

Kirjavälitys Oy



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KIRJAVÄLITYS OY

ANNUAL REPORT OF ITS 79TH FINANCIAL YEAR | APRIL 1997 – 31 MARCH 1998

KIRJAVÄLITYS OY IN BRIEF

	1993/94	1994/95	1995/96	1996/97	1997/98
Turnover, MFIM	194.3	193.5	190.0	200.0	209.3
Change %	2%	0%	-2%	5%	5%
Sales margin, MFIM	21.1	21.0	20.5	21.7	23.5
% of turnover	10.8%	10.8%	10.8%	10.8%	11.2%
Personnel, average	71	68	68	68	77
Fixed costs, MFIM	17.6	17.7	17.4	17.1	18.3
% of turnover	9.1%	9.2%	9.2%	8.6%	8.7%
Operating margin, MFIM	3.4	3.3	3.1	4.6	5.2
% of turnover	1.8%	1.7%	1.6%	2.3%	2.5%
Result before reserves and taxes, MFIM	3.1	3.0	3.3	4.6	4.1
% of turnover	1.6%	1.6%	1.7%	2.3%	2.0%
Bookkeeping result, MFIM	2.1	2.5	2.4	3.8	4.6
% of turnover	1.1%	1.3%	1.3%	1.9%	2.2%
Shareholders' equity and reserves, MFIM	34.7	35.4	36.2	37.7	38.3
% of balance sheet	56%	57%	58%	57%	55%
Liabilities, MFIM	27.1	26.6	26.7	28.3	30.9
% of balance sheet	44%	43%	42%	43%	45%
Return on investment (ROI)	9.2%	8.4%	9.3%	12.8%	10.2%
Return on equity (ROE)	5.8%	6.3%	6.9%	8.8%	5.9%

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CHIEF EXECUTIVE OFFICER'S REVIEW

According to information compiled by the Finnish Book Publishers' Association sales of books to bookstores and wholesalers rose by 4.2% last year. Sales of general literature grew by 5.1%, whilst the growth in textbook sales remained at 2.9%. Figures produced by Statistics Finland show a growth of 3.6% in retail sales of books and stationery. Kirjavälitys' turnover grew by 5% during the financial year and was broadly in line with the general trend.

On the operations side, the year was a challenging one since we completely upgraded our logistics and financial administration data system. Over the past two years, most of our people have taken part in software specification and testing. Recent training ensures Kirjavälitys personnel can master all the features of the new software and cater to special service requirements. Nevertheless, we were not aware of all the shortcomings of the control system once it was inaugurated, and for a while our customers considered our service had deteriorated. I would like to take this opportunity to thank everybody concerned for their understanding and encouragement during the teething troubles. We have now overcome the problems, and our new system has also achieved the targets set.

Orders from bookstores are increasingly being received by e-mail. Over one hundred private bookstores now have our Mikro-Kirjaväylä order software. Chain stores are shifting over to sending EDI order messages and we are currently testing a www order system for bookstores. Although prompt, perfect service is a matter of honour for us and we are now well-placed to deal with customers, we are nevertheless committed to further improving the service we provide. One of our principal targets in this respect is to measure the quality of individual customer service.

Last year we focused on maintaining, expanding and updating the database. Bookstores rely on our product database being up-to-date and correct to maintain their own standard of service. This is why we have devoted more resources to maintaining the database. We discontinued our microfiche service in January 1998 and offered customers a CD-ROM database instead. This move was extremely well received by bookstores and libraries and considered an improvement in customer service.

Our efficiency continued improving the whole time towards the end of the financial year. This is also reflected in the financial statements. We successfully achieved our budgeted turnover and operating profit. I would like to thank bookstores, publishers and other partners for their continued confidence in our services and our personnel for their steadfast commitment. We have every chance of further improving performance this year.



Lasse Molin

ADMINISTRATION

Board of Directors

Seppo Rounaja , managing director, chairman	1977 –
Harri Mönkkönen , director of logistics and information management, vice-chairman	1985 –
Esa Karjula , managing director	1993 –
Lasse Molin , chief executive officer	1985 –
Jouko Seppälä , director of finance and administration	1993 –
Doris Stockmann , bookstore director	1990 –
Hannu Syrjänen , executive vice president	1990 –

The Board of Directors convened eight times during the year under review and held four telephone conferences. Chief Executive Officer of the company is Lasse Molin.

Auditors

Reijo Karppinen, Authorized Public Accountant
Asko Vuorenalusta, Authorized Public Accountant

Deputy Auditor

Erkki Kytöhonka
Arthur Andersen Kihlman Oy

Supervisory auditor

Asko Vuorenalusta, Authorized Public Accountant

SHARE CAPITAL AND SHAREHOLDERS

Major shareholders	No. of shares	Holding %
Rautakirja Oyj	35,817	15.2
Stockmann Oyj Abp	32,963	14.0
Kirja- ja Paperikauppojen Liitto ry	25,590	10.9
Suomen Kirjakaupan Säätiö	14,707	6.3
Finnish Cooperative Wholesale Company	14,270	6.1
Otava Publishing Company Ltd	10,202	4.3
Kirjavälitys Oy's Pension Fund	8,061	3.4
Kustannusosakeyhtiö Tammi	7,827	3.3
Suomalainen Kirjakauppa Oy	6,450	2.7
Kirjatuki Oy	3,975	1.7
10 biggest shareholders, total	159,862	67.9
Other shareholders, 315	75,592	32.1
Total number of shareholders, 325	235,454	100.0

The nominal value of each share is FIM 25 and the taxation value in 1997 was FIM 100.

The share capital at 31 March 1998 was FIM 5,886,350.00.

BUSINESS PROCESSES

RETAILER SERVICES

Retailer Services offers private bookstores, chains of bookstores and other retailers the broadest possible range of available Finnish literature. A central logistics and information system considerably facilitates daily life, reduces routine work and allows retailers to concentrate on their core business of selling and marketing books and multimedia products. Our mission is to serve retailers by making a range of books available promptly, quickly and cost-effectively. We also provide a host of other added value services including Kirjastosuora, sample stocks, inventory and pricing services.

FinnBooks – a database on available literature

The **FinnBooks** CD-ROM database appeared in early 1998 and has been enthusiastically received by bookstores and libraries alike. FinnBooks contains detailed bibliographic information on almost 100,000 titles. The database was produced in cooperation with the University of Helsinki Library. FinnBooks is updated ten times a year. During the spring 220 bookstores and publishers and 170 libraries began to use FinnBooks.

Produced using state-of-the-art tools, FinnBooks forms the core of a bookstore's information service by providing customer-driven access to the range of available literature

PUBLISHER SERVICES

Publisher Services is responsible for purchasing books, maps, calendars and multimedia products for Kirjavälitys' stock and ensuring the ready availability of an extensive, commercially interesting range of products. We are also responsible for offering Kirjavälitys' logistics, information and marketing services to publishers.

Our customers include all publishers and suppliers of the products mentioned above. Publisher Services successfully achieved its target in respect of both sales of products and services last financial year. We enhanced information about our services and continued to improve intense cooperation with major large customers and especially suppliers covered by delivery agreements. The most important area of cooperation was the transfer of Helsinki Media's storage and retailer distribution activities to Kirjavälitys.

Several new logistics contracts were concluded, particularly with multimedia producers. In respect of information services, we began marketing the further information sections of the contents of the FinnBooks database to publishers.

Once the teething problems during the changeover period were solved, our new information system enabled us to hasten individual publisher reporting.

September saw 40 publishers take part in the "Näin on kirjat" marketing event held by Publisher Services. The event resulted

in publishers being contacted by more than 1000 bookstore and library customers. The "Publisher's Day" held in February this year attracted 90 publishers who were interested in considering cooperation between the retailer and publisher.

BUSINESS DEVELOPMENT

Our business premises were completed in 1984 and have become increasingly cramped over the past few years. During the year under review we explored the idea of expansion from several different angles. Nevertheless, we decided to remain in our existing premises for the time being and to use outside storage and processing facilities. Reception, collection and packing operations will be carried out at our own premises. Decentralised rented premises will be used for pallet storage and for seasonal projects.

BookNet

There is growing consumer interest in Internet services. Opened in summer 1995, www.booknet.fi has become an important service forum for book and multimedia producers, sellers and consumers. Statistics show that BookNet is among the twenty most frequently used servers.

Although commerce on the web is still insignificant, it is expected to grow once major chains of bookstores begin to offer their own services and focus on marketing.

We have sought to improve work processes relating to publishing format in a bid to keep our information more up to date and correct. The marketing service provided for publishers includes *Välitysuutiset*, in traditional printed format, the FinnBooks database on CD-ROM and information in electronic format published on the net.

JOINT SERVICES

Logistics Services

Our own premises are able to satisfy about two thirds of our overall storage requirement. We have rented pallet storage facilities elsewhere. Despatch and other operative functions are all dealt with from our own premises.

Our new information system paves the way for us to control and monitor our activities. We are currently working on standards to measure quality criteria. The percentage of order lines available directly from stock was around 94%, which can be considered good. There has been a marked increase in the speed at which new publications are delivered to bookstores' sample stock.

ADP and Information Services

Our new business control systems were inaugurated in May 1997. The initial shortcomings and faults in the system were mostly repaired by the autumn. The many programmes required

every day were adjusted and improved throughout the financial year. Work on new software addressed reporting, stock management and data transfer between various organisations. Technical expansion to be carried out during the spring will further enhance system speed and performance.

Finance

Bookkeeping, the accounts ledger and internal invoicing were all dealt with using the new **Talouspakki** data system, which is integrated into the **Työkalupakki** system used by logistics.

With large customers, invoicing is mainly done by EDI data transmission. Other customers are mostly invoiced by ePost Letter.

THE CURRENT FINANCIAL YEAR

Early April saw us commence operations under a distribution agreement with Helsinki Media. During the summer we also began to distribute Microdata products from our warehouse. This means a reorganisation of storage and collection operations. We will move seasonal projects and the storage of slow-moving products to other premises.

ADP and Information Services is committed to improving electronic ordering operations and the transmission of other data. We are also improving our customer management system and the speed of data processing.

FinnBooks has achieved a good position in bookstores and libraries. Although publishers are still tending to wait, feedback from bookstore and library customers has been extremely encouraging. This is why we expect publishers to actively join the system by the autumn in order to develop a joint marketing tool for the entire book industry.

Retailer Services is continuing to develop a customer/chain-driven operations model. Our new information system will make it easier for us to accomplish this.

In addition to monitoring service, Publisher Services is especially addressing an improvement in marketing services, an expansion of distribution agreements and is committed to ensuring customer satisfaction.

BOARD OF DIRECTORS' REPORT

Sales

The company's total sales grew by 4.7%. Books accounted for 92% of total sales, with book sales up by 3%. Invoicing for other products stood at FIM 9.1 million, a rise of 29%. Sales of services, including materials, marketing and information services, grew by 21% to reach FIM 8. million. An analysis of product groups shows that sales of textbooks remained unchanged, and general literature grew by 8%. Sales of multimedia products witnessed dynamic growth. Both bookstores and suppliers have good experience of multimedia sample stocks. 120 bookstores already have a sample stock of multimedia products.

Price trends in general literature

The average recommended retail price, including value added tax, for the 2234 titles of general literature (fiction, non-fiction, and books for children and the young) dispatched to sample stock rose by 1.9%.

Year	Average price, FIM	Change %
1993	116.71	-5.5
1994	110.79	-5.1
1995	117.16	5.7
1996	127.13	8.5
1997	129.60	1.9

Business volume

Kirjavälitys Oy's business volumes were as follows:

	97/98	96/97
Lines delivered	1,446,834	*)1,138,451
Number of books delivered	4,194,275	*)3,330,769
Number of copies/line delivered	2.90	2.93
Number of deliveries	70,318	68,000

*) The figures for previous years do not include lines sent to sample stock and lines returned from sample stock.

NOTES TO THE INCOME STATEMENT

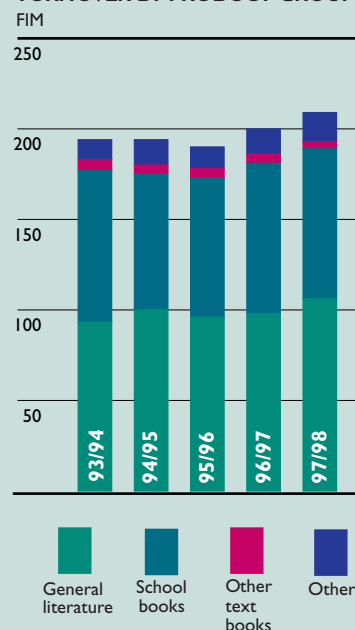
Turnover and sales margin

Net invoicing, excluding VAT, for the financial year under review was FIM 214,161 thousand (FIM 204,767 thousand the previous year). Sales adjustment items totalled FIM 4,873 thousand (4,814). The income effect of credit losses was FIM 29 thousand (-229).

Turnover rose 4.7% to reach FIM 209,288 thousand (199,953). Turnover per employee was FIM 2,718 thousand (2,940), a fall of 7.6%.

In terms of Finnish marks, the sales margin rose to FIM 23,457 thousand (21,676), and rose to 11.2% in percentage terms. The sales margin per employee was FIM 305 thousand (319).

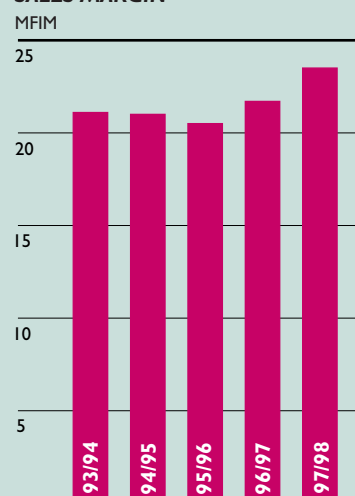
TURNOVER BY PRODUCT GROUP



Turnover by product group

	General literature	School books	Other text books	Other	Total
93/94	93	84	6	11	194
94/95	100	75	5	14	194
95/96	96	77	5	12	190
96/97	98	83	5	14	200
97/98	106	83	4	16	209
Change %					
97-98	8	0	-20	14	5

SALES MARGIN



Personnel

At 31 March 1998, Kirjavälitys employed 74 (62) people. Personnel numbers averaged 77 (68) during the financial year.

The number of working hours performed was 139,156 (114,754), an increase of 21.3% on the corresponding figure for the previous year.

Wages, salaries and social security costs totalled FIM 12,728 thousand (11,021). Personnel costs amounted to 6.1% (5.5%) of turnover. Payment of wages and salaries totalled FIM 10,187 thousand, of which salaries and emoluments paid to the CEO and Board of Directors accounted for FIM 571 thousand. Profit sharing paid to management amounted to FIM 41 thousand. Wages and salaries include in full the incentive bonuses paid to the personnel for the year.

Other fixed costs

Other fixed costs totalled FIM 5,566 thousand (6,051), equivalent to 2.7% (3.0%) of turnover.

Planned depreciation

Planned depreciation is based on the estimated economic lives of fixed assets as shown below:

Buildings	40 years
Machinery and equipment	8
Vehicles	5
Computers	5
Other long-term expenses	5

Specification of depreciation for the financial year

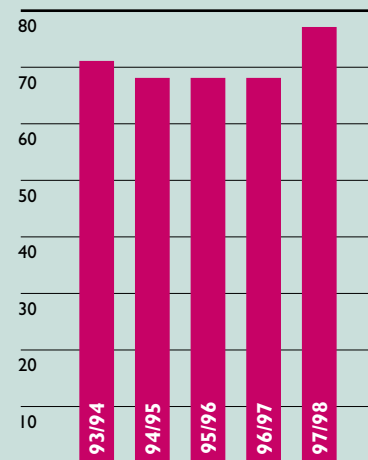
FIM 1000	Depreciation under the Business Tax Act	Planned depreciation	Investment reserve used	Depreciation difference
Buildings	183	230	0	473
Machinery and equipment	362	774	-407	5
Other long-term expenditure/ computers	103	797	-1,843	-1,149
Total	648	1,801	-2,250	-1,097

Financial income and expenses

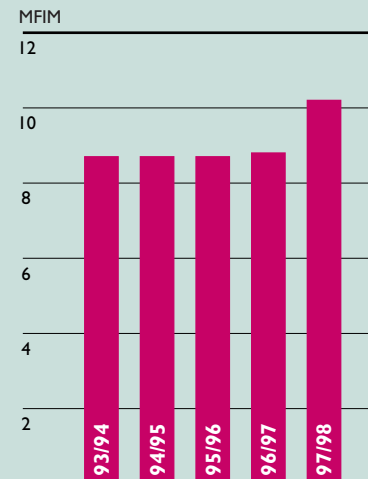
Interest received was obtained from investing cash funds in trust or enterprise deposits and certificates of deposit on a short-term basis. The adopted investment policy was one of security, and no capital risk was taken. An average of FIM 12.7 million (18.7) was invested during the financial year. Interest received fell to FIM 910 thousand (1,251). Dividends received totalled FIM 0 thousand (3).

Interest paid and other financial expenses for the financial year totalled FIM 213 thousand (229). The amount of net interest fell to FIM 696 thousand (1,025).

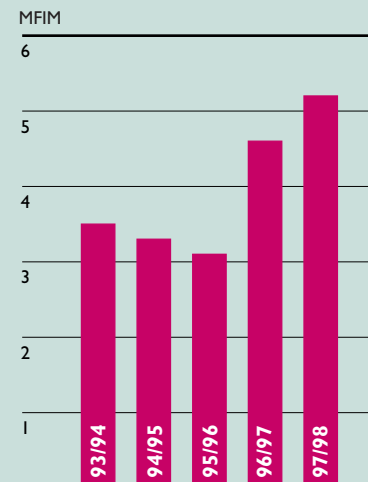
PERSONEL



WAGES AND SALARIES



OPERATING MARGIN



RESULT FOR THE FINANCIAL YEAR

The company's operating margin was FIM 5,163 thousand (4,603), equivalent to FIM 67 thousand (68) per employee. The profit before reserves and taxes was FIM 4,058 thousand (4,581). Since FIM 2,250 thousand of the investment reserve was used to cover investments in computers, machinery and equipment, and the depreciation difference in other respects exceeds the maximum depreciation of FIM 1,153 thousand permitted under the Business Tax Act, the depreciation difference of FIM 1,097 thousand (3,943) reduces taxable income. On the other hand, the investment reserve of FIM 3,425 thousand booked for the financial year increases taxable income. The periodised taxes for the financial year under review and earlier years amount to FIM 1,812 thousand (1,740). The book profit was FIM 4,574 thousand (3,793).

NOTES TO THE BALANCE SHEET

Depreciable fixed assets appear in the balance sheet with deductions in line with planned depreciation. The accrued depreciation difference of FIM 3,549 thousand between the planned depreciation on buildings and depreciation permitted under the Business Tax Act was, in accordance with the prudence concept, subtracted from a FIM 6,000 thousand revaluation made earlier, so that revaluation of a mere FIM 2,451 thousand of the value of the building appears in the balance sheet. The accrued depreciation differences on fixed assets are specified in the notes to the financial statements.

The inventories of FIM 9,570 thousand (8,432) were valued in line with the FIFO principle at the acquisition cost or likely sales value, whichever is the lower.

The company's short-term investment funds of FIM 17,018 thousand have been booked under loans receivable.

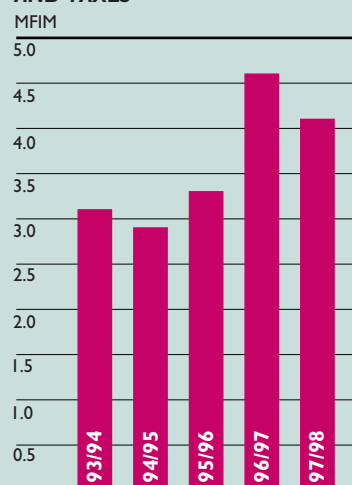
Pension loans of FIM 3,657 thousand (3,814) are promissory notes from Kirjavälitys Oy's Pension Fund. This loan is amortised by paying pensions on behalf of the Pension Fund, and the accrued interest is added to the principal.

Short-term liabilities include interest-bearing debts of FIM 671 thousand (538) to organisations in the business.

INVESTMENTS

Gross investments during the year under review totalled FIM 3,058 thousand and were largely replacement investments in computer software and office technology.

PROFIT BEFORE RESERVES AND TAXES



RETURN ON CAPITAL



NOTES TO THE FINANCIAL STATEMENTS

Figures FIM 1000 unless otherwise stated

KIRJAVÄLITYS OY'S PENSION FUND

The statutory pension scheme under the Employees' Pensions Act (TEL) for the company's personnel has been taken out with Pension Insurance Company Ilmarinen. Reborrowing of TEL insurance premiums was no longer resorted to during the financial year, and the insurance premiums were paid in cash.

The pensionable age for women has been reduced to 62 as a voluntary form of pension coverage, and this is provided for through Kirjavälitys Oy's Pension Fund. The Fund was closed to any new employees with effect from 29 February 1976. At 31 December 1997, it covered 19 persons. The Pension Fund paid supplementary pensions totalling FIM 210 thousand (266) in 1997. As at 31 December 1997, the Fund's pension liability was FIM 3,136 thousand (3,147).

CALCULATION FORMULAE OF FINANCIAL RATIOS

Return on investment (ROI) %	$100 \times \frac{(\text{profit before reserves and taxes} + \text{interest} + \text{other financial expenses})}{\text{average capital invested}}$
Return on equity (ROE) %	$100 \times \frac{(\text{profit before reserves and taxes} - \text{taxes})}{\text{average shareholders' equity} + \text{reserves}}$
Equity ratio (%)	$100 \times \frac{(\text{shareholders' equity} + \text{reserves})}{\text{balance sheet total}}$
Gearing (%)	$100 \times \frac{\text{liabilities}}{\text{balance sheet total}}$

The change in the liability shortfall of the Pension Fund has been added to the result when calculating financial ratios.

The figures for the financial years 1994/95, 1995/96, 1996/97 and 1997/98 are comparable. Figures for previous years have been calculated in accordance with the rules and regulations prevailing at that time.

PENSION COSTS

	1998	1997
Salaries and emoluments	10,212	8,806
Fringe benefits	244	210
Pension costs	1,705	1,487
Other social security contributions	811	728
Personnel costs, total	12,972	11,231

The chief executive officer has a partial pension insurance enabling him to 50% full pension at the age of 60.

FIXED ASSETS AND OTHER LONG-TERM FINANCIAL ASSETS

	1998	1997
Intangible assets		
Other long-term expenditure		
At start of financial year	2,838	0
Increase	2,358	2,986
Decrease	0	0
Planned depreciation	797	148
At end of financial year as planned	4,399	2,838
Accumulated depreciation difference	-3,987	-2,838
Expenditure remainder under Business Tax Act	412	0

Tangible assets

Land areas	5,418	5,418
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Buildings

At start of financial year	8,603	8,781
Increase	0	0
Decrease	0	0
Planned depreciation	-230	-229
At end of financial year as planned	8,373	8,552
Accumulated depreciation difference	-3,549	-3,596
Counter entry	3,596	3,647
Expenditure remainder under Business Tax Act	8,420	8,603

Machinery and equipment

At start of financial year	2,289	1,624
Increase	700	1,517
Decrease	8	183
Planned depreciation	-774	-669
At end of financial year as planned	2,207	2,289
Accumulated depreciation difference	-1,494	-1,499
Expenditure remainder under Business Tax Act	713	790
Tangible assets, total	16,045	16,309

LONG-TERM FINANCIAL ASSETS

Shares and securities	Number	Nominal value FIM 1000	Book value FIM 1000
Helsinki Telephone Association	26	122	49
Helsinki Telephone Association	10	10	10
Vantaan kaupunki			
Kaukolämpöliittymä	1		146
Sähköliittymä	1		32
Tapiolan Tennispuisto Oy	40	40	40
Golf Exclusive Oy	2	65	66
Puistolän Tennispuisto Oy	6	1	12
Helsinki Telephone Corporation	260	1	14
Total			369

TAXATION VALUES

	1998	1997
Land	1,680	1,680
Buildings	4,089	4,461
Shares and securities	192	140

CURRENT ASSETS

Difference between acquisition price and market value of shares

	1998	1997
Market value 31.3.	47	288
Book value (acquisition value)	14	317
Difference	33	-29

CHANGES IN SHAREHOLDERS' EQUITY

	1998	1997
Undistributable shareholders' equity		
Share capital	5,887	5,887
Revaluation reserve	8,125	8,125
Reserve fund	2,127	2,127
Undistributable equity total	16,139	16,139

Distributable shareholders' equity

Contingency fund at start of financial year	9,983	9,054
Undrawn dividends	55	10
Transfer from retained earnings	2,027	919
Contingency fund at end of financial year	12,065	9,983
Retained earnings at start of financial year	3,793	2,390
Dividends paid	-1,766	-1,471
Transfer to contingency fund	-2,027	-919
Profit for financial year	4,574	3,793
Profit at end of financial year	4,574	3,793
Distributable shareholders' equity, total	16,639	13,776
Shareholders' equity, total	32,778	29,915

REVALUATIONS

	1998	1997
Plot	4,000	4,000
Building	6,000	6,000
Spent on bonus issue	1,875	1,875
Revaluation reserve, total	8,125	8,125

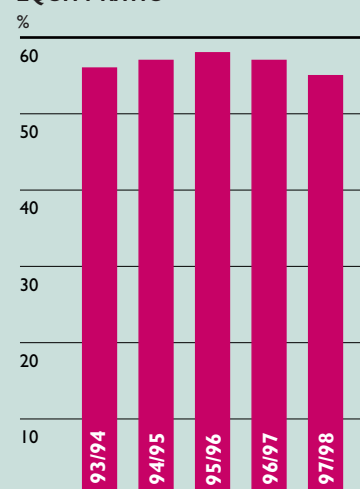
ACCUMULATED DEPRECIATION DIFFERENCE

	1998	1997
Other long-term expenditure	3,987	2,838
Building	3,549	3,596
Decrease in depreciation difference from revaluation	-3,549	-3,596
Accum. dep. dif. on building	0	0
Machinery and equipment	1,494	1,500
Accumulated depreciation difference, total	5,481	4,338

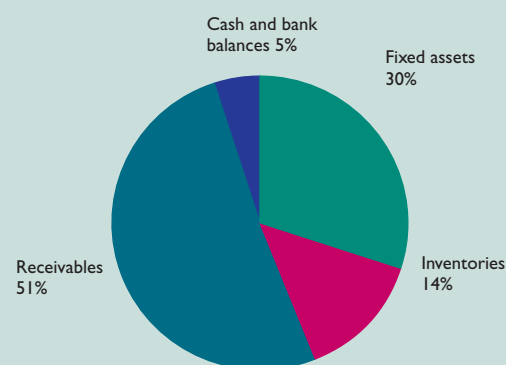
CONTINGENT LIABILITIES

	1997	1996
Pension liabilities		
Pension Fund pension liability 31.12.	3,136	3,147
Uncovered liability of Pension Fund 31.12.	0	-413
Pension liability arising from company's pension commitment 31.12.	278	282
Other liabilities		
Mortgages on company's debts	6,000	6,000
Pledges given	1,300	1,100

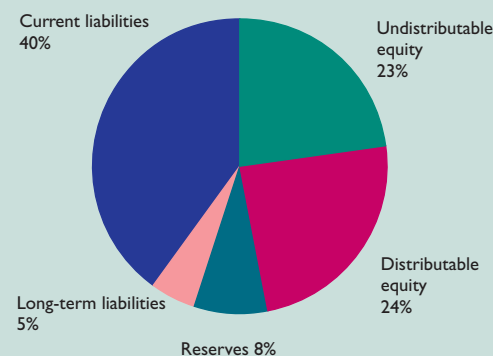
EQUITY RATIO



BALANCE SHEET ASSETS



BALANCE SHEET SHAREHOLDER' EQUITY AND LIABILITIES



INCOME STATEMENT

		1.4.97 – 31.3.98		1.4.96 – 31.3.97
Turnover		209,288,441.30		199,953,384.68
Other operating income		48,901.04		18,391.10
Variable costs				
Purchases	184,554,309.93		178,590,009.24	
Change in inventories	1,138,671.60		1,905,422.90	
Other variable costs	2,464,472.75	185,880,111.08	1,611,483.81	178,296,070.15
Sales margin		23,457,231.26		21,675,705.63
Fixed costs				
Personnel costs	12,728,209.11		11,022,033.07	
Rent	0.00		0.00	
Other fixed costs	5,566,237.42	18,294,446.53	6,051,021.29	17,073,054.36
Operating margin		5,162,784.73		4,602,651.27
Depreciation				
Buildings	229,457.72		229,457.73	
Equipment	774,155.39		669,147.34	
Other long-term expenditure	797,464.93	1,801,078.04	148,007.45	1,046,612.52
Operating profit		3,361,706.69		3,556,038.75
Financial income and expenses				
Dividends received	0.00		3,333.20	
Interest received	909,551.03		1,250,520.79	
Interest paid	– 202,010.95		– 197,637.66	
Other financial expenses	– 11,358.35	696,181.73	– 31,617.81	1,024,598.52
Profit before extraordinary items, reserves and taxes		4,057,888.42		4,580,637.27
Extraordinary income and expenses				
Extraordinary expenses		0.00		0.00
Profit before reserves and taxes		4,057,888.42		4,580,637.27
Increase (–) / decrease (+) in depreciation difference		–1,096,791.88		– 3,942,959.09
Decrease in voluntary reserves		3,425,000.00		4,895,337.01
Profit before taxes		6,386,096.54		5,533,015.19
Direct taxes				
For the financial year	1,809,955.00		1,567,512.00	
For previous years	2,035.00	1,811,990.00	172,469.70	1,739,981.70
Profit for the financial year		<u>4,574,106.54</u>		<u>3,793,033.49</u>

BALANCE SHEET

	31.3.1998	31.3.1997
ASSETS		
FIXED ASSETS		
<i>Intangible assets</i>		
Other long-term expenditure	4,399,241.84	2,838,274.17
<i>Tangible assets</i>		
Land and water	5,417,710.00	5,417,710.00
Buildings	8,420,246.81	8,602,893.67
Machinery and equipment	<u>2,207,124.76</u>	<u>2,288,732.13</u>
16,045,081.57		16,309,335.80
<i>Long-term financial assets</i>		
Shares and securities	354,588.00	354,588.00
INVENTORIES AND CURRENT ASSETS		
<i>Inventories</i>		
Goods	9,570,357.50	8,431,685.90
<i>Receivables</i>		
Trade receivables	15,820,445.67	13,785,498.60
Loans receivable	17,017,562.02	18,252,009.31
Prepaid expenses and accrued income	1,452,189.27	1,429,463.10
Other receivables	<u>1,300,000.00</u>	<u>1,100,000.00</u>
35,590,196.96		34,566,971.01
<i>Other current assets</i>		
Shares and securities	14,300.00	317,145.94
<i>Cash and bank balances</i>		
	<u>3,198,875.39</u>	<u>3,136,446.12</u>
	<u><u>69,172,641.26</u></u>	<u><u>65,954,446.94</u></u>
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
<i>Undistributable shareholders' equity</i>		
Share capital	5,886,350.00	5,886,350.00
Reserve fund	2,127,240.00	2,127,240.00
Revaluation reserve	<u>8,125,000.00</u>	<u>8,125,000.00</u>
16,138,590.00		16,138,590.00
<i>Distributable shareholders' equity</i>		
Other shareholders' equity	12,065,658.22	9,983,067.23
Profit for the financial year	<u>4,574,106.54</u>	<u>3,793,033.49</u>
16,639,764.76		13,776,100.72
RESERVES		
Accumulated depreciation difference	5,481,419.79	4,337,817.05
<i>Voluntary reserves</i>		
Investment reserves	0.00	3,425,000.00
Other reserves	<u>0.00</u>	<u>0.00</u>
5,481,419.79		7,762,817.05
LIABILITIES		
<i>Long-term</i>		
Pension loans	3,657,307.90	3,814,379.40
<i>Current</i>		
Advances received	60,371.00	17,242.50
Trade payables	9,562,954.23	9,937,541.52
Accrued expenses and deferred income	16,450,349.28	13,531,047.81
Other current liabilities	<u>1,181,884.30</u>	<u>976,727.94</u>
27,255,558.81		24,462,559.77
	<u><u>69,172,641.26</u></u>	<u><u>65,954,446.94</u></u>

SOURCE AND APPLICATION OF FUNDS

	1.4.97 – 31.3.98	1.4.96 – 31.3.97
FIM 1000		
Source of funds		
Funds generated by operations		
Operating margin	5,163	4,603
Extraordinary expenses	0	0
Net interest	696	1,025
Tax for the financial year	-1,812	-1,740
Funds generated by operations, total	4,047	3,888
Disposal of fixed assets	8	183
Depreciation of obsolete dividend liabilities	55	10
Source of funds, total	4,110	4,081
Application of funds		
Investments	3,058	4,503
Amortisation of long-term liabilities	157	128
Dividends paid	1,766	1,472
The above, total	4,981	6,103
Change in net working capital	-871	-2,022
Application of funds, total	4,110	4,081
Change in net working capital		
Current liabilities	-2,793	-1,719
Inventories	1,139	1,905
Current assets	720	-2,949
Cash and bank balances	63	741
	-871	-2,022

BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFIT

The profit for the financial year is FIM 4,574,106.54 and other equity is FIM 12,065,658.22, in other words the sum available to the Meeting of Shareholders for distribution is FIM 16,639,764.76.

The Board of Directors proposes that a dividend of FIM 8.50 per share, i.e. FIM 2,001,359.00, be paid out of the profit for the financial year, and that FIM 2,572,747.54 be transferred to other shareholders' equity. After the transfer, the shareholders' equity would stand at FIM 14,638,405.76.

Vantaa, 18 May 1998

Kirjavälitys Oy
Board of Directors



Seppo Rounaja



Esa Karjula



Harri Mönkkönen



Jouko Seppälä



Doris Stockmann



Hannu Syrjänen



Lasse Molin
Chief Executive Officer

AUDITORS' NOTATION

The financial statements have been duly prepared in accordance with Finnish Auditing Standards. A report of the audit performed has been issued today.

Vantaa, 25 May 1998



Asko Vuorenalusta
Authorized Public Accountant



Reijo Karppinen
Authorized Public Accountant

AUDITORS' REPORT

To the shareholders of Kirjavälitys Oy

As auditors of Kirjavälitys Oy, we have audited the financial statements, the accounting and corporate governance of the company for the financial year 1 April 1997 to 31 March 1998 in compliance with Finnish Generally Accepted Auditing Standards. The financial statements, which include the report of the Board of Directors, the income statement, balance sheet and notes to the financial statements, have been prepared by the Board of Directors and the Chief Executive Officer. Based on our audit, we express the following opinion.

The undersigned, Asko Vuorenalusta APA, has been responsible for the supervisory audit of the financial year. In those audits, the accounting and financial statements of the company for the financial year were found to conform to good accounting practice.

The financial statements have been prepared in accordance with the Finnish Accounting Act and with other rules and regulations governing the preparation of financial statements in Finland. The financial statements show a profit of FIM 4,574,106.54, and give a true and fair view, as defined in the

Accounting Act, of the company's result of operations, and of its financial position.

The purpose of our audit of corporate governance has been to ensure that the Board of Directors and the Chief Executive Officer have complied with the rules of the Finnish Companies Act.

We recommend

- adoption of the income statement and the balance sheet
- the discharge from liability of members of the Board of Directors and the Chief Executive Officer for the period audited by us
- the profit for the financial year be dealt with in the manner proposed by the Board of Directors

Vantaa, 25 May 1998



Asko Vuorenalusta
APA



Reijo Karppinen
APA



Kirjavälitys Oy

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