

Content

From Päivälehti of the "Young"	1	Changes in Financial Position	48
to 100-year old Helsingin Sanomat	18	Wages, salaries and social security payments	50
The Future by the Chairman	20	Sanoma Group Income	51
Organization	21	Proposal for Distribution of the Profit	52
Sanoma Corporation Board of Directors	22	Auditors' Report	53
Sanoma Group in Figures	23	Sanoma Group Personnel	54
President's Report	24	Financial Milestones on our Newspaper's Hundred-year Journey	56
Report by the Board of Directors	37	Net Income Information	60
Consolidated Income Statement	38	Income Statement Information	61
Consolidated Balance Sheet	40	Circulation Figures	62
Notes to Consolidated Financial Statements	42	Directors and Officers	63
Appended Information on Consolidated Income Statement and Balance Sheet	43	Addresses	64
Sanoma Corporation Income Statement	44		
Sanoma Corporation Balance Sheet	46	Cover: Front page of the first issue of Päivälehti	
Notes to Sanoma Corporation Financial Statements			



The Editorial Staff of Päivälehti in 1893. Sitting (from the left) Santeri Ivalo, E. O. Sjöberg, Eero Erkko, Filip Warén. Standing (from the left) Kasimir Leino, Reinh. Roine, Juhani Aho, Arvid Järnefelt, Erkki Reijonen.

From Päivälehti of "The Young" to 100-year-old Helsingin Sanomat

PÄIVÄLEHTI.

A circular letter addressed to "Interested Citizens" was mailed from Jyväskylä in August 1889:

It has long been wished, by an increasing number of people, that a new Finnish-language newspaper may be started in Helsinki, which, being in its political views pro-Finnish, would take a liberal standpoint advocating progress in all aspects of contemporary debate. In order to eliminate the lack of such a newspaper, we, the undersigned

have decided to distribute, from the beginning of next year, a Finnish-language newspaper of the type stated.

The signatories were **Eero Erkko**, at that time chief editor of Keski-Suomi newspaper, and the authors **Arvid Järnefelt** and **J. Brofeldt (Aho)**.

As soon as the guarantee capital of 10,000 marks, which we estimate will cover our next year's needs, has been subscribed for in total, a sample issue will be published and the newspaper



Advertising Composition Room in 1909.

Particular attention was paid to literature, as the contributors included, in addition to the well-known literary figures already mentioned, Kauppi-Heikki, Louis Sparre and Karl A. Tawaststjerna and others.

The paper's policy continued to be "to support and promote all our national institutions and laws" and the paper's political view continued to be fundamentally pro-Finnish.

Eero Erkko outlined in detail the "Young Finland" program in his 9-page introduction to the Nuori Suomi (Young Finland) Christmas album. This first Nuori Suomi, which included articles, pictures and sheet music, published by Päivälehti, sold out immediately. Nuori Suomi was published every Christmas without interruption until 1940.

The first sample issues of Päivälehti had been printed by the **Hufvudstadsbladet** press. Already on December 6, 1889 Eero Erkko and Aug. Schauman signed an one-year printing contract, renewed in 1891. As of the beginning of 1892 the paper continued to be printed on the same Marioni press, which now had been purchased and moved from the printing works of Sentraali-Kirja-

paino to rented premises on Korkeavuorenkatu. The printing press was now "his own man, not dependent on anyone".

The editorial office personnel had to remain in their rented office on Fabianinkatu, opposite the former print shop. The office was always swarming with visitors, contributors or other friends. Among the visitors were the composers Robert Kajanus, Armas Järnefelt, Oskar Merikanto, and the internationally famous Jean Sibelius; painters Väinö Blomstedt, Axel Gallén(-Kallela), Eero Järnefelt, Pekka Halonen; authors and linguists such as Swedish-speaker Werner Söderhjelm who learned to write his articles in Finnish, and of course Päivälehti's "own" poet and tireless supporter J.H. Erkko, already a well-known lyric poet and playwright, the elder brother of Eero Erkko. There were also civil servants, lawyers, and politicians from Helsinki and the rural areas.

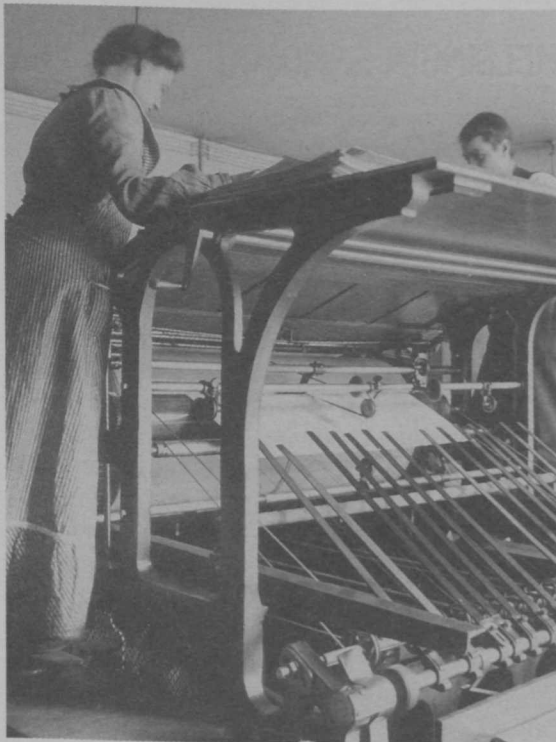
It became a custom to get together on Saturday evenings to socialize, to sing and above all to discuss topical subjects. Those versed in languages translated newspapers from St. Petersburg and telegrams arriving late at night via Suomen Sähkötoimisto (Finnish telegraph agency) for the others. The presence of a female editor was not objected to on either side. Päivälehti was the first newspaper in Finland to hire a woman editor. **Tekla Hultin**, one of Finland's first female university students and the first woman in Finland to get a doctor's degree in philosophy (1896) worked for the paper's foreign section 1892-1901. From 1894, the pen name K.J.S. began to appear in the political columns; **Kaarlo Juho Ståhlberg**, Doctor of Laws, who later (1908) became closely associated with the editorial office as a consulting staff member and member of the board, before becoming President of the Republic in 1919.

The group of young people associated with Päivälehti began to call themselves Nuoren Suomen Klubi (the Young Finland Club). In their name, an extensive series of booklets on governmental, social and cultural issues was written by well-known authors. The "Young Party", also called the "Young Finns", was founded by this group on November 25 1894. The party was later called the Constitutional Pro-Finnish Party, and from 1918 on the National Progressive Party. The



Mail room in 1909.

The company had several presses for rapid printing in the 1910's.



party manifesto was written by a committee consisting of Eero Erkko, Jonas Castrén, K.J. Ståhlberg, R. Erenius, Th. Homén and Th. Rein.

However, the publication of *Päivälehti* itself was often late due to printing obstacles. Finland had a system of preventive censorship. Each newspaper had its own censor, who examined the text before its publication and could cause expensive delays in printing. In 1897, the publication of *Päivälehti* was delayed 40, and in 1898 98 times. In order to mislead the censor, the newspaper started writing allegorically about unpleasant news, which the readership soon learned to follow.

In 1899, after Nikolai Bobrikoff had been appointed Governor-General of Finland, *Päivälehti* was suspended for three months, from August to November.

1900-

In 1900, more printing obstacles followed and Governor-General Bobrikoff ordered the dismissal of Eero Erkko from his post as chief editor. Eino Leino wrote Erkko a poem, which began:

To Eero Erkko
April 26th 1900
A storm was rising to the sky
The waves of battle riding high
When you seized your banner

Also Juhani Aho wrote Erkko a six-page letter congratulating him on his sentencing without trial.

On the official day of his dismissal, April 26 1900, Erkko was the guest of honor at a citizens' dinner, about which, naturally, there could be no report in *Päivälehti*. Eero Erkko was allowed to remain on the editorial staff, nominally, as a staff journalist. Santeri Ivalo was appointed chief editor. In the same year, *Päivälehti* received another three months' suspension order from the end of October until the beginning of February 1901. The Board of Directors mailed a circular letter asking for more subscriptions to the paper as a protest against oppression.

As a result, the readership of the newspaper increased by thousands. "This is the best possible encouragement, and a spur to the work and efforts of the editors", *Päivälehti* wrote on February 1

1901. But only four months later, an order was issued to suspend the paper once again, this time for four months.

In 1903 Bobrikoff ordered the deportation of Eero Erkko, whom he considered one of the main figures behind the secret resistance movement and a circulator of underground literature.

Erkko went to the United States, where he remained for two years. His wife and three sons, Eljas, Paavo and Eero Olavi, joined him there.

In the spring of 1904 *Päivälehti* was again suspended for a month, but at the end of May the editorial and business offices, as well as the printing plant, were moved to a new building, designed by the architects Eliel Saarinen, Armas Lindgren and Herman Gesellius. The location was at Ludviginkatu 4 in the Miekkakala block.

Besides a building of its own, *Päivälehti* had purchased a new press of "a type which has never before been used in Finland". "The Cox duplex press is a delightful device to look at and even more delightful to use", wrote *Päivälehti* on June 2 1904. "This machine makes all work done by human hand unnecessary; the press prints, binds, cuts and even folds the newspaper until it is completed - one only needs to check that there is enough paper for the machine to swallow, then the printed issues can be picked up from a box. - And the speed? - The average number of copies for instance of a newspaper with four sheets, 8 pages, and 7 columns is from 5,500 to 6,500 an hour." The press was manufactured at Battle Creek, Michigan, USA.

Congratulations on this major step forward flooded into the new building, including this one, by J.H. Erkko;

*May your house admit the light of day
As Päivälehti paves the way
Work on in your profession
Till freedom vanquishes oppression!*

When Governor-General Bobrikoff was shot by Eugen Schauman in June 1904, censorship became stricter than ever. An allegorical editorial entitled "At Midsummer" was made the pretext for the final suppression of *Päivälehti*.

At the meeting of the National Board of Publi-

cation on June 27 1904, an order was issued "to suppress *Päivälehti* for ever ... commencing on the day on which chief editor Santeri Ingman, Ph.D., receives a written notice of this decision".

A week later, on July 3 1904, a somewhat perplexed one-column news item was published in *Päivälehti*: "*Päivälehti* has been abolished for ever. According to rumours said to be certain, *Päivälehti* has been finally suppressed by the printing authorities. Today's issue of our paper, which has been published for almost fifteen years, would therefore be our last. No official notification has arrived as yet. But, in case this issue of *Päivälehti* is its last, we wish to thank all contributors, friends and readers of the paper over the last 15 years."

Eino Leino wrote the poem 'Silent Singer, an Old Ballade', which was duplicated and circulated.

Unto the tyrant the singer was brought — —
We hereby decree: Your song you must silence
Which kindles the people to defiance
Lest our command you flout
Your tongue shall be cut out
And never again will you cause a disturbance.

HELSINGIN SANOMAT

It became urgent to establish a successor for the paper and to save the printing plant.

A sample issue of **Helsingin Sanomat** was printed on July 7 1904, only four days after *Päivälehti*'s last edition. **Paavo Warén**, known as a contributor and Filip Warén's brother but with a clean sheet for politics, had agreed to be the new chief editor.

A new company, **Helsingin Uusi Kirjapainosakeyhtiö (HUK)**, was registered on July 8 1904 to safeguard the operations of the printing plant; "the company's intention being to operate in the book printing and publishing business".

The sample issue of July 7 1904 made no mention of *Päivälehti*. On the front page, there came a Supreme Edict from the Czar's Summer Palace; Prince Ivan Obolenski was appointed as the new Governor-General of Finland. The Czar decreed:

"Safeguarding the very close connection of Finland with the rest of the Empire has always

been the unshakable goal of nationwide government, and so must it be also in the future."

The next column contained Helsingin Sanomat's own introduction, under the title "An Introductory Word". Carefully steering around the censor, it spoke of improving farming, housing, measures needed for the landless rural population, the cooperative movement, abstention from alcoholic beverages — their perniciousness was a bitter reality at that time — about introducing literature and arts to wider circles and, in accordance with its earlier policy, "Helsingin Sanomat seeks to work exclusively within the Finnish cause, to work as the newspaper of the people . . . There is much to do, as can be seen; workers will be needed."

As the first step, permission to publish Helsingin Sanomat was applied for, and after an anxious wait of more than two months, it was granted on September 15 1904. Immediately after the permit was granted, two new sample issues were launched on September 24 and 28. The paper was published regularly six days a week (Mondays excluded), from the beginning of October 1904. At

Päivälehti's first building of its own was completed in 1904, a month before the newspaper was suppressed.



the same time, on September 20 1904, a petition was submitted to the Imperial Senate of Finland stating that "**Z. Castrén** and many other persons have requested the confirmation of the Articles of Association prepared for the "**Sanoma Company**", the company's intention being to publish a Finnish language newspaper and other publications in the city of Helsinki".

The company's articles of association were confirmed on October 7 1904, the founding assembly of Sanoma Company was held on November 19 1904, and the company was entered in the Trade Register on December 14 1904.

The editors sought contributors in a circular. As a result, in its "advertisement for subscriptions" on December 1, Helsingin Sanomat was able to publish a long list of contributors, including a farmer called K. Kallio, who later became the President of Finland.

8,000

Helsingin Sanomat started to grow. The circulation reached 8,000.

One of the results of the General Strike of 1905 was the ending of censorship. At the same time, those in exile were allowed to return to Finland, among them Eero Erkko, who was elected Chairman of the Board of Directors in 1906. **Heikki Renvall** was chief editor from December 29 1905 to June 14 1906.

The circulation of Helsingin Sanomat doubled, leading to the purchase of a larger printing press in 1908. The speed of the Koenig & Bauer newspaper rotary machine was 12,000 copies an hour for a 16-page issue and 24,000 copies for an 8-page issue. Two-color printing was possible, for instance in black and red. "This is very important for the advertisers, who can make their advertisements more eye-catching."

At Ludviginkatu 6, another company-owned building was erected, designed by the same architects as the first one.

However, a new phase of russification started in 1908, with the governmental and national autonomy of the country being suppressed by illegal measures. Helsingin Sanomat continued to champion "the same pro-Finnish, democratic and liber-

al progress program based on constitutional rights."

Severi Nuormaa was chief editor from June 15 1906 to December 31 1908. Eero Erkko once again took the position from the beginning of 1909. There were eleven staff journalists, one cartoonist, five accredited staff correspondents in St. Petersburg, Stockholm, Christiania (Oslo), Rome, and **R. Holsti** London. The paper listed 134 regular contributors in its December 5 1909 issue, which was published on the 20th anniversary of *Päivälehti*, and with its 32 pages was "the largest edition of a Finnish newspaper so far anywhere in the world".

20,000

The Sunday circulation exceeded 20,000 at the end of 1911. At the same time the editorial office received "an electric stenographer, by the foreign name of 'Parlograph', the first of its kind to be used by a newspaper in Finland." The work in the newsroom was facilitated by this dictating machine, which recorded news both from abroad and from Finland.

28,000

In 1914, when the weekday circulation of *Helsingin Sanomat* totalled 28,000, it became "the newspaper with the largest circulation in Finland". The same year a petition was made and permission received from the National Board of Publication to publish the paper also on the days following Sundays and holidays, i.e. from now on the paper appeared seven times a week. The number of the newsroom personnel was increased by a new man, **Ilmari Kivinen**, who later became known as the beloved columnist **Tiitus**.

In 1914, the year that the first World War started, *Helsingin Sanomat*'s edition was confiscated a couple of times, for example on August, because of **Tiitus**' column "They are firing already". The National Board of Publication issued oral and written threats daily - which the newspaper was not allowed to mention in writing - to the effect that "no reporting was permitted about the movements of



Helsingin Sanomat was taken by sleigh to the railroad station.

Russian military troops on the southern coast of Finland, and in general no reporting about any incidents or activities of any kind." However, special, one-page editions or "telegrams" in editions of 16,000 were printed and sold quickly.

To facilitate the delivery of *Helsingin Sanomat*, a branch office was established at Siltasaari in 1915. Faithful to its principle to spread pastime reading habits, the office opened a library for its delivery boys and girls. During the widespread shortages of an economic recession, the paper also gave its workers a helping hand. The office distributed "modern, flexible, lace-up shoes with wooden soles" to youngsters who now could "take off father's big boots, mother's worn-out shoes, torn felt shoes or their rubber boots padded out with rags" and return them to their owners.

50,000

An ornamental letter from chief editor Eero Erkko and treasurer Aarne Kauppila was sent to the subscription agents to thank them for the growing circulation in 1916. The paper also thanked its adver-

tisers by writing to them: "We take pleasure in informing you that as of March 25 the Sunday issue of Helsingin Sanomat has reached a circulation of over 50,000 copies". To herald this achievement, a 32-page celebration issue, also distributed in a miniature scale of 17 x 13 cm, was published. Alongside the regular news, this special issue introduced some of the newspaper company's own activities. For example, there was a picture series depicting the loading of Helsingin Sanomat into horse-drawn sleighs at the Ludviginkatu courtyard for delivery to the mail trains. "Seven loads like this are delivered by the horses of the Helsinki Transport Company every Sunday", the paper proudly announced.

The company logo of a lion holding a quill and leaning against a newspaper reel was adopted during the same celebration year. It was drawn by Topi Vikstedt for "the paper with the widest circulation in Finland".

In spite of the fact that the price of newsprint had doubled, Helsingin Sanomat increased its circulation, so that in 1917 the weekday circulation also exceeded 50,000. But on August 14 and 15, Helsingin Sanomat was not published at all. The newspaper office was in a state of siege. Two hundred or more men had been sent to Ludviginkatu, of whom twenty stayed to make sure that no work was done.

In 1918, Helsingin Sanomat was suspended for more than two months, from January 28 to April 12. Armed Reds seized the editorial offices and confiscated the printing plant for the state. The plant was subsequently used to print the official bulletin of the People's Delegation.

During this time, Eero Erkko was arrested for a few days after a night house search. He was declared a prisoner of war as the editor of a counter-revolutionary newspaper. Santeri Ivalo was also taken prisoner.

Both were set free on the day Helsinki was recaptured, April 12 1918, when the armed Red Guards abandoned the newspaper building. The following day, Helsingin Sanomat was published as an one-page bulletin with the subtitle "Latest News". On the second day it contained two pages, on the third four pages, until as of April 16 it again reached its normal size.



The first branch office was opened at Siltasaari in 1915.

Cars were used to transport newspapers in the 1920's.



75,000

At the end of 1918, the weekday circulation was 65,000 and Sunday circulation 75,000. Santeri Ivalo returned as chief editor after Eero Erkko was appointed Minister for Social Affairs on November 27 1918 by **P. E. Svinhufvud**, Chief of State. He was later appointed Minister for Communications and Transportation on April 17 1919 by **Mannerheim**, the new Chief of State, and became Minister for Trade and Industry for the period from August 15 1919 to March 15 1920 by President **K. J. Ståhlberg**.

The increased circulation required a larger printing press and new, larger premises. In 1919, a third building was erected at Ludviginkatu. It was planned by Urho Åberg as an integral continuation of the two earlier ones. The three buildings were connected by a new, uniform facade. The "Vomag" printing press, manufactured in Germany, was only delivered after a year's delay, in fall 1920. Only then was it possible to stop the late deliveries to the morning trains which had been a nuisance to subscribers in various parts of Finland.

Newsdealer selling Ilta=Sanomat, at that time an afternoon edition of Helsingin Sanomat, in 1936.



Office premises had been rented to the National Progressive Party at Ludviginkatu 6. The party management wrote to the paper's Board of Directors on January 19 1920, suggesting that, in order to extend cooperation, "our Board Chairman, together with an agricultural expert, be granted permission to check articles of a political nature intended for publication in the paper, and to discuss them with the editorial staff".

The newspaper's answer of February 23 1920 referred "to the close relations that the paper has always had first with the central organs of the Young Finnish Party and later with the National Progressive Party, whose party platform and goals the paper has always endorsed and championed", and further affirmed that it would continue to do so, and in the same spirit continue to cooperate warmly, but that "from the point of view of the national and political development of the nation, the paper's management must also in the future bear the sole responsibility for the topical matters published in the paper. Only such a procedure will maintain the sense of responsibility and freedom of

During World War II, Helsingin Sanomat was edited in a bomb shelter. Only once, on February 27, 1944, was the paper not printed.





Eljas Erkko, Editor-in-Chief 1927–1938 and Publisher 1927–1965.

opinion that is vital to a national daily newspaper”.

The wireless telegraph was one of the greatest inventions of the century. Helsingin Sanomat's chief editor Eero Erkko was granted permission to five years starting from May 31 1932 to use telegraph facilities to receive news telegrams. Helsingin Sanomat was the first newspaper, not only in Finland but the whole of Scandinavia, to do so. There was no doubt that the slogan “The freshest foreign news is printed in Helsingin Sanomat” was justified.

Many readers were doubtless pleased when the difficult-to-read Gothic typographic style was entirely replaced by Roman type letters in March 1925.

The Board of Directors passed a resolution at their meeting on March 10 1926 to acquire stock worth 20,000 marks in the newly founded Finnish Broadcasting Company.

On June 1 1927, **Eljas Erkko**, a law school graduate, was appointed assistant editor in chief. The founder of the paper, Eero Erkko, died in the fall, on October 14 1927. After him, the chief-editor's

post was shared by two lawyers, **W.W.Tuomioja**, who had been a member of the editorial staff since 1917, and Eljas Erkko, who was also President of the company and responsible for the financial and foreign news pages. Eljas Erkko had been in the Foreign Ministry's service since 1919 and worked for the last five years in the Finnish embassies in Paris, Tallin and London.

The sumptuously illustrated weekly supplement, *Viikkoliite*, was launched on Sunday, December 4 1927. A popular comic strip Pulliainen, created by cartoonist Akseli Halonen was transferred to the *Viikkoliite*. Comic strips were also imported. The first was Felix the Cat — launched on March 19 1929 — and his competitor Mickey Mouse on May 31 1931, announced as; “the funniest animal of the century. You have laughed at his tricks in the movie theaters, now you can enjoy them in your own home”. As of Sunday, May 14 1933, children could start to color in the Katzenjammer Kids in *Viikkoliite* — only a month after the American children — and Popeye arrived in March 1936.

The circulation of newspapers decreased in the 1920s. The weekday circulation of Helsingin Sanomat did not reach 50,000 again until 1928, when Helsingin Sanomat was the only newspaper to allow its circulation to be independently audited.

Ilta=Sanomat was launched as the afternoon edition of Helsingin Sanomat during the right-wing rebellion at Mäntsälä. The situation developed faster than telegrams could be published, and the editorial staff could not cope with answering a flood of inquiries made by readers on the phone. Eljas Erkko, who since 1931 had been Helsingin Sanomat's only chief editor, was now also *Ilta-Sanomat*'s editor in chief.

“Helsingin Sanomat has always done its best, and spared no efforts in trying to bring the events of the day as close to its readers as is humanly possible.” — “Whenever something special happens, the paper is able to acquire the most recent reports and pictures through its own channels.” These statements appeared in the paper's subscription campaigns over the years, and the paper could also prove the claim to be true. Thus, on July 28 1933, the paper terminated the contract it had made in 1929 with the Berlin-based Ullstein news

agency, because the most important basis for co-operation no longer existed after the national socialists came into power: "As of spring we have no longer received reliable information from you about the situation in Germany."

100,000

When the circulation figures for 1937 were available — weekdays 81,762 and Sundays 100,036 — a decision was made to order a new press, this time from England. Its delivery time became long: The first four units were imported via Petsamo in the middle of the war in 1942, and erected by the paper's own workers who were home on furlough from the front. The remaining six units, which had been confiscated during the sea voyage, had to be repurchased, although only at scrap prices, and they arrived in 1946.

Eljas Erkko was appointed Foreign Minister by President **Kyösti Kallio** in December 1938. **Yrjö Niiniluoto**, whom Eero Erkko had "borrowed" from the university in 1925 and sent as correspondent for three years to Geneva and who later spent three years at the editorial office of the Times in London, was appointed chief editor for both Helsingin Sanomat and Ilta=Sanomat.

It is a well known fact that the demand for news is high during times of upheaval. The circulation increased fast, in spite of shortages of paper, ink, metal and personnel. In 1940 the weekday circulation reached 124,673.

In 1942, the board decided to include two new sections into the classified advertisements: "Real Estate" was included in the items for sale and a "Personal Column" appeared under the heading of miscellaneous. "Also pen friend advertisements are permitted under "personal" provided that the texts remain within the standards of decency".

150,000

On January 1 1943, the rubric "an independent newspaper" appeared under the heading of Helsingin Sanomat. That year, the circulation on weekdays reached 139,385 and 158,175 on Sundays.



Telegram boy selling mimeographed news bulletins during the strike, March 1949.

During an air raid on February 26, 1944 the Sanoma building suffered so much damage that an 8-page list of damages was later sent to the board which handled claims on war damages to property. The staff had become accustomed to editing the paper in the company's own bomb shelter but when electricity was cut off, the next day's — already complete — paper could not be printed.

Paper rationing was rigorously carried out. At the end of 1944 it was even necessary to omit advertisements. For instance, on the first Sunday of December, six prepaid advertisement pages had to be left out. Also, the sales of copies had to be limited because of circumstances.

The circulation exceeded 150,000 on weekdays by 1947. The first telephoto pictures arrived at the editorial office on October 10, 1948. In 1949, the layout was changed from the earlier 7 columns to 8 columns. During the same year Ilta=Sanomat ceased to be the afternoon edition of Helsingin Sanomat, and became an independent paper.

200,000

During the Helsinki Olympic Games, the weekday circulation was 245,500 on July 21 1952 and 270,000 on Sunday July 20 1952. The circulations averaged 210,000 and 232,700 that year.

250,000

By 1954, Helsingin Sanomat was the largest subscription paper in Scandinavia with a weekday circulation of 236,385 and a Sunday circulation of 259,597. It was decided to order a new rotary press.

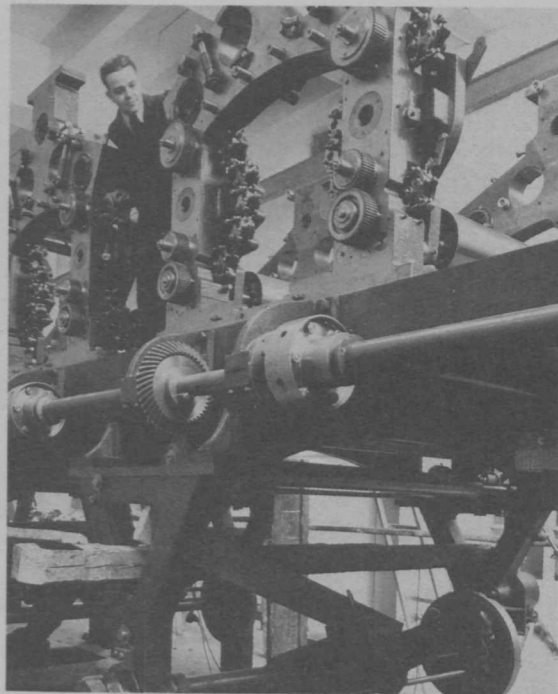
In 1956, the weekday circulation also exceeded 250,000. In March 1956, Finland suffered a general strike. Helsingin Sanomat gave out mimeographed news sheets about the situation once or twice a day. At the end of the year, the printing and publishing industry arrived at a grand labor market peace settlement, the scope of which attracted attention abroad.

300,000

By the time Helsingin Sanomat celebrated its 80th anniversary year in 1969, its circulation had exceeded 300,000. Several changes had been made in its leadership, owing to the deaths of several important persons.

Chief editor Yrjö Niiniluoto died during a trip to South Africa on November 4 1961. After two weeks, during which Eljas Erkkö acted as editor, two new chief editors were appointed on November 20: **Teo Mertanen**, a correspondent in London for many years and chief editor of *Ilta-Sanomat*, and **Aatos Erkkö**, Board Member since 1954 and chief editor of *Viikko-Sanomat* since 1953.

Eljas Erkkö, already a legend in his own lifetime, died on February 20 1965. Vice President Aatos Erkkö was elected President, and a third editor was appointed to the paper. **Heikki Tikkanen**, whose previous experience included the political section of Helsingin Sanomat and chief editorship of *Ilta-Sanomat* was appointed to the third post. Later on, he was appointed to his present post as



The first units of the English Hoe & Crabtree rotary press were erected in the fall of 1942.

editor in chief when Mertanen was appointed administrative editor in chief in 1976.

Helsingin Sanomat continued to follow its "traditional independent and liberal policy" as stated in its first printed annual report in 1967. On April the same year, Helsingin Sanomat published "a news diary" kept daily by its reporters. The diary consisted of an 18-page report about events during the three-week printing and publishing industry strike. The same year, the Sanoma School of Journalism was started, with the intention of providing instruction for future reporters and to raise their professional skills, status and self-assurance.

In 1972, when the weekday circulation also exceeded 300,000, the first journalists' strike in Finland took place lasting 10 days. However, the annual number of pages in the paper increased by 586, amounting to 15,304 pages, and the weight of the annual volume rose by 97.7 kilos. Two new pages were implemented: Tuesday's Financial Page and Thursday's Food Page. The photocomposition of classified ads was started.

350,000

Readers began to wonder if Helsingin Sanomat's copy price, at least on Sundays, could be recovered by selling it to waste paper merchants. The Sunday issues covered 84 pages and weighed almost half a kilo in 1973. The circulation rose to 355,116, and the annual volume to 100 kilos. The following year, the use of lighter newsprint was started, and in 1975 the advertisement pages after the editorial pages were changed to 10 columns.

A page facsimile connection was opened between the Parliament and the editorial office in 1974 and "a direct line to the political capitals" was opened in 1975 when accredited correspondents were sent to Moscow and Washington, D.C. At the final stages of the CSCE conference in Helsinki, Helsingin Sanomat published an editorial in eight languages entitled "Freedom of information builds the basis for European cooperation".

Lehtikuva Oy was founded in 1951, a year before the Helsinki Olympics. The picture dates from November 1959.



HELSINGIN SANOMAT

SISÄLTÖRIKKAIN
SUOMALAINEN
SANOMALEHTI



HELSINGIN SANOMAT ON TILATTAVA JOKAISEEN KOTIIN

An advertisement in 1916.

400,000

The Sanomala printing plant in Vantaa, and its first production line, were inaugurated on the paper's 88th birthday in 1977. The circulation totalled 356,945 on weekdays and 405,185 on Sundays. All advertisement material and about half of the editorial material were photocomposed. The company changed over entirely to offset printing in 1978, and the transfer of pages by facsimile from Ludviginkatu to Sanomala was started. At the initial stage it was sometimes necessary to resort to "taximile", but the new technique was soon mastered. The average transfer time of one page by microwave settled down to one minute.

Four-color advertisements and multi-color editorial pictures were implemented in 1979.

Helsingin Sanomat's number of pages exceeded a hundred in 1980. The issue containing a Lake Placid Olympic guide on Sunday February 10 1980 had 104 pages and its edition exceeded



Restoration work in the corner office at Ludviginkatu and Erottajankatu was completed by the fall of 1967.

500,000. Another 104-page issue was printed in December, one week after the second nationwide strike by journalists (November 13-December 2, 1980) had ended.

450,000

When the weekday circulation exceeded 400,000 in 1981, the Sunday circulation was as high as 463,046. Helsingin Sanomat was the largest morning paper in Scandinavia. In December of the same year, a contract was made with the leading Swedish-language daily Hufvudstadsbladet, to start printing it at Vantaa in a building and press to be erected by Sanoma Corporation and leased to Hufvudstadsbladet. 92 years earlier the situation had been the opposite: On December 6 1889 an agreement was made to print Päivälehti at Hufvudstadsbladet's printing plant.

The publishing of a full-color monthly supplement began in 1983.

Kaapelisanomat (Cable news), the pioneering

electronic newspaper, edited by Helsingin Sanomats' info services and broadcast by videotext techniques through Helsinki Cable Television was started the same month.

500,000

During the Olympic year 1984 at Sarajevo and Los Angeles Helsingin Sanomat broke three records: 112 page issues, a yearly advertising volume of 52,080 column meters, and an average Sunday circulation of 501,539.

The sports reporters were the first among the editorial staff, just before the olympic games, to start using computer terminals. In 1985, the 300 display terminals connected to the SII (Systems Integrators, Inc.) editorial system were besieged by the editorial staff. The editors were now able to function more efficiently and save time by receiving news from news agencies, correspondents and

regional offices faster than before, by being able to write and prepare articles on-screen, and to print-out and forward hard copy by pressing a button. This advanced technology facilitated the inclusion of more recent news in the paper, because the typesetter no longer needed to retype the reporters' texts. What happened to misprints? They moved from the composing room to the reporters' terminals, so proof-readers are still needed in the editorial office.

Helsingin Sanomat weighed — again — more than a hundred kilos per year and the number of pages increased. Helsingin Sanomat shared the cost of enlarging the letter boxes of about 10,000 homes in the Helsinki Metropolitan Area, which were too narrow for the newspaper.

At the Sanomala printing plant, paper reels were transported and unloaded by automated guided vehicles (AGVs) which slide like ghosts along the floor. In 1986, a decision was made to move part of the printing production closer to the readers living far from Helsinki. Pages could be transmitted from Ludviginkatu just as easily to Varkaus, 200 miles northeast of Helsinki, as they had been

to Vantaa, and certainly much faster than printed papers could be delivered from Sanomala.

The circulation in the latter part of 1988, when the paper was 99 years old, was 460,539 on weekdays and 544,227 on Sunday. What will happen before the milestone of 550,000 copies is reached? That will be told by the **Päivälehti Archives Foundation**, which will take over the duties and documents of the company's historical archives during this centennial year of Päivälehti-Helsingin Sanomat. The foundation was established on May 7 1985 by Sanoma Corporation and Lehtikuva Oy with the aim of promoting and supporting the freedom of the press and related research work, as well as popular education and cultural activities in our country.

Lisa Meckelburg-Mäkelä
Senior Archivist





PÄIVÄLEHTI — HELSINGIN SANOMAT

Sanoma Corporation is an independent media company. Its purpose is to be a source of news, information and entertainment which are reliable both in content and medium.

Helsingin Sanomat is an independent daily newspaper whose basic principles are democracy, social justice and the freedom of opinion. It carries out its task first and foremost by conveying news rapidly, impartially, and dependably.

Helsingin Sanomat defines its own role independently of political, financial or any other kind of influence. This independent line can also be seen in the newspaper's daily reportage.

Helsingin Sanomat aims to support and strengthen society's pluralist democratic values by emphasizing and giving concrete form to the freedom of opinion. We believe that balanced social progress is only possible when the continuity of information for all citizens is guaranteed.

In our reportage of current affairs, we at Helsingin Sanomat seek to deliver an overall picture based on our readership's independently-formed views of their own needs.



The Future

A hundred years ago — on November 16, 1889 — the first issue of a new Finnish newspaper, *Päivälehti*, was published. The intellectual commitment of three young men had borne fruit. *Päivälehti* was founded through the efforts of Eero Erkko, a journalist, Juhani Aho and Arvid Järnefelt, authors. The period was depressing; social progress was at a standstill and the russification policy of the years of oppression was beginning to be felt. The Finns were anguished, and young people felt that the progress had ground to a halt. *Päivälehti* was born out of necessity, the time was ripe. Practical difficulties were overwhelming, as was the opposition of 'the Old' and the ruling establishment. Soon Eero Erkko alone was responsible for both editorial duties and economic pressures. The road was long and weary, culminating in Eero Erkko's exile and, later, to the suppression of *Päivälehti*. Oppression had found its victims.

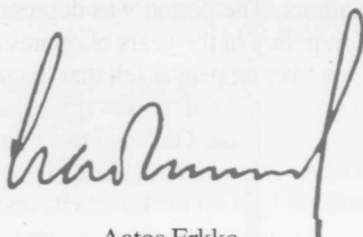
Prior to these events, a couple of years after Päivälehti's founding, the Young Finns' party developed out of the ideology of Päivälehti, and drawing inspiration from it. The Young Finns' party and Päivälehti together championed justice, equality, land reform, social equity and parliamentary reform. The results of the battle fought by these Young Finns speak for themselves today.

During its centennial, Sanoma Corporation pays tribute to the founders of Päivälehti, its journalists and standard-bearers. Helsingin Sanomat, the successor to Päivälehti, is now the largest morning paper in Scandinavia, and as a diversified newspaper it has an exceptional and demanding position. Helsingin Sanomat has grown into Sanoma Corporation and the Sanoma Group of today. The legacy and the principles of Päivälehti serve as obligations to Helsingin Sanomat. The cornerstones of this heritage are liberalism, progressiveness, and the principle of championing equality and continued progress in society.

Competition for time and money is becoming more and more pressing. Alongside existing newspapers and magazines, new communications, radio and television, as well as electronic publishing are fighting for their place and competing for the consumer's time. In this competition it is easy to forget the real values of life. At the same time we often forget how much is left undone. It is the responsibility of the press to focus the attention on the future — the future that we are building society for — on behalf of future generations.

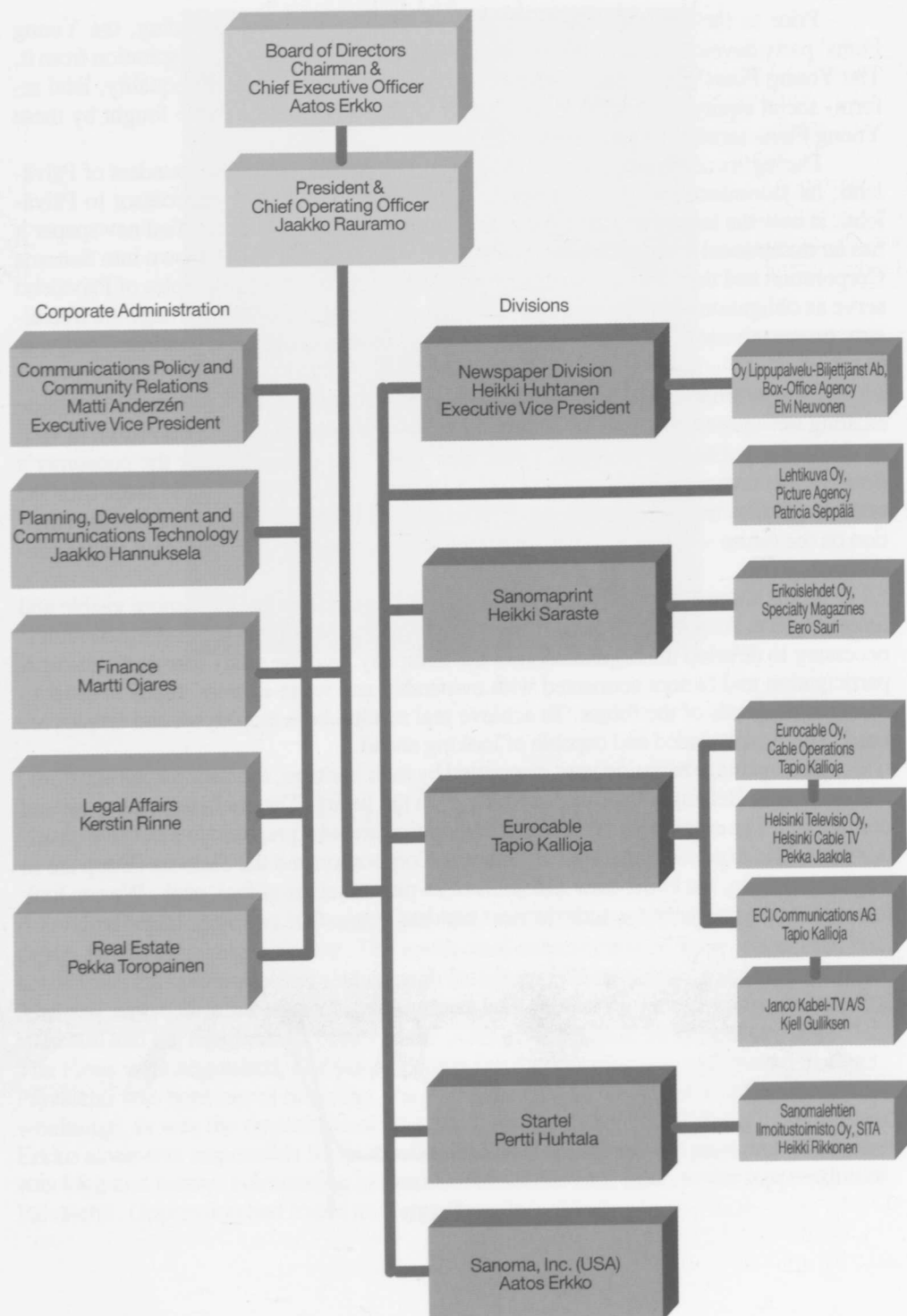
At the same time, progress in the working environment has to be more visible and more tangible. As a result of increased education and the availability of information, it is necessary to develop the organization of the company, and the many forms of personnel participation and factors connected with ownership and wage-earners' funds in order to meet the demands of the future. To achieve real results, both employers and employees need to be broadminded and capable of looking ahead.

During this celebration year, supported by their heritage, the Sanoma publications, and especially Helsingin Sanomat, will focus on the future. The challenges are great and demanding. The employees of Sanoma Corporation are well prepared to meet new developments. The expectations are great. Sanoma Corporation and the Sanoma Group are in a strong position, the know-how and skills of its personnel are at their peak. We can look forward with confidence towards the next hundred years. Our heritage obliges us.



Aatos Erkko

Sanoma Group



Sanoma Corporation Board of Directors

Aatos Erkko, Chairman	for the term until	1990
Väinö J. Nurmimaa, Vice Chairman		1989
Aarne Castrén		1991
Pentti J. K. Kouri		1989
Teo Mertanen		1990
Jaakko Rauramo		1989
Patricia Seppälä		1991
Heikki Tikkanen		1991

Auditors

Mr Aimo Autio, Authorised Public Accountant, and Mr Antti Helenius, Authorised Public Accountant, have acted as Auditors, with Mrs Johanna Perälä, Authorised Public Accountant, and Mr Aunus Salmi, Authorised Public Accountant, as their Deputies.



Sitting from the left: Mr Väinö J. Nurmimaa, Vice Chairman, Mr Aatos Erkko, Chairman and Mrs Patricia Seppälä.

Standing from the left: Mr Heikki Tikkanen, Mr Aarne Castrén, Dr Pentti J. K. Kouri, Mr Jaakko Rauramo and Mr Teo Mertanen.

Sanoma Group in Figures

	1988	Change %	1987	1986
Net sales FIM m.	1.801	+ 10,7	1.627	1.480
Wages and salaries including social security payments FIM m.	705	+ 5,4	669	627
Per cent out of net sales	39,2		41,1	42,4
Operating profit FIM m.	404	+ 25,5	322	260
Per cent out of net sales	22,4		19,8	17,6
Depreciation FIM m.	157	+ 18,1	133	140
Taxes payable excluding taxes on profit on sales FIM m.	53	+ 12,8	47	29
Dividends FIM m.	4	+ 25,0	3	3
Investments FIM m.	343	- 5,5	363	330
Shareholders' equity including untaxed reserves FIM m.	1.486	+101,4	738	698
Per cent out of Balance Sheet Grand Total subscription liability excluded	58,1		45,4	49,0
Balance Sheet Grand Total FIM m.	2.756	+ 51,6	1.818	1.603
Financial assets compared with outside liabilities without interest	1,9		1,6	1,6
Net debt	190	- 43,6	337	226
Per cent out of net sales	10,6		20,7	15,3
Personnel in average	2.988	- 0,4	3.001	3.096
newspaper deliverers	2.106	- 7,3	2.271	2.284

President's Report

After the battles fought during the first decades of its existence, the 100-year old Päivälehti-Helsingin Sanomat has grown into the largest morning paper in Scandinavia. The company which evolved around Helsingin Sanomat has expanded into a major multi-media corporation engaged in communications on a broad and diversified scale.

Success is never achieved without hard work, belief and vision. In successful companies, in the background of these fundamental prerequisites there is a unique way of thinking, a tradition which in modern language can be called corporate culture.

The most important factor contributing to the success of Helsingin Sanomat and the Sanoma Group has been the general strategy of emphasizing the editorial and the publishing aspects of the operations. Today this can be seen in the internal and external independence of the editorial office. Internally this is guaranteed by an independent status within the organization; externally it stems from a long tradition and a very good financial standing.

The corporate commitment to the editorial functions and training bear further witness to the central role of the editorial section: the Sanoma School of Journalism has significantly contributed to the journalistic success of Helsingin Sanomat and the Group's other publications. The commitment is also seen in the number of the Sanoma Group's editorial staff, which presently totals 637.

Another key for the success of our Group is appreciating and taking care of our people. This is not so much evidenced by exceptional benefits or arrangements as it is by the general way of acting, which creates a basic feeling of security. The working conditions and atmosphere promote long-term satisfying employment. The Sanoma spirit demonstrates itself in the personnel's working morale and strong commitment to producing a good newspaper. The papers are finished and printed under all conditions and the performance is superior under exceptional circumstances, such as during elections and other major news events.

The corporate spirit is furthermore moulded by the ethical principles connected with all activities and choices. We strive to produce the papers, products and services to meet prevailing moral and ethical standards. This principle calls for placing readers' and consumers' interests first and foremost in all our activities. It also means looking after the interests of ordinary people; the marketing and custom service activities are based on the same principles.

The ownership and infrastructure of the newspaper and the Group are focused on publishing and on a strong commitment to Helsingin Sanomat and the Group. Available resources have been allocated to the development of the newspaper and the Group as long as they have existed. That is why the Group is a forerunner in the field of production technology and information technology. During the last few decades the advanced technology has been one of the most important factors of our success. Especially the up-to-date information technology and the systems superiority have contributed to efficient operation and high-quality customer service. In addition, advanced technology has improved editorial work and its quality.

Editorial and production matters often overshadow marketing and distribution which also must be mentioned as key factors contributing to success. Very few countries have such an efficient house delivery system as we have in Finland. Few major newspapers have a system as good as Helsingin Sanomat has.

Success is always built on human efforts. We have succeeded exceptionally well. I want to extend my warm thanks to all of you who now are employed by the Sanoma Group. During the centennial celebration we have special reason to remember with gratitude the past generations.



Jaakko Rauramo

Report by the Board of Directors on Sanoma Group Operations in 1988

Economic trends in Finland

The Finnish economy enjoyed a strong expansion during 1988. The GNP growth rate was 4%, approximately the same as in the previous year. Industries in many areas were running at full capacity. The pace was almost overheated, especially in the Helsinki Metropolitan Area. Many factors contributed to this strong growth. Exports to the West had shown a strong upswing already in 1987 and continued their upward trend in 1988. However, due to the low price of crude oil, exports to the East bloc countries face the same problems as in earlier years because of the special structure of this bilateral trade. The overall favorable political atmosphere which prevailed both in the East and the West also contributed to the general positive development in world trade. There is good reason to say that 1988 was marked by positive increased activities throughout the industrial world.



A more flexible monetary policy and the fiscal policy that has already vitalized the Finnish economy for some years now were additional factors promoting the economic expansion in Finland.

In recent years, the Finnish economy has outperformed its competitors. Inflation slowed down up to the beginning of 1988. However, this favorable trend was interrupted by excessive wage settlements in the spring labor negotiations. Widening trade deficit coupled with inflation are becoming an increasing problem for the Finnish economy.

In the last few years, private consumption has been an important economic growth booster. Consumption has grown at such a pace that domestic production has not been able to keep up with it; imports have grown faster than domestic supply. In 1988 the trade deficit was as high as FIM 10 billion and the forecast for the current year is FIM 15-17 billion. Finnish economic policy will have to come to grips with the problems of the widening trade deficit. The wage stabilization agreement which was reached in the fall of 1988 is expected to hold the inflation to 4%, which equals the average in the OECD countries.

The general favorable economic trend was also reflected in the improved profitability of the printing and publishing industry compared with the previous year.

The printing and publishing industry in Finland

The growth of the printing and publishing industry has been exceptionally strong in Finland during the past decade, not only from the Finnish, but also from the international perspective. Over the same period, modern production technology has been widely implemented, reaching a top-notch international level.

The upward trend achieved in sales — and especially in the profitability in 1987 — continued in 1988, although the growth rate in the sales was slower. The circulation figures and the advertising



volume of newspapers showed a significant increase. In commercial printing, especially the volume of printed advertising material was higher than in the previous year. This upswing is expected to continue. The volume of work also grew in reproduction and text production companies and binderies. On the other hand, the number of books published in 1988 remained on the previous year's level.

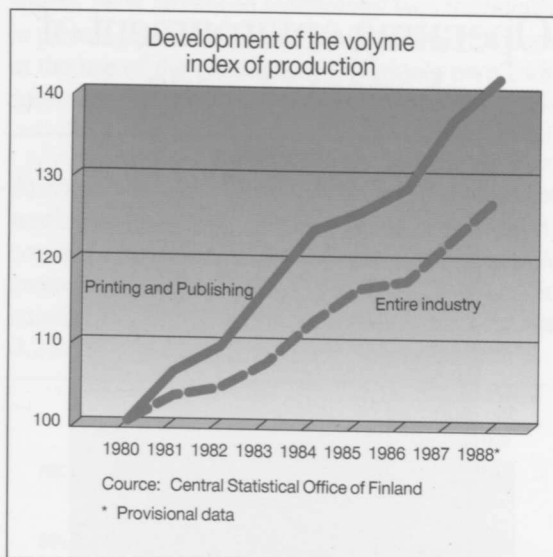
Profitability of the printing and publishing industry improved as a whole due to increased sales, although the trend was not uniform throughout the field. Newspapers and reproduction companies showed the greatest profits. Also magazine publishers, contract printers and printers specializing in forms showed a slightly improved profitability. According to advance figures, profitability of book publishers will be down from the previous year due to stagnant sales.

According to advance information, sales of the printing and publishing industry were FIM 14.2 billion, a rise of 10.6% on the previous year. The number of personnel employed was about 38,000, a decrease of 0.5% during 1988.

Several dramatic changes took place in Finland in the ownership structure of the newspaper companies in 1988. Many of the changes were provoked by the new tax laws substantially increasing capital gains taxes at the turn of 1989. Some of the ownership arrangements were induced by the need to decrease expenses and by structural changes now seen also in the newspaper publishing industry. The newly established Kymen Viestintä Oy, a newspaper publishing company in southeastern Finland is an example of such an

arrangement in that area. On the other hand, regional newspapers confronted with takeovers and cornering operations. This endangered their development on a strong regional basis, which up to now has been their special strength. To actively support undisturbed development of these regional newspapers, thirteen prominent newspaper companies founded a company called Pro Lehdistö Oy-Pro Pressen Ab. However, further significant changes in ownership and structure of the country's press can be expected in the future.

In 1988, the circulation of morning papers published 3-7 times a week was 3,274,774 copies, a rise of 0.7% on the previous year. The circulation of the evening papers decreased by 6.0%.



The volume of advertising in the Finnish Newspaper Publishers Association member papers totaled 454,111 column meters, up 8.0%. The annual average subscription price for daily newspapers was 560 marks, a rise of 8.9% over the previous year.

According to figures for the first six months of 1988, magazine circulation trend has increased slightly. The growth was mainly due to the favorable circulation trend of specialty magazines.

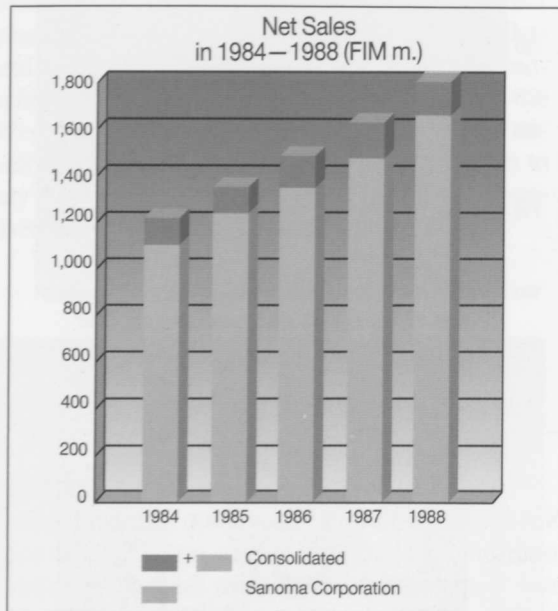
The decrease in magazine copy sales, which was temporarily arrested in 1987, resumed its downward trend again in 1988, falling 5.3%.

The magazine advertising volume increased 2.4% in pages and 8.1% in sales revenues during the first half of the year. The increase was slower than that of the total advertising media outlay, leading to a small loss in market share.

The acquisition of Lehtimiehet Oy by Yhtyneet Kuvalehdet, both magazine publishing companies, accounted for the most significant change in the ownership structure of the magazines at the end of 1988.

According to a poll on economic trends taken among the printing and publishing companies, general expectations for the current year are optimistic, although estimates are more cautious than for 1988. Only less than 5% of the respondents expect a definite downward trend.

Operating environment of Sanoma Group



In 1988, Sanoma Group was principally engaged mainly in the same activities — newspapers, magazines, and other products — as in previous years. The four strategic business units — Newspaper Division, Sanomaprint, Eurocable and Startel — were further developed along the lines of greater independence. Startel was restructured as a separate company, Startel Oy, in the spring of 1988.

Sanomalehtien Ilmoitustoimisto Oy, SITA, a company dealing in media monitoring and clipping services acquired at the end of 1988, will become a subsidiary of Startel Oy in 1989.

The central corporate administration continues to be in charge of overall administration, selected corporate services, and management of the Group's finances. The process of organizational restructuring within the Sanoma Group was continued. Gradually, this will lead to a decrease in personnel within the corporate administration.

Active measures were taken to develop asset management in line with other business operations. Accordingly, some of the business premises were turned into real estate property companies. The most important change in the corporate portfolio was the sell-off of Sanoma's holdings in Nokia Corporation.

The most important event in 1988 in the newspaper operations was the completion of the first phase of the satellite printing plant in Varkaus, 200 miles northeast of Helsinki. The printing of Ilta-Sanomat, the afternoon paper, was started there on December 15, 1988, and the printing of the daily Helsingin Sanomat is scheduled to start in August this year.

For Sanomaprint, 1988 saw the completion of the most important phase in the centralization of their printing activities at Martinlaakso, Vantaa.

The trademarks and logos of Sanoma Corporation and Helsingin Sanomat were renewed, effective as of the beginning of 1989.

Sanoma Corporation was requested to participate in the negotiations on ownership arrangements in the Kymenlaakso region in southeastern



Finland. Our holding in the newly founded company Kymen Viestintä Oy is 22.3 %. The company will continue to publish the daily newspaper Kouvolan Sanomat. Kymen Viestintä Oy is also minority owner with a 40 % holding in Kotkan Sanomat Oy, publisher of the new independent daily newspaper Kotkan Sanomat, and former publisher of the newspapers Eteenpäin and Etelä-Suomi, which were discontinued at the beginning of 1989.



Newspaper Division

Helsingin Sanomat Editorial Offices

The year 1988 was marked by an abundance of news events. Helsingin Sanomat strengthened its position as the leading debate forum in the country.

The Finnish presidential and local elections, the 1988 Olympics, and the U.S. presidential election race received wide coverage along with other topics requiring research and objective evaluation. Such subjects were perestroika in the Soviet Union, European integration, the turmoil in the Finnish stock market, and the tax reform together with the wage stabilization agreement.

The two Finnish elections were dealt with widely in editorials which focused on the alternatives as well as tried to encourage people to vote. The tax reform and the stabilization initiatives were covered frequently. The paper supported the stabilization efforts.

Foreign news topics such as the events in the Soviet Union, the U.S. presidential race as well as

the European integration were widely observed in the editorials.

Helsingin Sanomat reported and followed closely the Finnish legislative measures aiming to limit the freedom of the press through Government bills and their interpretation.

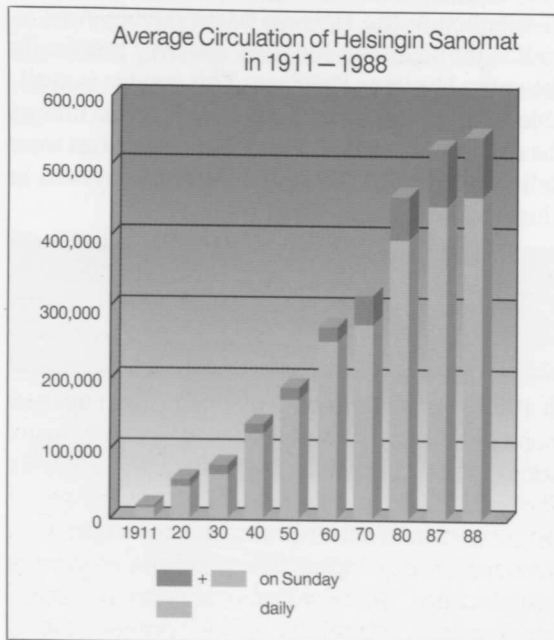
New editorial elements in the paper — a finance page and a consumer page — added to the variety of the content.

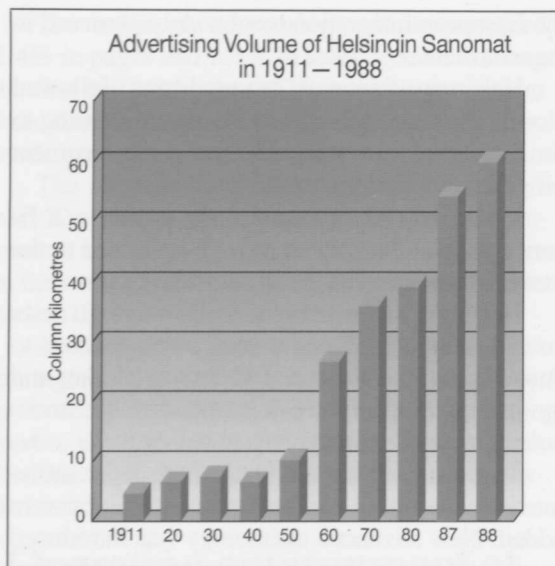
Helsingin Sanomat broadened its foreign news coverage by accrediting a staff correspondent to Brussels and the European Common Market and by adding another staff correspondent to Stockholm to strengthen Scandinavian coverage.

To enhance the appearance of the paper and to intensify the visual message, more graphics were added. New advanced technology was introduced in picture transmission and personnel were trained in the use of the Newspaper Division's own four-color system.

Marketing

Average circulation of Helsingin Sanomat on weekdays was 457,068, an increase of 15,333 copies, up 3.5 %, on Sundays 541,299, an increase of 17,190, up 3.3 %. The total average circulation increase of newspapers in the country was 0.2%. The growth of morning papers was 1.1%.





Advance steps have been taken to print Helsingin Sanomat at the Varkaus satellite plant as of August, 1989. Consequently, delivery and joint distribution agreements have been signed with the leading regional newspapers within the distribution area of the new plant. Agreements have also been reached with transport companies concerning road distribution. Following completion of the Varkaus plant, Helsingin Sanomat will nevertheless continue to be in charge of early morning joint distribution in the Helsinki Metropolitan Area as well as the adjoining counties, covering practically the entire Uusimaa Province. This service is available for all newspapers that are ready by the time of the delivery. A total of 594,000 subscriptions were delivered through the joint distribution system in Uusimaa Province in 1988.

Measures to secure newspaper delivery on weekends were taken through active cooperation of the newspapers in the joint distribution system and the postal service. At the same time, data processing machine code transmission to handle joint distribution details was developed.

During the first half of the year, the annual subscription price of the daily Helsingin Sanomat was 599 marks and 279 for the Sunday issue. After a 6.8% increase in the subscription price on July 1, 1988, the corresponding figures are 640 marks and 298 marks. The newsstand copy price on weekdays remained the same, i.e. 5 marks. The price of

the Sunday issue was raised from 6 marks to 7 marks on August 31, 1988.

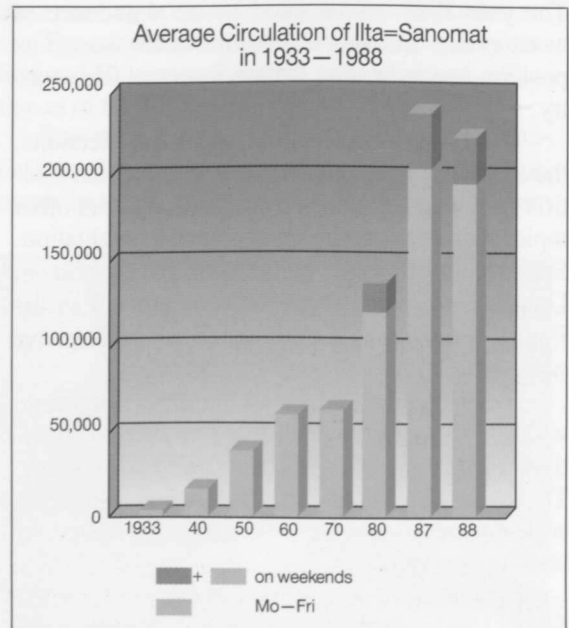
Cooperation between newspapers in the Newspaper at School project advanced favorably in Uusimaa Province.

The accent of Helsingin Sanomat sport sponsoring was on activities and competitions for young people. Major sports events supported were the Hopeasompa Ski Competition, the Helsinki Football Cup, the Jukola and Venlat Orienteering Competition relay, the Helsinki City Marathon and a basketball sponsorship program.

The advertising media trio consisting of Helsingin Sanomat, its magazine supplement and its inserts strengthened their share of total advertising outlays. In 1988, Helsingin Sanomat reached an all time high advertising volume of 60,307 column meters, up 10.9% on the previous year.

The largest growth in advertising sales was in job vacancies and in the retail advertising of cars. Also, advertising of daily consumer goods outstripped the overall average.

Implementation of advanced technology added capacity for four-color advertisements, which together with a high demand for display advertising of brand name products raised the volume of four-color advertisements by more than 20% from last year. Over 11 million inserts were published.



Ilta=Sanomat

Active efforts were directed at enriching the contents of Ilta=Sanomat. Apart from general emphasis on news coverage, special Helsinki pages were published in the third Metropolitan edition. The number of pages of the Radio and TV program supplement increased from 8 to 12. The size of the



weekend edition was permanently increased from 64 to 72 pages — at times even to 80. The contents of the various sections were given a distinct profile and material on the Calendar of Events page was increased. At year end, an 8-page supplement called Quiz Section was published on Tuesdays to attract readers with an interest in games, puzzles and football pool betting. As in recent years, the monthly special feature supplements were continued. In addition, a special issue on the Winter Olympics in Calgary and another issue on the Seoul Games were published.

A program to enhance the outward appearance was carried out in all sections of the paper. Editorial personnel in charge of the layout and paste-up of the pages together with other personnel of the page make-up department participated in an extensive training program.

Among the major news events during the year, the two Olympics and the Finnish presidential and local elections received by far the widest coverage.

News service from the Olympic games meant that staff worked exceptional shifts, utilizing all resources available. Ilta=Sanomat organized their own result service network for the Finnish elections, which enabled them to come out with the fi-

nal election results in the first edition. The two special issues on the Olympics as well as the two election issues achieved top circulations.

Marketing

The average circulation on weekdays was 195,279 and on weekends 222,748. Circulation targets were not reached and circulation fell 4.5% from the previous year.

The market share of Ilta=Sanomat among the afternoon papers was 71.7%. At year end, the number of sales outlets was 8,278.

Advertising volume, 4,680 meters, grew by 7.9% on the previous year. The main focus of the growth was on brand name advertising.

Sanomala Sales

Sanomala Sales is a department of the Newspaper Division responsible for the marketing of excess prepress, plate making and printing capacity as well as mailing services at the Sanomala printing plant. During 1988, the following ten regularly published newspapers were printed for customers: Hevosurheilu, Kotimaa, Landsbygdens Folk, Luonnonsuojeluväki, Länsiväylä, Maaseudun Tulevaisuus, Sana, Työmarkkinat, Uudenmaan Työpaikat and Veikkaus-Lotto. In addition, some 40 individual printing assignments involving large editions, a total of 2.9 million copies, were printed.



Production

Construction work at the Varkaus printing plant continued and the main building was completed as scheduled in October.

Production machinery and equipment installations were started at Varkaus at the beginning of June and installation of the first half of the printing press was started on August 15. In order to test the transmission connection between Helsinki and Varkaus, pages were facsimiled on a trial basis during the summer.

The future press crew of the Varkaus plant underwent an extensive training program in one year. This program included several weeks' training



courses both in the Federal Republic of Germany and Switzerland as well as a three months' theoretical course in the newest technology.

The first edition of Ilta=Sanomat for sale, a total of 22,000 copies, was printed at Varkaus on December 15. The size of the edition has been gradually increased up to the end of January 1989 to an average of 80,000 copies on weekdays and 100,000 copies on weekends. Printing of Helsingin Sanomat at Varkaus will start in August 1989, when the printing press has been completed.

Oy Lippupalvelu-Biljettjänst Ab Box Office Agency

The computerized ticket sales system implemented by the Lippupalvelu box office agency in

1986 was further developed. Important cooperation agreements on the system were signed with the Finnish National Opera as well as the Helsinki City Theatre among others. Profitability improved over the previous year.

Newspaper Division personnel

An average of 1,745 persons worked for the Newspaper Division in permanent and fixed term positions. 1,732 persons were employed by the newspapers: 448 journalists, 602 other salaried personnel, 682 wage-earning printing workers and 13 persons by Oy Lippupalvelu-Biljettjänst Ab. A total of 2,106 newspaper deliverers were employed.

Lehtikuva Oy

International Picture Agency

The two Olympic Games, the move to the new office premises and the adoption of modern telephoto technology were the year's highlights for the news picture agency Lehtikuva Oy in 1988.

The most important picture events were the Olympic Games at Calgary and Seoul. Due to their distant locations and the time differences, special arrangements had to be made to get the picture production running smoothly. Other main news events were the Finnish presidential election and President Reagan's visit to Finland. The Moscow summit meeting and the movements of People's fronts in the Baltic countries were also covered by Lehtikuva staff photographers.

Lehtikuva Oy moved in May, 1988 their entire operations from Ludviginkatu into new premises



at Erottajankatu 9 in downtown Helsinki.

Lehtikuva Oy invested in modern technology by installing a computerized telephoto switchboard, which enables fast and flexible traffic handling of incoming and outgoing pictures. The transmission of pictures was improved through digital negative transmitters for black/white and color.

In order to save space in the picture library Pater Noster electro mechanical filing equipment was installed. This particularly improved the filing of color slides. The investment lead also to better flexibility and ergonomomy in the working conditions.

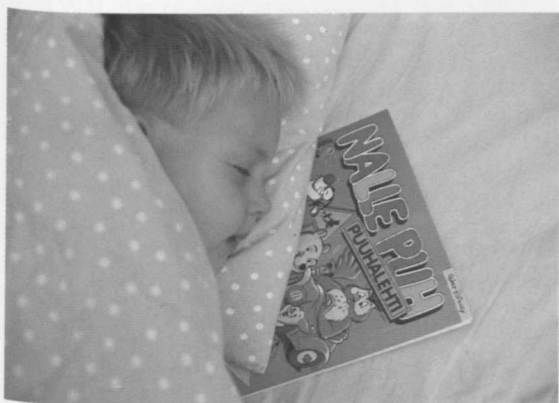
The dark rooms were reorganized and modernized in order to minimize personnel and to improve quality. The new equipment acquired included a minilaboratory for color negative developing.

Profitability decreased from the previous year. The rising costs of purchasing pictures as well as those of the new premises were largely responsible for the increased expenditures. The picture volume was approximately at the level of the previous year.

Sanomaprint

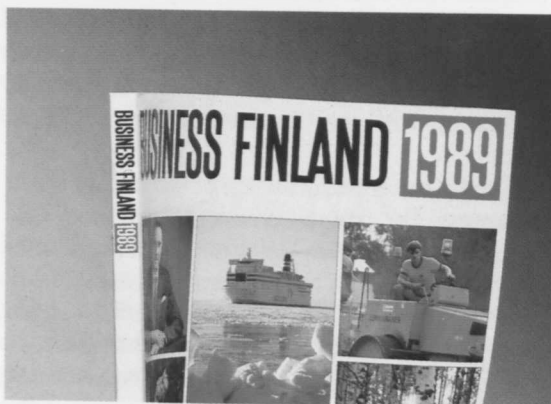
The Sanomaprint business unit continued to publish magazines, children's magazines, books and business publications as well as to market commercial printing services.

Sanomaprint magazines accounted for a higher circulation than did rival magazines. Fifteen of the nineteen magazines included in the publication



program showed increased circulation. Total circulation growth was 3.8%. The largest circulation increase took place in the senior citizens' magazine et-lehti and the women's magazine Me naiset.

The infrastructure of the strategic business unit Sanomaprint was reinforced by merging Sanomaprint business publications and Tecnopress Oy with the company Erikoislehdet Oy, publisher of the Skimbaaja magazine on January 1, 1989. This step was taken to increase the independent operations and profit responsibility of the unit. Mr. Eero Sauri was appointed managing director of Erikoislehdet Oy.



The monthly women's magazine Gloria which was launched in 1987 and the weekly Me naiset which underwent changes in its contents, outward appearance and structure in 1987 were further developed. The focal points in Eläinmaailma, fauna, were reinforced and the layout was revised. Kodin Kuvalehti, family bi-weekly, and Suuri Käsityökerho, handicraft, strengthened their positions both in circulation and advertising sales.

Sanomaprint continued as the market leader in children's magazines. Fairy tales and comic books based on Walt Disney material represented the major part of the book publishing also in 1988. There were three book clubs: Lasten Oma Kirjakerho, Children's Own Book Club, Disneyn Iloinen Tietolukemisto, The Disney Funny Encyclopedia, and Parhaat Sarjat, The Best Comic Books.

The number of business publications amounted to eighteen in 1988. New titles were Lehtiposti,



Posts and Telecommunications, Sky Magazine for Finnair Oy and Lumi Magazine for Veitsiluoto Paper Mill. An entirely new type of publication was Business Finland 1989, a year-book published in cooperation with the Central Chamber of Commerce.

The financial performance of the subsidiaries, Tecnopress Oy, computer magazines, and Erikoislehdet Oy, which in 1988 published only Skimbaaja, skiing and tennis, was favorable.

The expansion program started in 1987 with the aim of concentrating Sanomaprint printing activities at the Martinlaakso printing plant was almost entirely completed in 1988. The printing unit at Tapiola, Espoo is scheduled to move to Martinlaakso at the expiration of their lease contract in the summer of 1989. At that point the investment program of Sanomaprint that has lasted several years will be finalized and all the operations will be concentrated at one modern production plant.

Sanomaprint employed an average of 739 persons: 110 journalists, 252 other salaried personnel and 377 wage-earning printing workers. In addition, an average of 41 persons worked in fixed-term positions.

Eurocable Division — Cable-TV operations

Eurocable Division is in charge of the satellite and cable TV operations of Sanoma Group. The operations are organized in two independent units. Eurocable Oy with its subsidiaries and minority shareholdings in domestic companies is responsible for operations in Finland. The corresponding

activities abroad are controlled by ECI Communications AG, the Swiss holding company.

Arrangements for the above organizational structure were started in September 1987 and largely finalized during 1988.

Eurocable Oy

Eurocable Oy, the parent company for the Finnish operations, was in charge of the administrative services to the other units of the division in 1988 and it supplied programs to other cable TV companies. It kept its subsidiaries informed of developments within the field by closely following satellite program services and the newest technology.

The program department of Eurocable Oy was in charge of acquiring programs for the pay-TV channel Entertainment Channel, as well as for the Helsinki Channel, which is financed by advertising. In 1988, new important program contracts were signed. New programs totaling about 1,300 hours were acquired for the above channels.

At the year end, the Entertainment Channel viewers in five different networks within pay-TV's reception area totaled 24,800. The decrease on the previous year was clearly less than estimated due to the abundance of new pay channels.

The FilmNet movie channel distributed by Eurocable Oy was shown in twelve cable networks at the year end. The number of areas increased by six during 1988. At the end of the year, the number of FilmNet pay subscribers totaled 12,700, up 55% over 1987.



Helsinki Televisio Oy Helsinki Cable Television

The cable network of Helsinki Televisio Oy, HTV, continued expansion in the Helsinki Metropolitan Area, now also including the center of the township of Kauniainen, which was connected to the network in October 1988. At the year end, a total of 136,640 households were connected to the network, an increase of 9,840 from 1987.

The cable network renovation work which was started in 1986 to increase the channel capacity was completed in 1988. In connection with the renovation, 14 sub-systems were constructed or renovated and linked to the head end by optical fibre cable.

WorldNet and Music Television satellite programs were added to the basic service in February 1988, as were Swedish TV broadcasts at the end of the year. There were eleven free basic service programs transmitted by HTV to households.



CNN, the 24-hour news channel, was added to the pay-TV services to households. Another 24-hour program, FilmNet movie channel, which had been launched in December 1987, was included in the services in the spring of 1988. HTV transmitted six different pay-TV programs totaling 76 hours a day. The number of pay subscriptions totaled 33,300 at the end of the year.

Advertising sales on Helsinki Channel remained at the level of 1987 and they did not reach the forecast level. To boost the broadcast time sales, a new service package was introduced offering the production of the prospect's TV commer-

cial by HTV-video, which attracted many customers from the very beginning.

HTV's net sales grew 13% during the year, which was mainly due to the increase in the pay-TV viewers and in the number of homes connected to the cable network. However, the extensive network expansion and the decrease in cable advertising revenues exerted a drag on profitability.

ECI Communications AG

The Swiss holding company ECI Communications AG, which is in control of the Eurocable Division's foreign operations, increased its ownership in the London-based Westminster Cable Company Limited. Other foreign cable operations include majority ownership of Janco Kabel-TV A/S in Oslo and a minority holding in Cork Communications Limited in Ireland.

Janco Kabel-TV A/S

Janco-Kabel A/S operates a cable network that covers most of the city of Oslo. By the end of the year, a total of 149,160 households were connected to the network, an increase of 5,090 over the previous year. In 1988, the number of cable program services increased by four.

In addition to the previously distributed programs — Norwegian and Swedish public broadcasting programs, a local channel, Sky Channel and Super Channel — the services were increased by the Swedish TV3 program, the French Channel 5, America's WorldNet and the MTV Music Channel.

New cable TV regulations became effective on October 15, 1988. Contrary to earlier regulations, Norwegian cable-TV companies are now allowed to transmit freely available cable channels and market pay-TV programs transmitted either by satellite or locally.

During the year, technical experiments were successfully conducted to test the Finnish Salora pay-TV system. Regular pay-TV activities will be started at the beginning of 1989.

Sales rose 25 % during the year compared to last year. The excellent financial performance will enhance possibilities to increase the number of ca-

ble channels and pay-TV operations in the future. Retroactive regulations restrict foreign owner-



ship in Norwegian cable TV companies. The Norwegian Government has given Sanoma Corporation time until August 1990 to make changes in its holdings so as to comply with the new regulations.

Startel

During 1988, the Startel Division's main areas of operation were electronic database services to the corporate market, the publishing of business directories and business-to-business marketing tools for corporate marketing.

The central event of 1988 was making Startel into an independent subsidiary and merging with it the subsidiary Sininen Kirja Oy at the beginning of May. At the same time, organizational changes were made to reflect the areas of profit responsibility.

In the electronic information services, the main focus is on the development of the financial information services. Startel's service for financial and stock market information has become the largest domestic information source in view of the number of users and the scope of information available through the system. In addition to terminal based services, Startel offers various downloadable data feeds compatible with several desktop user programs for financial analysis. Startel's system receives the real time quotations directly from the Helsinki Stock Exchange.

An agreement was signed with Citicorp in April 1988 connecting their Global Report online rates and news to Startel's information bank. Startel markets the service also in other Scandinavian countries.

Apart from the transmission of financial information in electronic form, a newsletter called Market Week was published.

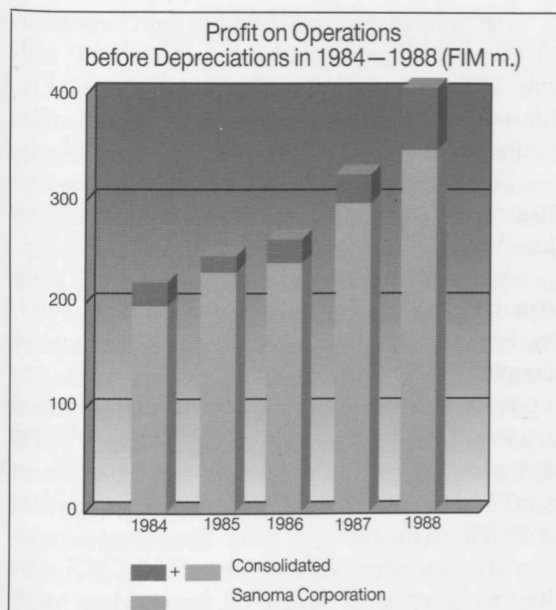
Startel also launched the Swedish Affärsdata database service in Finland. Marketing of the EasyNet gateway system in Finland was continued in cooperation with the Posts and Telecommunications of Finland. To provide this service, Startel Oy teamed up with Telebase Systems Inc. of Pennsylvania. Sanoma, Inc., a subsidiary of Sanoma Corporation, is a minority shareholder in Telebase Systems Inc.

Startel published the following business directories in 1988: Blue Book XX, Finland's most comprehensive company register; Hot Lines, corporate phone book and yellow pages 1988 and 1989 and Financial summaries of leading Finnish business enterprises. Marketing of Kompass Finland, a product and services catalogue based on a worldwide classification code, was started in September 1988. The directory will be published in 1989.

Further development and marketing of the SalesPower database marketing system to corporate customers was continued. The machine code data on customer target groups is retrieved from Startel's own business registers.

Startel continued to publish also the communications magazine New Media, which tracks developments in the electronic media.

At the end of 1988, Sanoma Corporation acquired a majority holding in Sanomalehtien Ilmoitustoimisto Oy, SITA, which specializes in media monitoring and clipping services, supplies its customers with follow-up services concerning newspapers, radio and TV as well as with polls on reader/viewer ratings. The operations of SITA will be closely linked with the future development of the Startel corporate communications. The acquisition deal included a clause entitling the newspaper Turun Sanomat Oy to become a 15% minority owner of Startel Inc.



Sanoma, Inc.

Sanoma, Inc. sold its real estate property in New York as well as its shares of Crafton Graphic Company, Inc. in February of 1988.

A minority share of Telebase Systems Inc. was acquired in 1988.

Sanoma Group Personnel

Sanoma Group employed an average of 5,094 persons in permanent and fixed-term positions, a decrease of 178 on 1987. The number of newspaper deliverers totaled 2,106 and subscription agents 1,697. Salaries including social security payments accounted for a 39.2% slice of aggregate sales. The Sanoma Pension Fund paid out FIM 12,465,251.96 in pensions. The Group subsidiaries employed an average of 387 people.

Investments

The Sanoma Group's net investments totaled FIM 246.6 million. Real investment accounted for FIM 45.3 million of this, machinery and equipment FIM 115.4 million, securities FIM 23.4 million, and other items FIM 62.5 million. Publicly traded securities were acquired for FIM 50.0 million and sold for FIM 138.1 million. The parent company's

net investments totaled accordingly FIM 207.4 million.

Construction of the Varkaus satellite printing plant was the most important investment in the Newspaper Division. The building has a floor area of 11,700 sq.m. and a volume of 77,000 cub.m. Two five-unit offset presses, manufactured by Wifag of Switzerland, were implemented at the end of 1988. The mail room equipment, consisting of two modules, was delivered by the Swiss company Ferag. The printing plant was elected the Building of the Year 1988 by the Building Board of the town of Varkaus.

The most significant investments of Sanoma-print concerned the printing plant in Martinlaakso. The 4,000 sq.m. expansion was completed in the summer of 1988. At the same time, a 16-page, 4-color Harris 1000 B offset rotary press with in-line-finishing equipment and a Heidelberg 102 V sheet-fed press were implemented to replace the printing operations at Pitäjänmäki after the plants there were closed down.

Investments in cable-TV totaled FIM 50.1 million, including investment in the network construction FIM 32.6 million for Helsinki Televisio Oy and FIM 10.4 million for Janco Kabel-TV A/S.

Refurbishing of the premises at Erottajankatu 9-11 in downtown Helsinki was seen to completion and constituted the company's major real estate investment during the year. The value of land areas and buildings in the Consolidated Balance Sheet increased by FIM 594.5 million as a result of spin-offs of real estates. The new real estate entities are subsidiaries of Sanoma Corporation. Organizational restructuring is also tied in with future plans for developing the unbuilt land area at Martinlaakso.

Financial Summary

Sanoma Group's financial performance was excellent and the profitability was better than during the previous year. This outcome was mainly due to the record increases in the circulation and in the advertisement sales of Helsingin Sanomat. The favorable economic trend of 1988 in Finland together with the newspaper's active measures to meet the evolving needs of readers contributed to the good

result. The profitability of the Group's other products and activities developed, in general, as estimated and, with a few exceptions, even better than in 1987.

The Group's net sales were FIM 1,801.1 million, an increase of 10.7% on the previous year. The increase was 13.2% excluding the effect of acquisitions and divestitures. The parent company's corresponding figure was 12.3%. Cost of sales and the operating expenses grew at a slower pace. The Sanoma Corporation's liability deficit for the Sanoma Pension Fund increased by FIM 7.0 million. The increase has been charged in full to the fixed expenditures.

The Group's profit on operations before depreciation totaled FIM 403.6 million, an increase of 25.2% on 1987. The parent company's operating profit was FIM 343.5 million, an increase of 23.9%. The Group's operating profit as a percentage out of net sales, was 22.4%, as against 19.8% the previous year.

The depreciations reflected in the Consolidated Financial Statements totaled FIM 268.0 million. With the exception of Helsinki Televisio Oy, they mainly represent the maximum allowed under the Business Taxation Act. The increase in the depreciations came mainly from the higher development zone allowances for the Varkaus satellite plant. The Group's depreciations based on the estimated useful lifetime and replacement value were FIM 170.9 million, an increase of 4.7% on 1987. The corresponding figures for the parent company were FIM 143.7 million, an increase of 7.4%.

Profit before extraordinary items, adjustments to untaxed reserves and use of depreciations based on the estimated useful lifetime and replacement value amounted to FIM 236.9 million, an increase of 45.8% on the previous year. The parent company's corresponding figures were FIM 220.3 million, an increase of 31.2% on the previous year. Net liabilities of the Group were 10.5% of net sales, as against 20.7% in 1987.

Consolidated Income Statement

1 January to 31 December 1988

(FIM 1,000)	1988	1987
Sales proceeds	2,477.976	2,206.294
Adjustment to gross sales		
Discounts	157.009	131.749
Credit losses	4.751	4.325
Purchase tax	81.780	72.297
Commissions and advertising agency fees	219.716	190.993
Other adjustment items	213.584	180.321
	- 676.840	- 579.685
Net sales (1)	1,801.136	1,626.609
Leasing income	+ 15.992	+ 12.450
Variable expenditures		
Materials	408.803	377.569
Variable wages, salaries and fees	411.576	387.443
Other variable expenditures	148.292	131.405
Change in stock	+ 4.609	- 4.016
	- 973.280	- 892.401
Gross margin	843.848	746.658
Fixed expenditures		
Fixed wages, salaries and fees	166.257	159.666
Rents	31.040	28.610
Other fixed expenditures (2)	242.977	235.932
	- 440.274	- 424.208
Profit on operations before depreciations	403.574	322.450
Depreciations (3)		
Buildings	74.797	18.687
Machinery and equipment	174.427	96.623
Immaterial rights	987	926
Other outlays with long-term return	13.468	9.276
Additional depreciations of the Group	4.357	7.913
	- 268.036	- 133.425
Profit on operations after depreciations	135.538	189.025
Financial revenues and expenditures		
Interest revenues	45.249	45.602
Dividend revenues	9.910	7.220
Other financial revenues	5.650	1.551
Interest expenditures	- 51.179	- 44.760
Other expenditures on outside liabilities	- 5.451	- 6.454
	+ 4.179	+ 3.159
	139.717	192.184
Other revenues and expenditures		
Revenues		5.533
Expenditures	7.626	+ 45.335
	- 7.626	+ 39.802
Profit before reserves and taxes	132.091	152.382
Changes in reserves		
Inventory reserve	- 1.329	- 2.043
Investment reserve	+ 3.273	-
Other reserves (4)	- 21.374	- 38.682
	- 19.430	- 40.725
Direct taxes	105.331	46.815
— from the operating fund	- 51.918	- 187
	- 53.413	- 46.628
Minority share of the profit of the subsidiaries	+ 605	+ 467
Profit for the year	FIM 59.853	FIM 65.496

Figures in parenthesis refer to "Appended Information on Consolidated Income Statement and Balance Sheet" on page 42.

Consolidated Balance Sheet

31 December 1988

Assets

(FIM 1,000)		1988		1987
Financial assets				
Cash in hand and in banks	77.203		71.780	
Accounts receivable (5)	283.241		251.985	
Loans receivable	561.586		267.676	
Advance payments	6.963		2.566	
Deferred assets	58.155		44.125	
Other financial assets (6)	86.087	1.073.235	94.295	732.427
Inventories				
Materials	44.808		52.887	
Products (finished and in process)	19.141	63.949	16.557	69.444
Fixed assets and other long-term expenditures				
Land areas (9)	343.684		127.896	
Buildings (9)	612.041		277.263	
Machinery and equipment	245.115		320.873	
Other material goods	33.620		29.579	
Shares and holdings (9)	288.641		181.172	
Immaterial rights	4.722		5.217	
Other long-term expenditures from balance sheets of the companies	65.494	1.593.317	39.979	981.979
Corporation intangibles		25.987		33.032
Appreciation items		—		624
		<u>FIM 2.756.488</u>		<u>FIM 1.817.506</u>

Liabilities

(FIM 1,000)		1988		1987
Outside liabilities				
Short-term				
Accounts payable	77.270		61.139	
Advance payments	203.822		193.027	
Deferred liabilities	265.440		178.513	
Other short-term debts	94.215	640.747	62.143	494.822
Long-term				
Loans from financial institutions	235.393		203.919	
Pension loans (7)	386.491		350.387	
Other long-term debts	—	621.884	20.125	574.431
Reserves				
Stock reserve	18.601		21.872	
Investment reserve (8)	162.462		196.241	
Other reserves	185.199	366.262	164.157	382.270
Minority share		7.881		10.512
Shareholders' equity				
Bound capital	743.250		72.180	
Free capital	316.611		217.795	
Profit for the year	59.853	1.119.714	65.496	355.471
		<u>FIM 2.756.488</u>		<u>FIM 1.817.506</u>

Notes to Consolidated Financial Statements

as of 31 December 1988

1. Companies in the Group

The Group includes the parent company, Sanoma Corporation, and the following subsidiaries: Erikoislehdet Oy, ECI Communications AG, Eurocable Oy, Helsinki Televisio Oy, the sub-group of Janco Kabel-TV A/S, Lehtikuva Oy, Oy Lippupalvelu — Biljettjänst Ab, Sanomalehtien Ilmoitustoimisto Oy, Simonpaino Oy, the sub-group of Startel Oy, Tecnopress Oy, Helsingin Päivälehti Oy, Kodin Kuvalehti — Terve Lapsi Oy, Sanem Oy and Sanoma Inc, and the following apartment corporations: Asunto-osakeyhtiö Ilkantie 13, Asunto-osakeyhtiö Laajavuorenkuja 3, Asunto-osakeyhtiö Vellikellonkuja, Asunto-osakeyhtiö Vihdintie 4 and the real estate corporations: Kiinteistöosakeyhtiö Erottajankatu 9—11, Kiinteistöosakeyhtiö Erottajankatu 15—17, Kiinteistöosakeyhtiö Korkeavuorenkatu 30, Kiinteistöosakeyhtiö Miekkakala, Kiinteistö Oy Myllymäenpolku, Kiinteistö Oy Myllymäentie, Kiinteistöosakeyhtiö Sanomalan Keskusalue, Kiinteistö Oy Valtatie 3 and Sanomain Huoneisto ja Kiinteistöholding Oy.

2. Bound shareholders' equity	72.180.337,77
Appreciation equivalent to the profit on sale of properties assigned to housing and real estate companies founded	671.180.215,89
Appreciation of shares sold	— 110.444,52
As of 31 December 1988	<u>743.250.109,14</u>
3. Free shareholders' equity	
As of 1 January 1988	283.290.754,75
Dividends distributed	— 3.550.380,00
Donations made	— 495.000,00
Taxes paid	— 51.917.786,00
Profit on sales of shares	+ 61.052.748,01
Adjustment of previous year's earnings	— 2.748.000,02
Profit on sale of Group company shares	+ 18.411.078,77
Connection fees to Helsinki Televisio Oy	+ 13.053.098,00
Decrease in exchange rate	— 485.576,02
	<u>316.610.937,49</u>
Profit for the year	59.853.142,29
As of 31 December 1988	<u>376.464.079,78</u>

4. Securities given as collateral against debt	3.539.902,10			
Mortgages given as collateral against debt	135.800.000,00			
Guarantees	13.603.394,59			
Conditional liability	700.000,00			
5. Taxation values of fixed assets				
Land areas	60.060.292,00			
Building	189.410.563,00			
Shares and holdings	439.588.168,00			
6. Liability deficit of the Sanoma Pension Fund	27.683.680,46			
7. Investment reserve utilized in 1988				
Buildings	14.666.250,31			
Machinery and equipment	26.104.469,75			
Other long-term expenditure	9.201.440,67			
	<u>49.972.160,73</u>			
8. Depreciation includes the following development area depreciation:				
Buildings	47.640.170,12			
Machinery and equipment	63.836.959,17			
	<u>111.477.129,29</u>			
9. Holdings by the Group	Number	Percentage	Nominal value	Book value
<i>Sanoma Corporation</i>				
Other companies				121.037.158,84
Housing				8.868.581,57
<i>Holdings by the subsidiaries</i>				
MXS-Satelliitti-palvelu Oy	1.042	20,00	104.200,00	4.000.000,00
Päijät-Visio Oy	404	20,25	2.020.000,00	2.020.240,00
Helsinki				
Satelliitti TV Oy	2.500	50,00	250.000,00	250.000,00
Keski-Uusimaa Oy	15.108	12,50	30.216,00	2.438.400,00
Asiakastieto	10	2,70	1.000,00	156.400,00
Telebase				
Systems, Inc.	625.000	7,80	—	4.161.000,00
Westminster Cable				
Company Ltd.	33.448	10,00	GBP 33.448,00	5.341.300,00
Cork Communications Ltd.	3.125.356	31,00	IEP 1.562.678,00	17.864.064,00
Other companies, total				989.546,28
Housing				<u>121.514.296,20</u>
				<u>288.640.986,89</u>

Appended Information on Consolidated Income Statement and Balance Sheet

Income Statement

1. The net sales for 1987 still included net sales of Crafton Graphic Company Inc, of FIM 35,6 million.
2. Other fixed expenditures include transfer to the Pension Fund to equal increased liability of FIM 7.0 million, as against FIM 12.8 million the previous year.
3. Depreciation under the Business Taxation Act. Depreciation include development area depreciations FIM 111,5 million
4. Other reserves include operational reserve, FIM 7.9 million and increase in credit loss reserve, FIM 13.5 million.

Balance Sheet

5. Accounts receivable include subscription receivables FIM 114.3 million. Advance payments for undelivered subscriptions FIM 196.6 million is included in advance payments as a liability.
6. Other financial assets include FIM 73.9 million investment deposit at the Bank of Finland.
7. Pension loans include a loan from the Sanoma Pension Fund FIM 154.5 million.
8. Investment reserves were used FIM 50.0 million to cover Sanoma Group's investments.
9. The values of asset items have appreciated as a result of restructuring during the year. These are as follows:

Land	211.6
Buildings	382.8
Securities	84.0

Sanoma Corporation Income Statement

1 January to 31 December 1988

(FIM 1,000)		1988	1987
Sales proceeds		2.268.303	2.006.364
Adjustment to gross sales			
Discounts	154.057		131.116
Credit losses	4.348		4.129
Purchase tax	76.338		68.324
Commissions and advertising agency fees	214.825		190.701
Transport costs for newspapers and magazines	147.497		124.288
Other adjustments to gross sales	17.259	- 614.324	15.505
Net sales		1.653.979	1.472.301
Leasing income		+ 17.036	+ 12.511
Variable expenditures			
Materials	368.834		334.180
Variable wages, salaries and fees	388.440		359.969
Other variable expenditures	152.201		133.931
Change in inventory	+ 8.312	- 917.787	- 5.337
Gross margin		753.228	662.069
Fixed expenditures			
Wages, salaries and fees	138.278		129.356
Rents	59.975		36.721
Other fixed expenditures	211.488	- 409.741	202.536
Profit on operations before depreciation		343.487	293.456
Depreciation			
Buildings	59.752		15.098
Machinery and equipment	156.007		80.798
Immaterial rights	777		720
Other outlays with long-term return	6.304	- 222.840	5.803
Profit on operations after depreciation		120.647	191.037
Financial revenues and expenditures			
Interest revenues	58.595		49.902
Dividend revenues	9.910		7.220
Dividend revenues from subsidiaries	2.500		500
Other financial revenues	5.640		1.396
Interest expenditures	- 50.731		- 41.556
Other expenditures on outside liabilities	- 5.422	+ 20.492	- 5.526
		141.139	202.973
Other revenues and expenditures			
Revenues	174		3.942
Group subsidy	-		- 3.500
Other expenditures	- 201	- 27	- 56.520
Profit before reserves and taxes		141.112	146.895
Changes in reserves			
Inventory reserve, increase —/decrease +	+ 2.909		- 1.868
Other reserves, increase	- 24.575	- 21.666	- 37.153
Direct taxes	102.451		44.225
Out of the operating fund	- 51.918	- 50.533	-
Profit for the year		<u>FIM 68.913</u>	<u>FIM 63.649</u>

Sanoma Corporation Balance Sheet as of 31 December 1988

Assets

(FIM 1,000)		1988		1987
Financial assets				
Cash in hand and in banks	15.871		36.689	
Accounts receivable	257.410		214.510	
Loans receivable	1.141.491		385.045	
Advance payments	2.672		742	
Deferred assets	58.020		41.555	
Other financial assets	80.856	1.556.320	91.073	769.614
Inventories				
Material	40.966		48.253	
Products (finished and in process)	10.310	51.276	11.334	59.587
Fixed assets and other long-term expenditures				
Land-areas	53.580		57.038	
Buildings	36.728		145.864	
Machinery and equipment	154.826		188.743	
Advance payments, machinery	18.417		75.842	
Shares and stock	129.906		172.124	
Shares and stock, subsidiaries	643.929		196.073	
Immaterial rights	3.987		4.306	
Other long-term expenditures	25.571	1.066.944	19.148	859.138
		<u>FIM 2.674.540</u>		<u>FIM 1.688.339</u>

Liabilities

(FIM 1,000)

		1988		1987
Outside liabilities				
Short-term				
Accounts payable	61.872		73.883	
Advance payments	188.449		177.616	
Deferred liabilities	262.293		158.965	
Other short-term debts	99.137	611.751	51.200	461.664
Long-term				
Loans from financial institutions	199.407		146.604	
Pension loans	372.197		338.670	
Other long-term debts	5.031	576.635	10.231	495.505
Reserves				
Inventory reserve	17.946		20.855	
Investment reserves	150.977		192.082	
Other reserves	182.141	351.064	157.566	370.503
Shareholders' equity				
Bound				
Share capital	14.202		14.202	
Value adjustment reserve fund	1.288	15.490	1.399	15.601
Free				
Operating fund	1.040.522		272.001	
Reserve for donations	5		—	
Profit from previous years	10.160		9.416	
Profit for the year	68.913	1.119.600	63.649	345.066
		<u>FIM 2.674.540</u>		<u>FIM 1.688.339</u>

Notes to Sanoma Corporation

Financial Statements as of 31 December 1988

1. Shareholders' equity	
K-series shares	7.100.760,00
E-series shares	7.100.760,00
2. Changes in shareholders' equity	
<i>Appreciation reserve</i>	
As of 1 January 1988	1.399.240,00
Appreciation of sold items	— 110.444,52
Balance as of 31 December 1988	1.288.795,48
<i>Operations fund</i>	
As of 1 January 1988	272.001.211,91
Transferred from retained earnings	+ 60.000.000,00
Earnings from sales of fixed assets	+ 760.438.963,90
Taxes on sales profits	— 51.917.786,00
Balance as of 31 December 1988	1.040.522.389,81
<i>Reserve for donations</i>	
As of 1 January 1988	—
Transferred from retained earnings	+ 500.000,00
Donations made	— 495.000,00
Balance as of 31 December 1988	— 5.000,00
<i>Retained earnings</i>	
As of 1 January 1988	73.064.975,36
Dividends distributed	— 3.550.380,00
Transferred to operations fund	— 60.000.000,00
Transferred to donations	— 500.000,00
Interest earnings, adjustment for income spreading	— 2.748.000,02
Adjustment for depreciation	+ 3.893.011,77
	10.159.607,11
Profit for the year	68.912.798,17
Balance as of 31 December 1988	79.072.405,28
3. Securities given as collateral against debt	1.218.128,30
Mortgages given as collateral against debt	130.800.000,00
Guarantees	13.012.397,79
Guarantees on behalf of the subsidiaries	11.938.561,83
Liabilities on behalf of the subsidiaries	10.583.821,07
4. Receivables from subsidiaries	567.899.402,02
Debts to subsidiaries	42.562.938,96
5. Taxation values of fixed assets	
Land areas	35.818.618,00
Buildings	50.253.840,00
Shares and holdings	407.919.104,00
Shares and holdings, subsidiaries	94.444.322,00
Shares and holdings, nominal value	437.522.193,00
6. Appreciation of fixed assets	
As of 1 January 1988	
Land areas	5.000.000,00
Shares	3.500.000,00
	8.500.000,00
<i>Deductions for the accounting period</i>	
Appreciation of sold shares	110.444,52
Balance as of 31 December 1988	8.389.555,48
7. Liability deficit of the Sanoma Pension Fund	27.569.095,49
8. Liability from pension commitments	1.170.328,00
9. Investment reserve utilized in 1988	
Buildings	14.666.250,31
Machinery and equipment	24.501.493,30
Other long-term expenditure	9.201.440,67
10. Depreciation includes the following	
development area depreciation:	
Buildings	47.640.170,12
Machinery and equipment	63.836.959,17
	111.477.129,29

Sanoma Group, Annual Report 1988

11. Holdings by the Sanoma Corporation in other companies as of 31 December 1988.

	Number	Percentage	Nominal value	Book value
<i>Subsidiaries</i>				
As. Oy Ilkantie 13	1.207	100,00	6.493.660,00	6.493.660,00
As. Oy Laajavuorenkuja 3	14.902	100,00	30.549.100,00	30.549.100,00
As. Oy Vellikellonkuja	100	100,00	120.000,00	120.000,00
Asunto-Osakeyhtiö Vihdintie 4	4.365	100,00	2.400.750,00	2.400.750,00
ECI Communications AG	39.000	100,00	CHF 3.900.000,00	11.668.200,00
Erikoislehdet Oy	10.000	100,00	500.000,00	500.000,00
Eurocable Oy	10.000	100,00	10.000.000,00	10.000.000,00
Helsinki Televisio Oy	8.299	90,70*	9.128.900,00	17.385.300,00
Janco Kabel-TV A/S	1.000	100,00 **	NOK 225.000,00	13.425.106,10
Kiinteistöosakeyhtiö				
Erottajankatu 9—11	3.678	100,00	367.800,00	58.395.130,00
Kiinteistöosakeyhtiö				
Erottajankatu 15—17	7.596	100,00	37.980.000,00	37.980.000,00
Kiinteistöosakeyhtiö				
Korkeavuorenkatu 30	4.468	96,21	11.549.780,00	11.549.780,00
Kiinteistöosakeyhtiö				
Miekkakala	15.866	97,84	63.464.000,00	74.596.520,00
Kiinteistö Oy Myllymäenpolku	46.500	100,00	29.574.000,00	29.574.000,00
Kiinteistö Oy Myllymäentie	34.215	100,00	66.000.735,00	66.000.735,00
Kiinteistöosakeyhtiö				
Sanomalan Keskusalue	69.940	100,00	159.001.596,00	159.001.596,00
Kiinteistö Oy Valtatie 3	68.500	100,00	42.401.500,00	42.401.500,00
Helsingin Päivälehti Oy	15	100,00	15.000,00	15.000,00
Kodin Kuvaletti				
— Terve Lapsi Oy	10	100,00	100,00	100,00
Lehtikuva Oy	75.000	100,00	750.000,00	1.025.400,45
Oy Lippupalvelu-Biljettjänst Ab	3.000	100,00	120.000,00	831.200,00
Sanem Oy	100	100,00	15.000,00	15.000,00
Sanoma, Inc.	100	100,00	USD 100,00	4.853.906,80
Sanomain Huoneisto ja				
Kiinteistöholding Oy	11.400	95,00	11.400.000,00	11.400.000,00
Sanomalehtien				
Ilmoitustoimisto Oy	6.372	96,19	254.880,00	5.507.981,45
Simonpaino Oy	1.000	100,00	1.000.000,00	20.493.782,50
Startel Oy	150.000	100,00	15.100.000,00	24.126.021,70
Tecnopress Oy	708	100,00	354.000,00	3.619.233,94
Subsidiaries, total				643.929.003,94
<i>Other companies:</i>				
Oy Ekokem Ab	90	0,66	180.000,00	180.000,00
Enso-Gutzeit Oy	20.428	0,02	204.280,00	178.214,94
Finnair Oy	549.023	1,27	2.745.115,00	4.758.101,76
Helsingin Telset Oy	50	33,34	50.000,00	150.000,00
Kajaani Oy	50.273	0,63	1.005.460,00	7.099.209,25
Kansallis-Osake-Pankki	213.809	0,15	4.276.180,00	8.815.149,27
Kiinteistöosakeyhtiö				
Tommolankatu 20	23.333	23,30	233.330,00	233.330,00
Kymen Viestintä Oy	49.979	23,30	4.497.900,00	9.991.667,90
Kymmene Oy	896.557	1,45	17.931.140,00	38.300.388,38
Metsä-Serla Oy	64.260	0,47	3.213.000,00	4.279.044,65
Nordic Investors Limited	100	20,00	USD 10.000,00	5.630.750,00
Pro Lehdistö Oy — Pro Pressen Ab	40.000	8,89	4.000.000,00	4.000.000,00
Oy Radio Ykkönen —				
Radio Ettan Ab	14	18,20	140.000,00	365.557,00
Rauma-Repola Oy	21.934	0,02	219.340,00	285.174,70
Rautakirja Oy	1.057.314	16,32	21.146.280,00	13.972.128,73
Vakuutusosakeyhtiö Sampo	19.917	0,21	398.340,00	4.083.808,10
Oy Suomen Yhdyspankki Ab	460.311	0,01	4.603.110,00	12.750.982,13
Yhtyneet Paperitehtaat Oy	33.900	0,11	678.000,00	4.176.217,50
Others				1.787.434,53
Other companies, total				121.037.158,84
Housing				8.868.581,57
Grand total				FIM 773.834.744,35

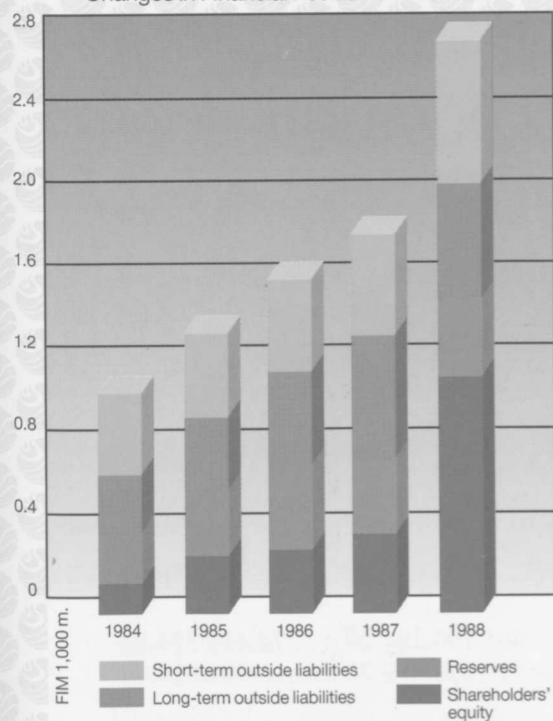
* Including shares owned by Eurocable Oy

** Including shares owned by ECI Communications AG

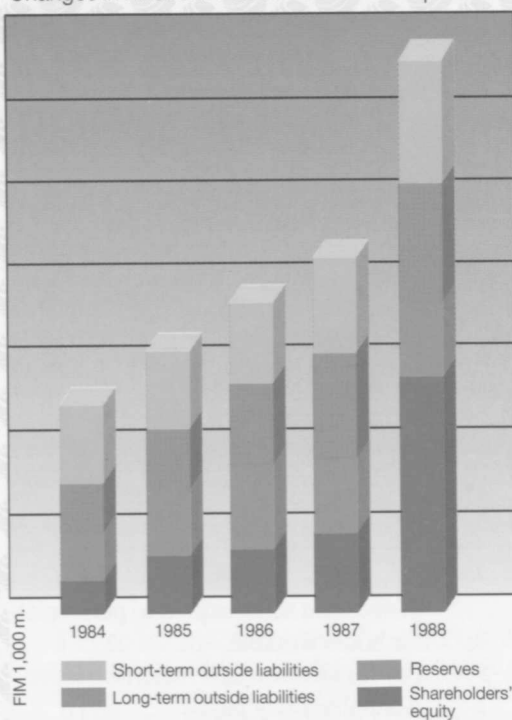
Changes in Financial Position 1986—1988

	Consolidated			Sanoma Corporation		
Sources of Funds (FIM m.)	1988	1987	1986	1988	1987	1986
Income financing						
Operating profit	410,6	335,3	274,8	350,5	306,0	251,6
Financial revenues and expenditures . .	1,4	3,1	1,4	17,8	11,9	5,2
Other income financing (net)	- 7,6	1,9	- 1,3	-	- 1,6	0,2
Income on fixed assets	139,2	10,9	29,7	988,0	11,5	32,4
Sale of subsidiary shares	11,8	1,4	3,4			
— Taxes	-105,3	- 46,8	- 29,3	-102,5	- 44,2	- 26,9
Capital financing						
Increase in long-term outside liabilities	67,3	134,0	109,0	83,0	118,6	98,6
Connection fees to Helsinki Televisio Oy	14,4	9,7	13,2			
Decrease in appreciation items	-	0,1	0,5			
Difference in exchange rate	-	3,0	-			
Total (A)	531,8	452,6	401,4	1.336,8	402,2	361,1
Use of Funds						
Distribution of profit						
Dividends	3,6	2,8	2,8	3,6	2,8	2,8
Other distribution of profit	0,5	0,5	0,4	0,5	0,5	0,4
Transfer to the Sanoma Pension Fund	7,0	58,1	5,5	7,0	57,8	5,1
Investments						
Investments in fixed assets	342,7	362,8	295,8	695,4	274,6	277,8
Subsidiary shares acquisition	4,2	0,1	34,0			
Difference in exchange rate	0,5	-	3,2			
Group subsidy	-	-	-	-	3,5	-
Total (B)	358,5	424,3	341,7	706,5	339,2	286,1
Change in Net Working Capital						
Financial assets:						
increase +/decrease -.	+339,6	+ 63,8	+ 81,9	+786,7	+121,5	+110,8
Fixed assets:						
increase +/decrease -.	- 4,5	+ 3,5	- 13,5	- 8,3	+ 5,3	- 13,4
Short-term outside liabilities:						
increase -/decrease +	- 161,8	- 39,0	- 8,7	- 148,1	- 63,8	- 22,4
Grand Total (A—B)	173,3	28,3	59,7	630,3	63,0	75,0

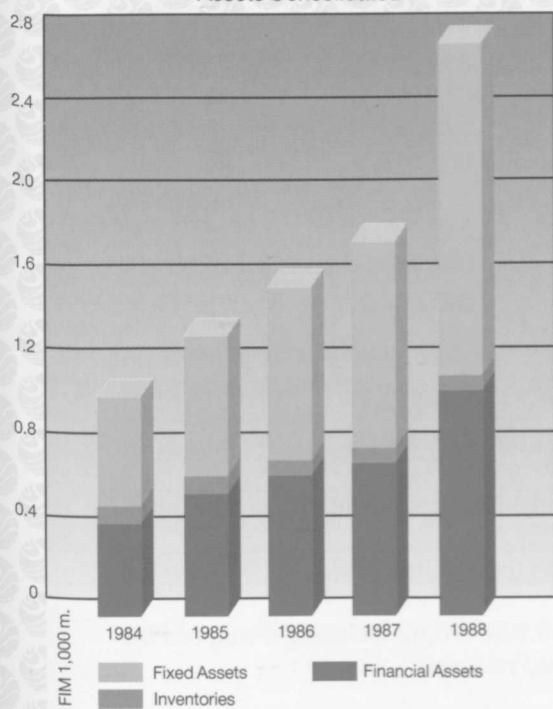
Changes in Financial Position Consolidated



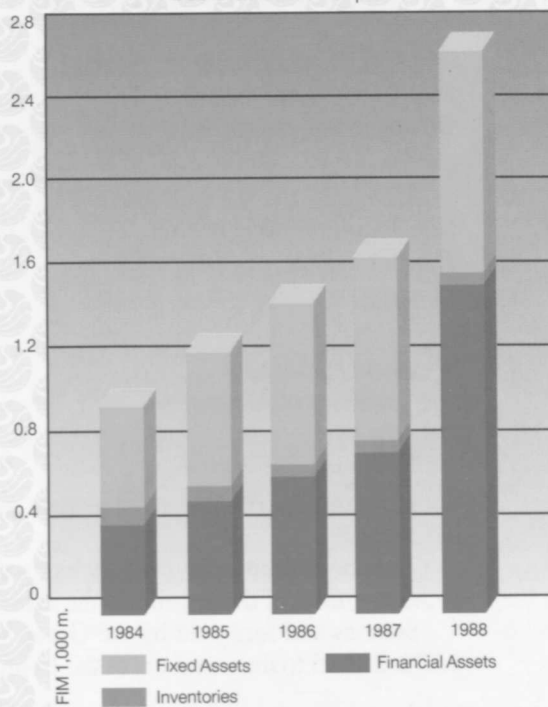
Changes in Financial Position Sanoma Corporation



Assets Consolidated



Assets Sanoma Corporation



Wages, salaries and social security payments of Sanoma Corporation

	1988	1987
Wages and salaries paid to personnel for hours worked	405.199.184,29	374.414.384,82
Pay for sickness and maternity leave	12.624.459,70	10.791.926,44
Annual holiday pay, including change in reserve	93.628.797,91	88.682.029,06
Wages and salaries and similar items	511.452.441,90	473.888.340,32
Employer's social security payments	31.659.070,35	28.317.701,22
Social insurance payments	70.657.345,60	62.044.878,63
Other statutory fringe benefits	9.592.315,95	9.427.055,20
Total	111.908.731,90	99.789.635,05
Non-statutory fringe benefits	17.243.008,22	16.835.612,36
Transfer to Sanoma Pension Fund	7.000.000,00	57.818.000,00
Total	24.243.008,22	74.653.612,36
Wages and salaries to non-members of personnel	18.816.512,73	18.520.534,81
Grand total	666.420.694,75	666.852.122,54

Social security payments do not include rents on premises, equipment etc., or other internal charges.

The above figures for 1988 include salaries and fees totaling FIM 3.487.947,90 paid to the members of the Board and the President.

Salaries and fees paid by the Group were 568.974.196,62 including a sum of FIM 5.872.253,95 to the members of the Board and the Presidents.

Sanoma Group Income in Percentage of Net Sales

	1988 %	1987 %	1986 %	1985 %	1984 %
Sales proceeds	137,6	135,6	134,6	134,7	133,4
Adjustment to gross sales	- 37,6	- 35,6	- 34,6	- 34,7	- 33,4
Net sales	100,0	100,0	100,0	100,0	100,0
Leasing income	+ 0,9	+ 0,8	+ 0,6	+ 0,9	+ 0,6
Material expenditures	- 23,0	- 23,0	- 24,3	- 23,7	- 24,3
Staff related expenses	- 32,1	- 33,6	- 34,3	- 34,6	- 35,5
Other expenditures	- 23,4	- 24,4	- 24,4	- 24,4	- 22,2
Profit on operations before depreciation	22,4	19,8	17,6	18,2	18,6
Net interest	- 0,3	+ 0,1	- 0,2	- 0,2	+ 1,1
Taxes paid	- 3,0*)	- 2,9	- 1,9	- 1,8	- 2,2
Other revenues and expenditures	+ 0,1	+ 0,5	+ 0,9	+ 0,7	+ 0,3
Income finance	19,2	17,5	16,4	16,9	17,8
Unfunded pension liability +/- funded pension liability -	- -	- 2,8	+ 0,6	+ 0,5	+ 0,1
Depreciation under Business Taxation Act	- 8,7**)	- 8,2	- 9,4	- 9,6	- 8,7
Profit for the year	10,5	6,5	7,6	7,8	9,2

*) Taxes paid 1988: only operational taxes

**) Depreciation 1988: not including additional depreciations

Proposal for Distribution of the Profit

The profit for the financial year totals FIM 68.912.798,17. FIM 10.159.607,11 of profit was retained from the previous year. Hence a total of FIM 79.072.405,28 is at the disposal of the General Meeting.

The Board of Directors proposes that, from the above mentioned sum of	79.072.405,28
— a dividend of 7.50 marks and a centennial year bonus of ten marks should be paid for each share	8.284.220,00
— a sum should be transferred to the operations fund	60.000.000,00
— a sum should be transferred to the reserve for charitable purposes for the discretion of the Board	1.000.000,00
— giving a balance of	9.788.185,28

The balance is left on the Profit and Loss Account, and the Board of Directors is entitled to use it for payment of taxes in 1989.

Provided the Annual General Meeting adopts the above proposal, the Corporation's own fund will be as follows:

Share Capital	14.201.520,00
Value Adjustment Reserve	1.288.795,48
Operating Fund	1.100.522.389,81
Reserve for Donations	1.005.000,00
Undisposed Profit	9.788.185,28

Helsinki, 17 February 1989

Aatos Erkko

Teo Mertanen

Aarne Castrén

Pentti J. K. Kouri

Väinö J. Nurmimaa

Patricia Seppälä

Jaakko Rauramo

Heikki Tikkanen

Auditors' Report

We have examined the accounting records, the annual report and the administration of Sanoma Corporation for the year ended 31 December, 1988. Our examination was made in accordance with generally accepted auditing standards.

Salmi, Virkkunen & Helenius Oy, Authorised Public Accountants have performed the supervisory audit during the financial year.

Parent Company

The Annual Report has been prepared in accordance with prevailing legislation. The profit for the year ended December 31, 1988 is FIM 68.912.798,17.

We recommend that

the Income Statement and the Balance Sheet are adopted,
the members of the Board of Directors and the President are discharged of responsibility for the year 1988,
the profit is dealt with in accordance with the proposal in the Annual Report.

Consolidated Financial Statements

The Consolidated Financial Statements of the Group have been prepared in accordance with prevailing legislation. The free shareholders' equity amounts to FIM 376.464.000,00.

We recommend that

the Consolidated Income Statement and the Consolidated Balance Sheet are adopted.

Helsinki, 3 March 1989

Aimo Autio
Authorised Public Accountant

Antti Helenius
Authorised Public Accountant

Sanoma Group Personnel

Personnel

Sanoma Group employed an average of 5,094 persons including 2,106 part-time personnel who worked as newspaper deliverers. Compared to 1987, there was a decrease of 13 in the total personnel excluding the delivery personnel and 165 in delivery personnel.



Number of employees in different companies of the Group was as follows:

	1988	1987
Sanoma Corporation		
- excluding delivery personnel	2,601	2,648
- newspaper deliverers	2,106	2,271
Lehtikuva Oy	82	85
Oy Lippupalvelu-		
Biljettjänst Ab	13	11
Oy Linguaphone Ab	-	6
Erikoislehdet Oy	8	8
Tecnopress Oy	30	33
Startel Oy	75	-
Sininen Kirja Oy	-	49
Eurocable Oy	19	1
Helsinki Televisio Oy	97	99
Janco Kabel-TV A/S	63	61
Total	5,094	5,272

29 persons were transferred to Startel Oy from the parent company. Some personnel transfers took place also within the Eurocable Division.

Turnover of personnel excluding delivery personnel totaled 4.4% within Sanoma Corporation

and 6.0% in the entire Sanoma Group in Finland. Delivery personnel turnover was 10.8%. The number of personnel filling holiday vacancies totaled 393 in Sanoma Corporation and the substitutes for delivery personnel 898.

Salaries and wages

Salaries and wages formed the largest share of the Group's expenditures, i.e. 39.2% of the 1988 net sales.

Employer-employee cooperation

A joint advisory committee operated within Sanoma Corporation. In addition, there were advisory committees for the following units: Newspaper Division, Sanomaprint, Tecnopress Oy, Helsinki Televisio Oy and Lehtikuva Oy. Special attention was paid to development of cooperation and to initiation into the methods of working.

The Sanoma joint advisory committee set up a project team to plan a profit sharing and personnel fund system. Possible implementation of the system will call for extensive education in financial matters for the personnel.

Training

In accordance with the recommendations made by the training committees, personnel training was carried out either as internal training or as external courses. A total of 987 persons participated in the training courses, i.e. 35% of the total personnel. Average training time per person was 7.3 days. Training costs excluding salaries was 0.4% of net sales and including salaries 0.5% of net sales.

Staff health service

The health units provided occupational health, nursing and general health services.

Attention was paid to employees' stress caused by work. In addition, a physiotherapist was em-



played to help in solving ergonomic problems. Following tradition, a total of 166 employees donated their blood for the blood transfusion service. The ratio of absence because of ill health was 3.3% calculated on the basis of regular working hours.

Pensioners

The founding of new subsidiaries within the Sanoma Group and the transfer of personnel between the various subsidiaries have called for a change in the Sanoma Pension Fund regulations. Henceforth, irrespective of the subsidiary, all employees otherwise meeting requirements of the foundation will be covered by the foundation.

90 persons retired during 1988. There were 1,198 pensioners, of whom 158 persons received survivor's pension at the end of 1988.

Pensioners form an active group who maintain the Sanoma spirit and the Corporation's tradition. Large numbers of them participated in travels as well as in cultural and entertainment events arranged by the pensioners' organization Sanomain Seniorit.

Internal information

The Hesa personnel magazine celebrated its 50th anniversary.

Hesa came out eight times in 1988, either as a 32-page or 36-page issue. The last issue for 1988 was a 48-page jubilee issue. The outward and typographical appearance was changed. The printing paper was changed to non-glossy quality.

Starting from issue No. 3, the magazine was mailed to the home addresses of all Group employees, also including delivery personnel and those

working in a fixed-term position. The circulation was increased from 6,800 to 7,200.

The Sanomia in-house bulletin came out 52 times. The page make-up of the bulletin was moved from Pitäjänmäki to the composing room at Ludviginkatu in September and computer-composed pages are facsimiled for printing in Martinlaakso. The Sanomia jakajillemme, delivery personnel magazine, was published twice in 1988.

Recreation

Sanoma Corporation supported staff hobbies and recreational activities in 1988 through the Sanomain Kerho r.y. club's 32 sections. The club arranged traditional winter and spring gatherings at Jalassaari, a fall gathering and a party in November. A large number of Sanoma staff and their families took part in these events and other activities. The staff leisure centers were heavily used.



Sanoma day-care center

The Sanoma day-care center for the children of employees is run by the Sanomain Päiväkodin Kannatusyhdistys r.y. association. There are 40 places for children between the ages 3-6.

The association has been subsidized by the local authorities of Vantaa, Helsinki, and Espoo and now this group was joined by the town of Tuusula. Also, Sanoma Corporation provides financial support for the day-care center.

Cooperation between the parents and the day-care center personnel has been active. The day-care center personnel totaled 8.

Financial Milestones on our Newspaper's Hundred-year Journey

The first hundred years of our newspaper's operations have included three wars, one worldwide depression and many economic cycles — some anticipated, some not. Because of these and many other factors, a thorough study of the economy of the companies that have published our newspapers would require extensive study of the corporate archives and a thick economic research report.

The days of "Päivälehti" 1889—1904

When Päivälehti was founded it did not have a publishing company. A campaign for sureties from members of the public brought in much less than was hoped. A feasibility survey, which indicated an initial loss-making period, proved to be too optimistic.

By the end of 1890, it was clear that the economic resources available to Eero Erkkö and his friends were insufficient. However, they — and others — wanted to keep the newspaper alive. The newspaper had evidently already attracted a wide readership, because the attempts to establish a publishing company for the newspaper finally succeeded after some ideological disputes. The company, Helsingin Suomalainen Sanomalehti Osakeyhtiö, was founded, and it purchased the publishing rights of Päivälehti from Eero Erkkö for 20,000 marks. In spite of the money received, Mr. Erkkö was left with debts amounting to some 60,000 marks (at least a million in today's money) that had piled up during the newspaper's first year. Besides that, he had not received any salary for his combined post as chief editor and treasurer, except that he had been allowed to live in the (one-room) editorial office.

The early years of the fledgling company were far from easy. The company made losses during

every year of operation except 1897-1898. Consequently, the entire share capital, corresponding to over 4 million (today's money), had been spent by the time Päivälehti was suppressed by the authorities. The year before, the board of directors had already started making plans for a new company. According to these plans, existing assets were to be sold to the new company. Unfortunately, surviving records do not reveal how the matter was finally settled.

The minutes of board meetings at Helsingin Suomalainen Sanomalehti Osakeyhtiö reveal many surprising facts. Predictably, one of the main items on agendas was the approval of promissory notes, but it is surprising that credit was forthcoming at all. Financial aid came also from certain financial institutions which certainly did not support one of Päivälehti's main principles, promotion of the Finnish language. There would have been excellent grounds for refusing to grant any credit to such a high risk client. One unorthodox creditor was the company's own treasurer, who lent the company an amount roughly twice his annual salary. The company has not had such wealthy treasurers since then, and the company has not needed to borrow money under similar arrangements again. The board members were always obliged to countersign promissory notes, naturally.

Remarkably, the newspaper was able to acquire a printing plant and expand it. This acquisition probably supported the company's economy, because from then on additional outside printing work must have been available at a profitable rate. This was not always the case in later years, although the true profitability of outside work has not always been recognized, and perhaps there was no desire to do so. It is an irresistible thought that

OSAKEKIRJA

N^o 330-351

HELSINGIN SUOMALAINEN SANOMALEHTI- OSAKEYHTIÖ.

Herra Matti Kurikka

on yhtiölle maksanut

viidestä (5) osakkeesta

viisisataa (500) markkaa

ja siten saavuttanut ne oikeudet sekä sitoutunut niihin
velvollisuuksiin, jotka yhtiön armollisesti vahvistettujen
sääntöjen mukaan osakkeelle tulevat.

Helsingissä Heinäk. kuun 30 p:nä 1898.

Helsingin Suomalainen Sanomalehti-Osakeyhtiö.

J. J. J. J. J.
Augustalm. *Filip W. W.*

Helsingissä, Päivälehdin kirjapainossa, 1898.

the Czarist oppressors would not have needed to abolish *Päivälehti* if its founders had known in advance what was coming in the years of 1889-1904. In spite of their idealistic enthusiasm, the newspaper may never have been founded.

1904—1945

Sanoma Corporation was founded as the publishing company for Helsingin Sanomat. At the same time, two other companies were also founded; Helsingin Uusi Kirjapaino Oy to continue the printing activities of *Päivälehti*, and, in 1903, Miekkakala Oy to carry out real estate investment projects. For this reason, Sanoma Corporation's financial figures for this period are limited to publishing activities only, and are therefore not fully comparable to those of preceding or later periods. Since Sanoma Corporation was, however, the majority shareholder in these companies, at least in practice, it was also responsible for their finances, although this is not always obvious from the accounts.

The company's financial development was erratic during this period, but only few fiscal years showed a loss, the worst perhaps in 1919. The circulation of the newspaper, which in 1905 was about 6,000, had increased roughly about tenfold by 1918. Growth then stagnated, so that circulation in 1932 was still approximately the same. From that year on, growth picked up again, and by 1944 weekday circulation was as high as 140,000. This led to increased advertising. *Ilta-Sanomat* was first published in 1932.

The growth of circulation and advertising volume does not always mean increased subscription and advertising revenues. Increases in subscription prices and advertising rates depended on economic trends and competition. Since cost increases followed a different pattern, the financial performance varied.

Fairly substantial investments, mostly made in the names of subsidiaries, characterized this period. The companies acquired a plot of land on the south side of Ludviginkatu, and erected buildings on it or used buildings already there. The printing company acquired three rotary presses for newspaper printing. In addition, real estate was purchased

for residential and recreational purposes. As Sanoma Corporation acted primarily only as guarantor or financier, for instance, by raising the share capital, the corporation's solvency and liquidity remained strong. The balance sheets for this period show no long-term external liabilities.

The share capital of Sanoma Corporation was raised several times during this period. The original share capital of FIM 10,000 was increased to FIM 40,000 as early as in the spring of 1905. This increase, as well as the rise to FIM 120,000 in 1922, took the form of rights issues. These were followed by capital issues in 1925, 1927 and 1928, which raised the share capital to a total of FIM 2,800,000. In 1941, the share capital was increased to FIM 4,320,000 (equivalent to about 3 million marks at today's prices) under a share issue which comprised a rights issue and a capital issue.

At the end of this period, the real estate holdings and printing plants were merged with Sanoma Corporation with the result that the balance sheet showed some long-term debts. However, the amount of short-term debts showed a greater increase.

1946—1967

During this era, the scope of the company operations expanded from newspaper publishing to include magazines and books. Also, commercial printing activities showed substantial growth. Commercial printing was separated from newspaper printing and moved to a new location. This move together with the acquisition of a new rotary press accounted for the largest investments during this time. The circulation of Helsingin Sanomat grew by 90%, reaching a weekday circulation of 265,000 in 1967.

The financial performance varied greatly during these years. During the ten-year span, from 1947-1956, earnings increased fivefold, which was 250% growth in real terms. In 1957, earnings deteriorated sharply, but recovered to such an extent that by 1962 the profit was 50% more than the peak figure of 1956. This was followed by a downswing, an exception being 1965. At the end of the low-performance period, the earnings for 1967 were, at least nominally, about the same as the low

figure for 1957 (in real terms they were only 70%). Evidently, business operations would have shown a loss had it not been for bookkeeping and related adjustments.

Also, the liquidity situation worsened. When the current ratio of financial assets to short-term liabilities was clearly above 1.0 in 1946, it had dropped to 0.67 in 1967. Also, the Corporation's long-term liabilities showed a sharp increase — especially in the 60s, when they accounted for a fourth of the 1967 turnover. In fact, compared to the average rate of indebtedness of Finnish companies, this was still rather moderate.

However, it is quite obvious that the company was in some financial trouble.

The share capital was raised by capital issues five times during this period, to a total of FIM 3.5 million in 1963, comprising 7% of the turnover.

1968—1988

As a result of the alarming financial trend, vigorous steps were taken to rectify the situation. Attempts were made to increase revenues through raising prices, which had lagged behind inflation. A cost-cutting program was implemented, with exceptionally successful results. The administrative organization of the whole corporation was first restructured, and a couple of years later all corporate weaknesses were re-evaluated and corrected. To support all these measures, a planning and development system for following up all operations and finances was implemented.

These measures were taken too late for 1968, when the situation deteriorated further. However, from then on, the financial performance began to improve and by the early 70s exceeded the peak figures of 1962. The development thereafter has continued very positively. Only in 1977 and 1978 were small setbacks experienced.

With the exception of the early phase, expanded investment activities have characterized the period as a whole. The buildings and machinery belonging to both the newspaper and the commercial printing plants have been entirely renovated. Computerization and advanced technology have been implemented at all corporate levels. In addition, real estate properties have been acquired in the vi-

cinity of Ludviginkatu and the corporate portfolio has been considerably increased.

In spite of investments amounting to billions of marks, liquidity has remained very stable. Thanks to improved liquidity and more efficient financial management, the current ratio again exceeded 1.0 in the beginning of the 70s — interest revenues exceeded interest expenditures in the middle of the 70s and have remained at that level again throughout the 80s. The circulation of Helsingin Sanomat, which for several years has been the largest Scandinavian morning paper exceeded 450,000 on weekdays during the first half of 1988. The advertising volume is over 60,000 column meters per annum. *Ilta-Sanomat* has grown so vigorously that it is now the second largest newspaper in Finland. Other activities and acquisitions of the parent company have contributed to an increased turnover and, in most cases, also to improved profitability.

The share capital has been raised twice by capital issues and presently totals FIM 14.2 million, i.e. about one percent of the turnover. When considering these figures, however, we must remember that during this hundred-year span bookkeeping laws and regulations, as well as methods and bases for financial calculations, have often been changed. The Finnish mark has decreased in value to a fraction of what it was in 1889, and no index figures can give an exact picture of the change in the monetary value in real terms; they do not take into account the changes that have taken place in our living habits.

M. Teräsalmi
Vice President Finance, Retired

Net Income Information

1984—1988

USD, in millions, except EPS (1)	1984	1985	1986	1987	1988
Net sales	291,5	323,4	354,3	389,4	431,2
Operating profit	52,5	55,7	62,2	77,2	96,6
Interest income, net	+ 3,2	- 0,7	- 0,6	+ 0,2	- 1,4
Extraordinary items	+ 0,2	+ 2,6	+ 3,2	- 1,9	+ 0,6
Income before depreciation and taxes	55,9	57,6	64,8	75,5	95,8
Depreciation (2)	- 23,8	- 24,4	- 30,1	- 39,0	- 40,9
Income before taxes	32,1	33,2	34,7	36,5	54,9
Income tax paid	- 6,3	- 5,9	- 7,0	- 11,2	- 12,8
Deferred income tax expense	- 9,4	- 10,4	- 10,0	- 6,7	- 14,1
Net income before minority share	+ 16,4	+ 16,9	+ 17,7	+ 18,6	+ 28,0
Minority share of the profit of subsidiaries	- 0,1	+ 0,1	- 0,1	+ 0,1	+ 0,1
Net income	+ 16,3	+ 17,0	+ 17,6	+ 18,7	+ 28,1
Earnings per share USD	34,4	35,9	37,1	39,5	59,3

1) The exchange rate 31.12.1988 was 4,177

2) Based upon remaining useful lifetime and replacement value

Income Statement Information

1984—1988

USD, in millions (1)	1984	1985	1986	1987	1988
Income before depreciation and taxes	55,9	57,6	64,8	75,5	95,8
Depreciation according to Finnish Tax Act	- 19,0	- 31,2	- 33,4	- 31,9	- 37,4
Additional depreciation allowed by special tax relief legislation	- 6,3	-	-	-	- 26,8
Adjustments to untaxed reserves (2)	- 20,3	- 16,9	- 18,3	- 16,7	- 4,5
Income before income tax paid	10,3	9,5	13,1	26,8	27,1
Income tax paid (3)	- 0,5	- 0,3	- 0,5	- 11,2	- 12,8
Statutory net income	9,8	9,2	12,6	15,7	14,3

1) The exchange rate 31.12.1988 was 4,177.

2) For Finnish tax purposes companies are allowed to claim various tax deductions principally by charging income for adjustments to untaxed reserves and accumulating these charges on the balance sheet. These adjustments must also be reflected in the financial statements. Earnings per share calculations are based on net income after taxes net exclusive of untaxed reserves.

3) As permitted under Finnish accounting practice the Company reduced income tax expense by FIM 23,3; 23,1; 26,9 million in 1984, 1985, 1986 respectively and reflected such an amount as a reduction of retained earnings.

Circulation Figures

Newspaper Division	1984	1985	1986	1987	1988
Helsingin Sanomat (daily)	425.943	427.614	430.251	441.735	457.068
HS-Sunday edition	501.539	505.471	512.401	524.109	541.299
Ilta=Sanomat (afternoon paper)	163.791	184.151	193.971	204.470	195.279
I=S-weekend edition	209.689	220.027	230.772	236.260	222.748
Sanomaprint magazines					
Me naiset, women's weekly	130.065	122.672	101.886	97.491 ¹⁾	99.165
Gloria, women's monthly	—	—	—	42.827	46.620
Kodin Kuvalehti, family bi-weekly	181.484	171.011	162.133	165.008	167.321
Suuri Käsityökerho, handicraft	106.629	102.035	98.373	110.130	110.469
Sandra	—	—	—	12.941	17.074
Specialty magazines					
et-lehti, for senior citizens	81.618	95.687	113.271	128.079	138.688
Eläinmaailma, fauna	43.935	42.166	38.286	36.227	37.100
Kansa Taisteli, war memoirs	33.458	30.545	28.178	—	—
Tiede 2000, science	23.110	25.855	31.067	33.684	37.574
Terveys 2000, health	—	—	18.391	23.046	27.509
MikroBitti, microbyte	37.097	43.676	42.793	41.513	38.872
C-magazine	—	—	—	13.432	16.066
Hifi, hifi	11.563	13.046	13.465	13.488	13.253
Tietokone, computer	10.385	10.350	9.652	11.735	14.866
Proessori, processor	6.389	6.037	5.795	5.956	6.710
Skimbaaja, skiing	—	—	13.719 ²⁾	13.215	13.947
Children's magazines					
Aku Ankka, Donald Duck	291.852	281.244	279.957	286.760	291.331
Roope-setä, Uncle-Scrooge	67.770	56.071	49.772	49.025	52.726
Nalle Puh, Winnie-the Pooh	59.588	53.075	47.572	44.664	40.196
Liisa Ihmemaassa, Alice in Wonderland	—	20.897	13.410	—	—
Maija Mehiläinen, Maja the Bee	—	—	29.705	16.957	14.703

Given figures show the average officially inspected circulation for each newspaper and magazine. ¹⁾ Circulation April—December 1987 ²⁾ Circulation July—December 1986

Directors and Officers

Board of Directors

Aatos Erkko, Chairman
Väinö J. Nurmimaa, Vice Chairman
Aarne Castrén
Pentti J. K. Kouri
Teo Mertanen
Jaakko Rauramo
Patricia Seppälä
Heikki Tikkanen

Executive Committee

Aatos Erkko, Chairman
Väinö J. Nurmimaa
Jaakko Rauramo

Remuneration Committee

Aarne Castrén, Chairman
Teo Mertanen
Väinö J. Nurmimaa

Media Policy Committee

Teo Mertanen, Chairman
Aatos Erkko
Jaakko Rauramo

Corporate Administration

Aatos Erkko, Chairman and Chief Executive Officer
Jaakko Rauramo, President and Chief Operating Officer
Heikki Huhtanen, Executive Vice President and General Manager, Newspaper Division
Matti Anderzén, Executive Vice President, Communications Policy and Community Relations

Jaakko Hannuksela, Vice President, Planning and Development
Pertti Huhtala, Vice President and General Manager, Startel Oy
Tapio Kallioja, Vice President and General Manager, Eurocable Group
Martti Ojares, Vice President, Finance
Kerstin Rinne, Vice President, Legal Affairs
Heikki Saraste, Vice President and General Manager, Sanomaprint
Pekka Töröpainen, Vice President, Real Estate

Newspaper Division

Heikki Huhtanen, General Manager

Matti Huopaniemi, Deputy General Manager and Vice President, Marketing, Helsingin Sanomat
Sakari Almi, Vice President, Marketing, Ilta=Sanomat
Tapani Kivelä, Vice President, Administration and Finance
Pertti Metsähuone, Vice President, Advertising Sales, Helsingin Sanomat
Jouko Nurmela, Vice President, Production
Pertti Puolakka, Vice President, Logistics
Martti Koski, Manager, Varkaus Printing Plant

Helsingin Sanomat

Heikki Tikkanen, Senior Editor in Chief
Keijo K. Kulha, Editor in Chief
Seppo Kieväri, Editor in Chief
Simopekka Nortamo, Editor in Chief

Ilta=Sanomat

Vesa-Pekka Koljonen, Senior Editor in Chief
Lauri Helve, Editor in Chief, until Febr. 27, 1989

Oy Lippupalvelu—Biljettjänst Ab

Elvi Neuvonen, Managing Director

Sanomaprint

Heikki Saraste, General Manager

Eija Ailasmaa, Editor in Chief
Pirkko Huottilainen, Vice President, Children's Magazines and Books
Hannu Kilttilä, Vice President, Commercial Printing
Marjukka Luomala, Editor in Chief
Esa Malm, Vice President, Advertising Sales
Marit Oksanen, Vice President, Administration
Anne Valsta, Vice President, Marketing
Antero Väisänen, Vice President, Fulfillment

Erikoislehdet Oy

Eero Sauri, Managing Director
Nella Ginman, Vice President, Marketing
Harri Roschier, Vice President, Marketing
Hannu Ryyttä, Vice President, Marketing

Eurocable Division

Eurocable Oy

Tapio Kallioja, Managing Director

Helsinki Televisio Oy

Pekka Jaakola, Managing Director

Janco Kabel-TV A/S

Kjell Gulliksen, Managing Director

ECI Communications AG

Tapio Kallioja, Managing Director

Startel Oy

Pertti Huhtala, Managing Director

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Asta Hyvärinen, Vice President, Publishing
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Klaus Lehmuskallio, Vice President, Marketing

Sanomalehtien Ilmoitustoimisto Oy

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