



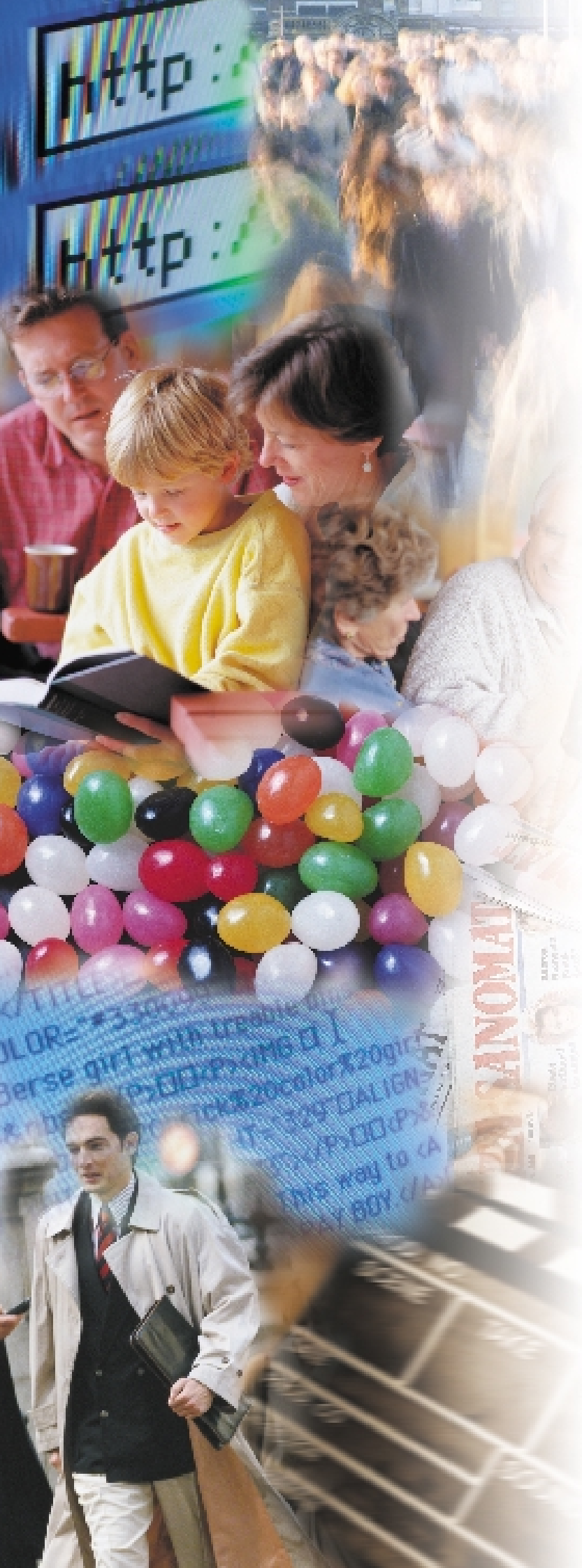
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ANNUAL REPORT 1999



The Rautakirja Group is a Finnish trade and service company with an increasing interest in international operations. The basis for all the group's operations lies in the consumer's needs. The Rautakirja Group specializes in the key areas below:

- wholesale and retail trade in newspapers and magazines, and
- specialized retail trade based on a firm foundation of:
  - nationwide coverage
  - chain operations
  - centralized chain management
  - strong market position

### ***Annual General meeting of shareholders***

Rautakirja Oyj's Annual General Meeting will be held on Thursday April 13, 2000 at 15.00 in the Tennis Palace at Salomonkatu 15, Helsinki.

Attendance should be announced no later than 11.4.2000 by contacting Helena Apo at +358-9-852 8404 (09-852 8404 inside Finland).

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### ***Financial Information and Publication Schedule***

In addition to this Annual Report, Rautakirja will publish three quarterly interim reports for the year 2000. The first will appear on 8.5.2000, the second (covering six months) on 8.8.2000, and a third-quarter report will be released on 6.11.2000.

Annual Reports and Interim Reports are also visible from the Rautakirja website at [www.rautakirja.fi](http://www.rautakirja.fi). Printed reports can be ordered directly from this site or by contacting Rautakirja Oyj/Information, Box 1, FIN-01641 Vantaa, Finland.

## 1999 IN BRIEF

- Rautakirja Oyj launched a cooperative venture in Latvia with Narvesen ASA, involving kiosk and cosmetics retail trade and café operations.
- Finnkino Oy purchased 90% of the leading Estonian film distribution and cinema company AS MPDE (Motion Picture Distribution of Estonia).
- Rautakirja strengthened its involvement in the entertainment and leisure-time sector by acquiring a 21% holding in Jokerit HC Oyj.
- Suomalainen Kirjakauppa Oy acquired the commercial operations of Pohjalainen Kirjakauppa Oy, formerly a member of the Info chain of stores, with the change of ownership taking effect from 1.4.1999.
- As a result of recent purchases by Suomalainen Kirjakauppa, during the spring Rautakirja's holding in Kirjavälitys Oy exceeded the 20% threshold, and Kirjavälitys Oy thus became an affiliated company of the Rautakirja Group.
- In the course of the year Finnkino Oy opened its first three multiscreen cinemas. The 14-screen cinema and entertainment centre at Helsinki's former Tennis Palace was opened in February, the 10-screen Plevna Cinema in Tampere opened in April, and November saw the opening of the 5-screen concert and cinema complex Promenadikeskus in Pori.
- From May 1, 1999 Rautakirja Oyj became a subsidiary of the newly-created company Sanoma-WSOY Oyj, formed by the merging of the operations of Sanoma Corporation, Werner Söderström Osakeyhtiö, Helsinki Media Company Oy, and Oy Devarda Ab.
- Lehtipiste opened up its new web-site in August ([www.lehtipiste.fi](http://www.lehtipiste.fi)).
- In September Suomalainen Kirjakauppa Oy opened its online bookstore ([www.suomalainen.com](http://www.suomalainen.com)), with Finland's largest selection of domestic titles.
- In October Rautakirja acquired 80% of Veikkausrasti, the country's leading retail chain specialising solely in gaming products. Veikkausrasti operates 52 gaming outlets.
- Again in October, Lehti-Maja Eesti AS purchased two major kiosk chains in Estonia. As a result of the deal the number of R-Kiosks in Estonia almost doubled to nearly 200. At the same time Rautakirja established a press distribution company - AS Lehepunkt - with Estonia's largest newspaper publisher AS Ekspress Grupp.
- The R-Kiosks launched a six-month pilot project in cooperation with the Leonia Bank to provide banking services in four kiosk outlets.
- In December Rautakirja Oyj acquired a 10% stake in the Norwegian listed company Narvesen ASA. Following the stock purchases, Rautakirja became Narvesen's second-largest shareholder.
- Also in December, Finnkino's Estonian subsidiary AS MPDE signed a contract to build the first multiplex cinema in the Baltic States. The aggregate value of the investment in downtown Tallinn is EEK 160 million.

	1999	1998	Change, %
Group total sales, FIM million	5,881.7	5,793.8	1.5
Net sales, FIM million	3,478.3	3,422.9	1.6
Profit before extraordinary items, FIM million	221.1	204.0	8.4
Profit before taxes, FIM million	221.1	394.0	-43.9
Earnings per share, FIM	23.83	21.98	8.4
Return on capital invested, %	17.4	17.5	
Gearing, %	-23.3	-44.2	
Personnel, average	5,006	4,970	0.7
Gross investments, FIM million	428.6	188.0	128.0

## REPORT BY THE CHIEF EXECUTIVE OFFICER

For Rautakirja, the last year of the millennium saw the posting of the best operating result in the Group's nearly 90-year history. This was in spite of a slowing down in growth in trade, particularly in the early months of the year.

An increasingly large share of the money at the disposal of consumers was directed away from goods purchases. Among the competitors for the consumers' purse-strings were telecommunications and a range of electronic network & information society services.

The good result on the year was achieved by focusing our efforts on developing basic commercial operations and by adjusting our cost structure to the changed earnings prospects, without losing sight of development for the future and investment in future growth.

There were no changes in the Group structure, and all units were developed on an equitable basis.

The fusion of our two largest shareholders took effect in May, and the change in the ownership structure of the company was evident already by year's end in the shape of improved risk management capabilities. One indicator of this can be seen in our investment in the Norwegian listed company Narvesen ASA, and Rautakirja is now the second-largest owner of this concern.

Rautakirja's strategy remains to operate as a customer-oriented trade and services enterprise, concentrating on wholesale and retail press distribution and chain-administered speciality retail trade.

Sound profitability and a good return for the company's owners have always been among the most important Group priorities. In order to achieve this in the longer term, it will be necessary for us to expand. Growth will be sought both inside Finland itself and from foreign markets, with the accent on internationalising of operations. Our expansion abroad will take place above all in the kiosk- and press distribution sector and in cinema and entertainment-related operations.

Our perspective is that commercial operations geared to leisure-time activities will in the near future become a focus of interest for consumers and investors alike.

In the course of 1999 we laid the foundations for future growth with a number of investments, corporate purchases, and share acquisitions. During the

year now under way we shall for instance more than double our net sales in the Baltic States region.

The striking arrival on the scene of the "new economy" has changed the basic structures of trade and commerce. Traditional retail trade sectors will have to ready themselves for change, if necessary through some profound rethinking and acclimatisation to new conditions. At the same time it is necessary to envision one's own role and scope for advance in the new business environments.

The spread of e-commerce on the goods front will require smooth logistics systems. The Rautakirja Group has several suitable elements for development on this front. The pick-up points model developed within the Kiosk Division will serve future e-commerce and mail order needs. Suomalainen Kirjakauppa opened its own online bookstore ([www.suomalainen.com](http://www.suomalainen.com)) in September 1999, and the initial results have been favourable. Finnkino is constantly developing its own network services. As client databases become more sophisticated, the dialogue with regular customers promises to create an entirely new platform for commercial operations.

At the same time as electronic commerce reduces the physical need for traditional sales outlets, it also alters them increasingly in the direction of places that supply an experience. A good example of this is the way in which cinemas have developed around the world. Today they are much more than seats and screens, and have become entertainment and experience centres. The Rautakirja Group opened three such "experience centres" in Finland during 1999 and also began work on the Baltic States' first multiscreen cinema & entertainment complex in Tallinn.

The service needs of the customer change radically and at an often dizzying pace. Recognising these needs and reacting to them demands more and more from our staff. The development of the Group's personnel, both in terms of

training and in their working conditions, has been placed alongside profitability and growth as one of our prime areas of commitment. Operations are developed on the basis of regular in-house morale and atmosphere studies. The Group is embarking on an unprecedented drive towards staff training. Personnel have responded to the project with great enthusiasm. By the same token, a developing workforce also deserves its share of the results achieved through its efforts. Incentive profit-sharing schemes embrace the entire workforce and they are being developed still further.

I should like to take this opportunity of thanking our customers and partners for their confidence in our operations over the past twelve months.

The thanks for the record profit before extraordinary items belongs above all to those who made it possible - to the more than five thousand skilled professionals of the Rautakirja Group.

*Hannu Syrjänen*  
President and CEO





## REPORTS FROM PROFIT CENTRES

### R-KIOSKS IN FINLAND



The R-Kiosks form a nationwide, centrally-administered and profitable chain of outlets offering consumers entertainment, excitement and pleasure alongside basic everyday consumer items and services from morning until late evening. At the end of 1999 there were a total of 729 kiosks in Finland, with 477 of these owned and operated by Rautakirja and 252 in the hands of franchise-holders. The aggregate number of R-Kiosks fell by one on the year.

The financial year reviewed here differed strikingly from the past few years owing to changes observed in consumer behaviour. Throughout the early months of 1999 sales were weaker than had been forecast and fluctuations from one month

to the next tended to make predictions difficult. Hence it was decided at an early stage to introduce tight controls on costs in order to safeguard profitability. The business idea of the chain was fine-tuned by accentuating the basic products in the R-Kiosk assortment and the lengthy opening hours. The volume of customers and the size of the average purchase remained more or less unchanged from the previous year. This otherwise positive trend in customer throughput was hampered throughout the early months of the year by smaller sales of Veikkaus gaming items. A total of around 120 million customer visits resulted in sales through the chain's kiosks. According to a national "Finland Today" study, the R-Kiosks remain Finland's most-used retail chain and scored the second-highest consumer approval rating of all retail chains in the country.

The R-Kiosk concept was developed further during the year and the number of mini-market convenience store kiosks rose to nearly 100. At the end of 1999 there were only 33 of the old traditional "window-counter" models of kiosk in operation, the remainder having been converted to walk-in kiosks.

The installation of the electronic cash register system across the R-Kiosk chain (including franchise-holder kiosks) was completed in November. At the same time development continued on background monitoring systems to enable more rapid and accurate use of sales information in chain management, product-line administration, and in cooperation with suppliers. In the course of the year planning-work also got under way on the development of a comprehensive pick-up point scheme for use with e-commerce and mail order operations in the R-Kiosk chain as a whole. New data systems and the nationwide reach of the chain give this new departure every chance of success. The

R-Kiosks are ideally suited as a distribution network for goods ordered by mail or through online services.

In November the R-Kiosks launched a six-month pilot programme with Leonia Bank intended to explore how banking services might be applied as one part of the kiosk service assortment. The project was set up in four kiosks located in Tampere and the Greater Helsinki area. Initial results have been quite favourable.

At much the same time, an Internet terminal automat experiment was launched in fifteen kiosks in the Greater Helsinki area, allowing self-service net access inside the kiosks.

For the second year in succession, the traditional press and radio & TV advertising campaigns were accompanied by a higher profile for the R-Kiosks at large mass events. Young people in particular were singled out during the year, and hence the R-Kiosk logo was seen prominently at a variety of large events for the young.

Staff training programmes were once again the object of concerted efforts throughout the chain. In addition to necessary data systems training, the accent was on service and on better management of a variety of in-kiosk customer situations.

Finland has traditionally been a fairly peaceful country, but in response to a rather disturbing increase in the number of store hold-ups and other signs of social distress, the entire chain took decisive steps to improve the security of staff and property with new technical investments and staff security training.

Net sales through the R-Kiosks, which include only the retailer's commission component of commission sales (Veikkaus gaming items and bus tickets), totalled FIM 1,686.1 million. This marked an increase of 0.6% from 1998. Trading profit stood at FIM 76.9 million, up by 1.4%.

R-kiosk investments totalled FIM 55.6 million, a decline of 9.9% on the previous year. The main weight of investments was in bringing outlets into line with the new convenience store concept, in expanding the cash register system to



embrace the entire chain, and in development of background monitoring systems.

The Kiosk Division in Finland employed an average of 2,536 persons in 1999, 36 more than in the previous period. From the beginning of 1997 the profit-centre has been managed by Senior Vice President Erkki Järvinen.

It is estimated that there are slightly more than 2,500 kiosks in operation around Finland. The R-Kiosks' customer volume and the size of the average purchase are markedly greater than in other kiosks. Nevertheless, competition in the marketplace continues to stiffen, as retail opening hours have been relaxed and filling stations have vigorously developed their sales concepts and product assortments. Then again, the R-Kiosk chain has as a fundamental strength the nationwide reach that enables it to carry out certain basic functions that have otherwise become less accessible as store-units have grown larger and the overall number of retail outlets has declined. In the future the R-Kiosks will be paying very close attention to the expansion of its range of services to the consumer.

#### LEHTI-MAJA EESTI AS R-KIOSKS IN ESTONIA



In the course of the year Lehti-Maja Eesti AS carried out extensive work on developing the kiosk concept and improving profitability. From December 1999 onwards the company's operations were directed solely to the kiosk trade, after a new company - AS Lehepunkt - was set up in collaboration with Estonia's largest newspaper publisher AS Ekspress Grupp to handle wholesale press distribution activities.

Following the acquisitions made in October, the number of kiosks operated by Lehti-Maja Eesti almost doubled. The company bought from AS Ekspress Grupp

the country's second-largest kiosk chain, Plusspunkt. The Plusspunkt chain comprised 75 kiosks, most of them in the Tallinn area, and had annual net sales of roughly EEK 70 million. Lehti-Maja Eesti also purchased a further 23 kiosks from TRC Tubaka AS. These last-mentioned units are located in the Tartto and Pärnu areas. At year's end there were 189 active R-Kiosks in Estonia, an increase of 83 from the beginning of the year.

In spite of difficulties besetting the economy in Estonia, sales through the R-Kiosks developed well in all product categories. The R-Kiosks emerged from the year as a major trading force on the Estonian market. According to an Estonian consumer study, the R-Kiosks form the country's leading kiosk chain, and the research results showed particularly positive public responses to the ease of access of outlets and the diversity of the product assortment.

Owing to the purchases in the fall, the last months of the year saw the company paying particular attention to the harnessing of new units into the chain concept. This work will naturally continue during the year now in progress. At the same time, the efforts on behalf of staff training were maintained both at the kiosk level and in the chain management organisation.

Lehti-Maja Eesti AS recorded net sales of FIM 53.2 million, an increase of 28.4% on 1998. The units purchased at the end of the year contributed around FIM 5 million of the overall net sales figure. The company posted a trading loss of FIM 3.1 million. Nevertheless, the company's operations have been put on the right track in terms of development and profitability, as twelve months previously the loss was FIM 5.2 million. Investments rose sharply from FIM 1.4 million to FIM 14.4 million as a consequence of the purchases made during the year.

Lehti-Maja Eesti AS employed an average of 353 persons during the year, an increase of 20 from 1998. The influence of the substantial influx of new units is not very significant in these average figures, owing to the late date of their arrival. At year's end the company employed 494 persons, and was headed by CEO Kalvar Kase.

The current financial year will see Estonian operations further developing the kiosk concept and the common image of outlets, adding to the number of walk-in kiosks, and as a new departure, there will be additional kiosk outlets opened in shopping malls now approaching completion. The year will also see more nationwide advertising, with TV commercials as the primary media channel. The R-Kiosk chain does not have any nationwide competitors in Estonia, but the country has a good many privately-owned kiosks. At the same time the country is undergoing a strong process of chain-organising within the current consumer goods sector, and this will create additional competition.



The aim of the R-Kiosks is to strengthen their position as the leading kiosk chain in Estonia in spite of the stiffening of the competitive situation.

## VEIKKAUSRASTI OY



Veikkausrasti is Finland's leading retail chain specializing solely in gaming products. In October Rautakirja acquired 80% of Yxplus Oy, the company administering Veikkausrasti operations. In late January 2000, after the end of the period, the Trade Register ratified the company's change of name to Veikkausrasti Oy.

With this purchase Rautakirja materially strengthened its position as the country's leading sales channel for gaming and betting products, and increased its market share of Veikkaus-operated games by 6%-points to 43%. Veikkausrasti will continue to operate as a separate company under its own name, and will be developed specifically as a channel for the distribution of betting products.

The chain of 52 betting shop- and kiosk outlets (five of them in the hands of franchise-holders) recorded year-on-year aggregate turnover of around FIM 400 million prior to the deal with Rautakirja, and net sales of FIM 70 million. The chain's operations affected the Rautakirja Group's 1999 figures only in respect of the last two months of the year. Net sales for this period totalled FIM 16.2 million.

At year's end Veikkausrasti employed 209 persons. Veikko M. Vuorinen will continue as a minority shareholder in and CEO of Veikkausrasti Oy.

The Veikkausrasti chain's operations will be developed in the future, making use of Group synergies.

## LEHTIPISTE



Lehtipiste is a marketing and distribution organisation for newsstand copies of Finnish and foreign magazines and newspapers. As the principal wholesaler in this sector, Lehtipiste delivers roughly 1,500 different titles to a network of nearly 8,400 outlets across the length and breadth of Finland.

In 1999 the value of Finnish newsstand sales at cover prices grew by some 4.0%. The newspaper and magazine trade generally follows fairly closely the sales trend in the retail sector as a whole, although during the year under review it moved ahead slightly more forcefully. Aggregate sales volume in terms of copies fell slightly, by 0.2%.

Sales of newspapers totalled FIM 628.5 million, up by 6.5% on 1998. Sales volume grew by 1.3%, to reach 101.2 million copies. The growth that was recorded was attributable in the main to positive circulation results from two evening newspapers, but the domestic dailies also increased their newsstand sales somewhat.

Magazine sales showed growth of 1.8% to reach FIM 664.1 million. Overall sales volume fell away after the previous year's gains and stood at 32.7 million copies (down 4.4%). Of the traditional magazines both women's magazines and general interest periodicals increased their sales, and the same trend was reflected across a broad spectrum of specialist magazines. Almost the entire drop in sales volume could be attributed to a decline in the appeal of youth- and music-oriented magazines, since there were not the same phenomena in the world of music and showbiz to attract readers as were seen in 1998. For the same reason, sales of collector-cards and stickers were down substantially.

### Newsstand sales of newspapers and magazines 1999

	Sales volume		Sales at consumer prices	
	Mill. copies	Change, %	FIM million	Change, %
Finnish newspapers	100.6	1.3	620.6	6.6
Foreign newspapers	0.7	-1.9	7.9	-2.0
Newspapers, total	101.2	1.3	628.5	6.5
Finnish magazines	29.9	-3.0	576.7	4.7
Foreign magazines	2.8	-17.5	87.4	-13.6
Magazines, total	32.7	-4.4	664.1	1.8
<b>Total</b>	<b>134.0</b>	<b>-0.2</b>	<b>1,292.6</b>	<b>4.0</b>

### Newsstand sales of newspapers and magazines by outlet 1999

(At consumer prices)	Sales		Change %	Share of all outlets, %
	Outlets	FIM million		
R-Kiosks	730	264.0	0.2	20.7
Automarkets	113	145.0	12.5	11.2
Department stores	112	94.4	1.0	7.3
Supermarkets, large	375	186.6	7.4	14.4
Supermarkets, small	398	94.5	3.8	7.3
Self-service stores, large	880	140.4	5.0	10.9
Self-service stores, small	1,195	96.2	5.0	7.4
Small stores	162	7.0	4.2	0.5
Kiosks and canteens	1,394	84.5	-3.6	6.5
Bookstores and stationers	141	21.2	-9.6	1.6
Cafés and restaurants	825	25.0	4.9	1.9
Petrol stations, service stations	1,152	92.3	6.4	7.1
Hotels, motels and inns	213	6.6	1.6	0.5
Speciality stores	625	32.8	9.7	2.5
Seasonal outlets	29	2.1	11.1	0.2
<b>Total</b>	<b>8,344</b>	<b>1,292.6</b>	<b>4.0</b>	<b>100.0</b>





Sales of foreign newspapers and magazines fell by 12.7% at cover prices to FIM 95.3 million, while the volume of sales was also down by 14.9% to 3.5 million copies. Magazine sales were hit much more sharply than newspapers. Once again, the decline in this sector showed the absence of megatrends and stars in the world of entertainment that would have fuelled sales among the young.

If we examine the nature of sales by type of outlet, the same trend continued as has been seen for several years, namely large current consumer goods outlets increasing their sales by the greatest amount. Sales developed particularly well in large automarkets. The investments seen in shop design and convenience-store profiling on the filling station front in recent years were reflected once again in better-than-average progress in their newsstand sales.

Of the major store-chains, outlets belonging to the S-Group again increased newsstand sales conspicuously more than other chains.

In the course of the year Lehtipiste invested a great deal of energy together with the retail trade as a whole in developing display areas and improving the in-store visibility of papers and magazines. This work was targeted particularly towards large store units.

The Lehtipiste web-site ([www.lehtipiste.fi](http://www.lehtipiste.fi)) opened in the fall, and were directed at the consumers. The site provides detailed information on the wide range of magazines and papers in the Lehtipiste catalogue, and on their regional and local availability. The pages also offer links to the home pages of magazine publishers and individual magazines all over the world.

Joint delivery of evening newspapers was launched in the early autumn after a pilot project to this effect had been carried out in Northern Finland. The entire country was brought into the scheme gradually, with the last areas being joined to the network in January of the current year. This cost-effective means of operating brings labour-saving benefits to the shopkeeper by reducing the number of deliveries, and has at the same time allowed for earlier

deliveries of afternoon and evening papers into the stores. This in turn extends the time they can be sold and helps to lift sales.

The new despatching depot in Vantaa was brought fully on stream in the course of the year. However, it is to be expected that the full benefits will not be reaped from the system until this year and the next.

In line with one of the basic elements of Lehtipiste's operating model, the unit took care of the collection of all unsold copies of newspapers and magazines from points of sale for pulping and recycling.

Lehtipiste's net sales totalled FIM 847.0 million, up by 5.2% on 1998, and the unit recorded a trading profit of FIM 53.1 million, or 7.4% more than in the previous period. Investments were primarily directed to furniture and equipment purchases, and were only roughly one-third of the 1998 total, at FIM 3.7 million.

The Press Distribution Division employed an average of 223 persons (1998: 209) during the year, and the profit-centre was headed by Senior Vice President Markus Miettinen.

The outlook for newsstand sales in the current year is once again positive. The work carried out on cooperation in the distribution of afternoon & evening papers and the modernising of the despatching depot will both bring improved cost-effectiveness and a better level of service in Lehtipiste operations, with the benefits felt by publishers and the retail trade alike. At the same time, it is not thought that the striking increase in electronic media and publishing will greatly affect the position held by papers and magazines or eat into the press distribution market.

In October Rautakirja and Estonia's largest newspaper publisher AS Ekspress Grupp founded a jointly-owned company, AS Lehepunkt. Each of the two founders holds 50% of the new company, which is intended to be developed into a nationwide distribution channel in the same way as Lehtipiste is in Finland. The new company launched its operations in full from the beginning of 2000, and currently distributes Estonian and foreign newspapers and periodicals to roughly 800 points of sale all over the country. The aim is to expand the distribution network to include the current consumer goods trade.

With the establishment of the new company, the Rautakirja subsidiary Lehti-Maja Eesti AS withdrew from press distri-



## SUOMALAINEN KIRJAKAUPPA OY



Suomalainen Kirjakauppa is a centrally-administered nationwide bookstore chain with a separate mail order unit, and at year's end the chain comprised 60 bookstores and the Dose multimedia outlet in Helsinki. The number of outlets grew by

two during the year. Suomalainen Kirjakauppa is Finland's largest wide assortment bookstore chain.

It has been estimated that sales in the bookstore branch increased by around 3% on the year. However, sales of books grew appreciably more than other product groups. The improvement in sales of fiction and non-fiction was greatly influenced by a supply of good titles. The growth nevertheless was definitely weighted towards the latter part of the year, with the early months remaining at 1998 levels.

Suomalainen Kirjakauppa invested a great deal of attention and energy during the year on marketing, with a view to increasing customer-flows. The campaigns proved a success and excellent results were achieved in sales over the Christmas season. At the beginning of the year, however, the alarm-bells were set ringing by zero growth, and the company implemented a strict programme to stabilise costs and margins.

In line with the general trend in the trade, book sales through Suomalainen Kirjakauppa outlets grew at a markedly brisker pace than sales of other items. Particularly impressive performance was seen among foreign fiction titles. Sales of CD-ROM products, however, failed to sustain the dramatic advances seen in recent years, and remained at more or less the 1998 level.

In February Suomalainen Kirjakauppa acquired the commercial operations of Pohjalainen Kirjakauppa in Oulu. The purchase meant that the Suomalainen Kirjakauppa chain gained a new outlet - the largest bookstore in private ownership in Finland - from the beginning of April 1999.

In September Suomalainen Kirjakauppa opened its online webstore ([www.suomalainen.com](http://www.suomalainen.com)) with a product assortment that covered all Finnish books in print. The

assortment is being expanded during the early part of the current year to embrace 1.5 million titles in English, and will also incorporate newspaper subscriptions later in the spring. The aim of the venture is to develop the online bookstore and the physical store network in parallel as alternative and complementary channels for our customers.

After several years in which development work was directed primarily to upgrades in store operations, the emphasis in 1999 in a variety of development projects was on the head office environment and background monitoring systems. The newspaper subscription system has been given a facelift, and similar work was carried out on an automatic re-ordering system.

The main weight in staff training during the year was on utilising IT applications in order to improve customer service.

Suomalainen Kirjakauppa recorded aggregate net sales (including retail and direct sales) of FIM 602.5 million, a growth of 5.9% from the figure for 1998. Suomalainen Kirjakauppa posted a trading profit of FIM 27.8 million, up by 16.3% on the previous year's performance. Gross investments of FIM 24.2 million were roughly one-third smaller than in the previous year and were directed mainly towards acquisitions of commercial operations, store refurbishing, and data systems purchases.

Suomalainen Kirjakauppa employed an average of 692 persons during the financial year, an increase of 32 on the previous year. The unit was headed by Senior Vice President Raimo Kurri as CEO.

In the book trade the share of direct sales via book clubs and online bookstores will continue to grow. This is also for its part bringing about an increase in price competition. Suomalainen Kirjakauppa has prepared itself for this eventuality by developing its sales concepts and alternative sales channels such that they complement one another fully and provide synergy benefits.





## FINNKINO OY



Finnkino carries on movie theatre operations in Finland and through its subsidiaries also in Estonia and Latvia. In addition the company imports art-house movies to complement the standard repertoire in its own cinemas and for video sales and rentals. Finnkino's subsidiary Interpret Oy provides film subtitling services.

At the end of 1999 Finnkino operated 19 cinemas in 9 cities around Finland, with a total of 78 screens. One year previously the number of cinemas had been 23.

During 1999 Finnkino's most significant actions were directed to the completion and opening of three new multiscreen cinema complexes. The 14-screen "Tennis Palace" opened in Helsinki in February, and was followed in April by Plevna (10 screens) in Tampere, and in November by Promenadikeskus (5 screens) in Pori. All three have been designed and built as versatile cinema and entertainment centres, offering not simply a state-of-the-art cinema experience but also restaurant and other services under the same roof. The Helsinki Tennis Palace complex (named after the former use of the building) opened its doors to 1.2 million film-goers during its first ten months, and became the largest multiplex cinema in Scandinavia.

It is a pleasure to report that aggregate cinema attendances in Finland increased once more, this time by roughly 10%, to reach 7 million. This quite considerable growth was due both to the supply of good films, in particular the long-awaited Renaissance of domestic cinema productions, and to the greater numbers and improved technical and comfort standards of the movie theatres. What makes the growth particularly significant is that it is measured against a year that contained the blockbuster Titanic, a film that gathered more than 1 million viewers in its own right. The improvement in the

stock of movie theatres was self-evident in Helsinki and Tampere, where the number of cinema-goers rose by more than 20%.

With the building of multiscreen cinemas, the entire Finnkino cinema chain concept has been updated, with changes across the board in operating methods, staff training, and working dress. At the same time the assortment of items on sale at cinemas has been given a new look.

Aside from the investment in multiscreen cinemas, development work during the year centred on online advance ticket sales and on modernising the booking systems to make full use of the new scope offered by computer applications.

Progress on the video sales and rental front was encouraging. Once again video sales grew more than rentals. The spread of DVD into Finnish households was also acknowledged in the product assortment, although it still only accounts for a relatively small share of the overall market.

For the subtitling subsidiary Interpret Oy 1999 was a very significant year, since a competitor entered the market, as a result of which the company's volume was halved and the price level in this branch declined. Owing to the buoyant mood of the cinema sector as a whole, the number of copies in circulation during the period nevertheless showed a slight upward movement. In the course of the year the company's operations and costs were adjusted to take account of the new market situation.

Finnkino's net sales from Finnish operations in 1999 totalled FIM 229.6 million, showing growth on the previous year of 2.1%. Trading profit was FIM 9.2 million, up by 18.0% on 1998. The company's gross investments of FIM 38.7 million were up by 16.6% on the previous year and focused mainly on the construction and fitting out of new multiscreen cinemas, al-

though the figure also includes the purchase of the Estonian subsidiary AS MPDE.

Finnkino employed an average of 388 persons in Finland over the year (1998: 361). The company and its subsidiaries is headed by Senior Vice President Timo Mänty as CEO.

Finnkino is the market leader in cinema operations in Finland. The year in review indicated that growth in this sector is centred on the larger cities, where the supply has improved as a consequence of the opening of new multiscreen cinemas. There is still room for further growth, since Finland remains well behind other European countries in terms of the number of cinema-visits per capita. Finnkino's aim is to develop still further its network of cinemas by building new multiplex centres and by improving existing theatres.



## AS MPDE



In May Finnkino expanded its operations into Estonia through the acquisition of 90% of the Estonian film distribution and cinema company AS MPDE (Motion Picture Distribution of Estonia).

In its film distribution operations, MPDE represents the majority of American movie companies in the Estonian market, and enjoys roughly a 2/3 share of the overall film distribution market. The company carries on film screening operations with one two-screen cinema in the Estonian capital Tallinn and a similar outlet in Tartto. The market share in this case is rather more than 60%.

In December MPDE signed a preliminary agreement towards the building of an 11-screen cinema and entertainment centre in downtown Tallinn, the first multiplex cinema in the Baltic States.

Construction work will get under way in early 2000 and the new complex is scheduled for opening in early spring 2001. In terms of the use of space and the technical solutions employed, it will be to the same high standards as the three cinema & entertainment centres opened in Finland during 1999.

The company also owns one-third of the Estonian film subtitling agency Oü Baltlab.

MPDE recorded net sales for the period when it was a part of the Rautakirja Group of FIM 7.5 million, and a trading profit of FIM 1.7 million. At year's end the company employed 71 persons, under the leadership of minority shareholder and CEO Aldo Tammsaar.

MPDE's aim in the immediate future is to develop the Estonian cinema market - with the support and guidance of the Finnish parent company - through a diverse programme of releases and the latest screening and auditorium technology.

## BALTIC CINEMA SIA



Baltic Cinema SIA carries on film screening and distribution operations in Latvia.

The overall cinema market in Latvia developed favourably over the period reviewed here, although it must be noted that around 90% of the activity is centred on the capital, Riga. Baltic Cinema owns two cinemas in Riga, each of them with two screens. There are plans to open a third cinema in the early part of this year. At the same time the search has been started for a suitable location to build a multiscreen cinema centre.

In the course of 1999,

the company paid close attention to staff training with the development of international skills, the use of data applications, and customer service training for cinema personnel.

Baltic Cinema recorded net sales of FIM 11.3 million, an increase on 1998 of 21.0%. Trading profit was up by 59.1% to FIM 2.4 million. Investments were FIM 0.3 million.

The company employed an average of 36 persons during the year, exactly the same figure as in 1998. The company is managed by CEO Atis Amolins.

## EUROSTRADA OY



Eurostrada Oy's operations are divided into two sectors: Eurostrada service areas and Pizza Hut restaurants.

Eurostrada service areas offer a comprehensive range of services for people on the move and who need a break. As a general rule, the facilities are open 24 hours a day. Eurostrada's service areas comprise eight café, restaurant and service station facilities located on busy highways, and one filling station in an eastern suburb of Helsinki. Eurostrada operates the facilities in collaboration with a number of oil companies.

In particular during the early months of the year, the aggressive competition on fuel prices that was enjoyed by motorists in the Greater Helsinki area had a considerable impact on sales at certain outlets. The Rajahovi service area at Vaalimaa on the border with Russia was also noticeably affected by the decline in cross-border traffic. Aggregate sales of gasoline through the Eurostrada service area chain saw a measurable decrease, but in contrast sales of diesel were up slightly. Sales of food were at the previous year's level.

The year saw more efforts towards developing the service area concept and





chain-administered operations. There was also success in the development of menus and meals services.

Net sales through the service areas totalled FIM 157.5 million, showing a decline on the previous year of 2.5%. In spite of this small reduction in sales volume, the service areas' result on operations improved considerably from the 1998 figures.

Eurostrada holds sole rights to the Pizza Hut franchising agreement in Finland. Operations are based around three basic concepts: fully-licensed restaurants with table service, Express outlets selling pizza slices for snacks, and Take Away Shops for people who want to take their pizza home with them.

At the end of the year, there were a total of 19 Pizza Hut outlets in Finland. In the course of 1999 one restaurant was wound up and two new units were opened at the Helsinki Tennis Palace cinema and entertainment complex and at Pori's similar venue, Promenadikeskus.

The year under review was one of re-examining the strategy of the chain, in the face of profitability problems and the fierce competition in the fast-food sector in Finland. The basic elements of the chain were developed and refined to meet the demands of this competitive situation. In keeping with the new strategic guidelines, the criteria for the establishment of new outlets were tightened up.

The Pizza Hut restaurants posted net sales of FIM 55.2 million, an increase of 4.0% on the previous year. However, neither the growth in turnover nor the result on operations met the targets set.

Eurostrada Oy recorded net sales of FIM 212.6 million. This showed a decline of 0.9% on the previous year, but conversely the trading profit grew by 56.5% to reach FIM 4.5 million. Aggregate investments by the Eurostrada service areas and Pizza Hut outlets totalled FIM 7.4 million. Of this, the lion's share went to the opening of new restaurants.

Eurostrada employed an average of 623 persons during the year, an increase on 1998 of 19 persons. The company was headed by CEO Seppo Soini.

## REAL ESTATE

The Finnish real estate market continued its positive development into 1999, particularly in growth centres. The division of the country into growing urban centres and areas suffering from net migration outwards was even more pronounced than in previous years. In particular there were shortages of prime sites in the downtown areas of such growth centres. Rents and selling prices for premises continued their rise, and there was an increase in capacity utilisation for commercial premises.

The Real Estate Unit's operations are divided between profit-centre operations and Rautakirja Group corporate service unit activities. Profit-centre operations are carried on both within the parent company and in the subsidiary P.M. Drockila Oy. In practice these activities revolve around rentals of space owned by Rautakirja and P.M. Drockila Oy. In the course of 1999 the result developed favourably relative to the previous year and the targets set.

The year also saw the continuation of sales of office and commercial space owned by the Rautakirja Group and surplus to requirements. Realisations in this area slightly exceeded the 1998 figure.

In the corporate service sector of its operations, the Real Estate Unit supports the commercial activities of Rautakirja Group units through its holdings of real estate and shares, and also participates in the acquisition of premises for the Group's various retail chains.

Gross investments for 1999 totalled FIM 35.3 million. The largest item was the new Promenadikeskus concert & cinema complex opened in Pori in November, which is a joint venture of Finnkino and the City of Pori. No actual commercial premises were acquired during 1999 for the use of Group retail chains.

Of the total figure of some FIM 700 million in real estate assets held by the Rautakirja Group, roughly 60% were in use by the Group at year's end.

During 1999 the Real Estate Unit employed an average of eight persons. The unit is led by the P.M. Drockila CEO Jouko Mustonen.



### ***Business environment***

According to the latest sales analysis carried out by the Federation of Finnish Commerce and Trade, it appears that 1999 did not represent as good a year for growth in the retail and wholesale trade as had been forecast just over a year ago. The consumer goods trade was expected to grow overall at a rate at least equal to the increase in consumer purchasing power. This did not happen, however. The current consumer goods branch, department store trade, and speciality goods trade achieved only an average growth of around 2.5% in markka-denominated sales volume. The retail trade as a whole (excluding motor vehicle sales) grew by 3.0%, and current consumer goods sales by 2.9%.

This is against a background of an estimated 4% increase in households' purchasing power on the year. When this was paired with very solid consumer confidence in the outlook for the economy, and no major changes were anticipated in the level of savings, all the conditions were present for brisk growth in sales. The competition for the consumers' purchasing power is becoming markedly stiffer, however, and an increasing share of the increased buying power is being steered away from traditional goods purchases. In particular information technology and telecoms have tapped into this available purchasing power. Consumers have also shown a growing trend of late towards more expensive investments, such as property, cars, and boats.

The trend in the kiosk trade broadly follows that of the current consumer goods sector. In the bookstore trade, sales are estimated to have grown on the year by around 3%. Book sales grew more rapidly than other items in this branch and accounted for more than half of total sales.

### ***Changes in group structure and other events***

The year under review saw Rautakirja implementing its long-term strategic plans of forming a solid base for future growth and an increasingly international role.

In February Suomalainen Kirjakauppa Oy acquired the commercial operations of Pohjalainen Kirjakauppa Oy, formerly a member of the Info chain of stores, with the change of ownership tak-

ing effect from 1.4.1999. In practical terms this meant that Suomalainen Kirjakauppa took over in Oulu Finland's oldest bookstore still in operation, and the largest privately-owned sales outlet in this branch in terms of turnover.

In the early months of the year Rautakirja Oy acquired a 21.1% holding in Jokerit HC Oy, and thus the Jokerit HC Oy became an affiliate of Rautakirja. This holding continues the Rautakirja Group's strong commitment to commercial operations in the entertainment and leisure-time sector.

With the acquisition by the Rautakirja Oy subsidiary Suomalainen Kirjakauppa Oy of a number of individual bookstores in recent years, one effect of these purchases has been to acquire shares in Kirjavälitys Oy. In April the Rautakirja Group's holding in this company exceeded the 20% threshold, and Kirjavälitys Oy thus became an affiliated company of the Rautakirja Group.

Also in April, Rautakirja Oy launched a cooperative venture in Latvia with Narvesen ASA, a large Norwegian listed company, involving kiosk and cosmetics retail trade and café operations. Narvesen Baltija SIA owns 12 kiosks, three cosmetics outlets and two cafés in Riga. The company is jointly-owned by Narvesen (55%), Rautakirja (35%), and the Norwegian-Latvian company Linstow-Varner (10%).

In May Finnkino Oy purchased 90% of the leading Estonian film distribution and cinema company AS MPDE (Motion Picture Distribution of Estonia). The company has cinemas in Tallinn and in Tartto. In December the company signed a contract to build the first multiplex cinema in the Baltic States. The aggregate value of the investment in this 11-screen cinema and entertainment complex in Tallinn is EEK 160 million.

In the course of the year Finnkino Oy opened its first three multiscreen cinemas. The 14-screen cinema and entertainment centre at Helsinki's former Tennis Palace was opened in February, the 10-screen Plevna Cinema in Tampere opened in April, and November saw the opening of a 5-screen concert and cinema complex - Promenadikeskus - in Pori.

At the beginning of May Werner Söderström Osakeyhtiö, Sanoma Corporation, Helsinki Media Company Oy, and Oy Devarda Ab fused their operations by

the formation of a new company named Sanoma-WSOY Oy. The combined ownership in Rautakirja Oy of Sanoma-WSOY Oy's subsidiaries Sanoma Corporation and Werner Söderström Osakeyhtiö at the time of the fusion of the commercial operations of the two companies was 54.74% of the voting rights and 54.66% of the shares. Hence from May 1, 1999 Rautakirja Oy became a subsidiary of the new company Sanoma-WSOY Oy.

In September Suomalainen Kirjakauppa Oy opened its online bookstore ([www.suomalainen.com](http://www.suomalainen.com)), with Finland's largest selection of domestic titles. The online store will be expanded in the early months of the current year to include English-language titles and newspaper & magazine subscriptions.

In October Rautakirja Oy acquired 80% of Veikkausrasti, the country's leading retail chain specialising solely in gaming products. The purchase further strengthened Rautakirja's hand as Finland's largest outlet for betting products, and increased its market share of Veikkaus-operated games by 6%-points to roughly 43%.

Towards the end of October, Rautakirja Oy's subsidiary Lehti-Maja Eesti AS bought two major kiosk chains in Estonia. As a result of the deal the number of R-Kiosks in Estonia almost doubled to nearly 200. At the same time Rautakirja established a press distribution company with Estonia's largest newspaper publisher AS Ekspress Grupp. The new company, AS Lehepunkt, handles deliveries on behalf of the large domestic and foreign print publishers to more than 800 outlets throughout Estonia.

In the last quarter of 1999, Rautakirja Oy acquired a 10% stake in the Norwegian listed company Narvesen ASA. Following the stock purchases, Rautakirja became Narvesen's second-largest shareholder. Narvesen is listed on the Oslo Stock Exchange and is active in Norway, Sweden, and Denmark in much the same areas of commercial operations as Rautakirja, namely chain-administered kiosks and convenience stores, wholesale press distribution, and speciality retailing and restaurant operations.

### ***Turnover and net sales***

Total Group sales, including commission sales but before the addition of

indirect taxes, rose by 1.5% from the 1998 level to stand at FIM 5,882 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 3,478.3 million, up by 1.6% from the previous year. The figures for 1998 in both cases include TukkuTiimi net sales in respect of the period when the company was still a part of the Rautakirja Group. If this is eliminated, the adjusted comparative net sales growth figure was 3.7%. When account is further taken of corporate acquisitions made during the course of 1999, the adjusted year-on-year growth was 2.3%.

As in the retail trade as a whole, Rautakirja's sales for the first half of the year fell short of the targets set. Towards year's end and over the Christmas period in particular, some of the ground was made up, but the net sales figure for the year did not quite measure up to the hoped-for level.

Net sales by the Kiosk Division in Finland grew by slightly less than 1% to FIM 1,686.1 million. The number of outlets was 729. The markedly weaker development in sales of Veikkaus gaming items was also reflected in R-Kiosk sales. Other sales, meanwhile, developed more or less in line with the general trend on the current consumer goods front. Net sales by the Veikkausrasti chain of gaming products outlets totalled FIM 16.2 million for the two months in which the company was a part of the Rautakirja Group.

The vigorous development of the R-Kiosk concept continued throughout the year. Average kiosk size grew and the assortment of products and services was further expanded. In the fall Rautakirja

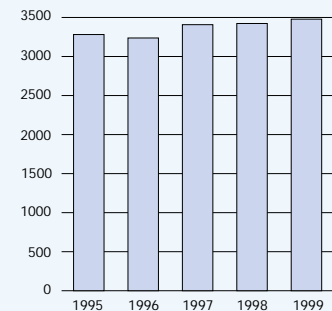
and the Leonia Bank launched a pilot project to assess whether banking facilities might be a suitable addition to the R-Kiosk range of services. November also saw the launching of an experimental venture in the Greater Helsinki area featuring Internet access terminals in selected kiosks. This spring will bring a new breakthrough with the launching of an in-kiosk system to satisfy the logistics needs of e-commerce and mail order customers.

Across the Gulf of Finland in Estonia the R-Kiosks enjoyed a second successive year of brisk growth. Net sales were up by nearly 30% to reach FIM 53.2 million. The impact of the new commercial operations acquired during the year was around FIM 5 million over two months. It is estimated that the net sales figure for Estonian kiosk operations will almost double in the course of the current year.

The Press Distribution Division (responsible for Lehtipiste wholesale newspaper and magazine sales) posted net sales of FIM 847.0 million, up by more than 5% on 1998. The most powerful growth was noted in newspaper sales, which were up by nearly 7%. Measured in terms of the net sales value, newspaper and magazine sales were roughly equal. Traditional magazine categories such as women's magazines and general interest journals showed good progress. The forward movement on the newspaper front was fuelled above all by increased sales of evening papers.

Net sales by Suomalainen Kirjakauppa grew by 5.9% and broke through the FIM 600 million barrier to reach FIM 602.5 million. The purchase in the spring of Pohjalainen Kirjakauppa in Oulu accounted for around half of this percentage

Net sales, FIM million



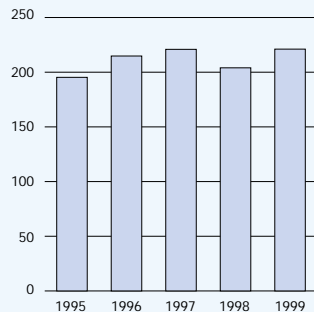
Net sales by country, FIM million

	1999	1998	Change %
Finland	3,406.2	3,361.4	1.3
Estonia	60.8	41.5	46.5
Latvia	11.3	9.4	21.0
Other	-	10.7	
Total	3,478.3	3,422.9	1.6

Turnover and net sales by trading sector

(FIM/EUR million)	1999 FIM	1998 FIM	Change %	1999 EUR	1998 EUR
Kiosk Division	1,755.5	1,717.5	2.2	295.3	288.9
Press Distribution Division	847.0	805.1	5.2	142.5	135.4
Bookstore Division	602.5	568.7	5.9	101.3	95.6
Movie Theatre Division	248.5	243.9	1.9	41.8	41.0
Restaurant Division	212.6	214.5	-0.9	35.8	36.1
Other Operations	-	70.3		-	11.8
Internal Sales	-187.9	-197.1	-4.7	-31.6	-33.1
Total Group net sales	3,478.3	3,422.9	1.6	585.0	575.7
Commission sales	2,403.5	2,370.8	1.4	404.2	398.7
Group sales less tax	5,881.7	5,793.8	1.5	989.2	974.4

Profit, FIM million  
before extraordinary items



increase. The strongest growth was recorded in reading matter, which was the object of a number of marketing campaigns, and in newspaper and magazine subscriptions. By contrast, the year saw an end to the impressive growth observed in CD-ROM products in recent years. The online bookstore opened in September has not yet had any significant impact on company sales. The effects of the investments in this particular sector are expected to be felt over the next couple of years.

In the field of cinema operations, Finnkino Oy's investments in multiscreen cinemas produced results in excess even of the most optimistic forecasts. Revenue from domestic film screening operations grew by more than 10% on the previous year. This was a particularly satisfying result when account is taken of the fact that the new cinema complexes were in operation only for a part of the year and when the comparison year of 1998 contained the greatest cinema blockbuster of all time, *Titanic*. On the other hand, the company's overall turnover was reduced by the winding-up of distribution of certain film and video lines.

The investment in the building of new multiscreen cinema and entertainment centres will be continued in both Finland and the Baltic States.

Rautakirja's restaurant trade activities are represented in the work of the subsidiary Eurostrada Oy. The company's operations are divided among two specific sectors: Eurostrada service areas and Pizza Hut restaurants.

Among the service areas, the year under review was a period of development of the strategic concept and chain operations. The often fierce regional competition in fuel prices had a significant impact

on sales. Reductions in gasoline sales at a few outlets led to a situation in which the entire company's net sales fell by roughly 1% on the previous year. This had no real effect on profitability, however. Other sales at the service areas developed favourably.

Net sales through the Pizza Hut chain increased by 4.0% on the 1998 figures. The development was not up to the targets set for operations. Further development of the Pizza Hut concept will be a focus of investment in the year ahead.

### Financial performance

When the initial signals came in to the effect that Rautakirja's sales for the first months of the year would fall short of the targets set, a broad range of cost-saving measures were introduced. Similarly, later in the autumn the Group companies stepped up and refocused their sales and marketing campaigns. The cost-saving targets were met and even exceeded. When sales also picked up in the last four months of 1999 to outpace our scaled-back estimates by year's end, the result on the year was in fact clearly better than had been forecast, and exceeded the annual targets. The Group's trading profit for the financial year of FIM 198.5 million was 8.6% higher than in 1998. All trading divisions improved their results from the previous year.

The Kiosk Division's Finnish operations posted a slightly better result from that in 1998. It was possible to cut back the growth in costs almost entirely through a variety of measures implemented during the year. The Veikkausrasti chain, acquired in late October, did not have any material effect on the result for the year. Estonian operations continued to

#### Trading profit by trading sector

(FIM/EUR million)	1999 FIM	1998 FIM	Change %	1999 EUR	1998 EUR
Kiosk Division	73.3	70.4	4.1	12.3	11.8
Press Distribution Division	53.1	49.4	7.4	8.9	8.3
Bookstore Division	27.8	23.9	16.3	4.7	4.0
Movie Theatre Division	11.4	8.2	39.5	1.9	1.4
Restaurant Division	4.5	2.9	56.5	0.8	0.5
Other Operations	-	1.5	-	-	0.3
Real Estate	28.4	26.4	7.5	4.8	4.4
<b>Group Total</b>	<b>198.5</b>	<b>182.8</b>	<b>8.6</b>	<b>33.4</b>	<b>30.7</b>



trade at a loss, but produced a substantially better performance than in 1998, despite the incidental costs involved in taking on new commercial interests.

As a result of the positive trend in sales, the Press Distribution Division further improved its profitability. The result on the year was good. Not all of the benefits of the renovated newspaper despatching depot were realised in the first full year of operations.

The growth observed in Bookstore Division sales, coupled with a favourable change in the structure of sales, led to a further strengthening of the result over the previous year's figures. Measured at the trading profit level, the result was 16% up on 1998. Suomalainen Kirjakauppa underwent a very rigorous programme of streamlining its operations, and at the same time invested in the development of e-commerce functions.

The previously-mentioned investments in multiscreen cinemas in Finland also showed up in improved profit figures posted by Finnkino, in spite of all the one-time costs involved in launching the new venues. The shift of emphasis in operations from distribution of films and videos into cinema operations has improved the relative level of profitability within the company. However, a substantial stiffening of competition in the field of film subtitling prompted a drop in the subsidiary Interprint Oy's profits from earlier years. Operations in the Baltic States, both in Estonia and in Latvia, continued to produce sound results.

Taken as a whole, the result posted by restaurant operations improved. Service areas traded more profitably than in 1998, in spite of a slight fall in the net sales figure. The reasons behind the im-

provement were savings in operating costs, as in other Group profit-centres, together with some favourable changes in the structure of sales. Pizza Hut's result was once again unsatisfactory and fell away slightly from the previous year.

Rautakirja's Real Estate operations showed a slightly improved performance on the year. A little more than half of the unit's rental income is currently derived from internal rentals within the Group itself.

The high level of Group capital investment during the year was reflected in a reduction of funds for re-investment. A part of the liquid funds at the Group's disposal have been invested in securities in Finland and on other European stock exchanges. The strong surge in stock prices towards the end of the year increased the net surplus of financial items to FIM 26.0 million, which was 22.2% up on the previous year. In addition there were unrealised profits of rather more than FIM 10 million.

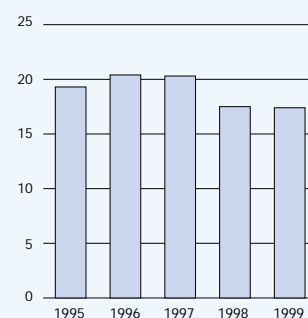
The Group result before extraordinary items stood at FIM 221.1 million, and was the highest figure ever recorded in the 90-year history of the company. In the previous year, extraordinary income to a total of FIM 190 million accrued from the sale of TukkuTiimi Oy. No such profit items emerged in 1999. The return on capital invested was 17.4%, or almost exactly at the level of the previous year.

Earnings per share were FIM 23.83, as against FIM 21.98 at the end of 1998, and equity/share improved to FIM 195.96 from FIM 187.59.

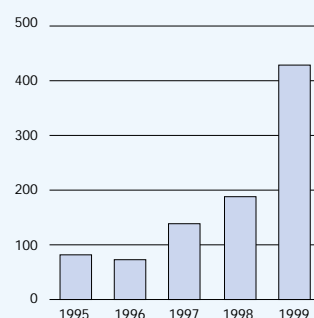
### Investments

Aggregate Group investments were FIM 429 million, increasing from FIM 188

Return on capital invested, %



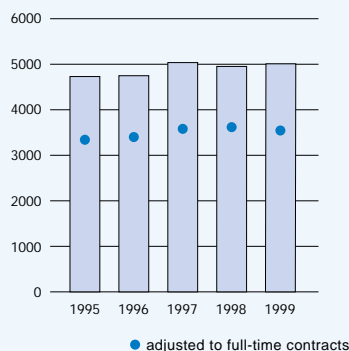
Gross investments, FIM million



Gross investments by trading sector

(FIM/EUR million)	1999 FIM	1998 FIM	1999 EUR	1998 EUR
Kiosk Division	102.9	63.1	17.3	10.6
Press Distribution Division	3.9	9.0	0.7	1.5
Bookstore Division	24.2	36.2	4.1	6.1
Movie Theatre Division	44.5	33.8	7.5	5.7
Restaurant Division	7.4	17.2	1.2	2.9
Other Operations	207.5	0.9	34.9	0.2
Real Estate	35.3	19.7	5.9	3.3
Administrative Services	2.9	8.1	0.5	1.4
<b>Group Total</b>	<b>428.6</b>	<b>188.0</b>	<b>72.1</b>	<b>31.6</b>

Personnel (average)



Personnel by country, 31.12.

	1999	1998	Change %
Finland	4,770	4,419	7.9
Estonia	566	308	83.8
Latvia	42	36	16.7
<b>Total</b>	<b>5,378</b>	<b>4,763</b>	<b>12.9</b>

million in 1998. The most significant individual items were FIM 160 million to the purchase of a 10% holding in shares of Narvesen ASA, FIM 42 million for shares in Jokerit HC Oyj, and the acquisitions by Suomalainen Kirjakauppa and Finnkino, together with Kiosk Division purchases in Finland and Estonia.

In the Kiosk Division, the year also saw the conclusion of a three-year project of considerable size involving investments in chain-wide data systems upgrades and cash terminals, sales monitoring, and logistics applications.

In the last two years, a total of around FIM 70 million has been invested in multiscreen cinema complexes in Finland, with some FIM 40 million of this deployed during 1999. In Helsinki and Tampere the actual premises are owned outside the Group, while in Pori the real estate investments on the new concert and cinema centre have been made in collaboration with the City of Pori.

### Financing

In spite of the high level of investment over the past 12 months, the Group's financial position remained extremely strong. Interest-bearing liabilities are negligible, and Group liquid funds at the end of the period totalled FIM 341.7 million.

The ratio of equity to total assets was 63.4%, where it had been slightly higher in 1998 at 64.9%. Gearing was negative at -23.3%.

At year's end the financing unit had at its disposal funds totalling FIM 273 million, of which roughly FIM 31 million were invested in securities and the remainder in interest-bearing deposits.

### Share capital

Rautakirja Oyj's share capital at the end of 1999 was FIM 129.6 million, and the nominal value of shares is FIM 20. There are a total of 5.4 million Series A shares and 1.08 million Series B shares. Series A and Series B shares differ from one another only in terms of the voting rights they bear - Series A shares carry 20 votes and Series B shares 1 vote at the Annual General Meeting. There were no changes in share capital during the period under review here.

At the end of the period, the Supervisory Board had no existing mandate for an increase in the share capital or for the taking out of convertible debentures or option loans.

### Shares and shareholders

There were no significant changes in the holdings of Rautakirja's largest shareholders in the course of 1999. After the end of the financial year, on January 5, 2000, Kesko Oyj announced that it had acquired 647,250 Series A shares, representing a holding of 9.99% of the share capital and 11.87% of the voting rights. In terms of voting rights, Kesko Oyj thus became Rautakirja's third-largest shareholder. The shares in question were sold primarily by Otava Publishing Company, which surrendered almost its entire holding in Rautakirja.

At the end of 1999, Rautakirja Oyj had 758 shareholders.

### Proposal for the distribution of dividends

The Supervisory Board of Rautakirja Oyj has resolved to recommend to the Annual General Meeting of April 13, 2000 that a dividend be issued for 1999 of FIM 11.00/

Average personnel numbers by trading sector

	1999	1998	Change %
Kiosk Division	2,924	2,833	3.2
Press Distribution Division	223	209	6.7
Bookstore Division	692	660	4.8
Movie Theatre Division	472	397	18.9
Restaurant Division	623	604	3.1
Other Operations	-	187	-
Real Estate	8	8	-
Administrative Services	64	72	-11.1
<b>Group Total</b>	<b>5,006</b>	<b>4,970</b>	<b>0.7</b>

share on Series A and Series B shares. In the previous year, the dividend paid was FIM 15.50/share, of which FIM 12.00/share was paid on the basis of the operating result and a further dividend of FIM 3.50/share on the profits accruing from the sale of TukkuTiimi. The Supervisory Board further proposes that the record date for the dividend payment shall be April 18, 2000, and that the dividend payment date shall be April 27, 2000.

### ***Personnel and organisation***

The average number of persons employed by the Rautakirja Group during the year increased by 36 from 1998 to 5,006 persons. The increase was attributable largely to corporate acquisitions in the Baltic States and to the purchase of the Veikkausrasti chain. A total of 608 persons were employed by Group units and subsidiaries operating abroad.

The parent company employed an average of 2,825 persons during the year, 42 more than in 1998.

Within the Group, incentive profit-sharing schemes are applied with a view to rewarding performances by individuals and small groups in excess of the annual targets set. The entire permanent staff comes within the sphere of these schemes. Such payments totalled FIM 14 million in 1999, and were at roughly the level of the previous year.

In the early summer an in-house morale and atmosphere study was carried out among the roughly 500 employees at the Rautakirja head office, the results of which indicated that there had been improvements on all fronts since a similar survey was carried out two years previously. The findings of the study were extremely positive when set alongside comparison

groups supplied by the makers of the research.

### ***Rautakirja and 2000***

Steps were taken from as early as 1997 onwards to bring Rautakirja into shape for the new millennium. Sound advance planning and testing of commercial and financial applications meant that when Y2K arrived it did not present any significant information technology problems that might have hindered operations in any part of the Group.

### ***Euro***

Rautakirja will be introducing the Euro as the company's reporting and bookkeeping currency from 1.1.2002. The bulk of the company's commercial operations will continue to be denominated in Finnish markka until the end of fiscal year 2001.

The introduction of the Euro will involve substantial additional costs in pricing, in training programmes, and in the renewal of data systems. In part the group made preparations for these changes during the course of the year under review, but the greater share of the work will take place in 2000 and 2001. Applying the published cost-projections issued by the Federation of Finnish Commerce and Trade, it is estimated that the costs incurred by Rautakirja in the currency changeover will be of the order of FIM 15 million.

### ***Outlook for 2000 and beyond***

There is general understanding in the trade sector that the current period will mark a seventh successive year of growth. The growth is nonetheless not expected to be as rapid as that enjoyed in the last years of the previous decade. Private consump-

tion is estimated to grow by around 4.0-4.5%, and retail sales by 3-4%.

The strong financial position of the Rautakirja Group and the presence of adequate liquid funds provide the conditions for aggressive investment. The achievement of growth is a central aim in addition to the maintenance of a good level of profitability. Growth will be sought both in basic operations and in the exploration of new areas. Particular interest is being paid to commercial operations based upon leisure-time pursuits, complementing the Group's cinema and restaurant activities. The emphasis in foreign expansion will be in both the kiosk- and press distribution trade and in cinema operations. Group net sales are forecast to rise during 2000 by rather more than 6% to nearly FIM 3,700 million. The result on operations is expected to match the level of the previous year.

## INCOME STATEMENT

### **Group income statement, 1.1.-31.12.1999** **(FIM million/EUR million)**

	1999 FIM	1998 FIM	1999 EUR	1998 EUR
Net sales	3,478.3	3,422.9	585.0	575.7
Other income from operations	89.4	82.4	15.0	13.9
Material and services	2,482.2	2,426.5	417.5	408.1
Personnel costs	504.3	507.2	84.8	85.3
Depreciation and undervaluation	93.3	86.0	15.7	14.5
Other operating expenditure	289.4	302.8	48.7	50.9
<b>Trading profit</b>	<b>198.5</b>	<b>182.8</b>	<b>33.4</b>	<b>30.7</b>
Financial items (net)	22.6	21.2	3.8	3.6
<b>Profit before extraordinary items</b>	<b>221.1</b>	<b>204.0</b>	<b>37.2</b>	<b>34.3</b>
Extraordinary income/expenditure	-	190.0	-	32.0
<b>Profit before taxes</b>	<b>221.1</b>	<b>394.0</b>	<b>37.2</b>	<b>66.3</b>
Taxes	-66.3	-110.8	-11.2	-18.6
Minority interest	-0.3	0.0	-0.1	0.0
<b>Profit for the period</b>	<b>154.4</b>	<b>283.2</b>	<b>26.0</b>	<b>47.6</b>



## BALANCE SHEET

### **Group balance sheet at 31.12.1999 (FIM million/EUR million)**

	1999 FIM	1998 FIM	1999 EUR	1998 EUR
<b>ASSETS</b>				
<b>Fixed assets and other long-term expenditure</b>				
Intangible assets	177.3	134.8	29.8	22.7
Goodwill	50.2	29.4	8.4	4.9
Fixed assets	371.0	325.3	62.4	54.7
Investments	661.9	451.1	111.3	75.9
<b>Total fixed assets</b>	<b>1,260.4</b>	<b>940.5</b>	<b>212.0</b>	<b>158.2</b>
<b>Current assets</b>				
Inventories	215.9	197.3	36.3	33.2
Short-term receivables	211.5	175.3	35.6	29.5
Bonds & securities and other short-term deposits	255.5	495.4	43.0	83.3
Cash and bank	86.2	79.5	14.5	13.4
<b>Total current assets</b>	<b>769.1</b>	<b>947.6</b>	<b>129.4</b>	<b>159.4</b>
	<b>2,029.5</b>	<b>1,888.1</b>	<b>341.3</b>	<b>317.6</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital	129.6	129.6	21.8	21.8
Contingency fund	2.0	2.0	0.3	0.3
Other funds	42.9	42.9	7.2	7.2
Retained earnings	940.9	757.9	158.3	127.5
Profit for the period	154.4	283.2	26.0	47.6
<b>Total shareholders' equity</b>	<b>1,269.8</b>	<b>1,215.6</b>	<b>213.6</b>	<b>204.4</b>
<b>Minority interest</b>	<b>6.8</b>	<b>1.6</b>	<b>1.1</b>	<b>0.3</b>
<b>Obligatory reserves</b>	<b>9.8</b>	<b>11.8</b>	<b>1.7</b>	<b>2.0</b>
<b>Liabilities</b>				
Calculated tax liability	44.3	51.2	7.4	8.6
Long-term liabilities	33.1	28.6	5.6	4.8
Current liabilities	665.7	579.3	112.0	97.4
<b>Total liabilities</b>	<b>743.0</b>	<b>659.0</b>	<b>125.0</b>	<b>110.8</b>
	<b>2,029.5</b>	<b>1,888.1</b>	<b>341.3</b>	<b>317.6</b>

## GROUP PERFORMANCE INDICATORS

	FIM					EUR				
	1999	1998	1997	1996	1995	1999	1998	1997	1996	1995
Net sales,										
FIM million/EUR million	3,478.3	3,422.9	3,407.7	3,237.2	3,281.4	585.0	575.7	573.1	544.5	551.9
Change, %	1.6	0.4	5.3	-1.4	7.3	1.6	0.4	5.3	-1.4	7.3
Trading profit,										
FIM million/EUR million	198.5	182.8	211.0	197.6	184.9	33.4	30.7	35.5	33.2	31.1
As % of Net sales	5.7	5.3	6.2	6.1	5.6	5.7	5.3	6.2	6.1	5.6
Profit before extraordinary items, FIM million/										
EUR million	221.1	204.0	220.9	214.8	195.3	37.2	34.3	37.2	36.1	32.8
As % of Net sales	6.4	6.0	6.5	6.6	6.0	6.4	6.0	6.5	6.6	6.0
Profit before taxes,										
FIM million/EUR million	221.1	394.0	213.1	234.0	195.3	37.2	66.3	35.8	39.4	32.8
As % of Net sales	6.4	11.5	6.3	7.2	6.0	6.4	11.5	6.3	7.2	6.0
Balance Sheet total,										
FIM million/EUR million	2,029.5	1,888.1	1,719.2	1,712.9	1,842.9	341.3	317.6	289.1	288.1	310.0
Fixed assets & other long-term expenditure	1,260.4	940.5	913.4	860.8	871.6	212.0	158.2	153.6	144.8	146.6
Inventories and financial assets										
Inventories	215.9	197.3	298.5	267.3	285.0	36.3	33.2	50.2	45.0	47.9
Receivables	211.5	175.3	198.5	216.7	261.4	35.6	29.5	33.4	36.4	44.0
Bonds and securities, cash & bank	341.7	574.9	308.8	368.1	424.9	57.5	96.7	51.9	61.9	71.5
Equity	1,269.8	1,215.6	1,016.9	942.8	839.8	213.6	204.4	171.0	158.6	141.2
Minority interest	6.8	1.6	1.5	1.5	1.7	1.1	0.3	0.3	0.3	0.3
Obligatory reserves	9.8	11.8	-	-	-	1.7	2.0	-	-	-
Calculated tax liability	44.3	51.2	65.5	77.1	84.9	7.4	8.6	11.0	13.0	14.3
Long-term liabilities	33.1	28.6	34.2	123.3	196.4	5.6	4.8	5.8	20.7	33.0
Current liabilities	665.7	579.3	601.1	568.1	720.2	112.0	97.4	101.1	95.5	121.1
Interest-bearing liabilities	44.7	37.5	82.1	184.5	263.6	7.5	6.3	13.8	31.0	44.3
Non interest-bearing liabilities	708.2	633.4	618.7	584.0	737.8	119.1	106.5	104.1	98.2	124.1
Return on equity, %	12.4	12.7	16.0	17.2	16.4	12.4	12.7	16.0	17.2	16.4
Return on capital invested, %	17.4	17.5	20.3	20.4	19.3	17.4	17.5	20.3	20.4	19.3
Gearing ratio, %	-23.3	-44.2	-22.3	-19.4	-19.2	-23.3	-44.2	-22.3	-19.4	-19.2
Current ratio	1.2	1.6	1.3	1.5	1.3	1.2	1.6	1.3	1.5	1.3
Gross investments,										
FIM million/EUR million	428.6	188.0	138.6	72.8	81.7	72.1	31.6	23.3	12.2	13.7
As % of Net sales	12.3	5.5	4.1	2.3	2.5	12.3	5.5	4.1	2.3	2.5
Personnel (average)	5,006	4,970	5,038	4,760	4,680	5,006	4,970	5,038	4,760	4,680
Adjusted to full-time contracts by hours worked	3,631	3,652	3,634	3,439	3,397	3,631	3,652	3,634	3,439	3,397

## SHARES AND SHAREHOLDERS

### *Share capital and shares*

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.

Rautakirja's shares are traded on the Main List on the Helsinki Stock Exchange. The lot size in each series is 50 shares.

Institutions of one kind or another owned 98.0% (1998: 98.0%) of the share capital at year's end, with private individuals owning 1.9% (1.8%), and nominee-registered shares accounting for 0.1% (0.2%).

### *Development of share prices*

On the Helsinki Stock Exchange 1999 was a year for technology stocks. In particular

towards the end of the period, the prices for datacomms and electronics stocks rose dramatically. In the course of the year as a whole the HEX Index rose 167% and the weighted Portfolio Index by 71.8%.

Prices for Rautakirja Oyj Series A shares, which began 1999 at EUR 65.26, slipped by year's end to EUR 53.00, a fall of 18.8% on the period. The price for Series B shares rose from EUR 48.77 to EUR 52.50, an improvement of 7.6%. The lowest price recorded for Series A shares was EUR 42, and the high on the year was EUR 68. Series B shares posted a low of EUR 46 and a high of EUR 62.

The market value of Rautakirja's share capital at December 31, 1999 was EUR 342.9 million. The corresponding figure for 1998 was EUR 405.1 million.

Turnover in Series A shares totalled 169,879 shares to a value of EUR 9.1 million, as against 1998 figures of 245,626 shares and EUR 16.7 million. The decline in activity was more pronounced in the case of Series B shares, with 11,737 shares changing hands to a value of EUR 0.6

million, compared with 53,878 shares and EUR 3.6 million in the previous period.

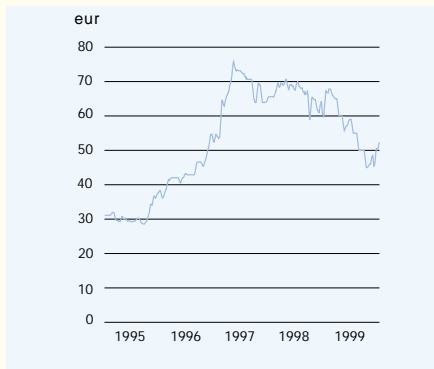
### *Rules on insider trading*

New rules on insider trading in accordance with the Securities Market Act came into force in the Rautakirja Group from 1.3.2000.

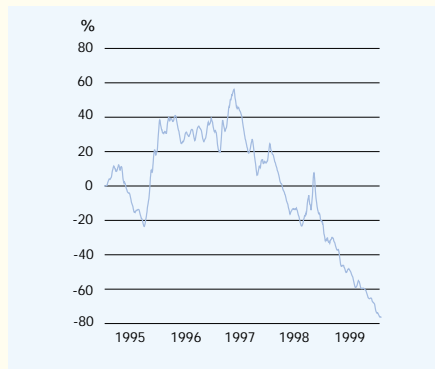
### *Ownership by Supervisory Board members and CEO*

At 31.12.1999, members of the Supervisory Board and the CEO owned a total of 510 Rautakirja shares, representing 0.0079% of shares and 0.0005% of voting rights.

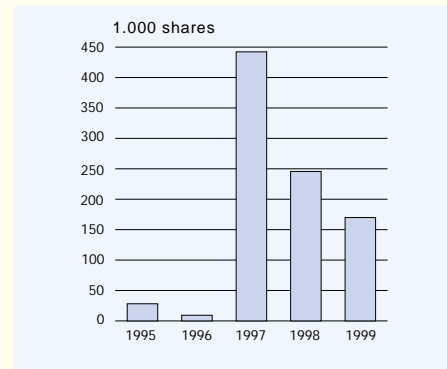
Share performance  
Series A



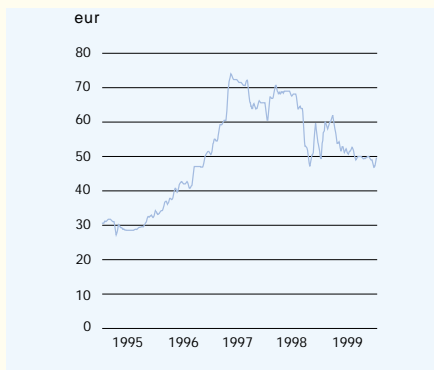
Share performance against Hex Index  
Series A



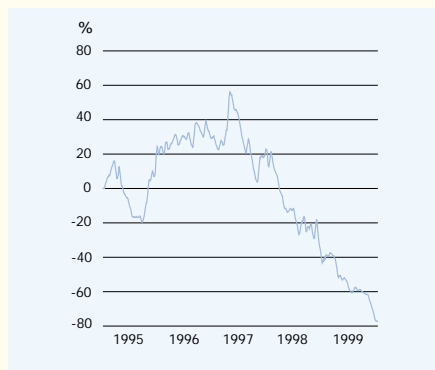
Trading in shares  
Series A



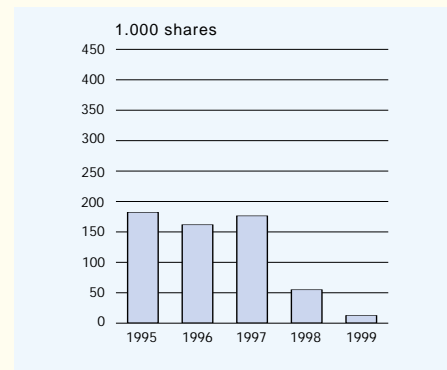
Share performance  
Series B



Share performance against Hex Index  
Series B



Trading in shares  
Series B



## INFORMATION ON SHAREHOLDERS

### *Largest shareholders according to the Share Register at 31.1.2000*

	Series A	Series B	% holding	% voting rights
Werner Söderström Corporation	1,690,256	365,574	31.73	31.33
Sanoma Corporation	1,266,182	220,067	22.94	23.42
Kesko Corporation	647,250	—	9.99	11.87
Oy Karl Fazer Ab	581,171	93,856	10.42	10.74
Pohjola Group Insurance Corporation	264,000	—	4.07	4.84
Pohjola Non-Life Insurance Company	264,000	—	4.07	4.84
Suomi Mutual Life Insurance Company	150,000	—	2.31	2.75
Ilmarinen Pension Insurance	93,000	30,200	1.90	1.73
Finnish Literature Society	72,545	19,609	1.42	1.35
Municipalities' Pension Insurance	70,000	52,920	1.90	1.33
Ten largest shareholders, total	5,098,404	782,226	90.75	94.20
Nominee-registered shares	200	8,900	0.14	0.01
Other shareholders, total	301,109	288,746	9.10	5.78
Shares not yet transferred to book entry system	287	128	0.01	0.01
Total	5,400,000	1,080,000	100.00	100.00

On 31.1.2000 there were 769 registered shareholders.

### *Breakdown of share ownership at 31.1.2000*

	SERIES A				SERIES B			
	number of shareholders	% of all shareholders	total shares held	% of all shares	number of shareholders	% of all shareholders	total shares held	% of all shares
Private companies	44	8.40	4,222,877	78.20	45	9.19	706,044	65.38
Public companies	2	0.38	13,910	0.26	1	0.20	1,872	0.17
Financial and insurance institutions	15	2.86	789,146	14.61	9	1.84	144,825	13.41
Public institutions	8	1.53	215,680	3.99	6	1.22	119,744	11.09
Non-profit-making bodies	9	1.72	87,350	1.62	13	2.65	52,219	4.84
Households	445	84.92	70,539	1.31	416	84.90	46,268	4.28
Foreign shareholders	1	0.19	11	0.00	-	-	-	-
Nominee-registered			200	0.00			8,900	0.82

### *Ownership of shares by size of holding at 31.1.2000*

number of shares	SERIES A				SERIES B			
	number of shareholders	% of all shareholders	total shares held	% of all shares	number of shareholders	% of all shareholders	total shares held	% of all shares
1-100	381	72.57	16,869	0.31	356	72.51	9,842	0.91
101 - 1,000	98	18.67	32,603	0.60	97	19.76	34,603	3.20
1,001 - 10,000	28	5.33	99,566	1.84	27	5.50	89,163	8.26
10,001 - 100,000	11	2.10	387,816	7.18	9	1.83	360,623	33.39
100,001 -	7	1.33	4,862,859	90.05	2	0.41	585,641	54.23



## SHARES - STATISTICS AND INDICATORS

	FIM					EUR				
	1999	1998	1997	1996	1995	1999	1998	1997	1996	1995
Earnings / share, FIM / EUR	23.83	21.98	24.23	23.76	20.24	4.01	3.70	4.08	4.00	3.40
Equity / share, FIM / EUR	195.96	187.59	156.92	145.50	129.60	32.96	31.55	26.39	24.47	21.80
Nominal dividend / share, FIM / EUR										
Series A	11.00*)	15.50	12.50	12.00	10.00	1.85*)	2.61	2.10	2.02	1.68
Series B	11.00*)	15.50	12.50	12.00	10.00	1.85*)	2.61	2.10	2.02	1.68
Dividend / earnings, %	46.2	70.5	51.6	50.5	49.4	46.2	70.5	51.6	50.5	49.4
Effective dividend yield (year-end), %										
Series A	3.5	4.0	3.2	3.9	4.3	3.5	4.0	3.2	3.9	4.3
Series B	3.5	5.3	3.5	3.9	5.1	3.5	5.3	3.5	3.9	5.1
P/E ratio										
Series A	13.2	17.6	16.1	13.1	11.4	13.2	17.6	16.1	13.1	11.4
Series B	13.1	13.2	14.9	12.8	9.7	13.1	13.2	14.9	12.8	9.7
Share performance, FIM / EUR										
Series A										
Year average	318.63	403.53	416.83	260.04	190.67	53.59	67.87	70.11	43.74	32.07
Low	249.72	330.00	310.00	215.00	166.00	42.00	55.50	52.14	36.16	27.92
High	404.31	420.00	456.70	325.00	230.00	68.00	70.64	76.81	54.66	38.68
Year-end price	315.12	388.00	390.00	311.00	230.00	53.00	65.26	65.59	52.31	38.68
Series B										
Year average	304.02	395.10	398.24	237.20	183.04	51.13	66.45	66.98	39.89	30.79
Low	273.50	280.00	315.00	197.00	160.00	46.00	47.09	52.98	33.13	26.91
High	368.64	420.00	440.00	310.00	210.00	62.00	70.64	74.00	52.14	35.32
Year-end price	312.15	290.00	360.00	305.00	196.00	52.50	48.77	60.55	51.30	32.96
Market value of shares, FIM million / EUR million	2,039	2,408	2,495	2,009	1,454	343	405	420	338	245
Series A	1,702	2,095	2,106	1,679	1,242	286	352	354	282	209
Series B	337	313	389	329	212	57	53	65	55	36
Trading in shares										
Series A	169,879	245,626	442,202	9,286	28,166	169,879	245,626	442,202	9,286	28,166
Series A, %	3.1	4.5	8.2	0.2	0.5	3.1	4.5	8.2	0.2	0.5
Series B	11,737	53,878	174,558	160,040	180,298	11,737	53,878	174,558	160,040	180,298
Series B, %	1.1	5.0	16.2	14.8	16.7	1.1	5.0	16.2	14.8	16.7
Number of shares (million) **)	6.48	6.48	6.48	6.48	6.48	6.48	6.48	6.48	6.48	6.48
Series A (20 votes)	5.40	5.40	5.40	5.40	5.40	5.40	5.40	5.40	5.40	5.40
Series B (1 vote)	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08
Number of shareholders at 31.12.	758	744	741	770	845	758	744	741	770	845
Share capital, FIM million / EUR million	129.6	129.6	129.6	129.6	129.6	21.8	21.8	21.8	21.8	21.8
Series A	108.0	108.0	108.0	108.0	108.0	18.2	18.2	18.2	18.2	18.2
Series B	21.6	21.6	21.6	21.6	21.6	3.6	3.6	3.6	3.6	3.6

\*) Proposal by Supervisory Board.

\*\*) There were no stock issues between 1995 - 1999.

## GROUP PERSONNEL

### *Personnel numbers and structure*

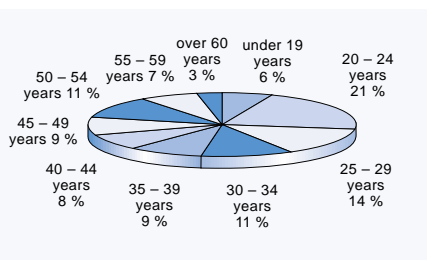
At the end of 1999, the Rautakirja Group employed a total of 5,378 persons, an increase of 615 on the figure for December 1998. The growth in payroll numbers was largely attributable to the corporate acquisitions made during the year. In Finland the Veikkausrasti chain joined the Kiosk Division from November, while in Estonia the Group expanded through the purchase in May of a film screening and distribution company, and in November the number of R-Kiosks in Estonia was almost doubled as a result of company purchases. The number of persons working for Group units and subsidiaries abroad increased considerably, and accounted for 608 persons or 11% of the overall total by the end of the year. This was a rise of 264 on the 1998 figures. There was also a slow but steady increase in the numbers employed by the Group's basic commercial operations inside Finland.

The Group's average number of employees increased by rather less than the above figures, owing to the "late arrival" of many of the newcomers. The figure rose by 36 on the previous period to reach 5,006. However, the actual number of hours worked declined somewhat to 6.2 million hours. If those on part-time contracts are converted to full-time contracts, the personnel average was 3,631, or 21 fewer than in 1998. Rautakirja's trading areas offer a good deal of scope for part-time employment, and these positions accounted for more than half (56%) of the total number employed.

The Group's trading areas are strongly weighted towards female employees. Women made up 86% of the Group workforce, against only 14% men. This gender breakdown has remained more or less unchanged regardless of the recent acquisitions.

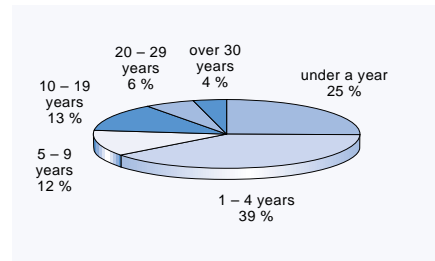
The growth in basic commercial op-

Personnel age distribution



erations in recent years and the Group's purchases are to be seen in the age- and length of service breakdowns. The age distribution follows that of the previous year, but the incidence of employees under the age of 25 has increased slightly. The relatively small numbers over the age of 59 are a reflection of the possibility to retire at 62 offered by the Rautakirja Pension Fund. The age breakdown is nevertheless very even. If we look at the length of service figures, the number of those with fewer than five years in the Group has increased once again, and now stands at 64% of the total workforce.

Length of service



### *Occupational health care and staff health*

The main emphasis in occupational health activities was on statutory health care and operations to maintain working levels. Medical examinations were carried out on new staff and routinely at scheduled age-intervals as a means of ensuring full working capacity. In addition the occupational health staff arranged a number of "get-in-shape" and workout groups for personnel.

The number of absences through sickness continued to decline to reach 218,949 hours, or 3.4% of the aggregate hours worked.

### *Towards a more adaptable and flexible working environment*

The atmosphere in the workplace is monitored by means of an ongoing image and company morale study, which was carried out this year at the Head Office during the spring. The overall profile inside Rautakirja is appreciably better than the norm level found in Finnish companies as a whole. When set against the figures from 1997, nearly all parameters showed evidence of improvement. The most encouraging developments took place in the re-

lationships between line management and staff, the flow of information, work organisation, and rewards. There is no longer a sense that bureaucratic issues impede the carrying out of normal everyday tasks, and working conditions were seen to have improved.

The internal moral and atmosphere study also included a value analysis component, in which staff members were invited to list the things they felt were most important and those which they felt were realised in the practical work of the company. Success and a growth-oriented attitude were clearly outlined as Rautakirja values. Staff members placed importance on such matters as respect for one's work, rewards for a job well done, a good spirit in the workplace, and personal financial success.

### *Development of staff skills*

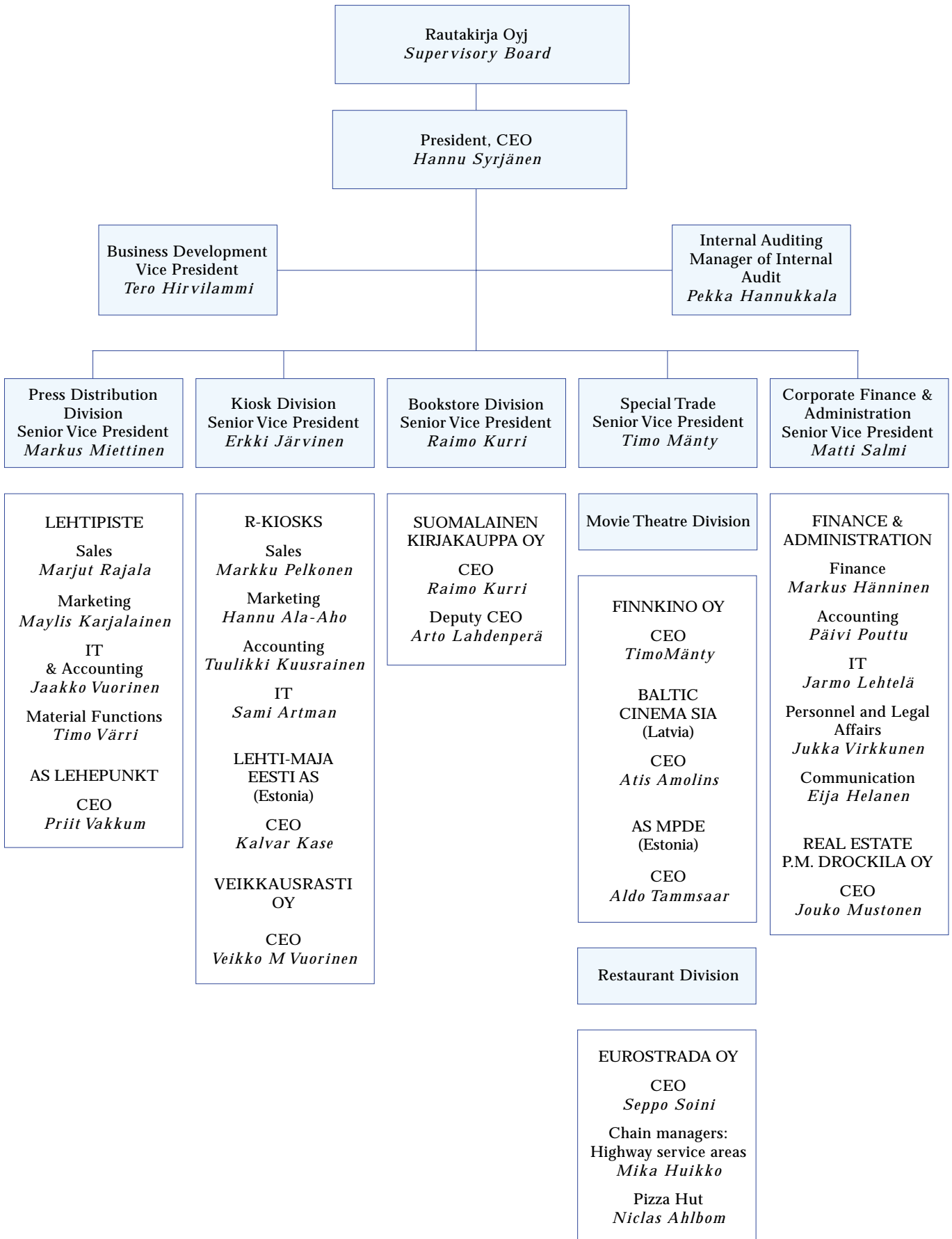
The development of operations and the simultaneous development and maintenance of staff expertise are regarded as important and complementary elements in the Rautakirja company image. A total of FIM 2.6 million was put to staff training, not including payroll costs.

The main emphasis on staff development was once again in the training of those working at the customer interface and their immediate superiors. Internal training programmes were arranged in such areas as customer service, sales, marketing, IT skills, teamwork, and management skills, with a total of 126 courses arranged over 946 course-days. In all, more than 1,900 people took part in such training.

Corporate and line management received training in a development programme based on the company's strategies and basic aims. In December a survey was carried out on the needs for training, seeking to assess the current expertise and learning requirements over the next three years among senior and middle management. The findings were gathered and analysed in the early months of the current year and on the basis of these results we shall be setting targets for the development work to be carried out in the near future.

In October the Group introduced a new personnel data system, with which it will be possible to support staff development needs.

## GROUP ORGANISATION 1.3.2000



## GROUP MANAGEMENT

### *Rautakirja Supervisory Board*



**Antero Siljola**  
1997 – 2000  
vice-chairman  
President,  
Werner Söderström Corporation  
1988\*



**Jaakko Rauramo**  
1998 – 2001  
chairman  
President and CEO,  
Sanoma-WSOY Oyj  
1977\*



**Olli Reenpää**  
1998 - 2001  
Managing Director,  
Otava Publishing Company Ltd  
1980\*



**Hans Olof Danielsson**  
1999 – 2002  
President,  
Oy Karl Fazer Ab  
1999\*



**Hannu Ervamaa**  
1999 – 2002  
Managing Director,  
Pohjola Customer Service Ltd  
1999\*



**Hannu Syrjänen**  
1999 – 2002  
President and CEO,  
Rautakirja Oyj  
1999\*

### *Auditors*

SVH Pricewaterhouse Coopers Oy  
Tauno Haataja, APA

\* Joined Rautakirja Supervisory Board



## *The Rautakirja Group Executive Board*



**Hannu Syrjänen, 48**  
*President and CEO,  
Rautakirja Oyj  
1989\**



**Erkki Järvinen, 40**  
*Senior Vice President,  
Kiosk Division  
1997\**



**Raimo Kurri, 46**  
*Senior Vice President,  
CEO of Suomalainen  
Kirjakauppa Oy  
1989\**



**Markus Miettinen, 51**  
*Senior Vice President,  
Press Distribution Division  
1974\**



**Timo Mänty, 40**  
*Senior Vice President,  
CEO of Finnkino Oy  
1996\**



**Matti Salmi, 50**  
*Senior Vice President, CFO,  
Corporate Finance and  
Administration  
1988\**

## ADDRESSES

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Senior Vice President Matti Salmi  
Corporate Finance & Administration  
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### ***Kiosk Division***

Senior Vice President Erkki Järvinen  
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#### **R-Kiosks**

##### **Rautakirja Oyj**

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Telefax: +372 606 6071

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#### **Lehtipiste Rautakirja Oyj**

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#### **AS Lehepunkt CEO Priit Vakkum**

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### ***Bookstore Division***

Senior Vice President Raimo Kurri  
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### ***Special Trade***

Senior Vice President Timo Mänty  
E-mail: timo.manty@finnkino.fi

### ***Movie Theatre Division***

**Finnkino Oy**  
CEO Timo Mänty  
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CEO Atis Amolins  
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Telefax: +371 783 0520

### ***Restaurant Division***

**Eurostrada Oy**  
CEO Seppo Soini  
Eurostrada highway service areas  
Pizza Hut restaurants  
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Telefax: +358 9 853 3693

### ***Real Estate***

**P.M. Drockila Oy**  
CEO Jouko Mustonen  
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Telefax: +358 9 852 8672

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[www.suomalainen.com](http://www.suomalainen.com)  
[www.dose.net](http://www.dose.net)  
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[www.pizzahut.fi](http://www.pizzahut.fi)



