

Technology for people who care



INSTRUMENTARIUM

Instrumentarium is one of the world's leading companies in the field of medical technology development, manufacturing and marketing. The Company is also involved in optical retailing in Finland and nearby markets. Instrumentarium's core business is anesthesia and critical care represented by Datex-Ohmeda and Deio.

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

Business segments



ANESTHESIA AND CRITICAL CARE

Anesthesia and Critical Care is primarily represented by **Datex-Ohmeda**, which is one of the world's leading manufacturers of equipment and systems for anesthesia and critical care. Its wide range of products includes patient monitors and networked systems, anesthesia machines and ventilators as well as drug delivery devices. **Deio** offers information tools for Care Process Management. **Instrumed** distributes products related to operating rooms, anesthesia and critical care in Finland.

MEDICAL EQUIPMENT

Medical Equipment comprises two global business units **Instrumentarium Imaging**, manufacturing and marketing diagnostic X-ray imaging equipment for dental, mammography and surgical imaging, and **Ohmeda Medical**, offering infant care systems as well as suction and oxygen therapy products. **Merivaara** manufactures and markets hospital furniture such as hospital beds, operating tables and trolleys mainly for the Nordic and nearby markets. **Medko Medical** is engaged in project exports, primarily to developing markets.

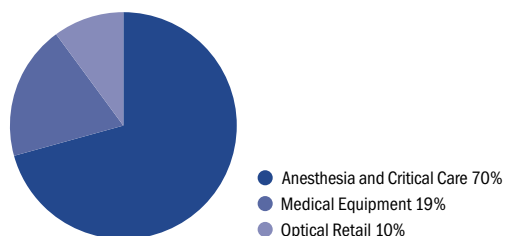


OPTICAL RETAIL

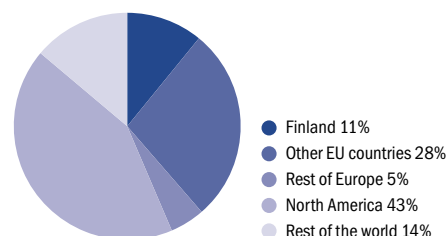
Optical Retail Division sells eyeglasses and other optical products in Finland, Sweden, the Baltic countries and Russia. Optical Retail Division also markets home healthcare products in Finland.

Instrumentarium in brief

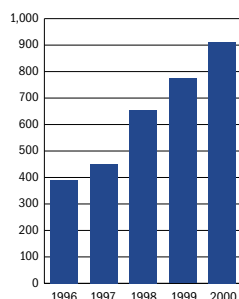
Net sales by business segment, %



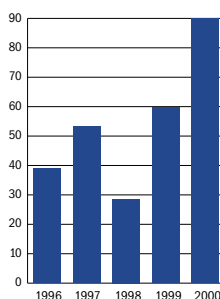
Net sales by market area, %



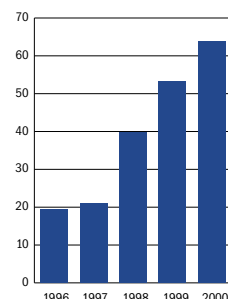
Net sales, EUR million



Operating profit before non-recurring items and amortization of goodwill, EUR million



R&D expenses, EUR million



Key figures

EUR million	1999	2000	%
Net sales	773.5	912.8	+18
Foreign sales %	86.0	89.3	
Operating profit before non-recurring items and amortization of goodwill	59.8	89.9	+50
Operating profit	46.7	79.7	+71
Income before extraordinary items	31.2	66.6	+114
Income before extraordinary items, after taxes	16.6	43.1	+160
Shareholders' equity and minority interest	445.6	473.2	+6
Total assets	945.1	940.7	-0
Return on investment, %	6.6	10.8	
Return on equity, %	3.8	9.5	
Equity ratio, %	47.1	50.3	
Earnings per share, EUR	0.69	1.80	+161
Dividend per share, EUR	0.67	0.80*	+19
A 100-year anniversary bonus dividend per share, EUR		0.20*	
Adjusted average number of shares (1,000)	24,049	23,980	-0
Employees at end of year	5,128	5,217	+2

* proposed by the Board of Directors

Chief Executive's letter



A 100-year anniversary for a company operating in the field of medical technology and healthcare is a significant milestone. Instrumentarium's founders' foresight, willingness to take calculated risks, pride in profitability and excited entrepreneurship have all remained as cornerstones of the company's values. Throughout our first one hundred years, these values have not altered, despite social and political upheavals, economic cycles and the rapid technological progress in modern times. On the contrary, these values have guided the following generations of Instrumentarium leaders and employees to develop the company with a clear, long-term vision.

Today, healthcare providers throughout the world face one common challenge: how to treat their patients more efficiently and effectively, while at the same time coping with the rising demand for healthcare services from aging populations. This challenge puts pressure on societies' decision-makers because balancing financial resources with demand frequently poses fundamental ethical considerations. Instrumentarium intends to be a long-term, trustworthy partner, which works together with societies and their healthcare providers, helping meet the healthcare provision challenge with new products and new service concepts.

The year now reported was once again an overall improvement on the previous year. Virtually all operational divisions increased their sales and improved profitability over the previous year and each generated the pre-requisites for future growth. Nine-tenths of our turnover is now derived from exports

Instrumentarium intends to be a long-term, trustworthy partner for societies and their healthcare providers, working together to help meet the healthcare provision challenge with new products and new service concepts. It's a challenge we have been successfully meeting since Instrumentarium was founded in 1900.

Instrumentarium is on a sound footing and I am confident about future developments

and operations outside Finland, but our total sales still represent less than one percent of the total global market for medical equipment supplies and services. Our growth opportunities are therefore secured for a long time into the future. Indeed, our future success will depend primarily on our own abilities to innovate and offer new products and services – not only for our existing customers but also to meet the needs of new customer groups.

Last year we initiated and completed several significant corporate development programs. The significance of information technology in improving quality and efficiency in hospital clinical care is being increasingly understood and accepted globally. On January 1st 2001, our new subsidiary Deio, comprising over a hundred of the Group's IT professionals, began its operations. Wholly-owned by Instrumentarium, Deio's goal is focused development, marketing and sales of care information systems to hospitals. Instrumentarium will make significant investments both financial and in terms of managerial attention over the coming years as we are convinced of the future growth potential of this emerging business.

Of equal note is that Datex-Ohmeda, our core business in anesthesia and critical care, is now able to better focus on developing, marketing and selling the world's finest anesthesia and critical care systems and services. Datex-Ohmeda and Deio will work closely together on seamless system solutions for their customers.

At the beginning of the reporting year 2000, the Ziehm companies based in Germany and

the USA were acquired and integrated with Instrumentarium Imaging. The acquisition virtually doubled the turnover of Imaging at the beginning of the year, and raised the overall growth potential and profitability of the division to a completely new level.

During the year we also decided to divest the operations and assets related to the import of laboratory and general hospital equipment and supplies to Finland. In the domestic Finnish market the Group will now focus solely on the operating theatre and critical care as well as the direct sales of its own manufactured products.

In order to ensure that our market position in Optical Retail remains strong, and that the pace and extent of development of our retail operations accelerates, it was decided to incorporate the Optical Retail division as a separate subsidiary during 2001.

In the competitive environments of our operating divisions there were again significant merger and acquisition activities during the year. Industry players are, in general, seeking higher market shares and profitability by combining product areas and achieving economies of scale in larger corporate entities. With an improved financial position, Instrumentarium will continue to prudently participate in these developments within our chosen fields of business.

From a financial perspective, the 100th year of operations of the Company was satisfactory and the overall result improved clearly on the previous year. The operational result was somewhat below our goals but improved markedly over the previous year.

However, the operational profitability of the Group is still below the prevailing good levels achieved elsewhere, and we have therefore initiated a program to improve operating efficiencies.

The Board of Directors is proposing an increase of approximately 20% in the dividend compared to the previous year, to EUR 0.80 per share, and the payment of an additional EUR 0.20 anniversary bonus per share.

I wish to thank all employees of Instrumentarium for their excellent professional contribution during the year. A particular debt of gratitude we also owe our customers – they have trusted us through a very turbulent year. We strive to be the best possible business partner for our customers and we intend to do our utmost to be worthy of their trust also in the future.

Instrumentarium now has over 20,000 shareholders. We thank you for your continued support. As we enter 2001, I assure you the fundamentals of your Company are in good order and I am confident about future developments.

Olli Riikkala
President and CEO

Datex-Ohmeda

ANESTHESIA AND CRITICAL CARE

A Datex-Ohmeda integrated anesthesia workstation handles all the data, so that anesthesia care personnel can focus on what really matters – patient care.



Datex-Ohmeda is the world's leading supplier of anesthesia equipment, systems and services and an emerging leader in critical care. The division's wide range of products includes patient monitors and networked systems for anesthesia, intensive care units and sub-acute care, as well as anesthesia machines, ventilators and drug delivery systems. Provision of accessories, supplies and maintenance to a large installed base is a significant source of revenue. Datex-Ohmeda also supplies care information products in partnership with Deio, which is part of Instrumentarium Group.

Growing a global business built on customer trust

Datex-Ohmeda's strategy is to gain leadership in the global market for anesthesia and critical care equipment.

The division intends to grow significantly faster than the market by further strengthening its position as the world's leading supplier of anesthesia equipment and systems, and by rapidly expanding into selected areas of critical care. In addition to offering networked O.R. and bedside products, Datex-Ohmeda aims to further develop solutions offering continuity of vital clinical information across all the critical care areas of the hospital. The division intends that its products will work seamlessly with care information systems, such as those offered by Deio, in order to take advantage of the future need for Care Process Management.

A growing, EUR 5 billion market niche

The overall global market for medical devices of all kinds is estimated to be worth over EUR 160 billion, and growing at approximately 10% annually⁽¹⁾. The market is, however, very diverse and heavily segmented. Revenues for equipment companies operating in anesthesia and critical care are estimated to exceed EUR 5 billion, making it one of the largest single business opportunities in the global medical device market. Anesthesia and critical care equipment for hospitals is an established market with two main features, firstly older equipment are being

continually replaced and, secondly, there is a large, growing market for maintenance, accessories, supplies and upgrades. There are also numerous new growth opportunities in anesthesia and critical care equipment, due to customer demands for higher functionality, better usability and wider connectivity. In the industrialized countries, where care of the critically ill is being extended to other parts of the healthcare system, totally new markets for sub-acute monitoring and ventilation products are developing. Additionally, there are new, growing markets for traditional hospital products in many of the world's emerging economies. Instrumentarium's own market analyses estimate double-digit growth in overall demand for anesthesia machines over the coming years as new investment cycles start in the main global markets.

New monitoring systems 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 the Post-Anesthesia Care Unit (PACU or Recovery Room). 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, including Emergency Rooms. The wide range of patient monitoring products also includes a system solution for transport monitoring, the S/5 Compact Monitor. Datex-Ohmeda also offers several ranges of configured monitors, for both stationary and transport monitoring, as well as a range of pulse oximeters. In 2000 the system monitor family was significantly upgraded. The range of parameters for the system monitors was significantly extended to now include 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. Further enhancements, including new pulse oximetry solutions are to be launched in 2001.

Modern anesthesia machines

Datex-Ohmeda offers hospitals the widest choice of anesthesia machines, ventilators and vaporizers available. The range includes an optimal solution, the Aestiva/5, for customers wishing to add patient monitoring with only mechanical integration, as well as an advanced, fully software-driven system solution, the S/5 Anesthesia Delivery Unit (ADU), for integration with Datex-Ohmeda's own sophisticated anesthesia monitors and anesthesia information products. In 2000,

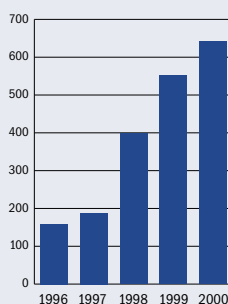
¹⁾The Advanced Medical Technology Association, Washington, D.C.

Key figures for business segment

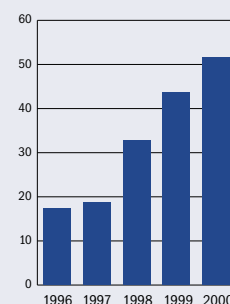
	1999	2000	%
Net sales (EUR million)	550.6	641.2	+16
Operating profit* (EUR million)	47.3	58.6	+24
Personnel, average	3,529	3,463	-2

*before non-recurring items and amortization of goodwill

Net sales, EUR million



R&D expenses, EUR million



Datex-Ohmeda

ANESTHESIA AND CRITICAL CARE



the division introduced the world's first MRI-compatible anesthesia machine that features high-level ventilation modes, the Aestiva/5 MRI. Since MRI is increasingly the imaging modality of choice and is being adapted for use in the operating room (interventional MRI), there is a growing need for such a sophisticated product. In 2001 the division will be launching new versions of the successful Aestiva/5 to broaden its state-of-the-art anesthesia machine portfolio.

Success in drug delivery systems

For the U.S. market, Datex-Ohmeda received FDA regulatory clearance for its proprietary INOvent® drug delivery system for the drug INOmax® (NO) in January 2000. Datex-Ohmeda's alliance partner INO Therapeutics supplies the INOvent and INOmax as a packaged therapy solution in the US market. The launch was a major success. INOvent generated significant revenues in the first half of 2000, with over 90% of these revenues generated by sales to INO Therapeutics in the USA. Significant future sales to the USA of the INOvent are dependent on new indications for INOmax being cleared by the FDA. The drug INOmax is the first and only pulmonary vasodilator indicated for the treatment of full-term and near-term neonates with hypoxic respiratory failure and is used in conjunction with ventilatory support and other appropriate agents.

High growth in Integrated anesthesia workstation market

Datex-Ohmeda is the key player in the global market for integrated anesthesia workstations. Datex-Ohmeda can offer a combination of the S/5 Anesthesia Monitor with the purpose-built S/5 ADU to form a seamless workstation with a common user-interface. The workstation can also be uniquely extended with a purpose-designed anesthesia record keeper for an anesthesia information system. Such integrated systems help anesthetists focus on the patient rather than on the myriad of equipment normally seen in the operating room. The integrated anesthesia workstation has been the fastest growing product segment within Datex-Ohmeda since deliveries began in 1995. The market for anesthesia workstations is estimated to have grown at an average annual rate of over 20%, during the last five years, a considerably higher growth rate than overall growth in the anesthesia market.

From product revolution to product evolution

The patient monitoring business is developing to the level of being an integral part of the point of care process. As product generations have gradually adopted more standard PC hardware architecture, the value-added for the customer has overwhelmingly shifted to the software. Patient monitor software analyzes

physiological data, manages alarms, as well as controls the user-interface. A well-designed user-interface allows intuitive use and avoids overloading the user with data. Previously, new functionality had always required buying a new system or stand-alone unit. Datex-Ohmeda's system monitors were among the first to potentially allow product evolution and the division is now amongst the first companies to shift part of its R&D focus to the evolutionary development of system software and components. During 2001 Datex-Ohmeda will extend marketing of its evolutionary upgrade program to its customers' existing installed base.

Data continuity across the hospital

Successful penetration of the critical care market, as well as the patient monitoring market in other hospital care areas, requires Datex-Ohmeda to continue to increase future R&D expenditure on further developing its real-time, networked central monitoring systems. There are clear opportunities for the division to benefit from human factors engineering expertise in point-of-care monitoring to also introduce solutions that simplify the growing complexity of today's central monitoring solutions. Recent technology developments are also making it possible for clinicians to remotely access their patients' data via hospital Intranets, for example. The division already offers a WebViewer solution and intends to further



Monitors that help, not hinder, allow more time for patient care.

Advanced networks allow vital patient data to be captured also during patient transport.

Aestiva/5 equipped with Cardiacap/5 anesthesia monitor

develop solutions, including wireless ones, for these emerging applications.

Next generation adequacy of anesthesia monitoring

In 2000, Datex-Ohmeda was the first company in the world to launch an integrated EEG, EMG and auditory evoked potentials (AEP) module for a patient monitor. This product has applications in neuroanesthesia and neuro intensive care. Datex-Ohmeda is currently working on a next-generation solution for quantitative monitoring of adequacy of anesthesia using EEG. The new product will be based on a revolutionary application of entropy and will find applications in many anesthesia settings. Extremely positive feedback has been received from the anesthesia community and prototypes have been validated in clinical trials in 2000. The development of the next-generation product builds on over two decades of experience with the Datex Anesthesia and Brain Activity Monitor (ABM)

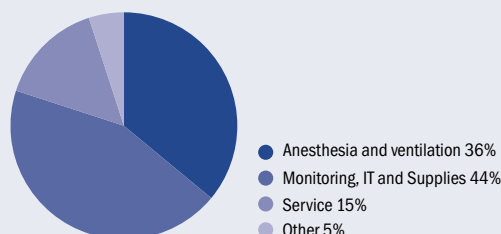
program and is on track for a market launch in 2002. Combining the next-generation entropy-based EEG product with the recently launched neuro-muscular transmission (NMT) module for muscle relaxation monitoring will enable Datex-Ohmeda to offer the only comprehensive solution for quantitative monitoring of hypnotic state and muscle relaxation, both for anesthesia and critical care.

Strengthening Datex-Ohmeda's critical care offering

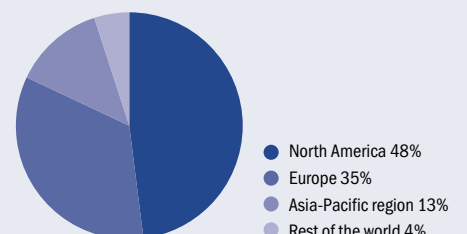
Datex-Ohmeda has initially focused on being the first and only supplier to integrate the monitoring of circulation, perfusion, oxygen delivery, ventilation, metabolism and brain function for critical care. With patient monitoring sales continuing strongly in European and other global ICU markets, the first steps to enter the US critical care market were taken in 2000. With FDA clearance now received for all the key components of the System 5 monitor portfolio, a broader launch

with a new, dedicated sales force is planned for the USA in early 2001. With its alliance partner, Mortara Instrument, the division now has wireless telemetry ECG monitoring solutions, and has started a joint development program to implement multi-parameter telemetry solutions. Development of the new Engstrom critical care ventilator is proceeding and clinical trials have proven the validity of the new concept and design. Before the initial launch, the division is working with its strategic partners to extend the product platform and allow a wider range of application areas for the ventilator.

Net sales by product group, %



Net sales by market area, %



Deio

ANESTHESIA AND CRITICAL CARE

Care Process Management is about managing costs while improving the quality of care. Deio implements viable care information solutions for hospitals.



Deio offers care information solutions for operating theaters and critical care areas. The company's care information solutions consist of its proprietary software applications, related third party software, interfacing, consulting, training and other services. Deio has wholly-owned solution provider subsidiaries in the USA, Canada, United Kingdom, France, Germany and Italy. Care information solutions have operated as part of Datex-Ohmeda for over eight years, and were incorporated as a separate company, Deio, in January 2001 to accelerate business development.

Creating value with information solutions for care

Deio intends to become the world leader in the management of operating theater and critical care information by offering solutions that enable hospitals to better manage the quality and cost of care provision. Deio will develop its own solution provider subsidiaries and strengthen its ties with strategic business partners in other major markets. Deio also intends to benefit from Datex-Ohmeda's established presence to extend its operations globally. To accelerate growth, Deio will actively seek partners for information management applications that complement its own solutions portfolio.

The care information management market

Coping with the ever rising cost of delivering healthcare is of concern to hospital management worldwide. With the critical care areas forming the largest cost center in the hospital, the need to implement automated care information systems is being increasingly recognized by hospital management. Additionally it is widely understood that care information systems will be a necessary pre-requisite to collect the data required for Care Process Management.

Potentially a high growth market

The market for care information software is still relatively small. Of the approximately 30,000 acute-care hospitals in the industrialized countries, only a few hundred have implemented commercial care information solutions. However, it has been estimated that the market for software, solutions and support could grow to lead to a potential market EUR 1 billion by the end of this decade. This emerging market is an exceptional growth opportunity for Deio.

Our care information systems

Care information systems automatically capture the vital signs and other clinical data generated by medical devices at the bedside. They also automate the collection of all the relevant planning and assessments that used to be laboriously made by hand. This information is stored for both real-time and later review, as well as creating departmental reports. Solutions often include interfacing to Hospital Information Systems (HIS), laboratory and other applications for additional functionality.

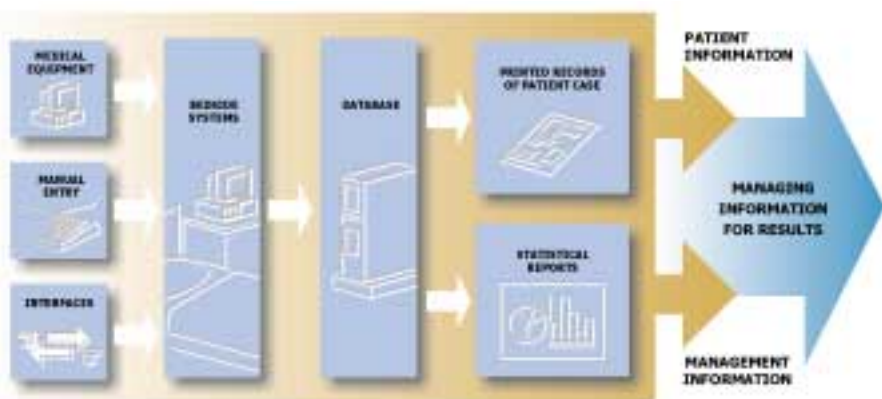
Combining clinical information with cost and activity data is the fundamental requirement for improving the quality of care and managing costs in the hospital. Implemented well, care information systems improve compliance with care guidelines, streamline care pathways in the hospital and promote continuous improvement.

Experience and dedication

As a part of Datex-Ohmeda since 1992, Deio has proven experience in information systems for anesthesia and critical care. Deio will continue to share Datex-Ohmeda's dedication to fulfilling the needs of clinicians and care managers by providing easy-to use, flexible information systems for care providers. Deio has also identified a clear need for solutions that are implemented locally by information systems professionals specially dedicated for anesthesia and critical care. Deio has therefore established its own solution providers in all the largest markets. Additionally Deio has a program to train and certify additional independent solution providers for other markets.

Wider product portfolio 2001

Deio is committed to widening the range of solutions it offers to meet the needs of virtually all acute-care hospital customers. The company is also committed to promoting the use of open standards. During 2001 Deio will launch an enhanced MS Windows 2000 version of its leading information solution for critical care. For anesthesia the company plans to launch a new, open Anesthesia Record Keeper solution that is compatible with major patient monitor manufacturers' products.



Instrumentarium Imaging

MEDICAL EQUIPMENT

Breast care is about to go fully digital. Diamond, a platform for digital, offers users better access and easier positioning – and more patient comfort.



Instrumentarium Imaging develops, manufactures and markets diagnostic X-ray imaging equipment for three specific applications: mammography, surgical imaging and dental and maxillofacial imaging. Each of the three business segments has a common ground in X-ray technology and the potential to rapidly expand in digital imaging, image manipulation and connectivity. The division is a global market leader in each of the three market segments it operates in.

Taking the lead in the transition to digital imaging

The transition of the X-ray imaging markets to digital technology is a genuine disruption to a once stable market.

Instrumentarium Imaging aims to use this opportunity to rapidly strengthen its position in the fragmented diagnostic X-ray markets.

The division also intends to help shape the new markets of imaging connectivity and digital image processing that are now emerging. In particular, Instrumentarium Imaging sees a completely new market developing for sophisticated 3-D image manipulation software. Digital image processing will allow the digital revolution to bring major clinical benefits to patient care, as well as cost and environmental savings. For Instrumentarium Imaging to be successful will require both agility and substantial resources.

Full digital conversion requires local support

X-ray departments that have gone fully digital are able to realize significant savings on film, film processing, storage and distribution - as well as vastly increase the quality of service they offer. In an increasingly environmentally conscious society, the digital revolution has also been welcomed as a way to reduce the environmental impact of X-ray film processing. Customers that convert fully to digital require local system implementation and support services. To support growth, the division aims to strengthen its system

support capabilities, both with its distributors and solution providers.

Surgical and interventional imaging at the point of care

Unlike traditional X-ray equipment C-arms are mobile and allow real-time, continuous viewing (fluoroscopy). 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. Increasingly the users of C-arms are clinicians in the sterile field, which means that very different features can be required than for traditional radiology environments.

Growing market for C-arm technology

Instrumentarium estimates that global market for all C-arms is approximately EUR 500 million in 2000 and growing due to a rapidly expanding field of applications. Minimally invasive surgery, in particular, is a large and expanding field, where use of a C-arm is almost always required. The performance of C-arms is being rapidly developed with concurrent improvements in X-ray generator design, detector resolution and data-handling capacity. As ultra-high power, pulsed generators are developed, less expensive C-arm technology could be the preferred choice for many interventional

cardiology applications - potentially a very significant additional market for C-arms. Following the integration of the Ziehm companies, acquired in January 2000, Instrumentarium Imaging now offers a wide range of C-arm products, from orthopedics to angiography. Instrumentarium Imaging is a leading supplier in the USA and a number of EU countries, as well as being the market leader in Germany. The division is continuously developing its C-arm range for new as well as more advanced applications.

Full digital solutions for dental office

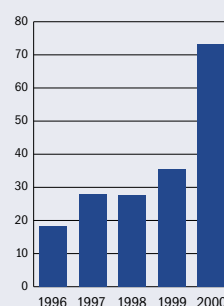
Instrumentarium Imaging offers the most advanced dental imaging systems in the world. The division's flagship dental product is the Orthopantomograph® OP100 featuring outstanding image quality, versatile panoramic and other programs for the most demanding needs of dental practitioners. The digital version of the OP100D is the first digital solution with excellent, high-contrast image quality. Compared to traditional units, it also has the potential to reduce X-ray doses to patients. In order for dental offices to realize the full benefits of digital, the entire office has to be equipped with digital solutions so that film is not used or stored anywhere. Instrumentarium Imaging is using the transition to digital as an opportunity to widen its product range. In late 2000 Instrumentarium Imaging introduced a new family of intra-oral digital sensors, which can also be fitted to existing conventional

Key figures for business segment

	1999	2000	%
Net sales (EUR million)	110.9	171.7	+55
Instrumentarium Imaging	35.4	73.1	+106
Ohmeda Medical	47.7	57.6	+21
Merivaara	22.8	26.7	+17
Medko Medical	5.0	14.4	+188
Operating profit* (EUR million)	4.0	14.8	+267
Personnel, average	703	861	+22

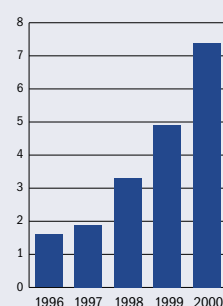
* before non-recurring items and amortization of goodwill

Net sales*, EUR million



* Instrumentarium Imaging

R&D expenses*, EUR million



* Instrumentarium Imaging

Instrumentarium Imaging

MEDICAL EQUIPMENT



Orthopantomograph OP 100D is the leading digital panoramic device.



Ziehm offers an expanding range of C-arm imaging devices.

X-ray units. Used together with its standards-based network software, Instrumentarium Imaging now offers the dental office a solution for taking, storing, managing and transmitting all its dental images.

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. Film has diagnostic limitations since detection of some tumors is virtually impossible without further imaging with magnification or focal compression. However, a digital image can be processed by a computer and then viewed in a variety of ways - beginning with fine-tuning of the brightness and contrast. Digital will enable the radiologist to optimize viewing conditions separately for breast masses or calcifications, for example. In terms of image resolution and size, mammography is the most demanding diagnostic X-ray application and this has slowed the introduction of full-field digital solutions. However, a recent FDA clearance to market in the USA now indicates that global market acceptance for full-field digital is closer.

New Diamond device makes customers digital-ready

In 2000 Instrumentarium Imaging introduced the Diamond, the first X-ray platform specifically designed for digital,

while still being film-compatible. Instrumentarium Imaging believes that virtually all mammography devices bought today use film for full field views and will continue to do so for some time. Although the detector resolution and pricing issues are being overcome, other viewing requirements and infrastructure issues still have to be resolved and will slow the adoption of digital. The new Diamond is the first imaging device designed to allow customers themselves to determine the optimum time to go digital. The Diamond is a platform for all digital applications, including spot imaging and stereotactic work, as well as full-field mammography in the future. The Diamond has a wealth of features including a unique retractable tubehead, which provides an open workspace for biopsies, an auto-exposure system and the ECS breast compression unit for patient comfort. The Delta 32 TACT®, which received FDA 510(k) clearance during 2000, can also be added for better digital spot imaging and biopsy needle guidance. Further development for full-field mammography is underway.

TACT - enabling virtual 3-D imaging

Instrumentarium Imaging believes that the true value of digital to breast imaging will only be realized when image processing solutions become widely available. Solutions under development include three-dimensional (3-D) imaging and, for example, cognitive computing applied to digital. 3-D imaging

holds great promise for mammography, since film or single-exposure digital images are always two dimensional, which means that super-imposed structures cannot be easily identified or diagnosed. The division is developing TACT (Tuned-Aperture Computed Tomography) which transforms two-dimensional imaging into virtual 3-D images. TACT thus enables images to be viewed from a variety of angles, rotated, or viewed in slices. This 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. Delta 32 TACT is FDA-cleared for spot imaging, and TACT's utility is now also being proven in C-arm and dental applications.

Merivaara

MEDICAL EQUIPMENT

Merivaara develops, manufactures and distributes high quality medical furniture for hospitals and nursing homes. In the hospital market, the division offers products for operating theaters, intensive care units and sub-acute wards, as well as trolleys for patient transport. The division is the overall leading supplier of hospital beds in Finland, Sweden and Norway.

Helping take the labor out of work

Merivaara aims to strengthen its position as a leading supplier to the Nordic market and selectively expand in nearby markets.

Merivaara intends to broaden its three main product groups for the hospital: light operating tables, sophisticated beds and high-mobility patient transport trolleys, in order to offer fuller solutions for the modern hospital's needs.

Need for mobility

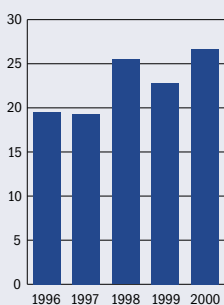
Merivaara has recognized that societies' demands for speed and flexibility in hospital care will generate new business opportunities in the market for hospital furniture. Traditional products have always assumed that patients are "parked" for long periods of time and transferred to other departments for procedures or diagnostics. Today, many procedures are actually carried out at the bedside, creating the need for mobility and easy, unimpeded patient access. To ease the nursing workload in intensive therapy, the division has developed the advanced Futura Nova ICU bed. And for critically ill patients, treatment no longer ends with transport, but has to be continued, making maneuverability and equipment support key purchase criteria for trolleys. Outpatient (ambulatory) surgery has also created the need for patient transport solutions that can cope with high patient throughput.

New hybrid Rapido for outpatient surgery

In 2000 Merivaara launched its new aesthetically pleasing Opera operating table that focused on ease of use in the outpatient environment as well as on new materials for faster sterilization. With these materials and ergonomic solutions proven in practice, the division is in the process of launching Rapido, a new generation hybrid product for outpatient surgery. Rapido will be the

world's first practical solution to allow patient transportation, surgical procedures and recovery without the need for patient lifting and transfer. The new product was well received by customers at the Medica exhibition in 2000, and will enter production in early 2001.


Net sales, EUR million



In outpatient surgery time counts. With mobile solutions from Merivaara patients can now be transferred on the operating table.

Ohmeda Medical

MEDICAL EQUIPMENT

A photograph of two nurses in white scrubs standing in a hospital nursery. They are positioned on either side of a Giraffe OmniBed incubator, which is a large, clear, blue-tinted device used for newborn care. The nurse on the left is leaning over the incubator, and the nurse on the right is looking at her. The background shows a typical hospital nursery setting with medical equipment and a soft, warm light.

Giraffe OmniBed is a major advance in perinatal technology. If a new-born's first home has to be an incubator, it can now be a radiant warmer as well.

Ohmeda Medical is a worldwide leader in products and services for infant care, as well as suction and oxygen therapy. For perinatal care, its wide range of products includes infant incubators, radiant warmers, jaundice management systems and monitors.

Mastering technology for tenderness

Ohmeda Medical seeks growth in the hospital and home perinatal product markets by offering an expanding range of new products based on state-of-the-art technology platforms. This will be accomplished through significant investments in R&D and forging alliances with its strategic partners. The division aims to strengthen its leading market position in North America while aggressively increasing its presence in other markets. For the growing home care market, the division will strengthen its dedicated sales channel.

Innovations for the care of infants

In common with other areas of healthcare, infant care is experiencing higher demands for productivity, with an emphasis on cost containment. Additionally care that was once given almost exclusively in the hospital is now being continued in the home environment. For Ohmeda Medical, these changes offer the opportunity to introduce products that can significantly improve the quality of infant care, and by eliminating clinical process inefficiencies, also help reduce the overall cost of infant care.

The Giraffe OmniBed carestation

The Giraffe OmniBed, which was introduced in June, 2000 at the 3rd World Congress on Pediatric Intensive Care, has been enthusiastically embraced by customers worldwide as a major advance in caring for

critically ill babies. The OmniBed is unique in that it can be converted instantly from incubator to radiant warmer at the touch of a button. In radiant warmer mode the carestation hood rises to offer total access for the clinician, while delivering precise thermal control for the infant. In incubator mode the carestation hood lowers to make the traditional closed environment of the incubator. The result is a calm environment for the critically ill baby that avoids the stressful transfer from one piece of equipment to another. Indeed, hospitals can now look forward to replacing several outdated units with one modern carestation, freeing valuable space in one of the most critical parts of the hospital.

New products in 2001 from the Giraffe carestation platform

Ohmeda Medical is now developing a family of next generation products based on the Giraffe platform. For release during 2001 customers will be offered the Giraffe incubator, which will incorporate many of the features of the OmniBed, including a rotating mattress, dual temperature probes, and a user-friendly interface. These developmental features have been designed to enhance efficiency and improve clinical outcomes.

More effective phototherapy for infant jaundice

Ohmeda Medical extended the range of phototherapy products it offers with the

launch of the BiliBlanket Plus High Output phototherapy system during 2000. This system allows infants to be cuddled and cared for at the same time as receiving phototherapy treatment, an advantage over traditional phototherapy lights. The new technology delivers 30% higher light irradiance to the baby's skin than in earlier products, meaning more effective treatment of infant jaundice.

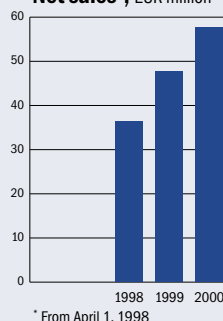
Expansion of international market share

With approximately 80% of its sales in North America, Ohmeda Medical has several growth opportunities with its existing products in other world markets. Under the guidance of a newly created international sales management team, the division is successfully growing its worldwide market share. The team is developing an independent distributor network in co-operation with Datex-Ohmeda's sales subsidiaries.

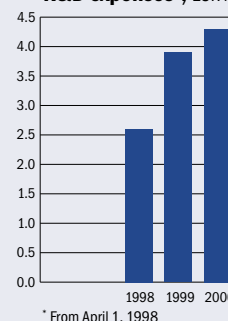


Prematurely born babies may require intensive care.

Net sales*, EUR million



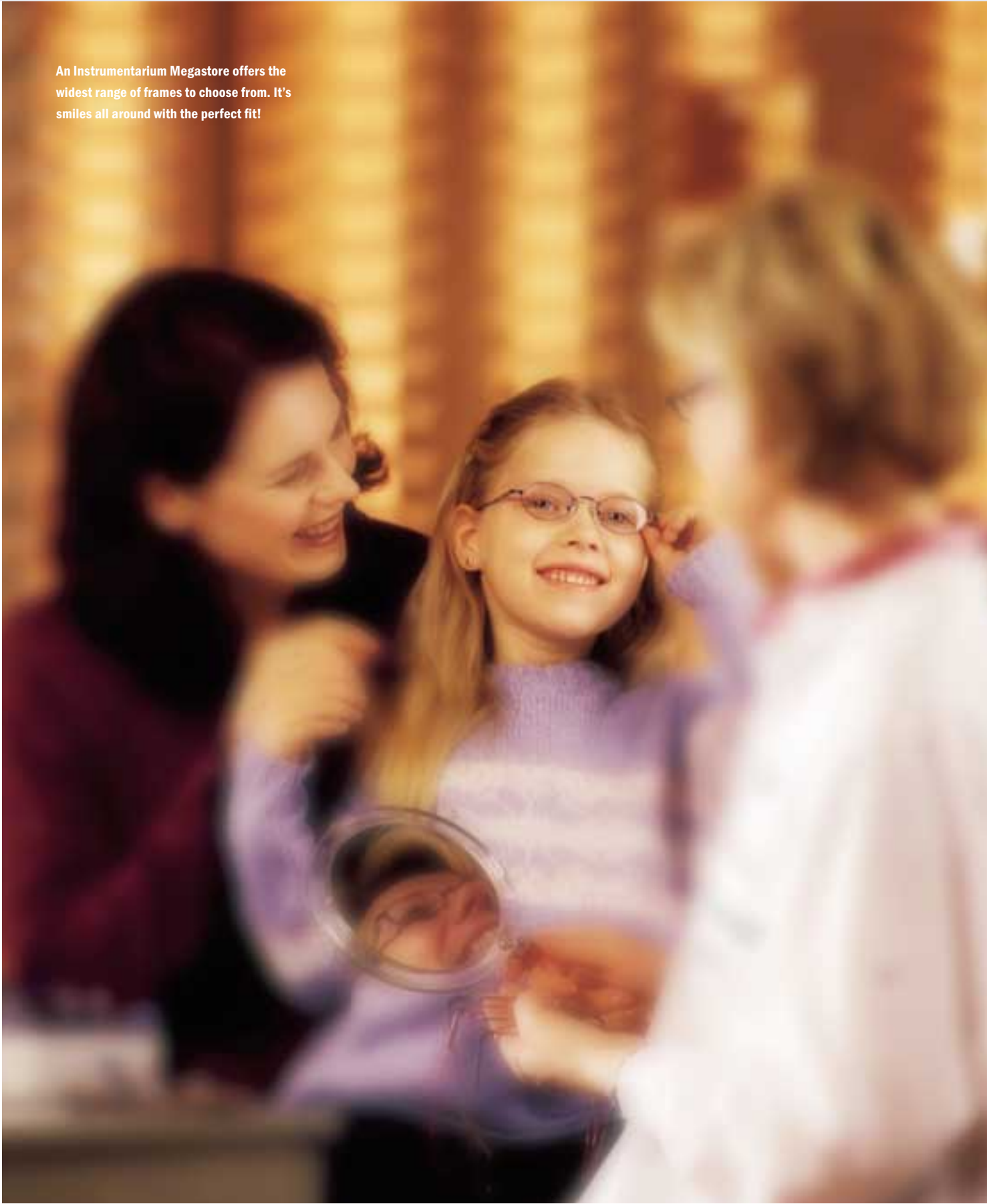
R&D expenses*, EUR million



Optical Retail

OPTICAL RETAIL DIVISION

An Instrumentarium Megastore offers the widest range of frames to choose from. It's smiles all around with the perfect fit!



Optical Retail Division is a leading European retailer of optical and home health care products. The division is the clear market leader in optical sales in Finland a significant retailer in the nearby markets of Sweden and Estonia, and operates in Latvia and Russia as well.

Look and life: retail visions in step with the consumer

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

Growth will primarily be driven by expanding foreign operations. The division aims to benefit from demographic changes in its traditional markets by founding new Instrumentarium-chain Megastores for optical and home healthcare in urban growth areas. Instrumentarium intends to incorporate the assets related to its Optical Retail Division during 2001.

Building brands that customers value

Optical Retail successfully maintained its leading position in the Finnish market during 2000. The division uses Instrumentarium as the main store chain brand, and targets different segments in Finland through two additional branded chains, Nissen and KEOPS. Optical Retail is a sought-after partner for exclusive brands, such as Hugo Boss, Dolce&Gabbana and EYELITE eyeglass frames. SUB, the division's new own brand of eyeglass frames has quickly become one of the most popular ranges and is to be extended. The division marked Instrumentarium's centenary by launching a new corporate look. The Instrumentarium chain's new slogan "Look&Life" was selected

based on in-depth market research. Initial advertising and point-of-sale marketing activities are being well received by customers.

Growth in optical retail spending

Overall, the optical market is expected to continue to grow in line with the strong consumer spending growth forecast for the Nordic and Baltic economies. The trend of stores cooperating as chains continues in the Nordic countries. The more creative use of colors and materials in frames is attracting users back to the stores more frequently. Additionally, customers increasingly have multiple pairs of eyeglasses to suit their lifestyles. The aging population in the Nordic countries is also increasing the market for multi-focal lenses. New materials and fashion trends mean that every year's new sunglasses' models are must-haves for the younger generation. Combining sunglasses' properties with prescription lenses is a significant, although seasonal, business for both eyeglass and contact lens users.

Focusing also on lens logistics

The division's own lens-grinding laboratory and centralized logistics support all the Finnish stores as well as those in nearby countries. A major rationalization of lens suppliers was carried out during 2000 in order to simplify ordering and achieve better

economies of scale. BBGR of France was selected as the main lens supplier for all ranges of frames, for all of the countries and for all of the store chains.

First new Megastore in Finland

The first Instrumentarium chain Megastore was opened in Turku, Finland on December 14th 2000 to coincide with the Corporate centenary. The new store has over 500 m² of floor space, which is comfortably large for customers to enjoy selecting from a very wide range of eyeglass frames and sunglasses. The large store can also comfortably promote home healthcare products, offering new cross-selling opportunities. Additional Megastores are due to be opened in Finland during 2001. Activities were expanded in Sweden and Estonia during 2000 and sales and marketing were begun in two stores in Latvia - a new market for Instrumentarium.



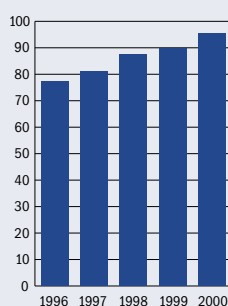
New EYELITE frames from Switzerland

Key figures for business segment

	1999	2000	%
Net sales (EUR million)	89.8	95.6	+6
Operating profit* (EUR million)	9.3	10.3	+10
Personnel, average	779	811	+4

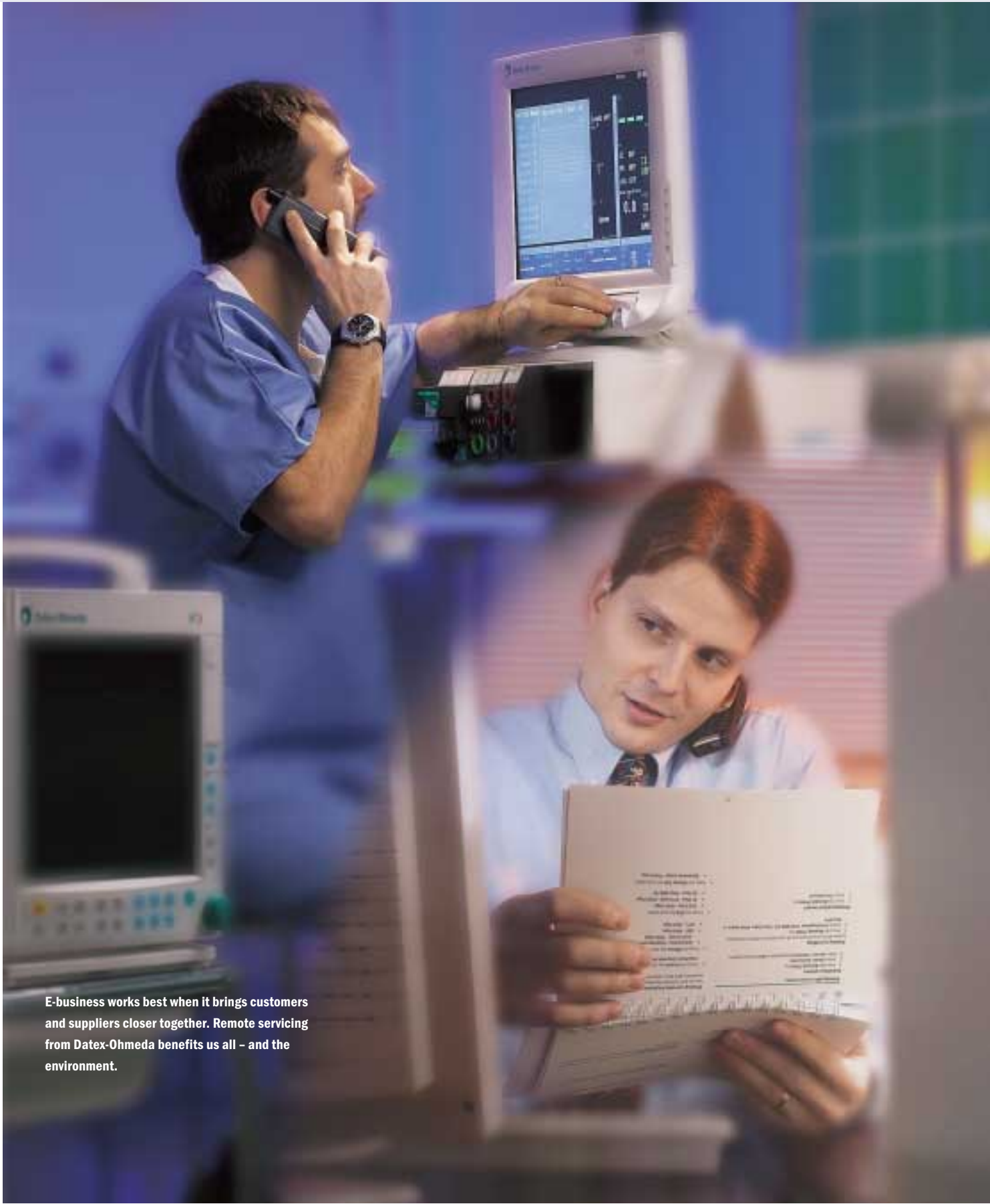
*before non-recurring items and amortization of goodwill

Net sales, EUR million



e-business

GROUP-WIDE PRIORITY



E-business works best when it brings customers and suppliers closer together. Remote servicing from Datex-Ohmeda benefits us all - and the environment.

Instrumentarium defines e-business as Internet or other network-related initiatives that have the potential to transform any of its internal processes or business relationships. Examples of e-business applied to Instrumentarium's business relationships include e-commerce, customer relationship management (CRM), remote servicing and Internet marketing. Instrumentarium's divisions' internal processes that are being impacted by e-business are, for example, R&D management, sales force automation, marketing and communications. E-business will also allow fundamentally new processes to be invented and developed at Instrumentarium.

Releasing the power in global, knowledge-based businesses

Instrumentarium seeks to harness the new tools offered by the rapid development of data networks, Internet and web applications in order to grow its businesses and improve long-term profitability. Knowledge management and deployment will be key areas for applying e-business for the foreseeable future. The Corporation intends to tightly integrate its IT structure and harmonize its key business applications, in each of its businesses in order to take scalability advantages in the roll-out of proven pilot solutions. The Corporation also intends to allow its businesses to have a wide degree of freedom to innovate in e-business.

High margins indicate potential for high benefits

Instrumentarium's medical technology businesses are essentially high margin businesses, in which the majority of fixed costs are represented by personnel costs. The vast majority of personnel are knowledge workers adding significant value to the products manufactured. E-business thus offers Instrumentarium clear opportunities for improvement. Additionally, e-business promises to bring the business units closer together through synergistic development of their internal processes and business relationships.

Global, web-based R&D and product information backbone for Datex-Ohmeda

In 2000 Datex-Ohmeda began implementation of web-based global product information backbone system with the goal of accelerating R&D programs and reducing time to market. This web-based collaboration system promises to facilitate concurrent engineering together with design partners and suppliers. In addition, the system will help ensuring

compliance with regulatory authorities and improve management of lifecycle support.

Virtual Support for remote maintenance

Advanced medical equipment requires electronics and software for users to be able to control the added functionality. Although today's solutions are inherently more robust than ever, they still require maintenance and, occasionally, repair. Additionally, customers vastly prefer preventative maintenance rather than the inconvenience of a malfunction. E-business applied to the challenge of maintenance has a lot to offer. For Datex-Ohmeda's core System 5 products, a PC-based service tool called Virtual Support makes it possible for remote maintenance to be carried out real-time from anywhere in the hospital, or in fact from a Datex-Ohmeda or distributor office. This results in savings for both customers and supplier, with less waiting, travel and disturbance. Tools such as Virtual Support also allow new business models for co-operative service arrangements.

E-commerce

In the USA, many Group Purchasing Organizations (GPO), as well as other organizations, are actively developing e-commerce plans and Instrumentarium is developing its sales strategies accordingly. Datex-Ohmeda and Ohmeda Medical are finalizing their own e-commerce web sites for launch in early 2001. Initial projects are for after-sales businesses and will provide valuable feedback for wider deployment. In July 2000 Instrumentarium was one of the first companies to announce its intention to join the Global Healthcare Exchange, LLC, a business-to-business consortium formed by healthcare companies to promote a global, on-line marketplace for healthcare products and services. For Instrumentarium joining

would supplement existing service and support offered by its sales offices and distribution partners.

Retail e-commerce for vision care

Optical Retail Division is about to launch a unique internet-based service as an extension to its service for contact lens customers. Contact lens wearers increasingly use disposables and are frequent repeat customers who will find internet-based ordering a convenience. However, contact lens users put their eyesight in danger without regular checks by opticians. Instrumentarium is thus offering a hybrid service, which offers customers the convenience of the Internet with automated delivery of advice on vision care, and other services, which are only possible from a business with a physical store chain.

Anywhere, anytime Internet marketing

E-business has the ability to make 100% relevant, product, application and support information available to anyone and everyone irrespective of the time zone, location or number of the information providers in the company. These features are of immense importance to marketing communications in Instrumentarium's global divisions. Internet-based marketing solutions can be cost-effective to provide as they are inherently based on self-service. Datex-Ohmeda has launched a new Clinical Window service on its website for healthcare professionals to promote learning the flow of information, receiving excellent feedback. To serve the biomedical community Datex-Ohmeda is developing a comprehensive Internet portal solution for education, service and spare part management.

Board of Directors' report

Net sales and profit

Instrumentarium's net sales totaled EUR 912.8 million for 2000, an increase of 18% compared to the previous year. Net sales increased in all business segments. Datex-Ohmeda, the Group's core business, contributed two-thirds of the overall net increase in sales. Foreign sales represented 89% (86% in the previous year) of consolidated net sales.

Profit before non-recurring items and amortization of goodwill was EUR 89.9 million (EUR 59.8 million). Operating profit increased in all business segments compared to the previous year. Major items in other operating income are the gain on the sale of real estate in Kilo, Espoo and the share of the amount paid by Baxter Healthcare Corporation as an adjustment to the purchase price allocation of the Ohmeda acquisition, which was booked as income.

Income before extraordinary items was EUR 66.6 million (EUR 31.2 million). Non-recurring operating income and expenses were at the same level as in the previous year and were primarily derived from a gain on the sale of shares in Orion Corporation. Amortization of goodwill was reduced compared to the previous year due to the payment in September from Baxter Healthcare Corporation that reduced the goodwill created by the acquisition of the Ohmeda businesses in 1998. Net financing expenses were clearly lower in 2000 than in the previous year.

Earnings per share were EUR 1.80 (EUR 0.69). Shareholders' equity per share was EUR 19.57 (EUR 18.43).

The Group had 5,217 employees at the end of 2000, which is an increase of 89 over 1999. Outside Finland there were 3,329 employees, of whom 1,736 were employed in North America, 1,299 in Europe and 294 in other regions.

Development by business segment

Anesthesia and Critical Care

Net sales for the Anesthesia and Critical Care segment totaled EUR 641.2 million (EUR 550.6 million), which is 16% higher than in the previous year. Sales development for Datex-Ohmeda varied markedly on a quarterly basis. In particular, sales growth in the fourth quarter was strong.

Of Datex-Ohmeda's business areas, best sales development was seen in the area of anesthesia machines and ventilation. Both sales of the Aestiva/5, manufactured in USA, and the S/5 ADU, manufactured in Sweden, increased on the previous year. Sales of the INOvent drug delivery system, which received FDA clearance at the beginning of the year for use in neonatal hypoxic respiratory failure, also developed well in the USA. However, continued success for the INOvent in the USA requires additional indications for the drug used being cleared by the regulatory authorities.

Compared to the previous year, net sales of patient monitoring increased only modestly. The S/5 monitoring products reached the market later than planned, which hindered sales development during the first half of the year. Deliveries of the S/5 products began in May 2000 and sales developed well for the second half of the year, especially for critical care monitors. The pre-requisites for increasing critical care sales to the US market were achieved with FDA clearances to market being received for the products and the re-organization of the sales channel.

During the year it was decided to incorporate the assets and operations from Datex-Ohmeda's care information systems business into a separate company group, called Deio. Deio started operations at the beginning of 2001. Deio Corporation has solution provider subsidiaries in USA, Canada, UK, France, Germany and Italy.

Datex-Ohmeda's net sales increased in all market areas. In 2000, North America accounted for 48% of sales, Europe for 35%, the Asia-Pacific region for 13% and the rest of the world for 4%.

Operating profit before non-recurring items and amortization of goodwill for the Anesthesia and Critical Care segment was EUR 58.6 million (EUR 47.3 million). Higher profitability was primarily due to the good increase in sales. Gross margin declined over the previous year due to a sales mix with a higher share of lower margin products. At the end of 2000 a program aimed at improving operating efficiencies was initiated. Part of the related re-organization costs negatively impacted operating profit already in 2000. Operating profit was positively impacted by the share of the amount paid by Baxter Healthcare Corporation, as an adjustment to the purchase price of the Ohmeda acquisition, which was booked under other operating income.

Medical Equipment

The Medical Equipment segment reported net sales of EUR 171.7 million (EUR 110.9 million), which is 55% higher than in the previous year. All of the business units increased their net sales compared to the previous year. The acquisition of the Ziehm surgical imaging companies at the beginning of the year contributed to the growth. Integration of the acquired activities has proceeded according to plan.

Diagnostic imaging equipment manufacturer Instrumentarium Imaging's net sales more than doubled and were EUR 73.1 million (EUR 35.4 million) for the year. The acquisition of the Ziehm companies contributed most of the growth. The combined net sales of the other product areas grew approximately 30%. Profitability of Instrumentarium Imaging improved significantly over the previous year.

Ohmeda Medical's net sales of infant care as well as suction and oxygen therapy products amounted to EUR 57.6 million

(EUR 47.7 million). The division's significant new product, the Giraffe OmniBed neonatal carestation, was launched in June 2000 and sales started well. Introducing new products to the market significantly increased fixed costs and weakened Ohmeda Medical's profitability.

Merivaara's net sales of medical furniture increased by 17% to EUR 26.7 million (EUR 22.8 million). Growth came from higher domestic sales and higher exports to Russia. Programs initiated in 1999 to improve efficiencies resulted in significantly higher profitability for the year 2000.

Net sales for Medko Medical, which is engaged in project sales, were nearly three times higher in 2000 than in the previous year and amounted to EUR 14.4 million (EUR 5.0 million). Fluctuations in the annual sales for the division is a result of the timings of project deliveries. In 2000 the largest markets for project deliveries were Uzbekistan, China and Russia.

In the Medical Equipment segment, operating profit before non-recurring items and amortization of goodwill was EUR 14.8 million (EUR 4.0 million). Operating profit improved in all business units except Ohmeda Medical.

Optical Retail

Net sales for the Optical Retail Division were EUR 95.6 million (EUR 89.8 million), representing growth of 6% compared to the previous year. The combined sales of the store chains in Finland increased 5%, in line with growth in the optical retail sector. Sales for the store chain in Sweden grew 11%. The number of stores in Estonia continues to be increased and there was a clear increase in sales compared to the previous year. In the new market of Latvia, two new stores were opened during the year. At the end of 2000, Optical Retail Division had a total of 174 stores, of which 136 in Finland, 20 in Sweden, 15 in Estonia, 2 in Latvia and 1 in Russia.

In its meeting on 8 November 2000, the Board of Directors of Instrumentarium Corporation decided to incorporate the assets and operations relating to its optical retail business as a separate

company during 2001. The new corporate structure is designed to support the continued growth and development of the optical retail business.

In the Optical Retail segment, operating profit before non-recurring items and amortization of goodwill was EUR 10.3 million (EUR 9.3 million), which is 10% higher than in the previous year. Gross margin remained at the same level as in the previous year and the ratio of fixed costs to sales declined slightly compared to the previous year.

Financing and investments

Net financing expenses totaled EUR 13.2 million (EUR 15.5 million). The decrease was primarily the result of lower costs of hedging against foreign exchange rate risks and a decrease in interest expenses. In the fourth quarter of 2000, foreign exchange rate differences were clearly positive as the euro strengthened towards the end of the year. Dividend income was EUR 2.9 million (EUR 8.2 million). Equity ratio was 50% (47%) and gearing 48% (67%).

Interest-bearing net debt totaled EUR 225.5 million (EUR 296.0 million) at the end of the year. The decrease in net debt was due to the payment of EUR 47.9 million from Baxter Healthcare Corporation and the receipt of EUR 42.4 million from the sale of real estate in Kilo, Espoo. In addition, the remaining shares in Orion Corporation were sold during the year for combined receipts of EUR 22.4 million.

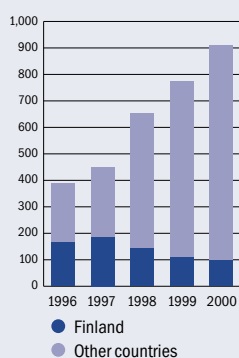
Extraordinary items

Extraordinary income was EUR 3.5 million (EUR 30.9 million) and comprised adjustments to amortization of goodwill for the years 1998 and 1999 triggered by the payment from Baxter Healthcare Corporation. In the previous year extraordinary income resulted from the dissolution of the Pension Fund.

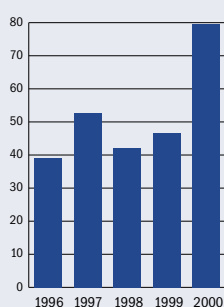
Capital expenditure and R&D expenses

The Group's capital expenditure in 2000 totaled EUR 51.0 million (EUR 27.6 million). EUR 14.5 million was invested in machinery

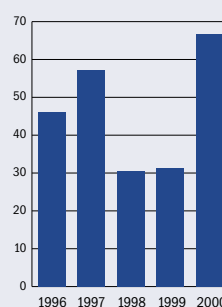
Net sales, EUR million



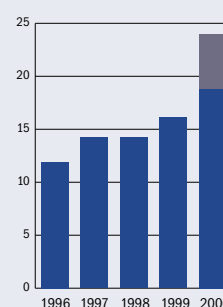
Operating profit, EUR million



Income before extraordinary items, EUR million



Dividends, EUR million



* 100-year anniversary bonus dividend proposed by the Board of Directors

and equipment, EUR 9.5 million in buildings and land, and EUR 27.0 million in shares and shareholdings and other long-term expenditure, including the purchase of the Ziehm companies. Planned depreciation amounted to EUR 41.9 million (EUR 44.6 million).

Intensive research and development efforts were continued during the year in all manufacturing business units. Research and development expenses in 2000 were EUR 63.8 million (EUR 53.3 million). As a share of revenues, R&D expenses amounted to 8% of net sales for Datex-Ohmeda, 10% for Instrumentarium Imaging and 8% for Ohmeda Medical.

Personnel and administration

Personnel in the Instrumentarium Group averaged 5,205 during 2000, which was 33 more than one year earlier. The parent company, Instrumentarium Corporation, had 1,917 employees on average, compared to 1,975 the year before.

Chairman of the Board of Directors in 2000 was Gerhard Wendt, Ph.D. President and Chief Executive Officer was Olli Riikkala, M.Sc. (Tech.), MBA, who is also a member of the Board of Directors. The other members of the Board of Directors were Erkki Etola, M.Sc. (Tech.), Professor Juhani Kuusi, D.Sc. (Tech.), Mikael Lilius, M.Sc. (Econ.), Professor Jukka Takala, M.D., Ph.D. (from 23 March 2000) and Turo K. J. Tukiainen, LL.B., MBA.

Acquisitions and Group restructuring

At the beginning of 2000 the Ziehm companies in Germany and USA, which manufacture diagnostic C-arm X-ray equipment were purchased. Ziehm is the market leader in Germany and a leading supplier in USA, the Netherlands and Scandinavia.

In February 2000 certain operations of Instrumed were sold to GE Medical Systems, the Orion Group and Tamro Group. Following the divestments, Instrumed is focussed on operating room, anesthesia and critical care sales and service in Finland.

In August 2000 it was decided to incorporate the assets and operations from Datex-Ohmeda's care information systems business into a separate company group, called Deio. The

restructuring has proceeded according to plan and Deio began operations at the beginning of 2001.

In November 2000, it was decided to incorporate the assets and operations relating to the optical retail businesses during 2001. Activities to support the new corporate structure have been started according to plan.

Stock options

In accordance with the 1998 stock option scheme, the number of issued stock options at the end of 2000 totaled 1,091,000, which allow the holders to subscribe to a maximum of 1,304,944 shares in Instrumentarium. 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 110,506 own shares at the end of 2000. These shares have been received as dividends, primarily from Orion Corporation. The shares are recorded as a long-term investment on the balance sheet at the dividend date acquisition cost of EUR 4.0 million. Their share of the Company's share capital and voting rights is 0.46%.

Changes in ownership

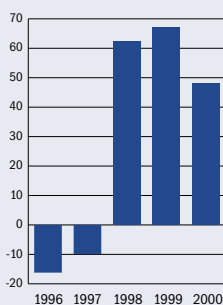
On 2 February 2000 Sampo Insurance Company plc, announced that following the merger between it and Leonia plc, Sampo Insurance Company plc's share of Instrumentarium capital and voting rights exceeds 5%.

On 17 April 2000, the Orion Group announced that after the dividend distributions of Instrumentarium shares, the combined shareholdings of the Orion Group, its subsidiaries and pension fund had fallen to 1.5%.

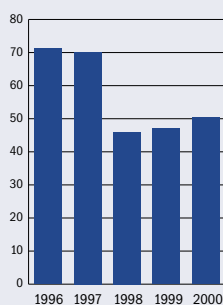
The Annual General Meeting

On 20 February 2001, the Board of Directors of Instrumentarium Corporation decided to propose the convening of the Annual General Meeting on 26 March 2001.

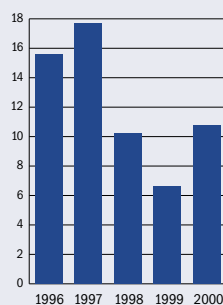
Gearing, %



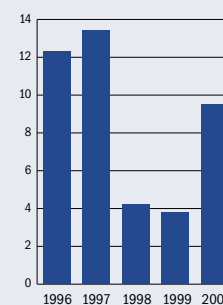
Equity ratio, %



Return on investments, %



Return on equity, %



Prospects for 2001

The market position of Instrumentarium's largest division, Datex-Ohmeda, is strong in anesthesia equipment and systems. In addition the pre-requisites for growth in critical care, particularly in the US market, have been created. Datex-Ohmeda's goal for 2001 continues to be to grow faster than the market for anesthesia and critical care equipment.

The program aimed at improving operating efficiencies in Datex-Ohmeda will have a negative impact on profitability for the

first half of 2001. According to plans, the re-organization will have a positive impact on profitability in the second half of the 2001.

The founding of Deio to focus on care information solutions creates the pre-requisites for growth in information systems. Substantial investments in Deio will be made in the coming years.

Each of the divisions in the Medical Equipment segment as well as Optical Retail have strong positions in their markets.

Overall, the outlook for the Instrumentarium Group in 2001 is stable. Quarterly fluctuations may, however, be significant.

Proposal for the distribution of profits

On 31 December 2000 the consolidated, non-restricted equity of the Group available for distribution was EUR 283,419,737.10. The Parent Company's non-restricted equity available for distribution was EUR 334,183,302.62.

The Board of Directors proposes that profits be allocated as follows:

- Dividend of EUR 0.80 per share be paid on 23,973,865 shares (EUR 0.40/ADR)	
and a 100-year anniversary bonus dividend of EUR 0.20 per share (EUR 0.10/ADR), total of	EUR 23,973,865.00
- Donation to the Instrumentarium Scientific Fund	EUR 25,000.00
- To be posted to the retained earnings	EUR 310,184,437.62

Helsinki, 20 February 2001

Gerhard Wendt
Chairman of the Board of Directors

Erkki Etola

Olli Riikkala
President and CEO

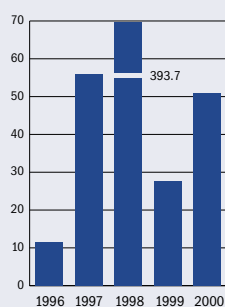
Juhani Kuusi

Jukka Takala

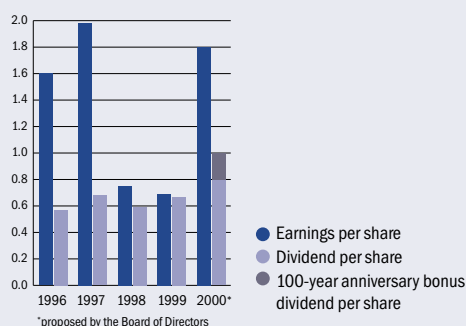
Mikael Lilius

Turo K. J. Tukiainen

Capital expenditure,
EUR million



Earnings and dividend
per share, EUR



Consolidated income statement

EUR thousands	Note	1998	1999	2000
Net sales	(2)	654,373	773,477	912,843
Cost of goods sold		-344,782	-371,296	-454,756
Gross profit		309,590	402,182	458,088
Selling and marketing expenses		-172,830	-205,305	-240,306
Research and development expenses		-39,681	-53,305	-63,816
General and administrative expenses		-78,407	-86,388	-86,714
Other operating income and expenses, net	(3)	9,925	2,651	22,643
Operating profit before non-recurring items and amortization of goodwill		28,597	59,834	89,896
Non-recurring operating income and expenses, net	(3)	30,468	6,388	6,177
Amortization of goodwill	(4)	-16,818	-19,556	-16,344
Operating profit		42,247	46,666	79,729
Financing income and expenses, net	(5)	-11,798	-15,508	-13,177
Income before extraordinary items		30,449	31,158	66,552
Extraordinary income and expenses, net	(6)		30,852	3,520
Income after extraordinary items		30,449	62,010	70,072
Income taxes	(7)	-14,605	-14,592	-23,465
Income before minority interest		15,844	47,418	46,607
Minority interest		-65	100	-29
Net income		15,778	47,518	46,579
Earnings per share, EUR	(8)	0.75	0.69	1.80
Diluted earnings per share, EUR	(8)	0.74	0.69	1.80

Consolidated cash flow statement

EUR thousands	Note	1999	2000
Cash flow from operating activities			
Net income		47,518	46,579
Adjustments to net income	(9)	28,918	45,275
Change in working capital	(9)	-75,824	-27,717
Net cash provided by operating activities before interests and taxes		612	64,137
Interests paid		-18,114	-20,456
Taxes paid		-22,564	-26,563
Net cash provided by (used in) operating activities		-40,066	17,118
Cash flow from investing activities			
Acquired companies and businesses	(9)	-1,039	-20,594
Investments in other non-current assets		-27,197	-27,976
Proceeds from disposition of companies and businesses		7,127	44,730
Proceeds from sale of other non-current assets		25,071	27,304
Increase (-) decrease (+) in short-term investments		7,039	-402
Increase (-) decrease (+) in other long-term investments		-287	-7,671
Surplus related to dissolution of Instrumentarium Pension Fund		30,852	
Ohmeda acquisition ⁽¹⁾			47,913
Net cash provided by investing activities		41,566	63,303
Cash flow after investing activities		1,499	80,420
Cash flow from financing activities			
Dividends paid		-14,186	-16,143
Increase (+) decrease (-) in short-term debt		38,134	-31,067
Increase (+) decrease (-) in long-term debt		-29,071	-31,259
Net cash used in financing activities		-5,123	-78,469
Net increase (+) decrease (-) in cash and cash equivalents		-3,624	1,952
Cash and cash equivalents at beginning of year		22,117	20,366
Effect of exchange rate changes on cash		1,872	102
Cash and cash equivalents at end of year		20,366	22,419

¹⁾The payment in September 2000 from Baxter Healthcare Corporation related to Ohmeda acquisition.

Consolidated balance sheet

ASSETS

EUR thousands	Note	Dec. 31, 1999	Dec. 31, 2000
NON-CURRENT ASSETS			
Intangible assets	(10)		
Intangibles rights		5,268	5,047
Goodwill		298,933	264,689
Other capitalized expenditures		9,592	4,252
		313,793	273,988
Tangible assets	(10)		
Land and water areas		6,383	6,012
Buildings		79,606	58,421
Machinery and equipment		44,119	44,689
Advance payments and assets under construction		5,723	2,748
		135,831	111,871
Investments			
Shares and holdings in associated companies	(11)		37
Other shares and holdings	(11)	38,335	18,664
Receivables from associated companies	(12)	169	210
Loans receivable	(12)	5,529	14,992
Treasury shares	(13)	3,423	4,035
		47,455	37,939
CURRENT ASSETS			
Inventories			
Raw material and supplies		57,066	58,518
Work-in-progress		19,270	19,449
Finished goods		83,897	90,578
		160,233	168,546
Deferred tax assets	(14)	18,528	20,049
Receivables	(12)		
Accounts receivable		217,888	262,282
Loans receivable		776	1,475
Other receivables		8,695	11,205
Prepaid expenses and accrued income		21,522	30,940
		248,882	305,901
Cash and cash equivalents		20,366	22,419
TOTAL ASSETS		945,088	940,713

Consolidated balance sheet

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousands	Note	Dec. 31, 1999	Dec. 31, 2000
SHAREHOLDERS' EQUITY			
	(13)		
Share capital		48,169	48,169
Share premium account		108,001	108,001
Reserve for treasury shares		3,423	4,035
Other reserves		6,616	5,307
Retained earnings		231,895	261,163
Net income for the period		47,518	46,579
Total shareholders' equity		445,622	473,255
Minority interest		-35	-6
LIABILITIES			
Deferred tax liabilities			
	(14)	21,282	19,979
Long-term liabilities			
	(15)		
Loans from financial institutions		179,769	146,717
Other long-term liabilities		7,082	7,259
		186,851	153,976
Short-term liabilities			
	(16)		
Loans from financial institutions		135,883	100,724
Advance payments		3,165	2,979
Accounts payable		47,834	57,110
Other short-term liabilities		8,470	16,078
Accrued liabilities		96,015	116,618
		291,368	293,510
Total liabilities		499,501	467,464
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		945,088	940,713

Consolidated statements of changes in shareholders' equity

EUR thousands	Share capital	Share premium account	Treasury shares	Other reserves	Cumulative translation adjustments	Retained earnings	Total
Balance at December 31, 1998	40,507	114,065		7,488	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 treasury shares			3,423			-3,423	
Transfer to other reserves		-185		-872		872	-185
Dividends						-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	3,423	6,616	247	279,166	445,622
Transfer to reserve for treasury shares			613			-613	
Transfer to other reserves				-1,309		1,309	
Reverse of revaluation						-467	-467
Dividends						-16,143	-16,143
Donation						-50	-50
Translation adjustments					-2,286		-2,286
Net income						46,579	46,579
Balance at December 31, 2000	48,169	108,001	4,035	5,307	-2,038	309,781	473,255

Development by business segments

EUR thousands	1998	1999	2000
Net sales			
Anesthesia and Critical Care	398,296	550,617	641,235
Medical Equipment	103,702	110,866	171,745
Optical Retail	87,400	89,775	95,556
Other ⁽¹⁾	64,975	22,220	4,307
	654,373	773,477	912,843
Operating profit			
Anesthesia and Critical Care	10,832	47,265	58,649
Medical Equipment	10,611	4,042	14,827
Optical Retail	13,148	9,339	10,284
Other ⁽¹⁾	-5,994	-811	6,135
Operating profit before non-recurring items and amortization of goodwill	28,597	59,834	89,896
Non-recurring operating income and expenses, net	30,468	6,388	6,177
Amortization of goodwill	-16,818	-19,556	-16,344
Operating profit	42,247	46,666	79,729
Net operating assets			
Anesthesia and Critical Care ⁽²⁾		552,933	494,953
Medical Equipment ⁽²⁾		65,125	111,548
Optical Retail ⁽²⁾		17,656	21,413
Other ⁽¹⁾		126,272	93,242
Net operating assets		761,986	721,155
Non-interest bearing liabilities		183,102	219,558
Total assets		945,088	940,713
Capital expenditure			
Anesthesia and Critical Care	351,856	14,285	10,840
Medical Equipment	34,147	3,597	27,624
Optical Retail	3,130	4,489	3,697
Other ⁽¹⁾	4,643	5,266	8,841
	393,775	27,636	51,001
Depreciation and amortization			
Anesthesia and Critical Care	12,298	13,455	15,866
Medical Equipment	1,009	1,791	2,487
Optical Retail	2,272	2,509	2,622
Other ⁽¹⁾	6,390	7,283	4,552
Amortization of goodwill	16,818	19,556	16,344
	38,787	44,594	41,871
Average number of personnel			
Anesthesia and Critical Care	2,909	3,529	3,463
Medical Equipment	589	703	861
Optical Retail	735	779	811
Other ⁽¹⁾	280	161	71
	4,513	5,172	5,205

¹⁾ Includes Group Administration and divested operations.

²⁾ Includes assets less non-interest bearing liabilities allocated to business segments.

Notes to the financial statements

1. ACCOUNTING PRINCIPLES

Basis of presentation and reclassification

The consolidated financial statements of Instrumentarium Corporation and subsidiaries (the "Group") are 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. The accounts for 2000 have been prepared in euros. Figures stated in Finnish markka for previous years have been restated into euros using the official conversion rate at January 29, 1999, 1 euro = 5.94573 markka. The financial statements of the parent company include income statement, balance sheet and the changes in shareholders' equity.

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 as well as 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 through subsidiaries, holds over 50 percent of the voting rights. Companies acquired during the accounting period are consolidated from the date of acquisition. Companies sold during the accounting period are consolidated up to the date of sale.

The acquisition of companies are accounted for using the purchase method. Goodwill represents the excess of the purchase cost over the fair value of the net assets of acquired companies. The excess of the purchase cost is allocated to the fair value of the acquired fixed assets. The remaining difference is carried as goodwill and is amortized on a straight-line basis over its expected useful life not exceeding 20 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 transactions and balances 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 of associated companies, in which the Group holds 20 to 50 percent of the voting rights, is included in the consolidated profit and loss account in accordance with the equity method of accounting. The share of result of the associated companies whose activity is closely connected with the business areas of Instrumentarium, is recorded in other income and expenses, net. The share of result of the other associated companies is recorded in financing income and expenses, net. The share of post-acquisition retained profits and losses of associated companies is reported as part of investments in associated companies in the consolidated balance sheet.

Foreign currency translation

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transactions. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used. At the end of the accounting period, unsettled foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the balance sheet date. 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.

The income statements of foreign subsidiaries are translated into euro at the average of average monthly exchange rates for the year. The balance sheet items except net income are translated into euro at the exchange rate of the balance sheet date. Differences arising from the translation of shareholders' equity and income statement and balance sheet are recorded under shareholders' equity. Exchange differences that result from loans and financial instruments designated as hedges investments in foreign subsidiaries are recorded against the translation differences in the consolidated shareholders' equity, net of taxes.

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.

Non-current assets

Intangible and tangible assets are valued on the original direct cost of acquisition less planned depreciation. Land areas are not depreciated. Depreciation is recorded by 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	3-10 years
Goodwill	5-20 years

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 estimates 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted deposits with banks with original maturities of three months or less.

Taxes on extraordinary items

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

Untaxed reserves

In Finland and certain other countries, companies are permitted to reduce or increase taxable income by net charges or by income representing adjustments to untaxed reserve accounts, provided that such amounts are reflected in the company's financial statements and accumulated on the balance sheet. Such amounts are included, net of taxes, in retained earnings in the consolidated balance sheet.

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. 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. A deferred tax liability will be recognized if circumstances change and it becomes apparent that some or all of the undistributed earnings of a subsidiary will be recovered in a taxable manner, such as through dividends or sale of the investments.

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.

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.

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 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.

Earnings per share

Earnings per share is based on income 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.

Exchange rates

	Average			Year-end	
	1998	1999	2000	1999	2000
USD	1.113	1.065	0.924	1.005	0.931
SEK	8.835	8.808	8.446	8.567	8.831
NOK	8.398	8.316	8.114	8.078	8.234
GBP	0.672	0.659	0.609	0.622	0.624
CAD	1.684	1.582	1.371	1.461	1.397
JPY	148.643	121.341	99.530	102.513	106.920
AUD	1.822	1.651	1.589	1.542	1.677

2. NET SALES BY MARKET AREA

EUR thousands	1998	1999	2000
European Union	329,239	321,720	353,992
<i>Of which Finland</i>	<i>142,476</i>	<i>108,331</i>	<i>97,230</i>
Rest of Europe	51,204	29,161	41,549
North America	204,743	323,528	390,142
Rest of the world	69,186	99,068	127,161
Total net sales	654,373	773,477	912,843

3. OTHER OPERATING INCOME AND EXPENSES

EUR thousands	1998	1999	2000
Other operating income			
Rental income	5,126	4,923	4,654
Agency fees and profit sharing	3,002	284	6,155
Service fees	1,615	318	386
Gain on sale of assets	740	3,885	12,509
Ohmeda acquisition ⁽¹⁾			3,008
Other income	5,262	4,888	4,866
	15,743	14,298	31,577
Other operating expenses			
Expenses on rented properties	-3,875	-3,452	-2,680
Restructuring expenses		-3,746	-5,219
Other expenses	-1,943	-4,449	-2,842
	-5,818	-11,647	-10,741
Share in result of associated companies			1,807
Other income and expenses, net	9,925	2,651	22,643

⁽¹⁾ The share of the amount paid by Baxter Healthcare Corporation in September 2000 related to Ohmeda acquisition, which was booked as income.

Non-recurring operating income and expenses

Securities trading	10,096	496	
Gain on sale of non-current marketable securities	16,753	3,116	4,851
Disposal of business operations	15,866	2,250	1,327
Other non-recurring operating income	6,660		
Restructuring and consulting expenses related to the acquisition of Ohmeda	-18,906	526	
Non-recurring operating income and expenses, net	30,468	6,388	6,177

Provisions

Provision for restructuring costs relating to Ohmeda acquisition	10,454		
Total provisions	10,454		

4. DEPRECIATION AND AMORTIZATION

EUR thousands	1998	1999	2000
Depreciation and amortization by asset category			
Intangible rights	1,246	1,566	1,972
Goodwill	16,818	19,556	16,344
Other capitalized expenditures	2,292	2,520	1,792
Buildings	5,196	5,319	5,265
Machinery and equipment	13,235	15,633	16,498
	38,787	44,594	41,871
Depreciation and amortization by function			
Cost of goods sold	4,767	6,933	7,037
Selling and marketing expenses	5,048	3,499	4,400
Research and development expenses	1,513	1,663	1,523
General and administrative expenses	8,464	11,079	10,990
Other operating expenses	2,178	1,863	1,577
Amortization of goodwill	16,818	19,556	16,344
	38,787	44,594	41,871

5. FINANCING INCOME AND EXPENSES

EUR thousands	1998	1999	2000
Dividend income ⁽¹⁾			
	6,837	8,159	2,859
Interest and other financing income			
Interest income	4,125	2,465	2,026
Foreign exchange gains ⁽²⁾	54,987	52,445	36,406
Other financing income	2	25	475
	59,114	54,935	38,907
Write-down of investments			
Write-down of long-term investments	-1,281		
Interest and other financing expenses			
Interest expenses	-22,802	-17,737	-15,746
Foreign exchange losses ⁽²⁾	-52,861	-60,335	-38,969
Other financing expenses	-917	-222	-229
	-76,580	-78,294	-54,944
Share in result of associated companies			
	111	-309	-1
Total financing income and expenses, net			
	-11,798	-15,508	-13,179

¹⁾ Dividend income including related avoird fiscal includes in 1999 EUR 4,753 thousand and in 2000 EUR 851 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 cash flows denominated in foreign currency.

6. EXTRAORDINARY INCOME AND EXPENSES

Included in extraordinary income for 2000 is an adjustment of EUR 3,520 thousand to amortization of goodwill for the years 1998 and 1999 triggered by the payment from Baxter Healthcare Corporation in September 2000.

Included in extraordinary income for 1999 is a surplus related to the dissolution of Instrumentarium Pension Fund of EUR 30,852 thousand and avoird fiscal related to it of EUR 11,998 thousand. The related income taxes of EUR 11,998 thousand are recorded in the extraordinary expenses.

7. INCOME TAXES

EUR thousands	1998	1999	2000
Income before extraordinary items			
Finland	65,322	24,724	50,219
Other countries	-34,873	6,434	16,334
	30,449	31,158	66,552
Income taxes			
Current taxes			
Finland	26,610	12,694	19,581
Other countries	466	3,791	12,560
	27,076	16,485	32,141
Deferred taxes			
Finland	-5,255	-1,580	-8,954
Other countries	-7,217	-313	278
	-12,471	-1,893	-8,676
Income taxes, total	14,605	14,592	23,465

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

	1998	1999	2000
Income tax at Finnish statutory rate	28%	28%	29%
Amortization of goodwill on consolidation	13%	14%	6%
Deduction in Finland for write-down of investments in foreign subsidiaries	-2%		
Operating losses with no current tax benefit	11%	3%	2%
Adjustments of prior years tax accruals	-2%		-8%
Taxes of foreign subsidiaries, which exceed the Finnish statutory rate		2%	6%
Effective tax rate on income before extraordinary items	48%	47%	35%

8. EARNINGS PER SHARE

EUR thousands	1998	1999	2000
Basic earnings per share			
Income before extraordinary items	30,449	31,158	66,552
Minority interests	-65	100	-29
Income taxes	-14,605	-14,592	-23,465
	15,778	16,666	43,059
Weighted average number of shares outstanding (in thousands)	21,060	24,049	23,980
Earnings per share, EUR	0.75	0.69	1.80

EUR thousands	1998	1999	2000
Diluted earnings per share			
Income before extraordinary items	30,449	31,158	66,552
Minority interests	-65	100	-29
Income taxes	-14,605	-14,592	-23,465
	15,778	16,666	43,059
Weighted average number of shares outstanding (in thousands)	21,324	24,109	23,980
Diluted earnings per share, EUR	0.74	0.69	1.80

9. CONSOLIDATED CASH FLOW STATEMENT

EUR thousands	1999	2000
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Following adjustments are made to convert net income on an accrual basis to a cash basis and to remove the effects of items associated with cash flows elsewhere in the cash flow statement:

Adjustments to net income		
Depreciation and amortization	44,594	41,871
Write-down of inventories	11,305	9,154
Write-down of receivables	2,335	1,697
Gain (-) loss (+) on sale of companies and businesses	-5,382	-9,829
Gain (-) loss (+) on sale of other non-current assets	-4,609	-6,752
Unrealized exchange gains (-) exchange losses (+)	-17,352	-22,939
Income taxes	14,592	23,465
Interest expenses	17,737	15,746
Treasury shares received as dividend	-3,423	-613
Surplus related to dissolution of Instrumentarium Pension Fund	-30,852	
Ohmeda acquisition ⁽¹⁾		-6,528
Other adjustments	-27	3
Total adjustments	28,918	45,275
Change in working capital		
Increase (-) decrease (+) in inventories	-6,411	-5,712
Increase (-) decrease (+) in accounts receivable	-37,165	-36,247
Increase (-) decrease (+) in other current receivable	1,200	-8,654
Increase (+) decrease (-) in accounts payable	-22,942	5,846
Increase (+) decrease (-) in other non-interest bearing liabilities	-10,506	17,050
Change in working capital	-75,824	-27,717

Details of net assets acquired and goodwill are as follows:

Acquired companies and businesses		
Non-current assets	104	1,165
Current assets, other than cash and cash equivalents	492	9,793
Liabilities assumed		-9,463
Goodwill	444	19,100
Cash outflow on acquisition, net of cash acquired	1,039	20,594

¹⁾ the shares of the amount paid by Baxter Healthcare Corporation in September 2000 related to Ohmeda acquisition which were recorded in other operating income and extraordinary income

10. INTANGIBLE AND TANGIBLE ASSETS

EUR thousands	1999	2000
Intangible assets		
Intangible rights		
Acquisition cost at beginning of year	20,288	22,863
Capital expenditure	960	1,262
Business acquisitions		617
Disposals and transfers between line items	-965	-40
Translation differences	2,580	1,346
Acquisition cost at end of year	22,863	26,047
Accumulated amortization at beginning of year	14,322	17,595
Amortization during the year	1,566	1,972
Accumulated amortization of business acquisitions		265
Accumulated amortization of sold/disposed assets	-317	-3
Translation differences	2,024	1,171
Accumulated amortization at end of year	17,595	21,000
Net book value at end of year	5,268	5,047
Goodwill		
Acquisition cost at beginning of year	359,308	361,678
Capital expenditure	462	19,100
Disposals and transfers between line items	-4,568	-40,226
Translation differences	6,476	-21
Acquisition cost at end of year	361,678	340,531
Accumulated amortization at beginning of year	44,119	62,745
Amortization during the year	19,556	16,344
Accumulated amortization of sold/disposed assets	-2,690	-3,520
Translation differences	1,760	272
Accumulated amortization at end of year	62,745	75,841
Net book value at end of year	298,933	264,689
Other capitalized expenditures		
Acquisition cost at beginning of year	17,811	21,259
Capital expenditure	3,564	2,577
Business acquisitions		82
Disposals and transfers between line items	-329	-13,248
Translation differences	212	246
Acquisition cost at end of year	21,259	10,916
Accumulated depreciation at beginning of year	9,389	11,667
Depreciation during the year	2,520	1,792
Accumulated depreciation of business acquisitions		6
Accumulated depreciation of sold/disposed assets	-411	-6,850
Translation differences	169	50
Accumulated depreciation at end of year	11,667	6,664
Net book value at end of year	9,592	4,252

EUR thousands	1999	2000
Tangible assets		
Land and water areas		
Acquisition cost at beginning of year	5,852	6,198
Capital expenditure	309	189
Disposals and transfers between line items	-89	-416
Translation differences	126	41
Acquisition cost at end of year	6,198	6,012
Revaluation ⁽¹⁾	185	
Net book value at end of year	6,383	6,012
Buildings		
Acquisition cost at beginning of year	106,996	111,425
Capital expenditure	2,430	9,284
Disposals and transfers between line items	-1,208	-31,751
Translation differences	3,208	1,188
Acquisition cost at end of year	111,425	90,146
Accumulated depreciation at beginning of year	26,533	32,101
Depreciation during the year	5,319	5,265
Accumulated depreciation of sold/disposed assets	-1,035	-6,232
Translation differences	1,284	591
Accumulated depreciation at end of year	32,101	31,725
Revaluation ⁽¹⁾	282	
Net book value at end of year	79,606	58,421
Machinery and equipment		
Acquisition cost at beginning of year	122,798	133,212
Capital expenditure	14,037	12,512
Business acquisitions		2,272
Disposals and transfers between line items	-16,606	-4,201
Translation differences	12,982	4,536
Acquisition cost at end of year	133,212	148,332
Accumulated depreciation at beginning of year	80,364	89,093
Depreciation during the year	15,633	16,498
Accumulated depreciation of business acquisitions		1,587
Accumulated depreciation of sold/disposed assets	-16,532	-6,791
Translation differences	9,628	3,256
Accumulated depreciation at end of year	89,093	103,642
Net book value at end of year	44,119	44,689
Advance payments and assets under construction		
Acquisition cost at beginning of year	2,238	5,723
Capital expenditure	4,571	1,984
Disposals and transfers between line items	-1,407	-5,270
Translation differences	321	311
Net book value at end of year	5,723	2,748

¹⁾ The reversal of revaluation of certain land areas and buildings from prior years has been recorded in the consolidated shareholders' equity.

11. INVESTMENTS

EUR thousands	1999	2000
Shares and holdings in associated companies		
Acquisition cost at beginning of year	1,140	125
Capital expenditure		62
Transfer between balance sheet items		1,320
Sales and disposals	-1,015	
Translation differences		102
Acquisition cost at end of year	125	1,609
Accumulated equity adjustment at beginning of year	-353	-167
Share in result of associated companies	-309	1,806
Dividends received		-3,224
Sales and disposals	495	
Translation differences		12
Accumulated equity adjustment at end of year	-167	-1,573
Net book value at end of year	-42 ⁽¹⁾	37

Shares and holdings in associated companies include unamortized goodwill of EUR 78 thousand.

Other shares and holdings

Acquisition cost at beginning of year	51,564	38,335
Capital expenditure	1,303	106
Transfer between balance sheet items	4,464 ⁽²⁾	-1,320
Business acquisitions		49
Sales and disposals	-19,294	-18,674
Translation differences	298	168
Net book value at end of year	38,335	18,664

Other shares and holdings include the following:

Non-current marketable equity securities	18,494	813
Real estate shares	11,559	11,124
Other shares and holdings	8,282	6,727
	38,335	18,664

¹⁾included in receivables from associated companies

²⁾shares and holdings transferred from short-term non interest-bearing investments to long-term investments

The market value of the non-current marketable equity securities at December 31, 2000 and December 31, 1999 was EUR 3,953 thousand and EUR 29,590 thousand.

In 1998 the Company and Varma-Sampo Mutual Pension Insurance Company made an agreement according to which Varma-Sampo committed itself to buy 2,000,000 Orion Corporation A shares from the Company by September 2000. The Company, for its part, committed itself to sell 1,000,000 Orion Corporation A shares to Varma-Sampo by September 2000. By December 31, 2000 the Company had sold 1,000,000 shares of Orion Corporation based on the above-mentioned agreement. After the transactions the Company no longer owns shares in Orion Corporation.

12. RECEIVABLES

EUR thousands	1999	2000
Long-term interest bearing receivables		
Loans receivable	34	8,935
	34	8,935
Long-term non-interest bearing receivables		
Loans receivable from associated companies	169	210
Loans receivable	5,160	6,057
	5,328	6,267

EUR thousands	1999	2000
Short-term interest bearing receivables		
Loans receivable	905	899
	905	899
Short-term non-interest bearing receivables		
Accounts receivable	217,888	262,282
Loans receivable	207	576
Other receivables	8,695	11,205
Prepaid expenses and accrued income	21,522	30,940
	248,312	305,002
Prepaid expenses and accrued income consist of the following:		
Accrued interest	523	316
Tax receivable	3,052	6,390
Receivables relating to acquired and sold businesses	1,684	227
Construction of facilities	5,405	9,502
Other	10,858	14,504
	21,522	30,940

13. SHAREHOLDERS' EQUITY

Share capital

The share capital of Instrumentarium Corporation at December 31, 2000 was 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.

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

Treasury shares

The Group owned on December 31, 2000 110,506 Instrumentarium Corporation shares of which it had received as dividend 108,796 shares from Orion Corporation and 1,710 shares from Keski-Suomen Lääkäritalo Oy during 1999 and 2000. The shares have been recorded as a long-term investment on the balance sheet at acquisition cost of EUR 4,035 thousand. The shares correspond to 0.46% of the Company's shares and voting rights.

Amount of shares	Received as dividend, date	Average price ⁽¹⁾ EUR	Acquisition cost, EUR thousands
87,828	6.8.1999	38.72	3,401
684	30.9.1999	31.86	22
1,026	21.3.2000	32.05	33
20,968	14.4.2000	27.66	580
110,506			4,035

¹⁾The average price is based on the trade volume weighted average price on the day dividend was paid

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 granted at December 31, 2000	Shares to be subscribed	Subscription period	Exercise price ⁽¹⁾ adjusted for share issue
Letter A	327,300	391,483	1.6.2001-30.6.2006	36.28
Letter B	327,300	391,483	1.6.2002-30.6.2006	32.64
Letter C	436,400	521,978	1.6.2003-30.6.2006	29.54
Total	1,091,000	1,304,944		

¹⁾The exercise price is based on the trade volume weighted average price of the Company's previous Letter B share during a period determined in the terms of the option program. The period for the Letter A options is 1 Aug. -31 Oct. 1998, Letter B options 1 Nov. 1998 - 1 Jan. 1999 and Letter C options 1 Feb. - 30 Apr. 1999.

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.

Distributable funds

EUR thousands	2000
Total distributable funds on December 31 were as follows:	
Retained earnings	261,163
Net income	46,579
Equity share of untaxed reserves	-24,322
	283,420

Total distributable funds of the Parent company on December 31, 2000 were EUR 334,183 thousand.

14. DEFERRED TAX ASSETS AND LIABILITIES

EUR thousands	1999	2000
Deferred tax assets		
Internal margin of inventories	9,764	11,502
Differences between book and tax basis	26,808	21,390
Valuation allowance	-18,044	-12,843
	18,528	20,049
Deferred tax liabilities		
Accelerated depreciation and reserves	17,601	9,935
Differences between book and tax basis	3,681	10,044
	21,282	19,979

15. LONG-TERM LIABILITIES

EUR thousands	1999	2000
Long-term interest bearing liabilities		
Loans from financial institutions	179,769	146,717
Other long-term interest bearing liabilities	254	156
	180,023	146,873
Long-term non-interest bearing liabilities		
Other long-term non-interest bearing liabilities	6,828	7,103
	6,828	7,103
Total long-term liabilities	186,851	153,976

Maturities of long-term liabilities as of December 31, 2000 were as follows:

Year 2002	4,090
2003	202
2004	13,290
2005	129,194
2006	
Thereafter	7,199
	153,976

The Company has had a syndicated credit facility of USD 300 million (EUR 322 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 80 million, EUR 10 million, JPY 2,600 million, SEK 140 million and CAD 8 million. The average interest rate, based on LIBOR, for the above currencies was 5.13% at December 31, 2000. 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.

16. SHORT-TERM LIABILITIES

EUR thousands	1999	2000
Short-term interest bearing liabilities		
Loans from financial institutions	27,240	24,851
Commercial papers	108,561	75,873
Other loans	493	309
Current maturities of loans from financial institutions	82	
	136,375	101,033

The weighted average interest rate for short-term interest bearing debt at December 31, 2000 was approximately 5.45%.

Instrumentarium maintain lines of credit and overdraft arrangements with certain banks. The unused portion aggregated to EUR 15,412 thousand at December 31, 2000.

EUR thousands	1999	2000
Short-term non-interest bearing liabilities		
Advance payments	3,165	2,979
Accounts payable	47,834	57,110
Other short-term liabilities	7,977	15,769
Accrued liabilities	96,015	116,618
	154,992	192,476
Total short-term liabilities	291,368	293,510

Accrued liabilities consist of the following:

Accrued payroll	27,745	33,622
Accrued interest and exchange losses for derivatives	11,477	759
Accrued income taxes	5,382	18,548
Other post-retirement benefits	16,348	20,958
Accrued warranty expense	5,333	5,350
Other	29,731	37,381
	96,015	116,618

17. COMMITMENTS AND CONTINGENCIES

EUR thousands	1999	2000
On behalf of Instrumentarium		
Securities pledged for commitments	72	72
Mortgages for bank guarantees	3,364	3,364
Guarantees	10,864	41,063
Other commitments	9,473	11,399
	23,773	55,898
Pension commitments		
Other pension commitments	243	240
	243	240
Commitments and contingencies, total	24,016	56,139

At December 31, 2000 and 1999, the Group was contingently liable for approximately EUR 456 thousand and EUR 648 thousand, respectively, relating to repurchase obligations.

At the end of the reporting year certain companies of the Group were party to routine litigation, incidental to the normal conduct of their business. Part of the expenses incurred in connection with such litigation are covered by insurance. Company management does not believe that liabilities related to such proceedings, in the aggregate, before insurance recoveries, if any, are likely to be material to the Group's or the Company's financial condition or results of operations.

Datex-Ohmeda, Inc. Ohmeda Medical is named as a defendant in a patent case filed in September 2000 in the US District Court for the Southern District of Indiana by Hill-Rom, Inc. as plaintiff. This case charges the defendant with infringement of U.S. Patent No. 5,453,077, entitled "Infant Thermal Support Device." The complaint seeks unspecified treble monetary damages. In October 2000, Hill-Rom applied for a preliminary injunction to enjoin Ohmeda Medical from manufacturing and selling the Giraffe™ OmniBed™. The defendant has made counterclaims and a cross-motion for summary judgement.

A decision on plaintiff's application for a preliminary injunction is likely to be made in spring 2001. Otherwise, given the preliminary stage of the legal proceedings, the Company's management and legal counsel cannot predict the timing of this litigation. Company's management believes that the ultimate resolution of the litigation will not have a material adverse impact on the financial position of the Group.

18. LEASING CONTRACTS

Minimum annual rental commitments at December 31, 2000, principally for non-cancelable operating leases, were as follows:

Fiscal	EUR thousands
2001	11,206
2002	8,965
2003	5,567
2004	4,494
2005 and thereafter	9,262
Total minimum lease payments	39,493

19. 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

Variety of derivative financial instruments are used, 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. Leveraged financial instruments are not used.

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. Foreign exchange forward contracts and foreign exchange options are used 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 9 months forward. The principal foreign currency to which the Company is exposed is the U.S. dollar. Loans are used to hedge part of net equity investments of the Company 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.

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.

Marketable equity securities holdings are minor. Price risk of these marketable equity securities is not hedged.

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, 2000 and 1999. 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, 2000 and 1999. 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 gains and losses 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, 2000

EUR thousands	Notional principal	Fair value	Credit risk	Carrying amount
Foreign exchange instruments				
Forwards to buy	43,150	66	66	66
Forwards to sell	128,055	356	356	356
Options purchased				
Options written	14,067	-407		-407
Interest rate instruments				
Futures				
Forwards				
IR Swaps				
Options purchased	2,983	23	23	23

As at December 31, 1999

EUR 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

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, 2000 and 1999.

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.

20. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

EUR thousands	1998	1999	2000
Personnel expenses			
Salaries, bonuses and fees to the members of the Supervisory Board, Board of Directors and Presidents	3,231	2,683	3,671
Other wages and salaries	150,401	208,568	233,615
Pension expenses	5,741	22,025	19,822
Other personnel expenses	22,635	26,054	29,089
	182,008	259,330	286,197
Number of personnel			
Personnel, average	4,513	5,172	5,205
Personnel, at year-end	5,131	5,128	5,217

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.

21. SHAREHOLDINGS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Subsidiaries	Country	Shareholding %
Datex-Ohmeda B.V.	Netherlands	100.0
Datex-Ohmeda (Canada) Inc.	Canada	100.0
Datex-Ohmeda GmbH	Germany	100.0
Datex-Ohmeda, Inc.	USA	100.0
Datex-Ohmeda (India) Pvt. Ltd.	India	100.0
Datex-Ohmeda K.K.	Japan	100.0
Datex-Ohmeda Ltd.	Great Britain	100.0
Datex-Ohmeda Pte. Ltd.	Singapore	100.0
Datex-Ohmeda Pty. Ltd.	Australia	100.0
Datex-Ohmeda S.A.S.	France	100.0
Datex-Ohmeda S.L.	Spain	100.0
Datex-Ohmeda S.p.A.	Italy	100.0
Datia Holdings B.V.	Netherlands	100.0
Deio (Canada) Inc.	Canada	100.0
Deio GmbH	Germany	100.0
Deio Holdings, Inc.	USA	100.0
Deio, Inc.	USA	100.0
Deio Corporation	Finland	100.0
Deio Ltd.	Great Britain	100.0
Deio Pte. Ltd.	Singapore	100.0
Deio S.A.S.	France	100.0
Eksperimentarium Oy	Finland	100.0
Helsingin Näöntarkastuspalvelut Oy	Finland	100.0
Instru Holdings, Inc.	USA	100.0
Instrumentarium AB	Sweden	100.0
Instrumentarium Holdings, Inc.	USA	100.0
Instrumentarium Imaging Dental GmbH	Germany	51.0

Subsidiaries	Country	Shareholding %
Instrumentarium Imaging France S.A.R.L.	France	100.0
Instrumentarium Imaging, Inc.	USA	100.0
Instrumentarium Imaging Italia s.r.l.	Italy	100.0
Instrumentarium Imaging Ziehm GmbH	Germany	100.0
Instrumentarium Medical OÜ	Estonia	100.0
Instrumentarium Optika OÜ	Estonia	100.0
Ivoum-ML Oy	Finland	99.7
Keski-Suomen Silmälääkärit Oy	Finland	100.0
Kiinteistö Oy Kantaatti	Finland	100.0
Kiinteistö Oy Lahti Puustellintie 3	Finland	100.0
Latned-ML Oy	Finland	100.0
Medko Invest Oy	Finland	100.0
Medko Medical Ltd.	Finland	100.0
Medko Oy	Finland	100.0
Merimedic AB	Sweden	100.0
Merivaara AB	Sweden	100.0
Merivaara France S.A.R.L.	France	100.0
Merivaara Norge AS	Norway	100.0
Olarin Optiikka Oy	Finland	100.0
Optiker Simson AB	Sweden	100.0
Oy Bergenheim Yhtiöt Ab	Finland	100.0
Oy Dentaldepot Ab	Finland	100.0
Oy Metava Ab	Finland	100.0
Pika-Optiikka Oy	Finland	100.0
SIA Instrumentarium Medical	Latvia	100.0
SIA Instrumentarium Optika	Latvia	100.0
Sotem Oy	Finland	100.0
Suomen Keskus-Optiikka Oy	Finland	100.0
ZAO Instrumentarium	Russia	100.0
Ziehm International, Inc.	USA	100.0
Ögat Förvaltning Aktiebolag	Sweden	100.0

Associated companies	Country	Shareholding %
Abmin Technologies Oy	Finland	42.5
IBD Holdings LLC	USA	50.0
Intensium Oy	Finland	26.0

Parent Company income statement

EUR thousands	1999	2000
Net sales	307,966	317,042
Cost of goods sold	-143,724	-143,746
Gross profit	164,242	173,296
Selling and marketing expenses	-75,063	-80,395
Research and development expenses	-26,623	-26,690
General and administrative expenses	-21,116	-27,459
Other operating income and expenses, net	18	14,292
Operating profit	41,458	53,043
Financing income and expenses, net	5,097	22,415
Income before extraordinary items	46,556	75,458
Extraordinary income and expenses, net	29,755	
Income after extraordinary items	76,311	75,458
Change in appropriations	3,737	2,401
Income taxes	-4,347	-24,595
Net income	75,701	53,265

Parent Company balance sheet

ASSETS

EUR thousands	Dec. 31, 1999	Dec. 31, 2000
NON-CURRENT ASSETS		
Intangible assets	11,108	5,216
Tangible assets	51,998	55,037
Investments in Group companies	506,659	496,598
Investments in associated companies	335	432
Other investments	11,406	18,989
Total non-current assets	581,506	576,273
CURRENT ASSETS		
Inventories	47,009	43,782
Short-term receivables	285,745	291,399
Cash and cash equivalents	11,059	4,633
Total current assets	343,813	339,814
TOTAL ASSETS	925,319	916,087

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousands	Dec. 31, 1999	Dec. 31, 2000
SHAREHOLDERS' EQUITY		
Share capital	48,169	48,169
Share premium account	110,778	110,778
Reserve for treasury shares	17	42
Retained earnings	221,878	280,919
Net income for the period	75,701	53,265
Total shareholders' equity	456,543	493,172
Appropriations	36,217	33,816
LIABILITIES		
Long-term liabilities	175,088	142,425
Short-term liabilities	257,472	246,675
Total liabilities	432,560	389,099
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	925,319	916,087

Parent Company statement of changes in shareholders' equity

EUR thousands	Share capital	Share premium account	Treasury shares	Retained earnings	Total
Balance at December 31, 1998	40,507	118,440		236,098	395,045
Bonus issue	7,662	-7,662			
Transfer to reserve for treasury shares			17	-17	
Dividends				-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
Transfer to reserve for treasury shares			25	-25	
Dividends				-16,143	-16,143
Donation				-25	-25
Reserve of revaluation				-467	-467
Net income				53,265	53,265
Balance at December 31, 2000	48,169	110,778	42	334,183	493,172

Shares and shareholders

Shares and voting rights

The share capital of Instrumentarium Corporation on 31 December 2000 was 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.

Incorporated into the Company's Articles of Association, is a clause on redemption obligation, according to which a shareholder whose holding of the total shares of the Company equals or exceeds one third (1/3) or one half (1/2) shall be liable, at the request of other shareholders, to redeem their shares. More detailed provisions related to the redemption obligation are included in the Articles of Association.

Stock exchanges

The share of Instrumentarium Corporation has been quoted on the Helsinki Exchanges since 1971. The Company has one listed share series (HEX: INS1V) 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 (NASDAQ: INMRY). Two ADRs equal one share. At the end of 2000 there were 173,056 ADRs outstanding on the NASDAQ list.

Management shareholding and stock options

At the end of 2000, the members of the Board of Directors and the President and CEO of Instrumentarium Corporation as well as organisations under their control held 350,426 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, which entitle to shares in Instrumentarium Corporation (see also page 39). 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 correspond to 0.36% of the Company's shares and voting rights.

Holding of own shares

Instrumentarium owned 110,506 shares of Instrumentarium Corporation at the end of 2000, which it has received as dividend, primarily from Orion Corporation.

Authorizations of the Board of Directors

The Board of Directors of Instrumentarium Corporation is authorized to decide on the purchase of a maximum number of 1,200,000 Company's own shares with the funds available for distribution of profits, on the disposal of a maximum number of 1,200,000 of the Company's own shares and on an increase of the share capital by a maximum number of 2,500,000 shares by means of a rights issue in one or several lots. The authorizations are in effect for a maximum period of one year from the date of the decision of the Annual General Meeting, 23 March 2000.

The Company has not issued new shares nor convertible debt or warrants during the year. The Board of Directors has not had an authorization to issue convertible debt nor 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 2000

Number of shares	Number of shareholders	% of total shareholders	Number of shares	% of shares
1-100	9,785	48.1	438,506	1.8
101-500	6,878	33.8	1,614,674	6.7
501-1,000	1,638	8.1	1,187,812	4.9
1,001-5,000	1,621	8.0	3,279,391	13.6
5,001-10,000	205	1.0	1,413,247	5.9
over 10,000	205	1.0	16,138,576	67.0
Shares not transferred to the book-entry systems			12,165	0.1
Total	20,332	100.0	24,084,371	100.0

Ownership structure on 31 December 2000

Group	Number of shareholders	Number of shares	% of shares
Companies			
Public	6	58,052	0.2
Private	933	2,803,684	11.6
Insurance and financial institutions	98	4,535,995	18.8
Public entities	74	4,195,475	17.4
Associations and foundations	496	2,897,366	12.0
Households	18,598	7,638,969	31.7
Foreign shareholders	115	141,197	0.6
Nominee-registered shares	12	1,801,468	7.5
Shares not transferred to the book-entry systems		12,165	0.1
Total	20,332	24,084,371	100.0

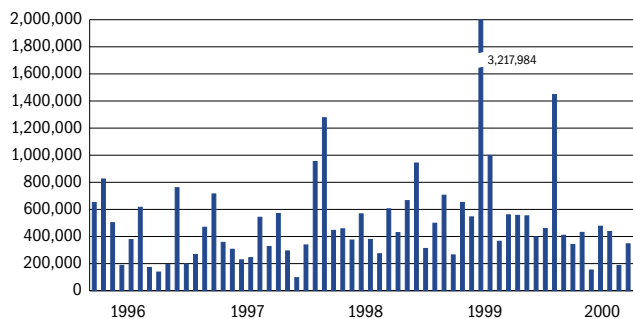
Principal shareholders on 31 December 2000

Shareholder	Number of shares	% of shares
1. Mutual Pension Insurance Company Ilmarinen Ltd.	1,018,146	4.2
2. Sampo Life Insurance Company Limited	893,077	3.7
3. Varma-Sampo Mutual Pension Insurance Company	771,964	3.2
4. Tapiola Mutual Pension Insurance Company	575,365	2.4
5. Suomi Mutual Life Assurance Company	559,178	2.3
6. Medical Investment Trust Oy (MIT)	473,500	2.0
7. Tapiola General Mutual Insurance Company	430,289	1.8
8. Pohjola Life Assurance Company	420,100	1.7
9. Pohjola Non-Life Insurance Company	401,090	1.7
10. Folkhälsan	347,345	1.4
11. LEL Employment Pension Fund	346,196	1.4
12. The Local Government Pensions Fund	308,474	1.3
13. Etra-Invest Oy Ab	275,175	1.1
14. Instrumentarium Scientific Fund	260,719	1.1
15. H. Kuningas & Co Oy Ab	249,685	1.0
16. The Finnish Medical Society Duodecim	246,016	1.0
17. The Finnish Cultural Foundation	236,029	1.0
18. The Social Insurance Institution	210,235	0.9
19. Sampo-Leonia Insurance Company plc	206,719	0.9
20. Tapiola Mutual Life Assurance Company	193,108	0.8
	8,422,410	35.0
Nominee registered shares	1,801,468	7.5
Other shareholders	13,860,493	57.5
Total	24,084,371	100.0

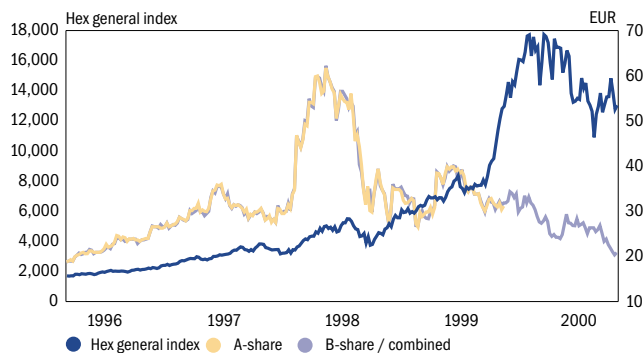
Share issues since 1988

Share issue	Subscription period	Terms of subscription or subscriber	Subscription price, EUR	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	21.86	82,000 Bs	6,550,000
Subscription	22.6.88	acquisition	37.51	86,000 Bs	6,636,000
Subscription	22.12.88	acquisition	36.66	14,100 Bs	6,650,100
Subscription	23.6.92	acquisition	50.46	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	13.17	13,500 B	20,163,801
Rights issue	4.12.-18.12.98	51:10 B	23.55	3,920,570 B	24,084,371

Trading volumes of shares



Performance of shares in the Helsinki Exchanges



Share capital and per share data 1996–2000

		1996	1997	1998	1999	2000
Share capital on 31 December	EUR million	33.9	33.9	40.5	48.2	48.2
Market capitalization on 31 December	EUR million	571.9	644.3	843.7	777.5	503.5
Adjusted average number of shares						
Excluding diluting effect of stock options	1,000	20,915	20,921	21,060	24,049	23,980
Including diluting effect of stock options	1,000	20,915	20,921	21,324	24,109	23,980
Adjusted number of shares on 31 December	1,000	20,921	20,921	24,084	23,996	23,974
Number of own shares on 31 December	1,000	-	-	-	89	111
Number of shareholders		10,178	9,501	9,457	19,080	20,332
Earnings per share	EUR	1.60	1.98	0.75	0.69	1.80
Diluted earnings per share	EUR	1.60	1.98	0.74	0.69	1.80
Earnings per share U.S. GAAP	EUR	1.30	2.01	0.21	0.53	3.36
Shareholders' equity per share	EUR	13.93	15.36	17.57	18.43	19.57
Dividend per share	EUR	0.57	0.68	0.59	0.67	0.80*
A 100-year anniversary bonus dividend per share	EUR	-	-	-	-	0.20*
Payout ratio	%	35.4	34.4	78.6	97.1	55.6*
P/E-ratio **		17.1	15.6	47.7	46.8	11.7
Dividend yield **	%	2.1	2.2	1.7	2.1	4.8

Performance of Instrumentarium shares

The Helsinki Exchanges

B share ***

high	EUR	27.87	36.78	64.55	40.50	36.84
low	EUR	18.15	25.92	27.54	26.40	19.86
average	EUR	22.13	30.35	42.04	33.78	28.40
on 31 December	EUR	27.06	30.79	35.13	32.40	21.00

A share

high	EUR	28.03	36.94	63.19	41.00	-
low	EUR	18.31	25.92	27.54	25.10	-
average	EUR	23.05	30.59	44.19	35.47	-
on 31 December	EUR	27.32	30.79	34.98	-	-

NASDAQ, ADR

high	USD	17.82	20.74	33.96	21.75	18.50
low	USD	11.56	15.65	16.38	14.50	8.75
average	USD	14.55	18.47	25.27	17.20	12.39
on 31 December	USD	17.82	15.90	20.23	15.50	10.25

Trading volume of Instrumentarium shares

The Helsinki Exchanges

B share ***

of shares outstanding	%	1,713,423	1,906,250	3,626,603	2,923,996	5,527,952
of shares outstanding	%	30.5	33.9	63.0	31.5	23.0

A share

of shares outstanding	%	3,171,988	2,577,665	3,738,799	6,302,742	-
of shares outstanding	%	20.7	16.8	24.4	41.2	-

NASDAQ, ADR

of shares outstanding	%	33,460	73,815	75,233	23,476	55,960
of shares outstanding	%	13.7	39.0	39.9	13.8	29.8

* proposed by the Board of Directors

** calculated for the share series B for years 1996–1998

*** from Dec. 20, 1999 only one share serie

Financial indicators 1996–2000

		1996	1997	1998	1999	2000
Net sales	EUR million	389.1	450.9	654.4	773.5	912.8
Change from the previous year	%	11.1	15.9	45.1	18.2	18.0
Foreign sales	EUR million	223.4	264.2	512.2	665.1	815.6
Share of net sales	%	57.4	58.6	78.3	86.0	89.3
Operating profit before non-recurring items and amortization of goodwill	EUR million	38.9	53.3	28.6	59.8	89.9
Share of net sales	%	10.0	11.8	4.4	7.7	9.8
Operating profit	EUR million	39.0	52.8	42.2	46.7	79.7
Share of net sales	%	10.0	11.7	6.5	6.0	8.7
Financing income and expenses	EUR million	7.0	4.5	-11.8	-15.5	-13.2
Income before extraordinary items	EUR million	46.0	57.3	30.4	31.2	66.6
Share of net sales	%	11.8	12.7	4.7	4.0	7.3
Income before extraordinary items, after taxes	EUR million	33.7	41.4	15.8	16.6	43.1
Share of net sales	%	8.7	9.2	2.4	2.1	4.7
Extraordinary items	EUR million	12.8	0.0	0.0	30.9	3.5
Income after extraordinary items	EUR million	58.8	57.3	30.4	62.0	70.1
Share of net sales	%	15.1	12.7	4.7	8.0	7.7
Income taxes	EUR million	12.3	15.9	14.6	14.6	23.5
Net income	EUR million	46.3	41.4	15.8	47.5	46.6
Share of net sales	%	11.9	9.2	2.4	6.1	5.1
Capital expenditure	EUR million	11.6	55.8	393.7	27.6	51.0
Share of net sales	%	3.0	12.4	60.2	3.6	5.6
Depreciation and amortization	EUR million	15.1	16.2	38.8	44.6	41.9
Research and development expenses	EUR million	19.5	21.1	39.7	53.3	63.8
Share of net sales	%	5.0	4.7	6.1	6.9	7.0
Dividends	EUR million	11.9	14.2	14.2	16.1	24.0*
Shareholders' equity and minority interest	EUR million	294.0	324.2	423.7	445.6	473.2
Interest-bearing net debt	EUR million	-47.7	-32.1	264.4	296.0	225.5
Total assets	EUR million	415.7	466.3	925.8	945.1	940.7
Return on investment (ROI)	%	15.6	17.7	10.2	6.6	10.8
Return on equity (ROE)	%	12.3	13.4	4.2	3.8	9.5
Equity ratio	%	71.3	70.2	46.0	47.1	50.3
Gearing	%	-16.2	-9.9	62.4	67.0	48.1
Average number of employees		2,633	2,753	4,513	5,172	5,205

* proposed by the Board of Directors

Calculation principles of financial ratios

Return on investment (ROI) %	=	$\frac{\text{Income before extraordinary items} + \text{interest and other expenses related to interest bearing liabilities}}{\text{Balance sheet total - treasury shares - non-interest bearing liabilities (average during the year)}} \times 100$
Return on equity (ROE) %	=	$\frac{\text{Income before extraordinary items - income taxes}}{\text{Shareholders' equity - treasury shares + minority interest (average during the year)}} \times 100$
Equity ratio %	=	$\frac{\text{Shareholders' equity - treasury shares + minority interest}}{\text{Balance sheet total - treasury shares - advances received}} \times 100$
Gearing %	=	$\frac{\text{Interest bearing net liabilities}}{\text{Shareholders' equity - treasury shares + minority interest}} \times 100$
Market capitalization	=	$(\text{Number of shares on 31 December - treasury shares}) \times \text{Last trading price on 31 December}$
Earnings per share	=	$\frac{\text{Income before extraordinary items - income taxes} -/+ \text{minority interest}}{\text{Adjusted average number of shares without treasury shares}}$
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity - treasury shares}}{\text{Adjusted number of shares on 31 December without treasury shares}}$
Dividend per share	=	$\frac{\text{Nominal dividend per share}}{\text{Adjustment coefficients of the share issues that have taken place during or after the year}}$
Payout ratio %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
P/E ratio	=	$\frac{\text{Adjusted last trading price on 31 December}}{\text{Earnings per share}}$
Dividend yield %	=	$\frac{\text{Dividend per share}}{\text{Last trading price on 31 December}} \times 100$

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 2000. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statement, balance sheet 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 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 the 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 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, 20 February 2001

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Göran Grén
Authorised Public Accountant

Heikki Lassila
Authorised Public Accountant

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

Consolidated financial statements are prepared in accordance with generally accepted accounting principles in Finland (Finnish GAAP), which differs 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 with explanations of the adjustments that affect consolidated net income and total shareholders's equity as of and for the years ended December 31, 1999 and 2000.

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

Consolidated net income

EUR thousands	1999	2000
Net income in accordance with Finnish GAAP	47,518	46,579
Pension expense	-48,772	11
Property and equipment, net	1,620	6,692
Marketable securities	104	
Purchase accounting	-5,062	19,835
Stock compensation expense	-629	-410
SPP refund		-780
Restructuring accrual	-1,695	
Deferred income taxes for U.S. GAAP adjustments	19,784	8,605
Net income in accordance with U.S. GAAP	12,868	80,533
Earnings per share and diluted earnings per share, EUR	0.53	3.36
Earnings per ADS and diluted earnings per ADS, EUR	0.27	1.68

1 share = 2 ADS

Consolidated shareholders' equity

EUR thousands	1999	2000
Shareholders' equity in accordance with Finnish GAAP	445,622	473,255
Pension expense	-20,218	-20,207
Property and equipment, net	-14,279	-7,121
Marketable securities	11,096	3,160
Purchase accounting	-23,587	-3,752
Stock compensation expense	-629	-1,039
SPP refund		-780
Treasury shares	-3,422	-4,035
Deferred income taxes for U.S. GAAP adjustments	9,232	20,138
Shareholders' equity in accordance with U.S. GAAP	403,815	459,619

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.

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, which have however, been reversed during 2000. 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. In 2000, the company sold these buildings and a portion of the resulting gain is under U.S. GAAP deferred and amortized over the life of the lease contract.

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

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 can be written up for subsequent recoveries in market value.

In 1990, the Company recorded EUR 5,802 thousands 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 EUR 4,153 thousands as a reduction of the cost of non-current marketable securities. The difference of EUR 730 thousands 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.

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.

In 2000, under Finnish GAAP, the Company reduced goodwill by EUR 40.2 million in connection with the payment from Baxter Healthcare Corporation relating to the 1998 acquisition of Ohmeda. Under U.S. GAAP, EUR 11.4 million was recorded as a reduction of goodwill with the difference being recorded in the income statement.

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.

SPP refund

During 2000, the Company received a refund from the Swedish pension insurer, SPP. This refund was partly received in cash with the remaining balance recorded as receivable and utilizable against future pension premiums. Under Finnish GAAP, the total refund has been recognized in income. Under U.S. GAAP, only the portion received in cash can be recognized as income.

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.

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 shareholders' equity.

Deferred income taxes for U.S. GAAP adjustments

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

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.

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.

Instrumentarium's governing bodies and their tasks

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. The Annual General Meeting is held annually before the end of April. 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 Board of Directors is responsible for the overall administration and management of the Company and the proper organization of the Company's activities. According to the Articles of Association the Board of Directors consists of not less than five and not more than eight members. 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. A person who is 67 years of age, or older, may not be elected as member of the Board of Directors. The members of the Board of Directors choose a chairman from amongst themselves. The Board of Directors has convened 9 times in 2000.

According to the Companies Act the President and CEO shall be elected by the Board of Directors. 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. The President and CEO may act as a Member of the Board of Directors, but may not be elected chairman of the Board. Since 1997, Olli Riikkala has served as the President and CEO of the Company. He has also acted as a member of the Board of Directors.

Remuneration 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. According to the decision of the Annual General Meeting the President and CEO of the Company shall not be paid any remuneration for the membership of the Board of Directors. The Board of Directors decides on the terms and conditions of the executive employment contract of the President and CEO of the

Company. The Company has entered into a written contract of employment with the President and CEO. Salaries, remuneration and other benefits paid in 2000 to the Board of Directors and the President and CEO amounted to EUR 470,847.50.

The Board of Directors decides on salaries and other benefits of the immediate subordinates of the President and CEO. In 1998 a decision was made to issue stock options to key personnel of the Group and to the members of the Board of Directors. The maximum number of options issued to the Board of Directors, the President and the Chief Financial Officer is described on the terms of the Stock Option Plan. Otherwise, according to the Stock Option Plan the issue of stock options to key personnel comes within the scope of authority of the Board of Directors.

Guidelines for Insiders

The Company complies with the Guidelines for Insiders prepared and recommended by the Helsinki Exchanges, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers, in addition to which the Company has stipulated supplementary regulations. The Guidelines for Insiders are applied globally in the Group. The Board of Directors, the President and the auditors are Statutory Insiders of the Company. In addition 22 employees are defined as Permanent Insiders, and the same limitations to trade and obligations to notify equally apply to them as to the Statutory Insiders.

The Auditors

SVH Pricewaterhouse Coopers Oy, Authorized Public Accountants
Göran Grén, B.Sc. (Econ.), Authorized Public Accountants acting
as Chief Auditor

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

Deputy: Tauno Haataja, M.Sc. (Econ.), Authorized Public Accountant

The Board of Directors

Gerhard Wendt (Chairman), Ph.D., 66, 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. He holds 8,000 stock options under the 1998 Stock Option Plan.



Erkki Etola, M.Sc. (Tech.), 56, is President of the Etola Companies since 1974 and Chairman of the Board of Directors since 1999, a Member of the Board of Directors of Orion Corporation Oyj and Oyj Stockmann Abp. He was a Member of the Supervisory Board of Instrumentarium Corporation in 1996-1999. He owns 11,224 Instrumentarium shares and holds 8,000 stock options under the 1998 Stock Option Plan.



Juhani Kuusi, Professor, D.Sc. (Tech.), 62, is Senior Vice President of Nokia Corporation and Head of Nokia Research Center since 1995. Before joining Nokia, he worked as Director General of Technology Development Centre (TEKES), and as Professor and Director of the Reactor Laboratory of the Technical Research Center of Finland (VTT). He does not own Instrumentarium shares. He holds 8,000 stock options under the 1998 Stock Option Plan.

Mikael Lilius, M.Sc. (Econ.), 51, is currently President and CEO of Fortum Corporation. He has held managerial positions in several companies, including Huhtamäki Van Leer Oyj and KF Industri AB, before joining Incentive AB in 1991, a predecessor company of Gambro AB, where he was President and CEO. He is a member of the Board of Directors of A. Ahlström Corporation, Huhtamäki Van Leer Oyj and Perlos Oyj. He owns 88 Instrumentarium shares and holds 8,000 stock options under the 1998 Stock Option Plan.



Olli Riikkala, M.Sc. (Tech.), MBA, 49, is President and CEO of the Company 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 has been a Member of the Board of Directors since 1987. He owns 3,937 Instrumentarium shares and holds 30,000 stock options under the 1998 Stock Option Plan.

Jukka Takala, Professor, M.D., Ph.D., 47, is Professor of Intensive Care and Director of the Department of Intensive Care in the University Hospital of Bern (Inselspital) since 1999. He has significant international experience in the field of critical care including his activities as a researcher and a lecturer. He is also a distinguished member of numerous international medical societies in these fields. He does not own Instrumentarium shares. He holds 8,000 stock options under the 1998 Stock Option Plan.



Turo K. J. Tukiainen, LL.B., MBA, 63, has held several positions in the A. Ahlström Corporation during 1967-1990 and has been a Member of its 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 and holds 8,000 stock options under the 1998 Stock Option Plan.

Glossary

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 heart 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. 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)

An apparatus 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

Auditory

Pertaining to hearing

Auditory evoked potential (AEP)

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

CCU

Cardiac Care Unit, Critical Care Unit

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

The area and processes in a hospital used to treat a patient whose life is at immediate risk

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

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 510k

Premarket approval 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 tissue, converting X-rays to electrical signals

Gastric tonometry

Monitoring modality indicative of the efficiency of perfusion in the stomach

Hemodialysis

A process by which certain small molecules can be removed from the blood, necessary when the kidneys are not functioning

Hypnotic state

The "sleep" component of an anesthesia

Hypoxic respiratory failure

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

Infant incubator

An apparatus for maintaining prematurely, or new born babies in an environment of proper temperature and humidity

Infusion

Administering a liquid into a vein

Ischemia

Lack of arterial blood supply

IT

Information Technology

Intensive care unit (ICU)

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

Intervention

Any measure whose purpose is to improve health or to alter the course of a disease

Interventional imaging

Diagnostic imaging made during a procedure performed on a patient

Intra-oral

Inside the mouth

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

Mammography

Diagnostic imaging method used to screen for breast cancer

Maxillofacial

Pertaining to the upper jaw and face

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

Minimally invasive

Interventional methods which penetrate the body as little as possible

MRI

Magnetic Resonance Imaging; a method of imaging which is used in the diagnosis of problems with soft tissue

Multi-focal lenses

Lenses containing both the part for seeing far and the part for reading

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

Neuroanesthesia

Anesthesia for surgery on the nervous system

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

Neuroradiology

Radiology of the nervous system

Nitric oxide

NO, a vasodilator

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

Oxygen therapy

Treatment by oxygen

PACU

Post-anesthesia Care Unit, a recovery area after surgery

Panoramic

A wide view

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

Perinatal

Pertaining to events before, during and after birth

Pharmaceutical/Pharmacological

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

Postoperative

After the operation

Preoperative

Before the operation

Pulmonary

Pertaining to the lungs

Pulmonary hypertension

Too high blood pressure in the pulmonary 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

Recovery room

A hospital room where patients are monitored during recovery from anesthesia after a surgery, see PACU

Resolution

Ability to distinguish between

Speech pathology

Field of science dealing with disorders of speech

Spot imaging

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

ST level analysis

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

Stereotactic biopsy

Biopsy guided by imaging from two or more directions

Subacute

Patient care other than critical care

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

Trauma

Tissue damage caused by an outside force

Urology

Branch of medicine dealing with the urinary tract

Vaporizer

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

Vascular

Pertaining to the blood vessels

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 for therapy and the ambient air (patient circuit)

Ventilator

An adjustable positive pressure generator that maintains lung gas exchange during anesthesia or respiratory depression

Vital signs

The signs of life of a person; e.g. blood pressures, heart functions, respiration, temperature

X-Ray

Electromagnetic vibration with very high energy

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ANESTHESIA AND CRITICAL CARE

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Annual General Meeting

The Annual General Meeting will be held on Monday, 26 March 2001, at 5 p.m. at the Helsinki Fair Centre in Finland. Advance notification of attendance must be received by 4 p.m., 23 March 2001.

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 23. Persons registered on 29 March 2001 in the List of Shareholders of Instrumentarium Corporation maintained by the Finnish Central Securities Depository Ltd., have the right to receive the dividends. The payment date for the dividends is 5 April 2001.

Financial information

Instrumentarium Corporation will publish three interim reports for the year 2001. The January-March results will be published on 9 May 2001, the January-June results on 14 August 2001 and the January-September results on 8 November 2001. Preliminary results for the year 2001 will be published in February 2002.

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Statements other than historical facts made in this Annual Report are forward-looking statements. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "will", "will continue", "should", "would be", "seeks" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Forward-looking statements involve risk and uncertainty, because they relate to future events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include among others: 1) increased emphasis on the delivery of more cost-effective medical therapies; 2) the trend of consolidation in the medical device industry as well as among customers; 3) the difficulties and uncertainties associated with the lengthy and costly new product development and regulatory approval processes; 4) changes in governmental laws, regulations and accounting standards; 5) other legal factors including product liability, environmental concerns and patent disputes with competitors as well as safety concerns with respect to marketed products that may lead to product recalls, withdrawals or declining sales; 6) agency or government actions or investigations affecting the industry in general or the Group in particular; 7) the development of new products or technologies by competitors, technological obsolescence and other changes in competitive factors; 8) business acquisitions, dispositions, discontinuations or restructurings by the Group; 9) economic factors over which the Group has no control, including growth rates, changes in inflation, foreign currency rates and interest rates; and 10) risk factors specified in the Form 20-F for the years ended December 31, 1999 and earlier.



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