Instrumentarium

SEGMENT	DIVISION / BUSINESS UNIT

Health Care Equipment

- Datex-Engström
- Instrumentarium Imaging
- Merivaara
- LM-Dental
- Merimedic
- Instrumed
- Soxil
- Medko Medical
- Medinovum

Optical Retail

- Instrumentarium
- Nissen
- Ögat
- Instruest

Distribution of Consumer and Commercial Products

- Instru Data
- Bergenheim Yhtiöt
- Tekno-Rema

CONTENTS

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, 4 April 1995, at 4 p.m. at the Instrumentarium Corporation Head Offices in Helsinki, Finland. Advance notification of attendance must be received by 4 p.m., 30 March 1995.

FINANCIAL INFORMATION

Instrumentarium Corporation will publish two interim reports during 1995. The January - April results will be published on 7 June 1995 and the January - August results on 9 October 1995. Preliminary results for 1995 will be published in February 1996.

Printed financial information can be ordered by writing to the address: Instrumentarium Corp., Investor Relations, P.O.Box 357, FIN -00101 Helsinki or by telephone +358 0 394 1401.

U.S. DEPOSITARY

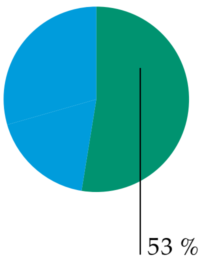
Morgan Guaranty Trust Company of New York
ADR Administration
60 Wall Street
New York, NY 10260-0060
Telephone (212) 648-3164

SHARE OF GROUP'S NET SALES

BUSINESS, MARKET AREA

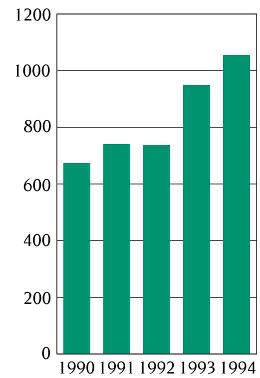
NET SALES, FIM MILLION

PROSPECTS FOR 1995

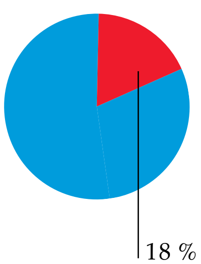


Personnel 1,565

Instrumentarium’s health care business units manufacture and market anaesthesia and patient monitoring equipment, and special X-ray imaging equipment. The principal markets are Europe, North America and East Asia. The business units operating mainly in Finland and its neighbouring countries manufacture hospital furniture and devices for the disabled; they also supply medical equipment and supplies obtained from other manufacturers. Project sales of hospital equipment are also directed to Russia.

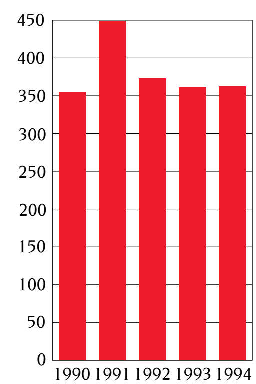


The medical equipment markets are increasing in volume as an economic upswing in the main markets gathers pace. 1994 was marked by cautious recovery in the equipment markets and this favourable trend is expected to gain strength during the current year. Health care investments are also growing in emerging markets. Instrumentarium’s major investments in R&D and in its international sales and marketing network are boosting the competitive strength of its health care business units as well as opening up new business opportunities. Prospects are fairly good for the current year.

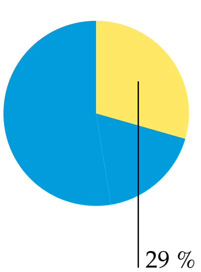


Personnel 576

The Optical Division retails ophthalmic optics products and special services in Finland, Sweden and Estonia, together with the retailing of home health care products in Finland. The division has its own sales outlet chains in these countries.

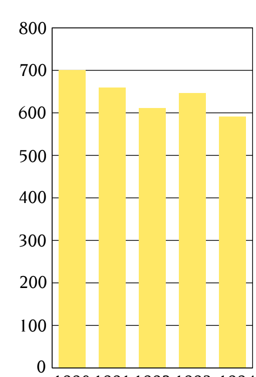


Growth is forecast in the Optical Division's markets in Finland and its neighbouring countries. Unit sales of eye glasses will grow and the pricing spectrum will broaden. Advertising volumes will be raised in several media and the number of stores will be increased in at least Sweden and the Baltic countries. The modernized home health care outlets improved their sales and further growth is expected during 1995.



Personnel 260

The Distribution of Consumer and Commercial Products segment comprises three companies. Instru Data Oy supplies system and hardware solutions in the information technology sector and wholesales hardware in Finland and the Baltic countries. Oy Bergenheim Yhtiöt Ab is engaged in the importing, wholesaling and manufacture of cosmetics and personal hygiene dailies. They have their principal markets in Finland and the neighbouring countries. Oy Tekno-Rema Ab imports and wholesales wireless communications products in Finland.



Vigorous growth is evident in the markets for information technology and wireless communication products. Further growth is expected, based both on a general increase in investment activity and also on the increased interest shown by private consumers in computers and mobile phones. Consumer demand is driving developments in the dailies and cosmetics sector. Prospects for 1995 throughout the segment are good.

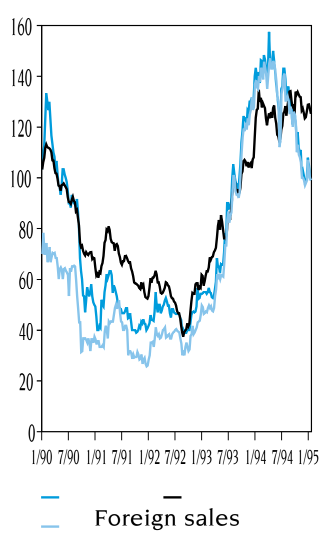
Group administration and divested businesses are included in the Distribution segment's net sales figures.

Operations in Brief 1994

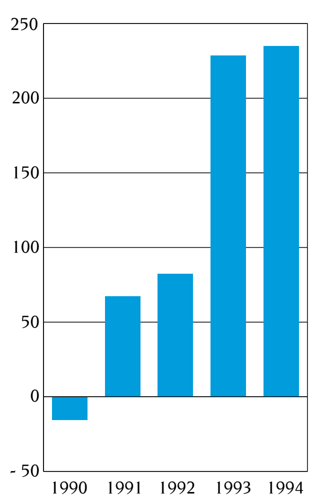
(Consolidated, Finnish GAAP, FIM million, except per share data)	**1994**	1993	+/- %
Net sales	**2,008.3**	1,957.3	2.6
Foreign sales	**1,038.9**	947.6	9.6
Operating profit	**235.1**	228.7	2.8
Profit before extraordinary items, reserves and taxes	**233.7**	251.2	-6.9
Extraordinary items	**39.0**	-45.6	
Profit before reserves and taxes	**272.7**	205.6	32.6
Taxes	**76.3**	61.2	24.7
Profit for the period before reserves	**193.9**	139.9	38.6
Balance sheet total	**2,409.2**	2,153.2	11.9
Shareholders' equity	**1,428.2**	1,284.6	11.2
Return on investment (ROI) %	**16.4**	18.3	
Equity ratio %	**61.8**	62.4	
Earnings per share, FIM	**8.32**	8.36	-0.5
Earnings per share U.S. GAAP, FIM	**9.37**	13.78	-32.0
Dividend per share, FIM	**2.80** *	2.33	20.2
Cashflow per share, FIM	**10.95**	13.54	-19.1
Average number of employees	**2,351**	2,383	-1.3

* Proposed by the Board of Directors.

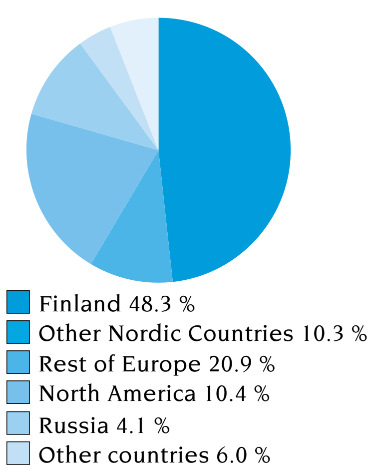
NET SALES, FIM MILLION



OPERATING PROFIT, FIM MILLION



NET SALES BY MARKET AREA, %



President's Review

The Instrumentarium Group posted a very satisfactory result for 1994. Earnings per share were FIM 8.32, which was 0.5 % less than one year earlier. The operating profit rose 3 % to FIM 235 million. The positive trend in the Company's performance was due to improvements in operational efficiency in most of the business units. Changes in exchange rates, on the other hand, acted against us. R&D received the same intense focus as before; we devoted FIM 96 million to product development, which was 21 % more than during the previous year.

The profit before reserves and taxes, including extraordinary items arising from restructuring measures, rose 33 % to FIM 273 million.

Instrumentarium's business portfolio was considerably clarified during the review year. We divested our component distribution business, and concentrated wireless telecommunications on Tekno-Rema. Metos and Hackman's catering equipment operations were merged to form Hackman Metos Oy Ab, in which Instrumentarium holds a significant minority interest. At the end of August, we acquired Engström Medical and its subsidiaries to strengthen Datex's already solid position in the anaesthesia and patient monitoring markets.

These arrangements will raise the net sales of our health care business units from 50 % to 65 % of the Group's net sales, and the contribution of exports and international operations from 50 % to about 60 %. Instrumentarium intends to further increase the share of exports and international operations, thereby reducing its dependency on the domestic market.

Instrumentarium is a diversified corporation which will grow and develop through its business units. At corporate level it can balance very different business risks and cashflows. Instrumentarium's aim is controlled development of its business portfolio and in this context the Group is well placed to make very considerable investments in its various business units. The conditions for growth exist already and the prospects for the current year are good. The biggest challenge in the short term is to develop the Datex-Engström Division into one of the world's leading manufacturers of anaesthesia and patient monitoring equipment.

The Board of Directors will propose a dividend of FIM 2.80 per share, in line with its policy of paying a dividend of roughly one-third of net profit.

With the restructuring that took place, the year just ended was an arduous one and the result of operations was extremely satisfactory. I should like to thank everyone in Instrumentarium, as well as our customers for their continued confidence in us.

Shares and Shareholders

SHARES

Instrumentarium Corporation's share capital is divided into Series A and Series B shares. Each Series A share carries ten votes at a shareholders' meeting and each Series B share carries one vote. Shares of both series provide their holders with equal rights to company profit distribution. The act restricting foreigners' rights to own Finnish shares was repealed at the beginning of 1993; all company shares are now non-restricted.

Pursuant to a change in nominal value (split) and a bonus issue in April 1994 the amount of the company's shares tripled to 20,150,301. The nominal value of the company's shares was changed from FIM 20 to FIM 10 in such a way that each old share of nominal value FIM 20 was divided into two new shares of nominal value FIM 10. In addition, in the bonus issue, each shareholder received one new share of nominal value FIM 10 free with two new shares of nominal value FIM 10.

STOCK EXCHANGES

The Company's A and B shares have been quoted on the Helsinki Stock Exchange since 1971 and 1986, respectively. Since 1983, the B shares, in the form of American Depositary Shares (ADSs) evidenced by American Depositary Receipts (ADRs), have been traded on the NASDAQ National List in the United States. Pursuant to the change in nominal value and the bonus issue in April 1994, two ADRs equal one B share. Previously, four ADRs equalled one B share. At the end of 1994, there were 231,328 ADRs outstanding on the NASDAQ list.

SHAREHOLDER REGISTER

The company's shares were transferred to the book-entry securities system in June 1993. Shareholders should notify the particular register holding their book-entry account about changes in address or account numbers for payment of dividends and other matters related to ownership of shares.

DIVIDENDS

The Board of Directors' proposal for cash dividends is on page 43. Persons who on 10 April 1995 are registered on the List of Shareholders of Instrumentarium Corporation kept by the Central Share Register of Finland, have the right to receive dividends. The payment date for dividends in Finland is 13 April 1995 and for ADRs in the U.S.A. 20 April 1995.

SHAREHOLDINGS OF PERSONNEL, BOARD OF DIRECTORS AND SUPERVISORY BOARD

At the end of 1994, there were 366 shareholders among personnel holding a total of 233,028 shares in the company. At the same time, members of the Board of Directors and the Supervisory Board held 131,556 A series and 18,456 B series shares, representing 0.74% of the entire share capital and 0.84% of the voting power.

DEBT SECURITIES AND BONDS WITH WARRANTS

The terms of the outstanding bonds with warrants and their effect on the share capital and voting power of the company are described in the Notes to the Financial Statements on page 41.

AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS AND SHAREHOLDER AGREEMENTS

The Board of Directors had no authorizations to raise the capital stock of the company during 1994. The Board of Directors is not aware of any shareholder agreements concerning the company's shares.

STRUCTURE OF SHARE CAPITAL ON 31 DECEMBER 1994

	Number of shares	% of share capital	% of votes
A shares	15,302,451	75.9	96.9
B shares	4,847,850	24.1	3.1
Total	20,150,301	100.0	100.0

DISTRIBUTION OF OWNERSHIP ON 31 DECEMBER 1994

Number of Shares	Number of shareholders	% of total shareholders	% of share capital
1 - 100	3,295	27.6	0.9
101 - 500	5,200	43.7	6.5
501 - 1,000	1,656	13.9	5.9
1,001 - 5,000	1,458	12.2	15.0
5,001 - 10,000	156	1.3	5.4
over 10,000	152	1.3	66.3
Total	11,917	100.0	100.0

SHAREHOLDERS ON 31 DECEMBER 1994

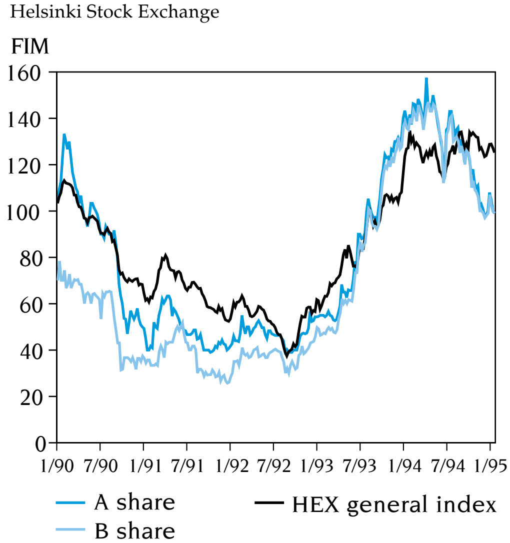
Principal shareholders of Instrumentarium Corporation in accordance with voting power.

Shareholder	Amount of A shares	Amount of B shares	Total	% of share capital	% of votes
1. Orion Corporation *	938,574	468,954	1,407,528	7.0	6.2
2. Oriola Oy *	741,327	19,110	760,437	3.8	4.7
3. Kuulolaitekeskus Oy *	737,299	-	737,299	3.7	4.7
4. Panfarma Oy *	735,523	-	735,523	3.7	4.7
5. Hiven Oy *	734,500	-	734,500	3.6	4.7
6. Instrumentarium Pension Fund **	509,960	192,024	701,984	3.5	3.4
7. Mutual Insurance Company Eläke-Varma	354,009	42,200	396,209	2.0	2.3
8. Medical Investment Trust Oy	304,000	-	304,000	1.5	1.9
9. Instrumentarium Scientific Fund	299,739	19,962	319,701	1.6	1.9
10. The Finnish Medical Society Duodecim	253,203	6,660	259,863	1.3	1.6
11. The Local Government Pensions Fund	204,000	66,000	270,000	1.3	1.3
12. SYP-Invest Oy	206,316	-	206,316	1.0	1.3
13. Sampo Mutual Insurance Company	199,791	-	199,791	1.0	1.3
14. Thominvest Oy	179,530	-	179,530	0.9	1.1
15. The Finnish Medical Foundation	172,851	-	172,851	0.9	1.1
16. The Finnish Cultural Foundation	162,936	90	163,026	0.8	1.0
17. Pension Foundation Polaris	136,620	12,420	149,040	0.7	0.9
18. The Social Insurance Institution	120,600	-	120,600	0.6	0.8
19. Okobank Group Pension Fund	120,227	-	120,227	0.6	0.8
20. Okobank	110,354	26,168	136,522	0.7	0.7
	7,221,359	853,588	8,074,947	40.1	46.3
Registered in the name of a nominee:					
Kansallis-Osake-Pankki	130,874	341,758	472,632	2.3	1.0
Union Bank of Finland Ltd.	48,959	242,749	291,708	1.4	0.5
Other register holders	3,400	45,200	48,600	0.2	0.1

* Part of the Orion Group.
** Not entitled to vote at the General Shareholders' Meeting.

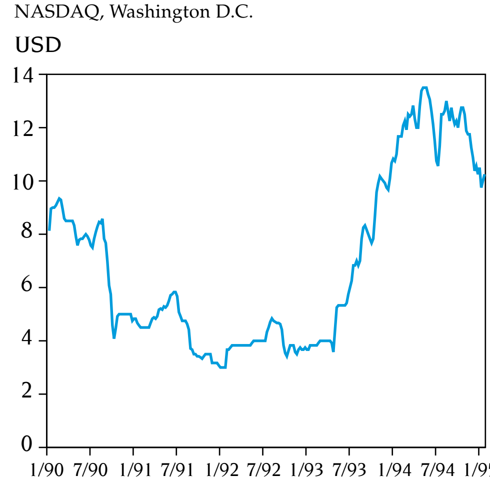
PERFORMANCE OF INSTRUMENTARIUM A AND B SHARES

Helsinki Stock Exchange



PERFORMANCE OF INSTRUMENTARIUM ADRs

NASDAQ, Washington D.C.



GROUPS OF SHAREHOLDERS ON 31 DECEMBER 1994

Group	Number	Number of shares	% of share capital
Private persons	10,929	6,379,739	31.7
Companies	579	6,753,343	33.5
Associations and foundations	339	3,422,091	17.0
Mutual funds	12	1,001,580	5.0
Insurance companies	17	1,259,968	6.3
Financial institutions	36	471,673	2.3
Nominee-registered	5	812,940	4.0
Shares not transferred to the book-entry securities system		48,967	0.2
Total	11,917	20,150,301	100.0

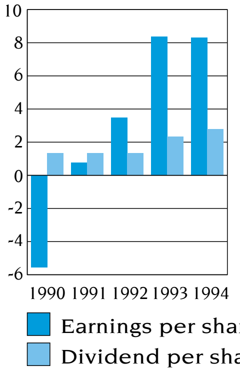
PERFORMANCE OF INSTRUMENTARIUM SHARES

	The Helsinki Stock Exchange				NASDAQ	
	A share, FIM		B share, FIM		ADR, USD	
	high	low	high	low	high	low
1990	136.67	46.33	78.33	21.67	9.42	4.00
1991	64.67	37.67	53.33	20.67	5.83	3.00
1992	57.67	37.67	46.67	26.00	4.92	3.00
1993	133.67	50.67	131.67	45.67	10.83	3.67
1994						
I quarter	155.00	130.33	148.00	127.67	13.00	10.67
II quarter	150.00	115.00	148.00	108.00	13.50	10.50
III quarter	145.00	114.00	142.00	114.00	13.00	10.63
IV quarter	132.00	97.00	130.00	95.00	13.00	9.75

TRADING VOLUME OF INSTRUMENTARIUM SHARES

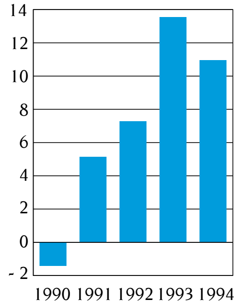
	The Helsinki Stock Exchange				NASDAQ	
	A share		B share		ADR	
	volume	% shares outstanding	volume	% shares outstanding	volume	% shares outstanding
1990	1,131,492	7.5	1,589,760	40.1	722,679	41.0
1991	1,908,600	12.6	817,473	19.7	146,757	10.6
1992	3,887,214	25.6	2,337,699	52.6	1,106,079	136.7
1993	7,674,447	50.2	5,593,563	129.8	183,175	67.9
1994	2,884,284	18.8	2,791,513	60.7	151,235	60.8

EARNINGS AND DIVIDEND PER SHARE, FIM

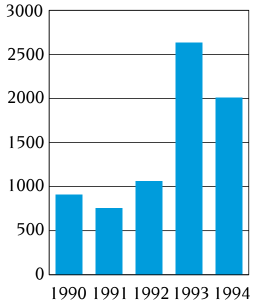


* 1994 proposed by the Board of Directors.

CASHFLOW PER SHARE, FIM



MARKET CAPITALIZATION, FIM MILLION



SHARE CAPITAL AND SHARES ON 31 DECEMBER

	1990	1991	1992	1993	**1994**
Share capital, million FIM	133.0	133.0	134.3	134.3	**201.5**
Market capitalization, million FIM	910.5	757.2	1,065.9	2,633.7	**2,010.2**
Number of shares, thousand	6,650	6,650	6,717	6,717	**20,150**
A share	5,101	5,034	5,101	5,101	**15,302**
B share	1,616	1,616	1,616	1,616	**4,848**
Adjusted average number of shares, thousand	19,950	19,950	20,055	20,150	**20,150**
Earnings per share, FIM	-5.55	0.78	3.47	8.36	**8.32**
Cashflow per share, FIM	-1.41	5.13	7.28	13.54	**10.95**
Dividend per share, FIM	1.33	1.33	1.33	2.33	**2.80***
Shareholders' equity per share, FIM	70.10	69.73	66.21	64.24 **	**71.62****
P/E ratio					
A share	-	52.6	15.9	15.7	**12.0**
B share	-	37.6	13.1	15.3	**11.9**
Dividend yield, %					
A share	2.7	3.3	2.4	1.8	**2.8**
B share	3.6	4.5	2.9	1.8	**2.8**
Number of shareholders	16,057	16,053	16,093	11,212	**11,917**

* Proposed by the Board of Directors.
** Deferred taxes of reserves have been eliminated.
Calculation principles of the financial ratios are given on page 46.

SHARE CAPITAL INCREASES OF INSTRUMENTARIUM CORPORATION SINCE 1986

Share issue	Subscription period	Terms of subscription or subscriber	Subscription price	Number of new shares	Total shares
Rights issue	9.6.-30.9.86	10 A:1 A	140.00	381,375 A	4,731,375
Rights issue	9.6.-30.9.86	20 A:1 B restricted	140.00	190,685 B restricted	4,922,060
Rights issue	9.6.-30.9.86	20 A:1 B non-restricted	180.00	190,690 B non-restricted	5,112,750
Rights issue	9.6.-30.9.86	5:1 B non-restricted	36 USD	107,250 B non-restricted	5,220,000
Subscription	1.9.-30.9.86	personnel	110.00	63,900 B restricted	5,283,900
Subscription	1.9.-30.9.86	personnel	140.00	16,100 B non-restricted	5,300,000
Subscription	6.2.87	acquisition	197.60	25,000 B restricted	5,325,000
Subscription	5.3.87	acquisition	190.00	20,000 B restricted	5,345,000
Subscription	5.3.87	acquisition	190.00	10,000 B restricted	5,355,000
Subscription	27.4.87	acquisition	220.00	15,000 B restricted	5,370,000
Subscription	18.9.87	acquisition	315.00	20,000 B restricted	5,390,000
Bonus issue	22.1.-23.2.88	5:1 A	-	839,025 A	6,229,025
Bonus issue	22.1.-23.2.88	5:1 B restricted	-	68,917 B restricted	6,297,942
Bonus issue	22.1.-23.2.88	5:1 B non-restricted	-	170,058 B non-restricted	6,468,000
Subscription	22.1.-23.2.88	personnel	130.00	82,000 B restricted	6,550,000
Subscription	22.6.88	acquisition	223.00	86,000 B restricted	6,636,000
Subscription	22.12.88	acquisition	218.00	14,100 B restricted	6,650,100
Subscription	23.6.92	acquisition	300.00	66,667 A	6,716,767
Split	21.4.94	1:2 A	-	5,100,817 A	11,817,584
Split	21.4.94	1:2 B	-	1,615,950 B	13,433,534
Bonus issue	21.4.94	2:1 A	-	5,100,817 A	18,534,351
Bonus issue	21.4.94	2:1 B	-	1,615,950 B	20,150,301

Health Care Equipment

The need for efficiency in the global health care sector has become a key issue in recent years, with increasingly close attention being devoted to cost containment. Manufacturers of health care equipment and supplies have concluded partnerships and alliances in an effort to supply their customers with up-to-date and cost-efficient solutions in the face of ever tougher competition.

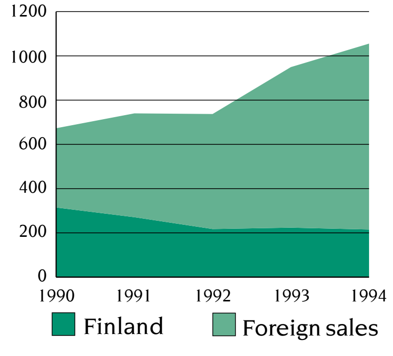
Last year Instrumentarium bolstered its Health Care Equipment segment with several major acquisitions, in addition to intensified research and development. A total of FIM 94 million was spent on the development of new products and core technology, which represented about 12 % of the aggregate net sales of the industrial business units. The Datex-Engström Division is now better equipped than ever to meet the varied needs of its anaesthesia and intensive care customers with suitable stand-alone devices and entire systems. In the diagnostic imaging division, Instrumentarium Imaging's mammography and panoramic X-ray equipment are based on the most advanced digital and microprocessor technology.

The sales and marketing units which operate principally in Finland and her closely neighbouring countries are concentrating on continually raising operational efficiency and customer service levels. The addition of Soxil to the Group in 1995 extended their activities to include southern Europe.

The Health Care Equipment segment's core values will continue to be technical excellence and added value for its customers.

KEY FIGURES	1994	1993	±%
Net sales FIM million	1,055	949	+11
Operating profit FIM million	134	210	-36
Personnel	1,565	1,154	+36

NET SALES, FIM MILLION



INSTRUMENTARIUM HEALTH CARE – DIVERSIFIED AND CLEARLY FOCUSED

Instrumentarium's health care business units provide medical equipment and supplies to various selected customer groups. We are both a manufacturer of highly focused product ranges and a geographically specialized distributor for wider product ranges. In 1994 these units contributed an aggregate FIM 1,055 million in net sales with 1,565 employees in 15 countries.

Roughly 74 % of health care sales was manufactured by the business units themselves. Patient monitoring systems, anaesthesia delivery products, intensive care ventilators and critical care information management systems (Datex, Engström, Acorn, Clinisoft) account for some 54 % of total health care sales. Diagnostic imaging equipment (Instrumentarium Imaging), medical furniture (Merivaara) and dental hand instruments (LM-Dental) are other product groups manufactured by ourselves.

In Finland (Instrumed), Scandinavia (Merimedic) and Italy (Soxil) we have significant medical equipment and supplies distribution businesses that contribute some 19 % of our total health care sales. Distribution of generic pharmaceuticals in Finland (Medinovum) continues to grow at a rate of about 60 % a year.

Our total sales are distributed in various markets as follows: Finland 21 %, USA 18 %, Scandinavia 9 %, France 9 %, Germany 6 %, United Kingdom 5 %, Italy 4 %, and Japan 3 %. Exports to Russia through our subsidiary Medko Medical grew significantly in 1994 and accounted for 5 % of total health care sales. Over 70 countries accounted for the rest.

The AS/3™ Anaesthesia Delivery Unit, the latest addition to the AS/3™ Anaesthesia System, received an outstanding reception in the market. The AS/3™ ADU is designed to facilitate the work of anaesthesia professionals. In the operating theatre, the first priority is the patient, not complex equipment.

Datex AS/3™ Anaesthesia Monitors incorporate the most advanced PC technology. Patient data and the anaesthesia record are stored on the AS/3™ MemCard, based on PCMCIA memory cards.

CLEAR CHANGES IN CUSTOMER INVESTMENT TRENDS

Throughout the industrialized world, the cost of health care is under pressure. Although medical equipment investments account for only about 4 % of the global health care bill, they are clearly being reviewed more critically by decision makers.

The solution driving the market is better managed patient care leading to greater cost efficiency. The issues are complex and specific to each country, its health care funding system and political situation.

Clearly, though, for cost containment to be feasible, health care providers must have access to detailed information on where these costs are generated. This is creating an increasing need for integrated information technology systems. It is also placing pressure on prices and encouraging customers to favour larger suppliers, which in turn is leading to strategic alliances and acquisitions in the health care industry.

A second major trend is the increasing development of alternative modes of care. These range from in-hospital specialization on the one hand, to an increasing diversity of new outpatient services on the other.

STRATEGIC EXPANSION IN CRITICAL CARE MARKETS

We view both these trends as opportunities and our activities in 1994 reflect our considered response, both through acquisitions and through focused product development, especially in information systems.

Our firm goal is to expand our global presence in the critical care and selected diagnostic imaging equipment markets. In addition to maintaining excellence in our core competences this requires a broader product base as well as continuous improvement in the way we provide customer support.

Although profitability in general in the world's health care industry is rather depressed, and will remain so for some years, we felt the time was right for further investments to increase market share and to increase opportunities for future growth.

During 1994 we acquired several companies in the anaesthesia delivery and respiratory care sector: Engström Medical AB in Sweden, Soxil S.p.A. in Italy and Engström MIE Ltd in England. To develop our presence in the UK market we then strengthened our strategic alliance with Vickers Plc, to whom we sold the majority of Engström MIE's shares in January 1995.

The acquisition of Engström Medical AB also signalled our commitment to expand into the intensive care sector. This was further emphasized when we acquired Clinisoft Oy in Finland, which will give us a good start in the rapidly growing critical care information management business.

A joint development agreement for a new generation of anaesthesia machines with a leading US critical care company, Marquette Electronics Inc., will offer us good long-term access to the US market, currently dominated by two manufacturers.

In the diagnostic imaging area we acquired core technology for a new product line that will be introduced during 1995.

Our recent alliances and acquisitions have brought us new technologies and proven core expertise. These will enable us to significantly expand our present and future product offerings to existing customers. They also give us access to entirely new customer groups and markets. We expect especially rapid growth from the Engström range of single-use products.

SOLID PERFORMANCE IN THE FINNISH MARKET

In Finland investment is still depressed in the health care sector but we have now started to cautiously expand our product offering in Instrumed. This unit serves Finnish health care professionals as a medical equipment and supplies distributor with a focused selection of products. In recent years, Instrumed has undergone a major restructuring of its operations. In 1994 it regained profitability and operational excellence is developing well, thus providing a solid foundation for further investments in growth.

Demand for medical furniture and aids for the disabled is still low but some positive signs are starting to emerge in these areas, especially for furniture with labour-saving features and in the outpatient markets.

The Finnish distribution of branded generic pharmaceuticals manufactured by a German company, Merckle GmbH, accounted for some 2 % of Instrumentarium's health care sales. Medinovum is one of the fastest growing business units in our portfolio of medical businesses. It has reached this position by being the first to introduce real price competition in this sector. Its drugs are now becoming well accepted and support the medical community's own efforts to increase cost effectiveness in health care.

Datex's critical care equipment, such as this installation at the Sint Antonius Ziekenhuis hospital in the Netherlands, is used all over the world.

The Engström Elvira intensive care ventilator offers a number of unique features.

SIGNIFICANT INVESTMENTS IN THE DISTRIBUTION CHAIN

In 1994 we also increased investments in sales and marketing support to our distributors worldwide.

In Germany, the largest health care market in Europe, we formed a joint venture, Hoyer-Engström, with our distributor in the critical care area. Our aim is to further enhance our presence in this market in response to aggressive local competition and to take full advantage of the opportunity for free trade brought about by progress in European integration. The newly formed joint venture and the Engström sales and service operations in Germany will be up to full speed during 1995.

Datex-Engström Iberica, S.L. in Spain was established towards the end of 1994 to maintain the good position of Engström products there. But it will also give Datex products access to the Spanish market, which has historically been difficult for our distributors.

Soxil S.p.A. is a leading Italian distributor of medical equipment and supplies. The company is an undisputed market leader in locally designed and produced anaesthesia machines. In addition to developing Soxil's excellence in distribution we are firmly committed to supporting its own R&D programme, to ensure continuous success for the Jollytronic anaesthetic machine range.

SUCCESSES IN EXPORT SALES

Altogether, we raised exports by 16 % on 1993. Sales in the USA, our largest export market, continued to grow, although growth was most spectacular in Russia, where sales more than doubled.

Both Datex and Instrumentarium Imaging increased their market shares in the somewhat sluggish US health care market. Especially noteworthy is the continued success enjoyed by Datex Medical Instrumentation, Inc. in the USA. Its role is increasingly important in product development as well, since it is close to the fundamental changes that are shaping the structure of the world's largest medical equipment market. We expect this company to strengthen its presence further during 1995.

Instrumentarium gained a new business unit, single-use products for respiratory care, as a result of a corporate acquisition during the year. The single-use products markets are growing rapidly.

In Europe, sales development was fairly similar to 1993 with the exception of Germany where sales fell by 25 %, due mainly to severe government spending cuts. However, our sales of mammography equipment almost doubled in the German market as new product requirements were introduced. Globally, sales of our diagnostic imaging products grew by more than 20 %.

Merivaara further strengthened its already close cooperation with Merimedic, which resulted in increased market shares in Scandinavia and France. Overall, Merivaara's exports accounted for more than two-thirds of its sales. Merimedic acquired a small French company to gain full market coverage for Merimedic S.A.R.L. in southern France.

Penetration into the rapidly developing Asian markets has not yet fulfilled our expectations but we are planning further investments to increase our presence there. In 1994 these markets accounted for some 10 % of our export sales. Latin America is also rising in importance as a future growth area for us.

Our three decades of supplying and serving Russian customers through Medko Medical is

The Orthopantomograph OP 100 *dental X-ray system is becoming increasingly popular in private dental clinics. The equipment requires very little floorspace and is therefore ideal for small premises.*

again proving to have been a good investment. Since 1990 Medko Medical has successfully built a vast network of reliable local distributors in Russia and is supporting these both from its own offices in Moscow and St. Petersburg, and from Finland with a core team of specialists. Prospects of continuing growth in the Russian market remain good.

In the Baltic countries sales in Estonia were satisfactory and in October we established a new sales company in Latvia.

Medko Medical also took steps towards entering the Chinese market with its first deliveries to Beijing.

During 1994 we started to invest in developing sales and marketing to Eastern Europe through all our business units. Health care in these countries is undergoing intense restructuring and we feel we can make a positive contribution to this process with our 94 years of cumulative knowledge as a health care company. We are fully aware of the need to provide financing as an essential element in doing business in these markets and are actively developing various alternatives to support our sales efforts.

LM-Dental's various dental hand instruments are colour-coded for easy identification. The ergonomic design of the silicon handles makes them as comfortable as possible to use.

Merivaara's modern Harmony medical bed is designed for care of the elderly and chronically ill at home or in nursing or old people's homes. The level adjustment of the bed is electrically operated, making it easy to find a comfortable lying or sitting position by simply pushing a button.

Instrumed's aim is to establish and maintain long-term partnerships with its customers. The biotechnology department of Turku University uses fermentation devices supplied by Instrumed for research. The devices are manufactured by New Brunswick Scientific in the USA.

INTENSIVE PRODUCT DEVELOPMENT YIELDS FAR-REACHING RESULTS

Total R&D expenses in 1994 grew 22 % from the previous year to FIM 94 million. Most of these investments were in the Datex and Instrumentarium Imaging business units, where development costs totalled approximately 14 % of their sales. We intend to continue increasing our product development investments in order to gain the fullest value from the strategic acquisitions made during 1994.

Datex's comprehensive range of both standalone monitors and monitoring systems was expanded with new products. Some of the additions were directed towards taking full advantage of the introduction of the two new volatile anaesthetic agents – desflurane and sevoflurane.

We also introduced transport monitors, both through Datex and through Acorn. Established in 1994, Acorn specializes in serving an expanding need for portable, low-cost patient monitors in a diversity of applications outside the operating theatre and recovery.

We continued development work leading up to the launch of the world's first truly integrated anaesthesia system, AS/3™. The first step was the introduction in 1993 of the AS/3™ Anaesthesia Monitor. In 1994 we added integrated anaesthesia information management and net-

Medko Medical Oy's most challenging ongoing project is to design and supply equipment for the Sklifosovski Institute's burns hospital in Moscow. Good teamwork is essential to project success.

working to the product range. We also started the staged introduction of an anaesthesia machine, the next element in the system.

Product development at Engström was integrated with other development activities at Datex immediately after the acquisition. Engström intensified development of a new-generation anaesthesia machine and with Datex and Marquette Electronics Inc., we now have by far the most dynamic and largest development effort in this area.

Conventional X-ray technology is rapidly giving ground to digitalization based on new detector and microprocessor technology. This field offers abundant opportunity for a focused company, such as Instrumentarium Imaging, to gain further growth. In 1994 we stepped up our R&D investments in diagnostic imaging by about one-third, and introduced many new products both in the dental imaging area and in the mammographic range.

In the medical furniture area development focused mainly on the introduction of a new range of home care and nursing home beds. These launches further consolidated Merivaara's position as the second largest medical furniture producer in the Nordic Countries with good prospects both outside Scandinavia and in Russia.

At LM-Dental ergonomic design of new dental hand instruments continued and several new products were introduced. These allowed the expansion of sales to Scandinavia and Europe. LM-Dental exports some two-thirds of its production.

MEETING AND EXCEEDING QUALITY STANDARDS

Throughout the health care industry compliance with quite complex international standards is becoming more and more a prerequisite for staying in business. All our business units have always had very high quality standards and we certainly view these new requirements more as an opportunity than a problem.

Both Datex and Engström passed an inspection by an EU-notified body and gained the EN 46001 medical device certification during 1994. This allows them the right to use the CE-mark on equipment marketed within the EU and certifies that they comply with the requirements of the EU Medical Device Directive, which came into force on 1 January 1995.

Instrumentarium Imaging, likewise, gained ISO 9001 certification for all its activities - the first mammography specialist to do so. Merivaara also received the ISO certification during 1994.

Optical Retail

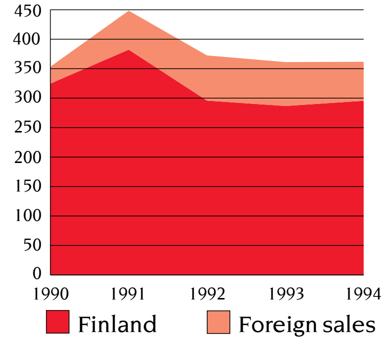
The number of optical retail stores in Finland grew sharply during 1994. Despite fierce competition, Instrumentarium retained its strong share of the home market, and increased its market shares in Sweden and Estonia.

Consumer demand in general has recently picked up substantially. Demand for ophthalmic optics products showed a clear rise in late 1994. Nissen stores showed especially vigorous sales growth. The marketing concept created in 1993 and the new look given to the stores appear to be extremely successful. The number of Instrumentarium optical stores rose during the review year from 113 to 115 in Finland, and from one to two in Estonia. In Sweden the twentieth Ögat store was set up in early 1995. Operations will also start in St. Petersburg, Russia. The Optical Retail Division's short-term goal is to expand its presence by increasing its network of stores in Sweden and the Baltic countries. The network in Finland is fairly comprehensive.

The home health care stores were redesigned, both in look and in product range, to reflect a fresh, new approach. Investments in these stores began during the review year and will be concluded by the end of 1995. Promising growth of home health care sales is already clearly in evidence.

KEY FIGURES	1994	1993	±%
Net sales FIM million	362	361	+0
Operating profit FIM million	46	33	+39
Personnel	576	563	+2
- Finland	464	455	+2
- Sweden	107	108	-1
- Estonia	5	0	

NET SALES, FIM MILLION



CUSTOMERS BENEFIT FROM FREE COMPETITION

The market for optical products in Finland grew in monetary terms by about 3 % in 1994. At the same time, however, the number of optical retail stores rose vigorously. Today there are almost 700 in Finland, which is relatively more than in either Sweden or Norway. In 1993 Instrumentarium's 113 outlets represented 19 % of all optical retail stores in Finland. In 1994 we established four new outlets, in addition to renewing several others. In the Turku area in southwest Finland, Instrumentarium expanded its network of stores by acquiring the operations of two companies, Raision Silmälasi Oy and Raision Silmäasema Oy. Although the number of Instrumentarium's stores rose slightly during the year, today they represent just over 16 % of all stores in Finland.

Prices of eyeglasses in Finland have fallen steadily to more competitive levels, with prices today almost 10 % lower than in neighbouring western countries. Freer competition in the optical retail sector is largely due to a new law, which came into force in summer 1994, concerning the rights and responsibilities of health care professionals. For example, opticians trained in contact lenses are now permitted to prescribe contact lenses independently.

The wide range of frame models supplied by the optical retail stores is continuously being updated. Everyone can find the model best suited to their needs.

INSTRUMENTARIUM

NISSEN

ÖGAT

BETTER SERVICE THROUGH TRAINING AND THE LATEST TECHNOLOGY

During the year we put the finishing touches to Instrumentarium's own Instru Test System (ITS) of eyesight testing. The ten-point test guarantees that all matters relating to testing eyesight and prescribing glasses are properly examined, ensuring that all requirements for eyeglasses are met and that the customer gets the best possible glasses for his needs. We trained all Instrumentarium opticians in using the ITS system. We also designed a new training scheme for all personnel, to be given over a period of two years, with a view to continuous development of our customer service.

We broadened and further developed the computerized lens ordering system, introduced during the previous year. All outlets now use this system, which makes service much easier and faster.

HIGH-QUALITY FRAMES AND NEW PRODUCTS

The Optical Retail Division imports eyeglass frame models direct from the manufacturers. During the review year we added to our range by acquiring high-quality Robert Rüdger and Controverse frames from Austria and the fashionable Yves Cogan frames from France. We also introduced inexpensive, ground-to-order La Scala Sun sunglasses to Finland, which sold well. Concern over increasing ultraviolet radiation has led to the development of a new type of contact lens offering protection against UV radiation. In spring 1994 we began importing Precision UV contact lenses manufactured by the British firm Pilkington.

Medima Angora underwear is just one of the many popular items supplied by Instrumentarium's home health care stores including measuring devices, anatomically designed footwear and various aids.

HOME HEALTH CARE RANGE DIVERSIFIES

Home health care products continued to account for 15 % of the Optical Retail Division's total sales. Instrumentarium's health care sales outlets cater to the desire of modern, health-conscious people to incorporate regular preventive health care into their daily lives. The outlets provide a wide variety of measuring devices for unsupervised health monitoring. We have also developed various devices and products for the disabled and elderly. Instrumentarium health care outlets currently supply over 50 different devices to facilitate daily routines. We also import a large number of small items for home health care, such as cold and hot packs, skin tapes for all sorts of purposes, compression bandages, plasters, dressings, eye patches and breathing masks.

Footwear formed a large section of the home health outlets' product range and was a major contribution to their sales during the year. We now introduced Dr. Brinkmann, Big Tree and Little Big Tree sandals. Attractive and comfortable to wear, anatomically designed footwear is becoming increasingly popular outside the workplace as well.

MAJOR TRAINING AND EXPANSION PLANS AT AB ÖGAT

The optical retail market in Sweden shrank by 8 % during the review year. Despite more intense competition, AB Ögat maintained its sales volume at the previous year's level and slightly increased its market share.

Prices of ophthalmic optical products, especially contact lenses, fell somewhat due to a decline in demand and stiffer competition. Total sales of contact lenses in Sweden decreased by about 5 % and some users gave up using them altogether. Young people and students, the largest group of users, have begun to show an increasing interest in eyeglasses. This is partly due to the new slim-line, lightweight frames now in fashion and their competitive price compared to contact lenses.

Ögat narrowed down the number of companies from which it purchases eyeglass frames and lenses. Its main lens supplier during the review year was Hoya and roughly 60 % of the frames it imported came through Instrumentarium in Finland.

Tinted contact lenses - a special product for the young and fashion-conscious.

Since summer 1994, new legislation in Finland has permitted opticians to dispense contact lenses independently after receiving appropriate training.

Ögat's sales managers and their assistants were put through an intensive training programme during the year, aimed at increasing productivity and service-friendliness. The company also invested in the development of a computer-based lens ordering system, which will be installed at all outlets during 1995. This will help customers get faster and better service than before.

Most Ögat sales outlets are in the metropolitan areas of Stockholm and Gothenburg. Ögat invested in renewing two stores during the year, in addition to establishing one new store in Stockholm, the company's 20th in Sweden.

OPTICAL SERVICES IN ESTONIA GROW RAPIDLY

Instruest started up an ophthalmic optics store in Polva, southeast Estonia in 1993. A new store opened in Tartu in autumn 1994 got off to a flying start and the Instrumentarium name is rapidly gaining recognition. Branded frames, special lenses and contact lenses are becoming more popular, leading to a rise in demand.

In 1995 Instrumentarium will open a PikaOptiikka fast-service outlet in Tallinn. This will manufacture and store lenses for customers, which will improve and speed up service. The facility will also be used to supply lenses to the other stores in Estonia.

Short-term plans also include organizing training for opticians and sales personnel. This will be arranged in cooperation with a local organization.

Distribution of Consumer and Commercial Products

This workflow automation system supplied by Instru Data Oy is used for optical reading and analysis of temporary employees' pension accounts supplied by employers. The system can handle up to 40,000 forms per month.

INSTRU DATA OY

Investments in information technology equipment and software picked up again following a period of slack demand. Consumers are taking a more lively interest in home computers, and this has boosted demand. Lower prices in this sector have also had a positive impact on buying decisions.

Instru Data Oy is one of the largest Finnish-owned companies in its field. As in the previous year, net sales rose sharply and the company further strengthened its already good position in Finland's neighbouring countries. New subsidiaries were established in St. Petersburg in Russia, Vilnius in Lithuania and Riga in Latvia. Exports rose and became a significant contributor to the company's wholesaling operation.

Local services requiring special expertise in computer technology continued to develop along a different path from the mainstream computer and accessories business. Instru Data is a hardware and systems wholesaler concentrating specifically on products and services which offer added value; it has a sound knowledge of its products and arranges technical support and training for its customers. The range was expanded with products from currently the world's largest personal computer manufacturer.

The Systems Software Department, which imports and supplies applications development tools for computer professionals, gained a firm foothold in the Finnish market. New products, new customers and a favourable competitive position give the company good prospects for future years.

The company concluded several significant contracts to supply integrated electronic document handling networks for workflow automation and the expertise of its organization was strengthened. Instru Data is increasingly becoming the dominant player in the market for large workflow automation systems. The workflow automation business revolves around developing and supplying customized software applications for business process reengineering.

The Unit for Technical Systems in Trade and Industry, whose products include point-of-sale queuing number dispensers and fruit scales, expanded its sales network during the year. Some of the products are now sold via Instru Data's partners. Research and development made positive progress during the year and exports of scales showed promising growth.

OY BERGENHEIM YHTIÖT AB

Oy Bergenheim Yhtiöt Ab imports and manufactures consumer dailies and cosmetics which it sells and markets to retailers and wholesalers. In all its product groups, the company's sales success depends on domestic demand, which began to show signs of recovery in 1994.

The company has increased its sales in the market for selective cosmetics, which in recent years have declined in Finland. Its Rochas and Escada series of fragrances have been particularly successful. In 1994 the company introduced a new line of imported fragrances, Un Monde Nouveau for young people. Taxfree sales became brisker, spurred by an increase in foreign travel.

In the consumer dailies sector, Infa baby care products retained market leadership. Demand for dummies and feeding bottles showed particular growth. A new product introduced in 1994 was the Infa night dummy, which is visible in the dark. The Orient Henna hair dye series was expanded with shampoos and hair care lotions containing natural henna; these were especially successful. The Anet summer shampoos and shower soaps were highly popular. The Oxygenol product range, sold in Finland, was expanded with two ready-to-use mouth rinses of the same name.

The company has placed heavy emphasis on expanding its exports to the west and to Finland's neighbouring countries. Exports account for roughly 7 % of net sales. Lip creams represent the single largest item sold in the west, mainly to the UK. Trading volumes in the Baltic countries have increased many times over compared to previous years.

In September 1994 Motorola launched the world's lightest GSM phone, the Micro Tac 8200. The new phone's features include a data mode, caller ID, a vibrator, and a protective lid patented by Motorola.

The traditional Orient Henna hair dye packages were given a new look during the year. Shampoos and a hair conditioner were added to the Orient Henna range.

OY TEKNO-REMA AB

The wireless telecommunications markets grew very substantially during 1994. In terms of unit sales, demand for NMT and GMS mobile phones virtually doubled. Oy Tekno-Rema Ab further strengthened its position as an importer and wholesaler of wireless telecommunication systems and car stereos.

In the autumn Motorola launched the world's lightest GSM phone, the Motorola International 8200 GSM Micro Tac. Oy Tekno-Rema Ab boosted its mobile phone range with the Norwegian Simonsen NMT-450 and GSM hand-held cellular phones. The new RDS car radio models from Fujitsu Ten were a further addition to the company's product portfolio. Imports of the Swedish Universalantenner car radio and mobile phone antennas were also profitable.

Oy Tekno-Rema Ab further broadened its cooperation with Finland's leading specialist retailers, domestic appliance chains, the Telering chain and telephone companies. Further investments will be made in these distribution channels to ensure even greater consumer coverage of the company's products.

Sales of private mobile radios (PMR) grew over 20 % on the previous year. The number of dealers was increased and by the end of the year their aggregate contribution to net sales was very considerable. Sales of Motorola's hand-portable radios and paging devices increased vigorously. A major reason was the European athletics championships held in Helsinki and the demand for various communications equipment that it generated. Sales of Kaukohaku Free paging devices, begun in spring, grew briskly during the autumn.

Board of Directors' Report

CONSOLIDATED NET SALES AND PERFORMANCE

Instrumentarium's consolidated net sales for 1994 totalled FIM 2,008 million (FIM 1,957 million in 1993), an increase of 3 % on the previous year. Net sales from exports and operations outside Finland rose 10 % to FIM 1,039 million representing 52 % of the Group's net sales. The strengthening of the Finnish markka reduced the value of foreign sales, calculated in markka, by 6 %.

The Group posted an operating profit of FIM 235 (229) million, which was 3 % above the previous year's figure. Financing income and expenses, less the Group's share of associated companies' profits and losses, were FIM 8 (22) million. The mark-up of the bond portfolio to market value reduced financing income by FIM 15 million. Financing items also included the Group's share of associated companies' profit and loss, FIM -9 million. Hence, net financing income and expenses totalled FIM -1 million. The share of the profit and loss of associated companies was not recorded in the income statement of the previous year.

The profit before reserves and taxes was FIM 273 million, which was FIM 67 million up on the previous year. Extraordinary income comprised gains on the disposal of business operations, and income arising from a change in the inventory valuation method. Extraordinary expenses consisted of expenses incurred in the closing or divestment of business operations and the impact of the share of profits and losses of associated companies from previous years. Earnings per share were almost equivalent to the previous year's figure and were FIM 8.32 (FIM 8.36).

Group personnel totalled 2,477 at the end of the period, which was 94 more than one year before.

DEVELOPMENT BY BUSINESS SEGMENT

The aggregate net sales of the business units in the **Health Care Equipment segment** grew 11 % on the previous year. Foreign sales represented 80 % of this figure. The aggregate operating profit of the segment fell 36 %. This was mainly due to substantial extra investments in Datex's R&D and marketing, which meant that the increase in costs was well in excess of the increase in net sales.

The increase in this segment's net sales was most clearly attributable to the acquisition of the anaesthesia and intensive care business from the Swedish Gambro AB in August 1994. The acquisition comprised four companies together with the non-domestic sales and after-sales operations of these companies in 11 countries. The companies were Engström Medical AB in Sweden, Engström Elektromedizin GmbH in Germany, Engström MIE Ltd in the UK, and Soxil S.p.A. in Italy. With the exception of Soxil S.p.A. and Engström MIE Ltd, the acquired operations were merged with the Datex Division, which was renamed Datex-Engström Division. More than half of the Health Care Equipment segment's increase in net sales was due to this acquisition.

Excluding the effect of the acquired units, Datex's net sales corresponded with the previous year's figure. Once again, sales through its USA subsidiary showed good progress. The sales of the French subsidiary rose, likewise. On the other hand, sales of the Dutch subsidiary fell, as did sales in Germany. A joint venture was established with Datex's long-standing distributor in Germany, Hoyer Medizintechnik, to strengthen the position in the German anaesthesia and intensive care markets. Instrumentarium owns 70 % of the new German subsidiary, Hoyer Klinikgeräte Handels GmbH, to which was added the operations of Engström Elektromedizin GmbH. A new subsidiary was set up in Spain, Datex-Engström Iberica, S.L., which also operates a business unit in Portugal. Clinisoft Oy, a Finnish company specializing in the development of critical care information management systems, was added to the Datex-Engström Division in August 1994.

In January 1995, Instrumentarium sold 80.1 % of Engström MIE Ltd in England to Vickers Plc, Datex's long-standing UK distributor. An essen-

	NET SALES			OPERATING PROFIT		
FIM million	**1994**	1993	%	**1994**	1993	%
Health Care Equipment	**1,055**	949	+11	**134**	210	-36
Optical Retail	**362**	361	+ 0	**46**	33	+39
Catering Equipment	**158**	190	-17	**5**	-9	
Distribution of Consumer and Commercial Products	**375**	418	-10	**24**	29	-17
Group Administration	**58**	38	+53	**27**	-33	
	2,008	1,957	+3	**235**	229	+3

tial part of the agreement was the continuation of cooperation between Vickers and Datex-Engström. Engström MIE Ltd's net sales totalling FIM 15 million was consolidated in Instrumentarium's accounts in 1994.

Soxil S.p.A. in Italy continues to sell and market medical equipment independently of the Datex-Engström Division.

Net sales of the other business units in the Company's Health Care Equipment segment showed promising development. Instrumentarium Imaging's sales of dental X-ray equipment grew well, especially in Japan. Sales of mammographic equipment were buoyant through the subsidiary in the USA and the distribution network, especially in Germany.

Sales of Merivaara's hospital furniture were particularly brisk in Russia. In Finland, sales of medical furniture fell, but sales of aids for the disabled increased somewhat.

Merimedic AB in Sweden, acquired in 1993, and its subsidiaries in Norway and France continued as distributors of Merivaara medical furniture in their respective markets. Merimedic AB reached its sales targets in Sweden, but the companies in Norway and France failed to develop as expected. Total sales fell on the previous year.

Sales of dental hand instruments, manufactured by LM-Dental, matched the previous year's level. Development of biomaterials continued.

Sales of Instrumed, which markets medical equipment and supplies in Finland, were down on the previous year due principally to a decrease in deliveries of diagnostic imaging equipment. Its other product groups developed well.

Sales of branded generic drugs, marketed by Medinovum, continued to grow rapidly.

Medko Medical Oy doubled sales of medical equipment and projects to Russia and the Baltic countries. Sales through its Estonian subsidiary also developed well.

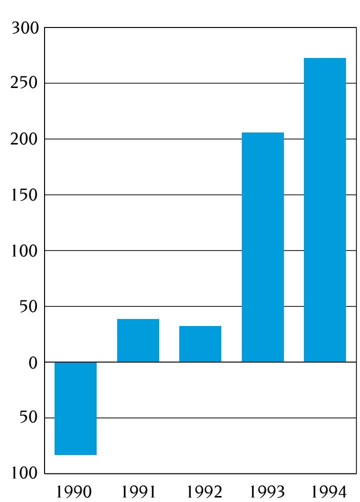
The operations of Oy Dentaldepot Ab, which supplied dental equipment and accessories, were wound up in December 1994. The company was loss-making although its sales improved on the previous year. Its net sales for 1994 were FIM 30 million.

The **Optical Retail segment's** net sales remained at the previous year's level; 81 % was derived in Finland and 19 % in Sweden. Its operating profit rose 39 % on the previous year due to an improvement in its gross margin.

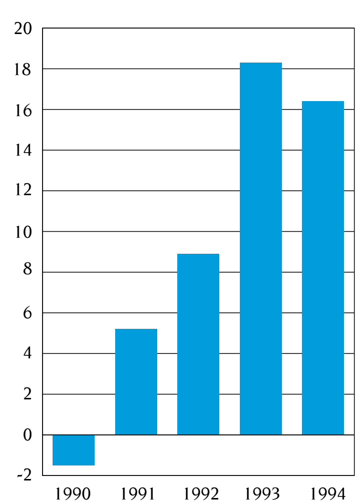
In Finland, the Instrumentarium and Nissen stores increased sales by 2 %. The number of stores rose as well, to a year-end total of 115. Sales of Ögat stores in Sweden fell by 8 %, calculated in Finnish markka, but remained on a par with the previous year in Swedish krona. The number of stores, 19, was the same as one year before. In Estonia, sales of the Polva outlet increased as planned but the figure had no impact on the group's aggregate figures. A new store was opened in Tartu, Estonia, at the end of 1994.

The **Catering Equipment segment** generated net sales totalling FIM 158 million and an operating profit of FIM 5 million between 1 January and 31 August 1994. The result was an improvement on the previous year, when the loss for the full year was

PROFIT BEFORE RESERVES AND TAXES, FIM MILLION



RETURN ON INVESTMENT (ROI), %



FIM -9 million. The catering equipment operations of Instrumentarium Corp. and Oy Hackman Ab were merged with effect from 1 September 1994 to form a new company, Hackman Metos Oy Ab, in which Instrumentarium owns 40 %. The Instrumentarium Group's share of Hackman Metos Oy Ab's result for the period 1 September - 31 December 1994 was FIM -2 million, which was entered under consolidated financing items.

Aggregate net sales of the Company's **Distribution of Consumer and Commercial Products segment** fell 10 % on the previous year due to the divestment of the electronic components business at the beginning of 1994. Comparable net sales rose 14 % on the previous year and the comparable operating profit improved.

Net sales of Instru Data Oy, which supplies computer hardware and software applications systems, rose 38 % to FIM 190 (138) million. Especially noteworthy were hardware sales to the Baltic countries and Russia. During 1994 Instru Data Oy set up subsidiaries in Latvia, Lithuania and Russia. Its result for the year was good. At the beginning of 1995 Instru Data acquired the operations of Data General Oy, which had net sales in 1994 of FIM 27 million.

Oy Bergenheim Yhtiöt Ab, which is a wholesaler of cosmetics and consumer dailies, had net sales totalling FIM 99 (104) million, which was 4 % lower than one year before. Its profits fell slightly as well, due to the decline in sales.

Oy Tekno-Rema Ab, a wholesaler of wireless telecommunications equipment, raised its net sales by 2 % to FIM 44 (43) million. A fall in the gross margin reduced profits.

Most of the operations of Findip Oy, which imports electronic telecommunications equipment and measuring devices, were transferred to Oy Tekno-Rema Ab at the end of the year. The untransferred remainder was sold to other Finnish companies. Findip Oy's net sales in 1994 were FIM 15 million.

Net sales of **Group Administration** consist of securities trading. Net sales were FIM 58 million, compared to FIM 38 million one year before. The market value of the Group's equity securities portfolio on 31 December 1994 was FIM 469 (551) million; the corresponding book value was FIM 329 (315) million.

FINANCING

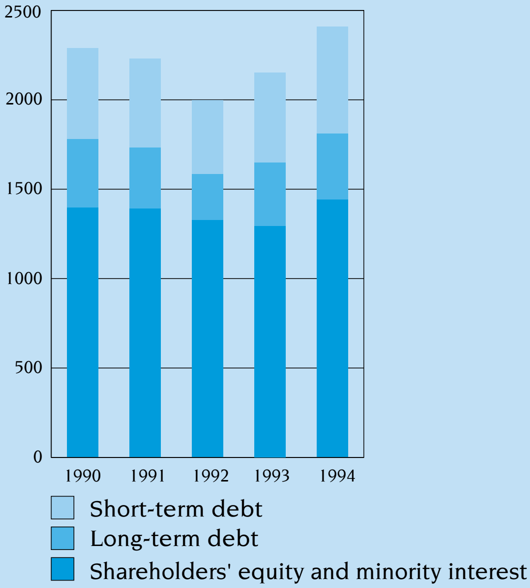
The Group's equity ratio remained at the previous year's level and was 62 %. Voluntary reserves in the balance sheet were divided into non-restricted shareholders' equity and deferred tax liability. The comparable figures for 1993 also changed for the same reason.

The Group's interest bearing debt rose by FIM 73 million to FIM 351 million, due mainly to extra financing needed for corporate acquisitions. The Group's liquid assets amounted to FIM 455 (489) million at the end of the year.

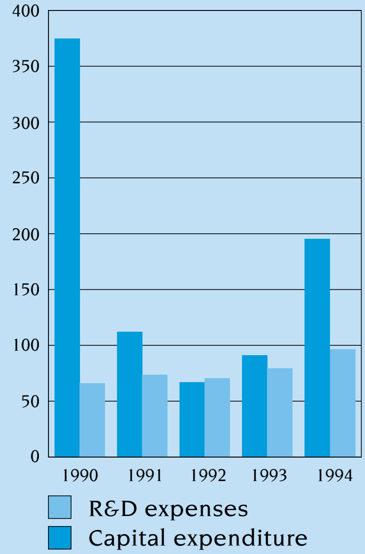
CAPITAL EXPENDITURE AND R&D

Group capital expenditure totalled FIM 195 (91) million. FIM 122 (33) million was invested in shares and shareholdings, FIM 37 (30) million in machinery and equipment, and FIM 36 (27) million in intangible assets and other long-term expenditure. No expenditure was made on build-

LIABILITIES AND SHAREHOLDERS' EQUITY, FIM MILLION



CAPITAL EXPENDITURE AND R&D EXPENSES, FIM MILLION



ings and land areas (FIM 1 million in 1993).

R&D expenses increased 21 % on the previous year to FIM 96 (80) million. The industrial business units in the Health Care Equipment segment used 12 % of net sales for product development. Besides patient monitors, the major areas of focus were on the development of anaesthesia machines and software, and also on diagnostic imaging.

PERSONNEL AND ADMINISTRATION

During the year an average of 2,351 were employed by the Group, which was 32 less than in 1993. The parent company employed an average of 1,455 (1,436).

The Supervisory Board was chaired by Matti Koskenoja DMS, and the Board of Directors by Markku Talonen, CEO of Instrumentarium Corp. The other members of the Board of Directors were Gustav von Hertzen M.Sc. (Tech), Executive Vice President Olli Riikkala, Director Juhani Kujala (until 31 December 1994), Chief Financial Officer Matti Salmivuori and Gerhard Wendt Ph.D. (from 1 January 1995). Olli Riikkala was appointed Executive Vice President of Instrumentarium Corp. on 1 January 1995.

CHANGES IN GROUP STRUCTURE AND PROSPECTS

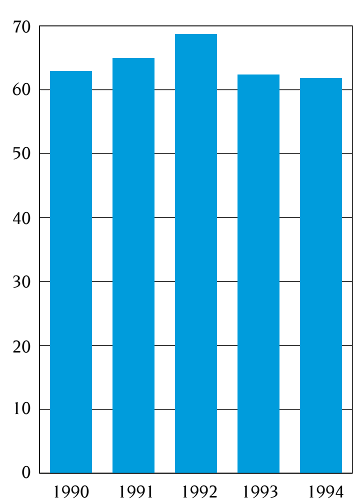
Major structural changes were made in the Instrumentarium Group during 1994. In August the Group acquired the Swedish Engström Medical AB, which is specialized in anaesthesia and intensive care equipment, along with its units in 14 countries. At the same time the entire Catering Equipment business was sold to Hackman Metos Oy Ab, which became an associated company of the Instrumentarium Group. Following these actions, the Health Care Equipment segment's share of consolidated net sales rose to 53 % in 1994, and this will rise to over 60 % once the change in structure affects the whole financial year.

The structural changes further emphasized Instrumentarium's health care focus, and in particular on the global markets for high-technology equipment. Medical technology is Instrumentarium's strongest area of expertise and one which offers plenty of opportunity for future success.

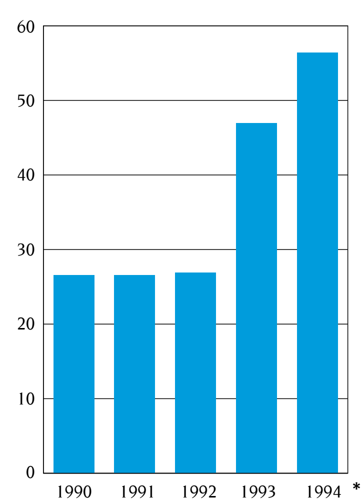
Instrumentarium has significantly boosted its investments in product development and its international sales and marketing network. Last year these investments, together with the strengthening of the Finnish markka, weakened the Group's performance. Nevertheless, with its own core expertise and products, the Group is solidly positioned for positive development. Prospects in the health care sector are fairly bright since the medical equipment markets have begun to pick up in many countries.

The Group's other business segments have their principal markets in Finland, Sweden and the Baltic countries. Consumer demand and investment activity are expected to increase in these areas during 1995, implying a favourable outlook for the optical retail and distribution business units.

EQUITY RATIO, %



DIVIDENDS PAID, FIM MILLION



* Proposed by the Board of Directors.

Income Statement

(1,000 FIM)	Note *	CONSOLIDATED 1994	%	1993	%	PARENT COMPANY 1994	%	1993	%
Net sales	(1)	**2,008,313**	100.0	1,957,334	100.0	**1,024,367**	100.0	1,027,757	100.0
Cost of goods sold		**-1,053,153**		-1,011,858		**-485,788**		-478,591	
Gross margin		**955,160**	47.6	945,476	48.3	**538,579**	52.6	549,166	53.4
Selling and marketing expenses		**-508,124**		-487,253		**-240,840**		-244,148	
Research and development expenses		**-96,229**		-79,516		**-84,815**		-73,838	
Administrative expenses		**-114,241**		-113,337		**-60,743**		-63,981	
Other operating expenses	(3)	**-30,071**		-55,587		**-36,887**		-83,529	
Other operating income	(3)	**47,173**		36,203		**45,622**		39,682	
Amortization of goodwill		**-18,590**		-17,255		**-**		-	
		-720,082		-716,745		**-377,663**		-425,814	
Operating profit		**235,078**	11.7	228,731	11.7	**160,916**	15.7	123,352	12.0
Financing income and expenses	(5)	**-1,334**		22,454		**15,261**		50,485	
Profit before extraordinary items, reserves and taxes		**233,744**	11.6	251,186	12.8	**176,177**	17.2	173,837	16.9
Extraordinary income and expenses	(6)	**38,972**		-45,615		**78,799**		-7,632	
Profit before reserves and taxes		**272,716**	13.6	205,571	10.5	**254,976**	24.9	166,205	16.2
Increase (-) or decrease (+) in depreciation difference		**-**		26,225		**15,526**		24,367	
Increase (-) or decrease (+) in voluntary reserves	(7)	**-**		118,193		-		115,569	
Taxes	(8)	**-76,343**		-61,232		**-69,248**		-52,562	
Translation adjustment		**-**		-3,039					
Profit for the period before minority interest		**196,373**	9.8	285,717	14.6	**201,254**	19.6	253,579	24.7
Minority interest		**-2,439**		-1,422					
Profit for the period		**193,934**	9.7	284,296	14.5	**201,254**	19.6	253,579	24.7

* Notes to the financial statements pages 32-42.

Statements of Cashflows

(1,000 FIM)	CONSOLIDATED 1994	1993	PARENT COMPANY 1994	1993
Funds from operations				
Operating profit	**235,078**	228,731	**160,916**	123,352
Depreciation	**73,320**	84,280	**41,792**	53,106
Financing income and expenses	**-1,334**	22,454	**15,261**	50,485
Write-downs on shares	**-**	24,840	**-**	24,840
Extraordinary items	**38,972**	-45,615	**78,799**	-7,633
Taxes	**-76,343**	-61,232	**-69,248**	-52,561
	269,693	253,458	**227,520**	191,589
Changes in working capital				
Inventories	**-38,832**	10,900	**-3,331**	41,805
Current receivables	**-73,334**	-53,140	**8,506**	32,822
Interest-free short-term debt	**47,857**	77,621	**69,716**	29,239
	-64,309	35,381	**74,891**	103,866
Cashflow from operations	**205,384**	288,839	**302,411**	295,455
Capital expenditures				
Fixed assets	**-195,338**	-91,226	**-211,291**	-71,016
Gain on sale of fixed assets	**8,452**	16,138	**21,333**	24,383
	-186,886	-75,088	**-189,958**	-46,633
Cashflow before financing	**18,498**	213,751	**112,453**	248,822
Financing				
Long-term receivables	**-46,137**	-28,553	**-56,669**	-48,156
Long-term loans	**16,311**	-45,330	**-7,186**	-62,761
Short-term loans	**45,847**	11,954	**-18,300**	-9,780
Dividends and donations	**-47,617**	-27,017	**-47,167**	-27,017
	-31,596	-88,946	**-129,322**	-147,714
Change in working capital as calculated	**-13,098**	124,805	**-16,869**	101,108
Adjustment items	**-2,713**	-8,095	**0**	0
Change in working capital in balance sheet	**-15,811**	116,710	**-16,869**	101,108

Balance Sheet

(1,000 FIM)	Note *	CONSOLIDATED 1994	%	1993	%	PARENT COMPANY 1994	%	1993	%
ASSETS									
Fixed assets and other long-term assets									
Intangible assets	(9)								
Intangible rights		**13,315**		4,807		**3,339**		2,878	
Goodwill		**147,386**		62,162					
Other long-term expenditure		**54,839**		42,977		**54,521**		48,936	
		215,540	8.9	109,946	5.1	**57,860**	2.7	51,814	2.6
Tangible assets	(9)								
Land areas		**25,512**		25,522		**24,657**		24,657	
Buildings and constructions		**192,470**		200,288		**177,231**		183,856	
Machinery and equipment		**111,255**		102,601		**62,460**		63,366	
Advance payments and construction in progress		**630**		630		**630**		630	
		329,867	13.7	329,041	15.3	**264,978**	12.3	272,509	13.8
Shares and other long-term investments	(9)								
Shares and shareholdings		**343,733**		347,162		**652,485**		512,058	
Loan receivables		**10,577**				**9,223**			
		354,310	14.7	347,162	16.1	**661,708**	30.7	512,058	25.9
Inventories and current assets									
Inventories	(10)								
Materials and supplies		**69,805**		44,991		**41,974**		**30,593**	
Work in progress		**39,663**		32,637		**22,865**		**30,242**	
Finished goods		**269,778**		266,313		**132,726**		133,399	
Other inventories		**79,277**		75,749					
		458,523	19.0	419,690	19.5	**197,565**	9.2	194,234	9.8
Receivables	(10)								
Accounts receivable		**356,703**		273,257		**140,082**		125,607	
Loan receivables		**63,422**		17,285		**281,798**		225,129	
Accrued receivables		**63,950**		58,001		**42,580**		46,365	
Other receivables		**122,835**		138,896		**108,149**		127,344	
		606,910	25.2	487,439	22.6	**572,609**	26.5	524,445	26.6
Interest bearing debt securities	(10)	**350,242**	14.5	347,653	16.1	**350,013**	16.2	347,653	17.6
Cash and bank receivables		**93,830**	3.9	112,231	5.2	**52,000**	2.4	71,229	3.6
		2,409,222	100.0	2,153,162	100.0	**2,156,733**	100.0	1,973,942	100.0

* Notes to the financial statements pages 32-42.

(1,000 FIM)	Note	CONSOLIDATED 1994	%	1993	%	PARENT COMPANY 1994	%	1993	%
LIABILITIES AND SHAREHOLDERS' EQUITY									
Shareholders' equity									
Restricted shareholders' equity	(11)								
Share capital		**201,503**		134,335		**201,503**		134,335	
Other restricted equity		**185,251**		250,183		**193,615**		260,783	
		386,754		384,518		**395,118**		395,118	
Non-restricted shareholders' equity	(11)								
Equity share of depreciation difference and reserves		**418,129**		441,230					
Retained earnings		**429,361**		174,528		**497,530**		291,118	
Profit for the period		**193,934**		284,298		**201,254**		253,579	
		1,041,424		900,056		**698,784**		544,697	
		1,428,178	59.3	1,284,574	59.7	**1,093,902**	50.7	939,815	47.6
Minority interest		**14,936**	0.6	9,808	0.5				
Reserves	(12, 13)								
Accumulated depreciation difference		**-**	-	-	-	**216,596**		197,453	
Investment reserves		**-**	-	-	-	**192,247**		226,916	
Other reserves		**-**	-	-	-	**111,529**		111,529	
						520,372	24.1	535,898	27.1
Liabilities									
Long-term liabilities	(14)								
Bonds		**6**		20					
Loans from financial institutions		**50,042**		38,386		**20,147**		34,530	
Loans from pension funds		**164,176**		169,069		**116,128**		108,931	
Deferred taxes		**140,334**		147,988					
Other long-term debt		**14,828**		300		**150**		150	
		369,386	15.3	355,763	16.5	**136,425**	6.3	143,611	7.3
Current liabilities	(14)								
Loans from financial institutions		**104,526**		59,111		**39,059**		57,285	
Loans from pension funds		**3,930**		3,498		**1,135**		1,209	
Advance payments received		**73,716**		79,360		**51,199**		56,411	
Accounts payable		**131,170**		112,236		**62,993**		61,266	
Accrued liabilities		**235,740**		141,353		**159,712**		93,056	
Other short-term debt		**47,640**		107,459		**91,936**		85,391	
		596,722	24.8	503,017	23.4	**406,034**	18.8	354,618	18.0
		2,409,222	100.0	2,153,162	100.0	**2,156,733**	100.0	1,973,942	100.0

Notes to the Financial Statements

I Accounting Principles

The consolidated financial statements, the parent company's financial statements and the financial statements of the Finnish subsidiaries have been prepared in accordance with legislation and generally accepted accounting principles in Finland. The financial statements of foreign subsidiaries have been adjusted to correspond with the Finnish financial statements. The financial statements for 1994 have been prepared in accordance with changes in the Accounting Act and the Companies' Act in Finland which came into force on 1 January 1993. In addition to these changes, the decision of the Ministry of Trade and Industry concerning consolidated financial statements and the general guidelines issued by Accounting Committee have been observed. The comparison figures from the previous financial statements have been adjusted to correspond with 1994 groupings.

CONSOLIDATION

The consolidated financial statements include Instrumentarium Corporation and those companies in which the parent company, directly or indirectly, held more than 50 % of the voting rights. The Company owns 90.00 % of Litonii Gård Ab and 70.42 % of Bostads Ab Hafnia. These were not consolidated due to the different nature and small volume of business activities involved; nor would their consolidation have weakened the Group's result or shareholders' equity. All the subsidiaries included in the consolidated figures are mentioned in Note 9 of Notes to the Financial Statements. In addition to the subsidiaries mentioned in the Notes, the following companies were consolidated: Instru Data A/O, Instru Data UAB, and Instru Data SIA, all of which belong to the Instru Data Oy subgroup; Lääkintämuovi Oy, part of the L-Dental Products Lumme Oy subgroup; and Merimedic France S.A.R.L. and Merimedic A/S, belonging to the Merimedic AB subgroup.

Companies acquired during the accounting period were consolidated in the Group's income statement from the date of acquisition. Companies sold during the accounting period are included in the consolidated income statement up until the date of sale.

The consolidated accounts have been prepared using the purchase method. The difference between the acquisition value and balance sheet value of subsidiaries is partially booked under fixed assets of subsidiaries in the consolidated balance sheet. Goodwill represents the share in excess of the market value of the assets and is principally amortized over a period of five years. Goodwill arising from the acquisition of the anaesthesia and intensive care businesses in 1994 is amortized over 20 years since the products manufactured by these businesses require a long development period and the technology they represent is slow to become obsolete. The products are estimated to have an average economic life of about 20 years. These principles are also applied where appropriate in the case of mergers or liquidations of Group companies. Intragroup receivables and debts and the effects of intragroup transactions are eliminated. Minority interests are separated before reserves, but after taxes. They are also separated from shareholders' equity and reserves. Minority interests are shown in the consolidated income statement and balance sheet as separate items.

The Group's share of profits and losses in associated companies (ownership 20-50 %) is included in accordance with the equity accounting method. The cumulative figures for the previous accounting period are booked separately under extraordinary income and expenses.

FOREIGN CURRENCY ITEMS

Transactions in foreign currencies are recorded at the rates of exchanging prevailing at the dates of the transactions. At the end of the period the unsettled balances on foreign currency transactions are valued at the official average rate of exchange prevailing on the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales and purchases. Foreign exchange gains and losses associated with financing are entered under financing income and expenses.

In the consolidated accounts, the income statements of foreign Group companies are translated into Finnish markka at the average rates of exchange computed from the official average rates prevailing at the end of the month. All the balance sheet items for 1994, excluding the net profit for the year, as well as the income statement and balance sheet items for 1993, are translated into Finnish markka at the Bank of Finland's average rates on the balance sheet date. In the 1994 accounts, differences arising from the translation of shareholders' equity and the income statement and balance sheet are recorded under non-restricted shareholders' equity. In the previous year all translation differences were recorded under translation adjustments in the income statement.

NET SALES

Net sales is calculated as gross sales revenue less indirect sales taxes and other corrective items. Revenues from products and services is recognized from the date of delivery.

RESEARCH AND DEVELOPMENT COSTS

Research and developed costs, including capital expenditure on machinery and equipment, are expensed as incurred.

PENSION SCHEMES

The pension schemes and additional pension benefits of parent company employees are covered by Instrumentarium's Pension Fund. The pension schemes of Finnish subsidiaries are covered by pension insurance companies. Non-Finnish subsidiaries make their own pension arrangements in accordance with local practice and legislation.

Pension costs are charged to the income statement as expensed and as the commitment arises. The parent company is responsible for a minor share of additional pension benefits and they are recorded as charged.

INVENTORIES

Inventories are stated at the lower of cost, on a first-in-first-out (FIFO) basis, or net realizable value. Net realizable value is the amount that can be realized from the sale of the asset in the normal course of business less the costs of realization. In the case of products manufactured by the Company itself, inventory values in the consolidated accounts include an appropriate proportion of production overheads in addition to the direct cost of purchase. The cumulative amounts of indirect purchase and production overheads in the previous accounts are recorded under extraordinary income.

INTEREST BEARING DEBT SECURITIES

Bonds and other interest bearing debt securities are valued at their lowest value. If the book value is higher than the market value, the market value is used for valuation purposes.

FIXED ASSETS AND DEPRECIATION

Depreciation values are based on the original direct cost of acquisition less planned depreciation. In addition, the values for certain land areas and buildings include revaluations which are shown separately in the Notes. Depreciation is calculated from the direct acquisition cost on a straight-line basis according to the useful life of the assets. Depreciation is not calculated on land areas and revaluations. The useful lives of the assets are as follows:

* Intangible assets	5 - 10 years
* Goodwill	5 - 20 years
* Other long-term expenses	3 - 10 years
* Buildings and structures	20 - 40 years
* Machinery and equipment	4 - 10 years

EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income and expenses include income and expenses incurred in the closure or divestment of business operations. They also include items arising from changes in accounting principles and applying to prior years, such as indirect manufacturing costs of inventories and associated companies' results prior to 1994.

TAXES

The taxes for the review year are shown separately from taxes for previous years in the Notes to the Income Statement. Taxes are calculated according to the accruals convention.

To cover the deferred tax liability, a tax reserve was made at the end of the accounting period according to the prevailing tax rate. The change in deferred tax liability is recorded in the income statement. The cumulative deferred tax liability for the previous period is included under long-term interest-free debt.

UNTAXED RESERVES

According to new legislation introduced in Finland at the beginning of 1993, companies are not permitted to make new untaxed reserves, and existing reserves must be reversed or used to cover the acquisition cost of existing fixed assets by the end of 1997. These accumulated untaxed reserves, net of deferred tax liability, are included in the balance sheet as part of restricted shareholders' equity. However they cannot be treated as a profit disposable for dividends.

EXCHANGE RATES USED IN CONSOLIDATION

	Income statement		Balance sheet	
	1994	1993	1994	1993
USD	5.183	5.785	4.743	5.785
SEK	0.674	0.695	0.636	0.695
FRF	0.938	0.982	0.887	0.982
NLG	2.860	2.981	2.734	2.981
NOK	0.737	0.770	0.701	0.770
GBP	7.608		7.409	
DEM	3.119		3.062	
ITL (1,000)	3.054		2.920	

II Notes to the Income Statement

(1,000 FIM)

	CONSOLIDATED 1994	CONSOLIDATED 1993	PARENT COMPANY 1994	PARENT COMPANY 1993
1. GEOGRAPHICAL DISTRIBUTION OF NET SALES				
Finland	**969,400**	1,009,695		
Rest of Europe	**625,880**	587,186		
North America	**210,121**	207,436		
Russia	**83,244**	37,888		
Others	**119,668**	115,129		
Total	**2,008,313**	1,957,334		
2. EMPLOYEE EXPENSES				
Wages and benefits in kind	**403,176**	381,681	**224,056**	212,154
Pension insurance expenses	**23,527**	69,504	**1,507**	44,795
Other employee expenses	**63,690**	52,945	**27,508**	27,068
Total	**497,832**	504,130	**260,510**	284,017
Remuneration paid to the members of the Supervisory Board and the Board of Directors and managing directors	**11,091**	9,907	**2,404**	2,840
Bonuses and fees of the above	**1,478**	895	**-**	310

Pension arrangements for the management:
Members of the Board of Directors of Instrumentarium Corp. may retire at the age of 60.

	CONSOLIDATED 1994	CONSOLIDATED 1993	PARENT COMPANY 1994	PARENT COMPANY 1993
3. OTHER OPERATING INCOME AND EXPENSES				
Income				
Rental income	**23,989**	14,246	**24,178**	17,106
Unrealized changes in value of the pension fund	**13,080**	10,098	**13,080**	10,098
Other income	**10,104**	11,859	**8,365**	12,478
Total	**47,173**	36,203	**45,623**	39,682
Expenses				
Expenses on property rented out	**20,728**	18,550	**19,601**	18,318
Unrealized changes in value of the pension fund	**5,641**	34,869	**5,641**	34,869
Other expenses	**3,702**	2,168	**11,645**	30,343
Total	**30,071**	55,587	**36,887**	83,530
4. DEPRECIATION				
Depreciation by function				
Depreciation of goods sold	**15,982**	20,417	**9,359**	12,701
Selling and marketing depreciation	**20,606**	24,274	**19,388**	24,875
Depreciation on research and development	**2,318**	3,409	**1,775**	2,932
Depreciation on administration	**9,746**	14,643	**5,778**	8,453
Other depreciation on business operations	**6,077**	4,282	**5,493**	4,145
Amortization of goodwill	**18,590**	17,255	**-**	-
Total	**73,319**	84,280	**41,793**	53,106
Book depreciation	**56,334**	58,056	**24,955**	28,739
Depreciation difference	**16,985**	26,224	**16,838**	24,367
Correction of the depreciation difference caused by the sale of fixed assets	**-2,034**	-	**-1,312**	-
Depreciation difference in income statement	**14,951**	26,224	**15,526**	24,367
Transferred to shareholders' equity after deduction of deferred tax liability and minority interest	**14,952**	-	**-**	-

	CONSOLIDATED 1994	CONSOLIDATED 1993	PARENT COMPANY 1994	PARENT COMPANY 1993

5. FINANCING INCOME AND EXPENSES

	1994	1993	1994	1993
Dividend income	**7,313**	5,276	**984**	762
Dividend income, subsidiaries	**-**	-	**935**	14,861
Interest income	**27,690**	53,048	**25,318**	50,523
Interest income, subsidiaries	**-**	-	**11,213**	17,209
Other financing income	**15,288**	13,447	**12,174**	10,108
Other financing income, subsidiaries	**-**	-	**312**	-
Interest expenses	**-23,208**	-31,015	**-13,925**	-22,448
Interest expenses, subsidiaries	**-**	-	**-6,661**	-3,763
Other financing expenses	**-19,396**	-18,301	**-15,088**	-16,766
Share of profits and losses of associated companies	**-9,020**	-	**-**	-
Total	**-1,333**	22,455	**15,262**	50,486

Consolidated other financing income for 1994 includes FIM 12,224,664 in exchange rate gains and other financing expenses include FIM 16,251,977 in exchange rate losses.

6. EXTRAORDINARY INCOME AND EXPENSES

	1994	1993	1994	1993
Income				
Gains on sale of business operations	**49,404**	-	**-**	-
Indirect manufacturing costs of inventories at the beginning of the financial period	**20,815**	-	**-**	-
Group contributions	**-**	-	**97,353**	27,620
Total	**70,219**		**97,353**	27,620
Expenses				
Expenses related to the closing down or sale of business operations	**20,371**	20,772	**18,554**	10,412
Share of profits and losses of associated companies before 1994	**10,876**	-	**-**	-
Write-down of fixed assets	**-**	24,840	**-**	24,840
Total	**31,247**	45,612	**18,554**	35,252
Extraordinary income and expenses in total	**38,972**	-45,612	**78,799**	-7,632

7. CHANGE IN VOLUNTARY RESERVES

	1994	1993	1994	1993
Inventory reserve	**-**	13,118	**-**	10,451
Reserve for future investments	**-**	100	**-**	-
Reserve for credit losses	**-**	9,174	**-**	7,362
Operating reserve	**5,081**	14,430	**-**	16,667
Repurchase reserve	**-**	81,089	**-**	81,089
Transition reserve	**10,174**	-	**-**	-
Other reserves	**169**	282	**-**	-
Total	**15,424**	118,193		115,569
Transferred to shareholders' equity after deduction of deferred taxes and minority interest	**15,424**	-	**-**	-

8. TAXES

	1994	1993	1994	1993
For the financial period	**81,370**	61,793	**67,212**	52,628
For previous years	**2,578**	-561	**2,036**	-66
Change in deferred taxes	**-7,605**	-	**-**	-
Total	**76,343**	61,232	**69,248**	52,562
Taxes from normal business activities	**63,581**	70,045	**-**	-
Taxes from extraordinary income and expenses	**12,762**	-8,813	**-**	-

9. FIXED ASSETS

INTANGIBLE AND TANGIBLE ASSETS

Consolidated	Intangible rights	Good-will	Other long-term expen-diture	Intangible assets in total	Land areas	Buildings and con-structions	Machinery and equip-ment	Advance payments and con-struction in progress	Tangible assets in total	Total
Original purchase cost or revalue 1 Jan.	10,325	128,066	74,270	212,661	25,522	245,621	307,165	630	578,938	791,599
Investments during the period	2,780	103,814	23,348	129,942			36,532		36,532	166,474
Acquisitions of companies	9,766		1,392	11,158			61,487		61,487	72,645
Sales of companies and other deductions	-2,757	-13,697	-9,749	-26,203	-10		-106,863		-106,873	-133,076
Translation adjustment	-650		-232	-882			-6,647		-6,647	-7,529
Total purchase cost 31 Dec.	19,464	218,183	89,029	326,676	25,512	245,621	291,674	630	563,437	890,113
Accumulated depreciation 1 Jan.	5,519	65,904	31,293	102,716		45,332	204,564		249,896	352,612
Depreciation for the period	1,512	18,590	10,245	30,347		7,819	35,154		42,973	73,320
Acquisitions of companies	2,003		624	2,627			36,607		36,607	39,234
Sales of companies and other deductions	-2,677	-13,697	-7,846	-24,220			-91,851		-91,851	-116,071
Translation adjustment	-208		-126	-334			-4,055		-4,055	-4,389
Total of accumulated depreciation 31 Dec.	6,149	70,797	34,190	111,136		53,151	180,419		233,570	344,706
Purchase cost 31 Dec.	19,464	218,183	89,029	326,676	25,512	245,621	291,674	630	563,437	890,113
Accumulated depreciation 31 Dec.	6,149	70,797	34,190	111,136		53,151	180,419		233,570	344,706
Book value 31 Dec.	13,315	147,386	54,839	215,540	25,512	192,470	111,255	630	329,867	545,407
Fire insurance value						294,820				
Accumulated depreciation difference 1 Jan.	1,000		23,457	24,457		142,154	38,754		180,908	205,365
Depreciation difference for the period	-302		-4,745	-5,047		-3,656	-8,283		-11,939	-16,986
Acquisitions of companies							198		198	198
Sales of companies and other depreciation							-399		-399	-399
Investment reserve/transition reserve	1,128		21,025	22,153			12,770		12,770	34,923
Sales profit			-211	-211			2, 245		2,245	2,034
Translation adjustment							-36		-36	-36
Accumulated depreciation difference 31 Dec.	1,826		39,526	41,352		138,498	45,249		183,747	225,099

Parent company	Intangible rights	Good-will	Other long-term expen-diture	Intangible assets in total	Land areas	Buildings and con-structions	Machinery and equip-ment	Advance payments and con-struction in progress	Tangible assets in total	Total
Original purchase cost or revalue 1 Jan.	6,196		87,412	93,608	24,657	214,373	195,511	630	435,171	528,779
Investments during the period	1,128		20,913	22,041			18,443		18,443	40,484
Sales of companies and other deductions	-1,716		-1,335	-3,051			-54,456		-54,456	-57,507
Purchase cost 31 Dec.	5,608		106,990	112,598	24,657	214,373	159,498	630	399,158	511,756
Accumulated depreciation 1 Jan.	3,318		38,475	41,793		30,517	132,145		162,662	204,455
Depreciation for the period	666		15,329	15,995		6,625	19,172		25,797	41,792
Sales of companies and other depreciation	-1,715		-1,335	-3,050			-54,279		-54,279	-57,329
Accumulated depreciation 31 Dec.	2,269		52,469	54,738		37,142	97,038		134,180	188,918
Purchase cost 31 Dec.	5,608		106,990	112,598	24,657	214,373	159,498	630	399,158	511,756
Accumulated depreciation 31 Dec.	2,269		52,469	54,738		37,142	97,038		134,180	188,918
Book value 31 Dec.	3,339		54,521	57,860	24,657	177,231	62,460	630	264,978	322,838
Fire insurance value						211,649				
Accumulated depreciation difference 1 Jan.	1,000		23,456	24,456		135,246	37,750		172,996	197,452
Depreciation difference for the period	-301		-4,985	-5,286		-2,693	-8,858		-11,551	-16,837
Investment reserve/transition reserve	1,128		20,913	22,041			12,627		12,627	34,668
Sales profit							1,312		1,312	1,312
Accumulated depreciation difference 31 Dec.	1,827		39,384	41,211		132,553	42,831		175,384	216,595

	CONSOLIDATED 1994	CONSOLIDATED 1993	PARENT COMPANY 1994	PARENT COMPANY 1993
SHARES AND SHAREHOLDINGS				
Shares of subsidiaries				
Purchase cost 1 Jan.	**-**	-	**391,663**	391,902
Additions during the financial period	**-**	-	**143,761**	4,176
Deductions during the financial period	**-**	-	**-20,257**	-4,414
Book value 31 Dec.	**-**	-	**515,167**	391,664
Shares of associated companies				
Purchase cost 1 Jan.	**17,209**	5,427	**17,209**	5,427
Additions during the financial period	**16,003**	11,782	**16,003**	11,782
Book value 31 Dec.	**33,212**	17,209	**33,212**	17,209

Share of shareholders' equity of associated companies	Share of shareholders' equity % 1994	Shareholder's equity 1994	Share of shareholders' equity 1994
Diomed Ltd.	21.86	-1,088	-238
Hackman Metos Oy Ab	40.00	34,729	13,892
Neuromag Oy	21.60	7,850	1,696
Picker Nordstar Oy	50.00	-4,067	-2,033
Total		37,424	13,317

	CONSOLIDATED 1994	CONSOLIDATED 1993	PARENT COMPANY 1994	PARENT COMPANY 1993
Other shares				
Purchase cost 1 Jan.	**329,953**	343,947	**103,185**	117,686
Increases during the financial period	**2,283**	15,546	**1,820**	15,164
Decreases during the financial period	**-1,820**	-29,539	**-900**	-29,665
Book value 31 Dec.	**330,416**	329,954	**104,105**	103,185
Long-term investments				
Loan receivables				
Associated companies	**9,223**	-	**9,223**	-
Other companies	**1,353**	-	**-**	-
Total	**10,576**	-	**9,223**	-
Revaluations				
Land areas	**1,100**	1,100	**1,100**	1,100
Buildings	**1,675**	1,675	**1,675**	1,675
Total	**2,775**	2,775	**2,775**	2,775
Taxable values				
Land areas	**46,267**	46,293	**40,003**	40,003
Buildings and constructions	**134,281**	136,658	**115,404**	117,466
Finnish shares	**313,405**	138,652	**270,948**	235,393
Total	**493,953**	321,603	**426,355**	392,862

Taxable values cover the parent company's and the Group's real estate in Finland. The book value has been used for the Finnish shares with no confirmed taxable value.

SHARES AND SHAREHOLDINGS
Consolidated

The value of the publicly quoted shares booked in fixed assets on 31 December 1994 was FIM 258,476,094 and the corresponding market value on 31 December 1994 was FIM 359,525,471.

	No.	Share of capital stock, %		Nominal value		Book value
Subsidiaries						
Oy Bergenheim Yhtiöt Ab	250,000	100.00		2,500		8,367
Clinisoft Oy	600	100.00		900		3,896
Investment AB Coland	1,000	100.00	SEK	100		393
Datex Engström Iberica, S.L.	500	100.00	ESP	500		19
Credibilis Oy	150	100.00		15		30
Datex Medical Electronics B.V.	403	100.00	NLG	403	NLG	413
					FIM	888
Datex Medical Instrumentation, Inc.	100	100.00	USD	0	USD	8,088
					FIM	34,917
Datex S.A.R.L.	1,000	100.00	FRF	500	NLG	166
					FIM	367
Datia Holdings B.V.	1,385	100.00	NLG	1,385		2,638
Oy Dentaldepot Ab	82,464	99.96		4,453		10,451
Dleif II Oy	400	100.00		4,000		4,000
Egnal Oy	11,000	100.00		77		2,437
Eksperimentarium Oy	15	100.00		15		15
Engström Elektromedizin GmbH		100.00		0		3,263
Engström Medical AB	240,000	100.00	SEK	24,000		71,719
Engström MIE Ltd	1,500,000	100.00	GBP	1,500		11,747
Erkkola Oy	100	100.00		50		3,530
Findip Oy	11,620	100.00		11,620		11,620
Helsingin Silmälääkärikeskus Oy	6,600	56.90		66		286
Hoyer Klinikgeräte Handels GmbH		70.00		0		10,817
HT-Research Oy	150	100.00		15		363
Instru Data Oy	340,225	62.43		3,402		5,604
AS Instruest	44	88.00	EEK	44		20
Instru-Holdings, Inc.	100	100.00	USD	0		0
Instru Invest Oy	15	100.00		15		15
AS Instrumentarium	100	100.00	EEK	1,000		410
Instrumentarium AB	500	100.00	SEK	50		2,178
Instrumentarium SIA	10	100.00	LVL	1		9
Instrumentarium Imaging, Inc.	100	100.00	USD	10	USD	14,602
					FIM	66,660
International Catering Planning Oy	15	100.00		15		15
Japo Trading Oy	5	100.00		15		940
Junior-Notariaatti Oy	15	100.00		15		24,858
L-Dental Products Lumme Oy	192,240	91.54		19,224		24,279
Oy Loko-Invest Ab	150	100.00		15		2,328
Medko Oy	45,500	100.00		4,550		236,532
Medko Medical Oy	2,000	100.00		2,000		2,000
A/O Medko Medikal	10	100.00	SUR	10		0
Merimedic AB	18,500	100.00	SEK	1,850		3,746
Merivaara AB	1,500	100.00	SEK	150		186
Oy Metava Ab	100	100.00		100		7,489
Pika-Optiikka Oy	150	100.00		15		15
Optiker Simson AB	20,000	100.00	SEK	2,000		16,205
Sotem Oy	4,000	100.00		4,000		40,000
Soxil S.p.A.	10,000,000	100.00	ITL	10,000,000		40,461
Oy Tekno-Rema Ab	60	100.00		60		7,329
AB Ögat	500	100.00	SEK	50	SEK	7,000
					FIM	4,494
Ögat Förvaltning Aktiebolag	500	100.00	SEK	50		8,692
Associated companies						
Diomed Ltd.	349,333	21.86	GBP	0		2,642
Hackman Metos Oy Ab	40,000	40.00		4,000		16,003
Neuromag Oy	257	21.60		39		4,567
Picker Nordstar Oy	500	50.00		500		10,000
Total associated companies						33,212

	No.	Share of capital stock, %	Nominal value	Book value
Others				
Office, warehousing and store facilities				65,701
Others				
Carital Oy	50	5.00	50	500
Ewco Oy	50	9.62	500	500
Finvest Oy *	1,113,651	2.44	1,114	10,696
The Helsinki Stock Exchange			0	140
The Helsinki Telephone Company	392	0.07	1,078	1,016
Kansallis-Osake-Pankki	560,000	0.05	2,800	3,975
Lassila & Tikanoja Oy **	242,283	6.13	2,423	14,257
Lounais-Suomen Sähkö Oy	6,408	0.24	64	897
MTV Oy	613	1.11	307	811
Orion Corporation ***	2,620,236	5.24	26,202	211,454
Pohjola Insurance Company Ltd	76,150	0.19	381	9,627
Polar Corporation	336,000	0.66	3,360	5,443
Central Share Register of Finland			0	210
Ventana Growth Fund II	5	3.50	USD 500	2,105
Others				3,086
Total of other shares and shareholdings				330,417

* In addition, Group inventories include 1,871,892 shares of Finvest Oy. The Group's share of Finvest Oy's capital stock is 6.55% representing 11.36% of the voting power.
** The Group's share of Lassila & Tikanoja Oy's capital stock and voting power is 6.13%.
*** The Group's share of Orion Corporation's capital stock is 5.24% representing 7.91% of the voting power.

10. INVENTORIES AND CURRENT ASSETS

	CONSOLIDATED 1994	CONSOLIDATED 1993	PARENT COMPANY 1994	PARENT COMPANY 1993
Marketable equity securities				
Market value	**109,549**	108,742	**-**	-
Corresponding book value	**70,553**	75,749	**-**	-
Difference	**38,996**	32,993	**-**	-
Receivables, subsidiaries				
Accounts receivable	**-**	-	**39,594**	23,864
Loan receivables	**-**	-	**227,934**	208,977
Total	**-**	-	**267,528**	232,841
Receivables, associated companies				
Accounts receivable	**2,162**	1,887	**2,009**	1,887
Loan receivables	**26,601**	5,001	**26,601**	5,001
Accrued receivables	**61**	-	**61**	-
Total	**28,824**	6,888	**28,671**	6,888
Receivables, other				
Accounts receivable	**354,541**	271,370	**98,480**	99,856
Loan receivables	**36,820**	12,284	**27,263**	11,151
Accrued receivables	**63,889**	58,001	**42,520**	46,365
Other receivables	**122,835**	138,516	**108,149**	127,345
Total	**578,085**	480,171	**276,412**	284,717
Long-term financial assets				
Loan receivables				
Investment deposits	**101,967**	124,005	**101,733**	123,958
Bank receivables	**1,800**	1,800	**-**	-
Total	**103,767**	125,805	**101,733**	123,958
Interest bearing debt securities				
Market value	**350,995**	356,931	**350,766**	356,931
Corresponding book value	**350,242**	347,653	**350,013**	347,653
Difference	**753**	9,278	**753**	9,278

	CONSOLIDATED 1994	CONSOLIDATED 1993	PARENT COMPANY 1994	PARENT COMPANY 1993

11. SHAREHOLDERS' EQUITY

	1994	1993	1994	1993
Restricted shareholders' equity				
Share capital				
Share capital 1 Jan.				
A shares	**102,016**	102,016	**102,016**	102,016
B shares	**32,319**	32,319	**32,319**	32,319
Total	**134,335**	134,335	**134,335**	134,335
Share issue 1 Jan. - 1 Dec.				
A shares	**51,008**	-	**51,008**	-
B shares	**16,160**	-	**16,160**	-
Total	**67,168**	-	**67,168**	-
Share capital 31 Dec.				
A shares	**153,025**	102,016	**153,025**	102,016
B shares	**48,479**	32,319	**48,479**	32,319
Total	**201,504**	134,335	**201,504**	134,335
Other restricted shareholders' equity 1 Jan.	**250,183**	250,183	**260,783**	260,783
Increases 1 Jan. - 31 Dec.	**2,236**	-	**-**	-
Decreases 1 Jan. - 31 Dec.	**-67,168**	-	**-67,168**	-
Total 31 Dec.	**185,251**	250,183	**193,615**	260,783
Restricted shareholders' equity 31 Dec.	**386,755**	384,518	**395,119**	395,118
Non-restricted shareholders' equity				
Equity share of depreciation difference and reserves				
Before the financial period	**441,230**	-	**-**	-
Changes 1 Jan. - 31 Dec.	**-23,101**	-	**-**	-
Total	**418,129**	441,230	**-**	-
Other non-restricted shareholders' equity 1 Jan.	**458,825**	204,825	**544,697**	318,135
Change in Group structure	**-**	-3,280	**-**	-
Change in depreciation difference and reserves	**23,101**	-	**-**	-
Transitions from non-restricted to restricted	**-2,236**	-	**-**	-
Translation adjustment	**-2,713**	-	**-**	-
For dividends	**-47,017**	-26,867	**-47,017**	-26,867
For donations	**-600**	-150	**-150**	-150
Profit for the period	**193,934**	284,298	**201,254**	253,579
Total	**623,294**	458,826	**698,784**	544,697
Non-restricted shareholders' equity 31 Dec.	**1,041,423**	900,056	**698,784**	544,697
Total shareholders' equity 31 Dec.	**1,428,178**	1,284,574	**1,093,903**	939,815

12. ACCUMULATED DEPRECIATION DIFFERENCE

	1994	1993	1994	1993
Intangible rights	**1,827**	1,000	**1,827**	1,000
Other long-term expenditure	**39,526**	23,456	**39,385**	23,456
Buildings and constructions	**138,498**	142,154	**132,554**	135,246
Machinery and equipment	**45,249**	38,754	**42,831**	37,750
Total	**225,100**	205,364	**216,597**	197,452

	CONSOLIDATED 1994	CONSOLIDATED 1993	PARENT COMPANY 1994	PARENT COMPANY 1993

13. VOLUNTARY RESERVES

	1994	1993	1994	1993
Operating reserve	**1,843**	9,812	**-**	-
Transition reserve	**139,780**	148,832	**111,529**	111,529
Reserve for future investments	**192,715**	227,639	**192,247**	226,916
Other reserves	**1,900**	306	**-**	-
Total	**336,238**	386,589	**303,776**	338,445
The Group's share of accumulated depreciation difference and voluntary reserves				
Share transferred to shareholders' equity	**418,129**	441,230	**-**	-
Deferred tax liability	**139,376**	147,077	**-**	-
Deferred tax liability also includes:				
Minority interest of untaxed reserves	**958**	911	**-**	-
Total deferred tax liability	**140,334**	147,988	**-**	-

14. LIABILITIES

Long-term liabilities

At year end, outstanding bonds with warrants issued by the Company in 1989 totalled FIM 150,000. The interest rate is 6%. The bonds carry subscription rights for 13,500 B shares, exercisable annually from 2 January to 31 October, ending on 11 May 1999. The subscription price of shares is FIM 78.33. If fully subscribed, the Company's capital stock would be increased by a maximum of FIM 135,000, which corresponds to 0.07% of the capital stock and 0.01% of the voting power.

The currency mix of the Group's interest bearing long-term debt, (%)	1994	1993
FIM	**82**	81
SEK	**12**	-
GBP	**5**	-
DEM	**-**	11
USD	**-**	4
Others	**1**	4
Total	**100**	100

The interest bearing long-term debt of the Group will mature as follows (%):

1995	5
1996	10
1997	9
1998	3
1999	2
2000 and later	71

The weighted average interest of the Group's long-term debt on 31 December 1994 was 7.1%.

	CONSOLIDATED 1994	CONSOLIDATED 1993	PARENT COMPANY 1994	PARENT COMPANY 1993
Current liabilities				
Short-term debt, non-interest bearing				
Subsidiaries				
Accounts payable	**-**	-	**2,227**	3,127
Total	**-**	-	**2,227**	3,127
Associated companies				
Accounts payable	**91**	242	**91**	242
Total	**91**	242	**91**	242

	CONSOLIDATED		PARENT COMPANY	
	1994	**1993**	**1994**	**1993**
Other				
Advance payments	**73,716**	79,360	**51,199**	56,411
Accounts payable	**131,079**	111,995	**60,675**	57,897
Accrued liabilities	**235,740**	141,353	**159,712**	93,056
Other short-term debt	**34,314**	99,795	**9,454**	25,259
Total	**474,849**	432,503	**281,040**	232,623
Short-term debt, interest bearing				
Payments of long-term debt	**13,007**	62,609	**8,403**	58,495
Subsidiaries	**-**	-	**69,157**	57,865
Other short-term debt	**108,775**	7,664	**45,116**	2,267
Total	**121,782**	70,273	**122,676**	118,627

15. COMMITMENTS AND CONTINGENCIES

For the Group				
Pledges	**36,361**	121,066	**24,365**	104,170
Mortgages for long-term debts	**42,600**	69,600	**28,000**	66,000
Mortgages for bank guarantees	**57,321**	66,076	**22,764**	28,011
Other commitments	**24,401**	31,023	**17,116**	30,275
Total	**160,683**	287,765	**92,245**	228,456
For subsidiaries				
Mortgages for bank guarantees	**-**	-	**9,544**	12,132
Guarantees	**-**	-	**143,951**	116,843
Total	**-**	-	**153,495**	128,975
For associated companies				
Guarantees	**16,806**	2,210	**16,806**	2,210
Total	**16,806**	2,210	**16,806**	2,210
Pension commitments				
Commitment deficit of the pension fund	**4,758**	1,000	**4,758**	1,000
Other pension commitments	**1,528**	1,550	**-**	-
Total	**6,286**	2,550	**4,758**	1,000
Commitments and contingencies, total	**183,775**	292,525	**267,304**	360,641

16. LEASING AGREEMENTS

Leasing payments based on leasing agreements will be:

1995	**21,305**	12,120
1996	**20,727**	11,848
1997	**20,403**	11,826
1998 and later	**122,202**	118,159
Total	**184,637**	153,953

17. DERIVATIVE CONTRACTS

Currency forward contracts	**132,186**	37,367	**132,186**	37,367
Currency options	**15,000**	-	**15,000**	-
Total	**147,186**	37,367	**147,186**	37,367

The Instrumentarium Group uses derivative contracts to hedge against exchange rate risk associated with cashflows in foreign currency. Total derivative contracts included unrealized exchange rate gains of FIM 3,711,400, calculated at the exchange rates prevailing on the balance sheet date.

Distribution of Profits

PROPOSAL TO THE GENERAL SHAREHOLDERS' MEETING

At 31 December 1994, the consolidated non-restricted shareholders' equity of the Group was FIM 1,041,424,216.65, of which FIM 623,294,726.06 is available for distribution. At 31 December 1994, the parent company's non-restricted shareholders' equity was FIM 698,783,656.07.

The Board of Directors proposes that the profits at the disposal of the General Shareholders' Meeting be allocated as follows:

- dividend at FIM 2.80 per share (FIM 1.40/ADR)	FIM	56,420,842.80
- to the Instrumentarium Scientific Fund	FIM	150,000.00
- to non-restricted shareholders' equity	FIM	642,212,813.27
	FIM	698,783,656.07

Helsinki, 7 March 1995

Gustav von Hertzen
Olli Riikkala
Matti Salmivuori

Gerhard Wendt
Markku Talonen,
Chairman of the Board,
President

Auditors Report

To the Shareholders of Instrumentarium Corporation

We have audited the accounts, the accounting records and the administration of Instrumentarium Corporation for the financial year 1994. The accounts prepared by the Board of Directors and the Managing Director include, both for the group and the parent company, a report on operations, an income statement, a balance sheet and notes to the accounts. We provide our opinion on the accounts and the administration based on our audit.

We have audited the accounting records, and the accounts, disclosures and the presentation of information, including the accounting policies to the extent generally accepted auditing standards require. The audit of the administration has included obtaining assurance that the actions of the members of the Supervisory Board, the Board of Directors and the Managing Director have been in conformity with the regulations of the Companies' Act.

In our opinion, the accounts have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations relevant to the preparation of the accounts, and give a true and fair view of the parent company's and the group's results from operations and financial position in accordance with such legislation and regulations.

The accounts including the group accounts may be approved, and the members of the Supervisory Board, the Board of Directors and the Managing Director may be discharged from liability for the financial year examined by us.

The proposal of the Board of Directors concerning the disposition of the unrestricted shareholders' equity according to the balance sheet is in accordance with the Companies' Act.

We have reviewed the interim reports published during the financial year. According to our review they have been prepared in accordance with the relevant regulations.

Helsinki, 8 March 1995

Göran Grén
Authorized Public Accountant

Heikki Lassila
Authorized Public Accountant

Statement by the Supervisory Board

The Supervisory Board of Instrumentarium Corporation has examined the Parent Company and Consolidated Financial Statements for 1994, submitted by the Board of Directors, and read the Auditors' Report. The Supervisory Board proposes that the Income Statements and Balance Sheets be ratified and that the profit be distributed according to the Board of Directors' proposal.
Sten-Olof Hansén, Martti Kormano, Arto Sivula, Leila Telivuo and Turo K. J. Tukiainen are due to retire from the Supervisory Board.

Helsinki, 9 March 1995

Matti Koskenoja
Matti Eestilä
Sten-Olof Hansén
Tauno Larmi

Aatto Prihti
Arto Sivula
Erkki Tammisalo

Tapani Tammisto
Leila Telivuo
Eino Tunkelo

Administration and Auditors

SUPERVISORY BOARD

		elected for the period
Matti Koskenoja	DMS, Chairman	1994-96
Kari Raivio	Professor, DMS, Deputy Chairman	1994-96
Matti Eestilä	B.Sc. (Econ)	1994-96
Sten-Olof Hansén	Professor, D.Sc. (Econ)	1992-94
Eero Ikkala	Professor, DMS	1993-95
Martti Kormano	Professor, DMS	1992-94
Tauno Larmi	DMS	1993-95
Paavo Pitkänen	M.Sc. (Math)	1994-96
Aatto Prihti	D.Sc. (Econ)	1993-95
Arto Sivula	Associate Professor, DMS	1992-94
Erkki Tammisalo	Professor, DDS	1993-95
Tapani Tammisto	Professor, DMS	1993-95
Leila Telivuo	MD (Dentistry)	1992-94
Turo K. J. Tukiainen	LLB, MBA	1992-94
Eino Tunkelo	Professor, D.Sc. (Tech)	1994-96

BOARD OF DIRECTORS

Markku Talonen	Born 1946, Lic.Sc. (Tech), Chairman and President. Joined Instrumentarium in 1978. Owns 14,565 Instrumentarium shares.	1995-97
Gustav von Hertzen	Born 1930, M.Sc. (Tech). Owns 1,590 Instrumentarium shares.	1995
Olli Riikkala	Born 1951, M.Sc. (Tech), MBA, Executive Vice President. Joined Instrumentarium in 1979. Owns 4,806 Instrumentarium shares.	1995
Matti Salmivuori	Born 1950, M.Sc. (Econ), Chief Financial Officer. Joined Instrumentarium in 1973. Owns 2,000 Instrumentarium shares.	1995
Gerhard Wendt	Born 1934, Ph.D. No shares in Instrumentarium.	1995

Members of the Board of Directors from left to right: Matti Salmivuori, Markku Talonen, Gustav von Hertzen, Olli Riikkala and Gerhard Wendt.

AUDITORS

Göran Grén	B.Sc. (Econ), Authorized Public Accountant
Heikki Lassila	M.Sc. (Econ), Authorized Public Accountant

Deputies:
Audit Firm Salmi, Virkkunen & Helenius Oy
Coopers & Lybrand Oy

Five Years in Review

(Consolidated, Finnish GAAP, FIM million, except per share data)		1990	1991	1992	1993 [1]	**1994**
Net sales		1,728.5	1,848.1	1,721.0	1,957.3	**2,008.3**
Change from the previous year	%	-17.3	6.9	-6.9	13.7	**2.6**
Foreign sales		485.2	637.3	718.6	947.6	**1,038.9**
Share of net sales	%	28.1	34.5	41.8	48.4	**51.7**
Planned depreciation		80.4	90.5	81.9	84.3	**73.3**
Operating profit		-15.7	67.4	82.2	228.7	**235.1**
Financing income and expenses, total		-11.5	-29.2	-15.6	22.5	**-1.3**
Profit before extraordinary items, reserves and taxes		-83.3	32.2	88.3	251.2	**233.7**
Extraordinary items		0.0	6.4	-56.1	-45.6	**39.0**
Profit before reserves and taxes		-83.3	38.6	32.2	205.6	**272.7**
Taxes		25.1	24.1	14.4	61.2	**76.3**
Profit before extraordinary items and reserves, after taxes		-108.4	8.1	73.9	190.0	**157.4**
Capital expenditure		374.6	112.2	66.7	91.2	**195.3**
Research and development expenses		65.9	73.4	70.5	79.5	**96.2**
Dividend		26.6	26.6	26.9	47.0	**56.4** [2]
Liabilities		891.5	840.2	669.9	858.8	**966.1**
Shareholders' equity		1,395.5	1,389.3	1,325.6	1,284.6	**1,428.2**
Total assets		2,290.0	2,231.7	1,997.8	2,153.2	**2,409.2**
Return on investment (ROI)	%	-1.5	5.2	8.9	18.3	**16.4**
Return on equity (ROE)	%	-7.4	0.6	5.4	15.6	**11.5**
Equity ratio	%	62.9	65.0	68.7	62.4	**61.8**
Gearing	%	29.0	21.4	5.1	-14.1	**-6.5**
Quick ratio		1.49	1.65	2.15	2.24	**2.01**
Current ratio		2.34	2.27	2.85	2.72	**2.53**
Earnings per share		-5.55	0.78	3.47	8.36	**8.32** [3]
Earnings per share U.S.GAAP		2.42	3.36	1.23	13.78	**9.37**
Shareholders' equity per share		70.10	69.74	66.21	64.24	**71.62**
Cashflow per share		-1.41	5.13	7.28	13.54	**10.95**
Average number of employees		3,089	2,831	2,612	2,383	**2,351**

[1] Income statement and balance sheet items have been reclassified to conform to 1994 grouping.
[2] Proposed by the Board of Directors.
[3] The diluting effect of the 1989 issue of bonds with warrants has no effect on the earnings per share figure.

Earnings per Share

(In thousands FIM, except per share data)	**1994**	1993
Profit before extraordinary items, reserves and taxes	**233,744**	251,186
Minority interest	**-2,439**	-1,422
Share of profit/loss of associated companies		-8,210
Taxes [4]	**-63,581**	-70,045
Translation adjustment		-3,039
Earnings	**167,724**	168,469
Average number of shares, thousand	**20,150**	20,153
Earnings per share, FIM	**8.32**	8.36

[4] Direct taxes adjusted with the tax effect of extraordinary items.

Calculation Principles of Financial Ratios

Return on investment (ROI) %

$$= \frac{\text{Profit before extraordinary items, reserves and taxes + interest and other financing expenses}}{\text{Balance sheet total less interest-free debt (annual average)}} \times 100$$

Return on equity (ROE) %

$$= \frac{\text{Profit before extraordinary items, reserves and taxes less direct taxes}}{\text{Shareholders' equity + voluntary reserves * + minority interest (annual average)}} \times 100$$

Equity ratio %

$$= \frac{\text{Shareholders' equity including voluntary reserves* + minority interest}}{\text{Balance sheet total less advance payments}} \times 100$$

Quick ratio

$$= \frac{\text{Current assets}}{\text{Short-term debt less advance payments}}$$

Current ratio

$$= \frac{\text{Current assets and inventories}}{\text{Short-term debt}}$$

Earnings/share

$$= \frac{\text{Profit before extraordinary items, reserves and taxes + minority interest less direct taxes, tax effect of extraordinary items corrected}}{\text{Adjusted average number of shares}}$$

Shareholders' equity/share

$$= \frac{\text{Shareholders' equity including voluntary reserves * + minority interest}}{\text{Adjusted number of shares on 31 Dec.}}$$

Cashflow/share

$$= \frac{\text{Profit before extraordinary items, reserves and taxes + minority interest + planned depreciation less direct taxes excluding change in deferred tax liability}}{\text{Adjusted average number of shares}}$$

Dividend/share

$$= \frac{\text{Nominal dividend per share}}{\text{Adjustment coefficients of the share issues that have taken place during or after the year}}$$

Dividend yield %

$$= \frac{\text{Dividend per share}}{\text{Stock exchange price on 31 Dec.}} \times 100$$

Market capitalization = Number of shares x stock exchange price on 31 Dec.

P/E ratio

$$= \frac{\text{Adjusted stock exchange price on 31 Dec.}}{\text{Earnings per share}}$$

Gearing %

$$= \frac{\text{Gross debt less cash and liquid assets}}{\text{Adjusted equity}} \times 100$$

* Deferred taxes of reserves have been eliminated.

Finnish and U.S. GAAP *Differences*

NET INCOME AND SHAREHOLDERS' EQUITY IN ACCORDANCE WITH U.S. GAAP

Accounting principles generally accepted in Finland (Finnish GAAP) vary in certain respects from accounting principles generally accepted in the United States (U.S. GAAP). The consolidated net profit and shareholders' equity according to U.S. GAAP, and the differences between the official Finnish financial statements and U.S. GAAP are given in the tables below.

Instrumentarium also files an annual report (Form 20-F) with the Securities and Exchange Commission (SEC) in the United States.

CONSOLIDATED NET INCOME

(In thousands FIM, except per share data)	**1.1.-31.12.1994**	1.1.-31.12.1993
Net income as reported in the Consolidated Statements of Income, in accordance with Finnish GAAP	**193,934**	284,297
Increase (decrease) for:		
(a) Inventories	**-20,801**	3,326
(b) Translation adjustments	**-**	3,724
(c) Pension expense (income)	**- 11,802**	8,484
(d) Short-term marketable securities	**-**	- 9,279
(e) Capitalization of interest expense	**- 1,180**	- 5,042
(f) Sale/leaseback transactions	**10,819**	18,524
(g) Investments in associated companies and joint ventures	**10,876**	- 8,210
(h) Adjustment to untaxed reserves	**-**	- 144,314
(i) Deferred income taxes	**15,642**	125,645
(j) Non-current marketable securities	**620**	620
(m) Exchange of non-current assets	**- 9,343**	-
Approximate net income in accordance with U.S. GAAP	**188,765**	277,775
Average number of shares outstanding	**20,151**	20,151
Approximate earnings per share in accordance with U.S. GAAP	**9.37**	13.78
Approximate earnings per ADR	**4.69**	6.89

SHAREHOLDERS' EQUITY

(In thousands FIM)	**31.12.1994**	31.12.1993
Shareholders' equity as reported in the Consolidated Balance Sheets, in accordance with Finnish GAAP *	**1,428,178**	1,284,573
Increase (decrease) for:		
(a) Inventories	**-**	20,801
(c) Pension expense	**135,927**	147,729
(d) Short-term marketable securities	**42,164**	- 2,418
(e) Property and equipment, net	**- 19,187**	- 18,007
(f) Sale/leaseback transactions	**- 78,553**	- 89,372
(g) Investments in associated companies and joint ventures	**-**	- 10,876
(i) Deferred income taxes	**- 76,304**	- 58,912
(j) Non-current marketable securities	**97,946**	18,719
(l) Revaluation of assets	**- 2,775**	- 2,775
(m) Exchange of non-current assets	**- 9,343**	-
Approximate shareholders' equity in accordance with U.S. GAAP	**1,518,053**	1,289,462

* Shareholders' equity has been adjusted by FIM 441,230,000 for the change in accounting for untaxed reserves as required by Finnish GAAP (see Note (h) below). Accordingly, the 1993 adjustments for untaxed reserves and deferred taxes have been restated.

A description of the accounting policies followed by the Company which differ in certain respects from U.S. GAAP follows:

(a) INVENTORIES

Prior to 1994, inventories did not include overhead costs which according to Finnish GAAP were expensed as incurred. U.S. GAAP requires that inventory costs include manufacturing overhead. In 1994, the Company adopted a new accounting policy to include manufacturing overhead in the cost of inventories for Finnish GAAP.

(b)TRANSLATION ADJUSTMENTS

Prior to 1994, differences in the value of the net investment in foreign operations caused by exchange rate fluctuations was included in the determination of net income under Finnish GAAP. Beginning in 1994 the difference is shown as a separate component of shareholders' equity.

U.S. GAAP requires that financial statements of non-Finnish subsidiaries to be translated into Finnish marks at current exchange rates except for revenues, costs and expenses which are to be translated at average exchange rates during the year. Commencing in 1994, there are no differences between Finnish GAAP and U.S. GAAP in this area.

(c) PENSION EXPENSE

The Company participates in several pension plans which cover substantially all employees of its Finnish operations as well as certain employees in foreign subsidiaries. The plans are principally administered by the Pension Fund which is managed by the Company subject to Government control. Pension expense for Finnish GAAP represents contributions to the Pension Fund and is based upon the level of benefits and actuarial assumptions established by the Government. Contributions to the Pension Fund are determined by comprehensive actuarial calculations performed on an annual basis by independent actuaries.

The Company's actuaries have estimated pension costs for the defined benefit plans in accordance with U.S. GAAP. The cumulative difference between contributions to the Pension Fund in accordance with Finnish GAAP and pension expense under U.S. GAAP has been recorded as prepaid pension cost.

(d) SHORT-TERM MARKETABLE SECURITIES

Under Finnish GAAP short-term marketable securities are reflected at the individual acquisition cost or market. Securities written down to a new cost basis can be written up for subsequent recoveries in market value. Under U.S. GAAP, prior to 1994 the cost and market values of each security in a portfolio are aggregated to determine whether a market valuation allowance is required. In 1993 the company increased the book value of certain specific securities by FIM 9,279,000 to reflect recoveries in market value.

Effective 1 January, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). Under SFAS 115, the Company's investment securities are classified as available for sale and are recorded at fair value, with unrealized gains and losses included as a separate component of shareholders' equity.

(e) PROPERTY AND EQUIPMENT

In accordance with Finnish GAAP, the Company has expensed interest costs in connection with financing of expenditures for the construction of property, plant and equipment. Under U.S. GAAP, such interest costs are required to be capitalized.

(f) SALE / LEASEBACK TRANSACTIONS

During 1992 as well as in prior years, the Company sold and leased back certain properties. Under Finnish GAAP, the gain or loss on such sales is included in income in the year of the sale. In 1992, the Company recorded a gain of FIM 114,774,000 under Finnish GAAP. The deferred gain in certain transactions is required to be amortized over the lease term and in certain transactions the deferred gain continues to be deferred with a portion of the related rental payment applied to interest expense and an additional charge for depreciation is recognized.

(g) INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Prior to 1994, investments in associated companies and joint ventures that would be accounted for under the equity method under U.S. GAAP are accounted for under the cost method for Finnish GAAP. U.S. GAAP requires the inclusion of the investor's share of the earnings and losses of the investee in the determination of net income.

In 1994, for Finnish GAAP the Company adopted the equity method of accounting for its investments in associated companies and joint ventures.

(h) UNTAXED RESERVES

Under Finnish tax law, the Company has been permitted to reduce or increase taxable income by net charges or income representing adjustments to untaxed reserve accounts, provided that such amounts are reflected in the Company's financial statements.

In 1994, the Company adopted new accounting policy which enables companies to report accumulated untaxed reserves, net of deferred tax liabilities, as a separate component of shareholders' equity. The Balance Sheet at 31 December 1993 has been restated to reflect this accounting change.

Prior to 1994, transfers to and from untaxed reserves were reflected in the income statement. Commencing in 1994, the Company's net income excludes transfers to and from untaxed reserves, and the Company provides income taxes on items included in income regardless of the period when such taxes are payable. In accordance with U.S. GAAP such adjustments would not be charged or credited to income.

(i) DEFERRED INCOME TAXES

Prior to 1994, deferred income taxes were not provided for Finnish GAAP (see Note (h) above). U.S. GAAP requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect at year-end.

Deferred income taxes have been adjusted to give effect to the differences between Finnish GAAP and U.S. GAAP.

(j) NON-CURRENT MARKETABLE SECURITIES

The Company recorded FIM 34,500,000 of costs to acquire non-current marketable securities in 1990 as goodwill. Under U.S. GAAP such costs are considered costs of acquiring the investment. In 1992, the Company for Finnish GAAP recorded an additional write-down of the goodwill of FIM 24,693,000 as a reduction of the cost of non-current marketable securities. The difference of FIM 4,341,000 is being amortized for Finnish GAAP over seven years.

As described in note (d) above, the Company adopted SFAS 115 in 1994 for U.S. GAAP purposes. The Company's investment securities are classified as available for sale and are carried at fair value, with unrealized gains and losses included as a separate component of shareholders' equity.

(k) EARNINGS PER SHARE

Earnings per share as presented are not based on net income. See page 46 for a description of the earnings per share calculation. U.S. GAAP requires that net income be utilized in the computation of earning per share.

(l) REVALUATION OF ASSETS

Certain land and buildings have been revalued at an amount in excess of cost. This procedure, under certain circumstances, is allowed under Finnish GAAP. U.S. GAAP does not permit the revaluation of assets in the financial statements.

(m) EXCHANGE OF NON-CURRENT ASSETS

During 1994, Instrumentarium and Oy Hackman Ab merged their catering equipment operations and formed a new company, Hackman Metos Ltd. In connection with this transaction, Instrumentarium exchanged certain assets from its Catering Equipment segment for cash and a 40% interest in Hackman Metos Ltd. In accordance with Finnish GAAP, Instrumentarium recorded a gain of FIM 9,343,000 on this transaction. U.S. GAAP requires that the gain be deferred until Instrumentarium no longer has a commitment to support the operations of the new company.

BALANCE SHEET

The following is a summary of certain balance sheet captions and the amounts reported in the Consolidated Balance Sheets with the related approximate amounts after adjustment to conform with U.S. GAAP.

	As reported under Finnish GAAP		Approximate amounts as adjusted to conform with U.S. GAAP	
	1994	1993	**1994**	1993
Current assets	**1,509,505**	1,367,013	**1,411,410**	1,222,989
Property and equipment	**329,867**	329,042	**386,593**	389,758
Goodwill	**147,386**	62,162	**144,284**	58,440
Non-current assets	**422,464**	394,945	**752,291**	678,583
TOTAL ASSETS	**2,409,222**	2,153,162	**2,694,578**	2,349,770
Current liabilities	**611,658**	512,826	**573,594**	474,763
Long-term liabilities	**229,052**	207,775	**386,293**	378,645
Deferred taxes	**140,334**	147,988	**216,638**	206,900
Shareholders' equity	**1,428,178**	1,284,573	**1,518,053**	1,289,462
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,409,222**	2,153,162	**2,694,578**	2,349,770

AUDITORS' REPORT

We have examined the determination of approximated consolidated net income and shareholders' equity set out on pages 47 - 50, which have been prepared using accounting policies that conform to Generally Accepted Accounting Principles in the United States (U.S. GAAP). This determination has been adapted from the Company's statutory accounts which have been prepared in accordance with generally accepted accounting principles in Finland. In our opinion this determination has been properly made.

Helsinki, 8 March 1995

COOPERS & LYBRAND OY

Göran Grén
Authorized Public Accountant

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