

**Sanoma Osakeyhtiö**

**Sanoma Publishing Company  
Annual Report  
1977**





# Sanoma Publishing Company Annual Report 1977

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## Sanoma Publishing Company in figures

	1977	1976
Turnover	356.1 m. Fmk \$ 86.8 m.	311.0 m. Fmk \$ 81.8 m.
Result	2.1 m. Fmk \$ 0.5 m.	5.8 m. Fmk \$ 1.5 m.
Wages and salaries	135.7 m. Fmk \$ 33.1 m.	120.5 m. Fmk \$ 31.7 m.
Balance sheet	316.3 m. Fmk \$ 77.1 m.	304.9 m. Fmk \$ 80.2 m.
Share capital	7.1 m. Fmk \$ 1.7 m.	7.1 m. Fmk \$ 1.9 m.
Personnel	2285 persons	2342 persons
Newspaper		
Distributors	1689 persons	1687 persons
Sales agents	3387 persons	3724 persons
Consumption of paper	45.7 m. kg	44.6 m. kg
Consumption of printer's ink	0.70 m. kg	0.83 m. kg

Rate of exchange  
throughout this Report  
1 US \$ = FMK 4,10  
(Rate of exchange 1976  
1 US \$ = Fmk 3,80)



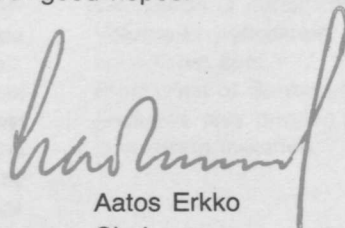
The economic situation in Finland has inevitably left its traces on the printing industry. Its profitability, which even in better times has left something to be desired, continues to be weak. Activity in the magazine world has been marked by uncertainty in 1977, and in spite of favourable development in circulation, increasing editorial commercialization has continued. The economic crisis has also left a clear mark on newspaper publishing. A continuous circulation increase has been shadowed by weak sales of advertising, along with growing pressure from costs. The news pages have reflected the uneasy and troubled world in which we live. Editorially independent newspaper has an important task in the difficult role of distributing information and news. Various pressure groups are trying with all their power to undermine the position and importance of the independent, liberal-minded press.

For the Sanoma Publishing Company the year under review has had a special significance. Careful and cautious financial and operational planning has so far made it possible to carry through our long-range investment programme. The first and most important phase of our big development programme has been concluded. The Sanomala newspaper plant and the first press-line were completed and became operational during the year, and the hum of the new equipment is already a familiar sound at Sanomala. Without the significant contribution of the personnel, the implementation of the first Sanomala phase could never have been so successful. Cooperation thrives on mutual endeavour and a mutual goal. Our future plans are to provide better, more pleasant working premises for all personnel. The general economic development elsewhere in the world and in Finland will determine when and in what order these plans can be put into action.

For the personnel, 1977 has been a memorable year in many respects. The completion of Sanomala meant a new and pleasant working environment, and above all a belief in a better future. At the end of the year at Sanomaprint — the commercial printing division — a new voluntary industrial participation agreement was agreed upon. This agreement provides the base for a future implementation of industrial participation in the company.

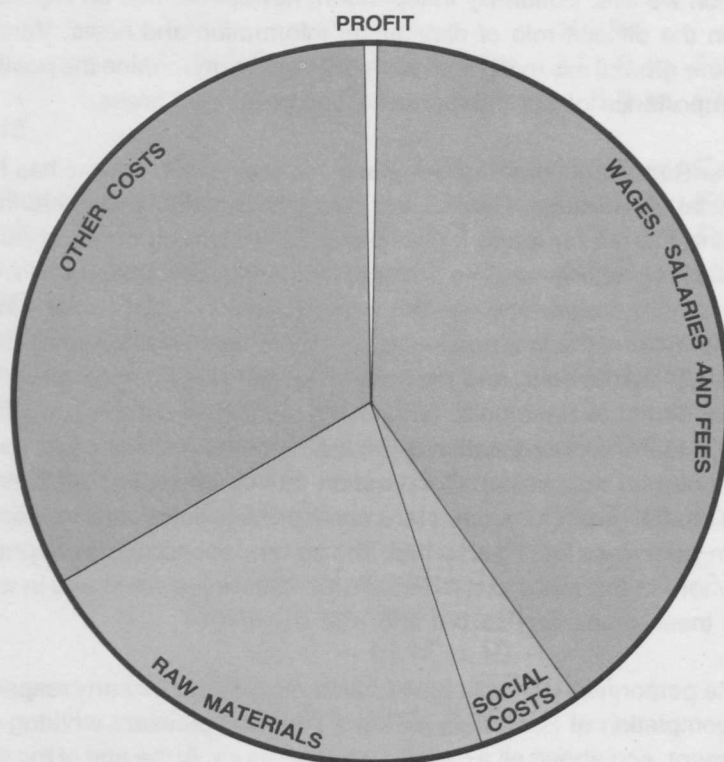
A vast amount of work, development and effort lies ahead of us. Advanced planning has put the Sanoma Publishing Company into a position where it is capable of coping with the problems and difficulties to come. But without well-motivated employees content in their working environment, even the best planning will fail. Much depends on how effectively industrial participation is put into practice, and what kind of reaction it receives from the company and its employees.

In this respect the conditions created as well as future prospects for the Sanoma Publishing Company hold out good hopes.



Aatos Erkkö  
Chairman

Distribution  
of the Company's turnover,  
356.096.906,46 Fmk  
over various cost items



□ Profit .....	0.5 %
■ Wages, salaries and fees .....	40.0 %
□ Social costs .....	7.7 %
■ Raw materials .....	21.7 %
■ Other costs .....	30.1 %

# Report of the Board of Directors on Operations for 1977

## Newspaper Publishing and the Graphics Industry

Newspaper and magazine publishing as well as the graphical industry seem to have survived the ever-deepening recession in Finland on the average better than industry in general. Where production of other industry dropped 2.5 % in 1977 compared with the previous year, production of the graphic arts industry remained at almost the same level. The total volume of printing paper used dropped, however, by about 5.3 %, while newsprint consumption dropped considerably more.

As with magazines, newspapers succeeded in spite of the recession in increasing their total circulation compared with the previous year: newspapers by some 0.2 % and magazines — according to the mid-year circulation ratings — by about 0.5 %. The most successful papers in each group saw a considerably bigger rise in circulation, however; for example the figure for the three biggest newspapers was +2.3 %. The total newspaper circulation for 1977 was 2.55 million. The circulation per 1,000 inhabitants remains at fifth in the world, though the definition of a newspaper varies from country to country.

Most severely affected by the recession were the newspaper sales of advertising; these dropped 2 % compared with 1976 — as much as 5.9 % for Helsinki papers, though the decline clearly decreases. Advertising in magazines increased by 0.9 %.

This picture is typical of a crisis period. The demand for serious information and entertainment increases, but advertising space is less in demand.

Pressure on costs declined. While the average rise in wages was 7.5 to 10 %, the price increase for newsprint was 6.1 % in the first half of 1977, and 4.8 % in the second half, and the price rise at the same time for ink was 7.3 % in the second half. The total cost-index for newspapers went up by 9 % and for magazines by almost 15 %. From the beginning of the year the mailing cost for magazines increased by 59 %. Thus price increases could not be avoided. Newspaper advertising prices rose during 1977 by an average 10.1 %, and subscription rates by an average 15 %.

Advertising rates for magazines rose by 14.7 %, and subscription rates by some 15 %.

## Sanoma Publishing Company in the Graphics Industry

The development of the Company followed the main lines in the general picture outlined above, though the results of planning, development and rationalization were now strikingly visible, and absorbed the worst effects of the recession.

Based upon turnover the Company maintained its position as branch leader in Finland. According to 1976 figures, the Company ranked 86th of all enterprises in the country.

Wages and salaries in 1977 amounted to 135.7 m. Fmk, m. \$ 33.1. With this figure the Sanoma Publishing Company was right in the lead in its own field as an employer also. The number of personnel, 3,974, was also the largest in the branch.

The Company used 35,879 tons of newsprint in 1977 — nearly one third of Finland's total consumption. Consumption of other printing paper was some 9,500 tons — about 8 % of total consumption of these types in the country. The two printing plants consumed a total of about 700,000 kg of newspaper ink. The consumption of energy in 1977 was about 11 million kWh.

### Market shares in some areas:

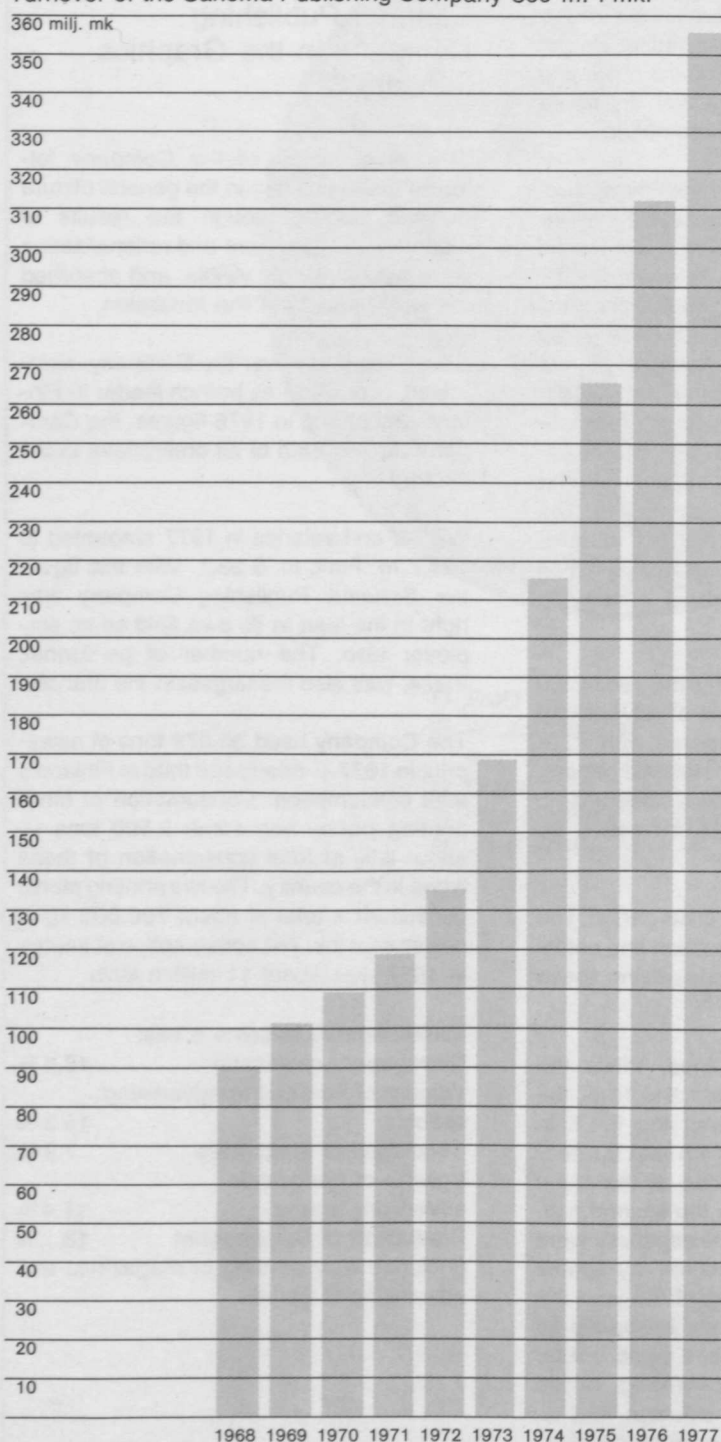
Newspapers circulation	18.8 %
Volume of newspaper advertising space	15.3 %
Circulation of periodicals	7.9 %
Volume of periodicals advertising space	11.4 %
Production of Sanomaprint	13 %
(includes only printing of magazines and advertising material).	



Extensive employee professional training had a decisive effect on the productivity. The professional skill of the personnel in mastering the new technology was greatly improved.

## Sanoma Publishing Company

Turnover of the Sanoma Publishing Company 360 m. Fmk.



The biggest item in the investment programme was the building of the Sanomala newspaper printing plant and the purchasing of its offset presses and other equipment. In addition to the presses installed in 1977, presses for the second phase were ordered. Other important projects were the computerizing of the typesetting, and continuous office rationalising. In spite of the large investments and the restrictions set by the Bank of Finland, the Company's liquidity remained at a good level throughout the year.

The main emphasis in reform of personnel administration was directed towards the developing of the computer system and preparation for the industrial participation experiment.

Jalassaari, the new recreation area for personnel of the Company and its subsidiaries in the Lohja district in southern Finland, received its first visitors on 18 June 1977, after a thorough refurbishing of the buildings, sports grounds and parking areas.

A statistical display of the development of the Company's personnel is included in this report. An extensive planning and development programme was continued along the lines of former years underlining the importance of the Planning and Development Division. A computer for developing operations of this Division was acquired during the year under review.

Various planning and forecasting models were developed and completed for the different departments of the Company during 1977. The internal information service became a permanent feature during the year.

## Newspapers

The Newspaper Division failed to reach its profit target by 4 %. Operational cover was 5.4 m. Fmk, m. \$ 1.3 below target, but the general expenditure was correspondingly less than budgeted, thanks to rigorous supervision of expenses.

The key event was the starting up of the Sanomala plant on 16 November 1977, with the first run of 83,500 copies of Helsingin Sanomat. Rockwell Goss-Metro offset presses were set in motion by Mr Sven-Erik Järvinen, Chairman of the Vantaa City Council, in the presence of several leading representatives of the city of Vantaa and of the Company. During 1977 a daily average of 78,000 copies of Helsingin Sanomat were printed at Sanomala, amounting to a total of 3,342,300 copies.

On August 25 a contract was signed with Rockwell International MGD Graphic System Group for a further order of 15 printing units and reel stands, 2 folders and nine half colour decks.

During the year Phase II investment decisions were made in regard the plate manufacturing and mailing equipment.

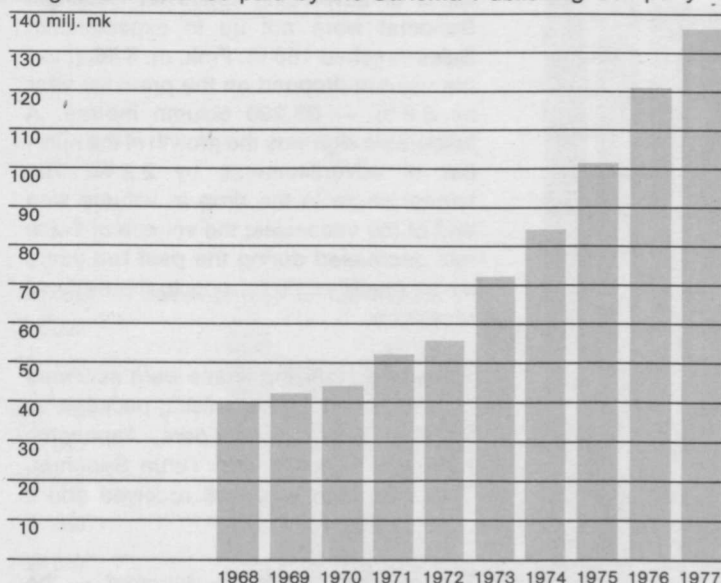
Besides Sanomala, among the key operational events were a special development programme and project for typesetting and for computerizing of the classified advertisement sales; the equipment contract was signed on January 20 and the equipment arrived in November. By the end of the year a significant proportion of the system had been tested. This system provides a complete photosetting as well as an advertisement application program of advanced design.

A similar development programme was invested in a project for the distribution system of Helsingin Sanomat.

Experimental projects for distribution were undertaken, this including a container project.

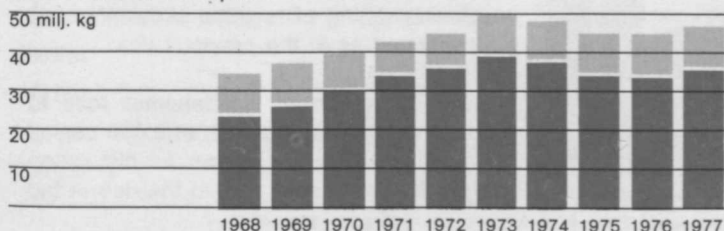
The main emphasis in the development of the Newspaper Division's personnel relations was on questions concerning new technology and the transfer to the Sanomala plant.

Wages and salaries paid by the Sanoma Publishing Company



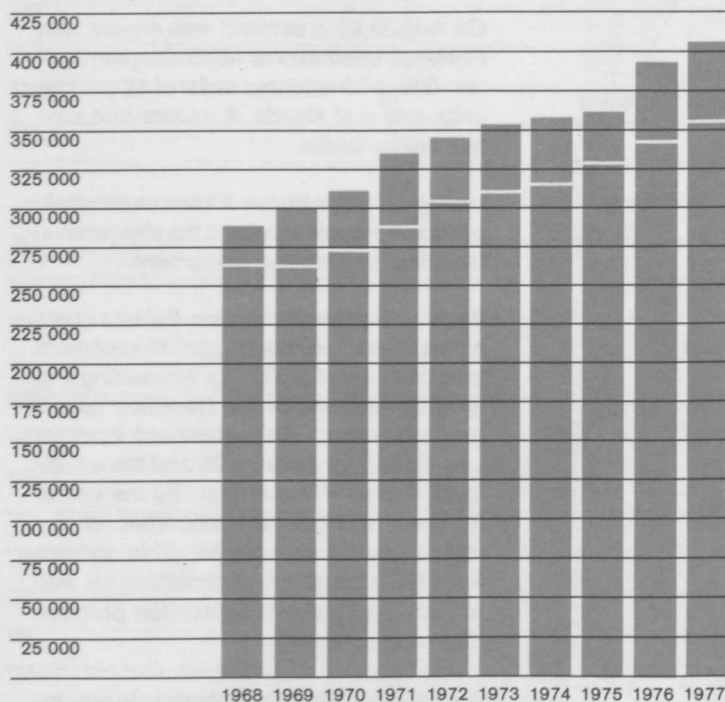
Paper consumption by the Sanoma Publishing Company

■ = share of newsprint

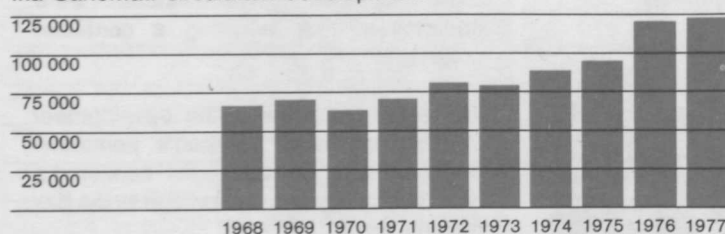




Helsingin Sanomat: average circulation  
development on Sundays  
— weekdays



Ilta-Sanomat: circulation development



The total sum of wages and salaries for the Newspaper Division was 94.3 m. Fmk, m. \$ 23,0, an increase on the previous year of 14.5 %.

The editorial policy of Helsingin Sanomat continued a well-established line of liberal policy. This position and an active news coverage programme on national and international areas strengthened the newspaper as Finland's most influenced and biggest newspaper.

Wide areas of promotional activities were undertaken with a significant portion devoted to promoting major youth and sport events. Approximately 360,000 young persons participated at these events.

Transferring of editorial material to photo-setting continued according to plans reaching a 40 % level.

Conference cooperation with the Financial Times was continued. The most important event was the third International Paper and Pulp Congress in Helsinki.

The circulation of Helsingin Sanomat in 1977 was 357,800 copies, showing a growth of 10,000 copies — 2.9 %. The Sunday circulation reached 405,000, a growth of 13,000 copies — 3.3 %. Helsingin Sanomat's earnings from circulation were 86.8 m. Fmk, m. \$ 21,2, the proportion of subscribers on automatic renewal was 95.5 %.

Sales of advertising space for Helsingin Sanomat were not up to expectations. Sales reached 189 m. Fmk, m. \$ 46,1, but the volume dropped on the previous year by 6.8 % — 33,200 column metres. A favourable sign was the growth of the number of advertisements by 2.2 %. The largest share in the drop in volume was that of job vacancies; the volume of these has decreased during the past two years by as much as 70 %, due to the national recession.

Sales of advertising space were activated by offering a joint advertising package by the "top three" newspapers, Aamulehti, Helsingin Sanomat and Turun Sanomat. This campaign was well received and it continues in 1978.

The general aim of Ilta-Sanomat — the tabloid newspaper — was to stabilize the paper's position as an afternoon newspaper. A major development of editorial and news department was undertaken in order to improve a 24-hour operation. Strengthening of regional circulation was continued as in the previous year.

The circulation of Ilta-Sanomat rose to 122,000 copies, a growth of 2,000 copies — 1.7 %. The slowdown in circulation growth was mainly due to the rise in the

sales price of single copies in September. Circulation earnings totalled 39.0 m. Fmk, m. \$9.5.

Advertising invoicing for Ilta-Sanomat in 1977 was worth 8.8 m. Fmk, m. \$2.1.

The volume of advertising dropped by 3.3 % — to 3.466 column metres. There was a fall in the number of advertisements also — 11.6 %. This development was due to a general average price increase for advertisements of 30 %.

## Magazines

Although the general situation in the field of the Magazine and Book Publishing Division was difficult, the main target was exceeded, rising circulation of the main publications continued, and the profitability improved. Total sales of 88.5 m. Fmk, m. \$21.6 were 19.1 % better than for the previous year, and the profit was 46.6 % up on 1976.

Competition was severe in the magazine market, where owing to the effects of rationalization in the field during the past two years, several mergers took place, creating an even fiercer competition of market shares.

There were five magazines in the Company's programme: Me naiset (We women), Kodin Kuvalehti (Home Pictorial), Aku Ankka (Donald Duck), Kansa taisteli — miehet kertovat, (The Nation Struggles — the Men Tell) and Suuri Käsityökerho, the member magazine of the Big Handiwork Club.

Below is the development of circulation for these magazines compared with the previous year. Figures indicate the average for the whole year.

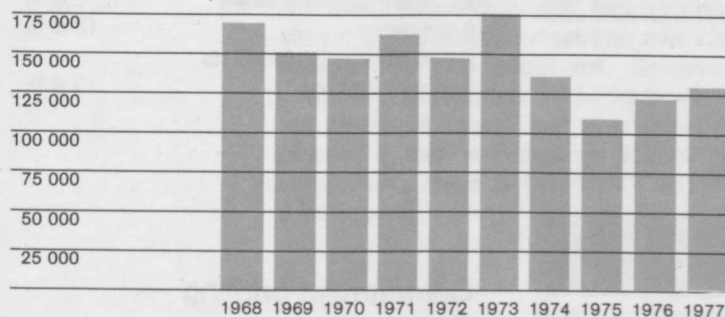
	1976	1977	+/-
MN	123.872	128.483	+ 4.611
KK	104.682	127.232	+22.640
AA	303.703	295.163	- 8.540
KT	43.886	46.093	+ 2.207
SK	106.753	106.572	- 181

The increases in the circulation of Me naiset and Kodin Kuvalehti are among the biggest in the branch. In the first half of the year Kodin Kuvalehti increased its circulation compared with the same period in the previous year most in the general periodicals group, and Me naiset second most. The favourable development of magazine circulation has stemmed from improved contents and energetic marketing efforts.

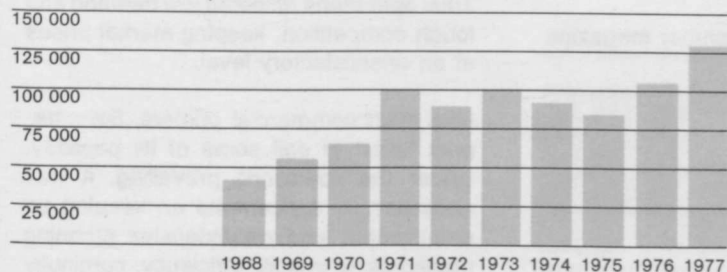
Total sales including subscription and single copies totalled 51.9 m. Fmk, m. \$12.7, 26.8 % more than in the previous year. This figure does not include Suuri Käsityökerho, which comes under the special publications group.

The favourable development in the circulation of the chief publications, Me naiset and Kodin Kuvalehti, meant better advertising space sales. Total sales of advertising space totalled 1.108 pages, an increase on the previous year of 290 pages — 24.6 %. In terms of value this was 7.8 m. Fmk, m. \$1.9 — a 55.9 % increase.

Circulation development for Me naiset



Circulation development for Kodin Kuvalehti

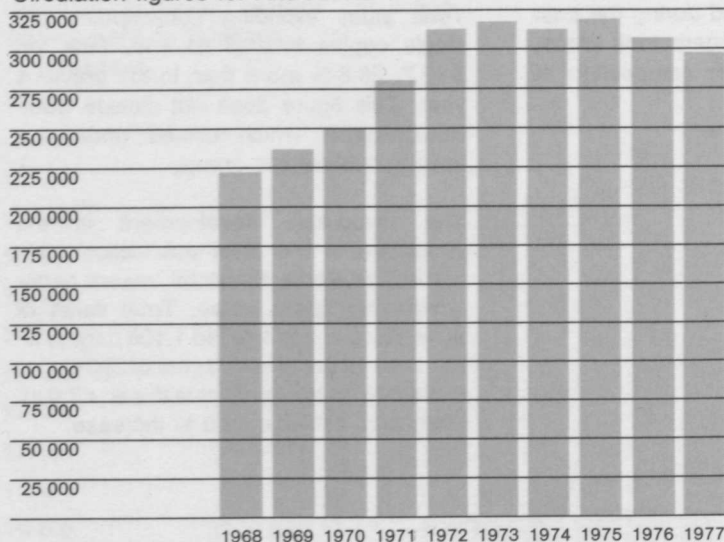


## Book Publishing

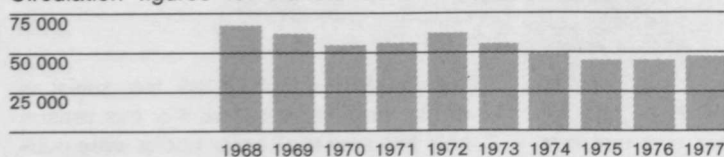
The recession influenced the sales of single, mail order books. For this reason only two new mail order books were published in 1977, Minä Hessu (I, Horace Horsecollar) and Koko Perheen Askartelukirja (Family Hobbies Book).

The Children's Own Book Club had an average of 30.000 members during the year, 10.000 less than in 1976. The publishing of children's books based upon the material of the contest of the previous year. The number of children's minencyclopedias was also increased. These were favourably received.

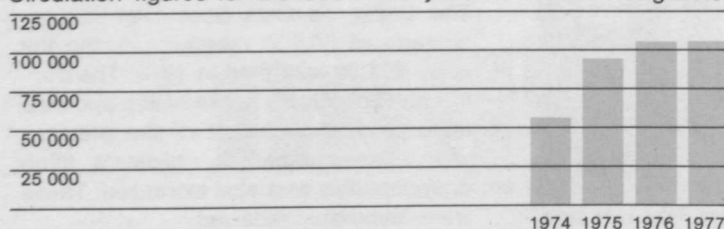
Circulation figures for Aku Ankka



Circulation figures for Kansa taisteli — miehet kertovat



Circulation figures for the Suuri Käsityökerho member magazine



Altogether 40 new titles were published and 8 books were reprinted. Total sales were 1.9 m. copies. The number of titles dropped by 6 compared with the previous year, and copies sold by 276.000 — 12.4 %. Value of sales was 16.5 m. Fmk, m. \$4.0 — 7.6 % less than in 1976. Nevertheless, the profitability target set for book sales was achieved.

## Special Publications and Products

The market for special products and publications was extremely lively. Mail order sales increased strongly.

The main articles in this group were the earlier Big Handiwork Club and the Kodin Kuvalehti Cookery Club, along with two novelties marketed in August: the Best Home Cooking food card series and a learning and hobby club for children, Onni-mannin Oppileikit (Play and Learn with Jonathan Joe). Of these, the food card series had 30.818 active subscribers at the end of the year, and the hobbies club 10.789 members. In addition the line included service for readers and members of publications and clubs in the form of sales of articles, mail order sales, and sales of rights to use serial cartoon figures and some other themes. The total of special products and publications was 166 units, compared with 137 in the previous year. Sales, at 12.3 m. Fmk, m. \$3.0, were up 17 % on the year before.

The shares of the different product lines in the total sales for the Magazine and Book Publishing Division were as follows:

Newspapers: subscription,	
single copy	
and other sales	58.7 %
advertising space sales	8.8 %
book sales	18.6 %
sales of special products	
and publications	13.9 %

## Commercial printing — Sanomaprint

Total operations reflected low demand and tough competition, keeping market prices at an unsatisfactory level.

Like most commercial printers, Sanomaprint failed to sell some of its capacity. Under the conditions prevailing, it was necessary to concentrate on keeping up employment and on extensive planning measures to ensure efficiency, continuity



and long-range development of competitive ability.

Earnings were 32 m. Fmk, m. \$7,8, the same figure as in the previous year. The relative profitability of work based on gross profits dropped slightly. Total earnings were, however, some 10 % higher than for the previous year. This was especially due to the volume growth in the Company's own publications.

The value of export was 0.7 m. Fmk, m. \$0,2. The marketing of export work was done as before through Finnprint.

Costs, wages and salaries rose percentually less than in the year before. The growth of the total wage bill was curbed by the reduction in number of personnel. The relative share of social welfare costs compared with basic wages grew, almost as much as in 1976. The rise was 3 % — from 41 % to 44 %.

Price increases in the most important raw materials, paper and ink, remained below the level of inflation.

In spite of the unfavourable market, it proved possible to maintain production volumes on the average at 1976 level. The volume of four-colour production rose by 4 %. Total volume of production in the bindery remained at its former level.

Thanks to improvements in the information system and improved collection and processing of marketing information, it was possible to develop marketing strategies. The creating of new products and services was connected up with sales work, and this was already showing signs of success in 1977.

In June a contract was signed with the Harris Corporation for delivery of a new offset press to Sanomaprint. The new press line is furnished with versatile in-line processing equipment, making possible to produce finished printed products straight from the paper roll. Sanomaprint's fifth offset press will be installed at the Hiomontie plant, and production is planned to start in September 1978. The investment's value is over 8 m. Fmk, m. \$1,9.

## Vocational School

The activities of the Sanoma Company Vocational School continued in 1977 in three main sectors: the Graphics School, the Sanoma School of Journalism and the Office Staff School.

In the Office Staff School, besides the training of office staff, leadership training and general courses are included. The schooling is in the form of further and supplementary training, and the re-training required both for the Company and for various projects. Basic education as well as advanced training programmes are given in the Sanoma School of Journalism.

The Graphics School arranged a total of 45 training sessions in 1977, with a total participation of 535 persons.

In May 1977, 24 journalist-trainees started the eight basic course at the Sanoma School of Journalism. A total of 22 advanced training sessions were organized in this field, with a total participation of 478 journalists.

The Office Staff School offered 34 training sessions, with a total participation of 485 persons. Leadership training was given at 23 sessions, with 337 persons participating. The number of general courses was 55, and 666 persons took part in them. The combined total of training sessions given by the Office Staff School during the year under review was 112, with a total of 1,488 participants.

The number of training sessions organized by the Vocational School in 1977 was 180, with a total of 2,525 participants.

### Lehtikuva — International Picture Agency

Although there were no big pictorial events in 1977 to compare with the Olympic Games, the financial result was favourable. This was largely because the Company was able to meet the increased demand for colour photos in all fields. This made it possible to begin its own development work on colour films.

Lehtikuva's involvement in national and international news picture assignments was greatly developed. Through co-operative membership in the important European Picture Union (EPU) and through co-operation with UPI-picture Lehtikuva took an active part in the news picture scene. Important international events in the Middle East and other parts of the world as well as other important news events at the national scene were undertaken by Lehtikuva photographers for its international partners.

The Commercial Department expanded. Industrial photographing was included in the programme.

A new and better equipped studio was established on 15 November 1977, at the new premises at Uudenmaankatu 33, Helsinki offering almost three times the area of the former place.

The Chairman of the Board of Lehtikuva was Mr Väinö J. Nurmimaa, and the Vice-Chairman Mr Teo Mertanen. On 28 April 1977 Mrs Patricia Seppälä was appointed Managing Director from 1 May 1977.

Patricia Seppälä was chosen as Director of European Pressphoto Union in connection with the reorganization of EPU in September 1977.

At the end of 1977 the number of personnel was 52.

### Finnvisuals

The development of the video field in 1977 was characterized by increased use of video for information in companies and organizations in Finland as elsewhere, and the big break-through of video cassette equipment intended for the consumer in the USA.

Video cassettes are winning ground from video discs, whose appearance on the market has been put back by the rapid development in cassette technology.

From 1 January 1977 the Sanoma Publishing Company has owned the total stock of Finnvisuals, and since then the company's operations have developed rapidly.

A plan was made during the year to concentrate the follow-up of video developments on Finnvisuals.

During 1977 the supply of educational programmes was further expanded. Nine such programmes were translated into Finnish, and in autumn the first printed educational programme catalogue was printed, with 35 titles.

During the year educational programmes both as films and video cassettes were rented out 233 times, and 35 copies were sold.

The Chairman of the Board of the Company from 18 November 1977 was Mr Aatos Erkko, and the Vice-Chairman Mr Väinö J. Nurmimaa. The Managing Director continues to be Mr Ilkka A. Pulkkinen.

The number of personnel at the end of the year was four.



1977

Fmk

US\$

Wages and salaries paid	135.691.940,41	33,095,595.22
Included in the above:		
sick-leave and maternity leave wages and salaries	3.312.678,75	807,970.43
Annual vacation wages and salaries	17.650.074,29	4,304,896.17
	20.962.753,04	5,112,866.60
Employer's social security payments	12.196.606,97	2,974,782.19
Social insurance payments	13.019.312,30	3,175,442.02
Accident and unemployment insurance payments	1.816.671,61	443,090.64
Transportation of personnel	287.089,33	70,021.79
Work clothes	142.394,69	34,730.41
Other	1.314.808,45	320,684.98
	28.776.883,35	7,018,752.03
Wages and salaries	114.729.187,37	27,982,728.62
Social costs	49.739.636,39	12,131,618.63
	164.468.823,76	40,114,347.25

Visits to polyclinics	1971	1972	1973	1974	1975	1976	1977
Korkeavuorenkatu	10.073	10.220	9.642	9.085	9.637	9.536	8.323
Hiomontie	5.552	5.198	4.522	4.909	4.800	4.897	4.881
Strömbergintie	4.904	4.569	3.692	3.444	2.817	2.401	2.092
	20.529	19.987	17.856	17.438	17.254	16.834	15.296
Blood donors	381	354	307	281	298	322	332
Micro X-rays	1.880	1.764	1.747	1.758	—	1.482	—
Visits to doctor	4.139	4.217	4.651	3.974	5.029	4.908	4.806

## Circulation of papers

	1970	1971	1972	1973	1974	1975	1976	1977
HS	274.600	289.704	305.016	311.438	318.953	327.275	346.910	356.945
HS-								
Sunday	315.500	334.173	349.392	355.116	359.130	365.809	391.971	405.185
IS	63.165	70.481	83.085	79.983	89.778	98.045	120.080	122.024
MN	151.619	166.725	150.289	182.619	142.015	110.618	123.872	128.483
AA	250.668	279.754	309.155	315.877	313.139	317.571	303.703	295.163
KK	69.472	101.915	90.639	100.475	91.611	86.448	104.682	127.232
KT	53.696	55.413	60.533	55.867	50.944	47.846	43.886	46.093
SK	—	—	—	—	56.752	97.307	106.753	106.572

Figures are averages of official circulation ratings performed during the year under review

## Statement of Income for the Year Ended

	Fmk	
Sales revenues		454.825.378,30
Adjustment to gross sales:		
Discounts	16.607.322,97	
Credit losses	1.677.606,56	
Indirect taxes	4.295.871,00	
Adv. agency and other commissions	44.603.540,74	
Other adjustment to gross sales	31.544.130,57	98.728.471,84
Turnover		356.096.906,46
Variable expenses:		
Materials	77.434.288,45	
Wages and salaries	105.184.600,04	
Other variable expenses	30.022.722,33	
— stock increase	— 4.253.355,22	208.388.255,60
Gross profit		147.708.650,86
Fixed expenses:		
Wages and salaries	38.887.128,52	
Rents	6.149.737,86	
Other fixed expenses	43.405.549,90	88.442.416,28
Earnings before depreciation		59.266.234,58
Depreciation:		
of buildings	29.896.772,85	
of machinery and equipment	24.156.689,86	
of other outlay with long-term return	137.584,79	54.191.047,50
Earnings after depreciation		5.075.187,08
Other revenues and expenses:		
Interest revenues	7.473.772,94	
Dividend revenues	189.610,50	
Other revenues	1.527.497,02	
Other expenses	— 67.972,93	9.122.907,53
		14.198.094,61
Interest expenses		— 10.022.526,08
Direct taxes	5.912.244,46	
./ . funds obtained from the profit	3.811.676,22	— 2.100.568,24
Profit of the year		<u>Fmk 2.075.000,29</u>

~~1977~~  
December 31, 1978

1976	US\$	1976
388.383.198,78	110,933,019.09	102,206,104.94
	4,050,566.58	
	409,172.33	
	1,047,773.41	
	10,878,912.38	
	7,693,690.38	
	24,080,115.08	
310.978.251,57	86,852,904.01	81,836,381.99
	18,886,411.82	
	25,654,780.50	
	7,322,615.20	
	1,037,403.71	
107.425.552,03	50,826,403.81	
	36,026,500.20	28,269,882.12
	9,484,665.49	
	1,499,936.06	
	10,586,719.49	
28.468.763,91	21,571,321.04	
	14,455,179.16	7,491,779.98
	7,291,895.82	
	5,891,875.58	
	33,557.26	
11.338.297,34	13,217,328.66	
	1,237,850.50	2,983,762.46
	1,822,871.45	
	46,246.46	
	372,560.25	
	16,578.76	
20.622.136,78	2,225,099.40	
	3,462,949.90	5,426,878.10
	2,444,518.55	
	1,442,010.84	
	929,677.13	
5.794.393,34	512,333.71	
	US\$ 506,097.64	1,524,840.35

Assets	Fmk	1977
<b>Current assets</b>		
Cash in hand and in banks	12.964.534,13	
Accounts receivable	105.187.215,86	
Loan receivable	18.485.011,38	
Payments in advance	123.313,88	
Deferred assets	4.363.140,25	
Other current assets	1.737.084,92	142.860.300,42
<b>Inventories</b>		
Materials	20.971.445,80	
Products (finished and in process)	4.900.449,19	25.871.894,99
<b>Fixed assets</b>		
Land areas	20.274.558,30	
acquisition	1.645.976,93	21.920.535,23
Buildings	28.477.512,94	
acquisition	29.983.133,86	
— from investment fund	7.147.455,40	
	51.313.191,40	
depreciation	29.896.772,85	21.416.418,55
Machinery and equipment	14.551.445,27	
acquisition	70.162.390,11	
reduction	191.415,36	
— from investment fund	255.544,60	
	84.266.875,42	
depreciation	24.156.689,86	
	60.110.185,56	
payments in advance	27.392.758,30	87.502.943,86
Shares	15.102.681,06	
acquisition	956.788,15	
reduction	726,00	16.058.743,21
Outlay with longterm return	769.948,95	
depreciation	137.584,79	632.364,16
		147.531.005,01
		<u>Fmk</u>
		<u>316.263.200,42</u>



1976	US\$	1977	1976
	3,162,081.49		
	25,655,418.50		
	4,508,539.36		
	30,076.56		
	1,064,180.55		
163.424.375,77	423,679.25	34,843,975.71	43,006,414.68
	5,114,986.78		
21.618.539,77	1,195,231.51	6,310,218.29	5,689,089.41
	4,945,014.21		
	401,457.79	5,346,472.00	
	6,945,734.86		
	7,312,959.47		
	1,743,281.80		
	12,515,412.53		
	7,291,895.81	5,223,516.72	
	3,549,132.99		
	17,112,778.07		
	46,686.67		
	62,327.95		
	20,552,896.44		
	5,891,875.57		
	14,661,020.87		
	6,681,160.56	21,342,181.43	
	3,683,580.75		
	233,362.96		
	177.07	3,916,766.64	
	187,792.42		
119.807.839,43	33,557.26	154,235.16	35,983,171.95
304.850.754,97		77,137,365.95	31,528,378.80
	US\$		80,223,882.89



## Liabilities

Fmk

**Current liabilities****Short-term debt**

Accounts payable	31.959.128,59	
Payments in advance	77.277.382,04	
Deferred liabilities	31.877.968,75	
Other short-term debts	5.793.210,23	146.907.689,61

**Long-term debt**

Pension loans	92.975.365,86	
Other long-term debts	34.003.868,85	126.979.234,71

**Reserves**

Investment reserve	4.029.000,00	
Other reserves	2.780.000,00	6.809.000,00

**Shareholders equity**

Share capital	7.100.760,00	
Reserve fund	26.367.447,81	
Donation reservation	24.068,00	
Profit of the year	2.075.000,29	35.567.276,10

Fmk 316.263.200,42

## Appended information 31. December 1977

Fmk

US\$

## 1. Changes in equity

**Reserve funds**

Valuation reserve 1. 1. 1977	8.500.000,00	2,073,170.73
Free reserve funds 1. 1. 1977	13.867.447,81	3,382,304.34
Transferred from retained earnings	+ 4.000.000,00	975,609.76
	17.867.447,81	4,357,914.10
31. 12. 1977	26.367.447,81	6,431,084.83

**Reserve for donations**

1. 1. 1977	21.668,00	5,284.88
Transferred from retained earnings	+ 25.000,00	6,097.56
Donations made	- 22.600,00	5,512.20
31. 12. 1977	24.068,00	5,870.24

**Retained earnings**

1. 1. 1977	8.830.782,62	2,153,849.41
Dividends distributed	- 994.106,40	242,464.97
Transferred to reserve fund	- 4.000.000,00	975,609.75
Transferred to reserve for donations	- 25.000,00	6,097.56
Taxes paid	- 3.811.676,22	929,677.13
31. 12. 1977	—	—

1976

US\$

1976

	7,794,909.41		
	18,848,141.96		
	7,775,114.33		
140.632.566,21	1,412,978.10	35,831,143.80	37,008,570.05
	22,676,918.50		
111.685.530,33	8,293,626.55	30,970,545.05	29,390,929.04
	982,682.93		
14.212.000,00	678,048.78	1,660,731.71	3,740,000.00
	1,731,892.68		
	6,431,084.83		
	5,870.24		
38.320.658,43	506,097.64	8,674,945.39	10,084,383.00
<u>304.850.754,97</u>		<u>US\$ 77,137,365.95</u>	<u>80,223,882.89</u>

2. Pension Fund liability deficit	8.501.262,54	2,073,478.67
3. Securities given as collateral against debt	12.942.976,01	3,156,823.42
Mortgages given as collateral against debt	52.000.000,00	12,682,926.82
Guarantees	736.232,00	179,568.78
4. Foreign Long Term Debts	34.003.868,85	8,293,626.55

In our capacity as auditors elected at the Annual General Meeting of Sanoma Osakeyhtiö on 5 April 1977 we have examined the administration and the accounts of the Company for the 1977 accounting period, on the basis of which we give the following report:

In his examination performed during the accounting period the undersigned Autio has found the Company's bookkeeping properly carried out and the funds carefully supervised.

The closing of the accounts, which shows the net earnings for the period to be 2.075.000,29 Finnish marks, has been arrived at correctly from the balance sheet and is correctly based. In accordance with the decision of the Annual General Meeting the retained earnings from the previous year have been used to cover taxes. Depreciations for the acquisition outlay on the Sanomala buildings have been performed in accordance with the law concerning tax relief.

The balance sheet items are verified by the appropriate balance sheet specifications. The bank accounts agree with the bank statements on the day of the closing of accounts. The securities are in safekeeping and the insurances are in order.

We have read the minutes of the annual general meeting and of the Board of Directors and the Annual Report. In addition we have received information concerning the running of the Company. In our opinion the finances of the Company have been handled with care and successfully.

We propose to the Annual General Meeting that the closing of the accounts be approved and that the persons accountable be absolved of responsibility.

We agree with the proposal of the Board of Directors concerning the use of retained earnings.

Helsinki, 17 March 1978

Aimo Autio  
KHT

Ritva Harli

Antti Helenius  
KHT

Urpo Siirala

The following were elected as members of the Board of Directors at the General Meeting of the Company on 5 April 1977:

Mr Aatos Erkko	Chairman
Mr Teo Mertanen	Vice-Chairman
Mr Aarne F. Castrén	
Mr Risto Kavanne	
Mr Väinö J. Nurmimaa	
Mrs Patricia Seppälä	

The Chairman Mr Aatos Erkko and Mr Väinö J. Nurmimaa are due to retire and are offering themselves for re-election.

Mrs Ritva Harli and Mr Aimo Autio have acted as Auditors, with Professor Urpo Siirala and Mr Antti Helenius as their Deputies.

## Proposal for Use of Retained Earnings

The profit for the accounting period was 2.075.000,29 Fmk, \$ 506.097,64. The retained earnings from the previous year have been used for payment of taxes as authorized by the General Meeting of the Company on 5 April 1977, so that the General Meeting has at its disposal the above-mentioned 2.075.000,29 Fmk, \$ 506.097,64.

The Board of Directors proposes that these earnings	2.075.000,29 Fmk	\$ 506.097,64
— be distributed as dividend to the amount of	4,20 Fmk	\$ 1,02
per share	994.106,40 Fmk	\$ 242.464,98
— be transferred to the reserve for donations	25.000,00 Fmk	\$ 6.097,56
— and that the balance	1.055.893,89 Fmk	\$ 257.535,10

be left in the Profit and Loss Account, and that the Board be given the power to use these funds for payment of taxes in 1978.

If the General Meeting approves this proposal, the Companies' own funds will be as follows:

Share capital	7.100.760,00 Fmk	\$ 1.731.892,68
Reserve funds	23.367.447,81 Fmk	\$ 6.431.084,83
Reserve for donations	49.068,00 Fmk	\$ 11.967,80
Undisposed retained earnings	1.055.893,89 Fmk	\$ 257.535,09
The amount of the investment reserve	4.029.000,00 Fmk	\$ 982.682,92
and the credit loss reserve is	2.780.000,00 Fmk	\$ 678.048,78

Helsinki 14 March 1977

Aatos Erkko

Teo Mertanen

Aarne F. Castrén

Väinö J. Nurmimaa

Risto Kavanne

Patricia Seppälä



# Telset Project

In November 1977 an agreement on co-operation was signed between the Nokia Electronics, the Helsinki Telephone Company and the Sanoma Publishing Company aiming at the developing and testing of a new electronic communication medium. In March of the same year a prototype of this system — Telset — was demonstrated to news media. The radio and television in particular received this relation of theirs with enthusiasm.

## telset

The goal of the Telset project is to begin a marketing and technical experiment with the system in June 1978. The equipment will consist of a minicomputer and some 30 terminals resembling TV sets. Apart from the central computer, the equipment is produced in Finland, as is the software. The experiment will end in spring 1979.

Technically the Telset system will be made up of a number of small computers in

different places, with text and diagram data recorded on their disc memories. The subscriber can obtain this data for viewing by calling a special Telset number and at the same time plugging his TV set with special equipment in to the network. First of all a data index appears on the screen, from which the subscriber can obtain the information he desires by pressing buttons.

In the future the customer can call up on his Telset number on Saturday evening and see the correct football pools on his TV or the latest horse racing results. If he is interested he can also see what film is on at the local cinema or the special offers at the nearest store. In addition to the telephone charge he will have to pay a small additional charge for each page of text he views.

In the same way a business executive can call up his Telset number on Friday afternoon in the 1980s and get the latest financial news from London or Frankfurt on the TV screen on his desk, and afterwards check to see if anything special has happened that morning on the Helsinki Stock Exchange.

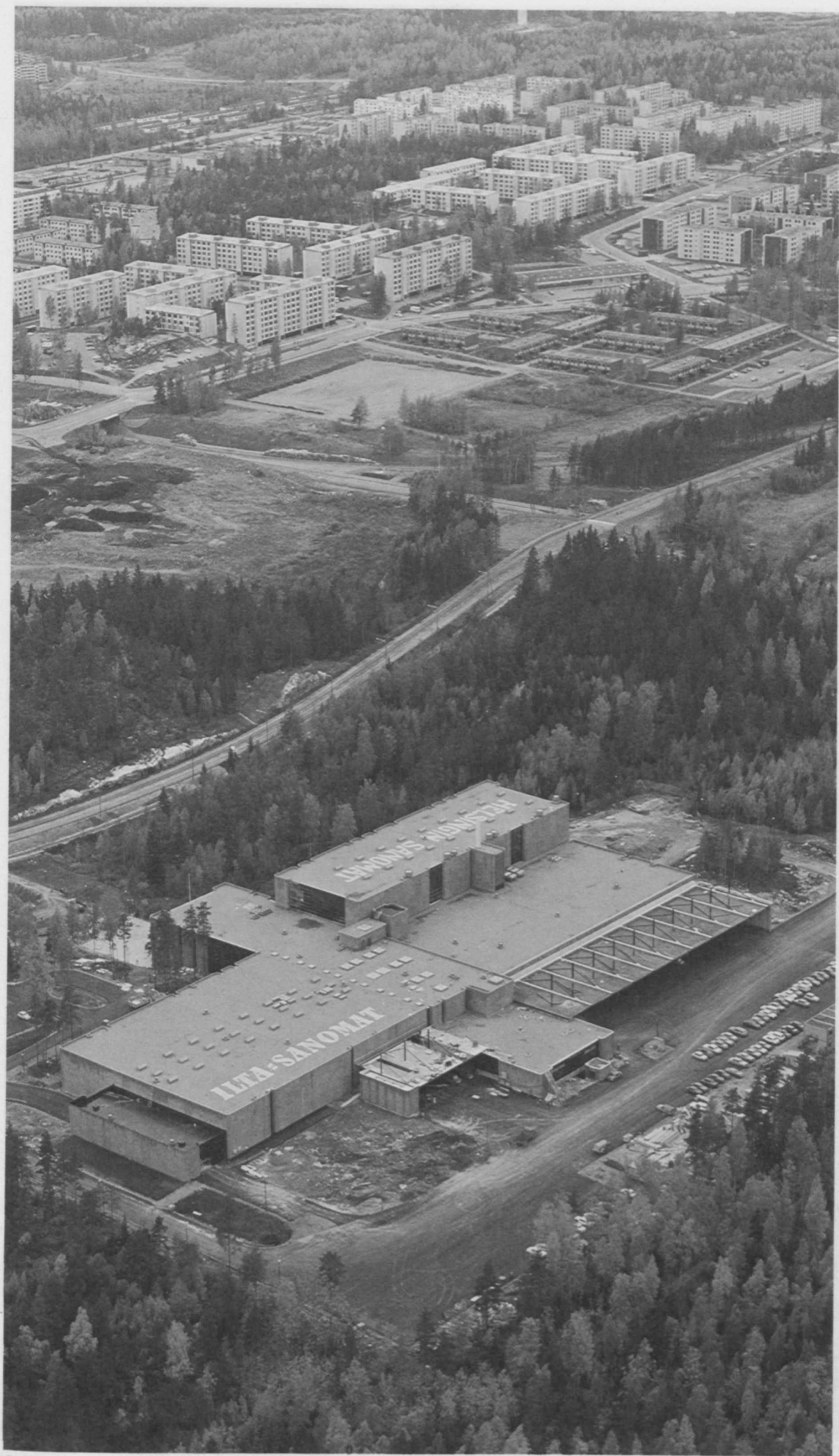
Technically the Telset system has been standardized with the Viewdata system developed by the British Post Office. The British market experiment is starting in June 1978 in London and Birmingham, and is naturally much bigger than the Telset project. Pilot studies in Sweden and West Germany will begin six months later than in Helsinki.

The Telset system is compatible with the teletext systems Ceefax and Oracle transmitted by TV signal which are being tried out at present in several countries. It can be expected that text TV will divide up into two distinct market sectors.

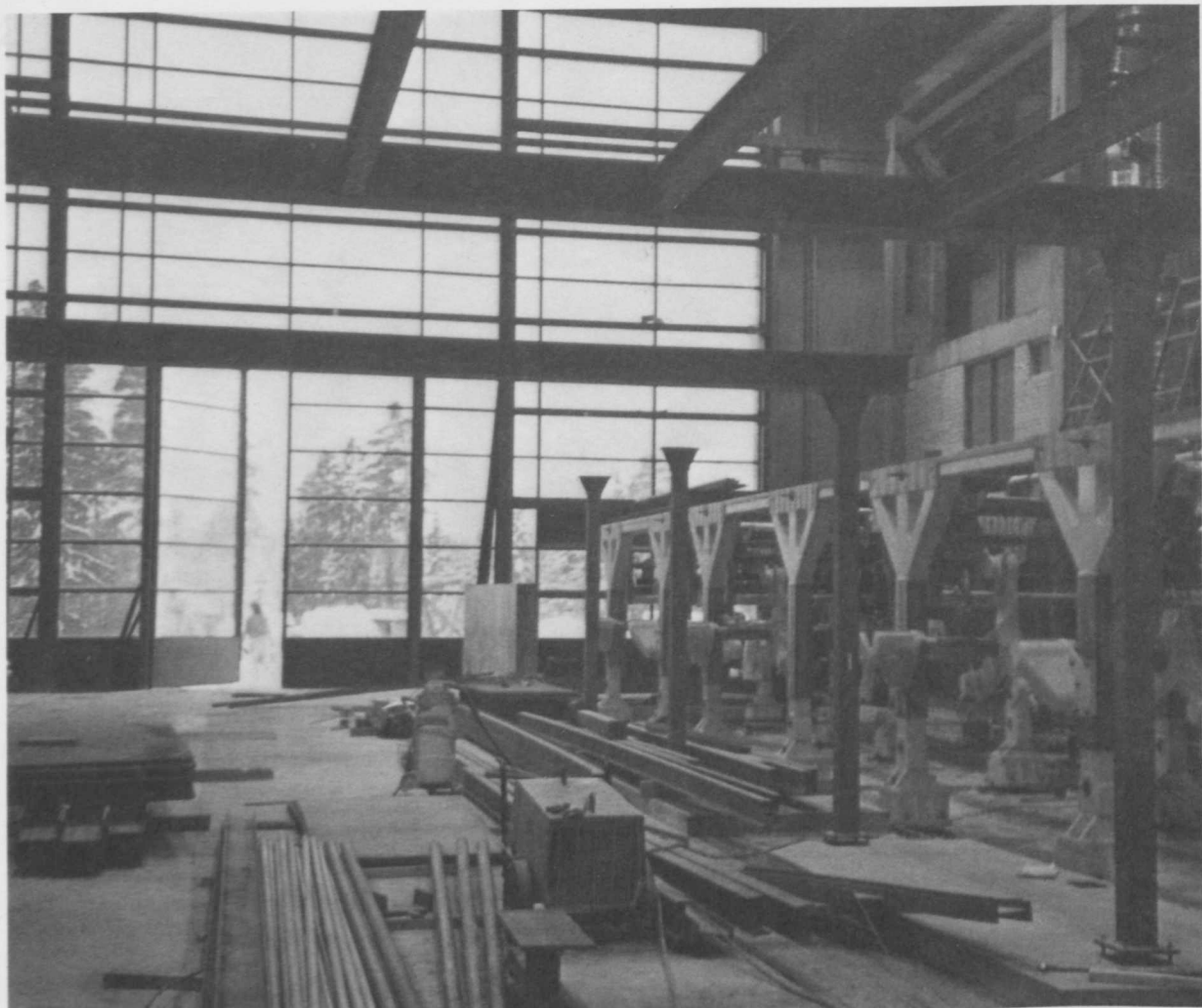
Teletext type of text information, containing little data but sent almost without charge by the TV station, will spread more widely. But the Viewdata-Telset type of transmission using the telephone network will concentrate on domestic information, and on special groups and business firms that think it worth while to buy up-to-date information from data banks.



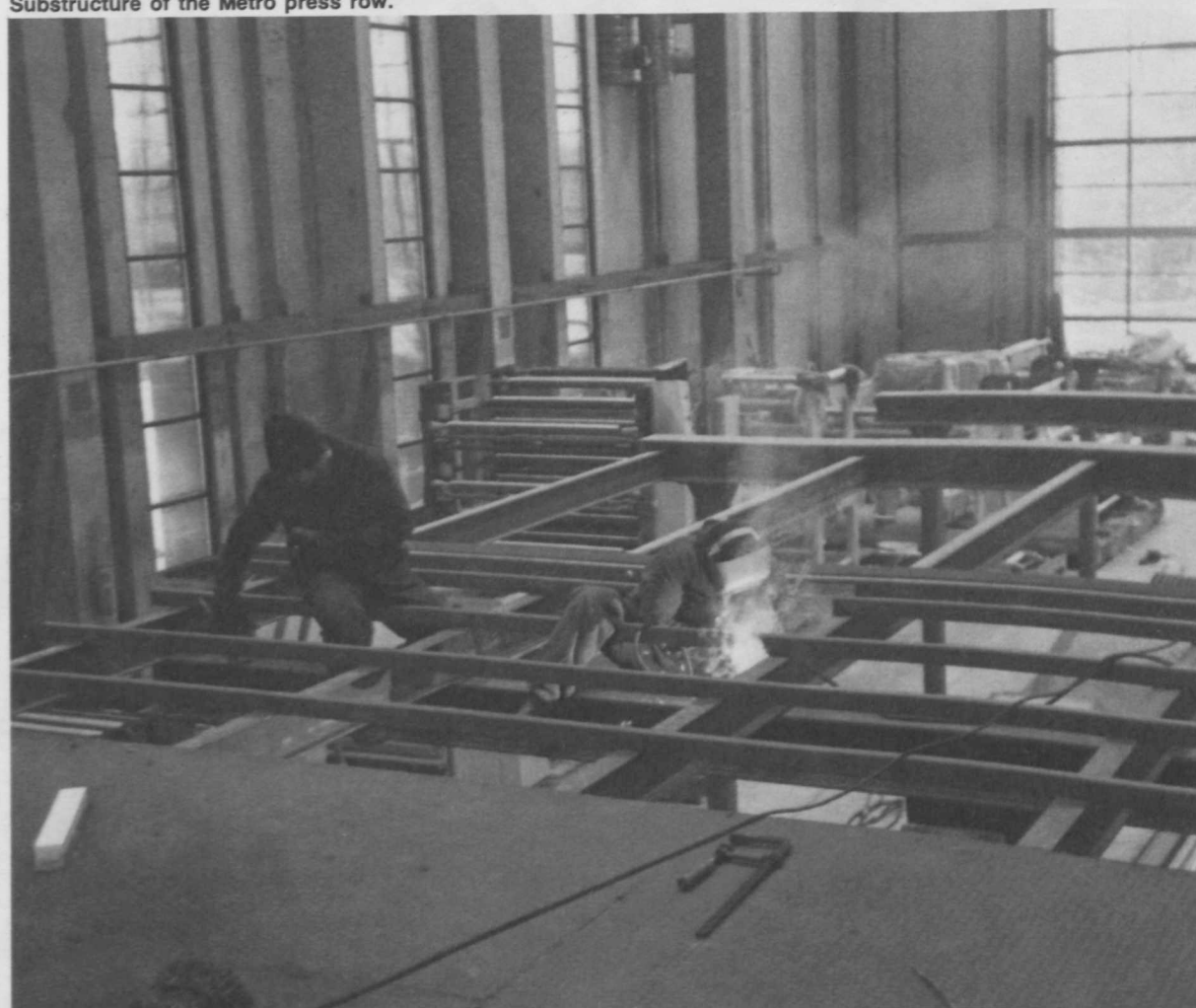




Sanomala newspaper plant, Martinlaakso of Vantaa at the background.



Substructure of the Metro press row.



Operating platform under construction.



Reelroom level under construction.

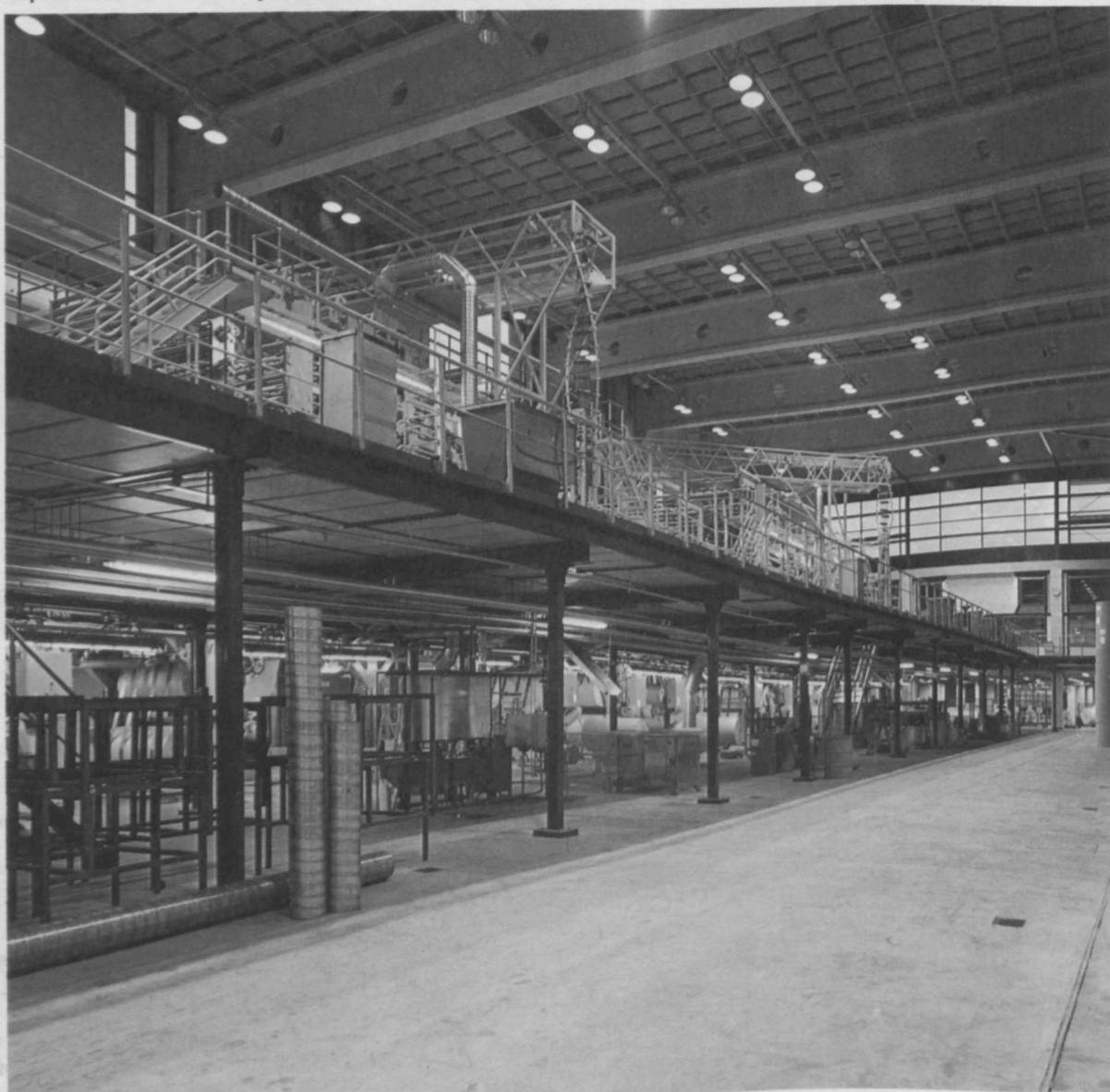


Start-up of the offset press by Mr Sven-Erik Järvinen, Chairman of Vantaa City Council, on the left, late in the evening of November 15, 1977. From the right Mr Aatos Erkkö and Mr Hannu Kilttilä.





Representatives of the City of Vantaa and Sanoma Publishing Company attending the first production night.



Pressroom.



## Experiment in Industrial Participation

At the beginning of 1977 the Sanoma Company set in motion preparation for an experiment in industrial participation at Sanomaprint. Committee representing all personnel groups and the management at Sanomaprint was set up. This Committee, besides being responsible for the planning and implementing of the training stage in the experiment, made a proposal for an agreement that a cooperative experiment should be carried out for a certain period of time at Sanomaprint.

The Board of the Company approved the agreement on 12 December 1977. At the same time the Board expressed its desire that the agreement should become permanent after the period of experiment, and that on its basis industrial participation could be extended to other divisions and personnel groups of the Company.

"An agreement to promote the opportunities for personnel to participate and have influence, and to improve competitive ability, in Sanomaprint" was signed on 27 December 1977. The parties to the agreement are the workers, technical staff, industrial office staff and management of Sanomaprint.

The experiment is to run over 1978—79 and will be adapted to the legislation and to agreements with labour market organizations, and to developments occurring in the participation systems of the Sanoma Publishing Company during the period of experiment.

The aim of the experiment is to develop the opportunities of the personnel to participate and influence decisions, and in this way by improving working conditions and work motivation to increase the competitive ability of Sanomaprint.

In drawing up the agreement, operational expediency has been in the forefront. Thus the organization for cooperation is based both on line organization and on the negotiation and participation systems already operating on the job, i.e. the shop steward and work safety systems. The organ of cooperation proper is the Cooperation Committee, in which workers have four representatives, technical staff have one, industrial office staff have one, and management have three.

In the recommendation concerning cooperation by the labour market organizations in the graphics industry in 1977, besides general matters concerning cooperation and negotiation, the area of the Cooperation Committee also includes reports by the management on production and financial factors, and other questions involving internal information. The Committee should also follow the implementing of health care at work and work safety.

Unlike other industrial participation models, the Committee at Sanomaprint will draw up a personnel plan and supervise its implementation. The purpose of the plan is on the one hand to forecast and safeguard the personnel resources required, both in quality and quantity, and on the other hand to try to prevent individual adaptation difficulties caused by change in the structure of jobs and professions, within the framework of the principles and decisions concerning the personnel policy of the Sanoma Company.

A special feature of the agreement is that the Committee can deal with questions concerning the planning of Sanomaprint operations.

# Management on 31 December 1977

Mr Aatos Erkko	Chairman and Chief Executive Officer
Mr Väinö J. Nurmimaa	President and Chief Operational Officer
Mr Teo Mertanen	Executive Vice President and Administrative Editor-in-Chief
Mr Jaakko Rauramo	Executive Vice President and General Manager of Newspaper Division
Mr Jaakko Hannuksela	Vice President, Planning
Mr Heikki Huhtanen	Vice President and General Manager, Sanomaprint
Mr Matti Peltonen	Vice President, Magazines and Books
Mr Paul Strandén	Vice President, Administration
Mr Martti Teräsalmi	Vice President, Finance
Mr Sakari Almi	Marketing Manager, Newspaper Division
Mr Matti Huopaniemi	Circulation Manager, Newspaper Division
Mr Aleksis Stenvall	Marketing Manager, Sanomaprint
Mr Pertti Puolakka	Planning Manager, Sanomaprint

Senior Editors:  
Teo Mertanen

Administrative Editor-in-Chief of Newspapers

**Helsingin Sanomat**  
Heikki Tikkanen (senior)  
Keijo Kylävaara  
Simopekka Nortamo

**Ilta-Sanomat**  
Martti Huhtamäki

**Me naiset** Kerttu Saarela  
**Aku Ankka** Alli Peltonen  
**Kodin Kuvaletti** Maire Varhela  
**Suuri Käsityökerho** Maire Varhela



# Management on 31 December 1977

Mr Aatos Erkkö  
Mr Väinö J. Nurmimaa  
Mr Teo Mertanen

Mr Jaakko Rauramo

Mr Jaakko Hannuksela  
Mr Heikki Huhtanen  
Mr Matti Peltonen  
Mr Paul Strandén  
Mr Martti Teräsalmi

Mr Sakari Almi  
Mr Matti Huopaniemi  
Mr Aleksis Stenvall  
Mr Pertti Puolakka

Chairman and Chief Executive Officer  
President and Chief Operational Officer  
Executive Vice President and  
Administrative Editor-in-Chief  
Executive Vice President and  
General Manager of Newspaper Division

Vice President, Planning  
Vice President and General Manager, Sanomaprint  
Vice President, Magazines and Books  
Vice President, Administration  
Vice President, Finance

Marketing Manager, Newspaper Division  
Circulation Manager, Newspaper Division  
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