

Rautakirja Group

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Strategy

Mission

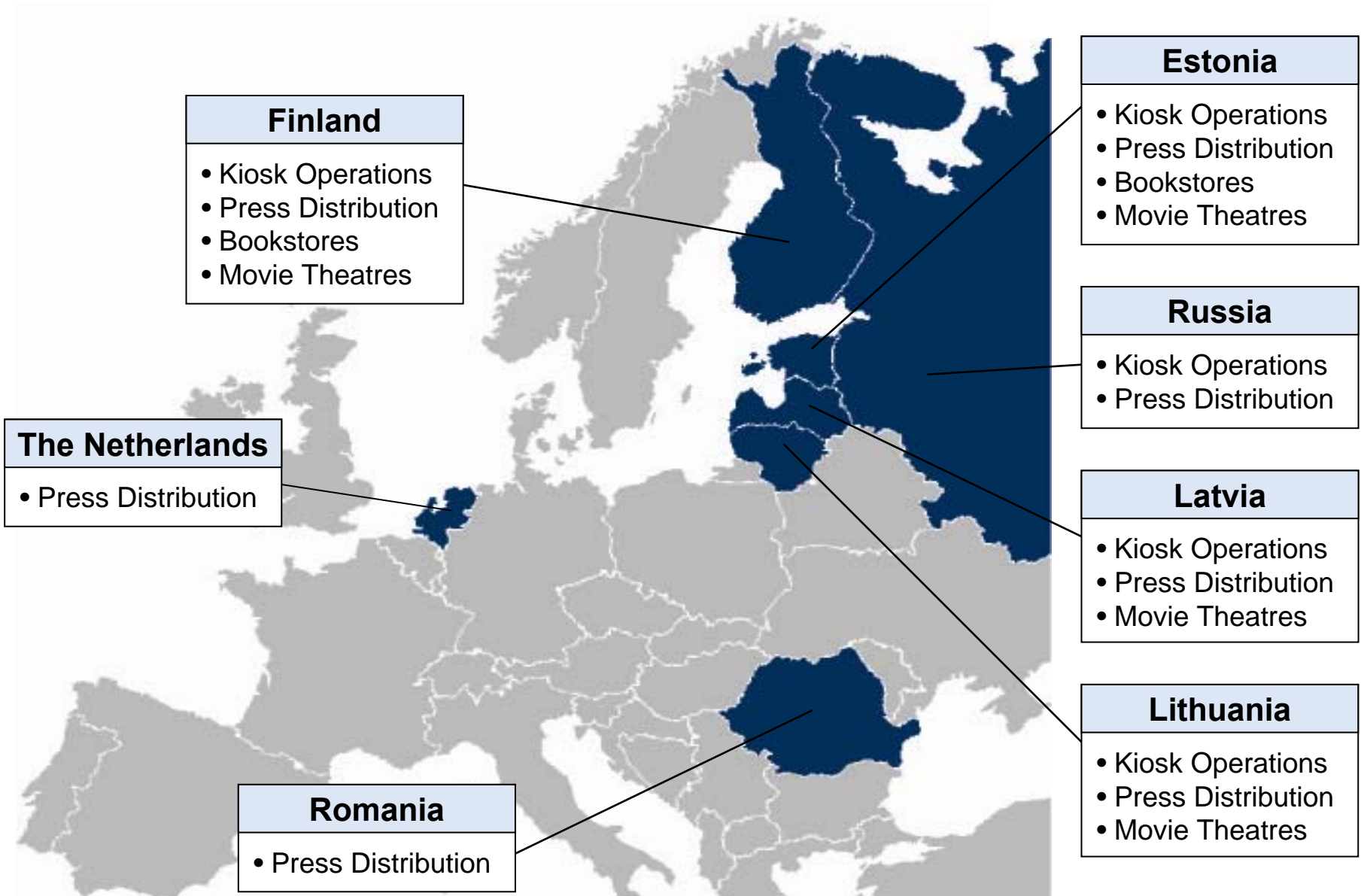
Convenience and little extras for our customers.

Basic Strategy

Rautakirja is an international Finnish trade and service company operating close to consumers, and specialising in the following core areas:

- distribution and retail sales of newspapers and magazines, and
- specialised retail trade based on a firm foundation of:
 - nationwide reach
 - chain operations
 - centralised chain management
 - a strong market position
 - effective utilisation of selected distribution channels

Rautakirja Group



Rautakirja as a part of SanomaWSOY value chain

SanomaWSOY

Rautakirja

Publishing

Distribution

Retail



Key indicators

Incl. Aldipress

EUR million	1-12/2006	1-12/2005	Change,%
Net sales	799.9	635.9	25.8
Operating profit	54.7	51.2	6.8
% of net sales	6.8	8.0	
Operating profit excluding major nonrecurring capital gains	54.7	42.3	29.3
% of net sales	6.8	6.6	
Balance sheet total	577.5	397.0	45.5
Investments	23.1	16.6	39.2
Return on investment, % (ROI)	20.7	20.9	-3.8
Personnel (average)	7,496	6,023	24.5
Personnel to full-time contracts by hours worked	5,932	4,577	29.6

Kiosk Operations



Kiosks	1,788
Personnel	4,982



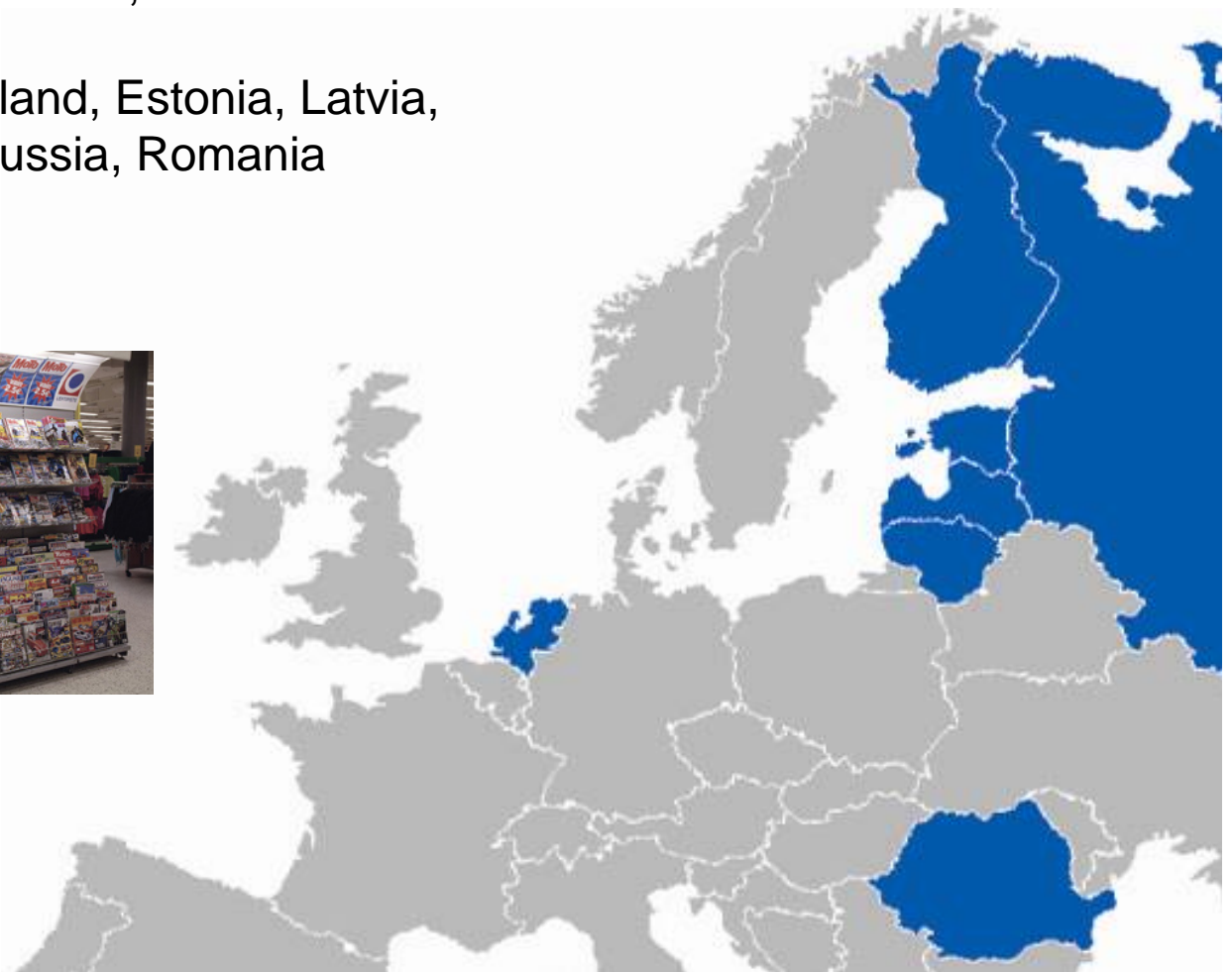
Finland, Estonia, Latvia,
Lithuania, Russia



Press Distribution

Personnel 1,687
Points-of-sale 29,000

Finland, Holland, Estonia, Latvia,
Lithuania, Russia, Romania



Bookstores

Bookstores	77
Personnel	850

Finland, Estonia



Entertainment



Movie theatres	27
- screens	143
Video rental outlets	91
Multipurpose arenas	1
Personnel	930

Finland, Estonia, Latvia,
Lithuania



Net sales by business area 2006

EUR million, incl. Aldipress

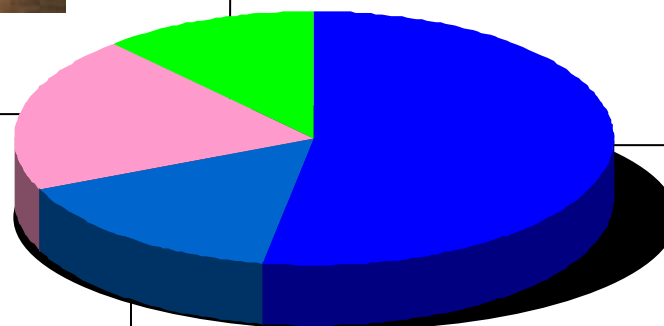


Entertainment
81.8 (10.8%)



Kiosk Operations
369.1 (48.9%)

Bookstores
138.9 (18.4%)



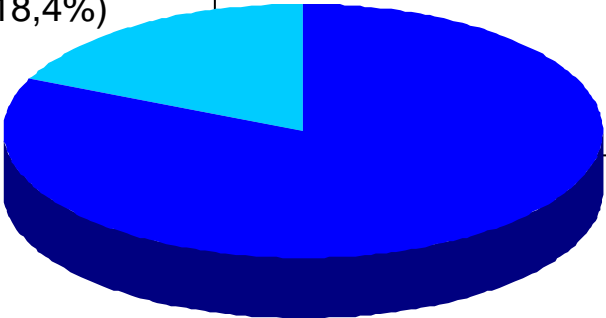
Press Distribution
164.8 (21.8%)



Share of international business in 1-6/2007

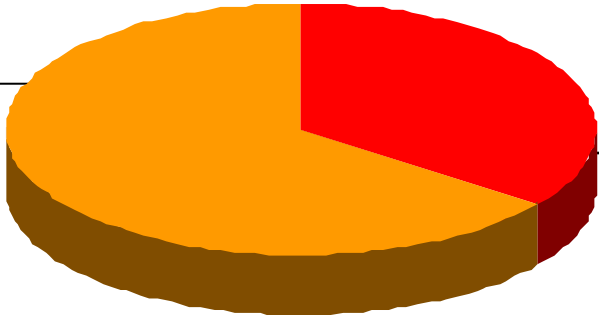
Net Sales, EUR million

Kiosk Operations
International
34,3 (18,4%)



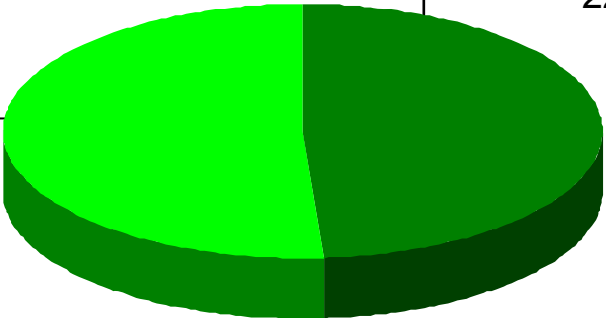
Kiosk Operations
Finland
151,9 (81,6%)

Press Distribution
International
75,9 (64,8) %



Press Distribution
Finland
41,3 (35,2 %)

Entertainment
International
23,2 (51,1%)



Entertainment
Finland
22,2 (48,9 %)

The R-kiosk Chain



Finland
722 R-kiosks



Estonia
200 R-kiosks



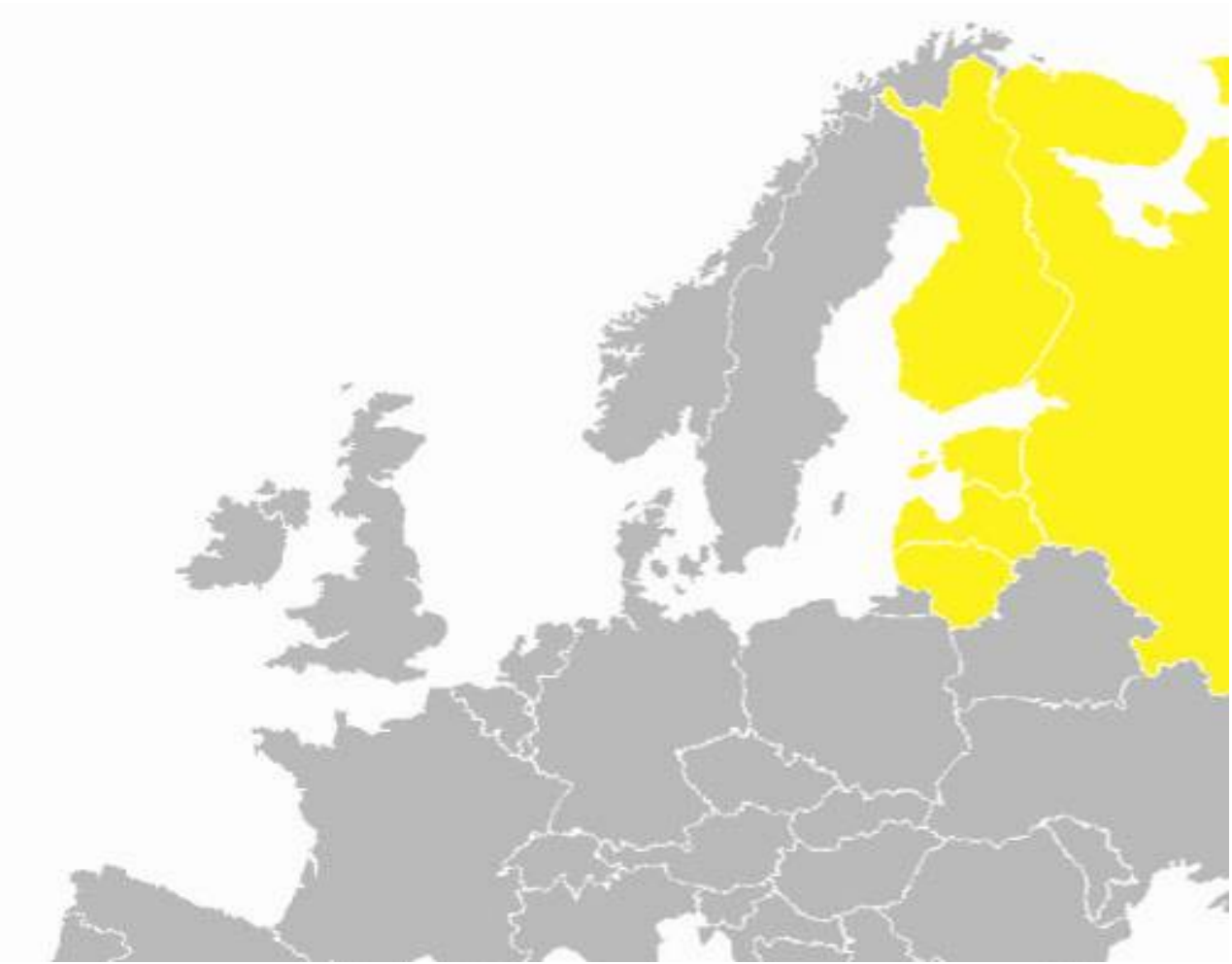
Latvia
393 kiosks



Lithuania
473 kiosks



Russia
43 kiosks



R-Kiosk's Mission and vision

Mission

Our mission is to create pleasant experiences to our customers and make their life easier.

Vision

Rautakirja's Kiosk operations is the leading and well profitable kiosk and convenience store chain Finland, in the Baltic countries and in chosen Central Eastern European countries.

Kiosk Operations' business idea

R-kiosk is a nationwide, centrally managed and profitable chain of multi service outlets offering consumers entertainment, excitement and pleasure as well as daily products and services from morning until night.

Key strengths:

- experience through decades
- wide range of products and services
- convenient locations
- consistent visual image and active concept development
- consistent marketing
- centralised chain management
- own main ware house and logistics system

Growth

- International expansion
 - Further growth in Russia. Support press distribution in Romania
 - Well connected and good know how level of other CEE and CIS markets => ability to act quickly
- New product and service innovations
 - B2B-sales, parcel logistics, traveling, internet, mobile
- Further differentiation of the concept
 - unique product portfolio
 - personal service
- Development of the retail concept
 - food to go
- New kiosk locations in existing markets

Press Distribution



LATVIA

Established in 2002
jointly-owned by
Rautakirja and Reitan
Group
Market size 30 m€
Number of POS 2250
Marketshare 95 %



ESTONIA

Established in 2000 /
R-subsiary in 2002
Market size 25 m€
Number of POS 1400
Marketshare 90 %



FINLAND

Established in 1910
Market size 248 m€
Number of POS 7850
Marketshare 100 %



RUSSIA

Established in 2003
R-subsiary in 2005
Market size 1.000 m€
Number of POS 500
Marketshare 1 %



LITHUANIA

Established in 1992
R-subsiary in 2004
Market size 32 m€
Number of POS 780 /
1450
Marketshare 65 %



THE NETHERLANDS

Established in 1966
R-subsiary in 2007
Market size 470 m€
Number of POS 9000
Market share 65 %



ROMANIA

Established in 1999
R-subsiary in 2004
Market size 115 m€
Number of POS 900 /
5500
Marketshare 40 %

Mission and vision

Mission

Rautakirja's Press Distribution is an organization for marketing and distributing single copies of press, which is open to all publishers. It offers publishers distribution services which are both cost-efficient and answer to their needs. For the retail trade, Rautakirja's Press Distribution brings an interesting and developing product group, which produces economic value-added.

Vision

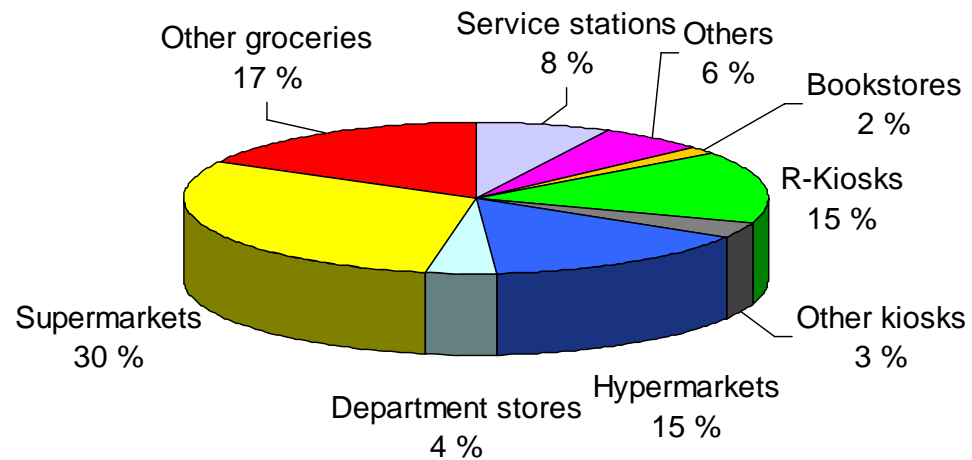
To be the leading press distribution company in chosen markets, i.e. in Finland and in chosen Central Eastern European countries.



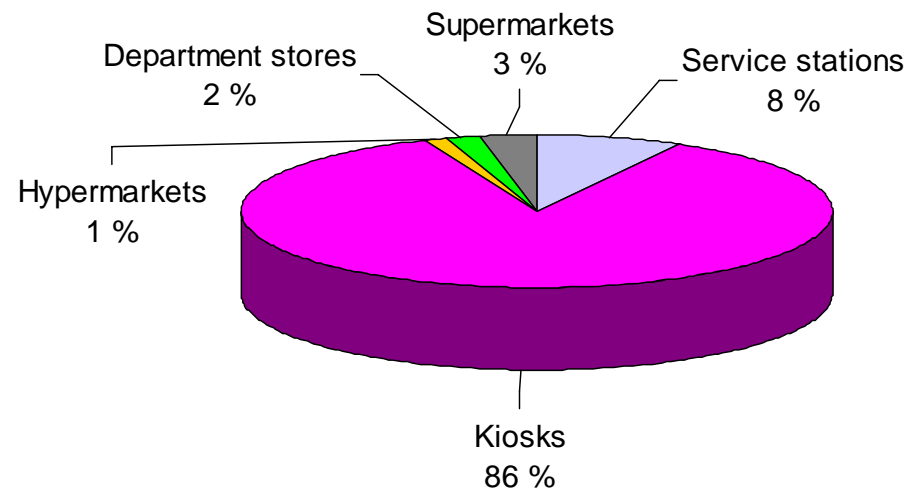
Sales by product group 2006

Finland and Romania

Finland



Romania



Key strategic objectives

Growth

Current markets

- Further conceptualization of know-how
- Benchmarking between countries, sharing best practices
- Investment into ERP systems (Enterprise Resource Planning), into logistics
- Developing and offering new products and services in press logistics
- In addition to logistics services, offer also marketing services
 - case Printcenter – in-store merchandising

New markets

- Expansion in Russia to regions outside Moscow and St. Petersburg
- Expansion to Central Eastern European countries through acquisitions

Not only international growth.....

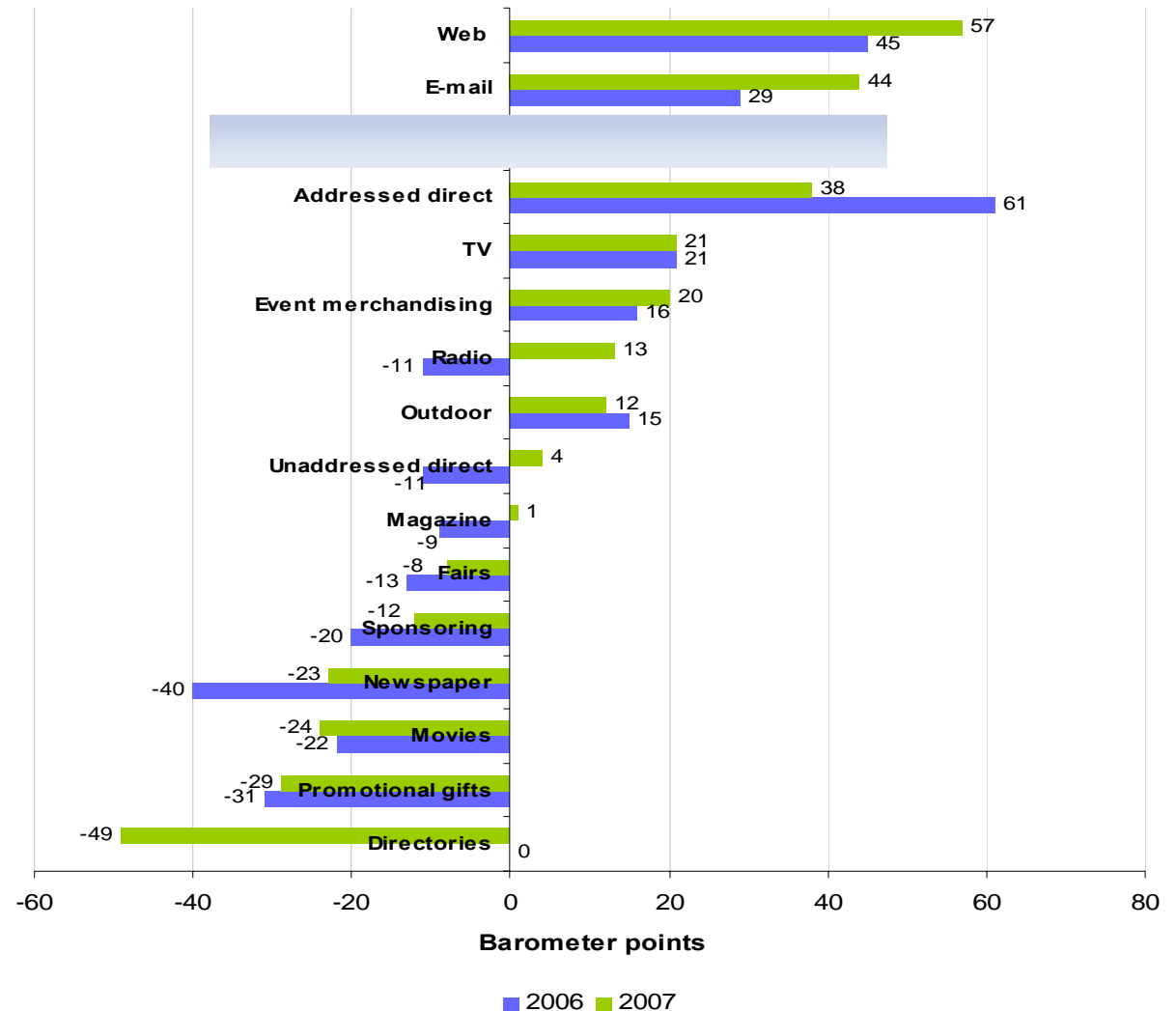
In-store merchandising, Printcenter



Actions	Design and planning of the advertisement material	Production of the material: Repro work, printing, cutting, folding, modeling etc.	Collecting, storing, packaging and delivering the material from production plant to end-customer	Installing the material, sales promotion service, feedback and other data gathering, etc.
Role of Print-center	Not core business, but provides planning services if needed	Outstanding capabilities in most types of printing on any material	Effective logistics services network for internal and external use. No own transportation equipment	Nation-wide merchandising network, capability to put up a campaign in 2-3 days in over 300 stores

Advertising barometer 2006-2007

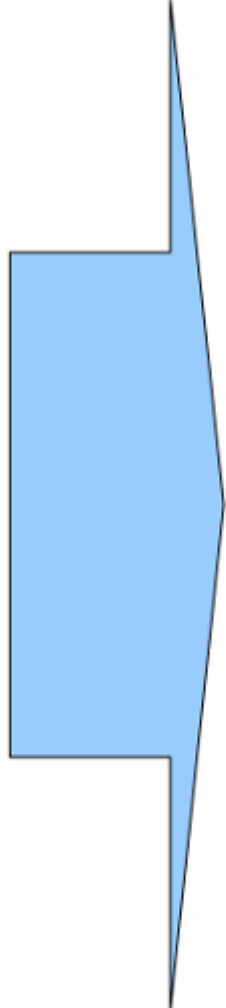
According to research by the Association of Finnish Advertisers, 38% of companies are going increase overall investments in marketing and merchandising next year.





31 sales representatives

LEHTIPISTE

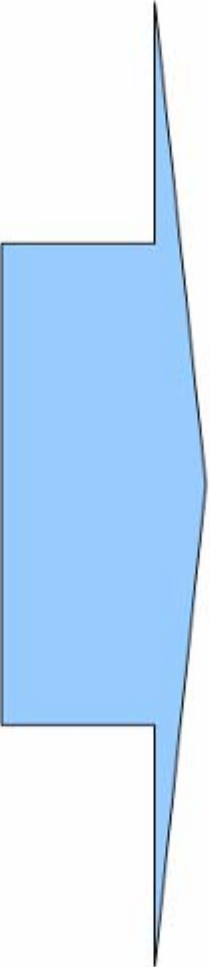




Other suppliers



31 Lehtipiste's sales representatives
+ 400
PRINTCENTER_{ts}
merchandisers



Rautakirja in Russia - Target

Vision

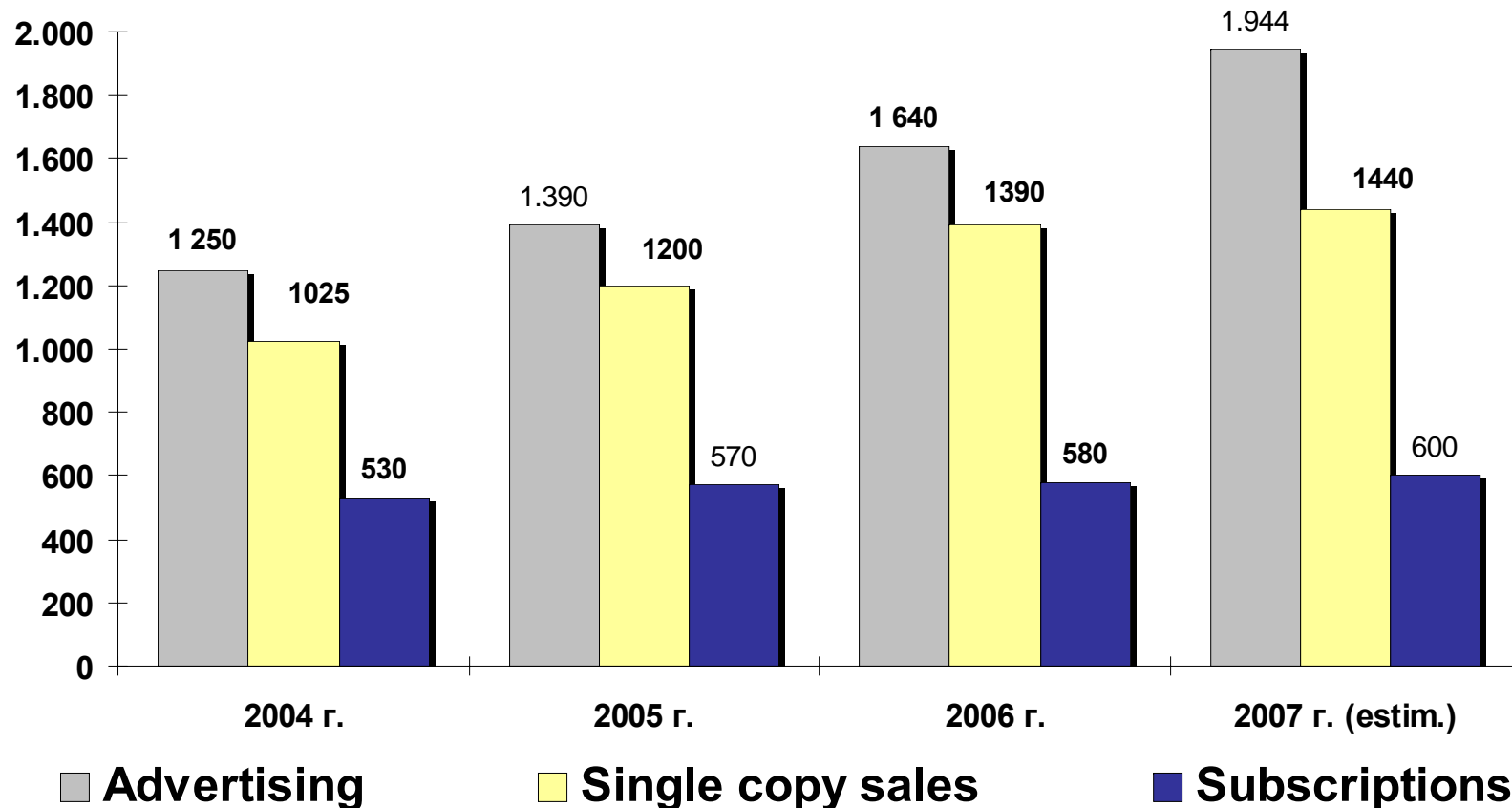
- Our aim is to become one of the leading press distributors and a major kiosk operator in Moscow, in St. Petersburg, and in 13-14 other districts.
 - We offer high-quality press distribution services to all publishers and retail operators
 - Expansion is sought through a combination of both acquisitions and greenfield

For Rautakirja, press distribution includes both press retail and press distribution

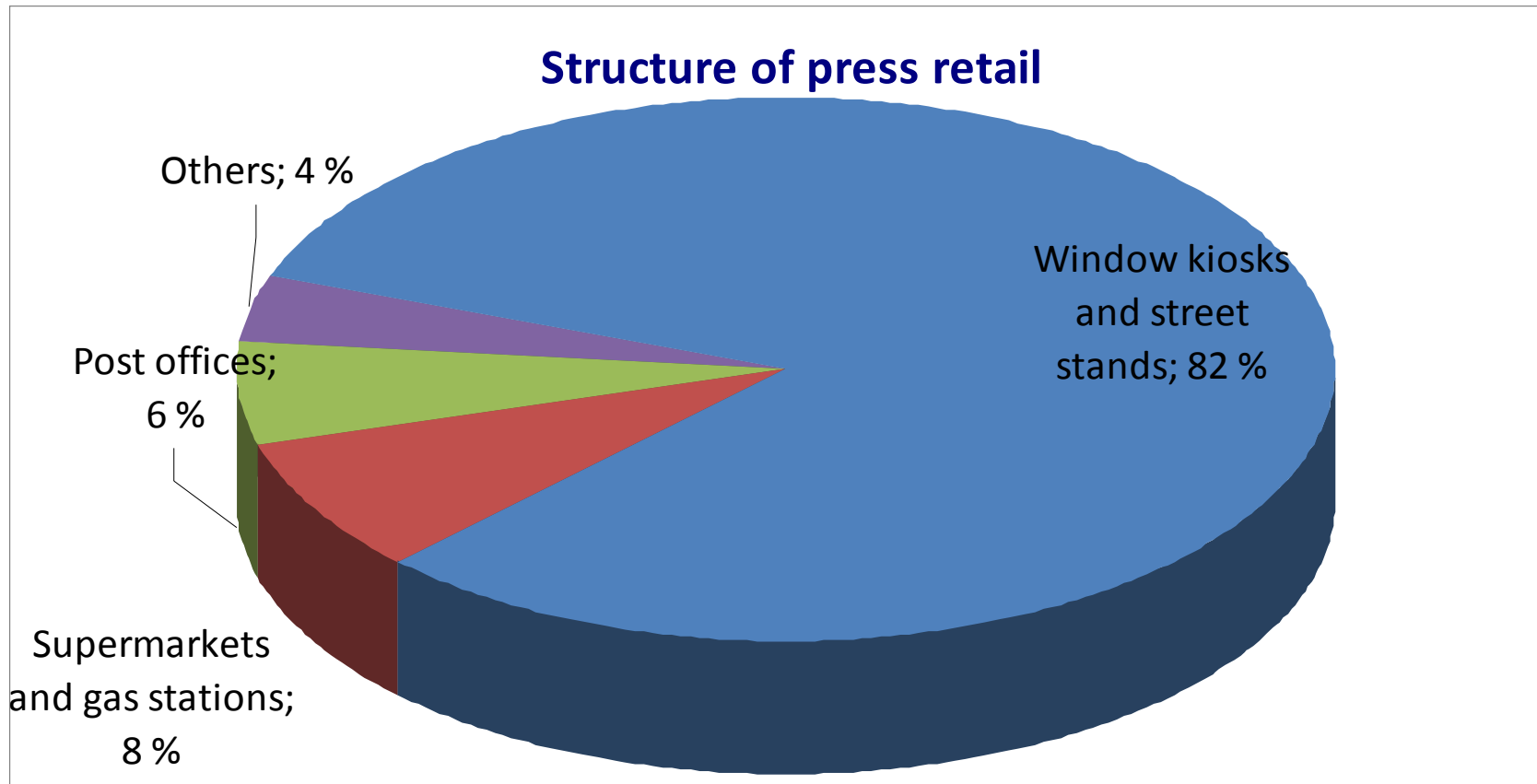
Integrated press retail and press distribution strategy

- In the developing economies,
 - the markets – retailers and publishers – are in need of a professional press distributor
- In the developing economies,
 - the retail connection for press distribution is a must to strengthen the market position (more important than the connection with the publisher)
 - the markets are retail-driven
 - press distribution is "winner takes it all" business

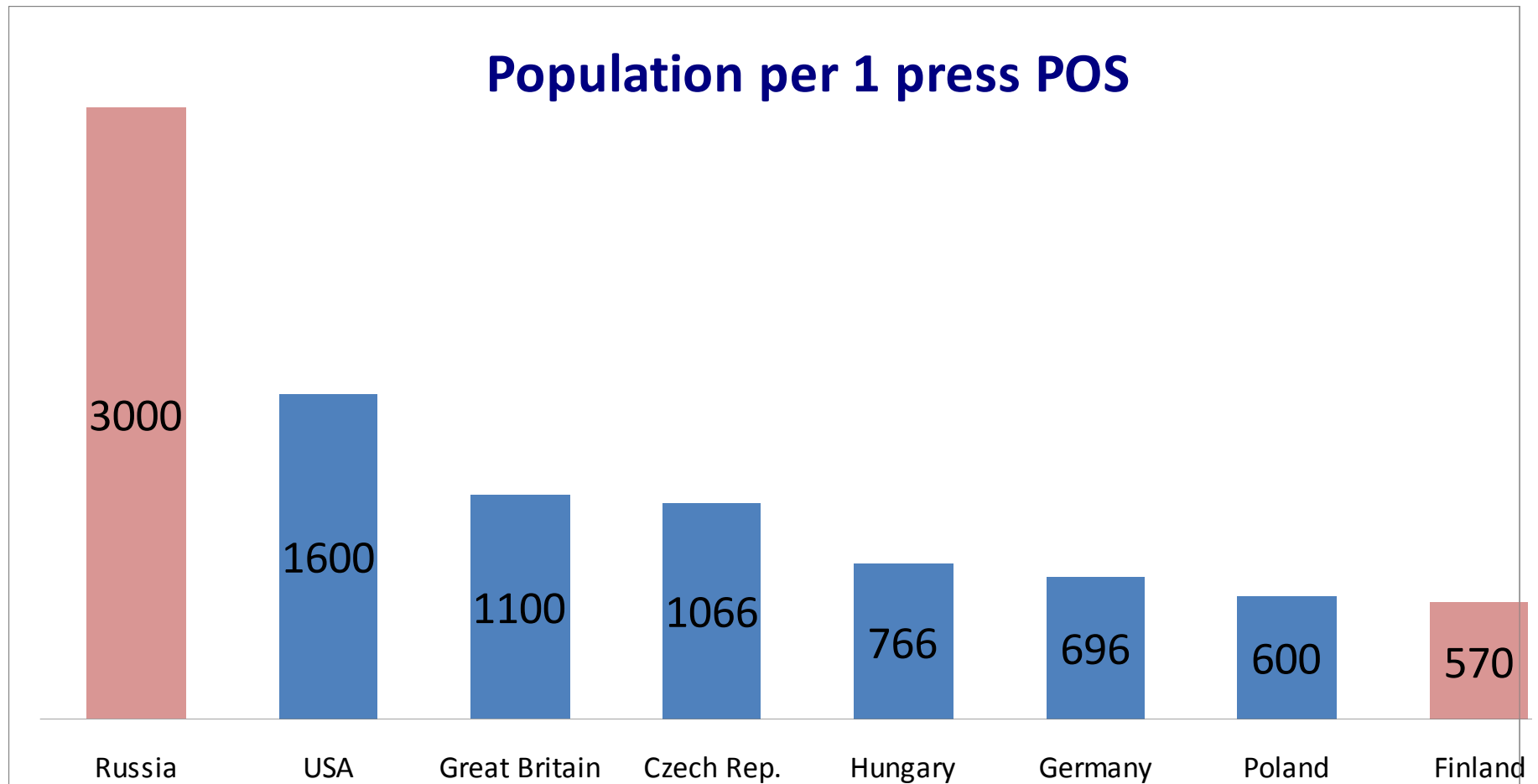
Earnings of printed media in Russia 2006 (\$ mln)



Press distribution and press retail in Russia



Press distribution and press retail in Russia



Press distribution and press retail in Russia

Main players

- ROSPECHAT – leader in kiosk trade (~4000), press distribution, subscriptions



Press distribution and press retail in Russia

- Other main players
 - Aif kiosk chain 2200 kiosks and press distribution in Moscow + regions
 - DM press kiosk chain 600 kiosks and press distribution mainly in Moscow
 - Logos app 300 kiosks and leader in press distribution to external clients
- There are hundreds of other companies in the market (10-100 kiosks)

Press distribution and press retail in Russia

Press distribution

More than one hundred press wholesalers in Russia:

- national level
- regional level
- local level

Press retail

- About 58,500 points of sale nationwide – of which 80% are traditional window kiosks and outdoor stands
- This is not enough for the country with a population of more than 140 million people

Characteristics of press distribution in Russia

- Huge market area, logistic challenges are significant
- Size of press retail market over EUR 1 billion – and growing
- Subscription market EUR 430 million – and stable
- Distribution is underdeveloped
 - Many publishers have their own distribution companies and kiosk chains to secure distribution
 - Most companies are small and they have no recourses to develop the market
 - Subscriptions follow old traditions and is old-fashioned from the consumer's point of view; instead of having magazines and newspapers delivered home, one must pick them up from the post-office or the bank
- Kiosks have long traditions and a strong role in press retail and will continue to have a major role also in the future
 - Relative growth of press retail the biggest in modern retail (supermarkets, hypermarkets, discounters)

Rautakirja in Russia today - Presseexpo

Pressexpo, since year 2005 part of the Rautakirja group

- Press distribution mainly in Moscow area, in addition customers in
 - St. Petersburg, Kazan, Tula, Ryazan, Vladimir, Tver, Smolensk, Kostroma, Kaluga
- Modern retail chains as customers, 457 outlets 10/2007
 - Pyaterochka, Spar, Billa, Grossmart, Matrix, Magnit, Diksi, Banana-Mama, Lukoil, Jukos, Rosneft



Rautakirja in Russia today - Presseexpo



Rautakirja in Russia today - R-Kiosk



- December 2006 – decision to start the retail greenfield project in Moscow
- March 2007 – OOO R-Kiosk was created
- April 2007 – OOO R-Kiosk registered as a legal entity
- June 2007 – the first 2 R-Kiosks opened in Moscow
- November 2007 – 17 R-Kiosks



Rautakirja in Russia today – Press Point International

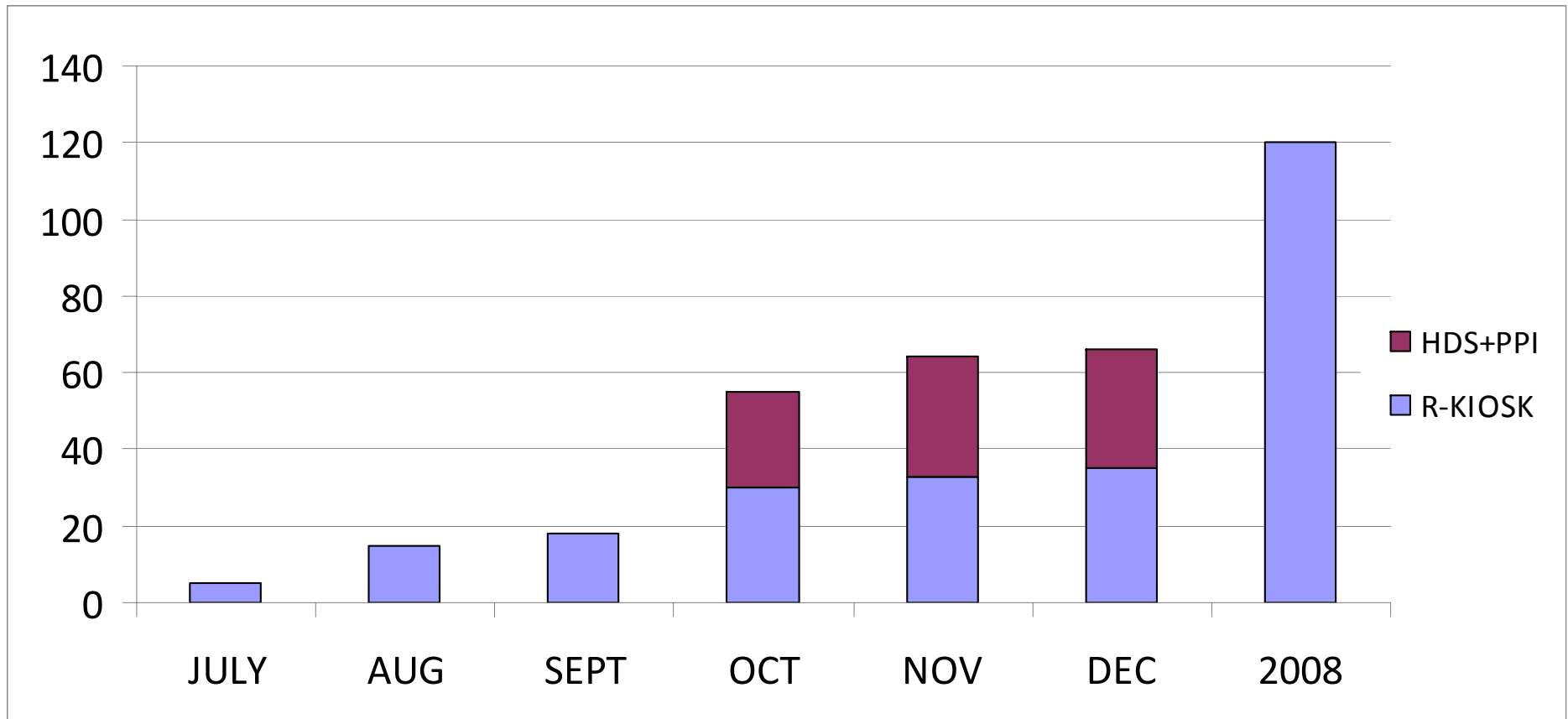
- Part of Rautakirja from 12.10.2007
- Established in Russia in 1993
- Scope of activities of PPI:
 - Importing foreign press, distribution of foreign and domestic press in exclusive shops and hotels
 - Own retail, three Press Point shops in Sheremetyevo 1 and 2 airports in Moscow
 - PPI has practically a monopoly position in press imports due to long experience, good contacts with authorities, and a very difficult procedure for new entrants
 - Main retail customers: Bookberry, Azbuka Vkusa (some of the stores), STK – Global Gourmet, Stockmann (some of the stores), Sedmoi Kontinent (some of the stores), hotels

Rautakirja in Russia today, HDS CIS

- Part of Rautakirja from 12.10.2007
- Established in Russia in 2004
- Scope of activities of HDS CIS:
 - A network of modern press retail shops mainly in big modern shopping malls
 - 25 shops of which
 - 24 In Medio Shops, 1 Relay
 - 11 shops in Moscow, other cities: St.Petersburg, Kazan, Ekaterinburg, Nizhniy Novgorod, Novosibirsk



Number of stores in 2007



Rautakirja Russia 1.11.2007

Board
Erkki Järvinen, Markku
Pelkonen, Raimo Kurri

Strategy, directions, and
big decisions (i.e. acquisitions).

Country Manager
Russia
Kalvar Kase

Supervision and support of the
day to day -business.
Press retail and press
distribution.

General Director
Rautakirja Russia
Ruslan Grigoryev

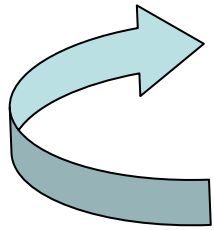
Operative business
responsibility of press retail
and press distribution.

CFO
Rautakirja Russia

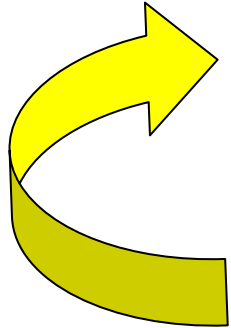


The Master Plan

Rautakirja's vision – a major press distributor in Russia



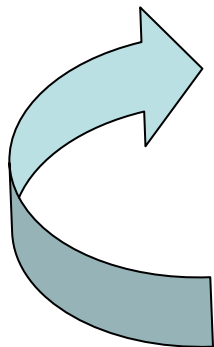
3. Co-operation with or acquisition of big players



2. Organic growth + acquisition of PPI and HDS CIS + additional acquisitions in regions – (phase currently in process)

Good fit to both companies: Presseexpo will enter the profitable business of press imports and get new, premium quality retail customers. OOO R Kiosk will get 25 retail locations in the best shopping malls and Sheremetyevo Airport in Moscow.

The ultimate target of this phase is to become a significant player on the Russian market. Additional acquisitions of regional kiosk chains / distributors may be needed during this phase



1. Organic growth + greenfield start in retail (phase finished)

Initially Rautakirja had OOO Presseexpo in press distribution and we established OOO R Kiosk in press retail. Both businesses are being actively developed, but the ultimate purpose of the companies is to be able to acquire bigger players.

Situations are different!



We know how to act in each situation!

