

RAUTAKIRJA 1995

Founded in 1910, Rautakirja is a large Finnish wholesale and retail company, listed on the Helsinki Stock Exchange since 1988. Together with its subsidiaries, it forms the Rautakirja Group, a service-sector enterprise with operations centred on a number of trading areas. These include wholesale and retail sales of newspapers and magazines, and specialized retail trade offering consumers entertainment, excitement, and pleasure. The key features of Rautakirja's retail trade are nationwide coverage, centrally managed chain operations, a large market share and a high margin on sales.

RAUTAKIRJA SUPERVISORY BOARD



The Rautakirja Supervisory Board, Chairman Jaakko Rauramo (seated, left), Vice-Chairman Antero Siljola (seated, right), and standing from left to right Felix Björklund, Olli Reenpää, and Jukka Rantala.

Jaakko Rauramo,
chairman
1995-1998
Managing Dir., Sanoma
Osakeyhtiö
1977*

Antero Siljola,
vice-chairman
1994-1997
Chairman, Werner
Söderström Osakeyhtiö
1988*

Felix Björklund
1993-1996
Managing Dir.,
Oy Karl Fazer Ab
1993*

Olli Reenpää
1995-1998
Managing Dir., Kustannus-
osakeyhtiö Otava
1980*

Jukka Rantala
1995-1998
Managing Dir.,
Pohjola Insurance Company
1995*

* Joined Rautakirja Board

THE RAUTAKIRJA GROUP EXECUTIVE BOARD



Raimo Hertto, 58
Managing Director
1987**

Riitta Aaltonen, 47
Director,
Kiosk Division
1990**

Markus Miettinen, 47
Director,
Pressdistribution Division
1974**

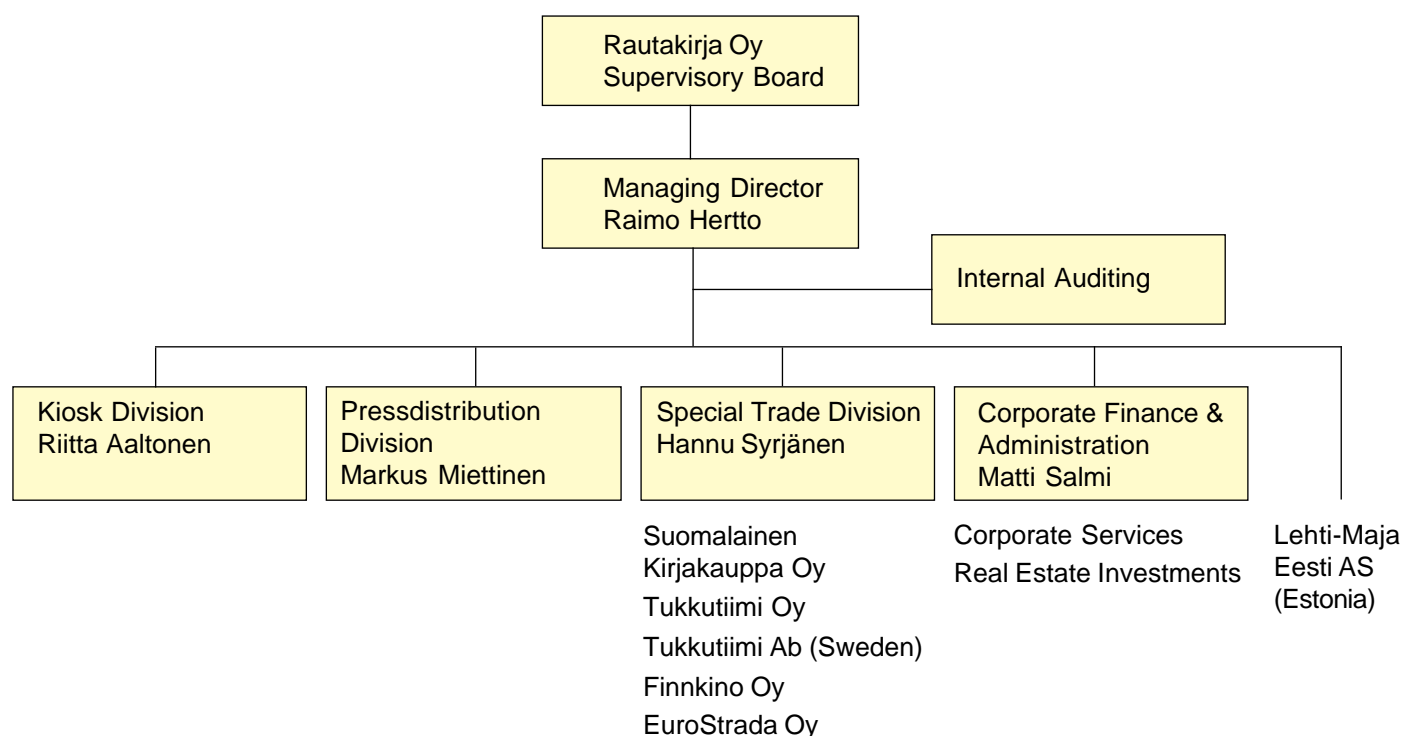
Matti Salmi, 46
Director,
Corporate Finance &
Administration
1988**

Hannu Syrjänen, 44
Director,
Special Trade Division
1989**

** Joined Rautakirja Group

Rautakirja's Executive Board, from left to right: Managing Director Raimo Hertto and Directors Riitta Aaltonen, Markus Miettinen, Hannu Syrjänen, and Matti Salmi.

ORGANIZATION 1.4.1996



GROUP PERFORMANCE INDICATORS

	1995	1994	1993	1992	1991
Net sales, FIM million	3,281.4	3,057.1	2,923.8	2,922.9	2,788.1
Change, %	7.3	4.6	0.0	4.8	6.4
Operating margin, FIM million	256.3	218.1	166.2	171.2	150.3
As % of Net sales	7.8	7.1	5.7	5.9	5.4
Trading profit, FIM million	184.9	153.1	87.7	88.1	83.0
As % of Net sales	5.6	5.0	3.0	3.0	3.0
Profit before taxes, FIM million	195.3	156.1	104.2	107.8	81.7
As % of Net sales	6.0	5.1	3.6	3.7	2.9
Balance Sheet total, FIM million	1,842.9	1,850.8	1,764.7	1,701.0	1,647.5
Fixed assets & other long-term expenditure	871.6	863.1	773.7	842.2	896.1
Inventories	285.0	266.4	282.9	266.3	309.5
Financial assets	686.3	721.4	708.1	592.5	441.9
Equity	839.8	760.3	686.8	368.3	303.6
Minority interests	1.7	1.4	0.7	0.9	0.9
Reserves *)	-	-	-	392.1	423.9
Long-term liabilities	281.3	389.1	452.9	343.7	337.0
Current liabilities	720.2	700.0	624.2	596.0	582.1
Return on equity, % *)	16.4	15.3	10.0	5.7	8.4
Return on capital employed, % *)	19.3	16.2	12.9	11.2	11.4
Debt/equity ratio, % *)	31.3	48.9	58.0	49.4	51.8
Current ratio, % *)	1.3	1.4	1.6	1.4	1.3
Gross investment, FIM million	81.7	178.2	39.9	62.1	102.4
As % of Net sales	2.5	5.8	1.4	2.1	3.7
Personnel (average)	4,680	4,201	4,400	5,084	5,920

*) In the figures from 1991 and 1992 no account is taken of the calculated deferred tax liability arising out of accrued depreciation and reserves.

STOCK MARKET PERFORMANCE 1995

Development of share prices

The year on the Helsinki Stock Exchange was a surprising one in many respects. In Finland we witnessed falling market money rates, particularly in the case of longer-term borrowing, there was a noticeable growth in interest for Finnish shares among foreign investors, and the aggregate net profits of listed companies were expected to double from the previous year. In spite of all these positive indicators, the HEX index actually fell over the year by some 9%.

The year was also marked by powerful fluctuations in share prices.

The progress of Rautakirja's Series A and Series B shares did not follow the general trend. Series

A shares, which began the year at FIM 185, rose by year's end to a high of FIM 230, an increase of 24.3%. The lowest price recorded was FIM 166. Series B shares rose from FIM 175 to FIM 196, with a low of FIM 160 and a high of FIM 210.

The market value of Rautakirja's share capital at year's end was FIM 1,454 million. The corresponding figure for 1994 was FIM 1,188 million.

Trading in Rautakirja shares during 1995 was noticeably less active than during the previous period. Turnover in Series A shares totalled 28,166 shares to a value of FIM 5.4 million, as against 1994 figures of 433,797 shares and FIM 80.5 million. Trading in Series B shares was closer to the level of 1994, with 180,298 shares chang-

ing hands to a value of FIM 33.0 million, compared with 283,311 shares and FIM 50.4 million in the previous period. Trading during the year amounted to some 0.5% of Series A shares and to 16.7% of Series B shares.

Shareholders

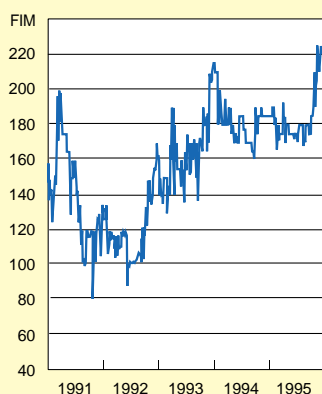
According to the register of shares, at the end of 1995 Rautakirja Oy had 845 shareholders, of which 125 were corporations and 720 private individuals. The ten largest shareholders accounted for 89.33% of the total shares and 93.77% of voting rights. Foreign shareholders accounted for 0.97% of the shares and 0.09% of voting rights.

Rautakirja Oy – Major Shareholders

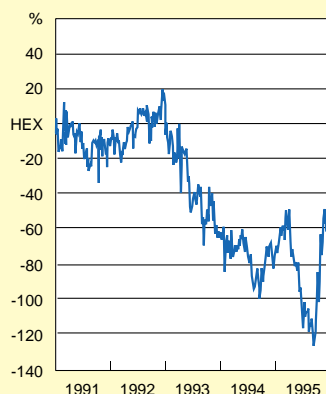
According to the Share Register at 31.12.1995

	Series A	Series B	% holding	% voting rights
Werner Söderström Osakeyhtiö	1,690,256	321,309	31.04	31.29
Sanoma Osakeyhtiö	902,982	173,997	16.62	16.72
Oy Karl Fazer Ab	628,481	119,718	11.55	11.63
Pohjola Insurance Company	577,415	19,400	9.21	10.60
Kustannusosakeyhtiö Otava	547,056	851	8.46	10.03
Else Branders	197,700	35,000	3.59	3.66
Merita Bank	166,081	–	2.56	3.05
Suomi Mutual Life Insurance	150,000	–	2.31	2.75
Oy Karl Fazer Invest Ab	132,690	20,138	2.36	2.45
Suomalaisen Kirjallisuuden Seura ry.	86,045	19,609	1.63	1.60
Total	5,078,706	710,022	89.33	93.77

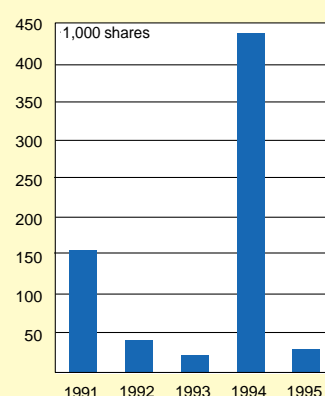
Share performance Series A



Share performance against HEX index Series A



Trading in Series A shares



RAUTAKIRJA OY SHARES – STATISTICS AND INDICATORS

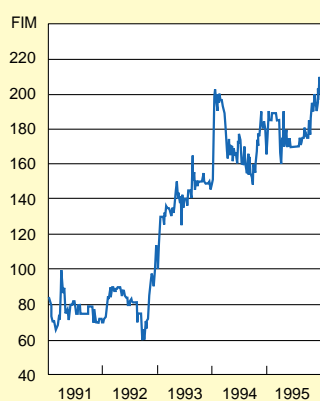
	1995	1994	1993	1992	1991
Earnings/share, FIM *)	20.24	17.14	10.44	6.54	9.47
Equity & reserves/share, FIM *)	129.60	117.33	106.00	117.34	112.27
Nominal dividend/share, FIM Series A & B	10.00 **)	8.00	4.80	4.80	4.40
Dividend/earnings, % *)	49.4	46.7	46.0	73.4	46.5
Effective dividend yield (year-end), %					
Series A	4.3	4.3	2.7	3.2	3.7
Series B	5.1	4.6	3.2	4.2	6.1
P/E ratio (year-end) *)					
Series A	11.4	10.8	17.3	22.9	12.7
Series B	9.7	10.2	14.5	17.6	7.6
Market value of shares, FIM million					
Series A	1,454	1,188	1,140	934	726
Series B	1,242	999	977	810	648
Series B	212	189	163	124	78
Trading in shares					
Series A	28,166	433,797	23,343	40,325	154,951
Series A, %	0.5	8.0	0.4	0.7	2.9
Series B	180,298	283,311	313,860	142,210	18,344
Series B, %	16.7	26.2	29.1	13.2	1.7
Number of shares (million) ***)					
Series A (20 votes)	6.48	6.48	6.48	6.48	6.48
Series B (1 vote)	5.40	5.40	5.40	5.40	5.40
Series B (1 vote)	1.08	1.08	1.08	1.08	1.08
Number of shareholders at 31.12	845	893	1,094	1,090	1,083
Share capital (FIM million)					
Series A	129.6	129.6	129.6	129.6	129.6
Series A	108.0	108.0	108.0	108.0	108.0
Series B	21.6	21.6	21.6	21.6	21.6

*) In the figures from 1991 and 1992 no account is taken of the calculated deferred tax liability arising out of accrued depreciation and reserves.

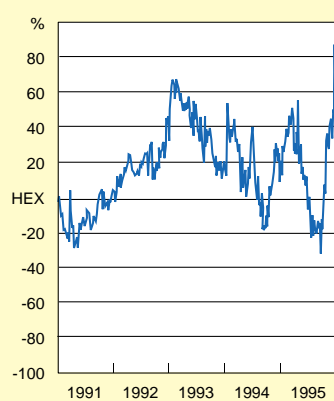
**) Proposal by Supervisory Board.

***) There were no stock issues between 1991-1995.

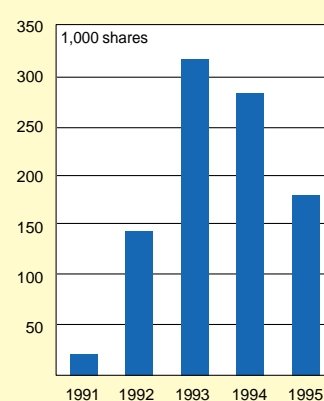
Share performance
Series B



Share performance against HEX index
Series B



Trading in Series B shares



RAUTAKIRJA GROUP OPERATIONS IN BRIEF, 1995

The recovery in the Finnish economy weakened towards the end of the year. Annual GDP growth stood at slightly more than 4%.

Growth in domestic consumer demand remained subdued, partly in response to the country's high level of unemployment. Retail sales became more sluggish towards year's end and grew by some 4.5%. There were, however, considerable differences between the various retail sectors.

Wholesale trade grew by 2.3% over the 12 months.

Finland recorded the lowest inflation figures in Europe. Consumer prices rose on the year by only 1%. The moderate development in consumer prices was influenced among other things by reductions in food prices as a result of Finland's entry into the EU in January 1995.

Turnover and net sales

Aggregate Group turnover, including commission sales but before the addition of indirect taxes, rose by rather more than 12.7% to stand at FIM 6,240 million. Kiosk Division showed the largest growth, owing to the motor vehicle tax stamps sold via R-Kiosks during the spring. These stamps have no influence on the net sales figures. Commission sales (tax stamps, lottery tickets and pools betting coupons, and bus tickets) are included in net sales only in respect of the commission paid.

Group net sales stood at FIM 3,281.4 million, or 7.3% greater than in 1994. Of this growth figure, some 3.5% can be attributed to Finnkinno Oy, the cinema chain and film distribution company acquired

at the end of 1994, such that the comparable figure for Group net sales expansion on the previous year was 3.8%. Group net sales exceeded the targets set.

Financial performance

Throughout the difficult trading years of the early 1990s, Rautakirja saw a decline in its margin on sales, although the net sales figure showed modest growth. The annual improvement in the result posted was based on constant trimming of operating costs and improved productivity. Now we have witnessed two successive years in which the sales margin has outperformed net sales, and in the period under review this was particularly pronounced. Profit on sales has been buoyed by a tight grip on purchasing and by the introduction of new product groups. We have also seen continued favourable development in Group sales structure, with sales growing most in units offering a greater than average margin on sales.

Operating costs remained once again under close control, such that Group operating margin for 1995 grew by 17.5% to FIM 256.3 million. Operating margin was at 7.8% of net sales.

The acquisition of Finnkinno increased the Group's tangible and intangible assets at the end of 1994, and consequently depreciation increased markedly during the year under review. The trading profit was FIM 184.9 million, up by 20.8% on 1994.

All Group profit-centres showed improved performance relative to the previous year. Kiosk Division and Pressdistribution Division both posted improved profits. Within the

Special Trade Division sector, Suomalainen Kirjakauppa, Tukkuutiimi – in Finland and Sweden – and Eurostrada all moved ahead. The Estonian Lehti-Maja and Finnkinno showed losses on the year.

Repayment of interest-bearing liabilities was accelerated. This reduced interest expenditure compared with the previous year. Interest income grew, largely in response to favourable developments in the bond market. Financial items showed a net surplus of FIM 10.4 million, up by FIM 7.5 million from 1994.

The Rautakirja Group recorded a profit before taxes of FIM 195.3 million, an improvement of 25.0% on the previous year. Profit after taxes was FIM 131.1 million. Earnings per share improved from FIM 17.14 in 1994 to FIM 20.24. Return on capital employed stood at 19.3%, up from 16.2% in 1994. Equity and reserves/share improved from FIM 117.33 to FIM 129.60.

Investments

Group gross investments totalled FIM 81.7 million. In the previous period the figure was FIM 178.2 million. Investments were directed primarily towards the renovation of outlets and refurbishing of cinemas. In the summer, work was completed on an extension to the Tukkuutiimi warehouse and dispatching premises in Lahti.

Financing

Liquidity and financial position remained good. Interest-bearing liabilities were reduced by FIM 109 million to stand at FIM 264 million at year's end. The ratio of equity and reserves to total assets moved

Turnover and net sales by division (FIM million)

	1995	1994	Change, %
Kiosk Division	1,516.2	1,495.5	1.4
Special Trade Division	1,075.3	883.3	21.7
Pressdistribution Division	742.4	712.3	4.2
Merkur Cash and Carry	166.7	176.0	-5.3
Less Internal sales	- 219.1	- 210.0	4.3
Total Group net sales	3,281.4	3,057.1	7.3
Commission sales	2,958.4	2,477.8	19.4
Group sales less tax	6,239.8	5,534.9	12.7

Trading profit by division (FIM million)

	1995	1994
Kiosk Division	68.1	64.9
Special Trade Division	46.9	37.3
Pressdistribution Division	47.6	41.0
Merkur Cash and Carry	2.5	2.6
Real Estate	19.9	7.4
Group total	184.9	153.1

ahead again from 41.2% to 45.7%. The ratio of debt to equity stood at 31.3%, down sharply from 48.9% at the end of 1994. Reserves are divided in the Group figures between equity and deferred tax. At 31.12.1995, current ratio (the ratio of financial assets and inventories to short-term liabilities) stood at 1.3.

Personnel

The Rautakirja Group employed 4,670 persons at the end of 1995 (1994: 4,510). Of these, 166 were employed by Group units and subsidiaries operating abroad.

The average number of persons employed during the year grew by 479 from 1994, to 4,680 persons. If the figures are adjusted such that staff on temporary and part-time contracts are converted into full-time employees, the Group employed an average of 3,397 persons during 1995, up by 297 from the previous year. If the effects of the additional Finnkino staff (from October 1994) are discounted, the increase in average staff numbers was 155 persons, or 85 persons after the above contractual adjustments have been carried out.

Once again, the Rautakirja Group paid attention to staff training, with the emphasis on developing the active sales skills of store personnel.

Outlook for 1996

Forecasts suggest the growth in retail trade will continue into the current year. Consumer purchasing power is expected to increase by around 4%. The growth in private consumption will be maintained, but will slow markedly from the more than 4% experienced in 1995. The Rautakirja net sales target for the year in progress has been set at 5% above that for 1995.

According to the targets set for the year, the Group's result should achieve the level reached in 1995, and Rautakirja's financial position will remain strong.

Group Income Statement (FIM million)	1995	1994
Net sales	3,281.4	3,057.1
Operating margin	256.3	218.1
Depreciation	- 71.4	- 64.9
Trading profit	184.9	153.1
Financial items (net)	10.4	2.9
Profit before taxes	195.3	156.0
Other income and expenditure	-	0.1
Direct taxes	- 64.2	- 45.0
Net profit for the year	131.1	111.2

Group Balance Sheet (FIM million)	1995	1994
Assets		
Fixed assets and other long-term expenditure		
Goodwill & intangible assets	133.1	142.2
Fixed assets	314.0	298.4
Shares and holdings and other long-term expenditure	424.5	422.4
Total	871.6	863.1
Inventories and financial assets		
Inventories	285.0	266.4
Receivables	261.4	274.5
Bonds and securities	144.4	182.4
Other short-term deposits	160.4	176.6
Cash	120.1	87.8
Total	971.3	987.8
	1,842.9	1,850.8
Liabilities and equity		
Equity		
Restricted equity	134.1	134.1
Unrestricted equity	705.7	626.2
Total equity	839.8	760.3
Minority interests	1.7	1.4
Liabilities		
Interest-free	737.8	718.2
Interest-bearing	263.6	370.7
Total liabilities	1,001.5	1,089.1
Total	1,842.9	1,850.8

Group Funds Flow Statement (FIM million)	1995	1994
Sources of funds		
From operations	200.5	183.2
Long-term financial assets	0.4	0.6
Sales of fixed assets	5.8	9.1
Increase in long-term loans	6.7	54.5
Change in minority interests	0.3	0.6
	213.6	248.0
Application of funds		
Investments	81.7	178.2
Repayment of long-term loans	110.7	84.0
Dividends	51.8	31.1
Change in net working capital	- 30.6	- 45.4
	213.6	248.0

REPORTS FROM PROFIT CENTRES

R-KIOSKS



The R-Kiosks form Finland's leading kiosk chain, with a network of outlets covering the entire country. There are also R-Kiosks operating in Tallinn, the Estonian capital.

Kiosk Trade sales as a whole moved ahead slightly from the previous year. The greatest hindrance to increased sales was the decline in sales of tobacco products. This also showed up in a reduction in the number of customers passing through the kiosks. It was nevertheless possible to increase the average size of individual purchases through new product lines and active marketing campaigns.

Throughout the year, the division continued a vigorous programme of renovation and development of sales outlets. This in turn provided conditions for further expansion of the product assortment and available services. With the passing of amendments to the Act on Alcoholic Beverages, it became possible to sell medium-strength

beer in walk-in convenience store kiosks. Another service introduced in the wake of changes observed in customer behaviour was the sale of coffee at all R-Kiosks.

Rautakirja again won the tender competition for the sale via the R-Kiosks of motor vehicle tax stamps (in May). Sales totalled more than FIM 1,000 million.

At the end of 1995 there were 759 R-Kiosks. Of these, 499 were owned and operated by Rautakirja and 260 were in the hands of franchise-holders. Convenience store walk-in kiosks (568 at year's end) now account for the great majority, with the remaining 191 as the traditional counter-window kiosks. At the end of the year there were 6 R-Kiosks in service in Tallinn, Estonia, operated by the Rautakirja subsidiary Lehti-Maja Eesti AS.

Aggregate R-Kiosk sales grew by 12.7% from the previous year, to reach FIM 4,465.1 million. Net sales for R-Kiosks, which include only the retailer's commission component of commission sales, totalled FIM 1,512.3 million, showing growth of 1.2% on 1994.

Kiosk Trade employed 2,579 persons at year's end, with 33 of these working in Tallinn. The profit-centre is headed by Riitta Aaltonen.



The "R-Bus" is one of the R-Kiosks' newest advertising media.

The development work carried out actively over recent years in the Kiosk Division shows up both in improved service and wider product assortments and in the actual look of the kiosk outlets. The familiar blue and white colours have been given a fresh yellow addition. This kiosk is from Tukholmankatu, in Helsinki.



PRESSDISTRIBUTION DIVISION



The Rautakirja Group's newspaper wholesale operations centre on wholesale sales of Finnish and foreign newspapers and magazines. The profit-centre offers both publishers and the retail trade a nationwide distribution system for newsstand copies of magazines and newspapers. Rautakirja is also engaged in distribution of newspapers – chiefly foreign newspapers and magazines – in Estonia, in the Tallinn and Tartu districts, following the purchase in July 1995 of the commercial operations of the Estonian newspaper distribution company Hara AS.

The aggregate value of newsstand sales reached an all-time high in 1995 of FIM 1,142.3 million. This represented a growth of 4.8% at consumer prices on the previous year's record figures.

Sales of newspapers totalled FIM 574.1 million, up by 2.4% on 1994. Sales volume remained steady at the previous year's level, reaching 93.9 million copies.

Magazine sales moved ahead by 7.3% to FIM 568.3 million. Overall sales volume totalled 32.6 million copies. The greatest growth was seen in family weeklies, special interest magazines and add free tabloids.

Sales of foreign periodicals and magazines increased by 7.4% at cover prices to FIM 81.2 million,



Attractive displays are one of the most important factors in newsstand sales of newspapers and magazines. Suomalainen Kirjakauppa and Lehtipiste have made joint efforts to develop a specialist bookstore assortment of periodicals.

although the volume of sales was up rather less, by 1.8%. Sales of foreign newspapers on the other hand fell slightly (0.3%) to stand at FIM 7.8 million.

The considerable efforts over the year by Lehtipiste in enhancing displays at supermarket check-outs and in R-Kiosks, bookstores and department stores were backed by additions to the product assortment, and played a major part in stimulating the encouraging increase in magazine sales. Particular attention was paid to the basic Lehtipiste displays and to improving magazine visibility in stores.

Newsstand sales grew most strongly in large supermarkets and hypermarkets, and in bookstores.

Net sales for the profit-centre stood at FIM 742.4 million, up by 4.2% from 1994. At the end of 1995, Pressdistribution Division employed 194 persons, and the division was headed by Markus Miettinen.

MERKUR CASH AND CARRY

Merkur Cash & Carry specializes in a product assortment of current consumer goods and service station items. The outlet in Vantaa serves retailers and others, with customers drawn primarily from the Greater Helsinki region.

Competition in the cash & carry sector in the Greater Helsinki area stabilized somewhat during the year, while remaining stiff. Nevertheless, Merkur succeeded in maintaining its share of the market.

Of the major customer groupings using the Merkur cash and carry outlet, service stations further strengthened their position, and sales to roadside grills and cafés also increased as a result of directed campaigns.

The amendments to the Act on Alcoholic Beverages allowed for the expansion of the Merkur product assortment, in the form of sales of stronger alcoholic drinks to restaurants and sales of mild drinks under 4.7% by volume to service stations and kiosks.

Merkur recorded net sales of FIM 166.7 million, down by 5.3% on the 1994 figure. Whilst the overall sales volume actually increased slightly, the decline in net sales was due to reduced prices for foodstuffs and the transfer of the fresh meat department to an outside supplier. At the end of the year Merkur employed 54 persons.

The commercial operations of Merkur Cash and Carry were sold after the end of the year under review.

The greatest growth in newsstand sales was seen in large current consumer goods stores. This impressive check-out display is from the Prisma store in Helsinki's Malmi suburb.



SUOMALAINEN KIRJAKAUPPA OY



Suomalainen Kirjakauppa is Finland's largest nationwide bookstore chain. At the end of 1995 the chain comprised 46 outlets.

The upturn observed in the bookstore trade as a whole from Christmas 1994 was sustained throughout the year. Suomalainen Kirjakauppa was able to increase its sales slightly more briskly than the national trend, and so strengthened its market share. The growth was achieved by successful marketing campaigns and by the competitive advantages enjoyed through a well-administered chain concept.

Work continued on renovating Suomalainen Kirjakauppa outlets and making them more customer-friendly. At the same time stores developed their image as specialist bookshops with a broad selection, placing considerable emphasis during the year on CD-ROM titles.

The year saw the introduction of a new cash terminal system in thirty stores, and the system will be operational across the entire chain by the spring of 1996.

For Suomalainen Kirjakauppa personnel, 1995 was also a period of extensive staff training.

The company recorded net sales of FIM 421.3 million, a growth of 6.1% from the figure for 1994.

Suomalainen Kirjakauppa has paid great attention to new media such as CD-ROM, both in terms of assortment and displays.



Suomalainen Kirjakauppa Oy employed a total of 482 persons at the end of 1995 and was headed by Raimo Kurri as Managing Director.

TUKKUTIIMI OY



Tukkutiimi is engaged in retail trade in gift items and stationery through the nationwide chain of Tiimari stores.

The Tiimari chain's marketing strategy was given a facelift at the beginning of the year under review. A tabloid-sized direct mail news-sheet appearing twice monthly was

well received by consumers and prompted a marked increase in customer throughput in stores. The average size of customer purchases also increased slightly.

The continuing slide in the value of the US dollar against the Finnish markka improved Tukkutiimi profitability.

At the end of 1995 there were 128 Tiimari outlets, with 48 of these wholly-owned and 80 in the hands of franchised shopkeepers.

Tukkutiimi Oy recorded net sales of FIM 269.3 million, a healthy increase of 18.7% on the 1994 figure.

At year's end the company employed 411 persons under Managing Director Kiia Enqvist.

TUKKUTIIMI AB

Tukkutiimi AB carries on Tiimari trade via a chain of stores in Sweden.



The Tiimari chain has expanded in Finland and across the water in Sweden.

After the process of building up the basic Tiimari formula over several years, it was possible during 1995 to expand the chain of outlets in Sweden. By the end of the year there were a total of twelve Swedish Tiimari outlets.

Particular attention was paid in Sweden to launching and developing the chain operating model for the Tiimari stores.

Net sales totalled SEK 47.7 million, recording growth on the year of 15.7% in Finnish markka, and 20.2% in Swedish crowns.

At the end of 1995, Tukkutiimi AB employed 92 persons, led by Managing Director Jarkko Kaalikoski.

FINNKINO OY



FINN
KINO

Finnkino is engaged in cinema operations in its own movie theatres and film distribution through other theatres. In addition, the company imports films and other programme products for resale to video retailers and TV networks. Finnkino also carries on its own video retailing trade.

Alongside its operations in the domestic market, Finnkino is involved in film distribution operations in Estonia, and the company has a majority holding in Baltic Cinema SIA, which owns three cinemas in Latvia.

At the end of 1995, Finnkino had 31 cinemas in 9 cities, with a total of 82 screens. The nationwide video rentals chain Kotikatsomo operated a total of 17 outlets in 16 locations.

The overall cinema market declined in Finland during 1995, chiefly in response to a rather modest selection of releases during the spring season. Aggregate cinema attendances totalled roughly 5.3 million, a reduction of 0.4 million on



At the beginning of the year, Finnkino moved into new quarters at the Rautakirja Head Office. The move and the 100th anniversary of the commercial cinema were celebrated with a reception attended by a distinguished group of guests. In the photograph from left to right The Speaker the Finnish Parliament Riitta Uosukainen, Chairman Jaakko Rauramo, and Director Hannu Syrjänen.

the 1994 figure. Finnish-made films enjoyed a substantially better year, however, and around 10% of the total audience figure was for domestic cinema productions.

The market for rental videos grew slightly after several lean years, while video sales continued to grow at a brisk pace.

In the course of 1995 work began on building a chain operating model for Finnkino, the practical implementation of which will for the most part take place during the current year.

In the early months of 1995, commercial cinema operations were carried on in two legally independent companies, Oy Europa

Vision Ab and Finnkino Oy. On 30.11.1995, the two companies were fused to become Filmipooli Oy, which then changed its name to Finnkino Oy. The two companies' operations and field sales organizations were merged already during the spring, when Finnkino operations and staff also moved into new purpose-built premises at the Rautakirja Head Office in Vantaa.

Finnkino posted net sales for the year of FIM 263.4 million. A total of 540 persons were employed at year's end, and the company was led by Managing Director Elma Pehkonen-Rajamäki.

EUROSTRADA OY

Euro  **Strada**

EuroStrada Oy is engaged in café-, restaurant-, and service station operations, with a total of 8 outlets located primarily on busy road sections or by major highways and operated jointly with different oil companies. The latest addition, the Rajahovi highway service area at Vaalimaa on the Finnish-Russian border, was opened at the end of December.

EuroStrada concentrated heavily during the year on applying chain strategies to its café & restaurant operations, whilst preserving the identities of its oil company



The Rajahovi service area at Vaalimaa, on the Finnish-Russian border, was opened on the last day of 1995.

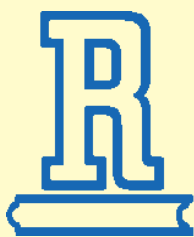
partners. A series of quality criteria were also drawn up for company operations, and emphasis was placed on relaying these new quality norms to users of EuroStrada outlets.

EuroStrada posted increased sales on both the café and service

station fronts.

EuroStrada's net sales stood at FIM 110.3 million, an increase of 5.4% on 1994 figures.

The company employed a staff of 235 persons at year's end, led by Managing Director Seppo Soini.



RAUTAKIRJA

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