

RAUTAKIRJA
ANNUAL REPORT **2001**

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 following key areas:

- wholesale and retail trade of newspapers and magazines
- specialized retail trade based on a firm foundation of:
 - nationwide coverage
 - chain operations
 - centralized chain management
 - a strong market position
 - good coverage of existing and new distribution channels

Rautakirja is a part of the SanomaWSOY Group.

Annual General Meeting of Shareholders

Rautakirja Oyj's Annual General Meeting will be held on Thursday April 4, 2002 at 15.00 in the Tennis Palace at Salomonkatu 15, Helsinki.

Attendance should be announced no later than 2.4.2002 by contacting Helena Apo at +358-9-852 8404 (09-852 8404 inside Finland).

Financial Information & Publication Schedule

In addition to this Annual Report, Rautakirja will publish three quarterly interim reports for the year 2002. The first of these will appear on 2.5.2002 at 9.00 a.m. local time, the second (covering six months) on 1.8.2002 at 9.00, and a third-quarter report will be released on 5.11.2002 at 9.00.

Annual Reports and Interim Reports can also be seen at the Rautakirja website at www.rautakirja.fi. Printed reports can be ordered directly from this site or by contacting Rautakirja Oyj/Communication, Box 1, FIN-01641 Vantaa, Finland.



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- In January Rautakirja sold its shares in the Norwegian company Reitan Narvesen ASA. The price received for the stock was NOK 285 million, and a profit of around EUR 7.8 million accrued from the deal. Rautakirja had acquired the shares in the fall of 1999.
- Also in January, Rautakirja and the Finnish department store chain Stockmann embarked on cooperation in the Latvian capital Riga, establishing a company that is to construct a complex in the city, featuring a department store and a 14-screen multiplex cinema. The building is scheduled for completion in 2003, and Rautakirja's share of the total investment costs is around EUR 15 million.
- In early March, the Pohjola Group Insurance Corporation announced that the Group's holding in Rautakirja Oyj had fallen below 10% of voting rights. In the wake of this change, Pohjola Group owns 8.15% of share capital in Rautakirja Oyj and 9.68% of voting rights.
- March also saw the opening in Tallinn of MPDE's 11-screen Forum Cinemas complex, the aggregate investment costs of which amounted to EEK 170 million.
- Hannu Syrjänen, who had served as Rautakirja's President & CEO since 1998, was appointed President and COO of Rautakirja's parent company SanomaWSOY, effective from March 29, 2001. A meeting of the Board of Directors of Rautakirja Oyj on 30.3.2001 resolved to appoint Erkki Järvinen, Senior Vice President and Director of the Kiosk Division, as the Group's new President and CEO effective immediately.
- In June Rautakirja's Lehtipiste - the Group unit responsible for wholesale newspaper and magazine sales in Finland - and four leading Latvian publishing houses signed a draft agreement for cooperation in Latvia to market and distribute newsstand copies of newspapers and magazines. However, the parties could not reach a mutually satisfactory agreement on terms within the time-limits set, and the document expired in September. Thereafter it was decided to launch press distribution activities together with Reitan Narvesen ASA via the jointly-owned Latvian company Narvesen Baltija SIA.
- In August Fintoto Oy and Rautakirja signed an agreement on the basis of which the Rautakirja subsidiary Ferete Oy, a company specialising in online gaming services and other ancillary services, will begin sales of Fintoto's harness racing betting via the Internet as part of the so-called Hyvä Veto service. The operations will get under way in the summer of 2002.
- In September an agreement was signed by the Rautakirja Oyj subsidiary Finnkino Oy on the purchase of 90% of the Lithuanian cinema operator UAB Vingio kino teatras. At the same time the company launched plans for the building of a multiscreen cinema in the Lithuanian capital, Vilnius. The movie complex is scheduled for completion in early 2003 and the anticipated overall cost of the venture is around EUR 8.4 million.
- Also in September a stock arrangement saw Rautakirja increase its holding in the Latvian company Narvesen Baltija SIA from 35% to 50% with effect from the beginning of October. The company is primarily engaged in the kiosk trade and in wholesale press distribution activities on the Latvian market.
- At the beginning of October Finnkino acquired the remaining 10% of the Estonian film distribution and cinema operator AS MPDE.
- Following an agreement struck between the Mint of Finland and Rautakirja, the R-Kiosks were given sole rights on the sale to the public of 500,000 euro coin starter-packs, priced at FIM 23.00 each, from mid-December. The packs sold out within hours in most locations.
- The mail order firm Ellos Postimyynti Oy and the R-Kiosks expanded their cooperation in December in such a way that from the beginning of 2002 the R-Kiosks will operate as the primary customer pick-up point for Ellos packages. At the same time, the number of kiosks offering this service was increased from 200 to 400.

	2001	2000	Change, %
Group total sales, EUR million	1,207.1	1,131.3	6.7
Net sales, EUR million	696.5	644.6	8.0
Operating profit, EUR million	42.6	36.2	17.7
Profit before extraordinary items, EUR million	45.7	38.3	19.3
Profit before taxes, EUR million	45.7	40.4	13.2
Earnings per share, EUR	4.90	4.13	18.6
Return on capital invested, %	18.1	16.7	8.3
Gearing ratio, %	-38.6	-23.2	65.9
Personnel, average	5,877	5,534	6.2
Gross investments, EUR million	35.9	28.6	25.7

For Rautakirja, 2001 had all the ingredients to be a very challenging year, owing to a number of significant changes taking in the company's operating environment. The liberalisation of shop opening hours from the beginning of the year allowed for Sunday opening by small current consumer goods retailers having sales area of less than 400 m², a sector that impinges directly on the R-Kiosks. At the same time, the fierce price competition that has overtaken the Finnish fast food market eroded margins across the entire restaurant branch, prompting fears that many businesses will disappear from this sector. In the cinemas, the first nine months of the year were spent in the doldrums, with a rather weak supply of films being matched by below-par attendance figures.

A general sense of uncertainty was in evidence throughout the year as consumers held back from making large purchases. Confidence in the personal economy outlook remained at a moderately good level, but there were reservations about the prospects for the nation's economy as a whole.

Rautakirja emerged from this challenging set of circumstances in excellent shape. Properly planned and directed countermeasures, coupled with record sales over the Christmas period, led ultimately to an increase in net sales of around 8%. The result for the year proved to be clearly the best in the Group's history.

Rautakirja's strength lies in the flexibility of its chain concepts and in the speed of movement allowed by our chain management systems. In our outlets we are able to offer customers not

simply the basic products and services they expect, but often also items that are new and surprising. The excellent nationwide coverage provided by our chains also makes it possible to use them effectively in a variety of distribution functions. One example of this was in the Euro coins. The Finns had their first taste of the new currency in mid-December at the R-Kiosks, which sold half a million starter-packs - containing each of the new coins - in the space of a few days.

The key targets set for the Rautakirja Group are profitability, growth, and an increasingly international role. Those of our trading areas with obvious international growth potential - kiosk operations, movie theatres, and wholesale press distribution - all made progress on this front and signed significant agreements in the Baltic States during the year. Already around one in four of the total Rautakirja staff work outside Finland.

In geographical terms, the future accent on international growth will expand from the Baltic States to include the emerging economies of Central Europe. In new markets we shall seek to make use of the close relationship between newspaper & magazine distribution and kiosk operations, thereby controlling a broader share of the value-added chain. Our membership of the SanomaWSOY Group offers an important extra push towards the international market, together with clear synergy opportunities.

On the E-Business front, projects have come to fruition and been put into commercial practice at a markedly slower pace than anticipated. Ferete's activities have been concentrated on the world of online gaming, where we are looking to establish strong alliances and efficient networking with gaming companies. The expanding Dose concept put together jointly by Ferete and Suomalainen Kirjakauppa will offer us a high public profile also in the online leisure games market.

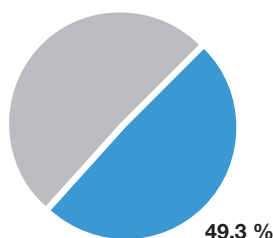
Rautakirja's rapid development brings considerable challenges to the know-how and expertise of its staff. In recent years we have stepped up our commitment to training for point-of-sale and chain-management personnel. In addition to the traditional customer service and systems training, courses have been arranged on such items as international corporate arrangements. These training programmes will be continued in the coming year.

I would like to take this opportunity to express my heartfelt thanks to our customers and business partners, in cooperation with whom this year's excellent result has been achieved. The same thanks and warm congratulations go to every member of the Rautakirja family for a job well done in the past 12 months.

Erkki Järvinen
President and CEO



Share of Group
net sales



In Finland, the Kiosk Division encompasses the R-Kiosks and Veikkausrasti outlets of the parent company, while in Estonia R-Kiosk trade is carried on by Lehti-Maja Eesti AS, and in Latvia by the 50%-owned joint company Narvesen Baltija SIA.

	2001	2000	Change, %
Net sales, EUR million	359.8	336.8	6.8
Operating profit, EUR million	14.8	15.7	-5.3
Personnel, average	3,555	3,339	6.5



R-kiosks in Finland

" Within the domestic market our operations will grow moderately while maintaining the current good levels of profitability. In the international sphere, the importance of the emerging markets of Central Europe will increase alongside that of the Baltic States region."

Markku Pelkonen,
Senior Vice President,
Kiosk Division

The R-Kiosks form a nationwide, centrally-administered and profitable chain of outlets offering customers entertainment, excitement and pleasure alongside basic everyday consumer items and services from morning until late evening. At the end of 2001 there were a total of 714 kiosks in Finland, with 470 of these owned and operated by Rautakirja and 244 in the hands of franchise-holders. The aggregate number of R-Kiosks fell by nine on the year.

The operating environment for Rautakirja's Kiosk Division underwent a major change from the beginning of 2001, when legislation came into force allowing Sunday opening for small retail stores of less than 400m² sales area. For the R-Kiosks, the effects were to be seen in specific locations and primarily in Sunday sales only. The chain had made preparations for this impending change over a number of years, and the impact of deregulation on the R-Kiosks was considerably less marked than on other similar outlets, particularly those kiosks having a strong foodstuffs assortment.

The relatively low number of big rollover Lot-to jackpots during 2001 reduced sales of Veikkaus coupon games across the board, and also in the R-Kiosks. On the other hand, a tightening of collaboration with Fintoto led to noticeably improved kiosk sales for harness racing betting. In newspaper and magazine sales, the R-Kiosks lost market share when sales of collector-cards (which also fall into this category) were slashed by half as the Pokémon craze faded away. The R-Kiosks are one of the most important channels for the sale of such "collectible" cards and stickers.

The R-Kiosks enjoyed a successful year in the sales of new product groups, for instance items like GSM recharging cards for mobile phone use.

In December, the R-Kiosks were the sole outlet for the 500,000 euro-coin starter packs issued by the Mint of Finland in advance of the change-over to the new currency. Demand exceeded all expectations. The two parties have made an agreement for the sale of other coin-related products through the R-Kiosk chain.

Marketing saw the continuation of active, product-oriented campaigns, which had a positive impact on both sales and on the overall R-Kiosk image, as a number of studies carried out during the year indicated. According to the studies, the R-Kiosks remained the most-used retail chain in Finland, even if customer numbers fell slightly from the 2000 figures. At the same time as throughput declined, the size of the average purchase increased appreciably.

The pilot programme set up in 1999 with the then Leonia Bank (now Sampo) to explore how banking services might be added to the kiosk service assortment was abandoned and the terminals installed in four kiosks were removed, after Sampo's corporate changes offered them considerably more ATM capacity.

The strong logistics know-how within the R-Kiosk chain was utilised by the expansion towards year's end of the pick-up point scheme launched in 1999. The R-Kiosks signed an agreement with the mail order concern Ellos, under the terms of which the R-Kiosks will operate alongside Finland Post as the primary customer pick-up point for Ellos packages.

Net sales through the R-Kiosks, which include only the retailer's commission component of commission sales (Veikkaus gaming items and bus tickets, etc.), totalled EUR 320.8 million. This marked an increase of 3.7% from 2000. Operating profit stood at EUR 17.1 million and was down by 3.2% on the previous year.

R-kiosk investments totalled EUR 4.9 million, a decline of 31.4% on the previous year. The main weight of investments was in acquiring new kiosk premises, and in refurbishing and upgrading existing outlets.

The Kiosk Division in Finland employed an average of 2,455 persons in 2001, 102 fewer than in the previous period. The decline was due in part to the outsourcing from January 2001 of warehousing functions in Vantaa. From April 6, 2001 the profit-centre has been managed by Senior Vice President Markku Pelkonen, following



the appointment in late March of Erkki Järvinen as the new President and CEO of the Rautakirja Oyj.

Staff training was again a priority in 2001, as the normal sales and customer service programmes were complemented with courses for the entire sales staff in preparation for the introduction of the euro from January 1, 2002. The year also saw the launching of security training for kiosk staff in response to a worrying increase in the number of store hold-ups.

The R-Kiosk concept has developed strongly from the window-counter kiosks of the 1990s into a walk-in convenience store model with a diverse product assortment. As competition continues to mount through the deregulation of shop opening hours, the chain will be making vigorous efforts to develop the store concept and to strengthen co-operation with partners. The expanded product assortments in the R-Kiosks and changes already seen on the supermarket front and in consumer behaviour have resulted in the R-Kiosks' emergence as a handy retail outlet of choice for shoppers needing quick replacement items. Confidence remains strong that the chain will be able to improve sales and retain profitability into the future.



Lehti-Maja Eesti AS R-kiosks in Estonia

Lehti-Maja Eesti AS carries on R-Kiosk trade in Estonia. At the end of 2001 the chain comprised a total of 202 kiosks. This was down by one on the previous year. Of the total, 164 were the traditional window-counter outlets, and 38 were walk-in kiosks. The number of walk-in kiosks increased by four during the year.

In the retail and wholesale branch, Estonia is experiencing a major structural change as the importance of small neighbourhood stores declines in favour of new large markets and hypermarkets. Against such a background, the significance of kiosks with a broad product assortment is likely to increase as consumers look for services close at hand, just as has occurred in Finland. The R-Kiosks have maintained their position in the market during this process of change, and remain the country's largest and most-frequented retail chain.

After the earlier expansion in the number of outlets to the point where the chain had a nationwide reach, 2001 saw the emphasis shift towards establishing the chain concept and improving profitability.

From the beginning of 2001 Lehti-Maja also took over the management of the shop operations of Neste filling stations in Estonia. The eleven units in question now trade under the R-Kiosk logo. These outlets all operate in conjunction with service stations in good commercial locations. At the same time they have offered a means of testing the viability of the convenience store concept on the Estonian market, indicating that this is also the way forward in Estonia.

Sales through the Estonian R-Kiosks continued to develop favourably and net sales totalled EUR 18.8 million. This represented an increase of 26.7%. After adjustments for changes, the comparable net sales growth figure on the year was 9.3%. With the exception of reading matter, sales grew in all product groups. The company posted an operating loss of EUR 0.7 million, roughly at the level of the previous year. The result was once again burdened by costs incurred in developing the chain, and by a one-off depreciation item of EUR 0.3 million, primarily on goodwill.

Lehti-Maja Eesti AS employed an average of 623 persons during the year, an increase of 98 from 2000. The company was headed by Managing Director Kalvar Kase.

The positive outlook for the Estonian economy provides a sound platform for the strengthening of the R-Kiosk chain's results and profitability. On the other hand, there is no immediate prospect for increasing the number of kiosk outlets. The concept will be further developed, taking note of the changes taking place in consumer behaviour patterns and in the structure of the retail trade in Estonia. The country's legislation is in an ongoing process of development, and it is anticipated that there will be some legal amendments affecting kiosk operations, for example restrictions placed on the sale of alcohol through kiosks.





Veikkausrasti

Veikkausrasti is Finland's leading retail chain specialising in gaming products. At the end of August 2001 Veikkausrasti was merged into the parent company as an integral part of Kiosk Division operations. The unit continues to operate as a separate chain under its own name and with its own brands. At year's end, the chain comprised 58 betting shop- and kiosk units, six of which were in the hands of franchise-holders. The aggregate number of outlets increased by five during the year.

In the course of 2001 the chain's location strategy was amended in such a way that new outlets will henceforth be established primarily in the public areas of shopping malls and large supermarkets. The first experiments with this new strategy were put into place during the year.

The cash register systems of the entire Veikkausrasti chain were updated during 2001. They now offer faster and more detailed feedback of information for chain management purposes.

Aggregate sales through the Veikkausrasti chain increased by 11.2%, reaching EUR 79.4 million. Sales grew in all product groups. As a specialist outlet for gaming products, the Veikkausrasti betting shops managed to increase their sales of coupon games (Lotto, football pools, etc.) by around 1%, in spite of an overall decline in this market. Net sales - which include only the retailer's commission component of commission sales - stood at EUR 15.5 million, up by 9.7% on 2000. The chain posted an operating loss of EUR 0.5 million. This compares with a loss at this level of EUR 0.2 million in the previous year. The decline was due in some measure to investments made in the revamping of the cash register system. The result on operations developed positively. Investments stood at EUR 1.0 million.

Veikkausrasti employed an average of 269 persons during the year, an increase of 19 from the previous period. Toivo Savolainen was appointed as General Manager from the beginning of September 2001.

In the year now under way, the Veikkausrasti chain will continue to make use of the advantages of the chain-driven operating model, and will concentrate on measures to improve profitability.



Narvesen Baltija SIA

Narvesen Baltija is a company operating in Latvia, primarily in the kiosk and wholesale press distribution sectors, and is jointly owned by Rautakirja and the Norwegian company Reitan Narvesen ASA. Rautakirja increased its holding in Narvesen Baltija from 35% to 50% in September 2001. At the same time the 12 R-Store sales outlets hitherto operated by Rautakirja in connection with Neste service stations in Latvia were transferred to Narvesen Baltija.

Within the Latvian market, kiosks have traditionally held a central position as a channel for the sales of newspapers and magazines. Nevertheless, the retail and wholesale branches in this country are undergoing the same kind of structural changes as have been witnessed in the other Baltic States, and the hypermarkets now being built and opened will come to capture a sizeable market share in the press distribution sector. In this climate of change, the kiosks are themselves developing towards being modern retail outlets with a broad product assortment.

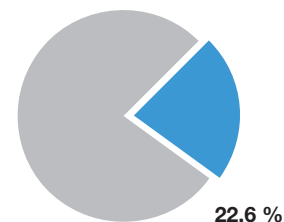
From January 1, 2001, Narvesen Baltija acquired 85% of the leading Latvian kiosk chain Preses Apvieniba. At the end of the year under review, the chain had a total of 455 kiosks. A vigorous development programme has been launched for the chain, and measures will continue to be applied in the years immediately ahead. Unprofitable outlets will be replaced by a corresponding number of walk-in kiosks, and in other respects the chain will be modernised to meet present-day requirements and conform to the overall chain image. At the end of the year, in addition to the Preses Apvieniba chain, Narvesen Baltija also operated 42 convenience store kiosks under the Narvesen banner, as well as two cafés.

Net sales by Narvesen Baltija for the three months during which the company was a jointly-owned affiliate totalled EUR 10.7 million. This figure includes the R-Stores mentioned above, which were operated by Rautakirja for the first nine months of the year prior to their transfer to Narvesen Baltija from 1.10.2001. Operating profit was negative, with a loss recorded of EUR 0.7 million. The loss was attributable to considerable investment made in launching and developing the chain.

At year's end Narvesen Baltija employed 1,603 persons, and was headed by Managing Director Petter Lundebj.

Work will go ahead intensively on developing the Narvesen Baltija kiosk chain. The objective is to build a profitable nationwide chain of kiosks, making use of proven expertise in this business from the Norwegian and Finnish partners.

Rautakirja's Press Distribution Division comprises Lehtipiste, a domestic marketing and distribution organisation for wholesale newsstand sales of Finnish and foreign magazines and newspapers, the jointly-owned AS Lehepunkt (performing the same tasks nationwide in Estonia), and the jointly-owned Narvesen Baltija SIA in Latvia, which is engaged on launching press distribution activities in that country through a subsidiary currently being established.

Share of Group
net sales

	2001	2000	Change, %
Net sales, EUR million	165.1	154.2	7.1
Operating profit, EUR million	10.3	9.5	8.0
Personnel, average	181	198	-8.6



Lehtipiste

Lehtipiste is an open 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 some 8,350 outlets across the length and breadth of Finland.

The newsstand market involves competing for the attentions of consumers, their leisure-time and also their money, but at the same time it is a constant battle against the newspapers' and magazines' other means of distribution, namely subscription sales. The factors bearing on the success of newsstand sales are the very great number of points-of-sale, the availability of titles for the impulse buyer, and the right selections presented in an appealing manner.

As a result of the structural changes taking place in the last couple of years in the retail trade, large supermarkets and hypermarkets have increased their share of the newspaper and magazine trade more rapidly than other types of outlet. Filling stations, too, have diversified their product assortment and adjusted their service concepts, and this has brought increased newsstand sales. However, the past year indicated that the liberalisation of opening hours for smaller retailers has also given these stores good prospects for increased sales of papers and magazines.

In the realm of conventional magazines, the most positive signs in sales came in traditional family journals and women's magazines, and also in magazines connected with cars and motor sports. Among speciality magazines, the long growth enjoyed by IT and personal computing

titles came to an end in 2001, with sales turning sharply downwards. On the "collectibles" front (mainly cards and stickers, often associated with sports or TV/film), the runaway Pokémon boom of 2000 did not carry over into 2001, so sales in this category fell away considerably. The loss of sales could not be made up even by a Finnish series featuring facsimiles of wartime newspapers, although this new adult collectible set enjoyed a successful market launch. Newspapers devoted solely to classified advertisements - used in buying and selling items - also held their own in the market and developed positively.

Sales volume for the evening newspapers (six days a week) was clearly positive. Their success was aided by the dramatic and fast-unfolding events on the news front both in Finland and abroad during the year.

In 2001 the aggregate value of Finnish newsstand sales at cover prices grew by some 6.9% to reach EUR 244.3 million. In all, sales volume totalled 136.7 million copies, showing growth of 0.7%.

Aggregate sales of newspapers (at cover prices) totalled EUR 123.8 million, up by a healthy 17.3% on the previous year. Sales volume was also up, by 4.6%, to stand at 104.4 million copies. The domestic dailies and evening papers saw an increase of 17.5% in their sales to reach EUR 122.5 million, while foreign titles also made some ground, increasing by 2.0% to EUR 1.3 million.

Aggregate sales volume for magazines reached 32.3 million copies, a decline of 10.1%. This only tells a partial truth, as it was the dramatic demise of collectible items that pulled the entire branch down into negative territory. Sales revenue at cover prices stood at EUR 120.5 million, showing a decrease of 2.0% on the figures for 2000. Sales of domestic magazine titles were up by 4.1% to EUR 97.8 million, while those for for-

"There are no significant threats on the horizon for newspapers and the press distribution trade. In the domestic market the outlook is for steady growth. This branch is also one of the Group's key areas of international expansion. During the coming spring, press distribution activities will get under way in Latvia."

Markus Miettinen,
*Senior Vice President,
Press Distribution
Division*



eign magazines slipped back 6.3% to EUR 14.0 million, and collector-cards and stickers slumped 38.3% to EUR 8.7 million, for the reasons given above.

If we examine sales by the individual retail chains, the biggest increases were recorded in the S-Group's outlets, and in Tradeka and Elanto stores. The Rautakirja Group's own points of sale were in fact the only retail trade grouping in which newspaper and magazine sales declined somewhat. Again, this fall was attributable in



great measure to the collapse of the "collectibles" category, where the R-Kiosks had enjoyed a strong market share. In the previous year it was the R-Kiosks in particular that had increased their sales throughput in this particular sector.

In the course of the year, the Lehtipiste organisation invested a great deal of energy on the development of display areas in current consumer goods outlets and on training store staff in these locations.

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 EUR 159.4 million, up by 6.8% on 2000, and the unit recorded an operating profit of EUR 10.0 million, or 6.1% more than in the previous period. Investments were primarily directed to furniture and equipment purchases, and stood at EUR 0.9 million.

Lehtipiste employed an average of 144 persons during the year, a reduction of 13 from the previous year's figure. The unit, and the entire Press Distribution Division, was headed by Senior Vice President Markus Miettinen.

Newsstand sales of newspapers and magazines 2001

	Sales volume		Sales at consumer prices	
	Mill. copies	Change, %	EUR million	Change, %
Finnish newspapers	103.8	4.6	122.5	17.5
Foreign newspapers	0.6	0.5	1.3	2.0
Newspapers, total	104.4	4.6	123.8	17.3
Finnish magazines	26.5	-1.5	97.8	4.1
Foreign magazines	2.5	-8.1	14.0	-6.3
Collectibles	3.3	-48.1	8.7	-38.3
Magazines, total	32.3	-10.1	120.5	-2.0
Total	136.7	0.7	244.3	6.9

Newsstand sales of newspapers and magazines by outlet 2001

At consumer prices	Outlets	Sales EUR million	Change, %	Share of all outlets, %
R-Kiosks, Veikkausrasti	772	44.2	-10.1	18.1
Automarkets	118	30.4	16.0	12.5
Department stores	89	10.7	-0.7	4.4
Supermarkets, large	352	38.5	11.0	15.7
Supermarkets, small	620	29.9	1.7	12.2
Self-service stores, large	847	24.4	15.4	10.0
Self-service stores, small	863	14.1	12.0	5.8
Small stores	186	1.7	21.7	0.7
Kiosks and canteens	1,268	13.6	-0.7	5.6
Bookstores and stationers	119	3.7	-7.2	1.5
Cafés and restaurants	1,048	5.8	29.4	2.4
Petrol stations, service stations	1,135	18.4	16.5	7.5
Hotels, motels, other accommodation	219	1.3	14.7	0.5
Speciality stores	697	7.2	13.7	2.9
Seasonal outlets	17	0.4	3.1	0.1
Total	8,350	244.3	6.9	100.0

Given the ongoing structural changes taking place in the retail trade, Lehtipiste is continuously fine-tuning its operations in order better to serve the interests of retailers and publishers. The future of the printed media currently looks better than it has for some considerable time, since the products offered by the “new economy” have not managed to shake the position of newspapers and magazines as a good interface, as reading and entertainment packages that work smoothly in different situations. The publishing houses’ own efforts in product development have played their part in promoting the growth in newspaper sales, along with the retail trade’s willingness to work on behalf of displaying papers in their stores.



AS Lehepunkt

AS Lehepunkt is a nationwide press distribution company operating in Estonia in the same fashion as Lehtipiste in Finland. The company’s activities got under way from the beginning of 2000, when Rautakirja and Estonia’s leading newspaper publisher AS Ekspress Grupp joined forces. The two founding companies each hold a 50% share of the enterprise.

Lehepunkt got into its stride immediately in its first year of operations, and during the year under review the positive development continued apace. The company acquired a roughly 90% share of the newspaper and magazine distribution market in Estonia. The company distributes Estonian and foreign titles to some 1,300 points of sale around the country.

The emphasis in operations was on the development of publisher services and speeding up distribution logistics. New monitoring and reporting systems were taken into use during the year. These made it possible to improve the precision of matching assortments to points of sale, thus enhancing the results at the counter.

Lehepunkt posted net sales of EUR 11.9 million, showing growth on 2000 of 17.6%. Operating profit grew by appreciably more, putting on 81.7% to EUR 0.7 million. Equipment and furnishings investments came to EUR 0.1 million.

In the course of the year Lehepunkt paid specific attention to improving staff know-how and levels of service. During 2001 the company employed an average of 74 persons, eight fewer than in the previous period. AS Lehepunkt was led by Managing Director Priit Vakkum.

In spite of the moderate development anticipated in the Estonian press distribution market, it is believed that Lehepunkt will maintain and strengthen its position as the country’s leading newspaper and magazine wholesaler. Lehepunkt has already secured the distribution rights to the newspapers and magazines of nearly all of Esto-

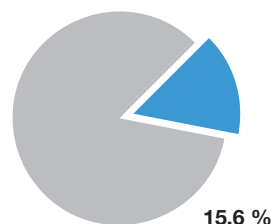
nia’s most prominent publishers. The aim in future years will be further to expand cooperation with both publishers and the retail trade, in order that consumers have access to the optimal assortment of print media.

Narvesen Baltija SIA

Following moves by Rautakirja in the autumn to increase its holding in the Latvian company Narvesen Baltija from 35% to 50%, a decision was also made to establish a Narvesen Baltija subsidiary to handle press wholesaling in Latvia. The intention with the new company - named NB Logistika - is to launch commercial operations in the spring of 2002. NB Logistika will serve all publishers, both Latvian and foreign, and intends to build a nationwide distribution network in Latvia.

When the new company is launched, it will take over the press distribution activities currently administered by Narvesen Baltija. NB Logistika’s net sales for its first year of operations are estimated at slightly more than EUR 10 million. The company will hold a market share of around 60%.

Share of Group
net sales



”The book has strengthened its position in the media branch, and Suomalainen Kirjakauppa has likewise reinforced its position as a distribution channel. We shall be expanding our chain further and developing our concepts, in order to meet the changing needs of the consumer.”

Raimo Kurri,
*Senior Vice President,
Bookstore Division*

Rautakirja’s Bookstore Division comprises Suomalainen Kirjakauppa Oy and its 60%-owned Estonian subsidiary Astro Raamatud AS. In Finland, Suomalainen Kirjakauppa also owns the Yliopistokirjakauppa chain of bookstores and the paperback bookstore Reader’s.

	2001	2000	Change, %
Net sales, EUR million	113.9	107.2	6.3
Operating profit, EUR million	6.7	6.0	11.4
Personnel, average	795	726	9.5



Suomalainen Kirjakauppa Oy

Suomalainen Kirjakauppa is a centrally-administered nationwide bookstore chain, Finland’s largest in this branch. In addition to the outlets operating under the Suomalainen Kirjakauppa name, the chain includes Yliopistokirjakauppa bookstores and the paperback outlet Reader’s. The concept is complemented by an online webstore, www.suomalainen.com.

At year’s end the chain comprised 60 Suomalainen Kirjakauppa bookstores, four Yliopistokirjakauppa bookstores, and the Reader’s paperback outlet. In the course of the year Suomalainen Kirjakauppa’s chain was expanded by two new store openings, and the Yliopistokirjakauppa chain by one. From the early autumn the Dose multimedia outlet and online store formerly under Suomalainen Kirjakauppa management were transferred to Ferete Oy, responsible for the Rautakirja Group’s online operations.

The bookstore trade has been marked by the strong performance of books in the past two or three years. In spite of competition from new media, the book remains a powerful source of experiences and a popular gift item. For this latter reason, the Christmas season is of pivotal importance for the entire bookstore branch in terms of annual success and profitability. Suomalainen Kirjakauppa’s biggest-selling book of the year was J.R.R. Tolkien’s Lord of the Rings trilogy, its sales being fuelled by the success of the film release of The Fellowship of the Ring towards year’s end. Lord of the Rings was followed in the lists by Arto Paasilinna’s latest novel, by the traditional reference work/almanac Mitä Missä Mil-

loin 2002, and by a collection of popular comic strips featured in a daily newspaper. The best-seller lists included a number of familiar Finnish writers and illustrators, and inevitably J.K. Rowling with several of her Harry Potter titles.

As books have strengthened their position, we have also seen an increase in the demand and availability of paperback titles in Finnish, alongside the traditional foreign publications. Suomalainen Kirjakauppa established Finland’s first dedicated paperback bookstore, Reader’s, in Helsinki during 2001. The intention is ultimately to create a chain of such outlets. The stores will be located in busy locations with access to large customer flows.

In addition to book sales, sales of office supplies and stationery also showed positive growth. On the CD-ROM front, games have held their position while other CD-ROM items have seen declining sales. Demand for newspaper and magazine subscriptions was at the same level as in 2000. The online webstore www.suomalainen.com also developed favourably.

Suomalainen Kirjakauppa’s commitment to the development of its bookstore network indicates a confidence in the central importance of the retail sales channel in the bookstore trade. The chain’s store image has been further developed in conjunction with the opening of a new outlet in Espoo, to make it increasingly customer-oriented. In the wake of customer research studies, the intention is to spread the new concept across other stores in the chain. The year also saw work carried out on the chain image of the Yliopistokirjakauppa stores, and the outlets were given a more coherent look.



Suomalainen Kirjakauppa recorded aggregate net sales of EUR 110.8 million, a growth of 3.9% from the figure for 2000. Suomalainen Kirjakauppa's operating profit again developed at a faster rate than net sales, putting on 10.3% to reach EUR 7.3 million. The good result on the year was attributable in great measure to an excellent Christmas season, where Suomalainen Kirjakauppa succeeded clearly better than the average for the trade as a whole. Gross investments of EUR 2.2 million were directed mainly towards store refurbishing and data systems upgrades.

Suomalainen Kirjakauppa employed an average of 740 persons during the financial year, an increase of 25 on the figure for 2000. The company was headed by Senior Vice President Raimo Kurri as Managing Director.

In recent years the chain has increased its sales healthily and has added to its market share. Suomalainen Kirjakauppa is constantly engaged on efforts to improve competitiveness in the marketplace, and confidence in continued sales growth remains firm.



Astro Raamatud AS

Astro Raamatud is active in the Estonian book trade, carrying on wholesale and retail sales, direct mail sales, and online trading operations. In October 2000 Suomalainen Kirjakauppa acquired 60% of the company, with the remainder of the shares held by the Estonian company Astro Holding.

Astro Raamatud currently operates three bookstores, located in Tallinn, Tartu and Pärnu, all trading under the Apollo Raamatumaja name. The company publishes the country's largest mail order catalogue for books and office supplies. Astro Raamatud also operates an online store at www.apollo.ee. During 2001 all the company's functions were brought under the common Apollo brand and marketing operations were harmonised. At the same time the staff members were trained in the new operating models.

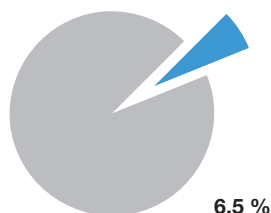
Estonia's bookstore market is still relatively small, but in a process of dynamic change. Astro Raamatud accounts for around 20% of the aggregate market in the country.

The company's net sales totalled EUR 3.1 million. Operating profit was negative at EUR 0.3 million. Astro Raamatud's most important goals in the immediate future are the development of wholesale operations, the addition of a further few retail outlets, and improved profitability.

Astro Raamatud employed an average of 55 persons during the year, led from 1.10.2001 by Managing Director Arvo Pihl.



Share of Group
net sales



"The year now under way looks extremely positive on the cinema front in Finland, since there are numerous films in the pipeline with high box-office potential. In the Baltic States, the development prospects remain very strong, as the multi-screen cinemas in Riga and Vilnius should both be completed in a little over a year."

Timo Mänty,
*Senior Vice President,
Movie Theatre
Division*

Inside Finland, Rautakirja's Movie Theatre Division comprises the subsidiary Finnkinno and Finnkinno's subsidiary Interprint, a company specialising in film subtitling services. Finnkinno also has subsidiaries engaged in film screening and distribution operations in Estonia, Latvia, and Lithuania.

	2001	2000	Change, %
Net sales, EUR million	47.6	43.6	9.1
Operating profit, EUR million	2.0	2.5	-20.2
Personnel, average	556	506	9.9



Finnkinno Oy

Finnkinno carries on movie theatre operations in Finland. In addition the company imports art-house movies to complement the standard repertoire in its own cinemas, and films for video sales and rentals. Finnkinno's subsidiary Interprint Oy provides film subtitling services.

At the end of 2001 Finnkinno operated 15 cinemas in nine locations around Finland, with a total of 69 screens. The numbers declined by two cinemas and five screens from the previous year.

On the Finnish cinema front, the year under review was sharply divided. During the early months of the year there were only a couple of films that enjoyed major box-office success, by contrast with the situation in early 2000, when the Finnish movie industry was enjoying a boom and attendances were soaring. Towards year's end, however, the situation improved, and in the last two months of the year a number of hits arrived – among them *Lord of the Rings*, the biggest-selling film of the year. Whilst this went some way to compensating for the slow start, aggregate attendances nevertheless fell by slightly more than 8% over the 12 months, and stood at around 6.5 million, according to preliminary figures. Those locations having multiplex cinemas – featuring several screens in the same cinema complex – fared best, while elsewhere the numbers of cinema-goers fell away more noticeably. In spite of the decline, box-office revenue was almost at the level of 2000.

Finnkinno cinemas held a market share of 53%. In the largest market area of Greater Helsinki, Finnkinno's Tennis Palace (with 14 screens) enjoyed a 62% share of the aggregate audience. It is also the largest movie theatre complex in Scandinavia and the Baltic States in terms of attendance.

As noted earlier, the year's biggest movie draws opened in cinemas towards year's end, and

hence their aggregate audience figures are still growing. *Lord of the Rings - The Fellowship of the Ring*, which arrived just before Christmas, and *Harry Potter and the Philosopher's (Sorcerer's) Stone* (released 23.11.2001) have both been seen by more than 500,000 people in Finland. The biggest cinema draw amongst Finnish releases in 2001 was *Rentun ruusu*, a portrait of a Finnish singer from the 1970s, which attracted over 350,000 viewers.

The main emphasis in Finnkinno's domestic operations was on further development and strengthening of the chain-managed operating model. In the autumn the company also introduced a new ticket sales system, which will in future facilitate the booking and sale of tickets via new distribution channels.

In the video wholesaling trade, sales of videos both for resale and rental increased sharply during 2001. Sales of VHS videocassettes fell slightly, while DVD sales were more than doubled on the year as the number of DVD players increased in Finnish homes. Finnkinno maintained its position as Finland's largest video distributor.

Finnkinno's net sales from Finnish operations in 2001 totalled EUR 39.7 million, showing growth on the previous year of 1.4%. Operating profit was halved to EUR 1.1 million. The decline in this area was attributable in part to a one-off depreciation item of EUR 0.5 million posted in September on the movie theatres' old ticket booking system.



Finnkino employed an average of 362 persons in Finland over the year (2000: 383). The company was headed by Senior Vice President Timo Mänty as Managing Director.

Finnkino's own experience and the results from elsewhere have confirmed that modern multiscreen cinemas pull in audiences with the promise of a state-of-the-art movie experience. Hence Finnkino is planning to expand further its chain of multiscreen cinemas in Finland. The prospects for the supply of films in the coming year also look very favourable.



AS MPDE

AS MPDE (Motion Picture Distribution of Estonia) is an Estonian film distribution and cinema company. Finnkino acquired a 90% holding in the company in 1999, and increased this to 100% in the autumn of 2001.

In March the company opened the first multiplex cinema in the Baltic States, in the Estonian capital, Tallinn. In its first year of operations the 11-screen cinema proved an immediate success, becoming the fifth-largest movie theatre complex in Northern Europe. MPDE is the market leader in Estonia's fast-developing cinema market. In addition to the new cinema, the company has two other outlets (one in Tallinn and the other in Tartu), each with two screens.

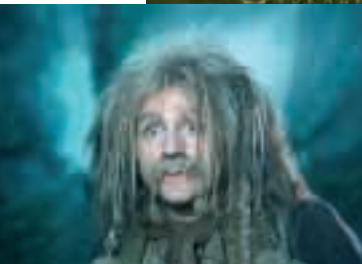
The aggregate cinema market in Estonia is in a phase of dramatic growth. Attendances rose by over 30% to reach slightly more than 1.1 million. The prime mover for the increase was the added supply of films made possible by the completion of MPDE's new cinema complex.

The company remained the clear market leader in film distribution in Estonia. It represents the great majority of American movie companies in the Estonian market. MPDE also owns one-third of the Estonian film subtitling agency OÜ Baltlab.

MPDE recorded net sales of EUR 4.9 million, showing growth of 126.8% on the previous year. Operating profit outran even this increase, rising to EUR 1.2 million. As a consequence of significant investment expenditure, amounting to some EUR 5.4 million, the company's interest costs rose sharply, and the result before taxes was EUR 0.4 million.

During the year the company employed an average of 137 persons (2000: 75). The substantial increase was due to the opening in March of the new multiplex cinema in Tallinn. The company was led in 2001 by Managing Director Aldo Tammsaar.

The development in the Estonian cinema market looks favourable, just as in Finland. MPDE now has a strong position in the main market area of Tallinn, so scope exists for positive developments in both net sales and profit performance.





Baltic Cinema SIA

Baltic Cinema SIA carries on film screening and distribution operations in Latvia. Finnkino owns 90% of the company.

The overall cinema market in Latvia declined appreciably in the year under review, but Baltic Cinema retained its market share of nearly 50%. The company operates three cinemas in the capital, Riga, with a total of four screens. The figure was unchanged from the previous year.

In the spring of 2001 Rautakirja and the Finnish department store chain Stockmann embarked on collaboration with a view to building a property complex in the centre of Riga that will house a 14-screen cinema, a department store, restaurants, and other facilities. The building is scheduled for completion in 2003, and Rautakirja's share of the total investment costs is around EUR 15 million.

In the course of the year Baltic Cinema introduced a new ticket sales system that will improve and speed up customer service and assist in managing operations.

Baltic Cinema's net sales of EUR 2.4 million were at the same level as in 2000. Increased cost levels led to a decline of 28.1% in operating profit, which stood at EUR 0.2 million. Investments were EUR 0.2 million.

Baltic Cinema employed an average of 47 persons during the year, one fewer than in the previous period. The company was headed by Managing Director Atis Amolins.



UAB Vingio kino teatras

UAB Vingio kino teatras is a movie theatre company operating in Lithuania. Finnkino acquired 90% of this company in August 2001. Vingio kino teatras owns a modern 4-screen cinema with ancillary services in its own premises in the Lithuanian capital, Vilnius. The Vingis Cinema has more than 1,000 seats in its four units.

Vingio kino teatras has approximately 35% of the aggregate Lithuanian cinema market of around 1.5 million cinema-goers, and 60% of the market in Vilnius.

The company posted net sales of EUR 0.7 million during the four months it was a part of the Rautakirja Group. Operating profit was negative at EUR 0.1 million. Vingio kino teatras employs 30 persons under Managing Director Arunas Baltrushaitis.

Vingio kino teatras has launched plans for the construction of a multiplex cinema in connection with its existing premises in Vilnius. The 12-screen complex should be completed at the end of 2002.



Eurostrada is the parent company for the Rautakirja Group unit carrying on restaurant operations, and comprises two separate profit centres, highway service areas and Pizza Hut restaurants. The highway service areas operate under the Eurostrada and Motorest brands. Motorest activities are organised within the Eurostrada subsidiary Foodstop Oy.

	2001	2000	Change, %
Net sales, EUR million	42.4	38.4	10.4
Operating profit, EUR million	-1.1	-2.2	51.1
Personnel, average	707	694	1.9



Eurostrada Oy

Eurostrada's operations are divided into two profit centres: highway service areas and Pizza Hut restaurants.

In May 2000, Eurostrada and Neste Markkinointi Oy signed an agreement according to which Eurostrada will take over operation of the Motorest chain of highway service areas. The changeover will take place in stages over a three-year period to the end of July 2003, by which time the chain will comprise 22 outlets. During 2001 eight refurbished and renovated service areas passed to Eurostrada. In all, by year's end Eurostrada was operating 11 Motorest outlets and six Eurostrada highway service areas and two filling stations. In order to administer the Motorest concept, the two companies party to the original agreement established a separate enterprise, Foodstop Oy, in which Eurostrada has a 99% holding.

The Motorest service areas are located variously on main highways and in built-up areas, whereas Eurostrada's existing service area facilities are all to be found on busy stretches of highway. Those Eurostrada service areas currently operated in cooperation with Neste will be converted to Motorest units. Eurostrada has cooperative agreements in force with the oil companies Teboil and Esso for the operation of Eurostrada service area facilities.

The main emphasis in service area operations during 2001 lay in developing the Motorest concept and in taking over new units, with the necessary alterations being made to bring them into line with the overall chain image.

On the nationwide level, gasoline sales by volume increased during the year by 1.4% after a lengthy period of declining figures. Sales of diesel were also up, rising by 2% on the previous year. The amount of money spent by consumers on restaurant services is growing steadily as eating out becomes increasingly popular. Sales through

Eurostrada's highway service areas increased in nearly all product groups owing to the expansion of the chain during the year.

Net sales through the service areas totalled EUR 34.7 million, showing growth on the previous year of 20.0%. The growth was attributable to new units being introduced into the chain. The result on the year fell off somewhat from that in 2000, owing to investments in the development of the Motorest chain and in the takeover and renovation costs incurred with new units.

Eurostrada holds sole rights to the Pizza Hut franchising agreement in Finland. At the end of the year, there were a total of 16 Pizza Hut outlets around the country, four fewer than at the end of 2000.

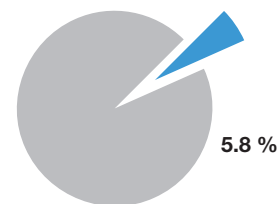
The fierce competition that exists in the fast food market in Finland also had an impact on Pizza Hut's profitability during 2001. The Pizza Hut restaurants posted net sales of EUR 7.8 million, a decrease of 18.6% on the previous year. The decline was attributable not only to the competitive situation but also to the reduced number of outlets, after adjustments were made to the chain's operating strategy by concentrating operations in larger centres, with the focus on the Helsinki Metropolitan Area. The unit's result improved from the previous year, but remained negative.

Eurostrada Oy showed aggregate net sales of EUR 42.4 million, indicating growth from 2000 of 10.4%. At the operating profit level, the company recorded a loss of EUR 1.1 million. This deficit was roughly half of that experienced in the previous year. Investments totalled EUR 3.7 million, primarily arising out of conversion work on new Motorest outlets.

Eurostrada employed an average of 707 persons during the year, an increase on 2000 of 13 persons. The company was headed by Managing Director Seppo Soini.

Among Eurostrada's key objectives are to build from the Motorest units a unified and competitive chain to serve customers both on highways and in built-up areas. Improvements to the profitability of Pizza Hut operations will go ahead in line with the development programme launched successfully in the past year.

Share of Group
net sales

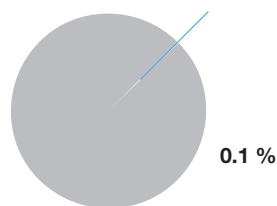


"Takeover of additional Motorest units will continue according to a pre-arranged schedule until the summer of 2003. As the number of outlets in the chain gradually increases, net sales can be expected to grow. The central challenge in restaurant operations is one of turning profitability around onto a positive growth-path."

Seppo Soini,
Managing Director,
Eurostrada



Share of Group
net sales



"The development that has taken place so far indicates that online gaming will increase and will complement betting through traditional outlets. For this reason we are investing in gaming and recreational game-playing via the Net".

Simo Susi,
Managing Director,
Ferete Oy

The profit centre is formed from Ferete Oy, a company engaged in online gaming services, the Dose multimedia outlets and dose.net web portal (specialising in leisure games for PCs, PS2, and other platforms), and AS Megapanus, an Estonian company that carries on variable-odds betting in that country via the Internet and phone/SMS services.

	2001	2000
Net sales, EUR million	0.4	0.0
Operating profit, EUR million	-1.7	-0.2
Personnel, average	19	2



Ferete Oy

Ferete Oy was established in 2000, with the intention of concentrating in the company all of the Rautakirja Group's online gaming and leisure game operations and the coordination of the Group's online functions and services. In addition, the company is responsible for the up-keep and development of content on the websites of certain Group units and profit-centres. In the course of 2001 the operating strategy was focused on online gaming operations. The company's commercial activities got under way gradually in the latter half of the year.

In August, Ferete signed a network agency agreement with Fintoto for the distribution of this company's betting operations via Ferete's online gaming service. The operations are scheduled for launch in 2002, at which time online betting on harness racing will become possible. Ferete's own Hyvä Veto (A Good Bet) network gaming service began operations in November 2001. At present the service offers tips, news, statistics, results services, and other useful information for people wishing to place bets on a variety of sports.

In early September Ferete acquired from Suomalainen Kirjakauppa the commercial operations of its Dose unit and the dose.net online store. In the course of the autumn the Dose store concept was modernised and a second outlet was opened in Helsinki. The online webstore was also given a facelift and www.dose.net re-opened in November with a more extensive service and a new look.



As commercial operations only got into gear towards year's end, Ferete net sales remained modest at EUR 0.4 million. The company posted an operating loss of EUR 1.5 million. The company's investments of EUR 0.7 million were directed towards the development of network gaming services and the Dose concept.

Ferete Oy employed an average of thirteen persons during the year, but by year's end the figure had risen to 21, of whom 13 were employed in the two Dose outlets. The company was headed by Managing Director Simo Susi.

Forecasts indicate that the playing of online games and online betting will increase in the data networks at an appreciably faster rate than in the gaming market as a whole. In its own development work, Ferete has concentrated its energies in this changing environment on offering both the suppliers and users of betting and leisure gaming services a versatile channel located at a single web address. In the leisure games sector, the role of Dose as a retail store and online games service will be strengthened and diversified. The target is to bring operations into profit already by next year.



AS Megapanus

AS Megapanus is an Estonian company licensed to carry on variable-odds betting operations in that country. The company was acquired by the Rautakirja Group in the summer of 2000.

In July 2001 the company opened an online gaming service that enables users to take part in variable-odds betting on Estonian and international events via the Internet or phone/SMS services.

As the company's commercial operations were launched only in the later part of the year, net sales were modest. Owing to the initial launch costs involved, the company posted a loss of EUR 0.2 million. Investments were EUR 0.1 million.

As Megapanus employed six persons, and the company's Sales & Marketing Manager was Peeter Poom.

The legislation and tax regulations relating to gambling and games of chance are in the process of being amended in Estonia. These changes will provide the framework for the company's future direction and development. In the same way as Ferete Oy in Finland, Megapanus has in early 2002 signed an agency agreement with Fintoto, which will take the form of sales of Fintoto harness racing gaming products in Estonia from the spring of the current year.



Jokerit HC Oyj

The Jokerit Group is a multi-branch company in the sports and entertainment sector, with a task of offering the public and corporate clients exciting sporting and entertainment events and other functions. Rautakirja owns 36.4% of the parent company Jokerit HC Oyj, and 30% of the subsidiary JHC Arena Holding Oy. For Rautakirja, the primary objects of interest in the Jokerit Group are the company's multipurpose halls, whose earnings logistics mesh closely with those of the multiscreen cinema complexes owned by the Rautakirja Group's Finnkinno in Finland and the Baltic States.

D+J Arena Hamburg GmbH, a company 50%-owned by JHC Arena Holding, is currently building a multipurpose hall in Hamburg, which should be completed and opened at the end of 2002. The estimated aggregate cost of the venture is around EUR 80 million. In order to secure the financing for the venture, Rautakirja has issued guarantees and loan commitments to a total of EUR 29 million.

The Jokerit Group has also entered into negotiations for similar halls to be constructed elsewhere in Europe, with the company taking either a consultative role or acting as a developer.

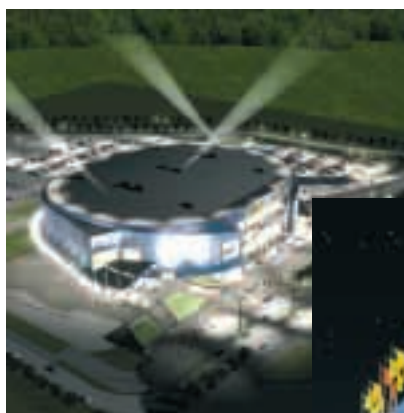
The Jokerit Group's net sales during the year to 30.4.2001 totalled EUR 15.3 million, and the result for the period was negative, with a loss of EUR 2.3 million. The Jokerit Group's impact on the result for the Rautakirja Group in 2001 was negative at EUR 1.2 million, including both the share of the company's result and goodwill depreciation made on the acquisition of Jokerit shares.



Kirjavälitys Oy

Kirjavälitys is a service company owned by Finnish publishers and booksellers, charged with providing its customers with logistics and information services. The company acquires products from 3,500 suppliers and the customers include all of Finland's bookstores. The Rautakirja Group owns 20.33% of Kirjavälitys. As Finland's largest bookselling chain, the Rautakirja Group company Suomalainen Kirjakauppa sees its ownership of Kirjavälitys as a strategically important move in the development of logistics and information solutions in this branch.

Kirjavälitys posted net sales of EUR 69.4 million in 2001, and recorded a profit of EUR 0.5 million. The impact of the company on the Rautakirja result for the year was EUR 0.3 million.



The Rautakirja Group is a company listed on the HEX Helsinki Exchanges and engaged in kiosk trade, wholesale distribution of newspapers and magazines, bookstore trade, cinema- and restaurant operations, and e-business activities. Rautakirja is a part of the SanomaWSOY Group.

Business environment

According to preliminary figures issued by the Federation of Finnish Commerce and Trade, growth in the retail trade as a whole during 2001 was around 5.4%. The year marked the eighth straight period of growth for both the wholesale and retail trade, albeit that there were considerable variations in different branches. By and large, sales by the Rautakirja profit centres progressed slightly better than the average development. Christmas sales were excellent across the board.

The deregulation of shop opening hours that was introduced on small stores of less than 400 square metres from the beginning of 2001 did not have any significant impact on R-Kiosk sales, but did lead to tightened competition in some locations. Adjustment to the changed market situation nevertheless took place quickly, as the long-term development of the kiosk concept had taken account of impending amendments such as Sunday opening.

Events during 2001

In January Rautakirja sold its shares in the Norwegian company Reitan Narvesen ASA. The price received for the stock was NOK 285 million, and a profit of EUR 7.8 million accrued from the deal.

Also in January, Rautakirja and the Finnish department store chain Stockmann embarked on cooperation in the Latvian capital Riga through the establishment of a company that is to construct a complex in the city, featuring a department store and a 14-screen multiplex cinema. The building is scheduled for completion in 2003. Rautakirja's share of the total investment costs is slightly more than EUR 15 million.

In March, the Pohjola Group Insurance Corporation announced that structural changes had caused the Group's holding in Rautakirja Oyj to fall below 10% of voting rights. In the wake of this change, Pohjola Group owns 8.15% of the share capital in Rautakirja Oyj and 9.68% of voting rights.

In June Rautakirja's Lehtipiste - the Group unit responsible for wholesale newspaper and magazine sales in Finland - and four leading Latvian publishing houses reported the signing of a draft agreement for cooperation in Latvia to market and distribute newsstand copies of newspapers and magazines. However, the parties could not reach a mutually satisfactory agreement on terms within the time-limits set, and the agreement expired in September. Thereafter it was decided to launch press distribution activities together with Reitan Narvesen ASA via the jointly-owned Latvian company Narvesen Baltija SIA.

In September an agreement was signed by the Rautakirja Oyj subsidiary Finnkinno Oy on the purchase of 90% of the Lithuanian cinema operator UAB Vingio kino teatras. At the same time the company launched plans for the building of a multiscreen cinema in the Lithuanian capital Vilnius. The movie complex is scheduled for completion in early 2003 and the anticipated overall cost of the venture is around EUR 8.4 million.

Also in September a stock arrangement saw Rautakirja increase its holding in the Latvian company Narvesen Baltija SIA from 35% to 50% with effect from the beginning of October. The company is primarily engaged in the kiosk trade and in wholesale press distribution activities in the Latvian market.

Changes in Rautakirja Group management

A meeting of the Board of Directors of Rautakirja Oyj on 30.3.2001 resolved to appoint Erkki Järvinen, Senior Vice President and Director of the Kiosk Division, as the Group's new President and CEO effective immediately, following the appointment of Hannu Syrjänen on 29.3.2001 as President and COO of Rautakirja's parent company SanomaWSOY. Hannu Syrjänen was also elected to the SanomaWSOY Board of Directors from that date. Syrjänen had been President and CEO of Rautakirja since 1998, and Erkki Järvinen joined the Rautakirja Group in 1997.

On April 6, 2001 Markku Pelkonen, formerly Sales Director of the Kiosk Division, was appointed to replace Erkki Järvinen as Senior Vice President and Director of the Kiosk Division, and was made a member of the Rautakirja Group Executive Board. Pelkonen joined the Rautakirja Group in 1992.

Alterations in Group structure

At the end of April 2001, P.M. Drockila Oy - the subsidiary responsible within the Rautakirja Group for real estate investment activities - was merged into the parent company, with the objective of streamlining the group structure in real estate operations. Real estate operations have already also been carried on within the parent company.

In order further to simplify the Group structure and achieve savings in administrative costs, Rautakirja Oyj's wholly-owned subsidiary Veikkausrasti Oy was merged into the parent company from 31.8.2001. After fusion with the parent company Veikkausrasti continued to operate as a separate chain under its own name and with its own brands.

Net sales

Aggregate Group sales, including commission sales but before the addition of indirect taxes, rose by 6.7% from the 2000 level to stand at EUR 1,207.1 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 EUR 696.5 million, up by 8.0%. When the effects of corporate acquisitions are eliminated, the adjusted year-on-year growth in 2001 was 5.3%.

The geographical breakdown of net sales was as follows: 94.2% from Finland, 4.5% from Estonia, 1.2% from Latvia, and 0.1% from the commercial operations in Lithuania acquired towards year's end. In relative terms, the greatest increases were in Estonia and Latvia, in response to the new commercial ventures acquired at the end of 2000 and in the course of 2001.

Rautakirja net sales developed favourably in all the Group's main trading areas. A successful year was crowned by extremely robust Christmas season sales.

The Kiosk Division, which encompasses the R-Kiosks in Finland and Estonia, the Finnish Veikkausrasti chain, and the kiosk operations in Latvia of the jointly-owned company Narvesen Baltija, posted net sales of EUR 359.8 million, up by 6.8%.

The operating environment for the R-Kiosks in Finland was extremely challenging throughout the year. Factors bearing on this included the liberation of opening hours for small retail outlets, a decline in sales of coupon games from Veikkaus because of the lack of large rollover lottery jackpots, and a sharp falling-off in demand for collectibles (cards and stickers). In spite of these potential threats, net sales via the R-Kiosks increased by 3.7% as a result of successful marketing measures and the launching of new products and services. Growth was at its most vigorous in the fourth quarter of the year.

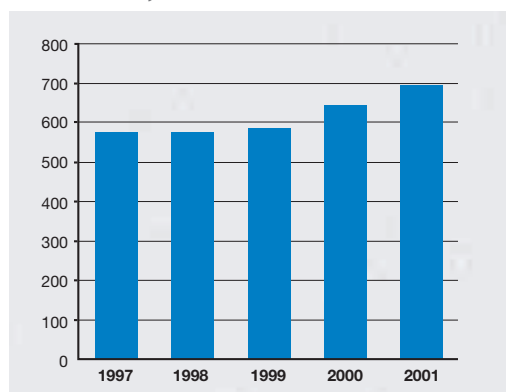
In Estonia, the R-Kiosks were able to exploit the advantages of their chain-operating models and the effects were to be seen in brisk growth in net sales. Roughly half of the growth recorded came from outlets at 11 Neste filling stations acquired at the beginning of 2001, which were brought under the R-Kiosk concept in the first half of the year. In Finland, the Veikkausrasti

outlets managed to achieve an increase in net sales of nearly 10% on the year.

The Press Distribution Division posted net sales of EUR 165.1 million, an improvement of 7.1% on 2000. The Division comprises Lehtipiste, responsible for wholesale newspaper and magazine sales in Finland, together with AS Lehepunkt, carrying on similar activities in Estonia. This latter company is owned 50% by the Rautakirja Group, and Lehtipiste is a part of the parent company Rautakirja.

Both Press Distribution profit-centres clearly increased their sales. Lehtipiste achieved healthy growth of 6.8% in what is already an extremely stable domestic market, and in Estonia Lehepunkt's second full year of operations was marked by a 17.6% increase in sales revenue. In Finland sales of newspapers developed very positively, on the back of improved circulation figures for evening papers. There were also positive signs in sales of regular domestic periodicals, but the sharp de-

Net sales, EUR million



Net sales by country, EUR million

	2001	2000	Change, %
Finland	656.1	621.4	5.6
Estonia	31.2	20.9	49.5
Latvia	8.5	2.4	259.6
Lithuania	0.7	-	-
Total	696.5	644.6	8.0

Group net sales by trading sector, EUR million

	1-12/01	1-12/00	Change %	1-3/01	4-6/01	7-9/01	10-12/01	1-3/00	4-6/00	7-9/00	10-12/00
Kiosk Division	359.8	336.8	6.8	80.7	87.8	88.2	103.1	80.0	83.0	85.0	88.7
Press Distribution Division	165.1	154.2	7.1	39.3	41.6	41.5	42.7	35.1	40.7	40.1	38.3
Bookstore Division	113.9	107.2	6.3	32.1	16.6	25.1	40.2	30.1	16.0	23.0	38.1
Movie Theatre Division	47.6	43.6	9.1	11.8	8.4	11.3	16.0	12.8	7.8	10.1	12.9
Restaurant Division	42.4	38.4	10.4	8.3	11.0	12.3	10.8	8.1	9.8	11.2	9.3
E-Business Division	0.4	0.0		0.0	0.0	0.0	0.3	-	-	-	0.0
Internal sales	-32.7	-35.6	-8.2	-7.7	-8.6	-7.9	-8.6	-8.4	-10.0	-8.9	-8.3
Total Group net sales	696.5	644.6	8.0	164.6	156.9	170.4	204.6	157.8	147.4	160.5	178.9
Commission sales	510.6	486.6	4.9	127.8	123.8	116.0	142.9	124.5	115.8	118.9	127.4
Aggregate Group sales	1,207.1	1,131.3	6.7	292.4	280.7	286.4	347.6	282.3	263.2	279.4	306.4

REPORT OF the Board of Directors

Operating profit by trading sector, EUR million

	1-12/01	1-12/00	Change %	1-3/01	4-6/01	7-9/01	10-12/01	1-3/00	4-6/00	7-9/00	10-12/00
Kiosk Division	14.8	15.7	-5.3	3.1	3.2	5.0	3.5	3.2	3.1	5.4	3.9
Press Distribution Division	10.3	9.5	8.0	2.5	2.8	2.8	2.2	2.0	3.0	2.7	1.8
Bookstore Division	6.7	6.0	11.4	0.8	-1.9	0.2	7.6	0.8	-2.1	0.6	6.8
Movie Theatre Division	2.0	2.5	-20.2	0.8	-0.5	0.0	1.8	1.5	-0.8	0.3	1.5
Restaurant Division	-1.1	-2.2	51.1	-0.7	-0.2	0.6	-0.8	-0.8	-0.1	0.7	-1.9
E-Business Division	-1.7	-0.2	-594.5	-0.3	-0.4	-0.4	-0.6	-	-	-	-0.2
Other Operations *)	6.4	-0.6		7.3	-0.4	-0.3	-0.2	0.0	0.0	-0.2	-0.4
Real Estate	5.1	5.5	-5.7	1.2	1.2	1.2	1.5	1.2	1.4	1.3	1.5
Group total	42.6	36.2	17.7	14.6	3.9	9.1	15.1	7.9	4.5	10.8	13.0

*) "Other Operations" contains the share of associated companies' operating profit not directed to individual divisions and the surplus accruing from the sale in 2001 of Narvesen ASA shares.

cline in demand for collector-cards pulled the overall magazines figure into negative territory.

The Bookstore Division comprises the Suomalainen Kirjakauppa chain, the bookstore outlets of Yliopistokirjakauppa and a dedicated paperback store (Reader's) in Finland, and the 60%-owned Estonian subsidiary Astro Raamatud AS. The Division's net sales reached EUR 113.9 million, showing growth on 2000 of 6.3%. Rather more than one-third of the growth came from Estonia, and the remainder from Finnish operations. During the comparison year, Estonian sales only appeared during the last two months of 2000. After adjustments for changes in structure, divisional net sales increased by 2.5%.

The year was a successful one on the bookstore front. In particular sales of fiction developed favourably. Paperbacks also made good ground, and Suomalainen Kirjakauppa established Finland's first all-paperback store in Helsinki. The Suomalainen Kirjakauppa chain's store concept was given a facelift to make it more customer-friendly. In Estonia, bookstore operations were brought under the common Apollo brand-label, marketing was harmonised, and a start was made on chain-driven operations. The adjustments had a positive impact on the development of sales in Estonia's still small but rapidly-developing bookstore trade.

The Movie Theatre Division is formed from Finnkinno in Finland and its subsidiaries in Estonia, Latvia and Lithuania. Divisional net sales for 2001 totalled EUR 47.6 million and were 9.1% up on the previous year. In the Baltic States, the vigorous growth was seen in part through the more than doubled Estonian net sales figure in response to the opening in March 2001 of a multiplex cinema in Tallinn. On the domestic front, the year will be remembered as one of sharp contrasts, as the poor supply of films in the early months was compensated for by brisk growth towards year's end, following the release of such movies as Harry Potter, Lord of the Rings, and some successful Finnish features.

Net sales by the Restaurant Division grew by 10.4% to reach EUR 42.4 million. The Division embraces the Eurostrada and Motores highway service areas and the Pizza Hut restaurant chain. Growth in net sales was derived from the continued opening of recently-acquired Motores outlets. Sales through the Pizza Hut chain declined

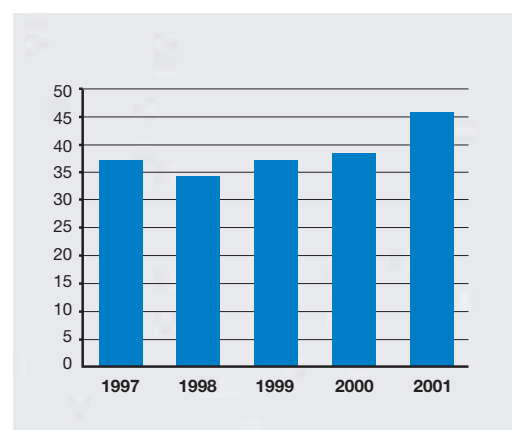
as the number of restaurants was reduced.

The E-Business Division comprises Ferete Oy, a company specialising in online gaming services and other ancillary services, and the Estonian company AS Megapanus, which carries on variable-odds sports betting operations in that country. In the case of Ferete, commercial operations did not really get under way until the final quarter of 2001, so the Division's net sales remained modest at EUR 0.4 million.

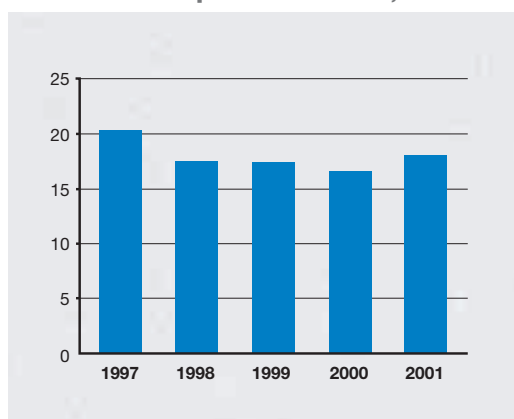
Financial performance

The positive trend in Group net sales was also reflected in improved profitability. Operating profit improved in the Press Distribution, Bookstore and Restaurant Divisions. Restaurant operations nevertheless still posted a loss at this level, since the result was burdened by one-off costs incurred in the launch of new Motores outlets. The Kiosk Division result declined slightly from the 2000 figures owing to the rearrangements made in Latvia during the year and to increased depreciation in Finnish operations. The Kiosk Division's result on operations in Finland remained at the previous year's level, however. The decline in operating profit recorded by the Movie Theatre Division was attributable almost in its entirety to a EUR 0.5 million one-off depreciation item on the cinema ticket booking system; without this

Profit before extraordinary items, EUR million



Return on capital invested, %



the result would have met the figure for 2000. The E-Business Division saw its result weakened through necessary launch investments as commercial operations got under way.

The Other Operations item in the Operating Profit tables includes the profit accruing from the sale of Reitan Narvesen ASA shares and the impact on the Rautakirja Group result of associated companies not directly belonging to the Group's basic commercial units, among them the holding in Jokerit HC Oyj.

The target in Real Estate operations is to reduce the stock of property that is not directly required for the Group's own use. One consequence of the realisation involved was that operating profit in this sector declined somewhat from the previous year.

Group operating profit stood at EUR 42.6 million, showing growth of 17.7% on the figure for 2000. The increased surplus arising out of financial income and expenses swelled the profit before extraordinary items to EUR 45.7 million, 19.3% up on the previous year. There were no extraordinary items listed in 2001. In the comparison period there was an entry of EUR 2.0 million for calculated tax refunds accrued from previous years. Profit before taxes improved by 13.2% and reached EUR 45.7 million. Profit for the year (after direct taxes and minority interests) was EUR 31.8 million, 10.2% better than in the previous period.

The return on capital invested was 18.1% (2000: 16.7%).

Earnings per share improved by 18.6% to EUR 4.90 and equity/share from EUR 35.56 to EUR 38.52.

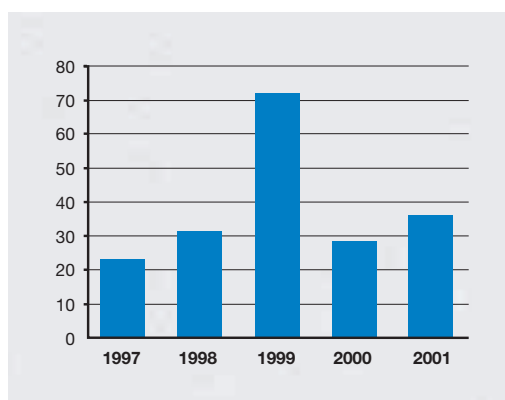
Investments

Aggregate Group investments for 2001 were EUR 35.9 million, as against EUR 28.6 million in 2000. The growth on the year was 25.7%. The largest single investment items were for the multiscreen cinema complex opened in Tallinn in March, the increase of the Group's holding in Jokerit HC Oyj from 34.5% to 36.4%, the acquisition of a cinema operator from Lithuania, and refurbishing costs for new Motorest highway service area units. In addition, the investments column includes capital assets items arising out of the joint company Narvesen Baltija (formed in

Gross investments by trading sector, EUR million

	1-12/01	1-12/00	Change %
Kiosk Division	14.9	9.9	50.1
Press Distribution Division	1.0	0.8	19.3
Bookstore Division	2.2	2.2	0.6
Movie Theatre Division	11.7	5.9	96.8
Restaurant Division	3.7	1.7	125.2
E-Business Division	0.8	0.2	277.5
Other operations	0.8	5.6	-85.6
Real Estate	0.3	1.5	-78.5
Administrative Services	0.5	0.7	-33.9
Group total	35.9	28.6	25.7

Gross investments, EUR million



the autumn), which are treated as investments. In other respects, investments were primarily directed towards the normal furniture and equipment purchases associated with the Group's commercial operations.

Financing

Owing to the unsatisfactory performance of the securities market, the Group's liquid funds were invested primarily in interest-bearing deposits or in other instruments dependent upon the yield from the interest market. Group liquid funds at the end of the period totalled EUR 116.4 million. The net surplus on financial income and expenses stood at EUR 3.1 million, as against EUR 2.2 million one year previously.

The ratio of equity to total assets remained high at 61.5%, as compared with 64.0% in 2000. Gearing was negative at -38.6% (2000: -23.2%). Shareholders' equity was EUR 249.6 million and interest-bearing liabilities totalled EUR 19.7 million.

Rautakirja Oyj owns 30% of JHC Arena Holding Oy, which in turn owns 50% of the share capital of D+J Arena Hamburg GmbH. This latter company is engaged on the building of a multi-purpose sports & entertainment hall in Hamburg, which is scheduled for completion at the end of 2002. Rautakirja Oyj's guarantee and loan commitments to this company total some EUR 29 million.

Share capital

Rautakirja Oyj's share capital at 31.12.2001 was EUR 22,032,000, following the approval by the Shareholders' Meeting in March of an increase in share capital from EUR 21,797,155.27. The increase was carried out in the form of a capitalization issue such that accumulated profits to a total of EUR 234,844.73 were transferred from retained earnings to share capital. After the increase, the par value of a share is EUR 3.40, when the total number of shares is 6,480,000, composed of 5.40 million Series A shares and 1.08 million Series B shares.

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

Shareholders' meeting

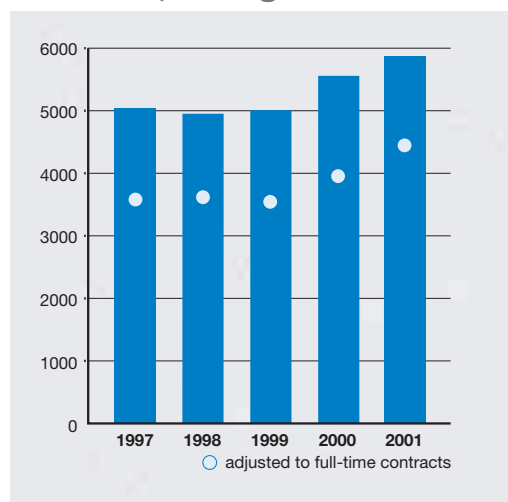
Rautakirja Oyj's Annual General Meeting of shareholders on 28.3.2001 approved the issue of a dividend for 2000 of FIM 11.50/share on Series A and B shares. The dividend for the previous year was FIM 11.00/share.

The Shareholders' Meeting elected Nils Ittonen, Senior Vice President Group Treasury and Asset Management of SanomaWSOY Oyj, as a new member of the Board of Directors. Ittonen replaced Antero Siljola, who resigned from the Board in the summer of 2000. Jaakko Rauramo, the Chairman of the SanomaWSOY Board of Directors, whose term of office was up for renewal, was re-elected. Both men were elected for a 3-year term.

The Rautakirja Board of Directors thereafter reorganised its leadership by electing from among its members the SanomaWSOY President and COO Hannu Syrjänen as Chairman, and Jaakko Rauramo as Vice-Chairman.

In addition to sanctioning the increase in the Company's share capital noted above, the Shareholders' Meeting further approved amendments to Articles 2, 3, 4 and 10 of the Articles of Association in order to bring them into line with the current nature of the Company's operations, and the necessary changes were made to the Articles of Association to prepare for the changeover to the Euro from 1.1.2002.

Personnel, average



Shareholders

In March, the Pohjola Group Insurance Corporation announced that the Group's holding in Rautakirja Oyj had fallen below 10% of voting rights. In the wake of this change, Pohjola Group owns 8.15% of the share capital in Rautakirja Oyj and 9.68% of voting rights. There were no other significant changes in the shareholders of Rautakirja Oyj during the year.

At December 31, 2001, Rautakirja Oyj had 807 shareholders.

New provisions on insiders as contained in Chapter Five of the Securities Market Act entered into force in the Rautakirja Group from 1.3.2000.

Proposal for the distribution of dividends

The Board of Directors of Rautakirja Oyj has resolved to recommend to the Annual General Meeting of April 4, 2002 that a dividend be issued for 2001 of EUR 2.30/share on Series A and Series B shares. In the previous year, the dividend paid was EUR 1.93/share.

The Board of Directors further proposes that the record date for the dividend payment shall be April 9, 2002, and that the dividend payment date shall be April 16, 2002.

Personnel

The average number of persons employed by the Rautakirja Group during the year increased by 343 to 5,877 persons. By the end of 2001 the aggregate payroll figure had already risen to 6,370, showing an increase of 789 persons in the course of the 12-month period. The number of staff members increased in all the Baltic States, in particular in Latvia following the increase in Rautakirja ownership of Narvesen Baltija to 50%. At year's end a total of 1,676 persons were employed by Rautakirja units or subsidiaries abroad, accounting for 26% of the entire Group workforce.

The number of employees in Finland declined slightly as R-Kiosk and Press Distribution Division staff numbers were reduced, in part through

Average personnel numbers by trading sector

	2001	2000	Change %
Kiosk Division	3,555	3,339	6.5
Press Distribution Division	181	198	-8.6
Bookstore Division	795	726	9.5
Movie Theatre Division	556	506	9.9
Restaurant Division	707	694	1.9
E-Business Division	19	2	850.0
Real Estate	6	8	-25.0
Administrative Services	59	61	-3.3
Group total	5,877	5,534	6.2

the outsourcing of certain warehouse functions. A modest increase in personnel was observed in Suomalainen Kirjakauppa through the establishment of new outlets, and in Eurostrada as further new Motorest units were taken into the company. The E-Business Division also saw an increase in personnel as commercial operations got under way.

The parent company employed an average of 2,751 persons during the year, 25 fewer than in 2000.

Investment in staff training programmes continued at a high level. Alongside traditional sales and marketing programmes, the entire sales staff in Finland underwent advance training in preparation for the changeover to the euro from January 1, 2002. In addition to these courses, emphasis was again placed on executive and middle management leadership training and programmes to develop international and communicative skills in an increasingly international Group environment.

Within the Rautakirja 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. Practically the entire permanent staff comes within the sphere of these schemes.

In addition, key individuals have been eligible for a separate long-term incentive scheme that matured for the first time at the beginning of 2001, based on a 3-year term leading up to this. Profit-sharing payments for 2001 totalled EUR 3.6 million, down from EUR 4.6 million in the previous year.

Changeover to the euro

The Rautakirja Group and its retail chains changed over to using the common currency, the euro, from January 1, 2002.

The entire sales staff had received training in preparation for the change during 2001. This involved both training in the use of the new currency, and also guidance in recognition of the security features of the euro banknotes. A total of around 5,000 persons took part in the training. Thanks to prior training and correctly-measured support procedures, the changeover went smoothly. The Group's sales outlets, in particular the R-Kiosks, were used during early January 2002 as money-changing points to some extent, which caused slowdowns in customer service. Sales nevertheless proceeded well, and there were few if any losses in sales arising out of queues building up.

All systems were tested for the advent of the euro during 2001, and the latest ones were made euro-compatible at the beginning of 2002. From the viewpoint of the Group's data systems, the changeover took place in line with a predetermined plan and entirely on schedule.

Euro-related systems features have been developed painstakingly in work dating back in some cases to 1997. Costs arising out of the change in 2001 totalled around EUR 2.1 million. This included around 15 person-years of work and some 2,400 training days. In the early weeks of the changeover period during the current financial year there will be some further incidental

expenses arising out of the new currency, primarily through new working arrangements in retail outlets.

Outlook for 2001 and beyond

The nearly ten years of positive progress enjoyed in the retail and wholesale trade extended into 2001, with growth in some sectors proving even stronger than had been forecast. The Christmas trade also saw sales at record levels. According to projections, the uncertainty factors surrounding the economy are expected to recede in the coming year, so there are no major obstacles to continued growth conditions in Rautakirja's trading areas.

According to figures from Statistics Finland, Finns' estimates of the outlook for the economy weakened during 2001, but in January 2002 the consumer confidence barometer nevertheless rose appreciably. Views on the nation's economic fortunes and on the trend in unemployment also improved at year's end. Consumers have additionally gauged that the outlook for their own personal economy and for savings remains upbeat.

The growth prospects for Rautakirja's business areas are positive and even if a measure of uncertainty surrounds the outlook for the economy as a whole, it is not anticipated that this will materially affect Group operations. On the other hand, in Rautakirja's strong trading areas within the domestic market there is not much scope for significant growth, and consequently the Group will be obliged to continue its process of internationalisation in order to meet growth targets. Growth will be carried out without sacrificing the current sound level of profitability.

Rautakirja's net sales are expected to increase during the current year by rather more than 5%. The result is expected to fall short of the record levels for 2001, which included an exceptional EUR 8.4 million in unaccounted for profits from the sale of shares. The result on operations, however, will approach that of the year reviewed here.

INCOME STATEMENT

Group income statement, 1.1.-31.12.

EUR million	2001	2000
Net sales	696.5	644.6
Other operating income	24.9	16.7
Share of result of associated companies	-1.4	-1.3
Materials and services	501.1	458.7
Personnel expenses	98.0	91.6
Depreciation and decreases in value	20.3	19.0
Other operating expenses	58.0	54.6
Operating profit	42.6	36.2
Financial income and expenses	3.1	2.2
Profit before extraordinary items	45.7	38.3
Extraordinary items	-	2.0
Profit before taxes	45.7	40.4
Direct taxes	-14.1	-11.6
Minority interest	0.1	0.0
Profit for the year	31.8	28.8

Group balance sheet at 31.12.

EUR million	2001	2000
ASSETS		
Non-current assets		
Intangible assets	28.4	27.1
Consolidated goodwill	13.8	9.5
Tangible assets	72.6	65.2
Investments	87.8	115.7
Total non-current assets	202.6	217.4
Current assets		
Inventories	41.8	35.5
Long-term receivables	2.9	2.0
Short-term receivables	49.0	42.2
Bonds & securities and other short-term deposits	87.2	45.7
Cash and bank	29.2	22.7
Total current assets	210.2	148.1
	412.7	365.5

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity		
Share capital	22.0	21.8
Contingency fund	0.3	0.3
Other funds	7.2	7.2
Retained earnings	188.3	172.3
Profit for the year	31.8	28.8
Total shareholders' equity	249.6	230.4
Minority interest	1.3	1.1
Statutory provisions	2.8	1.7
Liabilities		
Deferred tax liability	4.2	5.6
Long-term liabilities	18.3	12.6
Current liabilities	136.5	114.0
Total liabilities	159.0	132.3
	412.7	365.5

GROUP PERFORMANCE indicators

GROUP PERFORMANCE INDICATORS

	2001	2000	1999	1998	1997
Net sales, EUR million	696.5	644.6	585.0	575.7	573.1
Change, %	8.0	10.2	1.6	0.4	5.3
Operating profit, EUR million	42.6	36.2	32.8	30.7	35.5
As % of net sales	6.1	5.6	5.6	5.3	6.2
Profit before extraordinary items, EUR million	45.7	38.3	37.2	34.3	37.2
As % of net sales	6.6	5.9	6.4	6.0	6.5
Profit before taxes, EUR million	45.7	40.4	37.2	66.3	35.8
As % of net sales	6.6	6.3	6.4	11.5	6.3
Balance sheet total, EUR million	412.7	365.5	341.3	317.6	289.1
Non-current assets	202.6	217.4	212.0	158.2	153.6
Inventories and financial assets					
Inventories	41.8	35.5	36.3	33.2	50.2
Receivables	51.9	44.2	35.6	29.5	33.4
Bonds and securities, cash & bank	116.4	68.4	57.5	96.7	51.9
Equity	249.6	230.4	213.6	204.4	171.0
Minority interest	1.3	1.1	1.1	0.3	0.3
Statutory provisions	2.8	1.7	1.7	2.0	-
Deferred tax liability	4.2	5.6	7.4	8.6	11.0
Long-term liabilities	18.3	12.6	5.6	4.8	5.8
Current liabilities	136.5	114.0	112.0	97.4	101.1
Interest-bearing liabilities	19.7	14.6	7.5	6.3	13.8
Non interest-bearing liabilities	142.1	119.4	119.1	106.5	104.1
Return on equity, %	13.1	12.0	12.4	12.7	16.0
Return on capital invested, %	18.1	16.7	17.4	17.5	20.3
Gearing ratio, %	-38.6	-23.2	-23.3	-44.2	-22.3
Current ratio	1.5	1.3	1.2	1.6	1.3
Gross investments, EUR million	35.9	28.6	72.1	31.6	23.3
As % of net sales	5.2	4.4	12.3	5.5	4.1
Personnel (average)	5,877	5,534	5,006	4,970	5,038
Adjusted to full-time contracts by hours worked	4,461	3,977	3,631	3,652	3,634

Share capital and shares

Rautakirja Oyj's Series A and Series B shares, with the trading codes RTK1S and RTKBS respectively, are listed on the Main List of the HEX Helsinki Exchanges. The lot size in each series is 50 shares.

Rautakirja Oyj's share capital is EUR 22,032,000. Shares have no specified nominal value. The par value of a share is EUR 3.40, when the aggregate number of shares is 6,480,000. 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.

At the end of 2001, institutions of one kind or another owned 98.5 % (2000: 98.1 %) of the share capital, and private individuals 1.5 % (2000: 1.9 %).

Development of share prices

As the world economy drifted towards recessionary conditions, share prices continued their decline through 2001. The weighted HEX Port-

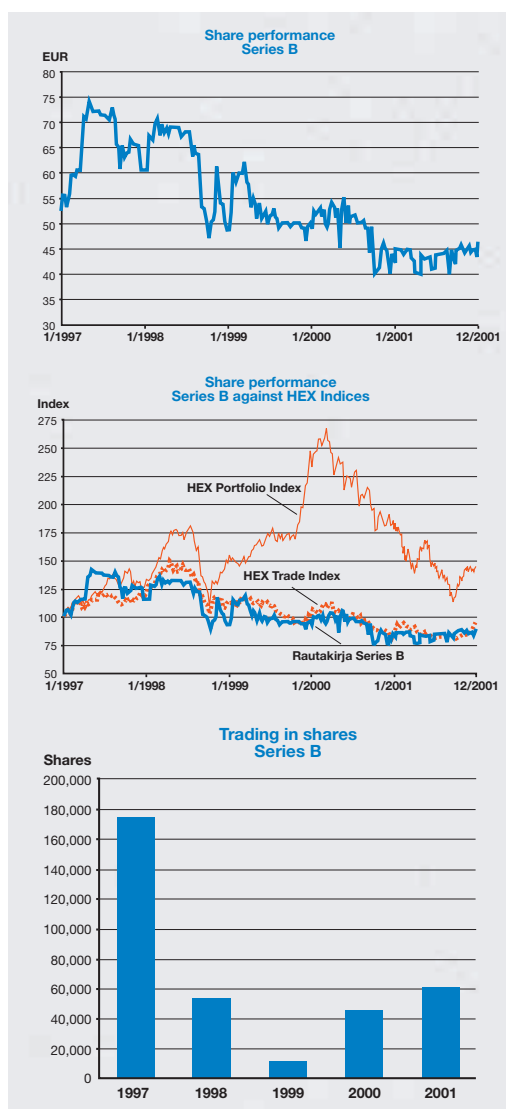
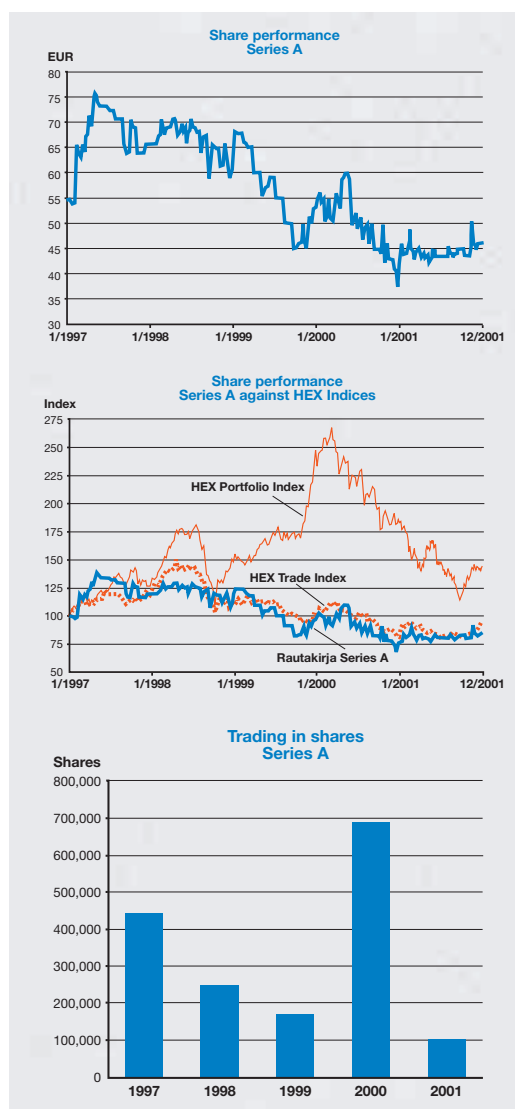
folio Index fell during the year by 22.3%, and the HEX All-Share Index was down by 32.4% over the same period. Trade stocks held their own well in a difficult and uncertain economic climate, and the sector-specific Trade Index to which Rautakirja belongs on the Main List rose during 2001 by 13.4%.

Prices for Rautakirja Series A and Series B shares rose during 2001 by 9.5% and 4.4% respectively. The lowest price recorded for Series A shares was EUR 42.00, and the high on the year was EUR 50.50. Series B shares posted a low of EUR 40.00 and a high of EUR 47.00. The year-end price for Series A shares was EUR 46.00 and for Series B shares EUR 47.00.

The market value of Rautakirja's share capital at December 31, 2001 was EUR 299.2 million. The corresponding figure for 2000 was EUR 275.4 million.

Turnover in Series A shares on the Helsinki Exchanges totalled 103,053 shares to a value of EUR 4.63 million. In the case of Series B shares, 60,716 shares changed hands to a value of EUR 2.7 million. A total of 1.9% of Series A shares were traded, and 5.6% of Series B shares.

At 31.12.2001, members of the Board of Directors and the CEO did not own any Rautakirja shares.



INFORMATION ON SHAREHOLDERS

Largest shareholders according to the Share Register at 31.12.2001

	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 Food Ltd	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
SanomaWSOY Corporation	117,600	32,000	2.31	2.19
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	5,123,004	784,026	91.16	94.65
Nominee-registered shares	-	-	-	-
Other shareholders, total	276,727	295,849	8.83	5.34
Shares not yet transferred to book entry system	269	125	0.01	0.01
Total	5,400,000	1,080,000	100.00	100.00

On 31.12.2001 there were 807 registered shareholders.

Breakdown of share ownership at 31.12.2001

	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	43	8.10	4,333,891	80.26	42	8.35	744,011	68.89
Public companies	1	0.19	9,360	0.17	1	0.20	1,872	0.17
Financial and insurance institutions	11	2.07	784,771	14.53	8	1.59	140,500	13.01
Public institutions	6	1.13	106,280	1.97	4	0.80	84,994	7.87
Non-profit-making bodies	8	1.51	86,150	1.60	14	2.78	55,269	5.12
Households	461	86.82	79,268	1.47	433	86.08	52,929	4.90
Foreign shareholders	1	0.19	11	0.00	1	0.20	300	0.03
Nominee-registered	-	-	-	-	-	-	-	-

Ownership of shares by size of holding at 31.12.2001

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	386	72.69	18,117	0.34	363	72.17	11,188	1.04
101 - 1,000	101	19.02	35,873	0.66	104	20.68	38,485	3.56
1,001 - 10,000	27	5.08	86,816	1.61	24	4.77	70,088	6.49
10,001 - 100,000	9	1.69	278,466	5.16	10	1.99	374,473	34.67
100,001 -	8	1.51	4,980,459	92.23	2	0.40	585,641	54.23

Shares – statistics and indicators

	2001	2000	1999	1998	1997
Earnings / share, EUR	4.90	4.13	4.01	3.70	4.08
Equity / share, EUR	38.52	35.56	32.96	31.55	26.39
Dividend / share, EUR					
Series A	2.30 *)	1.93	1.85	2.61	2.10
Series B	2.30 *)	1.93	1.85	2.61	2.10
Dividend / earnings, %	46.9	46.8	46.2	70.5	51.6
Effective dividend yield (year-end), %					
Series A	5.0	4.6	3.5	4.0	3.2
Series B	4.9	4.3	3.5	5.3	3.5
P/E ratio					
Series A	9.4	10.2	13.2	17.6	16.1
Series B	9.6	10.9	13.1	13.2	14.9
Share performance, EUR					
Series A					
Year average	44.92	54.67	53.59	67.87	70.11
Low	42.00	37.50	42.00	55.50	52.14
High	50.50	60.00	68.00	70.64	76.81
Year-end price	46.00	42.00	53.00	65.26	65.59
Series B					
Year average	44.40	48.42	51.13	66.45	66.98
Low	40.00	37.50	46.00	47.09	52.98
High	47.00	54.99	62.00	70.64	74.00
Year-end price	47.00	45.00	52.50	48.77	60.55
Market value of shares, EUR million					
Series A	299.2	275.4	342.9	405.1	419.6
Series B	248.4	226.8	286.2	352.4	354.2
Series B	50.8	48.6	56.7	52.7	65.4
Trading in shares					
Series A	103,053	686,653	169,879	245,626	442,202
Series A, %	1.9	12.7	3.1	4.5	8.2
Series B	60,716	45,212	11,737	53,878	174,558
Series B, %	5.6	4.2	1.1	5.0	16.2
Number of shares (million) **)	6.48	6.48	6.48	6.48	6.48
Series A (20 votes)	5.40	5.40	5.40	5.40	5.40
Series B (1 vote)	1.08	1.08	1.08	1.08	1.08
Number of shareholders at 31.12.	807	793	758	744	741
Share capital, EUR million					
Series A	22.0	21.8	21.8	21.8	21.8
Series A	18.4	18.2	18.2	18.2	18.2
Series B	3.7	3.6	3.6	3.6	3.6

*) Proposal by Board of Directors.

**) There were no stock issues between 1997 - 2001.

"In my view, training plays a central role in developing one's work and succeeding in it. I have taken part in the creation and development of the bookstore sales training programme, and I've seen the positive effects of the programme in practice. My own participation in management and language-learning courses has given me immediate tools to use in the workplace, and also the motivation to do my work better."

**Maarit Koivunen, Head of Retail Sales,
Suomalainen Kirjakauppa**

Personnel

The Rautakirja Group is a customer-oriented trade and service enterprise with a determination to grow steadily and become increasingly international in scope in the next few years. Targets such as these also present considerable challenges for the expertise and the development of the Group's staff. Rautakirja's success and its operating result depend to a very great extent on those nearly 4 million occurrences each day where members of our staff interact directly with the consumer.

Staff development

By virtue of a sustained and intensive commitment to personnel training, Rautakirja has been able to safeguard the sound development of the Group's profitability, even in a climate of increasingly stiff market competition. In the year under review, efforts geared to supporting corporate strategies and developing international skills grew considerably. In the course of 2001 a project featuring 40 key individuals was launched with the aim of developing management perspectives on international acquisitions and improving know-how on the corporate cultures and business practices of foreign countries. A total of 96 persons took part in language studies in English, and five key employees in the Group's international operations received training in international negotiation skills.

At the middle management level, 19 persons from various Group units took part in management training courses arranged in conjunction with the Mercuria Business School. The objective of the training is to develop the participants' awareness of the overall commercial operations of the company, and to provide additional means to examine the processes of leadership and organisational skills. The training programme included 12 full-day teaching sessions in addition to extensive written exercises based on the individuals' daily working environment. A further 14 persons took part in similar management training programmes initiated by Sanoma-WSOY, Rautakirja's parent company. Nine key executives from Rautakirja Group profit centres took part in the SanomaWSOY Executive Program 2001.

Nevertheless, the main emphasis in staff training during 2001 followed the pattern of earlier years in focusing on the skills of those working directly with the customers and those of their immediate superiors. A total of 228 courses were held in Finland, amounting to 256 training days. Training was attended by 2,974 persons, or around 63% of the Group personnel strength in Finland.

Training was arranged in such things as sales, customer service, teamwork, and staff management, in addition to courses to improve product awareness and IT skills. New areas included security training and also personnel management training for staff in this branch. The

entire customer service staff also received advance training to prepare for the changeover to the new common currency, the euro. Alongside programmes arranged in-house, staff took part in courses arranged outside the company and designed to maintain and polish their professional skills.

Development of in-house morale

Some seven years ago the Rautakirja Group embarked on regular image and morale studies, which have since been carried out in individual units in alternate years. In 2001 the focus was on the staff in the Vantaa Head Office. The study indicated that the workplace atmosphere and working conditions continued to develop favourably. Areas requiring action that have been brought to the surface by this and earlier studies are included in the operating plans for the units concerned, in order to ensure that improvements can be put into practice in the working environment.

The 2001 study also included a values analysis component, examining how staff felt about the company's values, and what things they found most important in their own work. After the results had been collated, a process of discussion of company values was initiated within the Group as a whole, and the findings of this will be put towards clarifying values in the Rautakirja Group and its various profit centres during 2002.

Occupational health care and staff health

The emphasis in occupational health care is on statutory health care and the maintenance of working ability. Health inspections are carried out on new employees, along with regular check-ups at specific ages as a means of ensuring staff remain fit to carry on their work. In the course of 2001 two condition improvement courses were arranged with the Social Insurance Institution (KELA), attended by 20 sales staff. A further four fitness upgrade courses were arranged for 40 kiosk personnel.

The number of absences from work through illness has remained at much the same level in recent years. In 2001, Finnish units recorded a total of 247,756 hours lost through illness, amounting to 3.6% of the aggregate number of hours worked.

Security and crime prevention

With an increasing level of street crime observable in Finnish society, Rautakirja has invested heavily in developing the security status in its retail chains and amongst sales staff. This has in part involved the development and expansion of crime-prevention monitoring systems. An updated set of security guidelines for staff has been taken into use in the various profit centres, through staff training and coaching. Within the R-Kiosk organisation the year saw the entire sales staff of nearly 200 kiosks taking part in tailored security training programmes.



Incentive schemes

Practically the entire permanent staff of the Rautakirja Group comes within the sphere of incentive & profit-sharing schemes. Rewards are paid to individuals or small groups for performances in excess of the annual targets set. These targets can be group-wide, departmental, or individual in nature. In addition to this, key individuals have been eligible for a separate long-term incentive scheme, the first phase of which matured in March 2001 and covered the three preceding years. At this time, bonuses were paid out to a total of EUR 4.6 million. Profit-sharing payments for 2001, payable in March 2002, totalled EUR 3.6 million.

From the beginning of 2002, the incentive scheme has been expanded to encompass the entire permanent staff complement.

Development of information flow, intranet

On the final working day of 2000, the Rautakirja Group opened its own internal network, named Raitti. Office staff, regional outlets, and a part of the retail chains are linked to the intranet service. R-Kiosk staff form the largest group of employees not currently having access to the intranet. Lehtipiste and Suomalainen Kirjakauppa opened their own intranet pages on the Raitti site in the early part of 2001.

The primary aim in setting up a Rautakirja intranet is to use open and effective information transfer to strengthen the sense of community and commitment within the Group as a whole and in individual profit centres, and to improve productivity and staff motivation. Studies carried out at the end of 2001 indicated that we had succeeded in this objective, as staff felt that the spread of information had improved noticeably since the introduction of the pages.

Personnel numbers and structure

At the end of 2001, the Rautakirja Group employed a total of 6,370 persons, an increase of 789 on the figure for December 2000. The growth in payroll numbers was largely attributable to the corporate acquisitions made in the Baltic States during the year. In Finland itself, the numbers declined somewhat following the outsourcing of warehousing functions in the Kiosk Division. As the Motorest chain and the chain of Suomalainen Kirjakauppa bookstores expanded the number of their outlets, so the aggregate personnel number also increased.

The number of persons working for Group units and subsidiaries abroad at the end of the year was up sharply to 1,676, or 26% of the overall total.

The Group's average number of employees during the year was 5,877, showing an increase of 343 persons. The actual number of hours worked rose to 7.7 million hours. If those on part-time contracts are converted to full-time contracts, the personnel average was 4,461, or 484 more than in 2000.

Rautakirja's trading areas offer a good deal of scope for part-time employment, and these positions accounted for just under half (47%) of the total number employed. The part-time staff are in most cases young people, since many of the Group's sales chains are open for business seven days a week and thus provide part-time employment for students and others.

In spite of the growth in our commercial operations in recent years, the gender breakdown in the Group's workforce has undergone little change. Women still made

up 79% of the staff, and as much as 87% of the staff working within Finland.

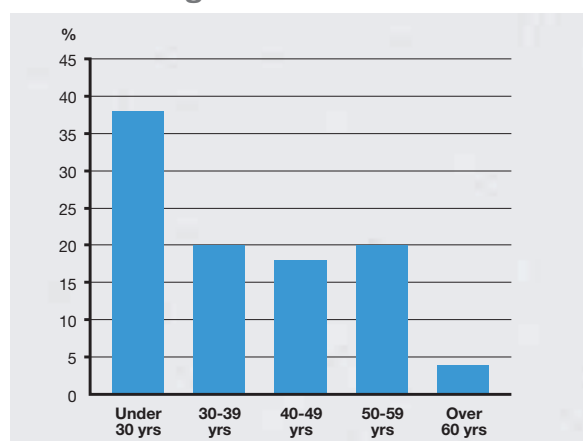
Equally, there have not been any significant changes in the age- or length of service breakdowns in recent years. In the former case, the relative lack of persons over the age of 60 years reflects the possibility to retire at 62 offered earlier (for staff entering the company prior to July 1974) by the Rautakirja Pension Fund. The largest single group is represented by persons under the age of 30.

If we examine the length of service figures, a slight change towards longer working relationships can be seen. Those individuals who have joined the Group through corporate purchases and have brought with them full tenure from their previous employment have most noticeably reduced the share in the "1 - 4 years" category, and at the same time they have swelled the shares of longer service more or less evenly. The number of those who have been with the Group for fewer than five years has declined by a further 8%-points from 2000, down from 59% to 51%.

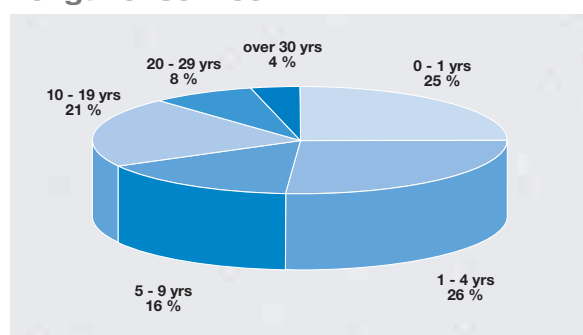
Personnel by country at year's end

	2001	2000	Change, %
Finland	4,694	4,769	-1.6
Estonia	796	767	3.8
Latvia	849	45	1,786.7
Lithuania	30	-	-
Total	6,370	5,581	14.1

Personnel age distribution



Length of service



"For some years now we have deliberately and systematically gone through our entire transport network in order to reduce the kilometres driven and the number of daily deliveries to stores, with a view to savings in energy and costs."

Timo Värri,
Material Functions
Manager, Lehtipiste

Environment

The Rautakirja Group is a service enterprise operating in the wholesale and retail trade. It does not have its own manufacturing as such, but rather the company and its subsidiaries distribute and sell the products of its cooperative partners. The company itself does not produce any material amounts of hazardous waste to place a strain on the environment.

The preservation and maintenance of the environment and natural resources has been observed in the Group's operations wherever there is scope for this, either through the company's own efforts or in collaboration with our commercial partners. Energy- and nature-saving alternatives have generally also been found to be the most economically sound ways forward in a commercial enterprise.

During 2001, for the first time, a survey of carbon dioxide emissions in Finnish listed companies was carried out, on the initiative of the business daily Taloussanomat. The so-called "Green Index" developed in Sweden has been created specifically for investors with an interest in environmental responsibility. Within the Rautakirja Group, an extensive Group-wide investigation of CO₂ emissions was carried out in the summer in connection with the above survey. The index figure for Rautakirja, depicting the relationship of CO₂ emissions to net sales, was 26.4. The largest emission sources were electricity (73%) and heating (10%). The index figure is slightly higher than that achieved on average by companies in a similar line of business in Sweden. Rautakirja, Raute, and SanomaWSOY received the best marks in the study for the breadth and quality of their investigation.

Waste management

The Rautakirja Group has around 900 points of sale and other units in Finland, and a further 700 or more abroad. The waste generated at these locations is for the most part made up of cardboard packing containers and solid mixed waste, and in the case of these items the waste disposal instructions contained in national and local laws, by-laws and regulations are observed, together with instructions given out by individual premises.

In addition, at the Eurostrada and Motorest service areas, the condition of fuel storage tanks and pipework is monitored continuously by means of electronic control systems. The service area forecourts - where the pumps are located - are further equipped with oil/water separator drainage systems that make it possible to collect any spills of fuel that may occur during filling-up. Units that also carry out servicing on cars have oil collection systems, and waste oil is delivered for processing and disposal. Kitchens in restaurants are equipped with grease separators, and the waste generated at these sites is sorted in accordance with the regulations of the individual local authority into solid landfill waste and bio-waste.

At Interprint Oy, the Finnkinno subsidiary engaged on subtitling of films for Finnish screening, it has been possible to do away almost completely with materials that are hazardous to the environ-

ment, following a gradual switch to laser technology. In those cases where the earlier techniques are still used, the wax employed in the process is nowadays biodegradable and made of paraffin, microcrystalline wax, and non-hazardous oils as used in the foodstuffs industry. The perchloroethylene (PERC) required to wash off the wax is constantly regenerated in a closed distillation process and is topped up when evaporation losses render this necessary. Sodium hypochlorite is also used in a very diluted solution.

Within Rautakirja offices and at the Head Office in Vantaa, office waste is sorted into marked containers. Each employee is responsible for his or her part in the sorting process. Problem wastes emerging in the office environment, for example items such as fluorescent light fittings, are sent for processing and disposal at the hazardous waste plant.

Paper collection and recycling

Rautakirja is a major recycler of newsprint paper. Lehtipiste is the market leader in wholesale distribution of newspapers and magazines in Finland, and the profit centre's operating model ensures that all unsold papers and magazines are collected from the more than 8,300 points-of-sale around the country after their display date has expired, in conjunction with normal delivery routines. Returns are delivered via the regional terminal depots for recycling. The quantities are naturally substantial, given the nationwide extent of Lehtipiste's operations. In 2001 a total of around 15.4 million kilos of returned copies were collected. This was roughly the same volume as in the previous year.

Transport issues

It goes without saying that efficient logistics are of paramount importance to the successful running of a business such as Rautakirja's. The company has outsourced all its trucking and haulage services and the greater part of warehousing and press distribution depot functions.

The transport services bought in by Rautakirja cover the entire country, and newspapers and magazines are delivered to points of sale on practically every day of the year when the outlet is open. Goods deliveries to R-Kiosks from the warehouse in Vantaa take place once a week as a rule. The deliveries employ both recyclable trolleys and cardboard boxes. In addition, suppliers of ice creams and drinks distribute their products from depots and manufacturing plants using their own transport arrangements on a weekly basis. In refrigerated deliveries, efforts are made to streamline operations such that shipments combine products from several different suppliers.

Corporate governance

The commercial operations of the Rautakirja Group have been organized into six trading areas: Kiosk Division, Press Distribution Division, Bookstore Division, Movie Theatre Division, Restaurant Division, and E-Business Division. Commercial operations are carried on either as a part of the parent company or in subsidiaries. The parent company Rautakirja Oyj's Corporate Finance and Administration unit is responsible centrally for Group administration, accounting, finance, legal affairs, planning, personnel development, information and IT services, and real estate operations.

The Company's executive bodies are the Board of Directors and the Executive Board.

The Board of Directors

The Board of Directors' task is to oversee the administration of the company and its operations in accordance with the terms of Finnish company law and the Articles of Association.

Members of the Rautakirja Board of Directors are elected by the Shareholders' Meeting. The Board then chooses from among its members a Chairman and Vice-Chairman. According to the Articles of Association, the Board may contain from 5 to 9 members.

In 2001 the Board of Directors consisted of five members until the Shareholders' Meeting in late March, and six members thereafter. The Shareholders' Meeting of 28.3.2001 elected Nils Ittonen, SVP Group Treasury and Asset Management of SanomaWSOY Oyj, to serve in place of Antero Siljola, former President of Werner Söderström Corporation, who resigned from the Board of Directors in July 2000.

The term of office of members of the Board of Directors shall end at the closing of the third Shareholders' Meeting subsequent to their election to the Board. According to the Articles of Association, persons having reached the age of 67 years may not be elected or re-elected to the Board of Directors.

During 2001 the members of the Board of Directors did not own any shares in Rautakirja Oyj.

Staff representatives are in place on the executive boards of individual profit centres and Rautakirja subsidiaries.

President & CEO

The President and Chief Executive Officer of the parent company is chosen by the Board of Directors. In 2001 the position was held until 29.3.2001 by Hannu Syrjänen, and from 30.3.2001 onwards by Erkki Järvinen, 42, formerly Senior Vice President, Kiosk Division.

Pursuant to the terms of the Finnish Companies Act, the President & CEO handles the administration of the company's affairs in accordance with the directions and stipulations of the Board of Directors. In addition, the President & CEO ensures that the company's bookkeeping adheres to the statutory requirements regarding books and records as set down in the Accounting Act, and that the management of assets has been arranged in a reliable manner.

The President & CEO of the parent company is assisted in the running of the Group by an Executive Board comprising the CFO and Senior Vice Presidents responsible for the Group's main trading areas. The Executive Board currently has six members.

The President & CEO did not own any shares in Rautakirja Oyj in 2001.

Salaries and emoluments

The Shareholders' Meeting decides on fees payable to the members of the Board of Directors. In 2001 the fees paid to Board members were as follows: Chairman, EUR 2,000/month; members, EUR 1,800/month. No separate payments were made for attendance at meetings of the Board.

The Board of Directors confirms the salary and benefits payable to the President & CEO. Hannu Syrjänen, who served in the post until March 29, 2001, was paid salaries, bonuses and other payments and benefits in kind to a total of EUR 214,994 during 2001. His successor Erkki Järvinen, who became President & CEO from March 30, 2001, received payments and benefits totalling EUR 134,218 during his period in office.

The President & CEO of the parent company may, if he so wishes, take retirement at the age of 60. The position carries no other specific benefits.

Internal auditing and inspection

The aim of the Group's financial and operative reporting system is to produce adequate and timely information for Group management and the management of profit centres in order that they may plan and direct the operations of the company.

The Group also has an Internal Auditing unit to oversee and steer operations. This unit reports directly to the President & CEO. The task of Internal Auditing is to supply analytical and consultancy services to support Rautakirja risk management, internal supervision, and administrative processes in accordance with the terms of the Companies Act. The Kiosk Division has its own auditing and inspection unit, which is charged primarily with monitoring and controlling kiosk trade stock losses, cash & treasury management, and adherence to operating guidelines in all Kiosk Division units.

The statutory Auditor's Inspection of Group companies is to be carried out by a firm of auditors authorised by the Central Chamber of Commerce and selected by the Shareholders' Meeting. The external auditors and the Group's Internal Auditing unit coordinate inspection of the Group's books, records and financial statements in order to ensure adequate coverage and avoid overlapping.

Insider regulations

The Rautakirja Group adheres to a directive on insiders based on the Guidelines on Insiders as published in the General Provisions of the HEX Helsinki Exchanges and in accordance with Chapter Five of the Securities Market Act. Information on those persons defined as insiders is open for inspection in a register kept by the Finnish Central Securities Depository Ltd.

Rautakirja Board of Directors

Hannu Syrjänen

1999 – 2002
Chairman since 30.3.2001
President and COO,
SanomaWSOY Corporation
1999*

Jaakko Rauramo

2001 - 2004
Chairman until 30.3.2001,
Vice Chairman since 30.3.2001
Chairman and CEO,
SanomaWSOY Corporation
1977*

Hans Olof Danielsson

1999 – 2002
President,
Oy Karl Fazer Ab
1999*

Hannu Ervamaa

1999 – 2002
Master of the Laws
1999*

Kalervo Haapaniemi

2000 – 2003
President,
Kesko Food Ltd.
2000*

Nils Ittonen

2001 - 2004
Senior Vice President,
SanomaWSOY Corporation
2001*

* Joined Rautakirja Board of Directors



From the left *Nils Ittonen, Hannu Ervamaa, Hans Olof Danielsson, Hannu Syrjänen, Jaakko Rauramo and Kalervo Haapaniemi.*

Auditors

SVH Pricewaterhouse Coopers Oy
Johanna Perälä, APA

**Rautakirja
Executive Board**



Erkki Järvinen, 42
President and CEO since 30.3.2001
1997*

Hannu Syrjänen, 50
President and CEO until 29.3.2001
1989*

Raimo Kurri, 48
Senior Vice President, Bookstore Division,
Managing Director of Suomalainen Kirjakauppa Oy
1989*

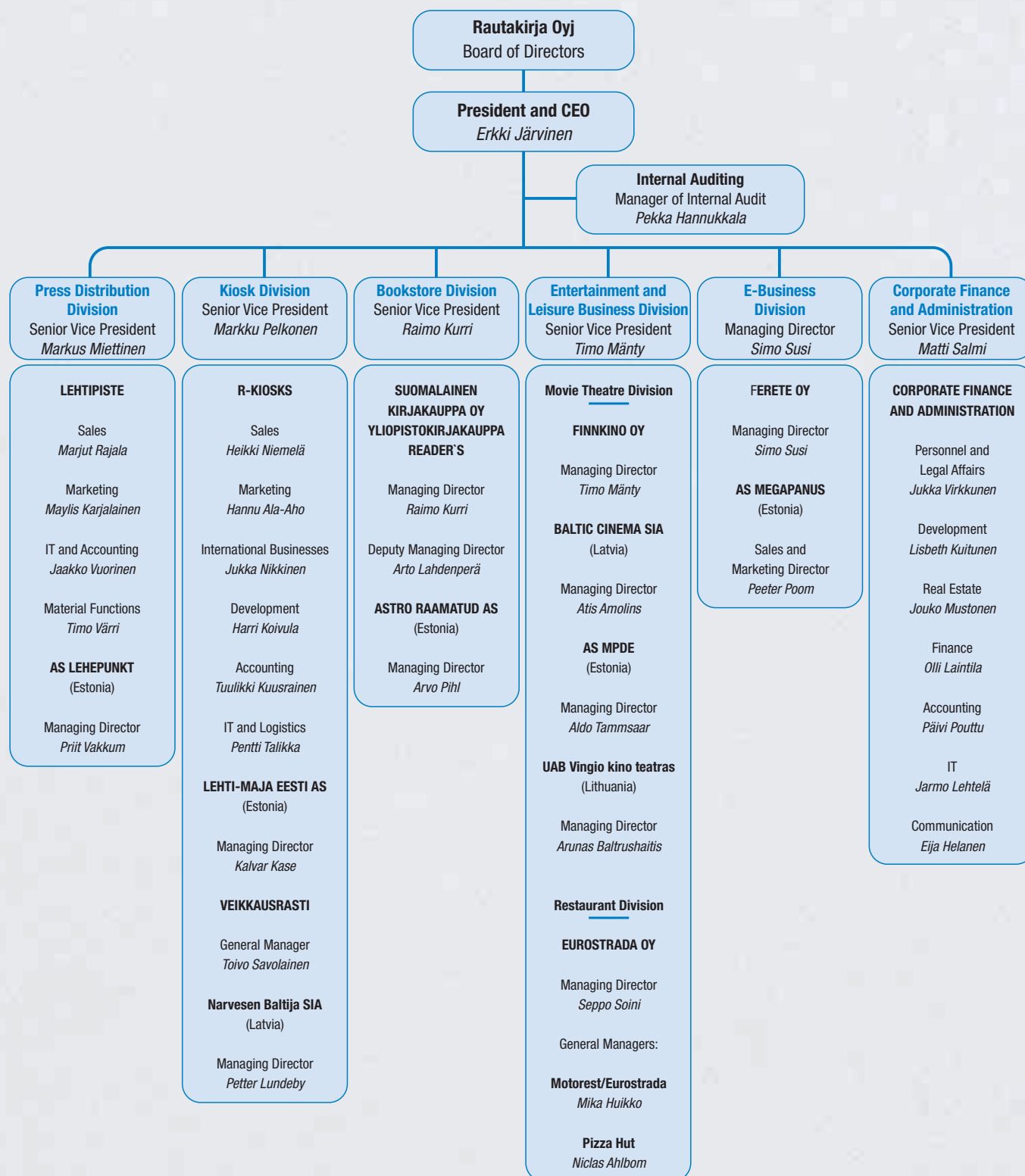
Markus Miettinen, 53
Senior Vice President, Press Distribution Division
1974*

Timo Mänty, 42
Senior Vice President,
Entertainment and Leisure Business Division
Managing Director of Finnkino Oy
1996*

Markku Pelkonen, 39
Senior Vice President since 6.4.2001, Kiosk Division
1992*

Matti Salmi, 52
Senior Vice President,
Corporate Finance and Administration
1988*

* Joined Rautakirja Group



ADDRESSES

RAUTAKIRJA OYJ

Head Office

Koivuvaarankuja 2
P.O.B. 1
FIN-01641 Vantaa
Finland
Tel. +358 9 85 281
Fax +358 9 853 3281, 852 8511

KIOSK DIVISION

R-Kiosks

Rautakirja Oyj

Koivuvaarankuja 2
P.O.B. 1
FIN-01641 Vantaa
Finland
Tel. +358 9 85 281
Fax +358 9 852 8001

Veikkausrasti

Rautakirja Oyj

Koivuvaarankuja 2
FIN-01640 Vantaa
Finland
Tel. +358 9 852 711
Fax +358 9 852 8666

R-kiosks, Estonia

Lehti-Maja Eesti AS

Katusepapi 4
EE-11412 Tallinn
Estonia
Tel. +372 606 6070
Fax +372 606 6071

Narvesen Baltija SIA

5, Aiviekstes str.
LV-1003 Riga
Latvia
Tel. +371 707 4201
Fax +371 711 3147

PRESS DISTRIBUTION DIVISION

Lehtipiste

Rautakirja Oyj

Koivuvaarankuja 2,
P.O.B. 1
FIN-01641 Vantaa
Finland
Tel. +358 9 85 281
Fax +358 9 852 8444

AS Lehepunkt

Türi 10 c
EE-11313 Tallinn
Estonia
Tel. +372 650 1450
Fax +372 650 1451

Narvesen Baltija SIA

5, Aiviekstes str.
LV-1003 Riga
Latvia
Tel. + 371 707 4201
Fax +371 711 3147

BOOKSTORE DIVISION

Suomalainen Kirjakauppa Oy

Koivuvaarankuja 2
P.O.B. 2
FIN-01641 Vantaa
Finland
Tel. +358 9 852 751
Fax +358 9 852 7922

Yliopistokirjakauppa

University Bookstore Finland

Suomalainen Kirjakauppa Oy

Koivuvaarankuja 2
P.O.B. 2
FIN-01641 Vantaa
Finland
Tel. +358 9 852 751
Fax +358 9 852 7922

Reader's

Suomalainen Kirjakauppa Oy

Koivuvaarankuja 2
P.O.B. 2
FIN-01641 Vantaa
Finland
Tel. +358 9 852 751
Fax +358 9 852 7922

Astro Raamatud AS

Pärnu mnt. 142
EE-11317 Tallinn
Estonia
Tel. +372 654 8485
Fax +372 654 8475

MOVIE THEATRE DIVISION

Finnkino Oy

Koivuvaarankuja 2
P.O.B. 19
FIN-01641 Vantaa
Finland
Tel. +358 9 131 191
Fax +358 9 1311 9300, 1311 9440

AS MPDE

Hobujaama 5
EE-10151 Tallinn
Estonia
Tel. +372 680 0700
Fax +372 680 0799

Baltic Cinema SIA

Muitas iela 1
LV-1011 Riga
Latvia
Tel. +371 783 0519
Fax +371 783 0520

UAB Vingio kino teatras

Savanoriu str. 7
LT-2009 Vilnius
Lithuania
Tel. +370 2 651 390
Fax +370 2 337 916

RESTAURANT DIVISION

Eurostrada Oy

Eurostrada Highway Service Areas
Foodstop Oyl/Motorest
Pizza Hut restaurants

Koivuvaarankuja 2
P.O.B. 27
FIN-01641 Vantaa
Finland
Tel. +358 9 852 741
Fax +358 9 853 3693

E-BUSINESS

Ferete Oy

Koivuvaarankuja 2
FIN-01640 Vantaa
Finland
Tel. +358 9 852 755
Fax +358 9 852 7660

AS Megapanus

Katusepapi 4
EE-11412 Tallinn
Estonia
Tel. +372 5645 2623
Fax +372 606 6461

The Rautakirja Group E-mail addresses:

firstname.lastname@rautakirja.fi
firstname.lastname@r-kioski.fi
firstname.lastname@veikkausrasti.fi
firstname.lastname@lehtipiste.fi
firstname@lehepunkt.ee
firstname.lastname@suomalainenkk.fi
firstname.lastname@yliopistokirja.fi
firstname@astro.ee
firstname.lastname@finnkino.fi
firstname.lastname@baltcinema.lv
firstname.lastname@mpde.ee
firstname@multiplex.lt
firstname.lastname@eurostrada.fi
firstname.lastname@ferete.fi
firstname.lastname@megapanus.ee

