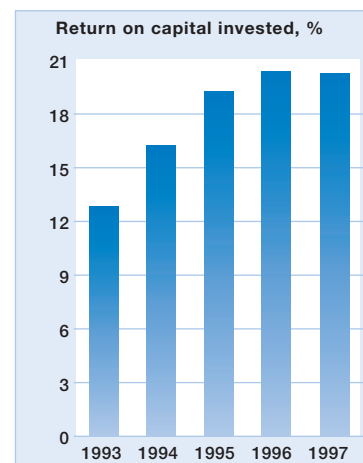
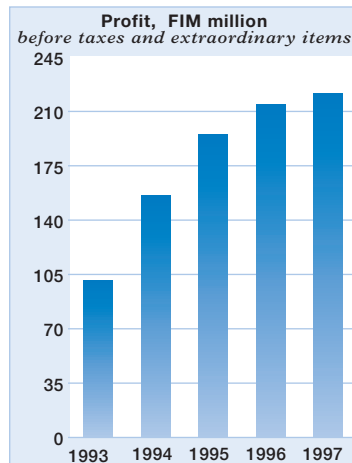
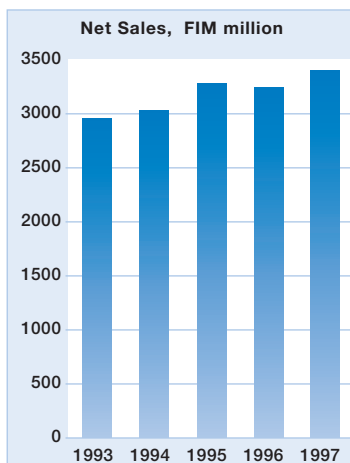






## RAUTAKIRJA

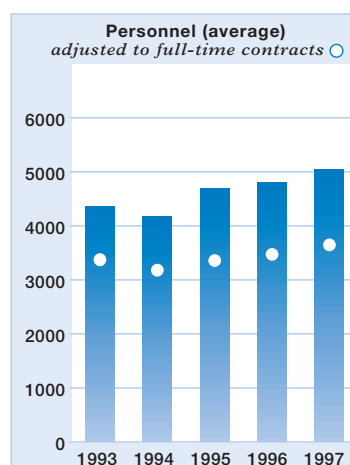
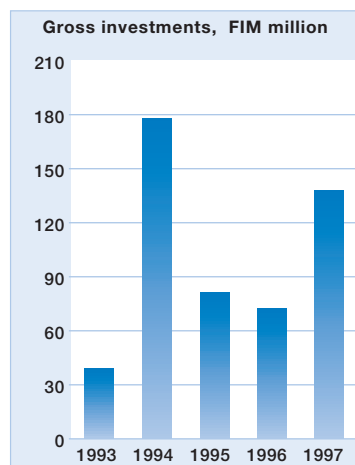
Rautakirja was founded in 1910 and is today a large Finnish wholesale and retail concern, listed on the Helsinki Stock Exchange since 1988. Together with its subsidiaries, it forms the Rautakirja Group, whose operations are divided among two strategic trading sectors, namely wholesale and retail sales of newspapers and magazines and specialized retail trade based on centrally-administered chain operations.



## Group Performance Indicators

	1997	1996	1995	1994	1993
Net sales, FIM million	3,407.7	3,237.2	3,281.4	3,057.1	2,923.8
Change, %	5.3	-1.4	7.3	4.6	0.0
Operating margin, FIM million	286.6	267.3	256.3	218.1	166.2
As % of Net sales	8.4	8.3	7.8	7.1	5.7
Trading profit, FIM million	211.0	197.6	184.9	153.1	87.7
As % of Net sales	6.2	6.1	5.6	5.0	3.0
<b>Profit before extraordinary items and taxes,</b>					
FIM million	220.9	214.8	195.3	156.0	101.3
As % of Net sales	6.5	6.6	6.0	5.1	3.5
Profit before taxes, FIM million	213.1	234.0	195.3	156.1	104.2
As % of Net sales	6.3	7.2	6.0	5.1	3.6
<b>Balance Sheet total, FIM million</b>					
Fixed assets & other long-term expenditure	913.4	860.8	871.6	863.1	773.7
Inventories	298.5	267.3	285.0	266.4	282.9
Financial assets	507.4	584.8	686.3	721.4	708.1
Equity	1,016.9	942.8	839.8	760.3	686.8
Minority interests	1.5	1.5	1.7	1.4	0.7
Long-term liabilities	99.7	200.4	281.3	389.1	452.9
Current liabilities	601.1	568.1	720.2	700.0	624.2
Interest-bearing liabilities	82.1	184.5	263.6	372.8	399.1
Non interest-bearing liabilities	618.7	584.0	737.8	716.3	678.0
Return on equity, % *)	16.0	17.2	16.4	15.3	10.0
Return on capital invested, % *)	20.3	20.4	19.3	16.2	12.9
Gearing ratio, %	-22.3	-19.4	-19.2	-9.7	-8.5
Current ratio	1.3	1.5	1.3	1.4	1.6
Gross investment, FIM million	138.6	72.8	81.7	178.2	39.9
As % of Net sales	4.1	2.3	2.5	5.8	1.4
Personnel (average)	5,038	4,760	4,680	4,201	4,400
Adjusted to full-time contracts by hours worked	3,634	3,439	3,397	3,100	3,247

\*) Account has been taken of deferred tax liability arising out of accrued depreciation and reserves.



# Rautakirja Group Operations in Brief, 1997

Finland continued to enjoy strong economic growth in both the public and private sector. Annual GDP growth rose to almost 6%, while inflation remained in check at just over 1%.

According to preliminary figures from the Finnish Central Statistical Office, domestic consumer demand recorded growth of some 3% on the previous year. The level of unemployment also declined briskly in response to the buoyant economic outlook. Within the wholesale and retail trade, too, the growth in consumer purchasing was reflected in favourable overall development, although progress remained uneven. While the FCSO statistics indicate an overall increase in the value of retail sales of 4.3%, the current consumer goods trade could only produce slightly more than half this figure, and the speciality retail trade and the kiosk trade sectors actually saw a fall in the value of sales relative to 1996. The value of wholesale sales grew by some 7.9% on the year.

## Turnover and net sales

Aggregate Group turnover, including commission sales but before the addition of indirect taxes, rose by nearly 6% from the 1996 level to stand at FIM 5,645 million.

Group net sales (which includes commission sales – lottery tickets, pools betting coupons, and bus tickets – only in respect of the commission paid) stood at FIM 3,407.7 million, up by 5.3% from the 1996 total. The growth figure can fairly be compared with the previous period, as the respective net sales totals of operations sold in 1996 and those acquired in 1997 were practically identical. Further details of sales can be found in the divisional reviews.

## Financial performance

Although Group net sales grew by some 5%, the actual increase in margin on sales was rather greater, at 7.0%, and profitability further improved as a result. Payroll costs increased roughly at the same rate as net sales. Other operating costs, however, grew slightly more than the percentage growth in net sales. Group operating margin improved by some 7.2% to reach FIM 286.6 million, representing 8.4% of the net sales figure. The improvement recorded in operating margin was attributable in great measure to the striking turnaround in the performance of Finnkinno. Positive profit growth was also shown by the Kiosk Trade's Finnish operations, and by Suomalainen Kirjakauppa.

Trading profit for the financial year was FIM 211.0 million, a growth of 6.8% on 1996.

Lowered interest rates and a reduction in liquid funds reduced the Group interest income over the year, but financial items still showed a net surplus of FIM 9.9 million.

The Rautakirja Group's result on the year was good. The Group recorded a profit before taxes and extraordinary items of FIM 220.9 million, showing growth of 2.8% on the previous year. In 1996 the "Other income and expenditure" item showed profits from the sales of shares and commercial operations to a total of FIM 19.2 million, while in 1997, following Finnkinno's withdrawal from film distribution operations, one-time depreciation has been implemented on that company's goodwill to a total equivalent to these operations, namely FIM 7.7 million. Hence the result before direct taxes is FIM 213.1 million, down by 8.9% from 1996.

After the payment of direct taxes, net profit for the year was FIM 151.9 million.

Earnings per share improved from FIM 23.76 in 1996 to FIM 24.23. Return on capital invested stood at 20.3%, where it had been 20.4% twelve months previously. Equity/share improved from FIM 145.50 to FIM 156.92.

## Investments

Group gross investments totalled FIM 138.6 million, rising somewhat from the FIM 72.8 posted in the previous period. Investments were directed primarily towards the renovation of sales outlets, to the acquisition of new premises, to furnishing and equipment investments in these, to systems investments for various units, and to corporate acquisitions.

## Financing

The Group's financial position remained good. Interest-bearing liabilities were reduced by FIM 102.4 million to stand at FIM 82.1 million at year's end. The ratio of equity and reserves to total assets moved ahead once again from 55.3% to 59.5%. Group liquid funds at year's end totalled FIM 308.8 million. Gearing was negative at –22.3%, where it had been –19.4% in 1996.

## Personnel

The Rautakirja Group employed 5,308 persons at the end of 1997 (1996: 4,648). Of these, 473 (1996: 204) were employed by Group units and subsidiaries operating abroad.

The average number of persons employed during the year grew by 278 from 1996, to 5,038 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 3,634



Turnover and net sales by trading division (FIM million)

	1997	1996	Change, %
Kiosk Division	1,597.4	1,511.8	5.7
Special Trade Division			
Suomalainen Kirjakauppa	504.0	451.4	11.7
Finnkinno	226.0	239.7	-5.7
EuroStrada	181.6	123.9	46.6
Tukkutiimi	310.0	315.5	-1.7
Internal sales	-3.3	-4.3	-23.4
Total	1,218.4	1,126.2	8.2
Press Distribution Division	774.4	753.5	2.8
Other operations	-	38.7	
Internal sales	-182.4	-192.8	-5.4
Total Group net sales	3,407.7	3,237.2	5.3
Commission sales	2,237.4	2,095.2	6.8
Group sales less tax	5,645.1	5,332.4	5.9

Trading profit by division \*) (FIM million)

	1997	1996	Change %
Kiosk Division	66.6	67.6	-1.4
Special Trade Division			
Suomalainen Kirjakauppa	24.7	21.4	15.4
Finnkinno	7.1	-13.4	
EuroStrada	4.0	4.9	-19.1
Tukkutiimi	37.2	38.9	-4.4
Total	72.9	51.8	40.7
Press Distribution Division	48.2	55.1	-12.7
Other operations	-	-0.1	
Real Estate	23.4	23.1	1.0
Group Total	211.0	197.6	6.8

\*) The trading profit figures for Group subsidiaries reflect those companies' shares of common Group expenditure, and as such the profit figures differ from those in the official financial statements of individual companies.

persons during 1997, up by 195 from the previous year. The increase in staff numbers derived from the acquisition in February 1997 of the Pizza Hut chain in Finland and from expansion of overseas operations, particularly in Estonia.

With effect from May 1, 1998 Hannu Syrjänen was appointed President and CEO of Rautakirja Oyj, on the retirement of Raimo Hertto on 30.4. 1998. Hannu Syrjänen joined the Rautakirja Group in 1989 and was formerly Executive Vice President and Director of the Special Trade Division.

Once again, the Rautakirja Group placed great emphasis on staff training in all units, with the accent on customer service-, systems-, and team training for sales personnel.

Within part of the Group organization an internal corporate image study was commissioned, the results of which began to be exploited already during the year under review. It was resolved that the in-company morale and atmosphere be monitored at regular intervals in order to develop further the positive atmosphere indicated by the study.

#### **Events following 31.12.1997**

In an agreement signed on April 7, 1998, Rautakirja sold the entire share capital of Tukkuutiimi Oy and the Swedish Tukkuutiimi AB, owners of the Tiimari chains in Finland and Sweden respectively, to the company's executive management and to capital funds administered by CapMan Capital Management Oy. The selling price was FIM 260 million. Rautakirja accrued profits on the sale of nearly FIM 200 million. The companies will pass into new ownership from April 21, 1998.

#### **Outlook for 1998**

The confidence of Finnish consumers in the nation's economy and its favourable development has remained high. Real incomes are anticipated to rise by some 3% in the course of the year now under way, and forecasts suggest that the growth in private consumption will be slightly higher than this.

The net sales of the Rautakirja Group are expected to rise by around 5% to nearly FIM 3,600 million. Group investments will rise further to FIM 180 million. Investments will be weighted both towards normal improvements to sales outlets and to Finnkinno cinemas, and above all to data processing hardware and systems investments in various units. The benefits of these investments will not be felt immediately but in future years, and hence as a result of increasing

depreciation items the Group's result on operations for 1998 is predicted to fall slightly below that of 1997. The above forecasts are drawn from the Supervisory Board's official Report on Operations. The Tukkuutiimi sale, which took place after the Report went to press, will

obviously have its own impact on the projected figures given here. Nevertheless, the gains accruing from the sale of Tukkuutiimi will naturally lift the Rautakirja Group's net profit above the level of the previous year. Tukkuutiimi's net sales for 1997 totalled FIM 310 million.

<b>Group Income Statement</b> (FIM million)	1997	1996
Net Sales	3,407.7	3,237.2
Operating margin	286.6	267.3
Depreciation	75.6	69.7
Trading profit	211.0	197.6
Financial items (net)	9.9	17.2
Profit before extraordinary items and taxes	220.9	214.8
Other income and expenditure	-7.7	19.2
Profit before taxes	213.1	234.0
Direct taxes	-61.3	-66.2
<b>Net profit for the year</b>	<b>151.9</b>	<b>167.8</b>

<b>Group Balance Sheet</b> (FIM million)	1997	1996
<b>Assets</b>		
Fixed assets and other long-term expenditure		
Goodwill & intangible assets	140.8	123.8
Fixed assets	342.0	318.8
Shares and holdings and other long-term expenditure		
Total	430.6	418.2
Inventories and financial assets		
Inventories	298.5	267.3
Receivables	198.5	216.7
Bonds and securities	69.9	70.2
Other short-term deposits	172.1	221.3
Cash	66.9	76.7
Total	805.8	852.1
Liabilities and equity	1,719.2	1,712.9
Equity		
Restricted equity	134.1	134.1
Unrestricted equity	882.8	808.7
Total equity	1,016.9	942.8
Minority interests	1.5	1.5
Liabilities		
Interest-free	618.7	584.0
Interest-bearing	82.1	184.5
Total liabilities	700.8	768.5
<b>Total</b>	<b>1,719.2</b>	<b>1,712.9</b>

<b>Group Funds Flow Statement</b> (FIM million)	1997	1996
<b>Sources of funds</b>		
From operations	221.1	213.3
Change in net working capital	33.3	-83.5
Investments in fixed assets	-138.6	-72.8
Sales of fixed assets	5.0	29.9
Cash flow before financing	120.8	86.8
<b>Financing</b>		
Increase in long-term loans	-	6.5
Reduction in long-term loans	-110.1	-85.5
Increase/reduction in short-term loans	7.6	-0.1
Dividends	-77.8	-64.8
Other items	0.2	0.4
<b>Change in liquid funds</b>	<b>-59.3</b>	<b>-56.7</b>



# Stock market performance 1997

## Shares and shareholders

Rautakirja Oyj's share capital is FIM 129,600,000, and the nominal value of shares is FIM 20. There are a total of 5,400,000 Series A shares, and 1,080,000 Series B shares. Series A and Series B shares differ from one another in terms of the voting rights they carry – Series A shares carry 20 votes and Series B shares 1 vote at the Annual General Meeting. The two series of shares entitle the bearer to equal rights to dividends.

## Development of share prices

The year to December 31, 1997 witnessed another strong performance from the Helsinki Stock Exchange. The HEX Index rose by 32.3% during the period. The bull market carried over from 1996 was sustained by the favourable developments observed in the German and U.S. economies and particularly by

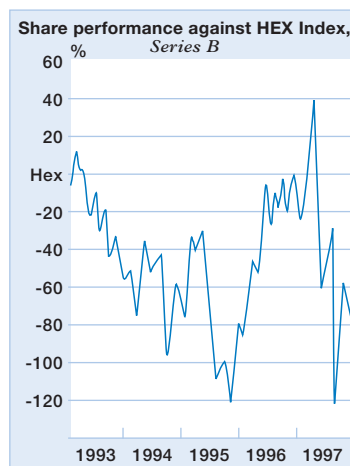
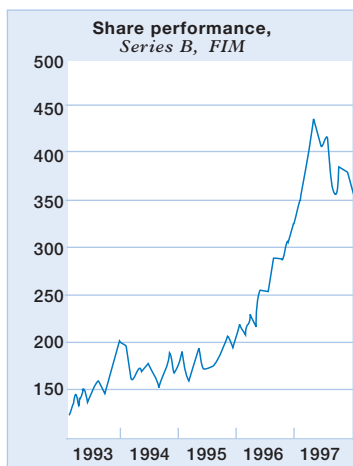
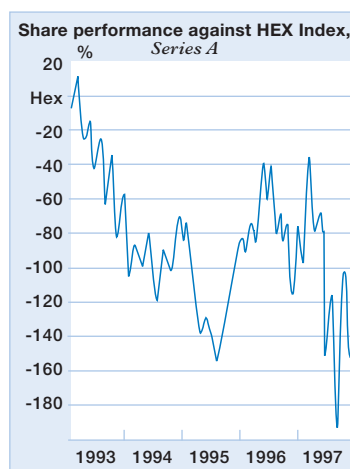
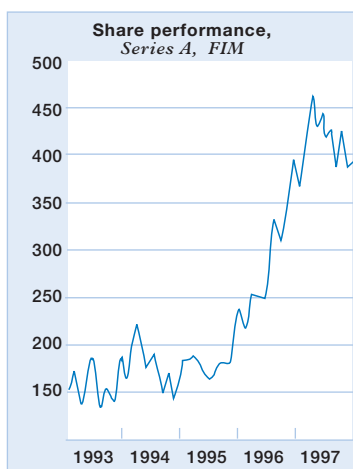
increasing domestic demand and an emerging boom in construction. In August, fears of an upsurge in the domestic rate of inflation caused a dip in prices, and this was repeated in October in response to the crisis affecting Asian markets.

Rautakirja's Series A and Series B shares showed a positive trend on the year. The increase in prices was weighted towards the spring, and share price levels stabilized towards the end of the year. Series A shares, which began the year at FIM 311, rose by year's end to FIM 390, an increase of 25.4%. Series B shares rose from FIM 305 to FIM 360, an increase of 18.0%. By comparison, the average increase for shares in the wholesale and retail trade sector on the Helsinki Stock Exchange was 20.7%. The lowest price recorded for Series A shares was FIM 310, and the high on the

year was FIM 456.70. Series B shares posted a low of FIM 315 and a high of FIM 440.

The market value of Rautakirja's share capital at year's end was FIM 2,494.8 million. The corresponding figure for 1996 was FIM 2,009 million.

Trading in Rautakirja Series A shares during 1997 was a great deal more active than over the previous period. Turnover in Series A shares totalled 442,202 shares to a value of FIM 184.3 million, as against 1996 figures of 9,286 shares and FIM 2.4 million. Trading in Series B shares was closer to the level of 1996, with 174,558 shares changing hands to a value of FIM 69.5 million, compared with 160,040 shares and FIM 38.0 million in the previous period. Trading during the year amounted to some 8.2% of Series A shares and to 16.2% of Series B shares.



# Rautakirja Oyj Shares – Statistics and Indicators

	1997	1996	1995	1994	1993	
Earnings / share, FIM *)	24.23	23.76	20.24	17.14	10.44	
Equity / share, FIM *)	156.92	145.50	129.60	117.33	106.00	
Nominal dividend / share, FIM						
Series A & B	12.50 **)	12.00	10.00	8.00	4.80	
Dividend / earnings, % *)	51.6	50.5	49.4	46.7	46.0	
Effective dividend yield (year-end), %						
Series A	3.2	3.9	4.3	4.3	2.7	
Series B	3.5	3.9	5.1	4.6	3.2	
P/E ratio *)						
Series A	16.1	13.1	11.4	10.8	17.3	
Series B	14.9	12.8	9.7	10.2	14.5	
Share performance, FIM						
Series A	Year average	417	260	191	186	165
	Low	310	215	166	161	137
	High	457	325	230	215	190
	Year-end price	390	311	230	185	181
Series B	Year average	398	237	183	178	144
	Low	315	197	160	149	115
	High	440	310	210	203	165
	Year-end price	360	305	196	175	151
Market value of shares, FIM million						
Series A	2,495	2,009	1,454	1,188	1,140	
Series B	2,106	1,679	1,242	999	977	
Series B	389	329	212	189	163	
Trading in shares						
Series A	442,202	9,286	28,166	433,797	23,343	
Series A, %	8.2	0.2	0.5	8.0	0.4	
Series B	174,558	160,040	180,298	283,311	313,860	
Series B, %	16.2	14.8	16.7	26.2	29.1	
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.						
	741	770	845	893	1,094	
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	

\*) Account has been taken of deferred tax liability arising out of accrued depreciation and reserves.

\*\*\*) Proposal by Supervisory Board.

\*\*\*) There were no stock issues between 1993–1997.

## Rautakirja Oyj – Shareholders according to the Share Register at 31.12.1997

	Series A	Series B	% holding	% voting rights
Werner Söderström Osakeyhtiö – WSOY	1,690,256	365,574	31.73	31.33
Sanoma Osakeyhtiö	1,266,182	220,067	22.94	23.42
Oy Karl Fazer Ab	581,171	93,856	10.42	10.74
Pohjola Insurance Company	552,415	–	8.52	10.13
Kustannusosakeyhtiö Otava	547,056	851	8.46	10.03
Else Branders	197,700	35,000	3.59	3.66
Suomi Mutual Life Insurance	150,000	–	2.31	2.75
Nova Life Insurance	89,300	24,700	1.76	1.66
Suomalaisen Kirjallisuuden Seura	72,545	19,609	1.42	1.35
Ilmarinen Pension Insurance	69,000	30,200	1.53	1.29
Ten largest shareholders, total	5,215,625	789,857	92.68	96.35
Nominee-registered shares	3,050	10,200	0.20	0.07
Other shareholders, total	180,758	279,774	7.11	3.57
Shares not yet transferred to book entry system	567	169	0.01	0.01
Total	5,400,000	1,080,000	100.00	100.00

# Group Management



*The Rautakirja Supervisory Board Jaakko Rauramo (front left) and Antero Siljola (front right); Felix Björklund, Jukka Rantala, and Olli Reenpää (back, left to right).*



*The Rautakirja Group Executive Board (from 1.5.1998) Matti Salmi, Hannu Syrjänen, and Markus Miettinen (front, left to right), and Timo Mänty, Raimo Kurri, and Erkki Järvinen (back, left to right).*

## *Rautakirja Supervisory Board*

### **Jaakko Rauramo**

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

### **Antero Siljola**

1997-2000  
vice-chairman,  
Chairman, Werner Söderström Osakeyhtiö  
1988\*

### **Felix Björklund**

1996-1999  
Managing Dir., Oy Karl Fazer Ab  
1993\*

### **Olli Reenpää**

1995-1998  
Managing Dir.,  
Kustannusosakeyhtiö Otava  
1980\*

### **Jukka Rantala**

1995-1998  
Research Dir.,  
Pohjola Insurance Company  
1995\*

\* Joined Rautakirja Supervisory Board

## *The Rautakirja Group Executive Board*

From 1.5.1998 onwards:

### **Hannu Syrjänen, 46,**

President, CEO  
1989\*\*

### **Erkki Järvinen, 38,**

Senior Vice President, Kiosk Division  
1997\*\*

### **Raimo Kurri, 44,**

Senior Vice President,  
CEO of Suomalainen Kirjakauppa  
1989\*\*

### **Markus Miettinen, 49,**

Senior Vice President,  
Press Distribution Division  
1974\*\*

### **Timo Mänty, 38,**

Senior Vice President, CEO of Finnino  
1996\*\*

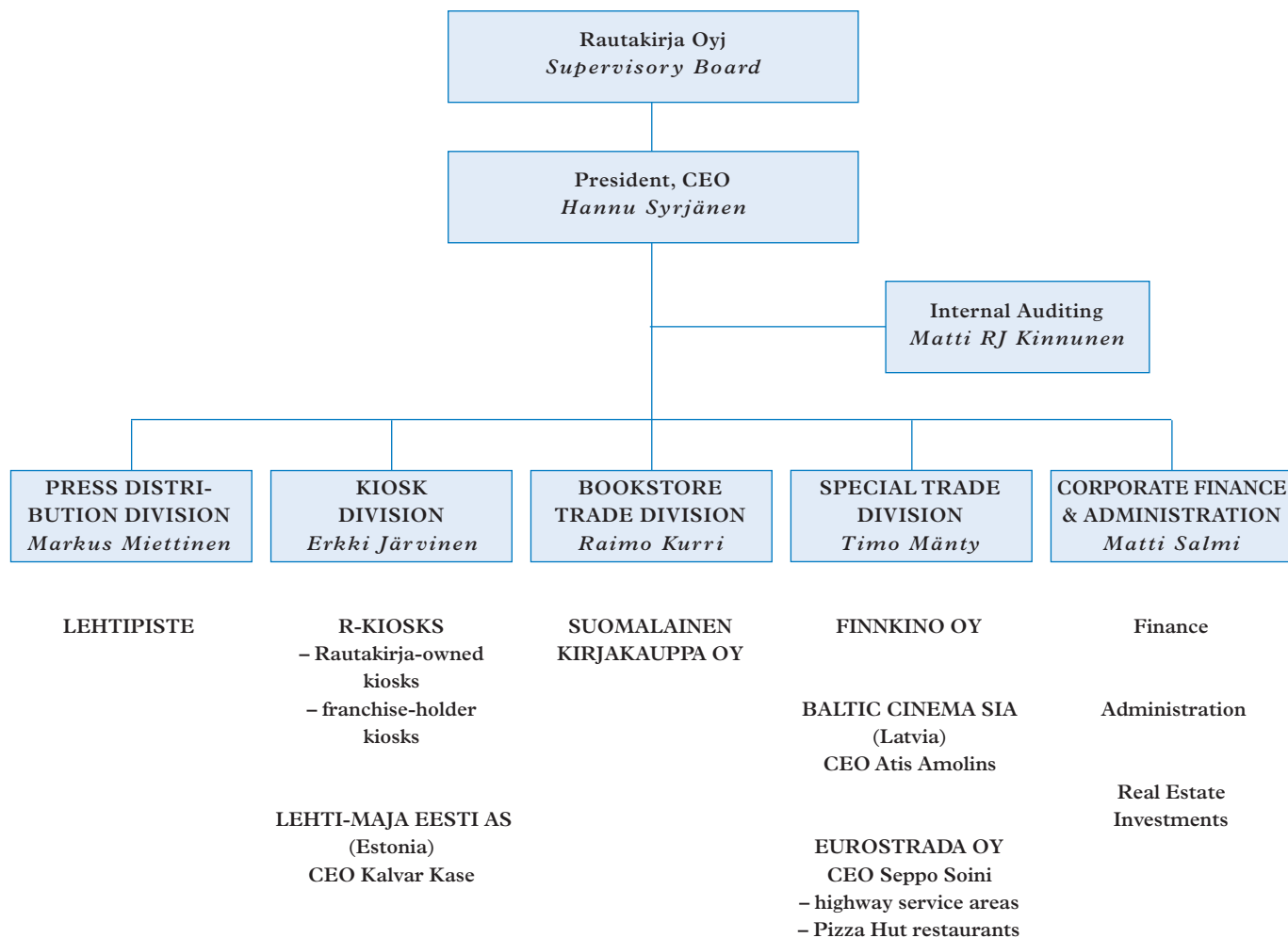
### **Matti Salmi, 48,**

Senior Vice President,  
Corporate Finance & Administration  
1988\*\*

\*\* Joined Rautakirja Group



# Organization 1.5.1998



# Reports from Profit Centres



## R-KIOSKS



The R-Kiosks form a nationwide, centrally-administered kiosk chain, offering consumers entertainment, excitement and pleasure from morning until evening.

While the value of retail trade for the country as a whole grew by 4.3% during 1997, kiosk sales declined by 1.7%, continuing the downward trend of 1996. The R-Kiosk chain defied the pessimistic mood and significantly increased its market share by lifting aggregate turnover to FIM 3,787.2 million, an increase of 5.7%, even though the actual number of outlets fell by 13 to 736 at year's end. Of these, 479 were owned and operated by Rautakirja and 257 were in the hands of franchise-holders. Sales improved both on the commission front and in actual product sales.

The long-awaited adjustments to Finnish kiosk legislation came into effect from the spring, launching a vigorous campaign to develop the kiosk concept further. As the average size of

kiosk outlets grew, it was possible to introduce and display attractively an increasingly broad product assortment. The kiosk product range was expanded particularly in the direction of a more diversified foodstuffs assortment. At the same time, kiosks designed with the new concept in mind were fitted with counters for coffee & home bakery/fast food items, for consumption on the premises or as take-aways.

As the numbers of small neighbourhood stores continued to decline in favour of large hypermarkets, kiosks grew in importance as a place to stock up on missing items. The kiosk's principal competitive advantages were once again ease of access, personal service, and flexible opening hours. Advertising was directed particularly towards young, active adults and to family-members looking to fill gaps in their kitchen cupboards.

Considerably energy and investment went into kiosk cash register systems. By the end of 1997 electronic cash registers had been installed in 131 R-Kiosks, and in the remainder of Rautakirja-owned kiosks the system will be up and running in the course of the current year. Systems installation work will begin in franchise-holder kiosks from the autumn of 1998, and will eventually embrace the entire chain. This is the most far-reaching information systems project ever undertaken within the Rautakirja Group.

The launching of the cash register project was naturally accompanied by large-scale staff training programmes. Staff training has also dealt specifically with the development of service- and kiosk management skills. Within the Division, the number of training days during the year worked out at approximately one for each individual working in the R-kiosks.

Net sales for R-Kiosks, which include only the retailer's commission component of commission sales, totalled FIM 1,575.4 million, an increase of 4.8% from 1996. Trading profit stood at FIM 69.2 million.

The Kiosk Division employed an average of 2,525 persons in 1997, 68 fewer than in the previous year. From the beginning of 1997 the profit-centre has been headed by Erkki Järvinen.



## LEHTI-MAJA EESTI AS

Lehti-Maja Eesti AS is engaged in kiosk trade and wholesale sales of newspapers and magazines in Estonia. At the end of 1997 there were 108 R-Kiosks in operation in the country. The number of kiosks increased more than ten-fold over the year as a result of company acquisitions, in which regional kiosk groupings were fused into the R-Kiosk chain and brought into line with the principles of R-Kiosk chain operations. In February 22 kiosks were acquired from the Pärnu area, and in April a further 7 were added. An agreement signed in July saw the addition to the Lehti-Maja Eesti family of 66 more kiosks operating in Central and North-East Estonia. A further three new convenience store kiosks were opened during the year. By the end of 1997 the newly acquired kiosks had all been incorporated into the chain and

decorated in the traditional R-Kiosk livery.

In order to be able to support the greatly increased flows of goods to the R-Kiosks in Estonia, a new central warehouse was opened in Tallinn in September, which handles all goods traffic for the entire chain, with the exception of refrigerated items. Deliveries of newspapers and magazines to the R-Kiosks and to Lehti-Maja Eesti AS's outside customers takes place through a the company's own dispatching depot in Tallinn.

The expansions in operations that took place during the year have considerably improved the market position of the R-Kiosks in Estonia, and have made it the leading chain in the country, and the only one having a nationwide spread.

Net sales in 1997 totalled FIM 22.0 million (EEK 58.7 million), almost three times the previous year's figure. The company posted a trading loss of FIM 2.6 million (EEK 7.0 million).

Lehti-Maja Eesti AS employed an average of 201 persons, an increase of 153 on the year, and at year's end the company employed 299 persons. Lehti-Maja Eesti AS is headed by Managing Director Kalvar Kase.

## LEHTIPISTE



Rautakirja's Lehtipiste operations are centred on wholesale sales of Finnish and foreign newspapers and magazines. The profit-centre provides a nationwide distribution system for newsstand copies of magazines and newspapers, delivering roughly 2,000 different titles to a network of more than 8,500 outlets across the country.

The aggregate value of newsstand sales (at cover prices) rose by some 3.6% on the year to reach FIM 1,179.9 million. In terms of numbers sold, the figures show an increase of 2.8%. The growth in the value of sales was slightly higher than that recorded for current consumer goods.

Sales of newspapers totalled FIM 572.2 million, up by 3.5% on 1996. Sales volume also grew, by 4.1%, to reach 98.1 million copies.

Magazine sales moved ahead by 3.7% to FIM 607.7 million. Overall sales volume was down slightly, however, totalling 31.4 million copies (1996: 31.7 million).

Sales of foreign periodicals and magazines increased by 11.5% at cover prices to FIM 90.7 million, while the volume of sales was also up by 8.2% to 3.2 million copies. Sales of foreign newspapers turned round the decline of the previous year and grew by 8.8% to FIM 8.4 million at cover prices, with sales volume gaining 7.5% to reach 0.7 million copies.



Newsstand sales grew most strongly in large-scale current consumer goods outlets such as large supermarkets and hypermarkets, a trend that was also furthered by the structural changes taking place in the retail trade. Accordingly, display points in these large units were subject to a variety of sales promotion campaigns during the year.

Over the entire country, Lehtipiste had a total of 8,527 newsstand displays, nearly 100 more than at the end of 1996.

Net sales for the Lehtipiste profit-centre stood at FIM 774.4 million, up by 2.8% from 1996. At the trading profit level, Lehtipiste recorded a surplus of FIM 48.2 million, down by 12.7% from the previous year. In 1996 the result included extraordinary items totalling FIM 3.5 million which boosted that year's performance.

The Press Distribution Division employed an average of 206 persons (1996: 204) during the year, and the division was headed by Markus Miittinen.



## SUOMALAINEN KIRJAKAUPPA OY



Suomalainen Kirjakauppa is Finland's largest nationwide bookstore chain. The unit's aim is to be a speciality bookstore chain combining a wide assortment and a high degree of professional skill.

Retail sales via the Suomalainen Kirjakauppa outlets grew clearly more rapidly than in the bookstore trade as a whole. The chain increased its market share. The vigorous growth in sales was fuelled in particular by successful marketing campaigns, by clearance sales in February and October, and by brisk Christmas business. Growth was recorded in all product categories, but the most favourable results were achieved in sales of CD-ROM products. CD-ROM sales were more than double the figures for 1996. The roughly 6% increase in sales of office supplies was in line with the branch as a whole, while sales of fiction and non-fiction books were well above

the overall trend in the market.

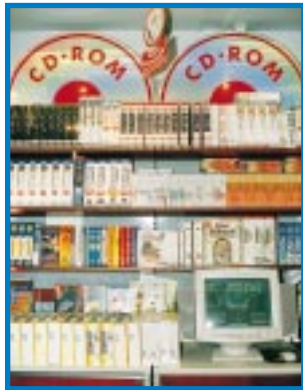
In the course of the year Suomalainen Kirjakauppa expanded its chain on two fronts, through corporate acquisitions and by opening new outlets. In January Suomalainen Kirjakauppa opened Finland's first specialized multimedia store – named Dose – in downtown Helsinki. At the end of the financial year, the Suomalainen Kirjakauppa chain comprised 50 stores.

Following an agreement signed in October, Suomalainen Kirjakauppa bought from Oy Stockmann Ab six regional Academic Bookstore outlets, a move that is in line with the company's objectives of building a nationwide bookstore chain. These have been trading under the Suomalainen Kirjakauppa banner from the beginning of the current year.

The company recorded aggre-

gate net sales (including retail and direct sales) of FIM 504.0 million, a growth of 11.7% from the figure for 1996. Suomalainen Kirjakauppa posted a trading profit of FIM 24.7 million, an improvement of 15.4% on the previous year's performance.

Suomalainen Kirjakauppa employed an average of 543 persons during the financial year, an increase of 49 on the previous year. The unit was headed by Raimo Kurri as Managing Director.



## EUROSTRADA OY



EuroStrada Oy's operations are divided among two specific sectors: EuroStrada service areas and Pizza Hut restaurants. The highway service areas offer café-, restaurant-, and service station facilities, with a total of 8 outlets located primarily on busy road sections or by major highways and operated jointly with different oil companies.

While motor fuel sales across the country grew by 2 or 3% from the 1996 level, EuroStrada recorded a handsome increase of around 11% in sales volume. EuroStrada café and restaurant sales also performed well, recording an increase of some 12%, and aggregate turnover in the service area sector was up by 12.3% to FIM 139.1 million.

Following an agreement signed in January 1997, at the beginning of February EuroStrada acquired from Sentra Oy 10 Pizza Hut restaurants. At the same time EuroStrada entered into-cooperation with the American company Pepsico Restaurants International (now Tricon Restaurants International)

on the expansion of Pizza Hut operations in Finland. One new outlet was opened during the year. After the close of the year under review, EuroStrada has reached agreement with Tricon Restaurants International on the launching in Finland of the Kentucky Fried Chicken restaurant chain, and this will take place during 1998.

EuroStrada's net sales stood at FIM 181.6 million, a growth of 46.6% on the previous year. The greatest share of the increase comes from the addition of Pizza Hut operations from February 1997 onwards. The company's trading profit was FIM 4.0 million, representing a decline of 19.1% on 1996 figures.

EuroStrada employed an average of 475 persons during the year, 220 more than in the previous period. The company was headed by Managing Director Seppo Soini.



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## TUKKUTIIMI OY



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

Within Tukkutiimi the year under review was to a great extent spent in reaping the benefits of work carried out earlier on the marketing and chain operations fronts, and in returning the product assortment to the traditional Tiimari range from the early 1990s. As expected, the change in the product assortment resulted in a slight drop in net sales.

The Tiimari chain was developed during the year through the acquisition of better locations and premises for stores, and by establishing new outlets. At the end of 1997 there were 138 Tiimari outlets, five more than in the previous year. Of these, 64 were wholly-owned and 74 in the hands of franchised shopkeepers.

Tukkutiimi Oy recorded net sales of FIM 282.5 million, a decline of 2.7% on the previous year's total. Trading profit stood at FIM 37.8 million, down slightly from the 1996 figure of FIM 38.6 million.

During the year, the company employed an average of 467 persons (1996: 454) under Managing Director Kiia Enqvist.



## TUKKUTIIMI AB

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

The year in Sweden saw the continued development of chain operations along the lines of the Finnish Tiimari model. At the same time, the company's resources were strengthened in order to allow for further growth. In the course of the year a further three new outlets were opened, bringing the total to 17, all of them wholly-owned by Tukkutiimi AB.

Net sales for 1997 totalled FIM 43.4 million (SEK 63.9 million), showing growth on the year of 14.4%. The company recorded a trading loss of FIM 0.6 million.

Tukkutiimi AB employed an average of 109 persons during the year, up by 18 from the previous year. The company was led by Managing Director Jarkko Kaalikoski.

## FINNKINO OY



In accordance with the new operating strategy drafted in 1996, Finnkino concentrated its attentions on cinema operations in the year under review. The handing-over of the bulk of the company's former film distribution activities follows a general European trend, in which the large multinational film studios handle the distribution of their own products while national operators concentrate on developing cinema operations. In addition to these operations, Finnkino continued its video sales activities, and the subtitling of foreign films for screening in Finland through its subsidiary Interprint Oy.

At the end of 1997 Finnkino had 26 cinemas in 9 cities, with a total of 73 screens. The number of movie theatres declined by four over the year, and the number of screens by eight.

Alongside its operations in the domestic market, Finnkino has a Latvian subsidiary Baltic Cinema SIA, which owns two cinemas in Riga. One of these was re-opened in August after extensive renovation, and operates as a high-quality 2-screen cinema complex. Baltic Cinema SIA also engages in film distribution operations within its own market area.

Aggregate cinema attendances in Finland would appear to have bottomed out at last, and are on the increase. In 1997 they totalled roughly 5.9 million, up appreciably from 5.5 million in 1996, which was itself an improvement on the previous year. Finnkino's growth was slightly less than the overall trend, as a result of the decline in cinemas owned. Net sales for cinema operations nevertheless grew by 5.6%.

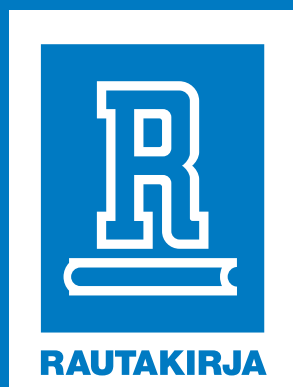
In the summer, Finnkino signed an agreement with the City of Helsinki for the conversion of the so-called "Tennis Palace" building into a large multi-screen cinema & entertainment complex. When it opens in November 1998, the site will house a 14-screen cinema with restaurants and other services, and two museums. Similar plans for multi-screen "studio" cinema complexes have also been set in motion in Pori and Tampere.

Owing to the changes that took place in the company's commercial strategy and interests, net sales by Finnkino declined by 5.7% to FIM 226.0 million. After several years of negative trading, Finnkino produced a trading profit of FIM 7.1 million on the year.

An average of 431 persons were employed during the year (1996: 523). The company is headed by Managing Director Timo Mänty.







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