxes	**–6,736**	–9,901
Income taxes from previous years	**101**	15
	–6,635	–9,885

31. FIXED ASSETS

	Intangible assets			**Tangible assets**			
	Intangible rights	Goodwill	Other capitalized expenditure	Land areas	Buildings	Machinery and equipment	Other tangible assets
Acquisition value Jan. 1	9,613	52,793	1,661	599	56,157	23,863	238
Increase	1,829	–	–	379	2,250	800	3
Decrease	–3,919	–13,198	–	–	–	–2,166	–2
Other changes	–	–	–	–	–281	–	–
Acquisition value Dec. 31	7,523	39,595	1,661	978	58,125	22,497	240
Accumulated depr. Jan. 1	–5,728	–28,697	–1,631	–	–15,015	–21,670	–
Increase	–296	–2,408	–13	–	–1,669	–941	–
Decrease	445	7,776	–	–	–	1,427	–
Accumulated depr. Dec. 31	–5,578	–23,329	–1,644	–	–16,684	–21,184	–
Value adjusments Jan. 1 - Dec. 31	–	–	–	404	2,355		
Book value Dec. 31, 1999	1,945	16,266	17	1,381	43,796	1,313	240
which includes capitalized interest	–	–	–	–	281	–	–
Book value Dec. 31, 1998	3,885	24,097	30	1,002	43,496	2,193	238
which includes capitalized interest	–	–	–	–	562	–	–

Figures are in EUR thousands unless otherwise stated	1999	1998

32. GROUP COMPANIES

Company	Registered office	Group's holding %	Group's holding of share-holders' equity	Shares owned by the parent company Holding %	Number of shares	Par value	Book value	Net income or loss for fiscal year
Nomeco A/S	Copenhagen, Denmark	100	84,634	100	7,200,000	19,346	197,155	14,360
Tamro Distribution AB	Gothenburg, Sweden	100	75,498	–	–	–	–	–380
Tamro AB	Stockholm, Sweden	100	20,034	100	1,000	12	34,418	1,103
Tamro SIA	Riga, Latvia	100	2,908	100	148	2,227	1,383	390
Tamro MedLab AB	Gothenburg, Sweden	100	3,308	–	–	–	–	–46
Oy Vantaan Sähkötie 1	Vantaa, Finland	100	1,759	100	1,000,000	1,682	3,560	3,565
UAB Tamro	Kaunas, Lithuania	100	5,080	100	37,809	4,703	4,092	136
Karttakeskus Oy	Vantaa, Finland	100	1,532	–	–	–	–	106
Tamro Distribution AS	Oslo, Norway	100	11,441	100	40,000	4,953	16,738	–2,043
Tamro Eesti AS	Tallinn, Estonia	100	1,246	100	5,500	352	530	491
Tamro Medical AS	Roskilde, Denmark	100	260	100	300	67	32	–61
Tamro MedLab AS	Skjetten, Norway	100	620	100	5,650	699	1,855	–1,005
Tamro Medical AB	Stockholm, Sweden	100	459	–	–	–	–	0
Tamro Mikroskopi AS	Oslo, Norway	100	289	100	–	136	1,773	–60
Tamro MedLab Oy	Vantaa, Finland	100	5,001	100	5,000	5,000	5,000	1
Kemistien Oy	Vantaa, Finland	100	450	100	12	163	895	14
Tam-Drug Oy	Vantaa, Finland	100	43	100	2,000	49	49	–7
Tamro Russia Oy	Vantaa, Finland	100	154	100	96,318	100	170	–2
Pharm Tamda 77	S:t Petersburg, Russia	85	–838	85	2,805	23	0	–1,377
							267,649	
Other subsidiaries, incl. non-operational							2,012	
							269,661	

33 OTHER SHARES AND PARTICIPATIONS

Company	Registered office	Group's holding %	Group's holding of share-holders' equity	Shares owned by the parent company Holding %	Number of shares	Book value	Net income or loss for fiscal year
Affiliated companies:							
SIFT AB (System Integration Fuji Tamro)		50.0		50.0		60	–84
Cast-Rixa Oy	Helsinki, Finland	49.0	–3,956	49.0	16,241	0	–
Mölnlycke Health Care AB	Stockholm, Sweden	30.0	20,452	30.0	2,100,000	24,002	6,450
						24,062	
Other companies:							
Castrum Oyj		17.9		17.9	13,781,769	21,215	
Finnish Central Securities Depository Ltd.					15	50	
Helsinki Stock Exchange Ltd					20,000	27	
Telephone company shares etc.						16	
Housing corporations						107	
Real estate and other shares						1,975	
						23,390	
Other shares and participations total						47,452	
Own shares acquired by the company					4,476,347	13,608	

Own shares are valued at their current year-end price, EUR 3.04.

34. RECEIVABLES AND LIABILITIES

	1999	1998
Intra-group items		
Financial assets		
Loan receivables	**120,906**	111,725
Long-term receivables		
Loan receivables	**44,725**	1,300
Short-term intra-group receivables		
Accounts receivable	**5,642**	1,596
Prepaid expenses and accrued income	**9,034**	8,613
Loan receivables	**82,568**	42,343
	97,244	52,552
Intra-group liabilities		
Accounts payable	**983**	3,055
Accrued liabilities	**152**	1,776
Other short-term liabilities	**17,987**	12,668
	19,122	17,499
Affiliated companies		
Other financial assets		
Loan receivables	–	11,013
Loans to Group Management	–	17

Figures are in EUR thousands unless otherwise stated	**1999**	1998
35. PREPAID EXPENSES AND ACCRUED INCOME		
Accrued other income	**1,388**	2,154
Accrued financial income	**1,652**	653
Prepaid expenses	**2,826**	–
Accrued income tax receivable	**489**	112
Total	**6,355**	2,919

36. CHANGES IN SHAREHOLDERS' EQUITY

	Capital stock	Premium fund	Revaluation reserve	Fund for own shares	Other reserves	Retained earnings	Total equity
Equity Dec. 31,1997	148,280		1,093		74,214	55,220	278,808
Increase	58,119	139,301					197,420
Dividend						–13,345	–13,345
Net profit for the year						29,219	29,219
Fund for own shares				12,742		–12,742	0
Write-down of own shares				–3,847			–3,847
Donations						–5	–5
Equity Dec. 31,1998	206,399	139,301	1,093	8,895	74,214	58,348	488,250
Subscription of new shares/loan with warrants	50	34					84
Decrease	–86,084	–139,191			–74,214	299,599	109
Cancelled own shares				–8,895			–8,895
Dividend						–25,138	–25,138
Net income						59,332	59,332
Fund for own shares				14,728		–14,728	0
Write-down of own shares				–1,120			–1,120
Donations						–11	–11
Equity Dec. 31,1999	120,365	143	1,093	13,608	0	377,402	512,612

	1999	1998
37. ACCUMULATED DEPRECIATION DIFFERENCE		
Accelerated depreciation		
Intangible rights	**350**	132
Goodwill	**16,266**	24,097
Other capitalized expenditure	**3**	3
Buildings	**30,903**	31,901
Machinery and equipment	**373**	319
	47,895	56,452
38. OBLIGATORY RESERVES		
Reserve for loan guarantees	–	246
	–	246
39. LONG-TERM LIABILITIES		
Long-term liabilities mature as follows:		
2001	**11,679**	841
2002–2004	–	10,540
	11,679	11,381
Foreign currency breakdown of long-term liabilities:		
EUR	–	841
SEK	**11,679**	10,540
	11,679	11,381
40. ACCRUED EXPENSES AND DEFERRED INCOME		
Accrued personnel expenses	**2,476**	2,565
Accrued financial expenses	**4,221**	824
Accrued IT-expenses	**2,367**	–
Accrued income tax liability	**1,096**	5,314
Other accrued expenses and deferred income	**2,316**	1,606
Total	**12,476**	10,309

Figures are in EUR thousands unless otherwise stated	1999	1998

41. CONTINGENT LIABILITIES

	1999	1998
Mortgages (1)		
For own debts	**2,943**	2,943
Guarantees		
For subsidiaries	**15,517**	13,801
For debts of others	**156**	704
	15,673	14,505
Other commitments		
Leasing commitments		
Next year	**2,015**	1,701
Over one year	**1,913**	1,502
Rental commitments	**1,347**	2,101
Repurchase commitments	**95**	116
Other commitments	**186**	–
	5,556	5,420
(1) Parent company's liabilities, secured by mortgages	**29,707**	8,606

42. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives – notional amounts	Closed	Open	Closed	Open
Currency instrument				
Currency forward contracts	51,872	68,483	75,271	100,132
Currency options – purchased	27,500	20,000	89,436	317,239
Currency options – sold	27,500	448,286	89,436	383,859
Interest rate instrument				
Interest rate forward contracts and futures	35,037	11,686	134,591	39,315
Interest rate option contracts	107,479	26,870	107,398	26,850
Derivatives – market value				
Currency instrument				
Currency forward contracts	53	–2,433	142	–359
Currency options	0	–1,334	0	–86
Interest rate instrument				
Interest rate forward contracts and futures	11	14	17	–29
Interest rate option contracts	–	–33	–	–121

The nominal values of derivative instruments used for hedging purposes as at Dec. 31, 1999 per instrument type are as follows: interest rate option contracts EUR 134.3 million, currency forward contracts EUR 67.2 million and currency options EUR 130.7 million.

The notional amounts of derivatives summarized here do not represent amounts actually exchanged between the parties and are thus not a measure of Tamro's derivatives-related exposure.

Proposal for profit distribution

The net profit of Tamro Corporation for the fiscal year is	59,332,396.89 EUR
And other non-restricted equity amounts to	331,712,012.04 EUR
Total	391,044,408.93 EUR
– of which the distributable portion is	377,436,314.05 EUR

The non-restricted equity shown in the Consolidated Balance Sheet as at December 31, 1999 is	229,121,000.00 EUR
– of which the distributable portion is	176,828,000.00 EUR

The Board of Directors proposes that	
– the dividend of EUR 0.15 per share be paid on 115,889,083 shares entitled to a dividend	17,383,362.45 EUR
– a sum to be set aside for the discretionary use of the Board of Directors for scientific and charitable donations, being	20,000.00 EUR
– the remainder be posted to the retained earnings account	373,641,046.48 EUR

Vantaa, February 28, 2000

Mikael von Frenckell
Chairman

Paul Bundgaard

Stefan Carlsson

Johan Horelli

Dag Johannesson

Erik Søndergaard

Juha Toivola

Pauli Kulvik
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 1999. 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 Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation.

The purpose of our audit of corporate governance is to examine that the members of the Supervisory Board, until April 28 1999, and the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements which show a profit of EUR 59,332,396.89 for the parent company have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board and the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable earnings is in compliance with the Companies Act.

Vantaa, February 28, 2000

SVH Pricewaterhouse Coopers Oy Authorised Public Accountants	KPMG Wideri Oy Ab Authorised Public Accountants
Johan Kronberg Authorised Public Accountant	**Rolf Stubbe** Authorised Public Accountant

Key financial indicators 1995–1999

	1999	1998	1997	1996	1995
FROM THE INCOME STATEMENT, €m					
Net Sales	**3,235.8**	3,019.8	2,168.4	2,223.4	1,805.5
Other income	**7.6**	19.6			
Operating expenses	**–3,193.6**	–2,979.8	–2,114.9	–2,168.1	–1,761.5
Depreciation	**–15.5**	–25.5	–16.0	–14.6	–13.5
Operating profit	**34.2**	34.1	37.5	40.6	30.4
Financial income and expenses	**–4.7**	–5.8	–2.3	–1.9	–2.4
Share of affiliated companies' net income	**2.4**	–6.9	0.7	-1.1	–2.1
Ordinary profit before taxes	**31.9**	21.4	35.9	37.7	26.0
Minority and income taxes on ordinary activities	**–9.3**	–7.3	–11.3	–12.2	–6.3
Ordinary net profit	**22.6**	14.2	24.6	25.5	19.7
Extraordinary income and expenses, net of taxes	**0.9**	1.5	0.6	–0.3	0.4
Net profit for the period	**23.5**	15.7	25.2	25.2	20.1
FROM THE BALANCE SHEET, €m					
Tangible and intangible assets	**177.3**	169.8	172.0	177.9	165.5
Financial assets	**85.0**	41.2	23.6	23.2	23.8
Inventories	**307.1**	259.0	193.4	166.6	163.2
Receivables	**457.5**	391.9	237.4	281.1	191.3
Liquid assets and short-term investments	**34.0**	67.3	57.5	53.7	67.9
Equity	**351.2**	353.7	292.5	278.9	261.9
Minority	**0.0**	0.0	0.5	0.3	0.2
Obligatory reserves	**0.6**	0.9	0.3	5.9	6.3
Long term liabilities	**36.6**	40.7	37.0	33.6	38.3
Short term liabilities	**672.5**	534.0	353.7	383.9	304.9
Balance sheet total	**1 060.9**	929.2	684.0	702.6	611.6
KEY FIGURES					
Sales change, %	**7.2**	39.3	–2.5	23.1	201.1
Operating margin, %	**1.1**	1.1	1.7	1.8	1.7
Profit margin, %	**1.0**	0.7	1.7	1.7	1.4
Return on capital employed, %	**8.6**	7.0	12.7	13.4	12.4
Return on equity, %	**6.5**	4.0	8.6	9.5	9.5
Free cash flow, €m	**–86.7**	42.6	16.0	19.5	59.9
Capital employed, €m	**564.3**	441.7	321.9	307.5	309.7
Net debt, €m	**146.3**	20.6	–28.6	–25.4	–20.3
Net gearing, %	**43.5**	5.9	–9.8	–9.1	–7.8
Interest cover	**5.3**	5.0	15.8	12.4	7.5
Equity ratio, %	**31.7**	38.1	42.8	39.7	42.8
PER SHARE DATA [1)]					
Number of shares- at end, millions	**116.0**	120.3	88.2	88.2	88.2
Number of shares- average, millions	**119.3**	121.8	88.2	88.2	88.2
Earnings per share, €m	**0.19**	0.12	0.28	0.29	0.22
Dividend per share, old/new shares, €	**0.15** [2)]	0.25/0.10	0.15	0.15	0.12
Dividend per earnings, %	**79**	180	54	52	53
Effective dividend yield, %	**4.9**	5.7	3.0	2.9	3.7
Equity per share, €m	**2.90**	2.86	3.31	3.16	2.98
P/E-multiple	**16**	32	18	18	14
TAMRO SHARE INFORMATION					
Average trading price, €	**3.47**	5.11	5.53	4.37	3.48
Lowest trading price, €	**2.75**	3.36	4.79	3.11	2.64
Highest trading price, €	**4.50**	7.40	6.39	5.85	4.00
Price at December 31, €	**3.04**	3.70	5.03	5.16	3.21
Trading volume, million shares	**53.2**	48.3	40.4	48.8	14.4
Trading volume, %	**45**	46	46	55	25
Market capitalization at December 31, €m	**352.3**	445.2	441.3	455.2	283.2
OTHER					
Investments, €m	**22.6**	34.5	11.9	25.7	12.3
as % of sales	**0.7**	1.1	0.6	1.2	0.7
Number of employees, average	**2,650**	2,578	2,249	2,122	2,098

[1)] excluding own shares
[2)] Board proposal

Calculation of financial ratios

Profit margin
Ordinary profit before taxes 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
Ordinary profit before taxes 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
Ordinary net profit 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
Ordinary profit before taxes 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 ordinary net profit 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 own 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 for part time employees.

Investments
Includes corporate acquisitions.

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

Pharmaceutical distribution

Tamro – Delivering Excellence in Healthcare

Tamro is a link of the pharmaceutical and healthcare distribution chain that converts the arterial streams of the international pharmaceutical industry to national-level material flows in a transparent and efficient fashion.

Tamro is one of Europe's leading pharmaceutical wholesalers, valued as a daring pioneer in the Northern-European pharmaceutical distribution markets. Tamro closely monitors the trends within global pharmaceutical distribution, but finds its success factors in its home markets.

Healthcare is the common denominator of our operations. The basic pillar of our operations is a strong and developing pharmaceutical distribution system, supported by selected hospital and healthcare product segments.

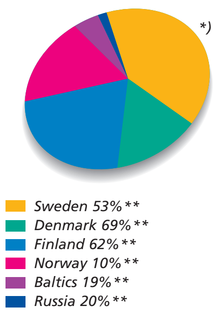
It is our mission to be the best, superior alternative in Northern-European pharmaceutical wholesaling – Delivering Excellence in Healthcare.

Pharmaceutical distribution breaks down into two fields. First of all, traditional distribution from a pharmaceutical wholesale business to pharmacies, hospitals and other healthcare and retail customers is a purely national operation where each market has its own set of requirements.

On the other hand, the pharmaceutical suppliers (i.e., the industry) are transforming into global players requiring international logistics applications suited to several markets. In this case, we are primarily dealing with product, information and capital flow management from the pharmaceutical factory gates to national pharmaceutical wholesale firms.

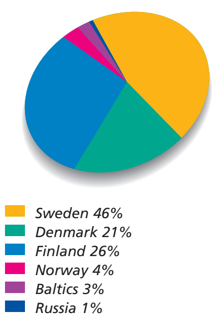
Tamro offers a complete range of services that helps the pharmaceutical industry to promote the efficiency of its logistics systems from the factory gates to Tamro's national markets. Tamro is the only company in Northern Europe that can provide the industry with expertise and infrastructure within eight countries.

Pharmaceutical markets in Tamro's area of operations EUR 5,404 million

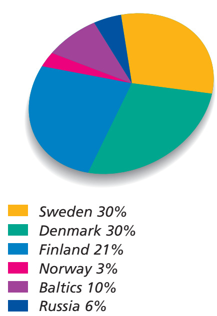


* Share of total market by country
** Tamro's market share in each country

Pharmaceutical sales by area EUR 2,501 million

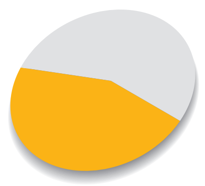


Personnel by area 2,214 employees

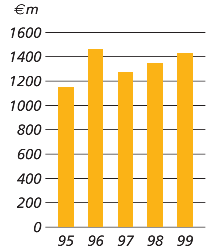


Tamro Distribution Sweden

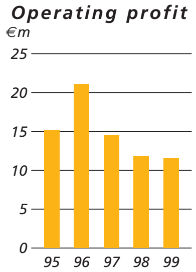
Share of consolidated net sales



Net sales



Operating profit



Financial performance and market situation

Tamro Distribution Sweden's net sales rose 6% from the previous year to EUR 1,432 million. Pharmaceuticals sales accounted for 78% or EUR 1,116 million, up 8% on the year before. The operating profit dropped 3% to EUR 11.5 million, owing to diminished distribution margins in the tightened competitive market and the higher-than-predicted unit costs associated with the new information system.

Capital spending, mainly in IT technology, totaled EUR 1.3 million.

The year-end staff numbered 683. During the roll-out of the new information system, staff training in PC skills and English proficiency was especially emphasized.

The Swedish pharmaceutical market expanded by 11% and pharmaceutical sales in terms of wholesale prices rose to EUR 2.2 billion. Price markups accounted for approx. 1% of total sales. Lower prices on parallel imported products slowed down the increase.

The market share of parallel imports increased from 6% in 1998 to nearly 8% in 1999 of the total pharmaceutical market volume.

Tamro Distribution Sweden's share of Swedish pharmaceutical sales totaled 53 (54)%. Novartis decided to withdraw its distribution arrangement with Tamro in the late fall of 1999. The distribution contract signed with Meda/Cross AB in the beginning of 2000 will, however, compensate the fall-off in market share. At year's end, Tamro Distribution Sweden's share of parallel imports amounted to approx. 68%.

Partner distribution, responsible for rendering warehousing, transportation and distribution services for medical equipment suppliers, increased its revenues by 27%. During the reporting period, a new 7,000-sq-m warehouse, specially designed for storing hospital supplies, was introduced into service in Gothenburg.

The volume of home distribution of incontinence products developed as planned. At present, the business is operated by Tamro Health Care, in which Tamro Distribution acts as a sub-supplier to the marketing company.

The marketing of naturopathy products was terminated but their distribution continued on a slightly reduced scale.

Outlook for 2000

The sales volume growth is expected to slow down compared to 1999. The single-channel distribution system and the exclusive pharmacy privilege of Apoteket AB are anticipated to remain intact.

The new information system, rolled out in 1999, provides Tamro with better data transfer, e-commerce and internal cost monitoring facilities than before. These functions will create new business opportunities during 2000.

	1999	1998	1997
Net Sales (€m)	**1,431.6**	1,345.2	1,272.1
Operating profit (€m)	**11.5**	11.8	14.5
Operating margin (%)	**0.8**	0,9	1.1
Return on capital employed (%)	**11**	12	17
Share of Group sales (%)	**44**	45	59
Investments (€m)	**1.3**	2.2	1.0
Number of employees, average	**658**	603	574

Nomeco, Denmark

Financial performance and market situation

Nomeco's 1999 net sales in Denmark rose by 5% to EUR 810 million. Pharmaceutical sales accounted for EUR 525 million. The operating profit rose by 11% to EUR 20.9 million.

Capital spending totaled EUR 5.5 million. Nomeco's full-time personnel at year's end numbered 666 (656), 519 of them working for the parent company and 147 for the subsidiaries.

During the review period, the aggregate Danish pharmaceuticals market expanded 6%, at a slightly faster pace than forecast. Nomeco's average market share stood at 69 (69)%.

The previous Danish agreement aimed at curbing medicine expenditure will be replaced in March 2000 by a scheme, which imposes an annual consumer deductible of DKK 500 on pharmaceutical purchases. Previously, similar systems have tended to cut down pharmaceutical use, which has indeed been their objective.

A committee appointed by the Danish Ministry of Health to study the need for pharmaceuticals market regulation has published its report. The proposals presented are quite far-reaching and will undoubtedly impact the business conditions of suppliers, pharmacies and pharmaceuticals distributors alike.

In its proposal, the committee suggested that competitive bids for generic drugs be organized, with only the successful bidders being entitled to public reimbursements. Original drugs would receive no compensation if their prices exceed the Northern European average. Furthermore, the committee proposed a degree of pharmacy sector deregulation and pondered whether the right to establish pharmacies should be extended. According to the committee, pharmaceutical distributors could also grant pharmacies discounts provided the pharmacies' purchasing pattern implies cost reductions with the wholesaler.

These proposals will now be introduced into the legislative process so that draft acts can be prepared and implemented in the course of 2000.

Outlook for 2000

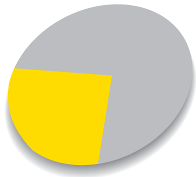
The introduction of the consumer deductible is anticipated to slow down pharmaceutical market growth.

The new legislation expected to be drafted according to the committee's proposals will also change the Danish pharmaceutical market. At this juncture however, it is difficult to predict all the consequences.

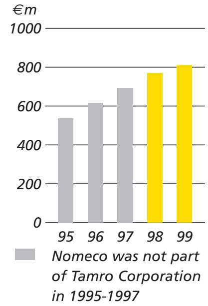
Based on the foregoing, forecasts for 2000 contain uncertainty, which Nomeco is well prepared to take care of.

	1999	1998	1997
Net Sales (€m)	***810.4***	*769.2*	*693.5*
Operating profit (€m)	***20.9***	*19.0*	*17.5*
Operating margin (%)	***2.6***	*2.5*	*2.5*
Return on capital employed (%)	***14***	*13*	
Share of Group sales (%)	***25***	*25*	
Investments (€m)	***5.5***	*3.5*	*2.4*
Number of employees, average	***666***	*643*	*682*

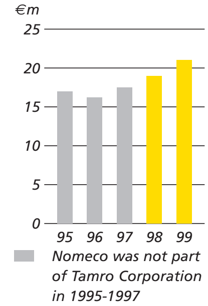
Share of consolidated net sales



Net sales



Operating profit



Tamro Distribution

Tamro Distribution Finland

Financial performance and market situation

Tamro Distribution Finland's net sales grew by 8% to EUR 684 million and its operating profit totaled EUR 8.9 million, down 16% from the previous year. The result was weakened by the diminished distribution margins in the tightened competitive situation and costs related to information systems. Capital spending amounted to EUR 1.9 million, spent mainly on setting up the Tampere distribution center construction project. The unit's year-end payroll numbered 437 employees.

The unit's pharmaceutical sales increased by 8% to EUR 654 million. Its market share stood at 62 (62)%. The Finnish pharmaceutical market expanded by 8% and pharmaceutical sales at wholesale prices totaled EUR 1.1 billion. New products, launched less than two years ago, accounted for almost half, and volume increases for the rest of the market growth. Price adjustments of products already on the market and the efforts by public authorities to rationalize drug prescriptions curbed the growth rate somewhat.

Parallel import sales in terms of wholesale prices equaled EUR 2.2 million (up 2%), the corresponding figure for foreign generic product manufacturers being EUR 24 million (up 25%).

Foreign marketers continued to increase their market share of Finnish pharmaceutical sales to 73% in 1999 (up 13%). Prescription drug sales accounted for 86% (up 10%) of pharmaceutical sales. The pharmaceutical wholesale volume to pharmacies represented 80% (up 10%) and to hospitals 20% (up 4%).

Competitive situation in Finland

The Finnish Competition Authority conducted in summer a survey within the sector to determine whether the previously perceived benefits from a single-channel distribution system still continue to outweigh possible anti-competitive effects and restraints on trade. The Authority did not issue a final decision, but the matter will be further considered with industry representatives during 2000 on the basis of the Authority's preliminary report.

The competition for distribution agreements has tightened after a third wholesale firm entered the market and the situation is expected to become even tougher. The current structure of price competition also shows some unsound tendencies.

Aim to improve customer service

Development efforts were targeted at rolling out Tamro's new information systems in the beginning of November. The entire organization was engaged in post-commissioning fine-tuning during the latter part of 1999 and the start of 2000. After the roll-out phase, the systems properties can be utilized and exploited to create a permanent competitive edge.

During the year, Tamro decided to reincorporate previously outsourced IT functions and know-how as an in-house core competence.

During the fall, customer satisfaction surveys were conducted within pharmacies and the pharmaceutical industry. The feedback received formed a blueprint for development work during 2000 and the foundation for a more customer-oriented operations structure and methodology. The new Tampere distribution center and operational model will further boost the level of customer service from the end of 2000 onwards.

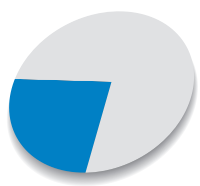
Outlook for 2000

The new information systems and other verifications and special measures ensured a smooth roll-over into the new millennium.

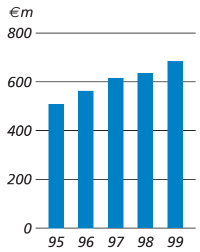
The growth trend of the pharmaceutical market seems to have settled at its current level. There are no significant changes anticipated in growth-promoting or -restricting factors.

Tamro's priorities for 2000 are the exploitation of the new information systems, launch of an in-company IT organization, further internalization of the reformed business structure and operational method on the basis of customer feedback and completion of the Tampere distribution center. The unit's sales for the year 2000 will dip due to the loss of distribution agreements.

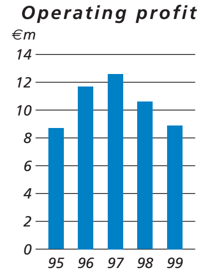
Share of consolidated net sales



Net Sales



Operating profit



	1999	1998	1997
Net Sales (€m)	**683.9**	634.8	614.2
Operating profit (€m)	**8.9**	10.6	12.6
Operating margin (%)	**1.3**	1.7	2.1
Return on capital employed (%)	**17**	18	19
Share of Group sales (%)	**21**	21	28
Investments (€m)	**1.9**	0.2	0.5
Number of employees, average	**458**	459	465

Tamro Distribution Norway

Financial performance and market situation

Tamro Distribution Norway's 1999 net sales amounted to EUR 107 million, up 26% on the year before. Pharmaceutical sales came to EUR 88 million or 82% of aggregate net sales.

The unit posted a EUR 0.1 million operating loss. The negative result was mainly due to extra costs related to the new warehouse building and expansion. Capital spending totaled EUR 1.2 million. The year-end personnel strength was 80, the increase being mainly attributable to the recruitment of own distribution personnel.

The pressures on lowering distribution margins caused by the rapidly growing pharmaceuticals industry continued to be felt during 1999. New expensive medicines have determined the margins throughout 1999, and consequently more attention has been paid to order-line-specific profitability.

The Norwegian pharmaceutical market expanded by 13% in 1999, mainly owing to price markups and the launch of new expensive products. The aggregate market had a value of EUR 859 million. The Norwegian pharmaceutical players compete in a multi-channel distribution environment under perfect competition.

Tamro's share of the pharmaceutical markets was at year's end 10 (9)%. During the year, customer and market orientation were strengthened and distribution and information technology enhanced.

Throughout the reporting period, there has been heated debate in the Norwegian pharmaceutical market over the consequences of a proposed Pharmacy Act. The draft act contains provisions for a freer establishment and wider ownership base of pharmacies. The quality and safety level of pharmacy services should also remain the same or be improved. Stortinget, the Norwegian Parliament, will most likely decide on the new Pharmacy Act during the year 2000.

Public pharmaceuticals procurement cooperation has reduced the pharmaceutical costs for customers and will become a permanent arrangement. Tamro was once more awarded the Oslo City Council's tender and collaboration will continue into 2000.

Activities

Tamro's focus during 1999 has especially been on improved customer service and customer satisfaction. We succeeded in fulfilling individual customer needs with our value added service provision and this was reflected as augmented market share and customer satisfaction. The product concept is continuously developed to meet the challenges posed by tightening competition.

In January 1999, the unit moved to a new office and warehouse complex, located in the vicinity of Oslo. The layout of the facilities and the moving process were thoroughly planned. The new warehouse has enabled distribution quality to be significantly improved during the year.

The design and roll-out of the new IT system, Astra/400, successfully commissioned in May, tied considerable resources.

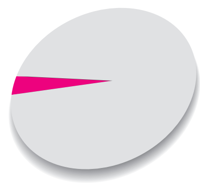
Outlook for 2000

The total pharmaceutical market in Norway is predicted to grow by approx. 10% during 2000. This is quite a high growth estimate, anchored in legislative and structural changes expected to materialize in the near future. The aggregate market is forecast to reach a volume of EUR 0.9 billion.

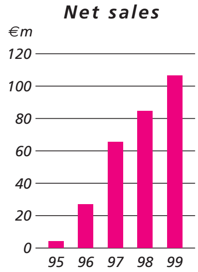
In the fall of 1999, Tamro had negotiations with the pharmacy chain Apokjeden AS about possible cooperation. The agreement with Apokjeden was concluded in February 2000 and it will take effect in January 2001.

	1999	1998	1997
Net Sales (€m)	**106.6**	84.5	65.5
Operating profit (€m)	**–0.1**	–0.7	–1.5
Operating margin (%)	**–0.1**	–0.8	–2.3
Return on capital employed (%)	**–0**	–5	–17
Share of Group sales (%)	**3**	3	3
Investments (€m)	**1.2**	1.8	0.1
Number of employees, average	**63**	30	25

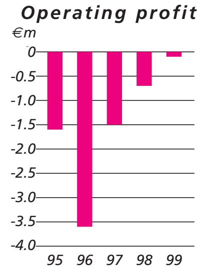
Share of consolidated net sales



Net sales

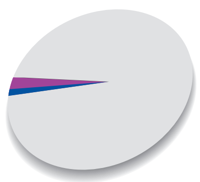


Operating profit

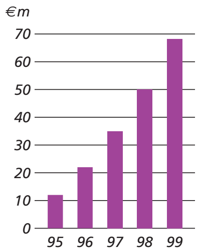


Tamro Distribution

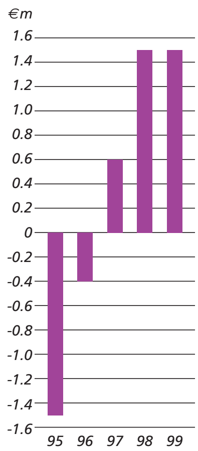
Share of consolidated net sales



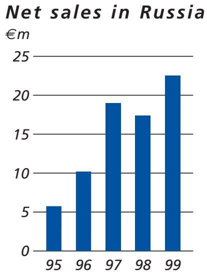
Net sales in Baltics



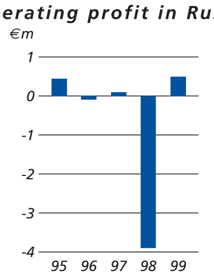
Operating profit in Baltics



Net sales in Russia



Operating profit in Russia



Tamro Distribution Baltics and Russia

Baltic States

Financial performance and market situation

The unit's net sales in the Baltic States totaled EUR 68 million, up 36% from the previous year. Sales in Latvia grew the most, by 46% to EUR 29 million. Sales in Estonia came to EUR 25 million and in Lithuania to EUR 15 million. The operating profit for the Baltic States amounted to EUR 1.5 million and stayed at last year's level. The result was weakened by capital investments of EUR 7.9 million, spent mostly in Lithuania. The unit's year-end payroll numbered 344.

The pharmaceutical market of the Baltic States grew by approx. 10% to about EUR 300 million during 1999. A total of around 200 new pharmacies were founded in the Baltics and the region now has over 2100 of them serving approx. 8 million inhabitants. The number of pharmaceutical wholesalers remained at last year's level of over 200 firms.

Tamro invested

A new pharmaceutical distribution center was completed in Kaunas, Lithuania in December. The center fully complies with Good Distribution Practice (GDP) as regards pharmaceutical distribution. This 6,000-sq-m distribution center enables operations to be expanded and rendered more efficient.

Customer service was enhanced through the acquisition of AB Farmacija's business operations in December. ABF has for years been one of the leading Lithuanian pharmaceutical wholesalers with distribution warehouse in the capital Vilnius. This will complement and improve customer service as Tamro used to have a single distribution center only in Kaunas.

In June, a customer satisfaction survey, including interviews with 473 pharmacists, was conducted in the Baltic States. Customer feedback forms the basis of customer service development.

Tamro's share of pharmaceutical market in 1999	
Estonia	*33%*
Latvia	*20%*
Lithuania	*11%*
Northwest Russia	*20%*

Russia

Tamro Distribution Russia consists of a joint venture called ZAO Pharm Tamda 77, which operates out of St. Petersburg as a pharmaceutical wholesaler for Northwest Russia, and Tamro Russia Oy, a pre-wholesaling service provider for the healthcare industry in the Russian market. The operations also cover bonded warehouse services from Finland to the Russian Federation. The first business partners started storage activities in Tamro Russia Oy's facilities at the beginning of 2000.

Tamro's net sales in Northwest Russia reached EUR 22 million (up 30%). The operating profit grew to EUR 0.5 million. Major investments included the opening of a branch office in Murmansk and establishment of sales offices in Novgorod and Moscow.

The share of Russian products was increased in line with demand and this hiked Tamro's share of total sales to pharmacies. Western pharmaceutical suppliers diminished the number of their Russian wholesale partners, concentrating their business on Tamro.

Outlook for 2000 in the Baltic States and Russia

The Baltic market is expected to expand by around 10% during 2000. Tamro's objective is to grow at a minimum rate of double the market average thanks to the development measures and investments undertaken.

There are plans to erect a new distribution center in Tallinn at a site acquired in 1999. The construction will start in the spring of 2000.

The devaluation of the Russian ruble is expected to continue and put a damper on business. On the other hand, the political environment is predicted to stabilize in the wake of the presidential and parliamentary (Duma) elections.

Baltics

	1999	1998	1997
Net Sales (€m)	**68.3**	50.1	34.9
Operating profit (€m)	**1.5**	1.5	0.6
Operating margin (%)	**2.2**	2.9	1,7
Return on capital employed (%)	**16**	24	13
Share of Group sales (%)	**2**	2	2
Investments (€m)	**7.9**	1.6	1.2
Number of employees, average	**229**	188	163

Russia

	1999	1998	1997
Net Sales (€m)	**22.5**	17.4	19.0
Operating profit (€m)	**0.5**	–3.9	0.1
Operating margin (%)	**2.1**	–22.4	–0.5
Return on capital employed (%)	**18**	–243	5
Share of Group sales (%)	**1**	1	1
Investments (€m)	**0.5**	0.1	0.7
Number of employees, average	**140**	122	98

Tamro MedLab

Tamro MedLab sells, markets and imports a broad range of basic healthcare products, laboratory supplies, specialized medical devices and equipment, as well as diagnostics and biotechnology products and 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.

Financial performance and market situation

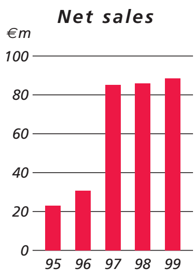
The MedLab group's net sales totaled EUR 89 million, up by about 3% on the previous year. The increase is mainly attributable to corporate acquisitions during the year. The operating profit was EUR 1.3 million, clearly below last year's level. This is primarily explained by several major projects carried out within the unit that forced the organization to mainly focus on internal activities. Payroll numbered 270 employees at year's end.

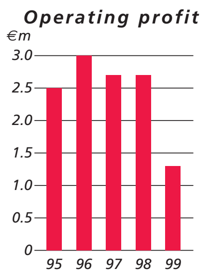
Business globalization within Tamro MedLab's field of operation continued. This was reflected, e.g., in various mergers between manufacturers, leading to the loss of a few agencies in Finland in the beginning of the year. Even though some of these setbacks could be recouped through new agency agreements, the overall effect brought down both sales and profits. The market for basic laboratory supplies and medical devices did not expand appreciably during the year. The laboratory diagnostics product and self-care markets showed the strongest growth.

Operations

1999 was a year of many in-company projects and corporate acquisitions for Tamro MedLab. New information systems were rolled out in Finland and Norway. During the reporting period, Tamro MedLab acquired the laser surgical operations of Norwegian DicoMed and Swedish MikronMed. In addition, the microscope-specializing Leica Mikroskopi AS was purchased as well as laboratory supplies operations from AS Pihl. A joint venture called SIFT AB was founded with Fuji Film Sverige to support the diagnostic imaging business unit by offering consulting and network solution integration services to hospitals. A new 5,500-sq-m warehouse dedicated solely to the distribution of medical supplies was commissioned in Finland. Tamro MedLab's office in St. Petersburg was closed in the beginning of the year.

MedLab



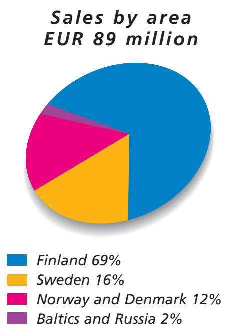


Outlook for 2000

At the end of 1999, Tamro's healthcare and laboratory products business in Finland was incorporated into Tamro MedLab Oy. Starting from 2000, Tamro MedLab Oy as the parent company and other Nordic MedLab companies as subsidiaries will form an independent Tamro MedLab subgroup. The aim of the incorporation is to concentrate the sale and marketing in a separate entity in an effort to intensify customer orientation in the whole Group, streamline the internal division of tasks and accountability as well as develop Tamro MedLab's operations exploiting its own strengths and capabilities. At the beginning of 2000, the business units were disbanded, the matrix organization dismantled and a pure country-based organization introduced in order to clarify the delineation of responsibility areas.

While the market is not expected to grow significantly, the amalgamations between manufacturers and suppliers are forecast to continue throughout 2000.

	1999	1998	1997
Net Sales (€m)	**88.6**	86.0	85.2
Operating profit (€m)	**1.3**	2.7	2.7
Operating margin (%)	**1.4**	3.2	3.2
Return on capital employed (%)	**4**	7	6
Share of Group sales (%)	**3**	3	4
Investments (€m)	**3.3**	0.6	0.6
Number of employees, average	**265**	256	251



Other subsidiaries and associated companies

Printel

Printel Oy's business operations were sold in July at a capital gain of EUR 5.5 million to a company to be founded within the Scandinavian Corporate Suppliers (Scancor) Group. The Printel property complex and its subsidiary Karttakeskus Oy were excluded from the deal. Printel's staff could transfer to the new company's employ without forfeiting their seniority. Printel Oy is the leading Finnish supplier of equipment and furnishings to educational establishments and day-care centers and of special printed forms to municipalities and healthcare facilities.

Karttakeskus

Karttakeskus Oy, which publishes, produces and markets graphic and digital map applications, has a leading position in Finland in its business sector. The company's net sales totaled EUR 8.3 million and operating profit EUR 0.1 million. Its year-end payroll numbered 94 employees.

The sales of digital products, especially Internet-based applications and comprehensive positioning data solutions, continued their strong growth. The total net sales of Karttakeskus dropped slightly from the previous year owing to the new competitive situation created in the publishing product segment.

In January, subsequent to the fiscal year, Tamro divested 19.9% of Karttakeskus's capital stock to the US-based public company MapInfo Corporation, retaining itself an 80.1% holding in the company.

Mölnlycke Health Care

Mölnlycke Health Care AB is one of Europe's leading manufacturers and marketers of surgical textiles and wound care products.

Sales rose to EUR 245 million and its profitability was significantly enhanced thanks to a sweeping restructuring of its operations.

Tamro Oy holds a 30% stake in Mölnlycke Health Care AB, which had a EUR 2.3 million impact on the consolidated profit after financial items.

The uptrend in the company's financial performance is expected to continue throughout 2000. The stock listing may become a reality before the year is over.

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Castrum

The Group's holding in Castrum remained at its current level of EUR 19.8 million. Castrum's real-estate capital grew to EUR 242 million. In keeping with the adopted growth strategy, approximately half of the real-estate properties acquired were paid for with the company's own shares. As a result, its capital stock rose to EUR 103.6 million and equity ratio to 45%. Tamro's interest in Castrum was reduced from 45.7% in June to well below 20%, the year-end figure equaling 17.9%.

Castrum will focus on real-estate constructed for logistics and light-industry use in Finnish growth areas. Castrum's net sales rose to EUR 21.7 million over last year's EUR 8.2 million. Castrum Oyj's net profit for fiscal year 1999 came to EUR 3.6 million (EUR 0.1 million).

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, in the Auditors' Report.

Board of Directors and President/CEO

Tamro Corporation's Board of Directors comprises a minimum of three and a maximum of ten members elected at the Annual General Meeting. The one-year term of the Board expires 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.

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 are presented on page 55.

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

Organization of business activities and areas of responsibility

Group's core business, pharmaceutical distribution, is organized under country-specific business units. Tamro MedLab, which focuses on sales and marketing of healthcare and laboratory supplies, was spun off in Finland into a separate legal entity on December 31, 1999 and the Tamro MedLab group became a subgroup of the Tamro Group. Tamro MedLab's Finnish operations have been transferred from Tamro Corporation to a new subsidiary Tamro MedLab Oy, which will act as the parent company of the Tamro MedLab subgroup. The Swedish, Norwegian and Danish Tamro MedLab companies have joined the new subgroup.

The above business operations of the Group are the responsibility of the Corporate President and CEO, to whom the Presidents of the pharmaceutical distribution business units and the President of Tamro MedLab Oy report. Tamro's Executive Board comprises the Corporate President and CEO, the Presidents of the pharmaceutical distribution business units, the President of Tamro MedLab Oy, the Group's Chief Information Officer, the Chief Financial Officer and the Vice President, Corporate Affairs. The Executive Board 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 Group Executive Board are responsible for Group Staff functions in accordance with the organization presented on page 19.

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 Pricewaterhouse Coopers Oy (designated auditor Johan Kronberg) and KPMG Wideri Oy Ab (designated auditor Rolf Stubbe). In addition to the tasks specified in the currently valid rules and regulations, these auditors 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 business units, 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.

Tamro's Board of Directors and Auditors

Board of Directors

as of April 28, 1999

Chairman

Mikael von Frenckell (born 1947), M.Sc. (Pol.), Chairman of the Board of Sponsor Capital Oy

Vice Chairman

Erik Søndergaard (born 1945), B.Sc. (Econ.), President and CEO, Monberg & Thorsen Holding A/S

Members

Paul Bundgaard (born 1943), M.Sc. (Pharm.), President, Danmarks Apotekerforening
Stefan Carlsson (born 1954), M.Sc., President, Apoteket AB
Johan Horelli (born 1939), M.Sc. (Eng.)
Dag Johannesson (born 1945), LLM, MBA, Director, Apoteket AB
Juha Toivola (born 1947), M.Sc., President, Industrial Insurance Company Ltd

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

Auditors

SVH Pricewaterhouse Coopers and
KPMG Wideri Oy Ab,
Authorized Public Accountants

Bases for Tamro's Insider Regulations

Examples on how Tamro has applied Helsinki Exchanges' Guidelines for Insiders

The reputation of the Tamro Corporation as a publicly traded company is an essential factor influencing the value of its securities or possibility to raise financing. An essential part of the company's reputation comprises of the ability of it and its employees to comply with the extensive regulations applicable to publicly listed companies, especially with the insider regulations. A mere doubt that unpublished information has been used in securities trading undermines general confidence in the securities markets. The undermining of this confidence is also often directed at the company to the insiders of which the person under suspicion belongs.

For the reasons mentioned above, the Board of Directors of Tamro Corporation has issued the Insider Regulations to be applied to all employees of Tamro Group. The Insider Regulations entered into force on March 1, 2000.

The Insider Regulations are based upon:

- the Finnish Securities Market Act (26.5.1989/495), as amended ("Act");
- Regulation No. 201.5 and 201.6 passed by the Financial Supervision;
- Guidelines for insiders passed by Helsinki Exchanges (28.10.1999);
- the Finnish Criminal Code (19.12.1889/39A) as amended.

As one application of the Helsinki Exchanges' Guidelines for Insiders, Tamro has expanded its group of Permanent Insiders and divided them into Statutory Insiders and Insiders by Definition. In Chapter 2 of Tamro's Insider Regulations the Permanent Insiders are defined as follows:

2. PERMANENT INSIDERS OF TAMRO CORPORATION

In accordance with the general rule mentioned in section 1.1 above, a person that possesses inside information is an insider and prohibited at all times to trade with the publicly traded securities and derivatives of Tamro Corporation.

Certain employees of Tamro Corporation are defined as Permanent Insiders ("Statutory Insiders" and "Insiders by Definition"). In addition to that some employees can separately be defined as Project-Specific Insiders. Tamro Corporation is obligated by the Act, *Regulation given by the Financial Supervision and the Guidelines for Insiders given by the Stock Exchanges to keep a register ("Insider Register") on the mentioned insiders.*

The rules applicable to Permanent Insiders are set forth below.

2.1 Insiders defined as such by the Act (Statutory Insiders)

The Act defines certain persons as insiders (the "Statutory Insiders").

The Statutory Insiders of Tamro Corporation are:

- *Board members*
- *Board secretary*
- *CEO and President*
- *the auditors and their substitutes and such persons of a company of authorised public auditors that have the responsibility for auditing the company's records.*

2.2 The employees of Tamro Group likely to regularly possess inside information (Insiders by Definition)

In addition to the Statutory Insiders the persons belonging to the group of Permanent Insiders consist of employees of Tamro group who regularly obtain inside information on the company. An appointment as an Insider by Definition is made on a written form and requires an approval from the person. The Board of Tamro Corporation defines the persons being Insiders by Definition. Since becoming an Insider by Definition is not based on the law, the criminal sanctions concerning duty to disclose information mentioned before do not apply.

The Insiders by Definition in Tamro Corporation consist of:

- *Group Executive Board Members*
- *Group Controller*
- *Treasurer*
- *Communications Manager*
- *Director of Administration*
- *Executive Assistant*

Trading of the above mentioned Permanent Insiders is controlled in Chapter 4 of the Insider Regulations:

4. TRADING SHARES OF TAMRO CORPORATION

The Permanent Insiders should acquire shares in Tamro Corporation as a long-term investment which is at least a period of three months. Any and all trading by the Permanent Insiders, person in their custody and the controlled organisations with the securities of Tamro Corporation must at all times take place in accordance with the following rules. Permanent Insiders must notice that they are obligated to obey the restrictions of trading even when the management of their securities has been assigned to another party. Restrictions concern also the controlled companies or persons under guardianship of the Insider.

In this Regulation the limitation to trade with the securities is stricter than it is according to the Criminal Code. Limitation includes all the securities issued by Tamro Corporation and derivatives mentioned in 1.1. Criminal Code refers only to the publicly traded securities.

It is recommended that trading with the securities of Tamro Corporation and with derivatives mentioned in 1.1. is scheduled to the time when markets have as exact information as possible of the issues influencing the value of the security. Such moment is at least the time after the release of Tamro Corporation's annual or quarterly reports provided that insiders do not posses any inside information.

Trading securities two weeks prior to the publication of an annual or quarterly report of Tamro is strictly forbidden.

Chapter 5 in Insider Regulations defines the Project-Specific Insiders as follows:

5. PROJECT-SPECIFIC INSIDERS

5.1 Project

A project-specific register on insiders has to be kept on projects that, if realised, may have a material effect on the price of the shares of Tamro Corporation (such project "Insider Project"). President of Tamro Corporation, Pauli Kulvik, decides if it is question of an Insider Project over which a register should be kept and informs the permanenet insider responsible for the project and the person in charge of insider issues in Tamro.

The following criteria can be met among other things when an issue or arrangement under preparation is deemed to be an Insider Project:

1. *The issue or arrangement is such that when realised it must be published within the framework of the so-called obligation to provide information continuously;*
2. *The preparation of an issue or arrangement has progressed to a stage in which an express decision has been made in the management of the company to continue preparation until realisation;*
3. *If, prior to the commencement of the obligation of the company to publish information, the realisation of an issue or arrangement requires the co-operation of another party, the issue or arrangement shall usually be appropriate to deem a project only after the said other party has, for its part, taken steps aiming at the realisation;*
4. *The realisation of an issue or arrangement shall be deemed likely; and*
5. *The estimated realisation time of the issue or arrangement under preparation is in the near future.*

In determining a project, in addition to the above criteria, attention shall be paid also to the comprehensive assessment of the issue or arrangement. An issue may, on the basis of the comprehensive assessment, be deemed a project even if all the above criteria are not fulfilled.

5.2 Project-specific register on insiders

The permanent insider responsible for the project is responsible for maintaining a project-specific register on insiders (such insider "Project-specific Insider"). The responsible person must ensure that all persons entering the project team fill and sign a project-specific insider notice form.

A person becomes a Project-specific Insider upon receiving unpublished information relating to an Insider Project and ceases to be a Project-specific Insider upon publication of that information or as a result of a termination of the Insider Project in question.

The person maintaining the project-specific register on insiders is responsible for informing the registered persons of the beginning and the expiration of their insider status. This information must be passed on to all persons affected, including outside consultants and representatives of an adverse party.

The project-specific register on insiders, all related signed forms and the notice of the expiration of the insider status of associated persons must be handed over to the registrar of Tamro Corporation's insider register immediately after the project has finished.

5.3 Trading shares of the company

A project-specific insider is prohibited from trading securities of the company and derivatives mentioned in the 1.1 for as long as they retain their insider status. If the Insider Project is directed at another publicly traded company it is also prohibited to trade securities of that company.

Further information on Tamro Corporation's Insider Regulations can be obtained from Pentti Tarkkanen, Director of Administration and the person in charge of insider issues in Tamro Corporation, phone +358 204 45 4034.
The complete Insider Regulations are available at Tamro Corporate Communications, phone +358 204 45 4008, or email: corporate.communication@tamro.com

Tamro's stock and warrants held by members of the Board of Directors, CEO and permanent insiders at December 31, 1999

		Stock Holding under own name no. of shares	Stock Holding incl. assets of under-age dependents and significantly influenced companies no. of shares	Warrants 94/95 no. of shares	Warrants 97 no. of shares
Pauli Kulvik	CEO	0	1,000	0	250,000
Mikael von Frenckell	Chairman of the Board	100,000	105,000	15,000	60,000
Erik Søndergaard	Vice Chairman of the Board	0	0	0	0
Paul Bundgaard	Member of the Board	0	0	0	0
Stefan Carlsson	Member of the Board	0	0	0	0
Johan Horelli	Member of the Board	0	0	0	0
Dag Johannesson	Member of the Board	0	0	0	0
Juha Toivola	Member of the Board	0	0	0	60,000
Juhani Mäkinen	Member of the Board	0	0	0	60,000
Johan Kronberg	Auditor	0	0	0	0
Rolf Stubbe	Auditor	0	0	0	0
Kim Ignatius	Member of the Executive Board	250	0	0	60,000
Tapio Mansukoski	Member of the Executive Board	0	0	0	60,000
Björn Mattila	Member of the Executive Board	3,649	0	0	60,000
Keijo Väkiparta	Member of the Executive Board	0	0	0	60,000
Bengt Persson	Member of the Executive Board	0	0	40,000	60,000
Asbjørn Leirvik	Member of the Executive Board	0	0	0	0
Jan Bonde	Member of the Executive Board	0	0	0	0
Peter Lørup	Member of the Executive Board	0	0	0	0
Börje Lindén	Group Controller	2,700	0	0	6,000
Risto Saarni	Treasurer	0	1,500	300	20,000
Eila Volanen	Communications Manager	18	0	0	0
Pentti Tarkkanen	Director of Administration	1,113	0	0	20,000
Arja Wikstedt	Executive Assistant	0	0	0	20,000
Other stockholders				4,788,700	4,204,000
TOTAL				**4,844,000**	**5,000,000**

Group Executive Board

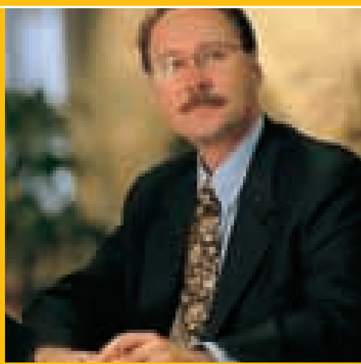

Pauli Kulvik


Peter Lørup


Tapio Mansukoski

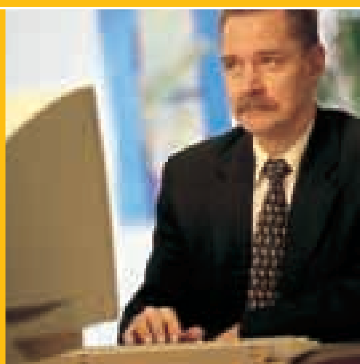

Bengt Persson


Jan Bonde


Jussi Holopainen


Asbjørn Leirvik


Björn Mattila


Keijo Väkiparta

Tamro

Tamro Group

Pauli Kulvik (born 1951)
M.Sc. (Eng.), MBA
CEO, President

Group information management
Peter Lørup (born 1956)
Computer Scientist
Chief Information Officer

Corporate Affairs
Tapio Mansukoski (born 1948)
B.Sc. (Econ.)
Corporate Vice President

Pekka Laitasalo, M.Sc. (Econ.)
(born 1955)
CFO as from June 1, 2000

Business Units

Tamro Distribution Sweden
Bengt Persson (born 1952)
M.Sc. (Eng.)
President

Nomeco, Denmark
Jan Bonde (born 1950)
Graduate in Pharmacology
President

Tamro Distribution Finland
Jussi Holopainen (born 1959)
M.Sc. (Econ.), B.Sc. (Pharm.)
President

Tamro Distribution Norway
Asbjørn Leirvik (born 1945)
B.Sc. (Eng.)
President

Tamro Distribution Baltics and Russia
Björn Mattila (born 1946)
DipBus
President

Tamro MedLab
Keijo Väkiparta (born 1952)
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 April 12, 2000 at 4 p.m. Stockholders who wish to attend must give notification by 12 p.m. on Tuesday, April 11, 2000, either by mail to Tamro Corporation, P.O. Box 11, FIN-01641 Vantaa, by email to tuula.lonnstrom@tamro.com or by calling +358 204 45 4004/Tuula Lönnström. Please mention any proxies in the notification.

Those stockholders whose shares were transferred to the share register maintained by the Finnish Central Securities Depository Ltd. by April 7, 2000, and those who were entered in the company's stockholders' register before October 28, 1994, are entitled to attend the meeting. In the latter case, the stockholders must present their share certificates or other documents showing that the holding has not yet been recorded in a book-entry securities account.

Distribution to owners

If the Annual General Meeting passes the Board's proposal for dividends, EUR 0.15 per share, will be paid to the shareholders in the stockholders' register kept by the Finnish Central Securities Depository Ltd. on the record date, April 17, 2000. The dividend will be paid out on April 26, 2000.

Publishing schedule

Tamro Corporation will publish the following interim reports for 2000 in Finnish and English:

- For January–March on May 4, 2000
- For January– June on August 15, 2000
- For January–September on November 7, 2000

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

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Annual reports and interim reports:
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Tamro's releases can also be found at websites www.tamro.com, www.huginonline.com and www.pressi.com

Home page http://www.tamro.com

Change of address

Shareholders are asked to notify the keeper of their book-entry account of any changes of address.

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Burning questions and fresh answers

The Finnish pharmaceutical wholesale market is changing. How does Tamro propose to tackle the new competitive situation?

We are focusing on customer orientation, human resources, quality and efficiency. In other words, on basic competitive factors.

An IT project spanning several years is now complete. What competitive advantages did it bring and what's in store for the future?

Tamro has access to two of Europe's most advanced computer systems, both based on AS400 architecture. We will now begin exploiting them to the full while further developing them. Efficient information utilization is becoming a central part of our operations. We will simultaneously rebuild and regain this critical competence.

Tamro Norway joined forces with the pharmacy chain Apokjeden. Will this alter Tamro's strategic thinking?

This solution is an ideal example of what we mean by optimal customer orientation under specific Norwegian conditions. We will follow our basic strategy in the other Nordic Countries as well: getting as close to our customers as possible but maintaining a focus on our core competencies. Only in the Baltic States and Russia may we be forced to reconsider our strategy.

As competition has tightened, the profitability of pharmaceutical distribution has weakened all over Europe. How will Tamro overcome this problem?

Through the same basic remedies – customer orientation, quality awareness, cost-efficiency and skilled personnel – in all eight countries of operation. IT is a common denominator and continuous boosting of distribution network efficiency a prerequisite for enhancing profitability. Without prejudice.

How will the company exploit its current strong position in Northern Europe?

Through competition in eight completely different environments, we can amass solid experience, know-how and skills. And what we learn must be made available for everybody to use. There are no supra-national customers in the pharmaceutical market. Instead of this, Tamro, in its capacity as a sub-supplier, offers its entire infrastructure to the globalizing pharmaceutical market.

Tamro is already the market leader in most Northern-European countries. Where will it find future growth potential?

Much remains to be done and developed in the future before we can hope to fulfill our customers' and the industry's expectations even within our current operating area. But we do also keep tabs on changes outside our present markets.

Are Tamro's in-house resources sufficient for all the required and desired changes?

This can be answered by noting that Tamro is increasingly focusing on its core business as a pharmaceutical distributor, wholesaler and service provider. On the other hand, as we have just completed a large-scale IT project, it is quite hard to imagine a challenge the Tamro organization would not be equal to.

FINLAND

Tamro is the official pharmaceuticals supplier for the Finnish Olympic Team in 2000. Tamro will provide the Finnish Olympic Committee with expert advice in arranging the supply of pharmaceuticals. We will also support the Paralympic Team on its trip to Sydney.

Delivering excellence in healthcare