Annual Report 1999

INSTRUMENTARIUM

Headquartered in Helsinki, Finland, Instrumentarium is one of the world's leading medical technology companies operating in the segments of Anesthesia and Critical Care and Medical Equipment and Supplies. The company is also involved in Optical Retail in Finland and nearby markets. Instrumentarium's core business is anesthesia and critical care, represented by Datex-Ohmeda

Instrumentarium seeks long-term, profitable growth within its business segments. Three of Instrumentarium's divisions, Datex-Ohmeda, Instrumentarium Imaging and Ohmeda Medical have global operations and worldwide leadership in their respective businesses.

Annual General Meeting
The Annual General Meeting will be held on Thursday, 23 March 2000, at 5 p.m. in Marina Congress Center in Helsinki, Finland. Advance notification of attendance must be received by 4 p.m., 20 March 2000.

Financial information
Instrumentarium Corporation will publish three interim reports for the year 2000. The January–March results will be published on 12 May 2000, the January–June results on 16 August 2000 and the January–September results on 9 November 2000. Preliminary results for the year 2000 will be published in February 2001. Information will be published in euros.

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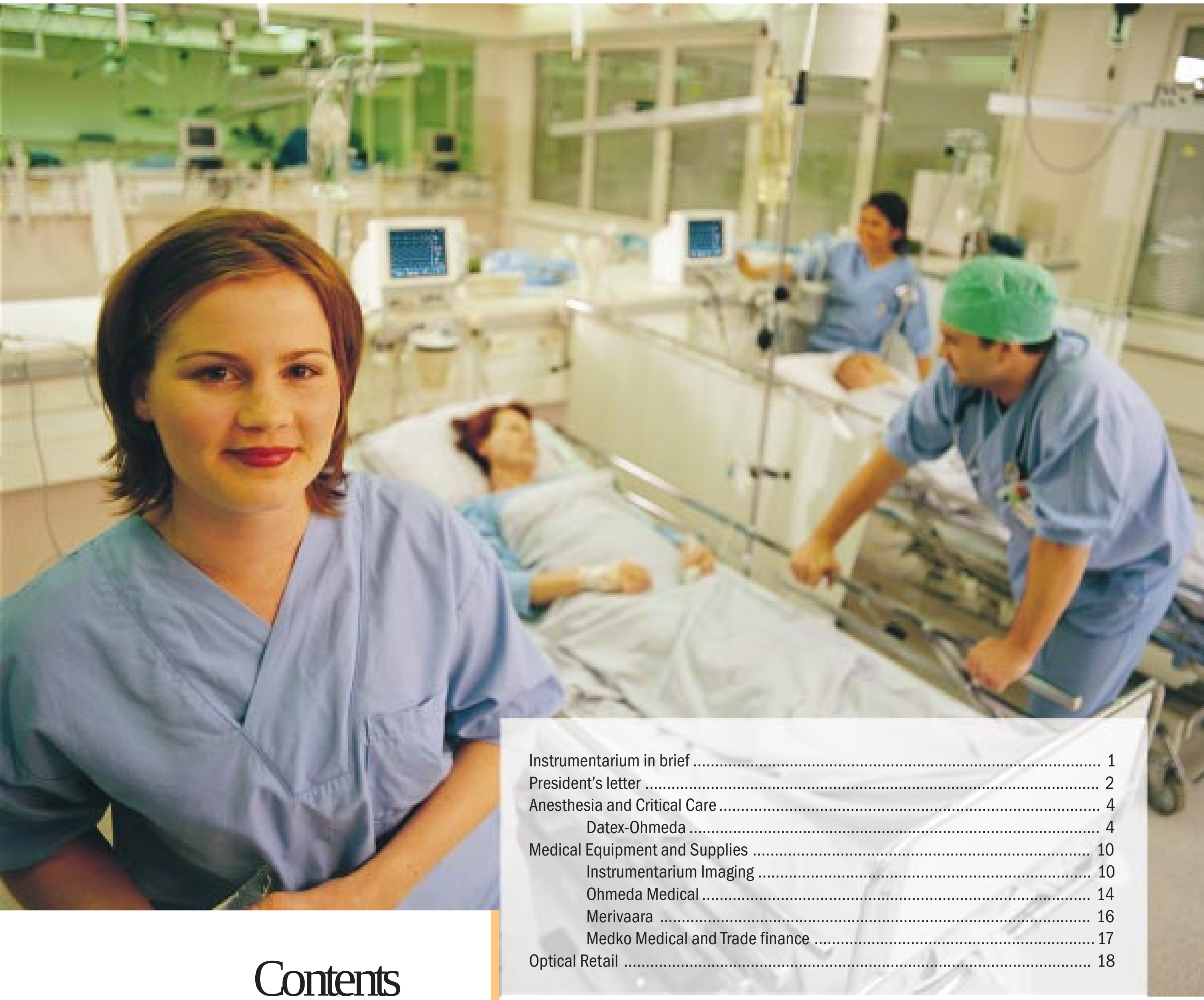

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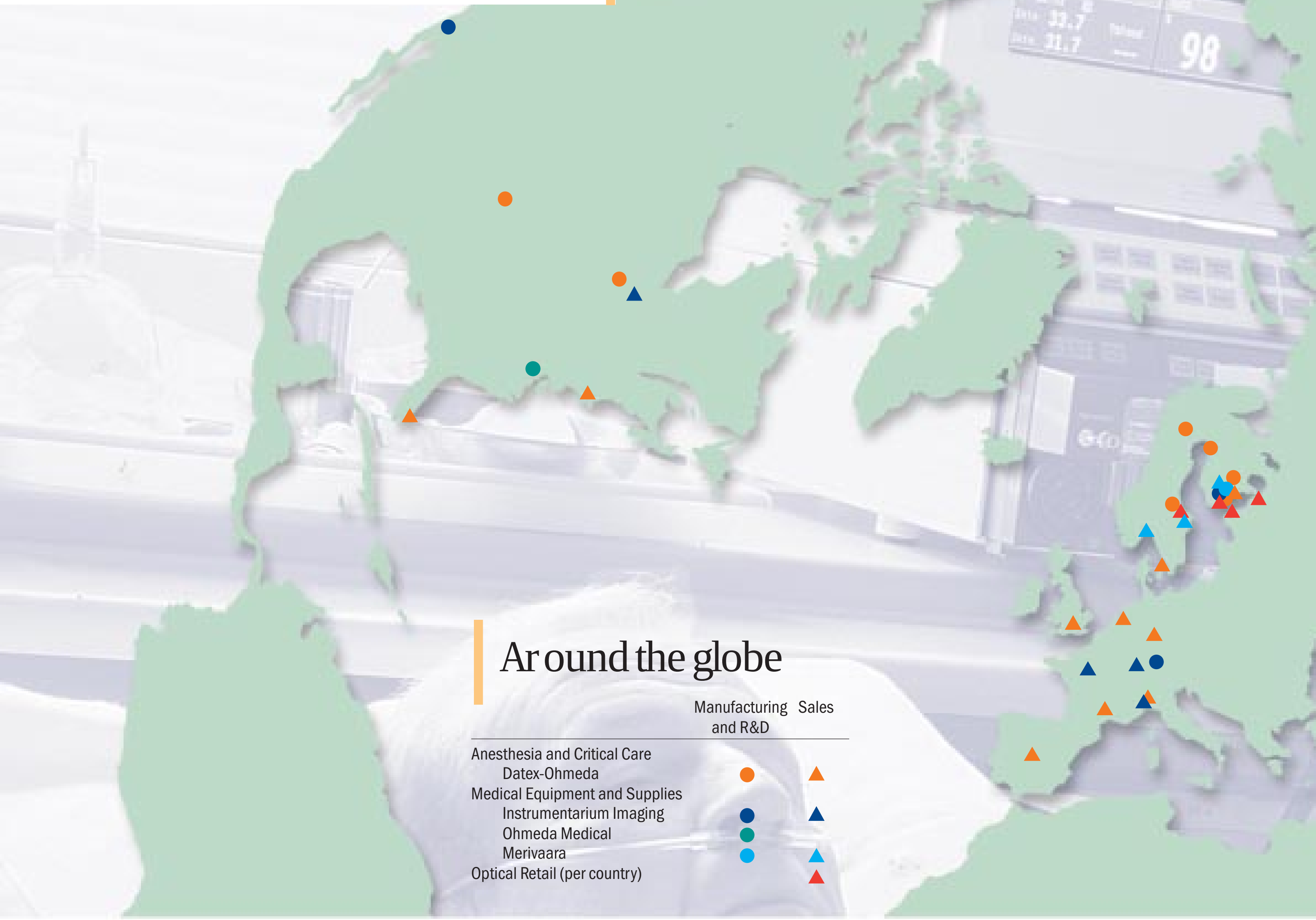
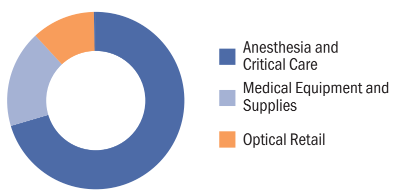
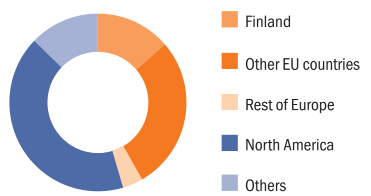
Instrumentarium in brief



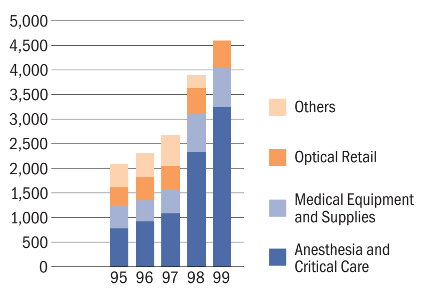
Net sales by business segment, %



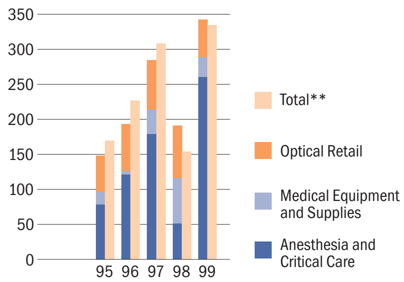
Net sales by market area, %



Net sales by business segment, FIM million

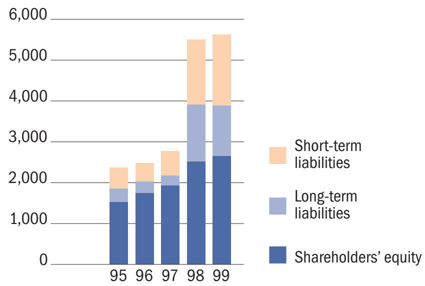


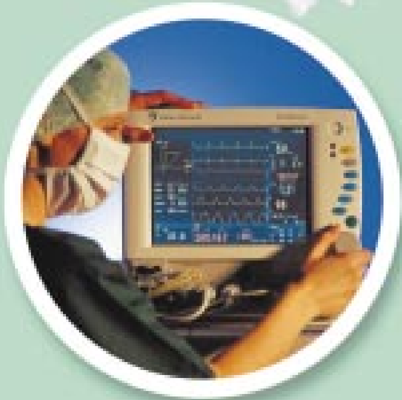
Operating profit* by business segment, FIM million



* Before non-recurring items and amortization of goodwill
** Includes Group administration and divested operations

Capital structure, FIM million





Business segments

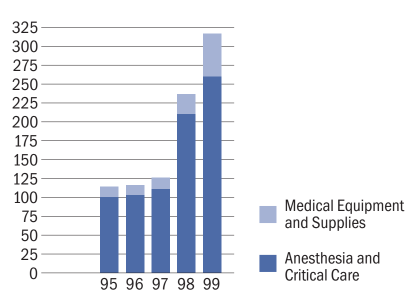
ANESTHESIA AND CRITICAL CARE is represented by **Datex-Ohmeda,** which is one of the world's leading manufacturers of equipment and systems for Care Process Management. Its wide range of products includes patient monitors and patient monitoring systems, clinical information management systems, anesthesia machines, drug delivery devices and ventilators. **Instrumed** distributes products related to operating rooms, anesthesia and critical care in Finland.

MEDICAL EQUIPMENT AND SUPPLIES comprises the two global business units: **Instrumentarium Imaging,** manufacturing and marketing diagnostic imaging equipment, and **Ohmeda Medical,** offering infant care systems and suction and oxygen therapy products. This segment also includes **Merivaara** manufacturing hospital beds, operating tables and trolleys mainly for the Nordic and nearby markets. **Medko Medical** is engaged in project exports primarily to developing markets.

OPTICAL RETAIL Division sells eyeglasses and other optical products in Finland, Sweden, Estonia and Russia. Optical Retail Division also markets home healthcare products in Finland.

Key figures 1999

R&D expenses
by business segment, FIM million



FIM million	1998	**1999**	%
Net sales	3,891	**4,599**	+18
Foreign sales	78%	**86%**	
Operating profit before non-recurring items and amortization of goodwill on consolidation	154	**334**	+117
Operating profit	251	**277**	+10
Income before extraordinary items	181	**185**	+2
Income before extraordinary items, after taxes	94	**98**	+5
Shareholders' equity and minority interest	2,519	**2,649**	+5
Balance sheet total	5,505	**5,619**	+2
Return on investment, %	10.2	**6.6**	
Equity ratio, %	46.0	**47.1**	
Earnings per share, FIM	4.45	**4.12**	-7
Dividend per share, FIM	3.50	**4.00***	+14
Adjusted average number of shares (1,000)	21,060	**24,049**	+14
Employees at the end of the year	5,131	**5,128**	-0

* Proposed by the Board of Directors

Chief Executive's letter

As we enter the 21st century, Instrumentarium is consistently demonstrating that it has entered a new era as a focussed, dynamic player in the global medical technology market. Instrumentarium is a technology company, but it is one with a key difference, we are on a mission to help make quality healthcare affordable to societies. We think we can make a difference to peoples' lives, in more ways than one.

In our 99th year of operations, we set ourselves the goal to consolidate the large acquisition of 1998, while at the same time aggressively increase sales and invest for the future. I am pleased with the overall results, financial performance improved markedly, with sales up 18% and operating earnings more than doubled. Growth came almost entirely from our global businesses, the largest factor being the improved performance by our core business Datex-Ohmeda. In North America, Datex-Ohmeda, Inc. turned profitable and Datex-Ohmeda's sales were up 21% for comparable post-acquisition periods. This level of growth was far higher than the overall market growth of approximately 5%, and the division clearly gained market share in a market worth FIM 30 billion.

Virtually all the comparable sales growth in the Medical Equipment and Supplies segment, 5%, came from Instrumentarium Imaging where strong sales of mammography helped push overall sales growth in the division up to 28%. Instrumentarium is investing heavily in its diagnostic imaging businesses in order to successfully take advantage of the digital revolution. In 1999 we opened three new direct sales offices in the main European markets and in January this year considerably strengthened our position in the fast growing surgical imaging business with the acquisition of the Ziehm companies. The change in the product mix for Instrumentarium Imaging brings the division much closer to Datex-Ohmeda. Optical Retail succeeded in maintaining its high market share in Finland in a turbulent year for the retail market.

In February 2000 we decided to focus the efforts of Instrumed primarily on the sale and support of products which Instrumentarium itself manufactures. I am confident that the founders of Instrumentarium, whose first activity was the import and distribution of surgical instruments nearly 100 years ago, would be delighted to know that we now have a substantial business in Finland primarily selling our own proprietary products. With our partners, Instrumed will now be able to concentrate on serving customers in the operating room, anesthesia and critical care.

Instrumentarium has enormous profitable opportunities to expand in the coming years. Successfully dealing with the inevitable operative challenges will, however, require diligent efforts and an attitude of continuous development when working with complex new technologies. Our concern for product quality is the basis of the trust we enjoy with the clinical community and is exemplified in the decision we voluntarily took to put deliveries of the new Datex-Ohmeda AS/3 ADU anesthesia machine on hold when technical reliability indicators fell below our standards. At the time of writing we plan to resume shipments in April, together with a field upgrade primarily with an improved software version. I thank everybody concerned, especially our customers, for their patience on this issue.

I am keenly aware that all employees of Instrumentarium have had to show a great deal of flexibility in constantly changing circumstances, and I would like to express to you all my utmost gratitude. I am pleased to announce that we have already launched a number of initiatives to streamline logistics and information flow within our divisions and will launch additional initiatives in 2000.

The foundation of the development of Instrumentarium are our employees who are not only capable of renewal but also motivated to seek it. Instrumentarium's own contribution to the development of its personnel now needs to be given the priority it deserves. We have hence started a substantial program aimed at ensuring that Instrumentarium continues to comprise of professionals with better talents, a higher level of motivation and a better sense of commitment and cooperation than its competitors. During 1999 Instrumentarium also made a decision to document and review its activities and seek ISO 14001 environmental management system certification for all of its operations. Instrumentarium is a progressive place to work and our formal policies shall reflect that.

I would like to thank the members of the Supervisory Board for their valuable support in the development of the Company over more than thirty years. Following the change in corporate governance, approved in the Extraordinary General Meeting in December 1999, Instrumentarium now has a Board of Directors primarily comprising external experts. I believe that this structure will serve Instrumentarium well in our new era.

In line with Instrumentarium's active dividend policy, I am pleased to announce that the Board of Directors proposes an increase in the dividend to FIM 4.00 per share.

This is an exciting time for Instrumentarium. In order to take full advantage of our clear opportunities, we need to bring shareholder thinking also to our business decision making. I therefore encourage all of our employees to actively take advantage of today's rapid technological developments and work together for continued growth and higher profitability in 2000 and beyond.

Olli Riikkala
President and CEO

Anesthesia and Critical Care

Datex-Ohmeda

Datex-Ohmeda develops, manufactures and markets products for anesthesia and critical care. The division is the world's leading supplier of anesthesia equipment, systems and services and an emerging leader in adult critical care. Its wide range of products includes clinical information management systems, anesthesia machines and ventilators as well as patient monitors and monitoring systems for anesthesia, intensive care units and sub-acute care.

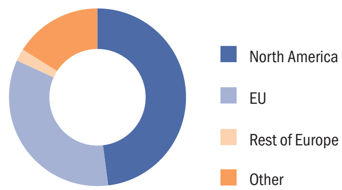
Datex-Ohmeda's strategy is to gain leadership in the global market for anesthesia and critical care equipment, estimated to be worth approximately FIM 30 billion in 1999, and growing at a rate faster than GDP. The division intends to profitably grow at a double-digit rate by further strengthening its position as the world's leading supplier of anesthesia equipment, and by selectively expanding into areas of critical care with differentiated products. Ultimately, the division intends that the equipment it supplies will be the enabling technology for Care Process Management solutions in anesthesia and critical care.

Enabling the clinical information systems revolution

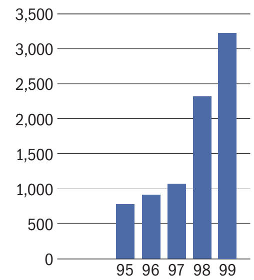
Against a background of increasing concern over the rising cost of delivering healthcare in the hospital, many experts are convinced of the need to implement clinical information management systems where patients are actually cared for, often termed "point-of-care" solutions. Additionally it is widely believed that clinical information management systems will be a necessary pre-requisite for Care Process Management: improving efficiency of care without compromising on the quality of patient care offered.

Currently, very few hospitals in the world have any kind of clinical information solutions and existing solutions are often the result of ad-hoc research projects. Of the approximately 30,000 acute-care hospitals in the industrialized countries, only a few hundred have implemented robust, commercially available solutions backed by professional maintenance and support.

Net sales by market area, %



Net sales, FIM million



Today, in a typical operating room, a member of the professional anesthesia staff keeps a hand-written paper record of the anesthetic including information displayed by the anesthesia machine, the patient monitor and that from other equipment. Despite the fact that at the same time the patient monitor, and other equipment, continuously collect the same information in more detail to an electronic "trend" memory. Once the operation is over, however, the patient monitor is re-set and all the valuable, detailed information is literally deleted. Although the manual paper record is an important and useful document for patient transfer to post-operative care, it is a very difficult tool to use for later research or monitoring of quality of care, quality of outcomes or Care Process Management. Intensive care is at a similar stage of development, with even fewer hospitals linking data from the operating room to intensive care, even though a large number of intensive care patients are admitted following surgery.

There are numerous historic reasons for the current situation, including a traditional under-funding of hospital Information Technology (IT) departments compared to IT for other industries. The main hurdle, however, has been the sheer complexity of the challenge of collecting all the relevant information generated by diverse equipment as well as the information on therapeutic interventions by the care providers themselves. So, as we enter the 21st century, the challenge remains.

S/5 Critical Care Monitor uniquely combines the monitoring of circulation, perfusion, oxygen delivery, ventilation and metabolism.

Key figures for business segment

	1998	**1999**	%
Net sales (FIM million)	2,331	**3,238**	+39
Operating pr ofit* (FIM million)	51	**260**	+408
Personnel, average	2,874	**3,495**	+22

* befor e non-r ecurring items and amortization of goodwill on consolidation

Datex-Ohmeda has identified a clear need for products that lower the barriers to implementing a clinical information system and allow for the implementation of specific departmental, rather than hospital-wide, solutions which offer the users themselves real value. Datex-Ohmeda's System products are intended to enable Care Process Management in both anesthesia and critical care, and to help the users themselves, by not adding unnecessarily to their workload.

The market for clinical information solution software is still relatively small. After a quiet 1999, when hospitals gave planning for Y2K issues priority in all markets, it is widely believed that the market will grow at an average annual rate of more than 30% over at least the next five years. It is estimated that the value of the market for complete clinical information systems will exceed FIM 10 billion by the end of the decade. This emerging market is an exceptional growth opportunity for Datex-Ohmeda to seize.

Datex-Ohmeda

The importance of both equipment and information integration

Datex-Ohmeda has adopted a different approach to the market than most other suppliers of clinical information management solutions because Datex-Ohmeda believes that offering solely software-based information management solutions is only part of the answer. A robust clinical information management system has to be built on a solid development platform comprising both equipment and software, one which assures hospitals of continued future equipment compatibility and that their investments today will retain their value.

Focussing only on integrating historic information from disparate equipment, as software vendors do, ignores the fact that care providers are simultaneously seeking ergonomic solutions to handle and process real-time information for the care of their patients. Disparate equipment is a potential threat to patient safety, and patient safety always has to take priority.

Sourcing all the key equipment parts from the same company as an integrable solution not only helps ensure that data will not be lost due to poor interfaces, but that vital alarms and data will not be overlooked in an emergency. That is the prime reason why Datex-Ohmeda is offering its clinical information solutions as integrated equipment and information solutions.

Although revenues from clinical information management products failed to meet expectations in 1999 due to customers' planning for Y2K, Datex-Ohmeda nevertheless increased its sales of clinical information management products by approximately 20% over 1998. To gain full benefit of the expected future increase in demand for such solutions, Datex-Ohmeda integrated all its sales, marketing and development activities related to clinical information management systems into a separate global business area during the year. The division is making significant new investments in all aspects of this business area for 2000 and beyond.

The System 5 product family

The System 5 is Datex-Ohmeda's new product family, which answers the need for both equipment integration as well as information management. It offers the benefits of integration across the company's entire product range and its five application areas: Anesthesia, Post-anesthetic Care, Emergency, Critical Care and Transportation.

Datex-Ohmeda's System 5 includes a full range of anesthesia and critical care monitors, anesthesia machines and ventilators, and a clinical information management system. It also provides a wide range of accessories and single-use products for use with the equipment. The product offering is completed by value adding services, including training, implementation and technical services. System 5 is thus an evolutionary extension of the AS/3 and CS/3 concepts, which Datex-Ohmeda has successfully marketed since 1992, both in terms of integration and applications areas.

In particular, the Datex-Ohmeda S/5 Care Process Management solution signals Datex-Ohmeda's strategy to unify data gathered throughout the anesthesia, critical care and related areas in order to provide hospitals the tools for care planning, documentation and analysis. Datex-Ohmeda introduced the new System 5 product family in

November 1999 at Medica, Dusseldorf. For commercial launch in USA, System 5 products are awaiting 510(k) approval from the FDA.

Anesthesia machines, ventilation and drug delivery

Datex-Ohmeda offers hospitals a large range of anesthesia machines, ventilators and vaporizers to choose from. The range includes optimal solutions for customers wishing to combine patient monitoring with only mechanical integration, as well as an advanced, fully software-driven system solution, the S/5 Anesthesia Delivery Unit, for integration with Datex-Ohmeda's own sophisticated anesthesia monitors and anesthesia information management solutions.

During the year sales and marketing co-operation with INO Therapeutics, a subsidiary of AGA AB, Sweden, was expanded in North America. For the U.S. market, Datex-Ohmeda received FDA regulatory clearance for the INOvent® drug delivery system in January 2000, following regulatory approval granted to INO Therapeutics for the first indication for the drug INOmax® (nitric oxide) in December 1999. INOmax will be commercially launched in the USA in the first quarter 2000. INOmax, the first and only pulmonary vasodilator, is indicated for the treatment of full-term and near-term (more than 34 weeks) neonates with hypoxic respiratory failure and is used in conjunction with ventilatory support and other appropriate agents. INOmax dilates the constricted blood vessels of the lungs so they can carry more oxygen, and reduces the need for a highly invasive procedure called ECMO (extracorporeal membrane oxygenation) in infants who have clinical or echocardiographic evidence of pulmonary hypertension. In order to ensure safe and effective delivery of the product, INO Therapeutics plans to provide it in North America as part of a package consisting of the drug, a delivery device, equipment maintenance and service, and round-the-clock support for healthcare professionals. Datex-Ohmeda is responsible for the development and manufacturing of the INOvent delivery system as well as for its sales and marketing in other global markets.

Patient monitoring and accessories

Datex-Ohmeda's modular system patient monitors are now marketed as part of the System 5 concept with two distinct modular system solutions: S/5 Anesthesia Monitor and S/5 Critical Care Monitor. The S/5 Anesthesia Monitor is designed for the Operating Room and post-anesthesia recovery room (PACU), while the S/5 Critical Care Monitor is designed for the Intensive Care Units (ICU), Cardiac Care Units (CCU) and other care areas of the hospital. Datex-Ohmeda's wide range of patient monitoring products also includes a system solution for transport monitoring, the S/5 Compact Monitor, as well as several ranges of configured monitors for both stationary and transport monitoring.

New hardware for System monitors. Now ease-of-use also means easy to reach controls.

The system monitor family was significantly upgraded during 1999, with the release of new parameter modules as well as hardware and software enhancements. To further improve usability, the control panel for the monitor has been designed to be removable – a great advantage to users when the display unit is placed on top of an anesthesia machine or on a wall mount at a bedside. The range of parameters for the System

Monitors was significantly extended, with new modules for gastric tonometry, brain monitoring and muscle relaxation (neuromuscular block) monitoring, as well as a new 12-lead ECG module allowing multi-lead ECG and ST-level analysis for monitoring cardiac ischemia.

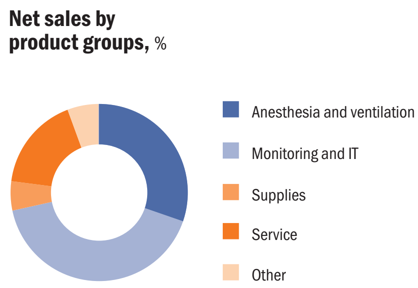
For neuroanesthesia and neuro intensive care applications, the new EEG module allows clinicians to study the effect of anesthetics and surgery on brain activity. Datex-Ohmeda is the first company in the world to integrate EEG, EMG and auditory evoked potentials as a module for a patient monitor. The EEG module relies on a proven track-record – the experience gained with the Datex Anesthesia and Brain Monitor (ABM) – considered a breakthrough product in 1982 and, incidentally, the division's very first multi-parameter patient monitor. Datex-Ohmeda is currently working on potential new solutions for EEG-based monitoring of depth of anesthesia, including depth of anesthesia indexes, based on a revolutionary application of entropy.

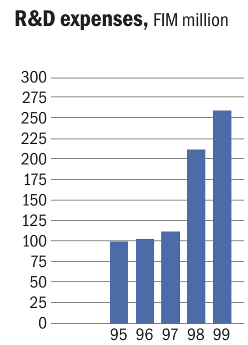
The new neuro-muscular transmission (NMT) module for muscle relaxation monitoring makes Datex-Ohmeda's world-renowned NMT monitoring technology available for both the S/5 Anesthesia Monitor and the S/5 Critical Care Monitor. Adequate muscle relaxation is a pre-requisite for general surgery as it immobilizes the surgical area, but clinicians have traditionally had to rely solely on clinical experience to determine the level of relaxation or use a simple "twitch" stimulator device to indicate when relaxation has worn off. With Datex-Ohmeda's new NMT module, the technology now exists to optimize relaxation both to economize on the expensive pharmaceuticals needed as well as to monitor reversal for a more rapid recovery. Combined with Datex-Ohmeda's anesthesia information system, data on drug delivery, relaxation and possible adverse drug reactions can be easily integrated into the patient's anesthesia record. Datex-Ohmeda originally introduced its NMT monitoring solution as the Relaxograph in 1985, a best seller long considered the gold standard by many clinicians. Datex-Ohmeda's new NMT monitoring solution incorporates a new mechano-sensor accessory to improve ease-of-use. In 1999, the popularity of the NMT module in new monitor orders exceeded all estimates.

Datex-Ohmeda introduced its first new significant configured "all-in-one" monitor series for anesthesia, the Cardiocap/5, during 1999 and received FDA clearance to market it in the USA in November. This new all-in-one monitor series builds on the strong market position of the original Cardiocap and Ultima products launched in the late 1980s, of which over 50,000 have been delivered. The Cardiocap/5 has been positioned as a solution for customers who are not yet ready to make the leap to either modular system solutions or anesthesia information management, but nevertheless require a high-level of clinical functionality, usability and large color screen for all data. With its parameters and capabilities pre-determined, the Cardiocap/5 allows for quick purchasing decisions, efficient logistics and rapid installation at the hospital. The Cardiocap/5 also validates Datex-Ohmeda's global manufacturing strategy by being the first product to go into production simultaneously in both Europe and North America.

Strengthening Datex-Ohmeda's critical care offering

Datex-Ohmeda has taken a radically different approach to solving the needs of critical care monitoring by initially focussing its own R&D on being the first and only supplier to integrate the monitoring of circulation, perfusion, oxygen delivery, ventilation and metabolism in one monitor, the S/5 Critical Care Monitor. Now that Datex-Ohmeda





has validated its approach by its successful entry into the European and other ICU markets, 1999 was the year of bolstering the product offering by developing state-of-the-art cardiac monitoring features, as well as taking the first steps in entering the critical care market in the USA.

During 1999, Datex-Ohmeda made an alliance with Mortara Instrument, Inc. to access Mortara Instrument's world-renowned cardiology technology for application in critical care areas. Multiple product collaborations have been launched, including the integration of Mortara's arrhythmia processing algorithms into Datex-Ohmeda's patient monitors as well as the joint development of a telemetry monitoring system. As part of the alliance, Instrumentarium made a minority equity investment in Mortara Instrument, Inc.

As well as developing wireless monitoring solutions, successful penetration of the critical care market requires Datex-Ohmeda to focus future R&D on developing more sophisticated real-time Windows NT -based central monitoring systems as well as web-enabled solutions for remote access and analysis of patient data via the Internet. Datex-Ohmeda is the only significant company intending to enter the hospital ICU ventilator market and the on-going development of the Engstrom ventilator provides further differentiation in marketing Datex-Ohmeda's critical care monitors and information management solutions.

Recent Accomplishments

- Launch of System 5 product family
- Alliance with Mortara Instrument, Inc.
- Launch and FDA clearance for Cardiocap/5 "all-in-one" patient monitor series
- Acceptance of NMT as a core parameter in System-monitors
- Aestiva/5 Anesthesia Machine now a market leader
- North American service and service support restructured

System 5 product and application concept

Medical Equipment and Supplies

Instrumentarium Imaging

Instrumentarium Imaging develops, manufactures and markets diagnostic X-ray imaging equipment for mammography, surgical imaging and dental imaging. Each business has a common ground in X-ray generator technology and the potential to rapidly expand in digital imaging, image manipulation and connectivity. The division is one of the world's leading suppliers in each segment it operates in.

Instrumentarium Imaging's strategy is to strengthen each of its businesses and to grow faster than the market by exploiting the opportunities created by customer adoption of digital imaging technology. To support sustainable growth, the division aims to strengthen its marketing and development capabilities by forging stronger links with its customers, both distributors and users.

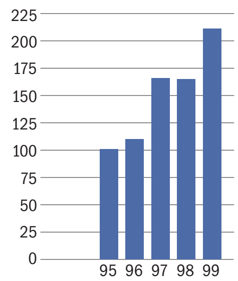
Leading the digital revolution

Instrumentarium Imaging intends to use the opportunities presented by the advent of the digital age of imaging in order to strengthen its position in the fragmented diagnostic X-ray markets. Once an X-ray department has gone fully digital, it will be able to realize enormous savings on film, film processing, image storage and image distribution - as well as increase quality of service. Instrumentarium Imaging also sees a completely new market developing for sophisticated 3-D image manipulation software. These add-on applications will mean that the digital revolution has the potential to also bring major clinical benefits to patient care. In an increasingly environmentally conscious society, the digital revolution will also be welcomed as a crucial step towards minimizing the environmental impact of X-ray film processing.

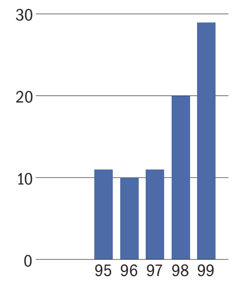
Surgical and interventional imaging continue to expand at a rapid pace

The overall demand for more effective and cost-efficient patient care is revolutionizing the way radiologists are diagnosing patients in critical care areas of the hospital. Emergency medicine and minimally invasive surgery have become major consumers of radiology services and place extraordinary demands for faster and more timely

Net sales, FIM million



R&D expenses, FIM million



radiology services. In the past, there has been time to transfer patients to radiology departments and wait the required hours, or longer, for a thorough confirmed diagnosis.

No longer. In an increasing number of clinical processes, radiology equipment has to be brought to the patient and be available right at the point-of-care. The equipment also has to give real-time information in order to be effective in those care processes. Surgical and interventional imaging is fundamentally radiology which physically takes place outside the radiology department. The imaging equipment, referred to as "C-arms" due to their distinctive appearance, are X-ray devices with real-time, continuous viewing capability (fluoroscopy), unlike traditional X-ray equipment which offer only static images. In some instances the users are physicians themselves, and consequently C-arms also have to be designed for ease of use by clinicians and assistant technologists in the sterile field.

The most frequent applications for C-arms are in orthopedics and general surgery, but are being increasingly used also in urology, pain management (needle placement), endoscopy, speech pathology, interventional neuroradiology as well as in a range of vascular and minimally invasive surgery procedures, including angioplasty and stent placement.

New digital Orthopantomograph® OP100 D satisfies most sophisticated users' needs in dental imaging.

Key figures for business segment

Key figures for business segment	1998	**1999**	%
Net sales (FIM million)	773	**813**	+5
Instrumentarium Imaging	165	**211**	+28
Ohmeda Medical	216	**283**	+31
Merivaara	151	**135**	-11
Instrumed	156	**154**	-2
Medko Medical	85	**30**	-65
Operating pr ofit* (FIM million)	65	**29**	-56
Personnel, average	690	**799**	+16

* befor e non-r ecurring items and amortization of goodwill on consolidation

C-arms have the advantage of being mobile, meaning that they can be easily taken to patient wards, emergency medical services areas, and shared by several hospital departments. In many cases, C-arms are the only cost-effective imaging alternatives for ambulatory surgery centers and smaller hospitals.

Overall, the global market for C-arms is growing at a double-digit rate due to a rapidly expanding field of applications, including minimally invasive surgery. Performance is a function of both data-handling capacity and detector resolution, and since the underlying technology is being rapidly developed, each new generation of equipment is many times more powerful than the previous one. This is leading to a situation where C-arm could be the preferred choice for many interventional cardiology applications.

Following the acquisition of Ziehm in January 2000, Instrumentarium Imaging now offers a wide range of C-arm products, from orthopedics to angiography. Instrumentarium

Instrumentarium Imaging

Imaging is now the market leader in Germany and a leading supplier in the USA, the Benelux and Nordic areas. Instrumentarium Imaging supports Instrumentarium's anesthesia and critical care business, since one of the main C-arm application areas is the operating room. The potential to include surgical imaging data also opens new possibilities to broaden the scope of Datex-Ohmeda's clinical information systems.

Digital becoming mainstream choice in sophisticated dental imaging markets

Instrumentarium Imaging was the first company in the world to realize the dentist's dream - a panoramic view of all the teeth and other oral structures on one image. That product is the Orthopantomograph® and is the forerunner of Instrumentarium Imaging's current product line - the most advanced dental imaging systems in the world.

Today Instrumentarium Imaging's key dental product is the Orthopantomograph® OP100 featuring outstanding image quality, versatile panoramic and other programs for the most demanding needs of dental practitioners. The technical quality of the latest OP 100 platform has allowed Instrumentarium Imaging to introduce a digital solution with image quality that meets or exceeds customer expectations, unlike other manufacturers' first generation systems. The digital version of the OP100 was cleared by the FDA for commercial distribution in the USA in October, 1999.

Dental offices will realize the full potential of a digital solution when all images are available in digital format. In order to offer its customers complete solutions, the division is developing a family of multipurpose digital imaging systems, which can also be fitted to existing conventional X-ray units in the office. Instrumentarium Imaging's digital imaging systems offer instant and excellent high-contrast image quality, with the potential to reduce patient X-ray doses as well.

In order to store, manage and transmit the dental images, Instrumentarium Imaging offers its customers Cliniview, a Windows NT-based software suite. Cliniview allows, for example, dental offices the capability to transmit images through an Intranet, or similar application, to colleagues and insurance companies.

Towards full-field direct digital mammography

Mammography is considered the gold standard for the detection and diagnosis of breast cancer, the most prevalent form of female cancer. It is the most demanding diagnostic X-ray application by far in terms of image resolution. This demand, together with the size of area to be imaged, means that virtually all mammography screening today is, in practice, made with traditional film as in Instrumentarium Imaging's Alpha series. Although the technological limitations to digital solutions have been overcome to some extent, a full-field direct digital solution is not yet a practical option for customers due to the cost of the large detector panel assemblies required, the viewing requirements and the limited availability of other infrastructure. Instrumentarium Imaging believes that virtually all mammography devices are bought today to use film for full field views and will continue to do so for some time. However, for spot imaging and biopsy needle guidance, digital imaging technology is the current mainstream state-of-the-art choice for customers.

Film does have its clinical diagnostic limitations, however. Once taken, a traditional film screen mammogram cannot be altered, making the detection of some tumors virtually impossible without further imaging with magnification or focal compression. Taken with a single exposure, the image is always two dimensional, which means that super-imposed structures cannot be easily identified or diagnosed.

With a digital solution, images can be processed by a computer and are then viewable in a variety of ways – allowing fine-tuning of the brightness and contrast. This enables the radiologist to optimize viewing conditions separately for breast masses or calcifications, for example. Furthermore, Instrumentarium Imaging believes that the true value of digital to breast imaging will only be realized when 3-D imaging solutions are available. Instrumentarium Imaging has acquired, and is further developing, a patented technology called TACT® (Tuned-Aperture Computed Tomography) which transforms two-dimensional imaging into virtual three-dimensional (3-D).

TACT® enables images to be viewed from a variety of angles, rotated, or viewed in slices. This breakthrough technology has the potential to allow dramatic improvement in the diagnostic capability of mammography, while at the same time the reduced need for breast compression should make the procedure a more pleasant experience for the patient. An inherent feature of TACT® technology is that the accuracy of the 3-D image comes from the image itself and not from the system mechanics. TACT® is first being applied to enhance digital spot imaging and is being developed for full field mammography, as well as for other Instrumentarium Imaging products.

Recent accomplishments

- Leading global supplier of C-arms through acquisition of Ziehm
- FDA approval for marketing the digital Orthopantomograph® OP100 D in USA

Medical Equipment and Supplies

Ohmeda Medical

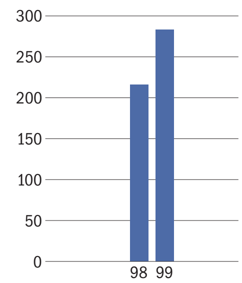
Ohmeda Medical develops, manufactures and distributes infant care and suction and oxygen therapy equipment worldwide. Its wide range of infant care equipment includes incubators, radiant warmers, neonatal monitors and jaundice management systems to treat both healthy and critically ill infants.

Ohmeda Medical's strategy is to expand its presence in the North American market, maintaining its clear market leadership in incubators, radiant warmers and vacuum regulators, as well as broadening its product offering through R&D and strategic alliances. The division also intends to aggressively expand its international activities through an independent distributor network and in co-operation with Datex-Ohmeda's global sales subsidiaries.

In common with other areas of healthcare, infant care is experiencing higher demands for productivity, with an emphasis on cost containment. For Ohmeda Medical, this means designing products that improve the quality of infant care and clinical staff efficiency, while reducing overall costs. Infant care providers have unique challenges to cope with, including the need for superior access and thermal control for the most critically ill infants. Traditionally, infants have needed to be transferred between incubators and infant warmers for transport or clinician access during procedures. These transfers not only consume staff time and energy, but also promote heat loss and cause unnecessary stimulation to the infant.

In response to these needs, Ohmeda Medical has developed the Giraffe™ OmniBed™, a revolutionary new product that combines the access of an open bed radiant warmer with the precise thermal control of an enclosed incubator. Now, with just the touch of a button, the OmniBed canopy raises, giving instant and total access to the infant. The new product dramatically simplifies procedures and improves quality of care, while reducing patient physiologic

Net sales*, FIM million



*From April 1, 1998

stress. The Giraffe OmniBed has received FDA 510(k) clearance and is scheduled to go into full production in Spring 2000. Ohmeda Medical will continue to develop the Giraffe family of next generation products that will enhance efficiency and improve clinical outcomes in infant care.

Together with Datex-Ohmeda, Inc., Ohmeda Medical has recognized that nurses, respiratory therapists and other providers who care for patients outside the hospital are being asked to deliver increasingly higher levels of care, both efficiently and cost-effectively. To meet these needs in North America, Ohmeda Medical and Datex-Ohmeda, Inc. are launching a Continuing Care initiative in 2000. This initiative builds on a decade of experience serving the North American homecare market. Initially, the Continuing Care initiative will offer products and services in two therapy areas that build on expertise of the two companies, respiratory care and jaundice management.

Recent accomplishments

- Launched the new enGuard CM4 physiologic monitor and enGuard 2000 pulse oximeter, incorporating Masimo SET® pulse oximetry technology
- Signed exclusive distribution agreement with Chromatics Color Sciences International to distribute the Colormate® TLc-BiliTest® System, a non-invasive bilirubin monitor
- Received FDA 510(k) clearance for the Giraffe™ OmniBed™

New Giraffe™ Omnibed™ is an incubator which converts to a radiant warmer for total access to newborn.

Medical Equipment and Supplies

Merivaara

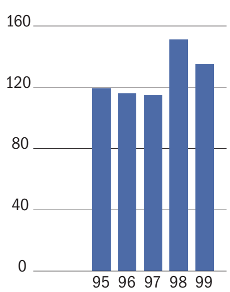
Merivaara develops, manufactures and distributes high quality medical furniture to hospitals and nursing homes. The division is the leading supplier of hospital beds in Finland, Sweden and Norway. The product range also includes operating tables as well as trolleys for patient transport.

Merivaara's strategy is to strengthen its position as the leading supplier to the Nordic market and selectively expand in nearby markets. Merivaara aims to strengthen and broaden its three main product groups for the hospital: sophisticated beds, light operating tables and high-mobility patient transport/treatment trolleys.

Merivaara is aggressively grasping the opportunities presented by the increasing demand for outpatient (ambulatory) surgery and the special needs of the outpatient surgery operating rooms in hospitals and clinics. Outpatient operating rooms have very high patient turnover and essential features of a good operating table solution are flexibility, mobility and effortless adjustment as well as unimpeded access to all surgical fields of the patient.

Since hospitals' expectations on outpatient surgery are largely based on better economics in patient care, the solution should also be compatible with the relatively lower equipment budgets. Merivaara's new operating table uniquely answers all of these needs. It represents a new level of sophistication for Merivaara's product line and incorporates new material solutions for easier sterilization, ergonomics and aesthetics. The product has been well received by distributors and customers in exhibitions and will enter production in early 2000.

Net sales, FIM million



During the latter part of 1999 Merivaara was restructured in response to the drop in demand for hospital furniture in Russia. The restructuring is aimed at further improving efficiency in manufacturing as well as in logistics.

Trade Finance and Medko Medical

Medical Equipment and Supplies

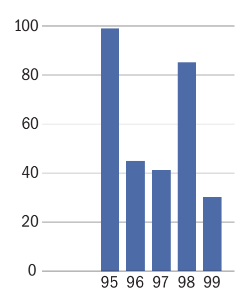
Global Project Sales & Trade Finance is an initiative by Instrumentarium to help societies purchase healthcare technology on favorable financing terms.

Experience in the industrialized countries has shown that appropriate use of high-quality healthcare solutions can actually reduce overall costs of healthcare provision to society. These savings can only be achieved, however, when the financing for the intitial investments can be arranged. To help societies reach their goals Instrumentarium has set up the structure for a Corporate Global Project Sales & Trade Finance initiative, mainly to support Instrumentarium's own products and services. Through this initiative, Instrumentarium is also intensifying its relationships with various third-party finance companies in order to be able to offer its own vendor finance programs to actively support local sales activities in the target markets.

Medko Medical is engaged in project sales, including consulting, planning, delivery, installation, training and warranty.

Medko Medical's strategy is to grow its project sales by offering turn-key project sales, comprising primarily Instrumentarium's own products. In full co-operation with the divisional global distributor networks, Medko Medical thus provides a complementary channel, as a problem solver and solution provider, to customers in developing markets. Medko Medical's main areas of operations are Russia, the Baltic countries, Central Asia and China as well as certain countries in Africa.

Net sales, FIM million



Instrumentarium, Nissen, KEOPS, Ögat

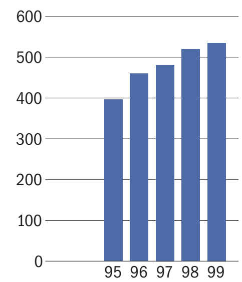
Optical Retail Division is a retailer of optical and home health care products. The division is the market leader in optical sales in Finland and a significant retailer in nearby markets.

Optical Retail Division's strategy is to strengthen its leading market position in Finland, as well as to expand its presence in nearby markets, by focussing on quality customer service and leveraging its close supplier relationships.

As customers value the security of dealing with a familiar brand, Optical Retail Division is successfully maintaining its leading position in the turbulent Finnish retail market. Through its three distinctly profiled chains – Instrumentarium, Nissen and KEOPS – the division can target its messages and products effectively to different user groups. Both the high sales turnover and the ability to target sales have made Optical Retail Division a sought-after partner for higher margin, exclusive brands, such as Hugo Boss, Dolce & Gabbana and Gant eyeglass frames and Transition lenses. The division's own lens-grinding laboratory and centralized logistics support expansion in Finland as well as in nearby markets.

Despite the keen interest in laser surgery to correct vision, these developments are not expected to significantly impact the overall market for optical products. Indeed, many of these customers will, in any case, become users of spectacles later in life. Overall, the eyeglass market is forecast to grow faster than the retail market as an increasing number of customers purchase multiple pairs of eyeglasses to suit their lifestyle needs. Additionally new materials and fashion trends bode well for increasing sunglasses' sales.

Net sales, FIM million



Market research has shown that there is a growing niche in the markets that Optical Retail Division serves for an optical brand name that would offer high quality together with an international appeal for fashion conscious customers. In 1999, the division successfully developed and launched a proprietary brand of eyeglass frames which it has called SUB. The new SUB brand has been launched in retail outlets in Sweden and Estonia as well as in Finland and has been extremely well received by the targeted customers in all markets. SUB offers the Optical Retail Division an additional, new platform on which to grow its business in the future.

After a slow start to the year in the optical market, trading conditions improved markedly in the second half of 1999. Sales of home health care products, such as physiological monitors, anatomical footwear, fell slightly during the year and comprises approximately 12% of divisional sales. The division intends to explore new product and retail strategies for home health care in the coming year.

The home healthcare outlets "TerveysInstru" are well known for their expertise. Popular products include blood pressure and pulse meters, anatomical footwear and compression socks. Picture shows a new body fat analyzer.

Key figures for business segment	1998	**1999**	%
Net sales (FIM million)	520	**535**	+3
Operating profit* (FIM million)	75	**53**	-30
Personnel, average	735	**779**	+6

* before non-recurring items and amortization of goodwill on consolidation

Board of Directors' report

Net sales and profit

Net sales for Instrumentarium totaled FIM 4,599 million, an increase of 18% compared to 1998. The restructuring of the Group in 1998 still impacts the annual comparison of sales development. Foreign sales were FIM 3,955 million, representing 86% of consolidated net sales.

The operating profit before non-recurring items and amortization of goodwill on consolidation was FIM 334 compared to FIM 154 million in the previous year. The main reason for this growth was significantly improved operating performance in Anesthesia and Critical Care segment.

The profit before extraordinary items was FIM 185 million for 1999, compared to FIM 181 million in the previous year. It should be noted that the non-recurring items in 1998 were a net FIM 143 million higher than in 1999. Profitability in 1998 was also positively impacted by the dissolution of the Instrumentarium Pension Fund, and the consequent absence of contributions to the pension fund that year. Comparable pension costs for 1999 were FIM 52 million. Net financing expenses were FIM 22 million higher than in 1998.

Earnings per share were FIM 4.12, compared to FIM 4.45 in the previous year. Shareholders' equity per share was FIM 109.57 having been FIM 104.49 at the close of 1998.

The Group had 5,128 employees at the end of 1999, essentially no change over 1998. Outside Finland there were 3,143 employees, approximately 61% of the total.

Anesthesia and Critical Care

Datex-Ohmeda's net sales were FIM 3,238 million, up 39%. The increase in sales was mainly due to the effect of the acquisition in April, 1998 as well as an increase in sales, especially of anesthesia machines in the USA. For the period April–December 1999, Datex-Ohmeda's sales were up 21% over April–December 1998 which is the corresponding period also including the acquired operations.

Datex-Ohmeda's operating profit before non-recurring items and amortization of goodwill on consolidation amounted to FIM 260 million compared to FIM 51 million in the previous year. Profitability was positively affected by higher sales and improved gross margin compared to last

Development by business segment

FIM million	Net sales			Operating profit		
	1998	**1999**	%	1998	**1999**	%
Anesthesia and Critical Care	2,331	**3,238**	+ 39	51	**260**	+ 408
Medical Equipment and Supplies	773	**813**	+ 5	65	**29**	- 56
Optical Retail	520	**535**	+ 3	75	**53**	- 30
Group administration	2	**3**	+ 30	- 42	**- 7**	+ 83
Divested operations	265	**10**	- 96	5	**- 0**	
	3,891	**4,599**	+ 18	154	**334**	+ 117
Amortization of goodwill on consolidation				- 84	**- 94**	+ 12
Non-recurring items				181	**38**	- 79
Operating profit				251	**277**	+ 10

year. Compared to sales, fixed costs were at a lower level than in 1998 when the integration process had resulted in additional costs.

By product group, sales were strongest for anesthesia machines, for anesthesia and critical care patient monitoring systems and for accessories. Sales of anesthesia machines manufactured in the United States showed the best improvement. The anesthesia system machine AS/3 ADU, manufactured in Sweden, was launched in North America in March 1999 and sales started strongly. Overall, sales of AS/3 ADU increased substantially year-on-year, despite the fact that deliveries of the machine were voluntarily put on hold towards the end of the year due to quality issues in the latest software. Deliveries are scheduled to resume in April, 2000. Sales of configured patient monitors and technical service did not fully match expectations. The reorganization of the technical service and support business in the USA was finalized. Sales for clinical information systems were clearly up for the year as a whole, despite customers focussing on year 2000 issues during the latter part of the year.

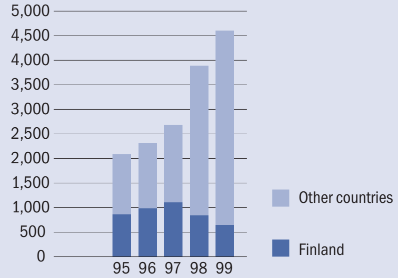
By market area, sales grew strongest in North America. In Europe, sales development varied, with best sales performances seen in Spain and the Netherlands. Sales goals in France and Germany were not met but there was a marked improvement in sales towards the end of the year. Overall, sales developed well in Latin America and the Asian and Pacific regions. North America accounted for 48% of sales, Europe for 36% and the rest of the world 16%.

Medical Equipment and Supplies

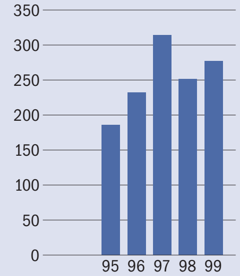
The Medical Equipment and Supplies segment reported net sales up 5% at FIM 813 million for the year. Sales reflect the impact of corporate restructuring also in this segment. The segment's operating profit before non-recurring items and amortization of goodwill on consolidation amounted to FIM 29 million compared to FIM 65 million in the previous year. Profitability was negatively affected by higher investments in R&D in the Instrumentarium Imaging division and the fact that Medko Medical's project sales were down by two-thirds compared to the previous year.

Instrumentarium Imaging's sales were up 28% at FIM 211 million for the year. Sales growth was strongest within

Net sales, FIM million



Operating profit, FIM million



mammography equipment, notably in the USA and in Italy. Sales of dental X-ray equipment also showed clear growth. Instrumentarium Imaging significantly increased its investments in R&D, particularly in the field of digital imaging. At the beginning of 2000, Instrumentarium acquired the surgical imaging “C-arm” manufacturing companies Ziehm. This acquisition gives Instrumentarium Imaging a significant market position in this segment and also offers the potential for Instrumentarium Imaging and Datex-Ohmeda to jointly develop clinical information management solutions for the operating room. The Ziehm companies employed 135 people and had sales of FIM 134 million in 1998.

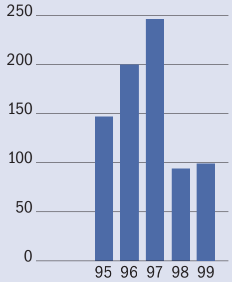
Ohmeda Medical, which manufactures and distributes infant care systems and suction and oxygen therapy equipment, had sales of FIM 283 million, compared to FIM 216 million for the last nine months of 1998 when the division operated as part of Instrumentarium. Due to changes in sales arrangements, the figures are not entirely comparable. The vast majority of these reported sales were in the North American market. During the year Ohmeda Medical significantly increased its investments in R&D.

Sales of Merivaara’s medical furniture were down 11% at FIM 135 million for the year. Sales have been adversely affected in particular by reduced exports to Russia compared to last year. Sales to Europe increased for the year. Towards the end of the year steps were taken to raise operational efficiency in the division.

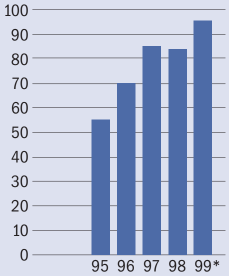
Sales of Instrumed’s medical equipment and supplies in Finland were FIM 154 million, at a similar level to the previous year. In February 2000, Instrumentarium decided to divest certain medical equipment and supplies distribution businesses of Instrumed. This business unit now focuses on anesthesia, operating room and critical care sales and service. The annual sales of the business assets to be divested amounted to approximately FIM 100 million in 1999.

Project sales from Medko Medical fell substantially to FIM 30 million, compared to FIM 85 million in 1998. In 1999, no major deliveries were made on the existing contracts booked.

Income before extraordinary items, after taxes, FIM million



Dividends, FIM million



*Boards proposal

At the end of August, the dental hand instrument business, LM-Dental, was divested. Sales of LM-Dental are reported as part of divested operations. Profit on the divestment is recorded under non-recurring items.

Optical Retail

The Optical Retail Division recorded net sales up 3% at FIM 535 million. Sales by Instrumentarium, Nissen and KEOPS store chains in Finland increased 2%, combined, which reflects the trend throughout the optical retail sector. Sales of home healthcare products were down slightly and represented approximately 12% of segment sales. Sales by the Ögat chain in Sweden increased by 7% in local currency. Sales by the stores in Estonia grew clearly on the previous year partly due to the increase in the number of stores. The Optical Retail Division had 176 stores altogether at the end of the reporting period. Of these 142 were in Finland, 20 in Sweden, 13 in Estonia and 1 in Russia.

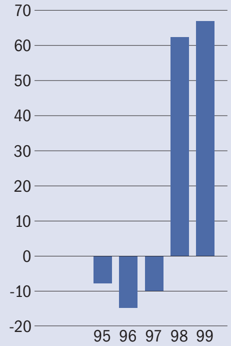
Operating profit in the Optical Retail Division was FIM 53 million, compared to FIM 75 million in the previous year. In 1998 the result was positively impacted by the absence of transfers to the pension fund. Comparable pension costs for 1999 were FIM 19 million. Gross profit remained at the same level as in the previous year, but fixed costs were up significantly, including costs for upgrading computer systems.

Financing

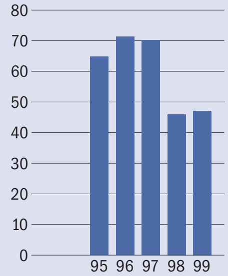
Net financing expenses totaled FIM 92 million during the reporting period, compared to expenses of FIM 70 million in the previous year. The increase in financing expenses was primarily caused by negative exchange rate differences arising from currency hedging. Dividends received amounted to FIM 49 million, compared to FIM 41 million in the previous year. At the end of the reporting period the equity ratio was 47%, compared to 46% at the end of 1998, interest-bearing liabilities totaled FIM 1,881 million, an increase of FIM 136 million from the end of 1998.

Based on previously made agreement, Instrumentarium sold 1,000,000 Orion Corporation A shares to Mutual Pension Insurance Company Varma-Sampo during the year. Profit on the sale was FIM 15 million and is recorded under non-recurring items. Instrumentarium still owns 1,000,000 Orion Corporation A shares. Excluding own shares, the

Gearing, %



Equity ratio, %



market capitalization of the Group's publicly quoted equity securities on 31 December 1999 was FIM 176 million. The corresponding book value of the portfolio was FIM 110 million.

Dissolution of the pension fund

In June 1999, the Ministry of Social Affairs and Health approved the dissolution of the Instrumentarium Pension Fund. After tax, the surplus of FIM 183 million was returned to Instrumentarium Corporation and booked under extraordinary items in 1999.

Capital expenditure and R&D expenses

Capital expenditure during the year was FIM 164 million, compared to FIM 150 million in comparable period in 1998, excluding the Ohmeda acquisition. FIM 102 million was invested in machinery and equipment, FIM 25 million in buildings and land, and FIM 37 million in shares and shareholdings and other long-term expenditure. Planned depreciation amounted to FIM 265 million during 1999, compared to FIM 231 million in 1998.

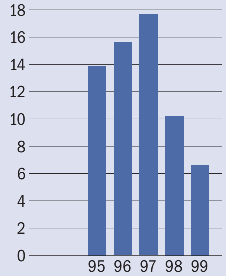
Research and development expenses were FIM 317 million, compared to FIM 236 million in 1998. The substantial increase in overall R&D expenses was mainly due to the growing of Datex-Ohmeda's operations through the acquisition in 1998, as well as substantially increased R&D efforts in Instrumentarium Imaging.

Personnel and administration

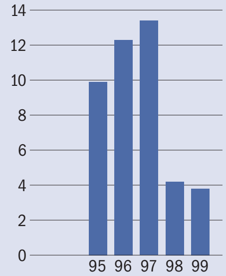
Personnel in the Instrumentarium Group averaged 5,172 during 1999, which was 659 more than one year earlier. The parent company, Instrumentarium Corporation, had 1,975 employees on average, compared to 1,821 the year before.

The Extraordinary Shareholders' Meeting on 13 December 1999 decided to change the administration model of the company, as a consequence of which the Supervisory Board was dissolved. The change was recorded in the Trade Register on 17 December 1999. In 1999, until its removal, the Chairman of the Supervisory Board was Turo K. J. Tukiainen, LL.B., MBA.

Return on investment, %



Return on equity, %



Chairman of the Board of Directors in 1999 was Gerhard Wendt, Ph.D. In 1999, Instrumentarium Corporation's President and Chief Executive Officer was Olli Riikkala M.Sc. (Tech.) MBA, who also sits on the Board of Directors. The other members of the Board of Directors were Professor Juhani Kuusi, D.Sc. (Tech.), Mikael Lilius M.Sc. (Econ.), and Matti Salmivuori M.Sc. (Econ.), until 17 December 1999, Erkki Etola, M.Sc. (Tech.) from 17 December 1999, and Turo K. J. Tukiainen, LL.B., MBA, from 17 December 1999.

Stock options

In accordance with the stock option scheme approved by an Extraordinary Shareholders' Meeting held on June 17, 1998 the number of issued stock options at the close of the review period totaled 987,000, which allow the holders to subscribe to a maximum of 1,180,550 shares in Instrumentarium Corporation. The maximum amount of stock options in the option program is 1,300,000 allowing the holders to subscribe to a maximum of 1,554,930 shares.

Own shares

The Group owned at the end of the reported period 88,512 Instrumentarium Corporation shares which it has received as dividend primarily from Orion Corporation. The shares have been recorded as a long-term investment on the balance sheet at acquisition cost of FIM 20 million. The own shares correspond to 0.37% of the shares and the voting rights.

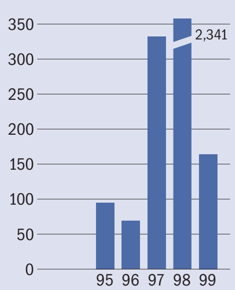
Insider information policy

On 22 February 2000, the Board of Directors of Instrumentarium Corporation decided to adopt the insider information policy prepared and recommended by the Helsinki Exchanges, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers from 1 March 2000. In addition, the Group follows internal procedures that complement the Exchanges' guidelines for insiders and also take into account insider procedure in the USA.

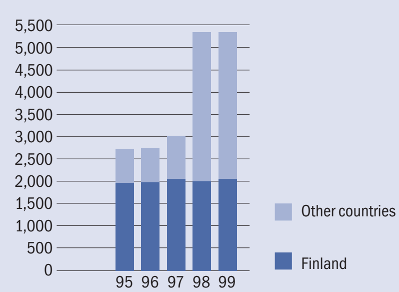
The proposal by the Board to the Annual General Meeting

On 22 February 2000, the Board of Directors of Instrumentarium Corporation decided to propose the convening of the Annual General Meeting on 23 March 2000. In addition to ordinary matters, items proposed are:

Capital expenditure, FIM million



Personnel at the end of the year



discharge the members of the Supervisory Board from liability, grant the Board of Directors the authorization to purchase and dispose of shares in the Corporation and the authorization to raise additional share capital.

Prospects for 2000

During the last two years, the structure of Instrumentarium Group has been changed significantly. The Anesthesia and Critical Care segment contributed 70% of the consolidated net sales in 1999, Medical Equipment and Supplies 18% and Optical Retail 12%.

In order for Instrumentarium to develop, Datex-Ohmeda has to succeed in the global anesthesia and critical care market. Success requires that the division's product portfolio is widened and core competencies are improved, both in traditional application areas as well as for those emerging with the advent of new technologies. Datex-Ohmeda has substantially increased its investments made in R&D and marketing during 1999. The division's position in anesthesia is stronger than ever, and the pre-requisites for a stronger position in the worldwide critical care market are in place. Datex-Ohmeda's goal for 2000 is to further increase sales and improve profitability.

Significant changes were made in the Medical Equipment and Supplies segment at the beginning of 2000. The acquisition of Ziehm strengthens Instrumentarium Imaging in diagnostic imaging and transforms the division into a genuinely global operation. The restructuring of operations engaged in the domestic distribution of medical equipment and supplies will allow Instrumentarium to focus sales and distribution on its core businesses also in Finland. It is anticipated that Optical Retail will progress in line with the development shown in 1999.

Overall, the outlook for the Instrumentarium Group in 2000 is stable.

Proposal for the distribution of profits

Consolidated distributable funds at December 31, 1999 were FIM 1,405,101,691.29 and the Parent Company's distributable funds FIM 1,769,324,298.38.

The Board of Directors proposes the following:

- Dividend of FIM 4.00 per share be paid on 23,995,859 shares entitled to a dividend (FIM 2.00/ADR)	FIM	95,983,436.00
- Donation to the Instrumentarium Scientific Fund	FIM	150,000.00
- To be posted to the retained earnings	FIM	1,673,190,862.38

Helsinki, February 22, 2000

Gerhard Wendt Chairman of the Board of Directors	Erkki Etola	Juhani Kuusi
Olli Riikkala President and CEO	Mikael Lilius	Turo K. J. Tukiainen

Consolidated statements of income

(in thousands)		Note	1997 FIM	1998 FIM	**1999 FIM**	1999 EUR
Net sales			2,681,027	3,890,723	**4,598,888**	773,477
Cost of goods sold			-1,358,613	-2,049,983	**-2,207,624**	-371,296
Gross profit			1,322,414	1,840,740	**2,391,264**	402,182
Selling and marketing expenses			-742,332	-1,039,922	**-1,242,535**	-208,979
Research and development expenses			-125,733	-235,935	**-316,938**	-53,305
General and administrative expenses			-172,048	-469,756	**-513,835**	-86,421
Other operating income and expenses, net		(2)	25,219	59,011	**15,762**	2,651
Operating profit before non-recurring items and amortization of goodwill on consolidation			307,521	154,139	**333,717**	56,127
Non-recurring operating income and expenses, net		(2)	29,368	181,157	**37,981**	6,388
Amortization of goodwill on consolidation		(3)	-22,903	-84,106	**-94,236**	-15,849
Operating profit			313,986	251,190	**277,462**	46,666
Financing income and expenses, net		(4)	26,774	-70,150	**-92,208**	-15,508
Income before extraordinary items			340,760	181,040	**185,255**	31,158
Extraordinary income and expenses, net		(5)			**183,440**	30,852
Income after extraordinary items			340,760	181,040	**368,694**	62,010
Income taxes		(6)	-94,718	-86,837	**-86,759**	-14,592
Income before minority interest			246,042	94,203	**281,936**	47,418
Minority interest			70	-389	**594**	100
Net income			246,112	93,814	**282,530**	47,518
Earnings per share	FIM/EUR	(7)	11.76	4.45	**4.12**	0.69
Diluted earnings per share	FIM/EUR	(7)	11.76	4.40	**4.11**	0.69

Consolidated statements of cash flows

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Cash flow from operating activities			
Net income	93,814	**282,530**	47,518
Charges to retained earnings	-300	**-1,398**	-235
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	230,618	**265,144**	44,594
Write-down of inventories	83,166	**67,218**	11,305
Write-down of receivables	25,152	**13,883**	2,335
Gain (-) loss (+) on sale of shares and business operations	-239,688	**-58,756**	-9,882
Gain (-) loss (+) on sale of other tangible assets	-3,911	**-649**	-109
Unrealized interest income (-) and interest expenses (+)	46,420	**-12,746**	-2,144
Unrealized exchange gains (-) exchange losses (+)	154,033	**-103,171**	-17,352
Deferred income taxes	-32,114	**-11,255**	-1,893
Treasury shares received as dividend		**-20,349**	-3,423
Surplus related to dissolution of Instrumentarium Pension Fund		**-183,440**	-30,852
Other	-273	**1,236**	208
Cash flow before change in working capital	356,917	**238,247**	40,070
Increase (-) decrease (+) in inventories	-150,318	**-38,118**	-6,411
Increase (-) decrease (+) in accounts receivable	116,995	**-220,974**	-37,165
Increase (-) decrease (+) in other short-term receivable	-26,123	**15,766**	2,652
Increase (+) decrease (-) in accounts payable	70,000	**-136,404**	-22,942
Increase (+) decrease (-) in other non-interest bearing liabilities	-43,121	**-83,865**	-14,105
Increase (+) decrease (-) in accured liabilities	-37,681	**-12,876**	-2,166
Change in working capital	-70,248	**-476,471**	-80,137
Net cash provided by (used in) operating activities	286,669	**-238,224**	-40,066
Cash flow from investing activities			
Investments in Group companies	-2,660,521	**-6,180**	-1,039
Investments in other shares and holdings	-12,413	**-7,749**	-1,303
Investments in other long-term investments	-24,262	**-2,670**	-449
Purchases of other tangible assets	-196,891	**-153,956**	-25,893
Proceeds from disposition of shares, holdings and businesses	420,087	**185,876**	31,262
Proceeds from sale of other tangible assets	23,148	**5,562**	935
Increase (-) decrease (+) in short-term investments	340,400	**41,851**	7,039
Maturities of other long-term investments	1,397	**964**	162
Surplus related to dissolution of Instrumentarium Pension Fund		**183,440**	30,852
Net cash provided by (used in) investing activities	-2,109,055	**247,138**	41,566
Cash flow after investing activities	-1,822,386	**8,914**	1,499
Cash flow from financing activities			
Dividends paid	-84,688	**-84,347**	-14,186
Proceeds from issuance of common shares	533,469		
Increase (+) decrease (-) in short-term debt	251,619	**226,735**	38,134
Proceeds from long-term debt	1,715,039		
Principal payment on long-term debt	-560,942	**-172,847**	-29,071
Net cash provided by (used in) financing activities	1,854,497	**-30,459**	-5,123
Net increase (+) decrease (-) in cash and cash equivalents	32,111	**-21,545**	-3,624
Cash and cash equivalents at beginning of year	101,463	**131,503**	22,117
Effect of exchange rate changes on cash	-2,071	**11,131**	1,872
Cash and cash equivalents at end of year	131,503	**121,089**	20,366
Supplemental cash flow information:			
Acquisition of businesses:			
Current assets, other than cash	1,120,384	**2,926**	492
Tangible assets	266,916	**615**	104
Other non-current assets	141,186		
Goodwill	1,883,526	**2,639**	444
Liabilities assumed	-751,491		
Total	2,660,521	**6,180**	1,039

Consolidated balance sheet

(in thousands)	Note	1998 FIM	**1999 FIM**	1999 EUR
ASSETS				
Non-current assets				
Intangible assets	(8)			
Intangible rights		35,471	**31,322**	5,268
Goodwill		1,874,031	**1,777,377**	298,933
Other capitalized expenditures		50,075	**57,029**	9,592
		1,959,577	**1,865,728**	313,793
Tangible assets	(8)			
Land and water areas		35,892	**37,950**	6,383
Buildings		480,086	**473,317**	79,606
Machinery and equipment		252,301	**262,321**	44,119
Advance payments and assets under construction		13,307	**34,030**	5,723
		781,586	**807,617**	135,831
Investments				
Shares and holdings in associated companies	(9)	4,684		
Other shares and holdings	(9)	306,583	**201,387**	33,871
Other receivables	(10)	27,540	**30,879**	5,193
Own shares	(11)		**20,349**	3,423
		338,807	**252,616**	42,487
Current assets				
Inventories				
Raw material and supplies		255,385	**339,296**	57,066
Work-in-progress		97,763	**114,575**	19,270
Finished goods		556,561	**498,829**	83,897
		909,709	**952,700**	160,233
Deferred tax asset	(12)	94,957	**110,162**	18,528
Receivables	(10)			
Accounts receivable		1,007,068	**1,295,506**	217,888
Receivables from associated companies		1,249	**1,003**	169
Loans receivable		3,506	**6,609**	1,112
Other receivables		72,120	**51,700**	8,695
Prepaid expenses and accrued income		138,898	**127,963**	21,522
		1,222,841	**1,482,781**	249,386
Short-term investments	(10)			
Other shares and holdings		23,883	**26,544**	4,464
Other short-term investments		41,851		
		65,734	**26,544**	4,464
Cash and cash equivalents		131,503	**121,089**	20,366
TOTAL ASSETS		5,504,714	**5,619,237**	945,088

Consolidated balance sheet

(in thousands)	Note	1998 FIM	**1999 FIM**	1999 EUR
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	(11)			
Share capital		240,844	**286,398**	48,169
Share premium account		678,201	**642,148**	108,001
Reserve for own shares			**20,349**	3,423
Legal reserve		22,943	**17,937**	3,017
Other reserves		21,578	**21,400**	3,599
Retained earnings		1,459,082	**1,378,788**	231,895
Net income for the period		93,814	**282,530**	47,518
		2,516,462	**2,649,549**	445,622
Minority interest		2,908	**-209**	-35
Provisions	(2)	62,156		
Liabilities				
Deferred tax liability	(12)	110,553	**126,538**	21,282
Long-term liabilities	(13)			
Loans from financial institutions		1,174,096	**1,068,860**	179,769
Loans from pension institutions		604		
Other long-term liabilities		35,817	**42,105**	7,082
		1,210,517	**1,110,965**	186,851
Short-term liabilities	(14)			
Loans from financial institutions		467,143	**807,921**	135,883
Loans from pension institutions		67,774		
Advance payments		25,404	**18,821**	3,165
Accounts payable		382,537	**284,409**	47,834
Other short-term liabilities		119,684	**50,362**	8,470
Accrued liabilities		539,576	**570,882**	96,015
		1,602,118	**1,732,394**	291,368
Total liabilities		2,923,188	**2,969,897**	499,501
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,504,714	**5,619,237**	945,088

Consolidated statements of changes in shareholders' equity

FIM (in thousands)	Share capital	Share premium account	Legal reserve	Other reserves	Cumulative translation adjustments	Retained earnings	Total
Balance at December 31, 1997	201,638	183,938	2,567	12,884	1,674	1,507,921	1,910,622
Share issue	39,206						39,206
Share issue premium		494,263					494,263
Dividend paid						-84,688	-84,688
Donation						-300	-300
Transfer to reserves			20,376	8,694		-29,070	
Translation adjustments					63,545		63,545
Net income						93,814	93,814
Balance at December 31, 1998	240,844	678,201	22,943	21,578	65,219	1,487,677	2,516,462
Bonus issue	45,555	-45,555					
Transfer to share premium account		10,600				-10,600	
Transfer to reserve for own shares				20,349		-20,349	
Transfer to reserves		-1,098	-5,006	-179		5,185	-1,098
Dividend paid						-84,295	-84,295
Donation						-300	-300
Translation adjustments					-63,750		-63,750
Net income						282,530	282,530
Balance at December 31, 1999	286,398	642,148	17,937	41,749	1,469	1,659,847	2,649,549

EUR (in thousands)	Share capital	Share premium account	Legal reserve	Other reserves	Cumulative translation adjustments	Retained earnings	Total
Balance at December 31, 1997	33,913	30,936	432	2,167	282	253,614	321,344
Share issue	6,594						6,594
Share issue premium		83,129					83,129
Dividend paid						-14,243	-14,243
Donation						-50	-50
Transfer to reserves			3,427	1,462		-4,889	
Translation adjustments					10,688		10,688
Net income						15,778	15,778
Balance at December 31, 1998	40,507	114,065	3,859	3,629	10,969	250,209	423,239
Bonus issue	7,662	-7,662					
Transfer to share premium account		1,783				-1,783	
Transfer to reserve for own shares				3,423		-3,423	
Transfer to reserves		-185	-842	-30		872	-185
Dividend paid						-14,177	-14,177
Donation						-50	-50
Translation adjustments					-10,722		-10,722
Net income						47,518	47,518
Balance at December 31, 1999	48,169	108,001	3,017	7,022	247	279,166	445,622

Notes to the financial statements

1. Accounting principles

Basis of presentation and reclassifications
The consolidated financial statements of Instrumentarium Corporation and subsidiaries have been prepared in accordance with generally accepted accounting principles in Finland. Certain prior year balances and notes thereto have been reclassified to conform to the current year presentation.

All amounts are presented in thousands of Finnish Markka (FIM), except share data. The consolidated statements of income, balance sheet, cash flows and notes to the financial statements are presented also in thousands of euro (EUR), at the rate of 5,94573 Finnish Markka per euro, the conversion rate announced on December 31, 1998.

Use of estimates
The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in Finland requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation
The consolidated financial statements include the accounts of Instrumentarium Corporation and those companies in which the parent company, directly or indirectly, holds more than 50 percent 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 principal subsidiaries included in the consolidated figures are mentioned in Notes to the Financial Statements. In addition to the subsidiaries mentioned in the notes, the following company was consolidated: Lääkintämuovi Oy, part of the L-Dental Products Lumme Oy 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 acquisition of companies are accounted for 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 to twenty years. Goodwill arising from the acquisition of Ohmeda businesses in April 1998 and the goodwill arising from the acquisition of Engström's anesthesia and intensive care business in 1994 are 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. These principles are also applied where appropriate in the case of mergers or liquidations of Group companies.

All inter-company receivables and debts and the effects of inter-company transactions are eliminated as part of the consolidation process. Minority interests are presented separately before reserves but after taxes in the income statement and they are also presented separately from shareholders' equity and reserves in the consolidated balance sheet.

The Group's share of profits and losses in associated companies (ownership 20-50 percent) is included in the income statement in accordance with the equity method of accounting.

Foreign currency translation
In the consolidated accounts, the income statements of foreign group companies are translated into Finnish Markka at the average exchange rates computed from the Bank of Finland's daily average rates. All balance sheet items, excluding the net income for the year, are translated into Finnish Markka at the Bank of Finland's average rates on the balance date. Differences arising from the translation of shareholders' equity and income statement and balance sheet are recorded under consolidated shareholders' equity. Exchange differences that arrive from loans and financial instruments hedging investments in foreign subsidiaries are recorded against the translation differences in the consolidated shareholders' equity, net of taxes.

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of transactions. Foreign exchange gains and losses related to normal business operations and foreign exchange gains and losses associated with financing are entered under financial income and expenses.

Revenue recognition
Net sales are calculated as gross sales revenue less indirect sales taxes and discounts. Revenues from products and services are recognized upon shipment of products and customer acceptance or performance of services.

Research and development costs
Research and development costs are expensed as incurred.

Pensions and coverage of pension liabilities
The pension schemes of Finnish Group companies are covered by pension insurance companies. Non-Finnish subsidiaries make their own pension arrangements in accordance with local practice and legislation. Instrumentarium has met minimum funding requirements for the countries in which it maintains pension schemes.

Fixed assets
Intangible and tangible assets are valued 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 to the Financial Statements. Land areas and revaluations are not depreciated. Depreciation is recorded using the straight-line method based on estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Buildings	20-40 years
Machinery and equipment	4-10 years
Intangibles (other than goodwill)	3-10 years
Goodwill	5-20 years

Exchange rates used in consolidation

	Income statement			Balance sheet	
	1997	1998	**1999**	1998	**1999**
USD	5.191	5.344	**5.581**	5.096	**5.919**
SEK	0.680	0.673	**0.675**	0.627	**0.694**
FRF	0.890	0.906	**0.906**	0.906	**0.906**
NLG	2.661	2.695	**2.698**	2.698	**2.698**
NOK	0.734	0.708	**0.715**	0.670	**0.736**
DEM	2.994	3.038	**3.040**	3.040	**3.040**
ITL	0.003	0.003	**0.003**	0.003	**0.003**
ESP	0.036	0.036	**0.036**	0.036	**0.036**
GBP	8.725	8.849	**9.028**	8.428	**9.563**
EEK	0.374	0.380	**0.380**	0.380	**0.380**
LVL	8.880	8.340	**9.543**	8.918	**10.105**
CAD		3.531	**3.758**	3.292	**4.070**
JPY		0.040	**0.049**	0.045	**0.058**
AUD		3.264	**3.602**	3.130	**3.855**
INR		0.112	**0.128**	0.112	**0.136**

The Company reviews long-lived assets and certain intangibles to be held and used by the Company for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes in circumstances indicate an asset may not be recoverable, the Company must estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of such expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is required to be recognized in an amount by which the asset's net book value exceeds its fair market value.

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.

Short-term investments
Short-term marketable equity securities are carried at the lower of acquisition cost or market determined on an individual security basis. Securities written down to a new cost basis are written up for subsequent recoveries in market value. Realized gains and losses are determined based on the specific identification cost method, which generally approximates the first-in, first-out method.

Cash and cash equivalents
Cash and cash equivalents include cash and unrestricted deposits with banks.

Taxes on extraordinary items
Taxes on extraordinary income and expenses are included in extraordinary items.

Untaxed reserves
The accumulated untaxed reserves, net of deferred tax liabilities, are included in the balance sheet as part of unrestricted shareholders' equity, which however are not distributable equity.

Income taxes
Income taxes presented in the income statement consist of current and deferred taxes. Current taxes include estimated taxes corresponding to the results for the financial year of the companies, and adjustments of taxes for previous years.

A deferred tax liability or asset has been determined for all temporary differences between tax bases of assets and liabilities and their amounts in financial reporting, using enacted tax rates effective for the future years. The deferred tax liabilities are recognized in the balance sheet in full, and the deferred tax assets at their estimated realizable amounts. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

No deferred tax liability has been recognized for undistributed earnings of domestic subsidiaries since, in most cases, such earnings can be transferred to the parent company without tax consequences. Except in situations where the Company has elected to distribute earnings of foreign subsidiaries, the Company does not provide deferred income taxes on undistributed earnings of foreign subsidiaries because such earnings are intended to be permanently reinvested in those operations.

Warranty
Provision for estimated warranty costs is recorded at the time of the sale and periodically adjusted to reflect actual experience.

Derivative Financial Instruments
The Company uses a variety of derivative financial instruments, principally foreign exchange forward contracts, foreign exchange options, interest rate futures, forward rate agreements, interest rate options and interest rate swaps. Foreign exchange and interest rate related instruments are used to reduce exposures to market risk resulting from fluctuations in foreign exchange and interest rates by creating offsetting exposures. The Company is not a party to leveraged financial instruments.

Derivatives are designated at inception as a hedge with respect to the hedged item or group of items with similar characteristics. Derivatives are measured for effectiveness both at inception and on an ongoing basis. The foreign exchange position and interest rate position of the Company are managed centrally.

The Company principally uses forward exchange contracts and foreign exchange options to hedge the foreign exchange risk on certain commercial assets (accounts receivable) and liabilities (accounts payable) and foreign exchange options to hedge a proportion of related anticipated cash flows denominated in foreign currency up to 12 months forward. The Company uses loans to hedge part of its net equity investments in overseas subsidiaries.

Interest rate related contracts other than interest rate swaps are held on a fair value basis and unrealized gains and losses are recognized in net income on a current basis. Long term interest rate swaps which are expected to be held to maturity are not marked to market. Only accrued interests of these long term interest rate swaps are reported in net income on a current basis.

Foreign exchange related contracts are held on a fair value basis and unrealized gains and losses are recognized in net income on a current basis. Any premium on derivative financial instruments is deferred in other assets / liabilities until the contract matures or is terminated.

Deferral (hedge) accounting is applied only if the derivative reduces the risk of the underlying hedged item and is designated at inception as a hedge with respect to the hedged item. If a derivative financial instrument ceases to meet the criteria for hedge accounting, any subsequent gains or losses are recognized in net income on a current basis, If an anticipated transaction does not occur, the related hedge is restated a fair value and any gains of losses are recognized in net income. If a hedging instrument is sold or terminated prior to maturity, gains or losses are deferred until the hedged item is recognized in net income.

Earnings per share
Earnings per share is based on profit before extraordinary items and income taxes adjusted for minority interests and taxes relating to normal business operations. This amount is then divided by the weighted average number of shares outstanding during each period. According to Finnish GAAP, in calculating the weighted average number of shares outstanding, the subscribed shares have been included from their payment date. The own shares owned by the Group have been deducted from the amount of shares outstanding from the date they have been received.

In calculating the dilution effect, the number of shares which would be issued on conversion of all stock options into shares, has been added to the weighted average number of shares. The proceeds from this conversion have been assumed to have been used for purchasing own shares at fair values and the number of these shares has been deducted from the calculation.

2. Other operating income and expenses

(in thousands)	1997 FIM	1998 FIM	**1999 FIM**	1999 EUR
Other operating income				
Rental income	30,068	30,475	**29,271**	4,923
Agency fees		17,849	**1,691**	284
Service fees		9,600	**1,889**	318
Gain on sale of assets		4,398	**23,096**	3,885
Other income	17,955	31,283	**29,064**	4,888
	48,023	93,605	**85,011**	14,298
Other operating expenses				
Expenses on rented properties	-17,521	-23,042	**-20,527**	-3,452
Restructuring expenses			**-22,270**	-3,746
Other expenses	-5,283	-11,552	**-26,452**	-4,449
	-22,804	-34,594	**-69,249**	-11,647
Other income and expenses, net	25,219	59,011	**15,762**	2,651
Non-recurring operating income and expenses				
Securities trading	30,111	60,028	**2,949**	496
Gain on sale of non-current marketable securities	8,408	99,610	**18,528**	3,116
Disposal of business operations		94,332	**13,378**	2,250
Other non-recurring operating income		39,596		
Restructuring and consulting expenses related to the acquisition of Ohmeda	-9,151	-112,409	**3,126**	526
Non-recurring operating income and expenses, net	29,368	181,157	**37,981**	6,388
Provisions				
Provision for restructuring costs relating to Ohmeda acquisition		62,156		
Total provisions		62,156		

3. Depreciation and amortization

(in thousands)	1997 FIM	1998 FIM	**1999 FIM**	1999 EUR
Depreciation and amortization according to plan by balance sheet item				
Intangible assets				
Intangible rights	3,379	7,409	**9,311**	1,566
Goodwill	32,299	99,997	**116,277**	19,556
Other capitalized expenditures	11,711	13,627	**14,981**	2,520
Tangible assets				
Buildings	8,074	30,893	**31,627**	5,319
Machinery and equipment	40,637	78,692	**92,948**	15,633
	96,100	230,618	**265,144**	44,594
Depreciation and amortization charged against operations by activity				
Cost of goods sold	11,596	28,345	**41,220**	6,933
Selling and marketing expenses	29,836	42,332	**42,655**	7,174
Research and development expenses	3,370	8,994	**9,887**	1,663
General and administrative expenses	22,269	53,893	**66,066**	11,111
Other operating expenses	6,127	12,949	**11,080**	1,863
Amortization of goodwill on consolidation	22,903	84,106	**94,236**	15,849
	96,100	230,618	**265,144**	44,594

4. Financing income and expenses

(in thousands)	1997 FIM	1998 FIM	**1999 FIM**	1999 EUR
Dividend income (1)	20,224	40,648	**48,510**	8,159
Interest and other financing income				
Interest income	23,666	24,525	**14,657**	2,465
Foreign exchange gains (2)	56,746	326,939	**311,824**	52,445
Other financing income	979	14	**148**	25
	81,391	351,478	**326,629**	54,935
Write-down of investments				
Write-down of long-term investments		-7,614		
Interest and other financing expenses				
Interest expenses	-13,616	-135,573	**-105,460**	-17,737
Foreign exchange losses (2)	-67,273	-314,300	**-358,734**	-60,335
Other financing expenses	-2,074	-5,451	**-1,318**	-222
	-82,963	-455,324	**-465,512**	-78,294
Share in result of associated companies	8,122	662	**-1,835**	-309
Total financing income and expenses, net	26,774	-70,150	**-92,208**	-15,508

(1) Dividend income in 1999 includes FIM 28,262 thousand dividends distributed primarily by Orion Corporation in the form of Instrumentarium Corporation shares.

(2) Foreign exchange gains and losses related to commercial assets and liabilities and hedging these assets and liabilities as well as hedging anticipated cashflows denominated in foreign currency.

5. Extraordinary income and expenses

Included in extraordinary income for 1999 is a surplus related to the dissolution of Instrumentarium Pension Fund FIM 183,440 thousand and avoir fiscal related to it FIM 71,338 thousand. The related income taxes of FIM 71,338 thousand are recorded in the extraordinary expenses.

6. Income taxes

(in thousands)	1997 FIM	1998 FIM	**1999 FIM**	1999 EUR
The domestic and foreign components of income before taxes and minority interest are as follows:				
Finland	360,707	388,388	**147,000**	24,724
Other countries	-19,947	-207,348	**38,255**	6,434
	340,760	181,040	**185,255**	31,158
The components of income taxes are as follows:				
Current taxes				
Finland	122,024	158,216	**75,473**	12,694
Other countries	2,302	2,772	**22,541**	3,791
	124,326	160,988	**98,014**	16,485
Deferred taxes				
Finland	-29,608	-31,244	**-9,395**	-1,580
Other countries		-42,907	**-1,860**	-313
	-29,608	-74,151	**-11,255**	-1,893
Income taxes, total	94,718	86,837	**86,759**	14,592

The principal reasons for the difference between income tax at Finnish statutory rate (28%) and effective tax rate in relation to income before extraordinary items

	1997	1998	**1999**
Income tax at Finnish statutory rate	28%	28%	**28%**
Amortization of goodwill on consolidation	2%	13%	**14%**
Deduction in Finland for write-down of investments in foreign subsidiaries	-3%	-2%	
Operating losses with no current tax benefit	2%	11%	**3%**
Adjustments of prior years tax accruals	-1%	-2%	
Taxes of foreign subsidiaries, which exceed the Finnish statutory rate			**2%**
Effective tax rate on income before extraordinary items	28%	48%	**47%**

7. Earnings per share

(in thousands)	1997 FIM	1998 FIM	**1999 FIM**	1999 EUR
Basic earnings per share				
Income before extraordinary items	340,760	181,040	**185,255**	31,158
Minority interest	70	-389	**594**	100
Income taxes	-94,718	-86,837	**-86,759**	-14,592
	246,112	93,814	**99,090**	16,666
Weighted average number of shares outstanding (in thousands)	20,921	21,060	**24,049**	
Earnings per share FIM / EUR	11.76	4.45	**4.12**	0.69
Diluted earnings per share				
Income before extraordinary items	340,760	181,040	**185,255**	31,158
Minority interests	70	-389	**594**	100
Income taxes	-94,718	-86,837	**-86,759**	-14,592
	246,112	93,814	**99,090**	16,666
Weighted average number of shares outstanding (in thousands)	20,921	21,324	**24,109**	
Diluted earnings per share FIM / EUR	11.76	4.40	**4.11**	0.69

8. Intangible and tangible assets

Intangible assets (in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Intangible rights			
Acquisition cost at beginning of year	28,814	**120,625**	20,288
Capital expenditures	9,714	**5,709**	960
Business acquisitions	99,043		
Sales / disposals	-7,800	**-5,738**	-965
Translation differences	-9,146	**15,340**	2,580
Acquisition cost at end of year	120,625	**135,937**	22,863
Accumulated amortization at beginning of year	12,857	**85,154**	14,322
Amortization during the year	7,409	**9,311**	1,566
Accumulated amortization of business acquisitions	75,445		
Accumulated amortization of sold/disposed assets	-3,407	**-1,886**	-317
Translation differences	-7,150	**12,035**	2,024
Accumulated amortization at end of year	85,154	**104,614**	17,595
Net book value at end of year	35,471	**31,322**	5,268

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Goodwill			
Acquisition cost at beginning of year	234,194	**2,136,349**	359,308
Capital expenditures	4,978	**2,744**	462
Business acquisitions	1,904,082		
Sales / disposals	-5,280	**-27,158**	-4,568
Translation differences	-1,625	**38,507**	6,476
Acquisition cost at end of year	2,136,349	**2,150,442**	361,678
Accumulated amortization at beginning of year	132,207	**262,318**	44,119
Amortization during the year	99,997	**116,277**	19,556
Accumulated amortization of business acquisitions	41,058		
Accumulated amortization of sold/disposed assets	-8,953	**-15,992**	-2,690
Translation differences	-1,991	**10,462**	1,760
Accumulated amortization at end of year	262,318	**373,065**	62,745
Net book value at end of year	1,874,031	**1,777,377**	298,933
Other capitalized expenditures			
Acquisition cost at beginning of year	106,104	**105,902**	17,811
Capital expenditures	16,019	**21,193**	3,564
Business acquisitions	7,857		
Sales / disposals	-22,923	**-1,959**	-329
Translation differences	-1,155	**1,263**	212
Acquisition cost at end of year	105,902	**126,398**	21,259
Accumulated depreciation at beginning of year	55,873	**55,827**	9,389
Depreciation during the year	13,627	**14,981**	2,520
Accumulated depreciation of business acquisitions	6,388		
Accumulated depreciation of sold/disposed assets	-19,357	**-2,445**	-411
Translation differences	-704	**1,007**	169
Accumulated depreciation at end of year	55,827	**69,370**	11,667
Net book value at end of year	50,075	**57,029**	9,592
Intangible assets total			
Acquisition cost at beginning of year	369,112	**2,362,876**	397,407
Capital expenditures	30,711	**29,645**	4,986
Business acquisitions	2,010,982		
Sales / disposals	-36,003	**-34,855**	-5,862
Translation differences	-11,926	**55,110**	9,269
Acquisition cost at end of year	2,362,876	**2,412,777**	405,800
Accumulated depreciation at beginning of year	200,937	**403,299**	67,830
Depreciation during the year	121,033	**140,569**	23,642
Accumulated depreciation of business acquisitions	122,891		
Accumulated depreciation of sold/disposed assets	-31,717	**-20,323**	-3,418
Translation differences	-9,845	**23,504**	3,953
Accumulated depreciation at end of year	403,299	**547,049**	92,007
Net book value at end of year	1,959,577	**1,865,728**	313,793
Tangible assets			
Land and water areas			
Acquisition cost at beginning of year	29,507	**34,792**	5,852
Capital expenditures	200	**1,835**	309
Business acquisitions	8,030		
Sales / disposals	-2,665	**-527**	-89
Translation differences	-280	**750**	126
Acquisition cost at end of year	34,792	**36,850**	6,198
Revaluations	1,100	**1,100**	185
Net book value at end of year	35,892	**37,950**	6,383

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Buildings			
Acquisition cost at beginning of year	460,044	**636,167**	106,996
Capital expenditures	9,236	**14,449**	2,430
Business acquisitions	183,775		
Sales / disposals	-3,968	**-7,185**	-1,208
Translation differences	-12,920	**19,074**	3,208
Acquisition cost at end of year	636,167	**662,505**	111,425
Accumulated depreciation at beginning of year	75,331	**157,756**	26,533
Depreciation during the year	30,893	**31,627**	5,319
Accumulated depreciation of business acquisitions	58,678		
Accumulated depreciation of sold/disposed assets	-2,715	**-6,156**	-1,035
Translation differences	-4,431	**7,636**	1,284
Accumulated depreciation at end of year	157,756	**190,863**	32,101
Revaluations	1,675	**1,675**	282
Net book value at end of year	480,086	**473,317**	79,606
Machinery and equipment			
Acquisition cost at beginning of year	317,859	**730,124**	122,798
Capital expenditures	129,890	**83,462**	14,037
Business acquisitions	416,045		
Sales / disposals	-88,477	**-98,733**	-16,606
Translation differences	-45,193	**77,188**	12,982
Acquisition cost at end of year	730,124	**792,042**	133,212
Accumulated depreciation at beginning of year	198,719	**477,823**	80,364
Depreciation during the year	78,692	**92,948**	15,633
Accumulated depreciation of business acquisitions	297,417		
Accumulated depreciation of sold/disposed assets	-63,651	**-98,296**	-16,532
Translation differences	-33,354	**57,246**	9,628
Accumulated depreciation at end of year	477,823	**529,721**	89,093
Net book value at end of year	252,301	**262,321**	44,119
Advance payments and assets under construction			
Acquisition cost at beginning of year	864	**13,307**	2,238
Capital expenditures	2,653	**27,178**	4,571
Business acquisitions	36,241		
Sales / disposals	-23,028	**-8,366**	-1,407
Translation differences	-3,423	**1,911**	321
Net book value at end of year	13,307	**34,030**	5,723
Tangible assets total			
Acquisition cost at beginning of year	808,274	**1,414,390**	237,883
Capital expenditures	141,979	**126,924**	21,347
Business acquisitions	644,091		
Sales / disposals	-118,138	**-114,810**	-19,310
Translation differences	-61,816	**98,923**	16,638
Acquisition cost at end of year	1,414,390	**1,525,427**	256,558
Accumulated depreciation at beginning of year	274,050	**635,579**	106,897
Depreciation during the year	109,585	**124,575**	20,952
Accumulated depreciation of business acquisitions	356,095		
Accumulated depreciation of sold/disposed assets	-66,366	**-104,452**	-17,568
Translation differences	-37,785	**64,883**	10,912
Accumulated depreciation at end of year	635,579	**720,584**	121,194
Revaluations	2,775	**2,775**	467
Net book value at end of year	781,586	**807,617**	135,831

9. Investments

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Shares and holdings in associated companies			
Acquisition cost at beginning of year	23,234	**6,781**	1,140
Increases			
Business acquisitions			
Decreases	-16,453	**-6,037**	-1,015
Acquisition cost at end of year	6,781	**744**	125
Accumulated share in results of associated companies at beginning of year	8,958	**-2,097**	-353
Share of profits for the year	662		
Share of losses for the year		**-1,835**	-309
Disposals	-11,717	**2,941**	495
Accumulated share in results of associated companies at end of year	-2,097	**-991**	-167
Net book value at end of year	4,684	**-247***	-42

* Included in receivables from associated companies.

	1998 FIM	**1999 FIM**	1999 EUR
Other shares and holdings			
Acquisition cost at beginning of year	440,277	**306,583**	51,564
Increases	813	**7,749**	1,303
Business acquisitions	11,652		
Decreases	-145,124	**-114,716**	-19,294
Translation differences	-1,035	**1,770**	298
Net book value at end of year	306,583	**201,387**	33,871

Investments in other shares and shareholdings are carried at the lower of acquisition cost or market. The book value of the non-current marketable equity securities at December 31, 1999 and December 31, 1998 was FIM 105,708 thousand and FIM 218,691 thousand, respectively. The corresponding market value was FIM 170,018 thousand at December 31, 1999 and FIM 267,081 thousand at December 31, 1998.

Included in the non-current marketable equity securities is an investment in Orion Corporation, a publicly traded Finnish pharmaceutical company. The book value of this investment at December 31, 1999 and December 31, 1998 was FIM 104,506 thousand and FIM 216,845 thousand respectively. The corresponding market value was 135,560 thousand at December 31, 1999 and 242,000 thousand at December 31, 1998.

The Company and Varma-Sampo Mutual Pension Insurance Company have an agreement according to which Varma-Sampo has committed itself to buy 2,000,000 Orion Corporation A shares from the Company by September 2000. The Company, for its part, has committed itself to sell 1,000,000 Orion Corporation A shares to Varma-Sampo by September 2000. The transactions will be made at market prices prevailing at the time of the transactions. By December 31, 1999 the Company had sold 1,000,000 shares of Orion Corporation based on the above-mentioned agreement.

10. Receivables and other short-term investments

Interest bearing and non-interest bearing assets are as follows: (in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Long-term interest bearing assets			
Other receivables			
Loans receivable	27,540	**30,879**	5,193
	27,540	**30,879**	5,193
Short-term interest bearing assets			
Other short-term receivable			
Loans receivable	3,506	**5,379**	905
	3,506	**5,379**	905

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Short-term non-interest bearing assets			
Short-term receivable from associated companies			
Loans receivable	1,249	**1,003**	169
	1,249	**1,003**	169
Other short-term receivable			
Accounts receivable	1,007,068	**1,295,506**	217,888
Loans receivable		**1,230**	207
Other receivables	72,120	**51,700**	8,695
Prepaid expenses and accrued income	138,898	**127,963**	21,522
	1,218,086	**1,476,399**	248,312
Prepaid expenses and accrued income at December 31, are as follows:			
Accrued interest	2,095	**3,108**	523
Tax receivable	26,780	**18,149**	3,052
Receivables relating to acquired and sold businesses	95,665	**10,010**	1,684
Construction of facilities		**32,136**	5,405
Other	14,358	**64,560**	10,858
	138,898	**127,963**	21,522
Short-term investments			
Short-term interest bearing investments			
Time deposits and certificates of deposit (a)	41,851		
Short-term non-interest bearing investments			
Shares and holdings (b)	23,883	**26,544**	4,464
	65,734	**26,544**	4,464

(a) Carried at cost which approximates market.
(b) Carried at lower of acquisition cost or market.

The approximate market value of the portfolio of all marketable securities was FIM 28,210 thousand at December 31, 1999 and FIM 26,396 thousand at December 31, 1998.

11. Shareholders' equity

Share capital
The share capital of Instrumentarium Corporation at December 31, 1999 was FIM 286,398,334 (EUR 48,168,742) and it was divided into 24,084,371 shares. All shares have an equal voting right and they confer on their holders the same rights to Company assets and profit distribution.

The Annual General Meeting on March 23, 1999 decided to increase the share capital through a bonus issue of a total of EUR 7,661,737.81 (FIM 45,554,624.37) by transferring an amount equivalent to the increase from the share premium fund into share capital. As a result of the increase, the counter value of the shares for accounting purposes is two euros.

The Extraordinary Shareholders' Meeting on 13 December 1999 decided to combine share series A and B. As a result, the shares in series A and B became the same type and the Company has one listed share series.

Under its Articles of Association, the Company's minimum amount of share capital is EUR 35 million and maximum amount is EUR 140 million.

Own shares
The Group owned on December 31, 1999 88,512 Instrumentarium Corporation shares of which 87,828 shares it had received as dividend from Orion Corporation and 684 shares from Keski-Suomen Lääkäritalo Oy. The shares have been recorded as a long-term investment on the balance sheet at acquisition cost of FIM 20,349 thousand. The pricing of the shares from Orion Corporation was based on the average price of EUR 38.72 or FIM 230.22, quoted for the previous A share on august 6, 1999 on the Helsinki Exchanges and of those from Keski-Suomen Lääkäritalo Oy on the average price of EUR 31.86 or 189.43 quoted for the A share on September 30, 1999 on the Helsinki Exchanges. The shares correspond to 0,37% of the Company's shares and voting rights.

Stock options

According to the Stock Option Plan approved by the Extraordinary Shareholders' Meeting on 17 June 1998, key personnel and members of the Board of Directors of the Company have been issued stock options as a part of an incentive program. The maximum number of stock options to be issued is 1,300,000, of which 390,000 are marked with a letter A, 390,000 with a letter B, and 520,000 with a letter C, entitling to subscription of a total of 1,554,930 shares of the Company. The amount of shares that can be subscribed with the stock options has been adjusted by multiplying it by 1.1961 due to a rights issue made in December 1998.

Stock options	Options issued	Subscription period	Exercise price(1)	Options granted at December 31,1999
Letter A(2)	466,479	1.6.2001-30.6.2006	1.8.1998-31.10.1998	296,100
Letter B(3)	466,479	1.6.2002-30.6.2006	1.11.1998-31.1.1999	296,100
Letter C(4)	621,972	1.6.2003-30.6.2006	1.2.1999-30.4.1999	394,800
Total	**1,554,930**			**987,000**

1) The share subscription price is determined by the trade volume weighted average price of the Company's previous B share in the Helsinki Exchanges during the equivalent period.
2) The share subscription price for Letter A stock options adjusted for the share issue was FIM 215.74 (EUR 36.28).
3) The share subscription price for Letter B stock options adjusted for the share issue was EUR 32.64 (FIM 194.07).
4) The share subscription price for Letter C stock options adjusted for the share issue was EUR 29.54 (FIM 175.64).

If a stock option holder, with the exception of a member of the Board of Directors who is not employed by or in the service of the Company on a full time basis, ceases to be employed by or in the service of the Company for any other reason than retirement or death, then such person shall without delay offer to the Company free of charge such option certificates for which the share subscription period has not commenced.

Untaxed reserves

Shareholders' equity includes an equity share of accelerated depreciation and other untaxed reserves at December 31, 1999 and December 31, 1998 of FIM 256,216 thousand and FIM 282,505 thousand, which are not distributable.Total distributable funds as of December 31, 1999 were FIM 1,405,102 thousand.

12. Deferred tax assets and liabilities

The components of deferred tax assets and liabilities under Finnish GAAP at December 31 are as follows:

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Deferred tax assets			
Internal margin of inventories	40,978	**58,055**	9,764
Differences between book and tax basis	219,717	**159,393**	26,808
Valuation allowance	-165,738	**-107,286**	-18,044
	94,957	**110,162**	18,528
Deferred tax liabilities			
Accelerated depreciation and reserves	109,894	**104,652**	17,601
Differences between book and tax basis	659	**21,886**	3,681
	110,553	**126,538**	21,282

13. Long-term liabilities

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Long-term interest bearing liabilities			
Loans from financial institutions	1,174,096	**1,068,860**	179,769
Loans from pension insurance companies	604		
Other long-term interest bearing liabilities		**1,509**	254
	1,174,700	**1,070,369**	180,023

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Long-term non-interest bearing liabilities			
Other long-term non-interest bearing liabilities	35,817	**40,596**	6,828
	35,817	**40,596**	6,828
Total long-term liabilities	1,210,517	**1,110,965**	186,851

Maturities of long-term liabilities as of December 31, 1999 were as follows:

2001	16,042	2,698
2002	13,300	2,237
2003		
2004	521,703	87,744
2005	519,324	87,344
Thereafter	40,596	6,828
	1,110,965	186,851

The Company has had a syndicated credit facility of USD 300 million (FIM 1,776 million) since July 1998. The term of the syndicated credit facility is seven years with repayment in five semiannual installments beginning at the end of the fifth year. The facility is a multi-currency facility, and the credit presently outstanding is denominated in USD 130 million, JPY 2,600 million, SEK 130 million and CAD 7 million. The average interest rate, based on LIBOR, for the above currencies is 5,41 %. After the fifth year, the margin on the interest rate will increase from 0.225 % to 0.25 % for the two remaining years. The commitment fee for the undrawn balances is 0.10 % per annum. The terms of the credit facility contain certain debt covenants including limitations on indebtedness, liens, change of business, mergers, and disposal of assets.

14. Short-term liabilities

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Short-term interest bearing liabilities			
Notes payable and commercial papers	454,828	**763,844**	128,469
Overdrafts	11,285	**43,590**	7,331
Other loans	35,663	**2,930**	493
Current maturities of loans from pension funds	67,774		
Current maturities of loans from financial institutions	1,030	**487**	82
	570,580	**810,852**	136,375
Short-term non-interest bearing liabilities			
Advance payments	25,404	**18,821**	3,165
Accounts payable	382,537	**284,409**	47,834
Other short-term liabilities	84,021	**47,432**	7,977
Accrued liabilities	539,576	**570,882**	96,015
	1,031,538	**921,543**	154,992
Total short-term liabilities	1,602,118	**1,732,394**	291,368

Accrued liabilities consist of the following at December 31:

Accrued payroll	117,359	**164,965**	27,745
Accrued interest and exchange losses	57,159	**68,238**	11,477
Accrued income taxes	51,766	**31,998**	5,382
Other post-retirement benefits	73,169	**97,203**	16,348
Accrued warranty expense	26,508	**31,706**	5,333
Other	213,615	**176,773**	29,731
	539,576	**570,882**	96,015

The maximum amount of short-term interest bearing debt outstanding during 1999 was FIM 791,750 thousand. The average amount of short-term interest bearing debt outstanding during 1999 was FIM 657,253 thousand at the weighted average interest rate of approximately 3.60 %. The weighted average interest rate at December 31, 1999 was 4.20 %.

The Company and its subsidiaries maintain lines of credit and overdraft arrangements with certain banks. The unused portion aggregated to FIM 824,577 thousand at December 31, 1999.

The Company transferred all its pension schemes from the company managed pension fund to external pension insurance companies in 1998 as a result of which repaid all the loans from pension funds during 1999.

15. Commitments and contingencies

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
On behalf of Instrumentarium			
Securities pledged for commitments	1,431	**431**	72
Mortgages for bank guarantees	70,292	**20,000**	3,364
Guarantees	45,558	**64,596**	10,864
Other commitments	27,198	**56,322**	9,473
	144,479	**141,350**	23,773
Pension commitments			
Commitment deficit of the pension fund	1,928		
Other pension commitments	1,461	**1,446**	243
	3,389	**1,446**	243
Commitments and contingencies, total	147,868	**142,796**	24,016

At December 31, 1998 and 1999, the Group was contingently liable for approximately FIM 5,094 thousand and FIM 3,855 thousand, respectively, relating to repurchase obligations.

The Company and its subsidiaries are party to routine litigation, including product litigation, incidental to the normal conduct of its business. Most of the expenses incurred in connection with such litigation are covered by insurance. The Company's management does not believe that liabilities related to such proceedings in the aggregate, before insurance recoveries, if any, are likely to be material to Company's or Group's financial condition or results of operations.

Datex-Ohmeda Inc. is named as a defendant in an antitrust case filed in July 1998 in the US District Court for the District of Delaware by two independent service organizations as plaintiffs. This case charges the defendant with violations of Sections 1 and 2 of the Sherman Act, including: (i) illegal tying, (ii) monopolization, and (iii) attempted monopolization by unlawfully restricting access to repair parts and linking the provision of after-sale services to the defendant's equipment sales.The BOC Group Plc has taken full responsibility of the litigation and any financial loss resulting from the litigation, and therefore the ultimate resolution of the Delaware litigation will not have a material adverse impact on the Group's or the Company's financial position, results of operations or cash flows.

16. Leasing contracts

Minimum annual rental commitments at December 31, 1999, principally for non-cancelable operating leases, were as follows:

Fiscal (in thousands)	**FIM**	EUR
2000	**42,074**	7,076
2001	**41,818**	7,033
2002	**32,507**	5,467
2003	**24,804**	4,172
2004	**16,140**	2,715
2005 and thereafter	**22,222**	3,737
Total minimum lease payments	**179,565**	30,201

17. Financial instruments

Financial risk management and derivative financial instruments

The Company's financial risks are managed according to a financial risk management policy set and approved by the Board of Directors of Instrumentarium Corporation. The objective of the financial risk management policy is to identify and analyze risk positions, to measure the risks and to hedge against them using appropriate and cost-effective means. The Company has market risk exposures to foreign exchange rates, interest rates and marketable equity securities, together with liquidity and credit risks.

Market risk

The Company uses a variety of derivative financial instruments, principally foreign exchange forward contracts, foreign exchange options, interest rate futures, forward rate agreements, interest rate options and interest rate swaps. Foreign exchange and interest rate related instruments are used to reduce exposures to market risk resulting from fluctuations in foreign exchange and interest rates by creating offsetting exposures. The Company is not a party to leveraged financial instruments.

The foreign exchange position of the Company is managed centrally. Foreign Exchange related contracts are held on a fair value basis and unrealized gains and losses are recognized in net income on a current basis. The Company principally uses forward exchange contracts and foreign exchange options to hedge the foreign exchange risk on certain commercial assets (accounts receivable) and liabilities (accounts payable) and a proportion of related anticipated cash flows denominated in foreign currency up to 12 months forward. The principal foreign currency to which the Company is exposed is the U.S. dollar. The Company uses loans to hedge part of its net equity investments in overseas subsidiaries.

The interest rate position of the Company is managed centrally. Interest rate related contracts other than Interest Rate swaps are held on a fair value basis and unrealized gains and losses are recognized in net income on a current basis. Long Term Interest Rate swaps which are expected to be held to maturity are not marked to market. Only accrued interests of these Long Term Interest Rate Swaps are reported in net income on a current basis. The Company also hedges the basis risk that arises from the differences between the Government Bond Index benchmark and Interest Rate swaps. This hedging is done through Spreadlock forward instruments.

Derivatives are designated at inception as a hedge with respect to the hedged item or group of items with similar characteristics. Derivatives are measured for effectiveness both at inception and on an ongoing basis. Deferral (hedge) accounting is applied only if the derivative reduces the risk of the underlying hedged item and is designated at inception as a hedge with respect to the hedged item. If a derivative financial instrument ceases to meet the criteria for hedge accounting, any subsequent gains or losses are recognized in net income on a current basis. If an anticipated transaction does not occur, the related hedge is restated at fair value and any gains or losses are recognized in net income. If a hedging instrument is sold or terminated prior to maturity, gains or losses are deferred until the hedged item is recognized in net income. Any premium or discount on derivative financial instruments is deferred on other assets / liabilities until the contract matures or is terminated.

The Company does not hedge the price risk of its marketable equity securities. Instrumentarium Corporation and Varma-Sampo Mutual Pension Insurance Company have made an agreement according to which Varma-Sampo has committed itself to buy from Instrumentarium a total amount of 2,000,000 Orion Corporation A series shares by September 2000. Instrumentarium, for its part, has made a commitment to sell to Varma-Sampo 1,000,000 Orion Corporation A series shares by September 2000. The share transactions will be made at market prices prevailing at the time of the transactions. Until December 31, 1999 Company had sold 1,000,000 Orion Corporation A series shares under above mentioned agreement. Other equity holdings are minor.

Liquidity risk

The Company's goal is to maintain liquidity at an appropriate level in relation to its business activities at all times. The Company has unused credit lines at its disposal in addition to the liquid funds in the balance sheet.

Credit risk

Credit risks arising from financial operations are managed by entering into contracts only with counterparties with a good credit standing. The Company sets cash and maturity limits on these approved counterparties and monitors their credit positions/ ratings continuously.

Carrying amount, notional and fair value

The table below shows the notional principal, fair value and credit risk amounts of the Company's foreign currency instruments and interest rate derivatives at December 31, 1999 and 1998. The notional principal amount for off-balance-sheet instruments provide one measure of the transaction volume outstanding as of year-end, and does not represent the amount of Company's exposure to credit risk or market loss. The credit risk amount in the table below represents the Company's gross exposure to potential accounting loss on these transactions if all counterparties failed to perform according to the terms of the contract. The Company's exposure to credit loss and market risk will vary over time as a function of interest rates and currency exchange rates. The estimates of fair value are based on applicable and commonly used pricing models using prevailing financial market information as of December 31, 1999 and 1998. Although the table below reflects the notional principal, fair value, and credit risk amounts of the Company's foreign exchange and interest rates instruments, it does not reflect the gains or losses associated with the exposures and transactions that the foreign exchange and interest rate instruments are intended to hedge. The amounts ultimately realized upon settlement of these financial instruments, together with the gains and losses on the underlying exposures, will depend on actual market conditions during the remaining life of the instruments.

As at December 31, 1999 FIM (in thousands)	Notional principal	Fair value	Credit risk	Carrying amount
Foreign exchange instruments				
Forwards to buy	592,519	484	484	484
Forwards to sell	698,400	-28,794		-28,794
Options purchased	260,414	-1,524		-1,524
Options written	306,353	-3,211		-3,211
Interest rate instruments				
Futures	297,287	-11		-11
Forwards	683,291	-481		-481
IR Swaps	1,024,027	-12,913		-28,178
Options purchased	24,383	-268	268	-268
Options written				

As at December 31, 1998 FIM (in thousands)	Notional principal	Fair value	Credit risk	Carrying amount
Foreign exchange instruments				
Forwards to buy	852,267	998	998	998
Forwards to sell	909,034	-12,178		-12,178
Forwards between EMU currencies	968,797	529	529	529
Options purchased	336,160	3,808	3,808	3,808
Options written	387,120	-3,525		-3,525
Options written between EMU currencies	304,000	400	400	400
Interest rate instruments				
Futures	25,480	-109		-109
Forwards	588,333	-3,185		-3,185
IR Swaps	1,260,560	-82,889		-35,977
Options purchased				
Options written	254,800	-13		-13

As at December 31, 1999 EUR (in thousands)	Notional principal	Fair value	Credit risk	Carrying amount
Foreign exchange instruments				
Forwards to buy	99,655	81	81	81
Forwards to sell	117,462	-4,843		-4,843
Options purchased	43,798	-256		-256
Options written	51,525	-540		-540
Interest rate instruments				
Futures	50,000	-2		-2
Forwards	114,921	-81		-81
IR Swaps	172,229	-2,172		-4,739
Options purchased	4,101	-45	45	-45
Options written				

As at December 31, 1998 EUR (in thousands)	Notional principal	Fair value	Credit risk	Carrying amount
Foreign exchange instruments				
Forwards to buy	143,341	168	168	168
Forwards to sell	152,889	-2,048		-2,048
Forwards between EMU currencies	162,940	89	89	89
Options purchased	56,538	640	640	640
Options written	65,109	-593		-593
Options written between EMU currencies	51,129	67	67	67
Interest rate instruments				
Futures	4,285	-18		-18
Forwards	98,951	-536		-536
IR Swaps	212,011	-13,941		-6,051
Options purchased				
Options written	42,854	-2		-2

Fair value of other financial instruments

The carrying amounts reflected in the consolidated balance sheets for short-term financial instruments approximate fair value.

Shares and holdings in associated companies are unquoted securities. The estimated fair value is the same as book value as of December 31, 1999 and 1998.

The fair value of Company's long-term loans (both receivables and payables) is estimated based on quoted market prices for the same or similar issues or on current rates offered to the Company for loans of the same remaining maturities. The fair value of long term liabilities, long-term receivables and loans receivable and payable is not significantly different from their carrying value.

18. Personnel expenses and number of personnel

Personnel expenses (in thousands)	1997 FIM	1998 FIM	**1999 FIM**	1999 EUR
Salaries, bonuses and fees to the members of the Supervisory Board, Board of Directors and Presidents	13,499	19,209	**15,950**	2,683
Other wages and salaries	521,435	894,245	**1,240,090**	208,568
Pension expenses	54,985	34,136	**130,953**	22,025
Other personnel expenses	78,902	134,579	**154,912**	26,054
	668,821	1,082,169	**1,541,906**	259,330

Number of personnel	1997	1998	**1999**
Personnel, average	2,753	4,513	**5,172**
Personnel, at year end	2,902	5,131	**5,128**

Pension arrangements for management
The members of Board of Directors of Instrumentarium Corporation employed by the Company may retire at the age of 60. The retirement age of the managing directors of the group companies is determined according to local standards in respective countries.

19. Segment and geographical information

(in thousands)	1997 FIM	1998 FIM	**1999 FIM**	1999 EUR
Net sales				
Anesthesia and critical care	1,079,173	2,330,542	**3,238,375**	544,656
Medical equipment and supplies	484,056	773,401	**812,758**	136,696
Optical retail	481,412	519,656	**534,818**	89,950
Other	31,843	2,378	**3,103**	522
Discontinued operations	604,543	264,746	**9,834**	1,654
Net sales	2,681,027	3,890,723	**4,598,888**	773,477
Operating profit				
Anesthesia and critical care	179,050	51,225	**260,109**	43,747
Medical equipment and supplies	34,690	64,991	**28,791**	4,842
Optical retail	69,851	75,215	**52,644**	8,854
Other	-851	2,670	**514**	86
Discontinued operations	32,229	4,882	**-425**	-71
Operating profit from business segments	314,969	198,983	**341,633**	57,458
Amortization of goodwill on consolidation	-22,903	-84,106	**-94,236**	-15,849
General corporate expenses and non-recurring operating items	21,920	136,313	**30,066**	5,057
Operating profit	313,986	251,190	**277,462**	46,666
Identifiable net operating assets				
Anesthesia and critical care		1,647,732	**1,895,057**	318,726
Medical equipment and supplies		245,932	**258,350**	43,451
Optical retail		89,377	**106,544**	17,919
Other		5,658	**6,917**	1,163
Discontinued operations		21,385	**1,762**	296
Identifiable net operating assets *		2,010,084	**2,268,630**	381,556
Non-interest bearing liabilities		693,022	**866,533**	145,163
Corporate Headquarter's assets		1,078,025	**863,101**	145,740
Goodwill on consolidation		1,723,583	**1,620,973**	272,628
Identifiable assets		5,504,714	**5,619,237**	945,088

* Includes total assets less non-interest bearing liabilities by business segments.

(in thousands)	1997 FIM	1998 FIM	**1999 FIM**	1999 EUR
Capital expenditure				
Anesthesia and critical care	57,667	548,751	**83,851**	14,103
Medical equipment and supplies	12,928	16,972	**22,472**	3,780
Optical retail	13,249	18,609	**23,944**	4,027
Other	4,279	2,611	**3,309**	556
Discontinued operations	4,695	2,079	**390**	66
Corporate Headquarters	236,959	22,915	**27,609**	4,643
Goodwill on consolidation	2,089	1,729,345	**2,744**	462
Capital expenditure	331,866	2,341,282	**164,319**	27,636
Depreciation and amortization				
Anesthesia and critical care	28,066	84,717	**97,913**	16,468
Medical equipment and supplies	6,204	7,347	**12,036**	2,024
Optical retail	15,387	16,469	**17,659**	2,970
Other	1,832	1,598	**1,946**	327
Discontinued operations	3,558	2,233	**735**	124
Corporate Headquarters	18,150	34,148	**40,619**	6,832
Amortization of goodwill on consolidation	22,903	84,106	**94,236**	15,849
Depreciation and amortization	96,100	230,618	**265,144**	44,594
Average number of personnel				
Anesthesia and critical care	1,175	2,874	**3,495**	
Medical equipment and supplies	525	690	**799**	
Optical retail	694	735	**779**	
Corporate Headquarters	75	78	**77**	
Discontinued operations	284	136	**22**	
Average number of personnel	2,753	4,513	**5,172**	
Net sales by destination				
Finland	1,110,304	847,123	**644,108**	108,331
Rest of EU	719,055	1,110,445	**1,268,755**	213,389
Rest of Europe	243,768	304,447	**173,385**	29,161
North America	370,708	1,217,345	**1,923,608**	323,528
Rest of the world	237,192	411,363	**589,032**	99,068
Net sales	2,681,027	3,890,723	**4,598,888**	773,477

20. Shares and holdings

Shares in subsidiaries	Number of shares	Share-holding %	Curr.	Nominal value (1,000)	Curr.	Book value (1,000)
Datex-Ohmeda (Canada) Inc.	200	100	CAD	1,340		4,497
Datex-Ohmeda (India)Pvt. Ltd.	4,000,000	100	INR	80,000		10,506
Datex-Ohmeda B.V.	500	100	NLG	500	NLG	588
Datex-Ohmeda GmbH		100				14,354
Datex-Ohmeda, Inc.	100	100	USD	0	USD	406,323
Datex-Ohmeda K.K.	980,260	100	JPY	490,130		0
Datex-Ohmeda Ltd.	1,000	100	GBP	1		2,793
Datex-Ohmeda Pty. Ltd.	5,900,000	100	AUD	5,900		21,830
Datex-Ohmeda Pte. Ltd.	2	100	USD	500		2,731
Datex-Ohmeda S.A.S	1,000	100	FRF	20,000	NLG	6,717
Datex-Ohmeda S.L.	150,000	100	ESP	25,000		5,386
Datex-Ohmeda S.p.A.	10,000,000	100	ITL	10,000,000		39,243
Datia Holdings B.V.	1,385	100	NLG	1,385		9,609
Eksperimentarium Oy	15	100	FIM	15		15
Helsingin Silmälääkärikeskus Oy	11,600	100	FIM	116		390
HT-Research Oy	63,450	100	FIM	6,345		63,663
Instrumentarium Holdings, Inc.	1	100	USD	0		0
Instrumentarium AB	100,000	100	SEK	10,000		11,152
Instru Holdings, Inc.	1	100	USD	0		825,621
Instrumentarium Imaging Dental GmbH		51				388
Instrumentarium Imaging France S.A.R.L.	2,000	100	FRF	200		181
Instrumentarium Imaging Italia s.r.l.	20,000	100	ITL	100,000		799
Instrumentarium Imaging, Inc.	100	100	USD	10	USD	14,602

Shares in subsidiaries	Number of shares	Share-holding %	Curr.	Nominal value (1,000)	Curr.	Book value (1,000)
Instrumentarium Medical OÜ	101	100	EEK	350		906
Instrumentarium Optika OÜ	50	100	EEK	50		122
Instrumentarium SIA	24	100	LVL	2		20
Japo-Trading Oy	9,135	100	FIM	9,135		92,140
Junior-Notariaatti Oy	6,865	100	FIM	6,865		93,358
Keski-Suomen Silmälääkärit Oy	2,000	100	FIM	200		1,483
Kiinteistö Oy Kantaatti	2,642	100	FIM	53		6,518
Kiinteistö Oy Lahti Puustellintie 3	1,166	100	FIM	1,166		305
Kiinteistö Oy Vitikka 1	158,000	100	FIM	158,000		158,000
L-Dental Products Lumme Oy	210,000	100	FIM	21,000		24,206
Medko Invest Oy	50	100	FIM	50		50
Medko Medical Oy	2,000	100	FIM	2,000		2,000
Medko Oy	45,500	100	FIM	4,550		356,032
Merimedic AB	1,500	100	SEK	250		186
Merivaara AB	18,500	100	SEK	1,850	SEK	1,747
Merivaara France SARL	15,000	100	FRF	300		548
Merivaara Norge AS	2,000	100	NOK	2,000		1,338
Olarin Optiikka Oy	100	100	FIM	15		1,932
Optiker Simson AB	20,000	100	SEK	2,000		16,205
Oy Bergenheim Yhtiöt Ab	250,000	100	FIM	2,500		8,367
Oy Dentaldepot Ab	82,467	99.96	FIM	4,453		10,451
Oy Loko-Invest Ab	108,150	100	FIM	10,815		110,328
Oy Metava Ab	100	100	FIM	100		7,489
Pika-Optiikka Oy	150	100	FIM	15		15
SIA Instrumentarium Medical	10	100	LVL	2		21
SIA Instrumentarium Optika	10	100	LVL	2		19
Sotem Oy	4,000	100	FIM	40,000		40,000
Suomen Keskusoptiikka Oy	500	100	FIM	50		65
ZAO Instrumentarium	1,370,064	100	RUR	1,370		1,219
Ögat Förvaltning Aktiebolag	500	100	SEK	100		8,692

Shares in associated companies	Number of shares	Share-holding %	Curr.	Nominal value (1,000)	Curr.	Book value (1,000)
Abmin Technologies Oy	2,125	42.5	FIM	213		744
Other shares and holdings						
Carital Oy	50	5.00	FIM	50		500
Diomed Ltd.	429,333	18.58	GBP	0		3,810
Helsingin Puhelin Oyj	3,592	0.01	FIM			218
HEX Oy	24,400	0.24	FIM	244		140
HPY Holding Oyj Abp	52,500	0.06	FIM			873
Intensium Oy	14	14.00	FIM	1		210
Keski-Suomen Lääkäritalo Oy	171	10.69	FIM	171		2,008
Mortara Instrument Inc.	104,535	10.00	USD	10		5,660
Orion-yhtymä Oyj	1,000,000	1.43	FIM	10,000		104,506
Pulmonyx Investment	1	20.00	FIM			11,837
Ventana Growth Fund II	5	3.50	USD	500		1,175
Other			FIM			1,723
						132,660
Real estate shares			FIM			68,726
Other shares and holdings, total						201,387

Parent Company statements of income

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
Net sales	1,741,762	**1,831,081**	307,966
Cost of goods sold	-825,827	**-854,545**	-143,724
Gross profit	915.935	**976,537**	164,242
Selling and marketing expenses	-417,155	**-446,302**	-75,063
Research and development expenses	-110,308	**-158,291**	-26,623
General and administrative expenses	-158,009	**-125,550**	-21,116
Other operating income and expenses, net	135,617	**107**	18
Operating profit	366,081	**246,500**	41,458
Financing income and expenses, net	-147,049	**30,307**	5,097
Income before extraordinary items	219,031	**276,807**	46,556
Extraordinary income and expenses, net	722	**176,915**	29,755
Income after extraordinary items	219,753	**453,722**	76,311
Change in appropriations	23,133	**22,219**	3,737
Income taxes	-69,560	**-25,845**	-4,347
Net income	173,326	**450,096**	75,701

Parent Company balance sheet

(in thousands)	1998 FIM	**1999 FIM**	1999 EUR
ASSETS			
Non-current assets			
Intangible assets			
Intangible rights	11,783	**12,239**	2,058
Goodwill	11,011	**1,546**	260
Other capitalized expenditures	47,436	**52,263**	8,790
	70,229	**66,047**	11,108
Tangible assets			
Land and water areas	22,454	**23,977**	4,033
Buildings	196,072	**189,183**	31,818
Machinery and equipment	75,250	**85,456**	14,373
Advance payments and assets under construction	1,982	**10,550**	1,774
	295,757	**309,165**	51,998
Investments			
Shares and holdings in Group companies	1,608,159	**1,571,480**	264,304
Shares and holdings in associated companies	6,781	**744**	125
Other shares and holdings	60,123	**65,623**	11,037
Own shares		**99**	17
Loans receivable		**200**	34
	1,675,063	**1,638,145**	275,516
Current assets			
Inventories			
Raw material and supplies	81,795	**74,642**	12,554
Work-in-progress	71,688	**77,435**	13,024
Finished goods	124,834	**127,427**	21,432
	278,317	**279,503**	47,009
Short-term receivables			
Accounts receivable	153,700	**162,197**	27,280
Receivables from Group companies	2,291,916	**2,853,249**	479,882
Receivables from associated companies	1,250	**1,250**	210
Loans receivable	1,603	**3,458**	582
Other receivables	16,931	**12,815**	2,155
Prepaid expenses and accrued income	105,187	**110,114**	18,520
	2,570,587	**3,143,084**	528,629
Short-term investments	41,851		
Cash and cash equivalents	42,252	**65,754**	11,059
TOTAL ASSETS	4,974,055	**5,501,699**	925,319
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	240,844	**286,398**	48,169
Share premium account	704,212	**658,657**	110,778
Reserve for own shares		**99**	17
Retained earnings	1,230,448	**1,319,229**	221,878
Net profit for the period	173,326	**450,096**	75,701
	2,348,829	**2,714,479**	456,543
Appropriations	237,553	**215,334**	36,217
Liabilities			
Long-term liabilities			
Loans from financial institutions	1,174,096	**1,041,027**	175,088
	1,174,096	**1,041,027**	175,088
Short-term liabilities			
Loans from financial institutions	417,936	**764,331**	128,551
Loans from pension institutions	67,712		
Advance payments	7,938	**7,459**	1,254
Accounts payable	105,722	**88,663**	14,912
Loans from Group companies	422,349	**501,166**	84,290
Other short-term liabilities	51,954	**14,886**	2,504
Accrued liabilities	139,966	**154,354**	25,960
	1,213,578	**1,530,859**	257,472
Total liabilities	2,387,674	**2,571,886**	432,560
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,974,055	**5,501,699**	925,319

Parent Company statement of changes in shareholders' equity

FIM (in thousands)	Share capital	Share premium account	Other reserves	Retained earnings	Total
Balance at December 31, 1997	201,638	194,538		1,315,285	1,711,461
Share issue	39,206				39,206
Share issue premium		509,674			509,674
Dividend paid				-84,688	-84,688
Donation				-150	-150
Net income				173,326	173,326
Balance at December 31, 1998	240,844	704,212		1,403,773	2,348,829
Bonus issue	45,555	-45,555			
Transfer to reserve for own shares			99	-99	
Dividend paid				-84,295	-84 295
Donation				-150	-150
Net income				450,096	450,096
Balance at December 31, 1999	286,398	658,657	99	1,769,324	2,714,479

EUR (in thousands)	Share capital	Share premium account	Other reserves	Retained earnings	Total
Balance at December 31, 1997	33,913	32,719		221,215	287,847
Share issue	6,594				6,594
Share issue premium		85,721			85,721
Dividend paid				-14,243	-14,243
Donation				-25	-25
Net income				29,151	29,151
Balance at December 31, 1998	40,507	118,440		236,098	395,045
Bonus issue	7,662	-7,662			
Transfer to reserve for own shares			17	-17	
Dividend paid				-14,177	-14,177
Donation				-25	-25
Net income				75,701	75,701
Balance at December 31, 1999	48,169	110,778	17	297,579	456,543

Auditors' report

To the shareholders of Instrumentarium Corporation

We have audited the accounting, the financial statements and the corporate governance of Instrumentarium Corporation for the financial year 1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Supervisory Board and the Board of Directors and the President and CEO have legally complied with the rules of the Companies' Act.

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

Helsinki, 22 February 2000

Göran Grén
Authorised Public Accountant

Heikki Lassila
Authorised Public Accountant

Net income and shareholders' equity in accordance with U.S. GAAP

Instrumentarium's consolidated financial statements are prepared in accordance with generally accepted accounting principles in Finland (Finnish GAAP), which differ in certain respects from United States generally accepted accounting principles (U.S. GAAP). The principal differences between Finnish GAAP and U.S. GAAP are presented and described below together with explanations of the adjustments that affect consolidated net income and total shareholders' equity as of and for the years ended December 31, 1998 and 1999.

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

Consolidated net income

FIM (in thousands)	1998	**1999**
Net income as reported in the Consolidated Statements of Income, in accordance with Finnish GAAP	93,814	**282,530**
Increase (+)/decrease (–) for:		
(a) Pension expense/income	24,764	**-289,986**
(c) Property and equipment, net	4,012	**9,634**
(d) Deferred income taxes	4,543	**117,632**
(e) Non-current marketable securities	621	**621**
(b) (e) Write-up of marketable securities	-10,829	**-**
(f) Exchange of non-current assets	9,343	**-**
(g) Restructuring accrual	10,079	**-10,079**
(h) Purchase accounting	-110,146	**-30,098**
(i) Stock compensation expense	-	**-3,740**
Net income in accordance with U.S. GAAP	26,201	**76,514**

Presentation of net income in accordance with U.S. GAAP for the years ended December 31

FIM (in thousands), except per share data	1998	**1999**
Income from continuing operations	5,875	**76,514**
Discontinued operations:		
Income (loss) from discontinued operations, net of taxes of	-1,503	**-**
Gain on disposals, net of taxes of	21,829	**-**
Net income in accordance with U.S. GAAP	26,201	**76,514**
(k) Basic earnings per share:		
Continuing operations	0.28	**3.18**
Discontinued operations	0.95	**-**
Total basic earnings per share	1.23	**3.18**
(k) Basic earnings per ADS:		
(1 share = 2 ADS)		
Continuing operations	0.14	**1.59**
Discontinued operations	0.48	**-**
Total basic earnings per ADS	0.62	**1.59**
(k) Diluted earnings per share:		
Continuing operations	0.28	**3.17**
Discontinued operations	0.95	**-**
Total diluted earnings per share	1.23	**3.17**
(k) Diluted earnings per ADS:		
Continuing operations	0.14	**1.58**
Discontinued operations	0.48	**-**
Total diluted earnings per ADS	0.62	**1.58**

Earnings per share is based on net income divided by the weighted average number of shares outstanding during each period adjusted for the rights issue that occurred in 1998. The weighted average number of shares used in calculating basic and diluted earnings per share at December 31, 1999 were 24,049 and 24,109 thousands, respectively.

Year ended December 31, FIM (in thousands)	1998	**1999**
Shareholders' equity as reported in the Consolidated Balance Sheets	2,516,462	**2,649,549**
Increase (+)/decrease (–) for:		
(a) Pension expense/income	169,777	**-120,209**
(b) Short-term marketable securities	2,650	**1,665**
(c) Property and equipment, net	-94,535	**-84,901**
(d) Deferred income taxes	-57,899	**54,892**
(e) Non-current marketable equity securities	47,769	**64,310**
(g) Restructuring accrual	10,079	
(h) Purchase accounting	-110,146	**-140,244**
(i) Stock compensation expense	-	**-3,740**
(j) Treasury stock	-	**-20,349**
Shareholders' equity in accordance with U.S. GAAP	2,484,157	**2,400,973**

(a) Pension expense

The Company generally records pension expense in accordance with local accounting practices in the countries in which employees are provided with such benefits. Accordingly, the determination of pension expense for defined benefit plans in accordance with Finnish GAAP differs from the methodology set forth in SFAS No. 87, "Employers' Accounting for Pensions."

Under U.S. GAAP, pension expense is recorded on a full accrual basis and reflected in the income statements over the working lives of employees provided with such benefits. The economic and demographic assumptions used in calculating pension expense are required to be reviewed and updated periodically to the extent that local market economic conditions and demographic change. Under U.S. GAAP, the Company has estimated the effect on net income and shareholders' equity assuming the adoption of SFAS No. 87 as of January 1, 1989.

(b) Short-term marketable securities

Under Finnish GAAP, short-term marketable securities are reflected at the lower of individual acquisition cost or market. Securities written down to a new cost basis are written up for subsequent recoveries in market value.

Under U.S. GAAP, the Company's investment securities are classified as available-for-sale and are recorded at fair value, with unrealized gains and losses excluded from determining income and reported as a separate component of shareholders' equity, net of tax.

(c) Property and equipment, net

Certain land and buildings have been revalued at an amount in excess of cost, which under certain circumstances is allowed under Finnish GAAP. Under U.S. GAAP, revaluation of assets are generally not permitted except in certain specific circumstances, such as business combinations.

In accordance with Finnish GAAP and prevailing practice, the Company has expensed interest costs in connection with the construction of certain fixed assets. Under U.S. GAAP, interest costs are required to be capitalized as part of the historical cost of acquiring certain assets.

Prior to 1994, the Company had sold and leased back certain buildings. In Finland, the gain or loss on such sales is included in income in the year of the sale. During 1997, the Company repurchased certain of these leased back buildings by exercising its purchase options and recording them at the option price. The net effect of these transactions is that buildings have been recorded in excess of original cost under Finnish GAAP.

The net differences discussed above are being amortized over the useful lives of the related assets, as appropriate.

(d) Deferred income taxes

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

(e) Non-current marketable securities

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

Under U.S. GAAP, 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, net of tax.

(f) 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 Group for cash and a 40% interest in Hackman Metos Ltd. In accordance with Finnish GAAP, the Company recorded a gain of FIM 9,343 thousand on this transaction. U.S. GAAP requires that the gain arising in a transaction of this nature be deferred until the Company no longer has a commitment to support the operations of the new company. In 1998, the Company sold its 40 % interest in Hackman Metos Ltd. and, accordingly, the deferred gain has been recognized.

(g) Restructuring accrual

Under Finnish GAAP, the Company recorded restructuring expenses in 1998, not all of which had been incurred, related to the acquisition of the Ohmeda businesses. Under U.S. GAAP, only the items that meet certain criteria and that have been incurred are allowed to be expensed.

(h) Purchase accounting

Under both Finnish GAAP and U.S. GAAP, the cost of a company acquired in a purchase business combination includes the direct costs of acquisition and the excess of the cost of the acquired company over the sum of the amounts assigned to identifiable assets, based upon an appraisal of the fair value of the assets, acquired less liabilities assumed should be recorded as goodwill. However, the concept of "fair value" in assigning amounts to assets acquired and liabilities assumed is less comprehensive under Finnish GAAP.

(i) Stock compensation expense

Finnish GAAP does not address accounting and measurement for stock options granted to employees. As allowed by SFAS 123, "Accounting for Stock-Based Compensation," under U.S. GAAP, the Company has elected to continue to apply APB 25, "Accounting for Stock Issued to Employees." Under APB 25, when the exercise price of employee stock options is less than the market price of the underlying stock on the measurement date, compensation is recognized as a salary expense over the contractual vesting period.

(j) Treasury shares

Under Finnish GAAP, treasury shares are allowed to be presented as assets. Under U.S. GAAP, treasury shares need to be shown as a deduction of the consolidated shareholder's equity.

(k) Earnings per share

Earnings per share as presented is not based on net income, but rather on a calculation specified by the Financial Accounting Board of the Finnish Ministry of Trade and Finance. U.S. GAAP requires that net income be utilized in the computation of earnings per share.

(l) Discontinued operations

Instrumentarium developed a formal plan of disposition in January 1998. In accordance with Finnish GAAP, the operating losses, the gains on disposal, and expenses incurred in disposing of a line of business were recorded in determining the net income. Under U.S. GAAP, when certain criteria in APB 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," are fulfilled, the income from continuing and discontinued operations shall be presented separately and all prior period information need to be restated to reflect the presentation.

Five years in review

		1995	1996	1997	1998	1999
Income Statement						
Net Sales	MFIM	2,083.5	2,313.8	2,681.0	3,890.7	4,598.9
Change from the previous year	%	5.5	11.1	15.9	45.1	18.2
Foreign Sales	MFIM	1,217.1	1,328.1	1,570.7	3,045.3	3,954.8
Share of net sales	%	58.4	57.4	58.6	78.3	86.0
Operating profit before non-recurring items and amortization of goodwill	MFIM	169.3	228.3	307.5	154.1	333.7
Share of net sales	%	8.1	9.9	11.5	4.0	7.3
Operating profit	MFIM	186.1	232.0	314.0	251.2	277.5
Share of net sales	%	8.9	10.0	11.7	6.5	6.0
Financing income and expenses	MFIM	39.1	41.3	26.8	-70.1	-92.2
Income before extraordinary items	MFIM	225.2	273.3	340.8	181.0	185.3
Share of net sales	%	10.8	11.8	12.7	4.7	4.0
Extraordinary items	MFIM	-7.7	76.3	0.0	0.0	183.4
Income after extraordinary items	MFIM	217.5	349.6	340.8	181.0	368.7
Share of net sales	%	10.4	15.1	12.7	4.7	8.0
Income taxes	MFIM	78.7	72.9	94.7	86.8	86.8
Net income	MFIM	219.7	275.4	246.1	93.8	282.5
Share of net sales	%	10.5	11.9	9.2	2.4	6.1
Capital expenditure	MFIM	94.8	69.3	332.0	2,341.0	164.3
Share of net sales	%	4.6	3.0	12.4	60.2	3.6
Depreciation and amortization according to plan	MFIM	84.3	90.0	96.1	230.6	265.1
Recearch and development expenses	MFIM	113.4	115.9	125.7	235.9	316.9
Share of net sales	%	5.4	5.0	4.7	6.1	6.9
Dividends	MFIM	56.4	70.6	84.7	84.3	96.0*
Balance sheet						
Liabilities	MFIM	849.1	723.6	844.6	2,985.3	2,969.9
Short-term liabilities	MFIM	515.7	443.3	598.2	1,602.1	1,732.4
Long-term liabilities	MFIM	333.4	280.3	246.4	1,383.2	1,237.5
Shareholders' equity and minority interest	MFIM	1,521.5	1,748.3	1,927.7	2,519.4	2,649.3
Total assets	MFIM	2,370.5	2,471.9	2,772.3	5,504.7	5,619.2
Key indicators						
Return on investment (ROI)	%	13.9	15.6	17.7	10.2	6.6
Return on equity (ROE)	%	9.9	12.3	13.4	4.2	3.8
Equity Ratio	%	64.8	71.3	70.2	46.0	47.1
Gearing	%	-7.8	-14.8	-9.9	62.4	67.0
Average number of employees		2,559	2,633	2,753	4,513	5,172
Share capital and shares						
Share capital on Dec. 31.	MFIM	201.5	201.6	201.6	240.8	286.4
Market capitalization on Dec. 31.	MFIM	2,272.1	3,400.5	3,831.1	5,016.5	4,622.6
Adjusted average number of shares. x 1,000						
Excluding diluting effect of stock options		20,905	20,915	20,921	21,060	24,049
Including diluting effect of stock options		20,905	20,915	20,921	21,324	24,109
Adjusted number of shares on Dec. 31. x 1,000		20,150	20,164	20,164	24,084	23,996
Per share data						
Earnings per share	FIM	7.87	9.52	11.76	4.45	4.12
Diluted earnings per share	FIM	7.87	9.52	11.76	4.40	4.11
Earnings per share. U.S. GAAP	FIM	6.58	7.72	11.97	1.23	3.18
Shareholders' equity per share	FIM	72.12	82.80	91.33	104.49	109.57
Payout ratio	%	34.3	35.4	34.4	78.6	97,1*
Dividend per share	FIM	2.70	3.37	4.05	3.50	4.00*
P/E-ratio **		13.7	17.1	15.6	47.7	46.8
Dividend yield % **		2.5	2.1	2.2	1.7	2.1
Number of shareholders		11,383	10,178	9,501	9,457	19,080

* Proposed by the Board of Directors

** Calculated for the share series B for years 1995 -1998

Calculation principles of financial ratios

Return on investment (ROI) %

$$= \frac{\text{Income before extraordinary items} + \text{interest and other expenses related to interest-bearing liabilities}}{\text{Balance sheet total - own shares - non-interest-bearing liabilities (average during the year)}} \times 100$$

Return on equity (ROE) %

$$= \frac{\text{Income before extraordinary items - income taxes}}{\text{Shareholders' equity - own shares + minority interest (average during the year)}} \times 100$$

Equity ratio %

$$= \frac{\text{Shareholders' equity - own shares + minority interest}}{\text{Balance sheet total - own shares - advances received}} \times 100$$

Gearing %

$$= \frac{\text{Interest-bearing net liabilities}}{\text{Shareholders' equity - own shares + minority interest}} \times 100$$

Market capitalization = (Number of shares on 31 December - own shares) x Last trading price on 31 December

Earnings per share

$$= \frac{\text{Income before extraordinary items - income taxes -/+ minority interest}}{\text{Adjusted average number of shares without own shares}}$$

Shareholders' equity per share

$$= \frac{\text{Shareholders' equity - own shares}}{\text{Adjusted number of shares on 31 December without own shares}}$$

Payout ratio %

$$= \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Dividend per share

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

P/E ratio

$$= \frac{\text{Adjusted last trading price on 31 December}}{\text{Earnings per share}}$$

Dividend yield %

$$= \frac{\text{Dividend per share}}{\text{Last trading price on 31 December}} \times 100$$

Shares and shareholders

Shares and voting rights
The share capital of Instrumentarium Corporation on 31 December 1999 was FIM 286,398,334 (EUR 48,168,742) and it was divided into 24,084,371 shares. All shares have an equal voting right and they confer on their holders the same rights to Company assets and profit distribution.

The Extraordinary Shareholders' Meeting on 13 December 1999 decided to combine share series A and B. As a result, the shares in series A and B became the same type and the Company has one listed share series.

Stock exchanges
The share of Instrumentarium Corporation has been quoted on the Helsinki Exchanges since 1971, and it is listed in the Telecommunication and Electronics business sector on the Main List of the Helsinki Exchanges. American Depositary Receipts (ADRs) have been traded on the NASDAQ Stock Market in the United States since 1983. Two ADRs equal one share. At the end of 1999 there were 167,596 ADRs outstanding on the NASDAQ list.

Shareholder register
Shareholders should notify the particular register holding their book-entry account of changes in address or account numbers for payment of dividends and other matters related to ownership of shares.

Dividend
The Board of Directors' proposal for cash dividends is on page 27. Persons registered on 28 March 2000 in the List of Shareholders of Instrumentarium Corporation maintained by the Finnish Central Securities Depositary Ltd., have the right to receive the dividends. The payment date for the dividends is 4 April 2000.

Management shareholding and stock options
At the end of 1999, the members of the Board of Directors and the President and CEO of Instrumentarium Corporation as well as organisations under their control held 349,226 shares, representing 1.45% of the Company's shares and voting rights. Key personnel, members of the Board of Directors and a wholly owned subsidiary of Instrumentarium Corporation have been issued stock options (see also page 42). The maximum amount of stock options to be granted is 1,300,000 and if fully exercised they would correspond to 6.06% of the Company's shares and voting rights. The stock options granted to members of the Board of Directors and the President and CEO correspond to 0.25% of the Company's shares and voting rights.

Own shares
Instrumentarium owned 88,512 shares of Instrumentarium Corporation at the end of 1999, which it has received as dividend, primarily from Orion Corporation. These own shares represent 0.37% of share capital and voting rights.

The Board of Directors has not had an authorization to acquire or convey the Company's own shares during the year.

Share issues, convertible debt and warrants
The Company has not issued new shares during the year and it does not have convertible debt nor warrants outstanding. The Board of directors has not had an authorization to raise the share capital of the Company nor to issue convertible debt instruments or warrants during the year.

Shareholder agreements
The Board of Directors is not aware of any shareholder agreements concerning the Company's shares.

Distribution of ownership on 31 December 1999

Number of shares	Number of shareholders	% of total shareholders	% of shares
1 – 100	9,466	49.6	1.9
101 – 500	6,193	32.4	6.1
501 – 1,000	1,504	7.9	4.5
1,001 – 5,000	1,526	8.0	12.7
5,001 – 10,000	187	1.0	5.3
over 10,000	204	1.1	69.5
Total	19,080	100.0	100.0

Shareholders on 31 December 1999

Principal shareholders of Instrumentarium Corporation

Shareholder		Number of shares	% of shares
1.	Mutual Pension Insurance Company Ilmarinen Ltd.	941,753	3.9
2.	Sampo Life Insurance Company Limited	796,400	3.3
3.	Orion Corporation	776,371	3.2
4.	Varma-Sampo Mutual Pension Insurance Company	724,607	3.0
5.	Pohjola Life Assurance Company	557,265	2.3
6.	Suomi Mutual Life Assurance Company	545,839	2.3
7.	Tapiola Mutual Pension Insurance Company	498,226	2.1
8.	Tapiola General Mutual Insurance Company	411,982	1.7
9.	Pohjola Non-Life Insurance Company	383,258	1.6
10.	Medical Investment Trust Oy (MIT)	345,000	1.4
11.	Oriola Oy	311,851	1.3
12.	The Local Government Pensions Fund	304,700	1.3
13.	Orion Employees' Pension Fund	293,444	1.2
14.	Etra-Invest Oy Ab	275,175	1.1
15.	Instrumentarium Scientific Fund	260,719	1.1
16.	The Finnish Medical Society Duodecim	240,868	1.0
17.	The Finnish Cultural Foundation	226,841	0.9
18.	The Social Insurance Institution	192,836	0.8
19.	Tapiola Mutual Life Assurance Company	184,081	0.8
20.	H. Kuningas & Co Oy Ab	150,516	0.6
		8,421,732	35.0
Nominee registered shares		2,183,346	9.1

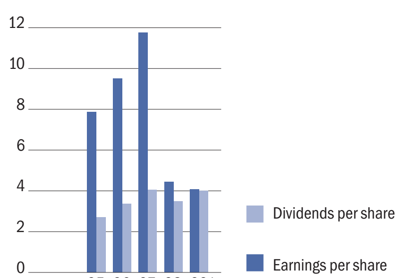
Ownership structure on 31 December 1999

Group	Number of shareholders	Number of shares	% of shares
Companies			
Public	7	87,198	0.4
Private	809	3,580,482	14.9
Insurance and financial institutions	107	4,826,554	20.0
Public entities	69	4,002,815	16.6
Associations and foundations	469	2,268,237	9.4
Households	17,510	7,053,185	29.3
Foreign shareholders	99	70,116	0.3
Shares not transferred to the book-entry system		12,438	0.1
	19,070	21,901,025	90.9
Nominee-registered shares	10	2,183,346	9.1
Total	19,080	24,084,371	100.0

Share issues since 1988

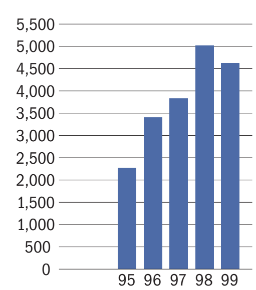
Share issue	Subscription period	Terms of subscription or subscriber	Subscription price, FIM	Number of new shares	Total shares
Bonus issue	22.1.–23.2.88	5:1 A	-	839,025 A	6,229,025
Bonus issue	22.1.–23.2.88	5:1 Bs	-	68,917 Bs	6,297,942
Bonus issue	22.1.–23.2.88	5:1 Bv	-	170,058 Bv	6,468,000
Subscription	22.1.–23.2.88	personnel	130.00	82,000 Bs	6,550,000
Subscription	22.6.88	acquisition	223.00	86,000 Bs	6,636,000
Subscription	22.12.88	acquisition	218.00	14,100 Bs	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
Subscription	9.5.96	warrants	78.33	13,500 B	20,163,801
Right issue	4.12.–18.12.98	51:10 B	140.00	3,920,570 B	24,084,371

Earnings and dividend per share, FIM



*Proposed by the Board of Directors

Market capitalization, FIM million



Performance of Instrumentarium shares

	The Helsinki Exchanges						NASDAQ	
	A share, EUR			B share*, EUR			ADR, USD	
	high	low	average	high	low	average	high	low
1995	18.63	11.99	15.55	18.63	11.99	15.28	13.25	7.95
1996	28.03	18.31	23.05	27.87	18.15	22.13	17.82	11.56
1997	36.94	25.92	30.59	36.78	25.92	30.35	20.74	15.65
1998	63.19	27.54	44.19	64.55	27.54	42.04	33.96	16.38
1999	41.00	25.10	35.47	40.50	26.40	33.78	21.75	14.50

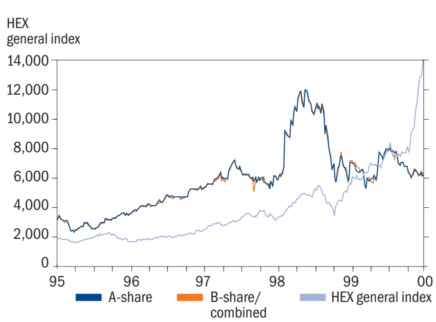
* Price information of B share includes also price information after combination of the share series.

Trading volume of Instrumentarium shares

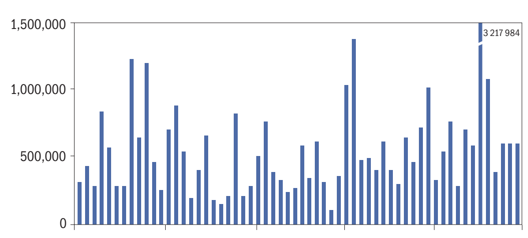
	The Helsinki Exchanges				NASDAQ	
	A share		B share*		ADR, USD	
	Volume	% shares outstanding	Volume	% shares outstanding	Volume	% shares outstanding
1995	2,496,636	16.3	3,818,920	68.2	130,678	41.6
1996	3,171,988	20.7	1,713,423	30.5	33,460	13.7
1997	2,577,665	16.8	1,906,250	33.9	73,815	39.0
1998	3,738,799	24.4	3,626,603	63.0	75,233	39.9
1999	6,302,742	41.2	2,923,996	31.5	23,476	13.8

* Trading volume of B share includes also trading volume after combination of the share series.

Performance of shares in the Helsinki Exchanges



Trading volumes of shares



Administration and auditors

Corporate governance

In accordance with the recommendation of the Helsinki Exchanges, the Company complies with the corporate governance guidelines prepared by the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.
Pursuant to the provisions of the Finnish Companies Act and the Company's Articles of Association, the control and management of the Company is divided among the shareholders in General Meeting, the Board of Directors and the President and CEO of the Company.

General Meeting is the ultimate decision making body in the Company deciding on corporate matters as set forth in the provisions of the Companies Act and the Articles of Association of the Company. The Annual General Meeting is held annually before the end of April.

The Board of Directors is responsible for the overall administration and management of the Company and the proper organization of the Company's activities. Members are elected to the Board of Directors at the Annual General Meeting. The term of the members of the Board of Directors shall end at the close of the next Annual General Meeting following their election. According to the Articles of Association the Board of Directors consists of not less than five and not more than eight members. A person who is 67 years of age or more may not be elected a member of the Board of Directors. The members of the Board of Directors choose a chairman from amongst themselves.

The President and CEO is responsible for the daily administration and management of the Company's affairs in accordance with the instructions of the Board of Directors. According to the Companies Act, the President and CEO shall be elected by the Board of Directors. The Company has entered into a written contract of employment with the President and CEO. Since 1997, Mr. Olli Riikkala has served as the President and CEO of the Company.

Change in administration model of the Company in 1999
During 1999, the Company had a Supervisory Board. The Supervisory Board was dissolved by the decision of the Extraordinary Shareholders' Meeting held on December 13, 1999, and the said decision was recorded in the Trade Register on December 17, 1999.

The members of the Supervisory Board since the 1999 Annual General Meeting were as follows:
Turo K. J. Tukiainen, LL.B., MBA (Chairman); Paavo Pitkänen, M.Sc. (Math.) (Vice Chairman); Jouko Brade, MBA; Erkki Etola, M.Sc. (Tech.); Eero Ikkala, Professor, M.D., Ph.D.; Eero Karvonen, M.Sc. (Tech.); Tero Kivelä, Senior Lecturer, M.D., Ph.D.; Martti Kormano, Professor, M.D., Ph.D.; Kari Raivio, Professor, M.D., Ph.D.; Seppo Salonen, Lic. Sc. (Med); Arto Sivula, Professor, M.D., Ph.D.; Tapani Tammisto, Professor, M.D., Ph.D.; Iiro Viinanen, M.Sc. (Tech.).

Compensation of Directors and other management of the Company
The Annual General Meeting decides on the fees payable to the members of the Board of Directors. The Board of Directors decides on salaries and other benefits of the President and CEO and his immediate subordinates. Compensations paid in 1999 to the members of the Board of Directors and the President and CEO were FIM 2.9 million. Compensations paid to the members of the Supervisory Board were FIM 0.3 million.

The Board of Directors

The Board of Directors of Instrumentarium Corporation. From left: Erkki Etola (member since Dec. 17, 1999), Olli Riikkala, Gerhard Wendt (Chairman), Juhani Kuusi, Mikael Lilius, Turo K.J. Tukiainen (member since Dec. 17, 1999)

Gerhard Wendt, Ph.D., 65, is the former President of Kone Corporation, retired in 1994. Previously he was a Research Associate at the University of Wisconsin, an Assistant Professor at the Western Michigan University and held positions at Fiskars Corporation and Oy W Rosenlew Ab. He is Chairman of the Board of Directors of Algol Oy and Outokumpu Corporation and a Member of the Board of Directors of A. Ahlström Corporation, Kone Corporation, Kyro Corporation and Vaisala Corporation. He does not own Instrumentarium shares.

Erkki Etola, M.Sc. (Tech.), 55, is President of the Etola Companies since 1974 and Chairman of the Board of Directors since 1999. He is a Member of the Board of Directors of Orion Corporation and Oyj Stockmann Abp and was a Member of the Supervisory Board of Instrumentarium Corporation in 1996-1999. He owns 10,174 Instrumentarium shares.

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Olli Riikkala, M.Sc. (Tech.), MBA, 48, is President and CEO of Instrumentarium Corporation since 1997. After joining Instrumentarium in 1979 he has held various general management positions since 1982 in the medical technology divisions of the Company and he is a Member of the Board of Directors since 1987. He owns 3,875 Instrumentarium shares.

Turo K. J. Tukiainen, LL.B., MBA, 62, has held various positions in the A. Ahlström Corporation during 1967–1990 and has been a Member of the Board of Directors in 1980–1996. He was a Member of the Supervisory Board of Instrumentarium Corporation in 1970–1999. He owns 60,002 Instrumentarium shares.

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Glossary of technical terms as they refer to Instrumentarium

ANESTHESIA

Most surgical procedures cause pain and are stressful and traumatic experiences for the patient. In order to spare the patient from pain and stress, anesthesia professionals are needed to protect the patient from harm. This entails removing the sensation of pain by administering anesthetic agents and pain medication in optimal combinations, often also producing sleep. Anesthetists also give medication to achieve a suitable degree of muscle relaxation, to ensure optimal surgical conditions. The administration of the above substances often disables spontaneous breathing and necessitates assisted or mechanical ventilation. An anesthesia machine helps the anesthetist to induce and maintain adequate anesthesia and optimize the patient's ventilation. The presence in blood of pharmacological substances which act on the central nervous system as well as the need of mechanical ventilation, call for accurate control, monitoring and documentation of the anesthetic effect and of the patient's vital functions. The anesthetist is responsible for the patient's well being throughout the process, including the phases before, during and after the procedure.

CRITICAL CARE

Critical Care is a non-linear journey starting with an acute life-threatening disease process that can quickly go in one of many treatment directions. Patients are brought to a Critical Care Unit through many pathways: after major routine or emergency surgery or because of trauma, acute or chronic illness. While this journey is occurring, care providers continuously monitor and support the failing vital functions such as ventilation, circulation, central nervous system as well as nutrition.The variety of monitoring facilities range from non-invasive hearth rhythm and oxygen saturation to sophisticated invasive measurements like blood pressures inside the heart. With the help of sophisticated alarm systems, monitoring assists the bedside caregivers to manage abnormal physiological values. The patient's vital functions may need to be supported by infused drugs, mechanical ventilation, hemodialysis or even extracorporeal oxygenation.

This journey requires that the care providers can use the diagnostic measures from different disciplines such as laboratory, consultation of different specialties, medical imaging or surgery. It is necessary to be able to integrate the data from clinical evaluation, diagnostic measurements and monitoring equipment to information, which supports the decision making and therapy selection. The bedside caregiver is responsible for managing the patient's daily activities as well as for documentation of all procedures and their outcome.

The Critical Care Units are well-defined independent entities provided by space, manpower, professional skills, technical equipment and life support techniques. Some hospitals may have one unspecialized Intensive Care Unit (ICU) whereas the larger hospitals may have several special ICU's.

The length of the journey can take a few precious moments or grueling hours, even days and weeks, but the ultimate goal is to restore previous health and quality of life.

Accessories
Single-use or reusable devices intended for use with patient monitors and anesthesia machines, e.g. pulse oximetry probes, ECG electrodes and gas sampling tubes

Acute
Having a short and relatively severe course; urgent

Ambulatory
Ambulant; walking or able to walk

Anesthesia machine (Anesthesia delivery unit)
A combination of modules for the delivery of determined gas concentrations and volumes to a patient during general anesthesia

Anesthesia monitor
A patient monitor specifically designed for anesthesia

Anesthesia record
A record of an anesthetic, either manual or electronic

Anesthetic agent
An anesthetic drug used to induce and maintain anesthesia

Anesthetics
Anesthetic drugs

Angiography
Radiographic visualization of blood vessels, following introduction of a contrast material

Angioplasty
Procedure for widening of narrowed or blocked lengths of blood vessels

Arrhythmia
Variation from the normal rhythm of the heartbeat

Auditory evoked potential
A change in the brain's electrical activity as a response to auditory stimuli

Bilirubin
A bile pigment

Biopsy
The surgical removal of tissue from the living body, for precise diagnosis

Breast mass
A cystic (fluid-filled) or solid volume of tissue in the breast

Calcification
The hardening of tissue by deposition of calcium salts

Cardiac ischemia
Deficiency of blood in cardiac (heart) muscle

Cardiology
The study of the heart and its functions

Care Process Management
The use of software systems to identify care activities for development and to generate data in an intelligent manner to promote continual improvement in care

Central monitoring
Monitoring of several patients simultaneously, by means of networked monitors

Circulation
Regular movement of blood through the heart, blood vessels and organs to transport oxygen, nutrients and metabolic products

Clinical information system
A software-based information system used to collate, process, print and archive clinical data

Critical care monitor
A patient monitor used to measure and display vital signs specific to critical or intensive care

Configured monitors
Patient monitors with fixed capabilities

Diagnostic
A procedure to find the cause of an ailment

Diagnostic imaging
Imaging for clinical diagnostic purposes, e.g. X-ray

ECG, 12-lead
Electrocardiogram, a recording of the heart's electrical activity, using 12 standard leads

Echocardiography
Ultrasonic cardiography, based on the echo of ultrasonic waves

EEG
Electroencephalography, recording of brain's electrical activity

EMG
Electromyography, recording of skeletal muscle activity

Endoscopy
Visual inspection of a body cavity by an endoscope

Entropy
The measure of a degree of disorder

Extracorporeal membrane oxygenation
Oxygenation of a patient's blood outside of the body

FDA 510(k)
Clearance to market in the USA, based on substantial equivalence issued by U.S. Food and Drug Administration

Fluoroscopy
Continuous, real-time X-ray imaging

Focal compression
Mechanical squeezing of part of the breast for better tissue separation and hence improved visualization

Full-field direct digital
In mammography, imaging of all breast tissues, converting X-rays to electrical signals

Gastric tonometry
Monitoring modality indicative of the efficiency of perfusion in the stomach

Hypoxic respiratory failure
Inability to breathe efficiently, due to lack of oxygen at tissue level

Infant incubator
An apparatus for maintaining prematurely, or newborn babies in an environment of proper temperature and humidity

Intensive care unit, ICU
A hospital unit for treating critically ill patients, see critical care

Inverventional imaging
Diagnostic imaging made during a procedure performed on a patient

Invasive
A medical procedure which requires puncture or incision of the skin or insertion of an instrument or foreign material into the body

Jaundice
A syndrome characterized by deposition of bile pigment on the skin, yellow appearance

Mechanosensor
A sensor used in NMT measurement, transforms movement to an electrical signal

Metabolic monitoring
Measurement of a patient's metabolic functions, particularly oxygen consumption and carbon dioxide production and the calculation of energy expenditure

Metabolism
All chemical and energy transformations that occur in the body

Muscle relaxation
A relaxed state of skeletal muscles that is produced to immobilize the area of surgical operation

Neonatal
Pertaining to the first few weeks of life

Neonate
Newborn

Neuromuscular block
A state in which the junction between the nerves and skeletal muscles has been blocked

Neuromuscular transmission (NMT)
Degree of transmission of signal between nerve and skeletal muscle; a monitoring modality

Orthopedics
Branch of surgery concerned with the skeletal system

Oximetry
The measurement of oxygen saturation of the blood.

Oxygen delivery
The amount of oxygen delivered to the tissues by circulation

Parameter
A variable whose measure is indicative of a function which in itself cannot be measured

Patient monitor
A device used to measure and display a patient's vital signs

Perfusion
Blood flow through a vessel

Pharmaceutical
Pertaining to medicinal drugs

Physiologic
Characteristic to the normal functioning of the body

Point-of-care
The place where a patient is and care actually takes place

Pulmonary hypertension
Too high blood pressure in the lungs' blood vessels

Pulse oximeter
A non-invasive device used to measure oxygen saturation of pulsating arterial blood

Radiant warmer
A device which warms the patient by radiating heat

Radiologist
A physician specialized in X-rays and other radiation in the diagnosis and treatment of a disease

Resolution
Ability to distinguish between

Respiratory monitor
A device used to monitor a patient's respiratory (breathing) functions, e.g. respiration rate, volume and flow

Reversal
Recovery from neuromuscular block

Speech pathology
Field of science dealing with disorders of speech

Spot imaging
Imaging of a small volume of (breast) tissue, to guide a procedure, e.g. a biopsy

ST-level analysis
Analysis of the ST-segment of ECG, to detect ischemia

Stent
A net-like tubular structure used as support after angioplasty

Stereotactic biopsy
Biopsy guided by imaging from two or more directions

Suction
Aspiration of a gas or liquid by mechanical means

Supplies
Generic disposable or reusable items used with patient monitors and anesthesia machines, e.g. airway filters and humidifiers and breathing tubes

Telemetry
Remote monitoring of a patient using wireless transmitters/receivers

Therapeutic intervention
A curative procedure

Urology
Branch of medicine dealing with the urinary tract

Vascular
Pertaining to the blood vessels

Vacuum regulator
A device to regulate the degree of vacuum

Vaporizer
The component in an anesthesia machine that vaporizes a set concentration of an anesthetic agent into the fresh gas

Vasoconstriction
The constriction of a blood vessel

Vasodilator
A substance capable of dilating constricted blood vessels

Ventilation
The process of exchange of air (gas mixtures) between the lungs and the ambient air (patient circuit)

Ventilator
An adjustable positive pressure generator that maintains ventilation during anesthesia or respiratory depression

Windows NT-based
Software application operating on Microsoft's networking software. Windows NT is a trademark of Microsoft Corp.

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