

Annual Report 1993

Helsinki Media



Editor in Chief and founder of the newspaper Eero Erkko, at his desk in the editorial offices of Helsingin Sanomat in 1909.

SANOMA CORPORATION ANNUAL REPORT 1993

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SANOMA CORPORATION BOARD OF DIRECTORS



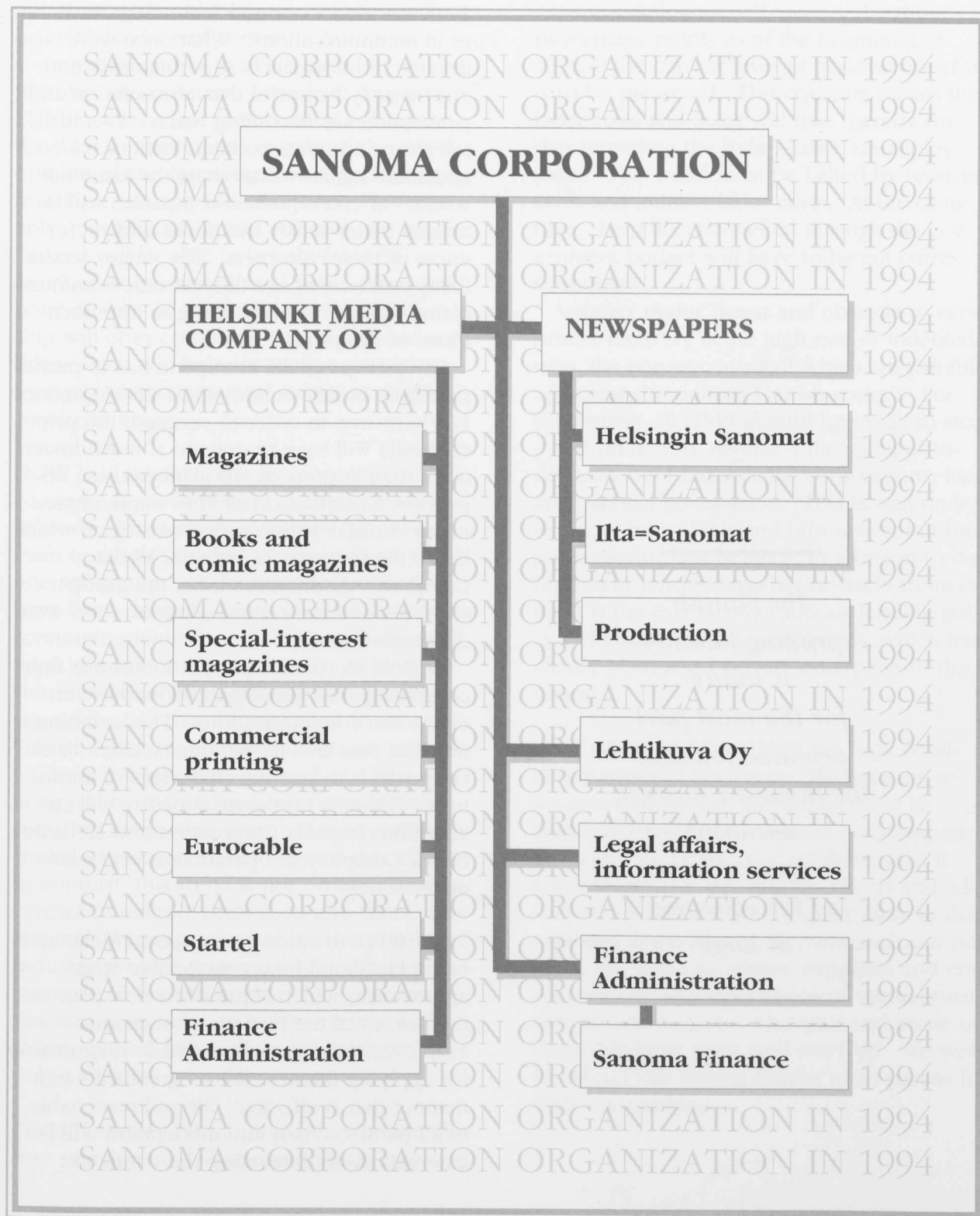
Sitting from the left Mr Heikki Tikkanen, Mr Aatos Erkko and Mrs Patricia Seppälä. Standing from the left Mr Kalle Salonen, Ms Merja Helle, Mr L.J. Jouhki, Mr Jaakko Rauramo, Mrs Jane Erkko and Mr Robin Langenskiöld.

Aatos Erkko, Chairman	for the term until	1996
Heikki Tikkanen, Vice Chairman		1995
Jane Erkko		1994
Merja Helle, Personnel Representative		1996
L.J. Jouhki		1996
Robin Langenskiöld		1995
Jaakko Rauramo		1995
Kalle Salonen, Personnel Representative		1996
Patricia Seppälä		1994

Auditors

Mr Antti Helenius, Authorized Public Accountant, and Ms Johanna Perälä, Authorized Public Accountant, have served as Auditors, with Mr Aunus Salmi, Authorized Public Accountant, and Mr Pekka Nikula, Authorized Public Accountant, as their Deputies.

ORGANIZATION 1994



TIME OF CHANGE

*The Finnish
printing industry
is today
for the most part
oriented towards
the domestic market,
mirroring
the performance
of the economy
at large.*

1993 was a year of major technological changes in communications. What once were dreams of information superhighways and enormously powerful data transmission and processing are becoming reality. Eventually, telephone and data communications, video and audio signals will all share the same networks. In consequence, companies will be able to better satisfy the needs and preferences of their customers. The range, accessibility and ease of use of electronic communication services are beginning to approach those of the printed media.

Any serious media enterprise has to participate fully in this technological development. Furthermore, in order to succeed, the printed media will have to operate at much lower costs than at present. To achieve these objectives, Sanoma Corporation implemented a major reorganization process last year, which led to the founding of Helsinki Media Company. At the same time, the group structure and the central administration were dismantled.

Helsinki Media Company is a business unit combining traditional printed media with electronic communications. This combination has provided us with an excellent basis from which to face the challenges of the future. The new corporate structure will enable both Sanoma Corporation and Helsinki Media Company to operate in a very cost-efficient way.

THE MOVE towards greater cost efficiency is being facilitated by recent flexible wage agreements, which represent a new page in the history of the Finnish labor market. Employers have now been made responsible for applying the new labor agreements in a manner that is effective, fair and reasonable to all parties. Vigor and moderation will be essential in implementing the contracts.

MEMBERSHIP in the European Union will make Finland a real partner in European cooperation and in the EU's decision-making process, and not just a compliant recipient of EU directives. Full membership will open the door to active participation in the development of the European common heritage in culture, science and education. However, only an intellectually and culturally strong Finland will be able to benefit from full membership in the cultural field. From the point of view of material welfare, membership will offer continuity, credibility and confidence that will help us combat excessive foreign indebtedness and satisfy our capital requirements.

NOW FOR the first time in years, the Finnish economy is showing clear signs of a turnaround. However, these prospects still remain under the shadow of exceptionally high unemployment. So far, very few remedies have been devised, the most significant being economic stimulation, on the one hand, and work sharing on the other. The mere discussion of work-sharing arrangements underscores the fact that the overall costs of Finnish labor are, unfortunately, still too high.

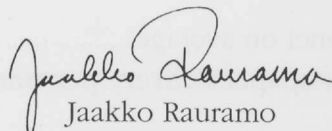
Genuine work sharing could best be achieved by increasing labor flexibility and reducing manpower costs. The recently concluded wage agreements support this effort. In contrast, this trend is not promoted by increases in indirect labor costs and taxes. Last autumn's wage agreements for the printing industry provide an average monthly pay raise of 135 Finnish marks. For employers, this means an increase in labor costs of 230 marks, while it leaves the wage-earner with only a 61-mark raise after taxes.

IT CAN already be predicted that the mandatory pension contributions of both employ-

ers and employees will increase by three percentage points as of the beginning of 1995, if the current level of pension benefits is to be preserved. This equation means that labor costs and taxes will rise, thereby further impeding the fight against unemployment. This trend must be halted by reducing taxes and indirect labor costs. At the same time, benefits channelled through the government budget will have to be cut correspondingly.

Another major threat and obstacle to economic recovery is the high rate of indebtedness, the consequences of which are painfully apparent throughout Finnish society. For this reason, all effort should be made to stop – and preferably reverse – the spiral of indebtedness of individuals, corporations, local and national government. This is well understood by individuals and businesses, but the public sector lags behind. In addition to the high debt burden, another obstacle to investment is the excessively cautious lending policy of Finnish financial institutions, which has clearly obstructed private enterprise in this country.

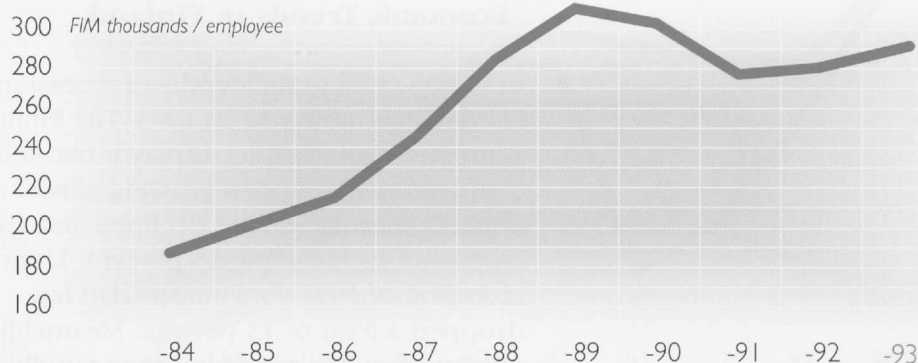
SANOMA CORPORATION can look confidently towards the future. We have the resources to deal with the changes that lie ahead, as long as we safeguard our competitiveness. We believe that we have what it takes to provide our readers, clients and advertisers with products of great value to them now and in the future. We have built our relationships with our clients, suppliers and employees on the cornerstones of mutual trust, respect and fairness. Our trust and mode of operation have been well received. We wish to extend our sincere thanks to all parties for their cooperation.


Jaakko Rauramo
President

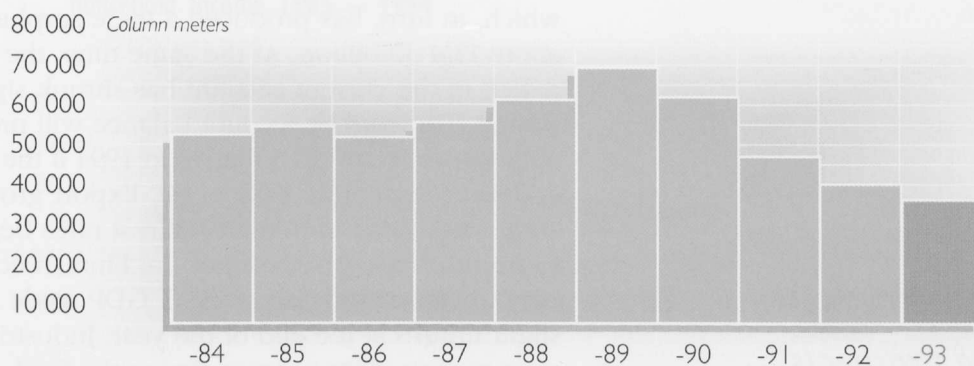
SANOMA IN FIGURES

	1991	1992	1993	Change %
Net sales FIM m.	2,001	1,936	1,939	+ 0.2
Wages and salaries including social security payments FIM m.	824	822	797	- 3.0
% of net sales	41.2	42.5	41.1	
Operating profit FIM m.	326	290	319	+ 10.0
% of net sales	16.3	15.0	16.5	
Depreciation FIM m.	158	231	181	- 21.7
Taxes FIM m.	65	29	46	+ 58.6
Dividends FIM m.	3	4	4	0.0
Investment FIM m.	271	355	129	- 63.7
Shareholders' equity including untaxed reserves FIM m.	1,687	1,673	1,621	- 3.1
% of Balance sheet grand total subscription liability excluded	60.3	55.6	65.3	
Balance sheet grand total FIM m.	3,058	3,256	2,726	- 16.3
Financial assets compared with outside liabilities without interest	2.7	2.3	2.0	
Net debt	104	104	-79	
Personnel on average	3,210	3,120	2,971	- 4.8
newspaper delivery personnel	2,225	2,041	2,007	- 1.7

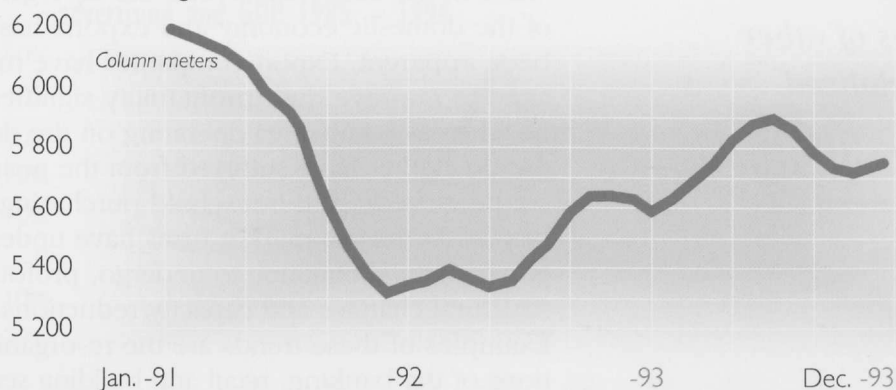
Consolidated value added / size of personnel 1984 – 1993



Volume of advertising in Helsingin Sanomat 1984 – 1993



Cumulative volume of advertising carried in the retail-ad section of Helsingin Sanomat 1991 – 1993



REPORT BY THE BOARD OF DIRECTORS ON SANOMA CORPORATION OPERATIONS IN 1993

Economic Trends in Finland

FINLAND was in the depths of recession for a third consecutive year in 1993. The Finnish economy continued to display a two-track character, with exports growing almost a fifth, while domestic demand declined and Gross Domestic Product fell 2.5 percent. During the recession of 1991-93, Finnish GDP has dropped a total of 13 percent. Meanwhile, unemployment has risen almost as rapidly as GDP has fallen. In December 1993, unemployment was up to 21.8 percent.

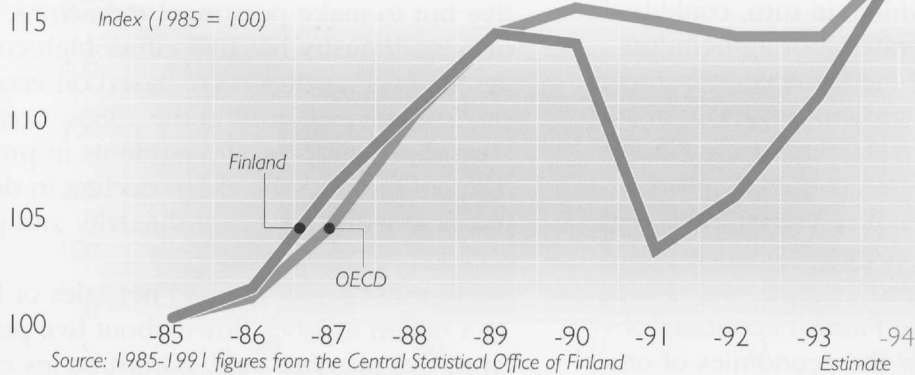
The 1992 devaluation of the Finnish mark has boosted Finnish exports into strong growth, which, in turn, has produced a trade surplus of about FIM 30 billion. At the same time, the deficit in the current account has shrunk significantly. The current account balance will probably return to positive figures in 1994 if the economy performs as forecast. Export growth and a large drop in market interest rates began to brighten the prospects of the Finnish economy in the second half of 1993. GDP made a slight upturn at the end of the year. Industrial output grew eight percent during the final months of 1993, pulling the annual growth figure up to 5.4 percent, which is almost equal to that of the peak year 1987.

Also in the corporate world, the divergence of the domestic economy and exports has been apparent. Export companies have managed to improve their profitability significantly, whereas companies operating on the domestic market have suffered from the nearly six-percent drop in household purchasing power. Domestic-market firms have undergone, and will continue to undergo, profound structural changes and capacity reductions. Examples of these trends are the re-organizations of the banking, retail and building sectors.

The sore points of the Finnish economy – record-high unemployment and quickly mounting public debt – make the future very

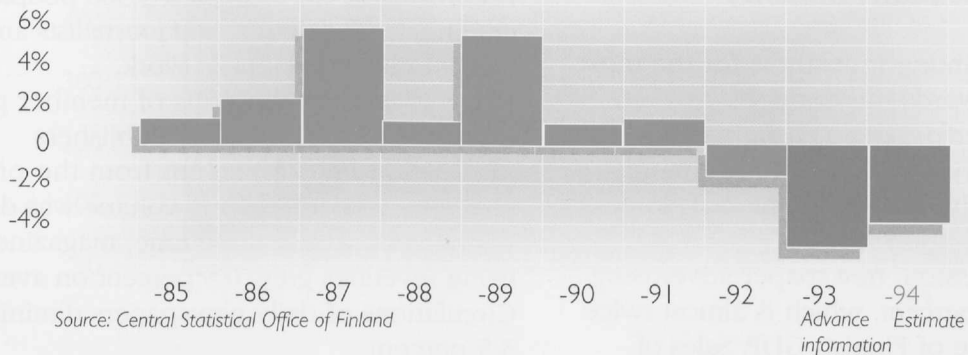
*The prospects
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Industrial production, volume index in Finland and OECD countries 1985 – 1994



Real disposable household income 1985 – 1994

(1990 price level)



Trends in newspaper advertising and GDP 1985 – 1994



REPORT BY THE BOARD OF DIRECTORS ON SANOMA CORPORATION OPERATIONS IN 1993

uncertain. A basis for recovery in the domestic market could be created by a rebound of corporate investment, which, in turn, could be facilitated by the moderate labor agreements reached at the end of the financial year in conjunction with export growth, lower interest rates and the renewed stability of the Finnish currency. However, the economic upturn is likely to be very gradual, and unemployment will remain high unless the job market is thoroughly restructured.

The prospects of the Finnish economy obviously depend on how the economies of other industrialized nations perform. Likewise, developments in Russia and other neighboring countries in Eastern Europe will affect Finland's growth prospects.

The Communications Industry

THE FINNISH printing industry is for the most part oriented towards the domestic market, mirroring the performance of the economy at large. The industry is divided into two main branches: publishing and commercial printing services.

During the recession, newspaper advertising has declined 23 percent, which is almost twice the rate of decline of Finnish GDP. Sales of magazine advertising have fallen 26 percent.

Magazines and newspapers have lost advertising market share to television. In part, however, this can be viewed as a typical recessionary phenomenon.

The recession has had a particularly heavy impact on commercial printing operations. Even the surge of bankruptcies did not absorb the large excess of printing capacity, as new companies have generally been set up to continue the operations of failed firms. On the whole, commercial printing plants recorded losses last year.

In addition to the overcapacity problem and declining advertising sales, weaker-than-average productivity has contributed to the profitability crisis of the printing industry. In the past, the sector has generally regulated the size

of its workforce only by way of natural attrition. Now, many companies have no alternative but to make personnel reductions. The printing industry has had rather high-cost wage agreements, as they were based on economic performance charted in the 1980s. Companies have also made large investments in production equipment. The sharp decline in demand has now led to lower productivity and profitability.

The printing industry had net sales of FIM 13.5 billion in 1993, down about five percent from the previous year. Bankruptcies continued to plague the industry, with 143 company failures occurring in 1993, mainly among commercial printers, which have been under financial strain for quite some time.

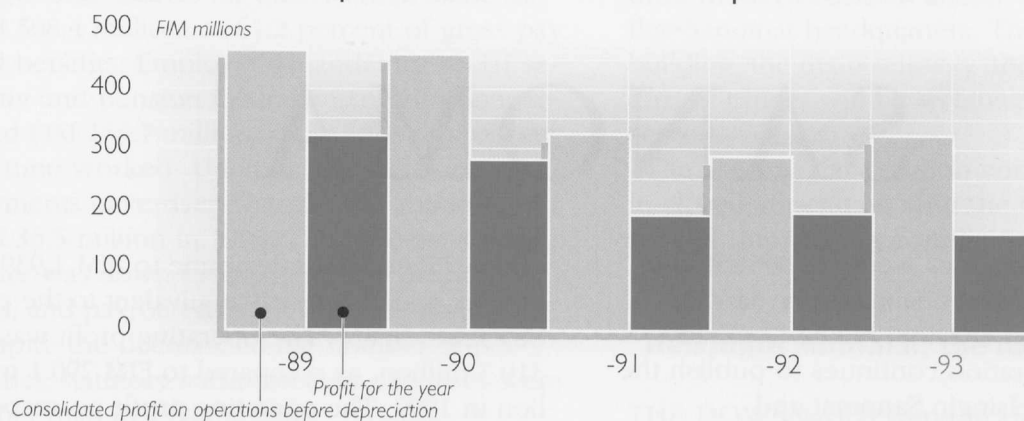
Printing-industry unemployment rose to record highs. An estimated 5,560 people, including 3,900 printers, 560 journalists and 1,100 clerical staff, were out of work.

The advertising revenues of member papers of the Finnish Newspaper Publishers Association fell 7.3 percent from the previous year. The total advertising volume was down 4.3 percent. At the same time, magazine advertising revenues grew 0.9 percent on average. Circulations of daily newspapers diminished 3.5 percent.

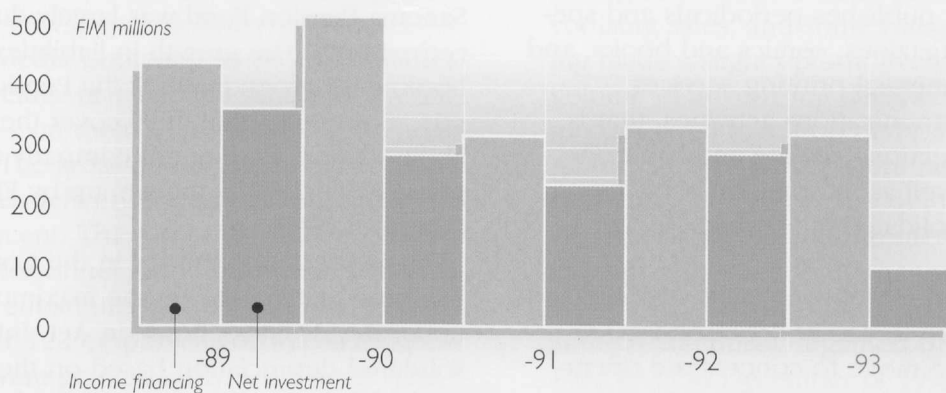
There are no significant growth prospects in sight for the industry in the near future. Consequently, companies are forced to cut costs and increase productivity. The wage agreement concluded at the end of 1993 offers greater leeway to settle matters at the company level and will support the efforts to improve productivity.

The European Economic Area Agreement, which has now entered into force, will have an impact on the communications industry in the near future. Numerous legislative amendments are now being drafted in anticipation of Finland's membership in the European Union. The electronic communications industry, in particular, is characterized by increasing internationalization, and this will alter the internal market structure of the industry.

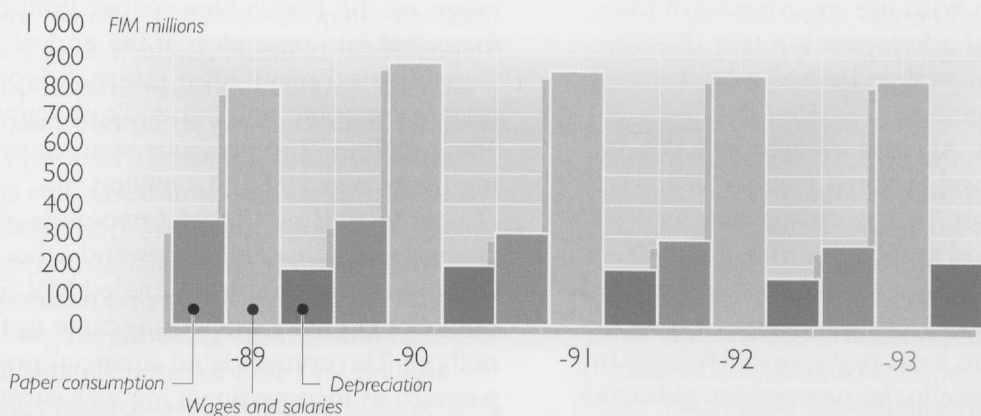
Consolidated profit on operations before depreciation and profit for the year after internal depreciation, financial income and expenditure 1989 – 1993



Consolidated income financing and net investment 1989 – 1993



Consolidated internal depreciation, wages, salaries and social security payments, and paper consumption 1989 – 1993



REPORT BY THE BOARD OF DIRECTORS
ON SANOMA CORPORATION OPERATIONS IN 1993

SANOMA

SANOMA operations were concentrated in two units during the financial year: Sanoma Corporation and Helsinki Media Company. Sanoma Corporation continues to publish the newspapers Helsingin Sanomat and Ilta-Sanomat. The Sanomaprint and New Media divisions were incorporated into Helsinki Media Company at the end of 1993. Helsinki Media publishes periodicals and special-interest magazines, comics and books, and provides commercial printing services. Electronic communications activities, that is, program production, satellite and cable-TV operations as well as information services, were also consolidated in Helsinki Media Company.

The decision to establish Helsinki Media was a logical follow-up to earlier organizational restructuring. The move to concentrate operations in two dynamic, nationally and internationally competitive communications enterprises will enable Sanoma to meet the challenges of the future.

In connection with the incorporation process, the central administration was dismantled, and administrative bodies were formed for both companies.

Sanoma Invest AG was merged into the Switzerland-based Sanoma Finance AG. The Norwegian cable-TV operator Janco Kabel-TV A/S, formerly owned by the subsidiary ECI Communications AG, was placed under the direct ownership of Helsinki Media. In June, Sanoma sold the local newspaper Hyvinkään Sanomat to a provincial newspaper publisher. The international picture agency Lehtikuva Oy remains a wholly owned Sanoma subsidiary.

Consolidated net sales came to FIM 1,939.0 million, which is nearly equivalent to the previous year's figure. The operating profit was FIM 319.3 million, as compared to FIM 290.1 million in 1992. The operating profit corresponds to 16.4 percent of net sales, up from the 15.0 percent recorded in the previous year. The FIM 34 million increase in the liabilities of the Sanoma Pension Fund was largely due to early retirements. The growth in liabilities was not booked as expenditure as the Pension Fund assets, at current value, fully cover the pension liability deficit. The parent company had net sales of FIM 1,649.9 million, up by FIM 6.7 million from 1992.

The depreciation entries in the Consolidated Financial Statements are the maximum allowed under the Business Taxation Act. Internal consolidated depreciation based on the estimated useful lifetime and replacement value of assets amounted to FIM 207.5 million, which is 28 percent more than in 1992. The growth in the depreciation figure was due to depreciation taken on the Forssa Newspaper Printing Plant that went into operation at the end of 1992. Consolidated profit after internal depreciation, financial income and expenditure came to FIM 166.1 million. The previous year's corresponding figure was FIM 190.4 million.

Consolidated net interest expenses, exchange-rate gains and losses and other financial income and expenditure totaled FIM 54.2 million. Net capital expenditure came to FIM 102.5 million. The consolidated financial position improved, as income financing was substantially greater than capital outlays.

Wages and salaries were Sanoma's largest ex-

pense item. Together with social security payments, wages and salaries amounted to FIM 831.4 million, or 42.9 percent of net sales. Wages and salaries for time worked came to FIM 508.4 million, or 61.2 percent of gross pay and benefits. Employer's mandatory social security and pension insurance contributions totaled FIM 153.7 million, or 30.2 percent of pay for time worked. Unemployment insurance payments have risen sharply and amounted to FIM 36.5 million in 1993. The total personnel figure was down by 183 from the previous year, and payroll costs fell FIM 14.8 million. Despite the decrease in the number of personnel, statutory social security expenses were higher than in 1992.

Sanoma had a total of 4,978 employees on average in 1993. Of that total, Sanoma Corporation employed 3,761, including 2,007 part-time newspaper delivery personnel. Helsinki Media Company and its subsidiaries had an average of 1,149 and Lehtikuva Oy 68 employees on their payrolls during the financial year. The gross personnel turnover rate, newspaper delivery personnel excluded, came to 3.5 percent. The turnover rate for paper-delivery personnel was 7.1 percent. 242 vacation-time substitutes were employed in 1993. Altogether 122 employees retired during the year; 96 were granted early retirement. The sale of Hyvinkään Sanomat Oy reduced the total staff figure by 50.

Certain Sanoma Corporation operations were relocated to the Sanomala property in Vantaa, and some were situated in company-owned premises in downtown Helsinki. Helsinki Media operations were concentrated in the Pitäjänmäki district of northern Helsinki, with the exception of Helsinki Cable Television, which is still based in the Pasila district.

Real estate improvements, including those to the corporate office at the refurbished Korkeavuorenkatu property and the renovation of two neighboring office buildings, represent an investment of FIM 14.9 million. Properties leased to outsiders yielded revenues of FIM 10.9 million. Planning work continued on the Korkeavuorenkatu 30 property

after the Helsinki City Council approved the site's zoning proposal in January 1994. This Sanoma property is to be transformed into an ultra-modern editorial facility to house the Ilta-Sanomat headquarters. The exterior of the building, the main stairway and the street-side corner offices will be architecturally conserved.

The Sanoma Corporation continued to work in close cooperation with the City of Vantaa for the improvement of the Sanomala property.

Helsingin Sanomat, the daily newspaper

THE DOWNWARD trend in Helsingin Sanomat advertising sales bottomed out at the end of summer 1993. The autumn months brought a resurgence – after a three-year decline – of advertising sales, and some categories of advertising made a slight upturn. Even so, the annual volume of advertising declined eight percent, as compared to a drop of 14.2 percent in 1992. Advertisement prices were raised about three percent.

A total of 36,396 column meters of advertising was published in the newspaper in 1993. Job-vacancy advertising began to revive in the autumn and finally regained the December 1992 level in December of 1993, after falling 90 percent from the peak years' figures. Housing ads also showed some growth during the autumn and were boosted by the newspaper's introduction of a separate home sales supplement. The downward trend in auto sales ads also ended, and in December auto ads were back to the previous year's level.

The retail ad section, which has long been a positive exception to the general trend in advertising sales, achieved further growth. The volume of advertising was up two percent from the previous year, but the growth curve levelled out in November-December. The weak state of the domestic retail market will probably continue to hamper advertising sales. Decreased purchasing power is expected to lead to a further decline in retail sales in 1994.

REPORT BY THE BOARD OF DIRECTORS ON SANOMA CORPORATION OPERATIONS IN 1993

In 1993, a total of 547 pages of advertising was published in the magazine supplement, down 5.2 percent from 1992. The number of separate advertising supplements also declined. The magazine supplement's ad prices remained unchanged during the year. Advance figures indicate that advertising has recovered somewhat in early 1994 also in the magazine supplement.

The Top Three marketing alliance of Finland's three leading dailies – Helsingin Sanomat, Aamulehti and Turun Sanomat – continued to perform successfully, and an additional alliance – Top Three Plus – was created in 1993 to include the provincial newspapers Kaleva, Keskisuomalainen and Savon Sanomat. The 'Dynamic Duo' package was launched for sales of advertising space in Helsingin Sanomat and Ilta=Sanomat.

The circulation of Helsingin Sanomat held basically stable, despite the diminishing purchasing power of subscribers caused by the recession and massive unemployment. Throughout the recession, the newspaper's circulation has dropped only three percent from the peak years. The daily circulation declined 1.4 percent and the Sunday circulation 1.2 percent in 1993.

Despite the large decline in purchasing power, Helsingin Sanomat maintained its circulation in the Helsinki Metropolitan Area. Subscriptions decreased nationally only in areas that were heavily affected by unemployment.

The average daily circulation was 476,163 (- 6,889) and the average Sunday circulation 565,283 (- 7,736). The daily circulation fell particularly in the spring, but then levelled out after the summer vacation season. The decline in the Sunday circulation came later, in summer and early autumn.

As much as 57 percent of the daily Helsingin Sanomat circulation is absorbed by the Helsinki Metropolitan Area, 14 percent goes to residents of Uusimaa province and 29 percent to other parts of Finland.

Circulation revenues rose 4.4 percent from the previous year, despite the decline in the

number of subscribers. In March, the 12-month subscription price was raised from FIM 836 to FIM 869 and the Sunday subscription price was increased from FIM 389 to FIM 399. The newsstand price of a single copy was raised by one mark in March. The new price is eight marks on weekdays and ten marks on Sundays.

Owing to the decline in revenues, profitability was improved through extensive cost-cutting measures. The number of editorial content pages was reduced four percent, or by 427 pages for the year. Despite the reduction in the total page number, the newspaper published about 10,000 more news items and articles in 1993 than in 1992. Twenty-five issues of the newspaper's magazine supplement and a separate tabloid supplement on boating were published.

The Helsingin Sanomat editorial page was redesigned at the beginning of October. In addition, local news content was expanded significantly. Among the year's main news topics were the state of the Finnish economy, the presidential election campaign and the negotiations on membership in the European Union.

The opening of the Forssa Printing Plant has drastically reduced newspaper delivery times. Currently 95 percent of the newspaper's subscribers receive their paper in the early morning delivery throughout the country.

To be more cost-effective, Sanoma and other newspaper publishers have begun exploring opportunities for further cooperation with the postal service in combining various distribution networks.

Ilta=Sanomat, the afternoon newspaper

THE PROFITABILITY of Ilta=Sanomat improved on the previous year. This good performance was the result of circulation growth and cost-cutting measures. Following a slight decrease in 1992, Ilta=Sanomat's circulation headed upwards again in 1993. The afternoon paper achieved an average circulation of

212,853 copies on weekdays and 263,308 on weekends. Ilta=Sanomat was the only major Finnish newspaper to chart circulation growth in 1993.

In accordance with the paper's moderate pricing policy, the newsstand price remained unchanged at five marks, with the exception of eight expanded issues. Ilta=Sanomat increased its market share in the Helsinki region. At year-end, the paper was available at 8,400 sales points across the country.

During the year, Ilta=Sanomat was published in two editions on weekdays and in a single edition on weekends. Three regular weekly supplements, entitled 'Sports', 'The Week', and 'TV Magazine', were published. A separate cultural section was introduced. Extra supplements were produced around the themes of unemployment, summer leisure-time activities and fashion. There were two extra issues: one on Foreign Minister Paavo Väyrynen's surprise resignation in May and the other on the October power struggle in Moscow.

The volume of advertising in Ilta=Sanomat was down 10 percent from the previous year. A total of 4,834 column meters of advertising was carried, and advertising revenues fell 9.7 percent.

Production

PRODUCTION operations were further developed to improve capabilities for page makeup and fully electronic page transfer from the editorial offices to the printing plants. A new local area network was installed at the downtown offices, and all computer systems and equipment used in editorial work and advertising sales will be linked into this network. Helsingin Sanomat, Ilta=Sanomat and Lehtikuva began using a joint electronic picture library, and a decision was made to acquire a new electronic page makeup system for Ilta=Sanomat.

1993 was the first full year in which Helsingin Sanomat and Ilta=Sanomat were both printed at three different printing plants: Sanomala, Forssa

and Varkaus. On the printing side of operations, the focus was on improving technical quality and efficiency through staff training programs. The training was designed to help Sanoma employees broaden their professional competence and understanding of business principles and improve human relations skills.

In addition to the Company's own output, the Sanomala Printing Plant produced 19 newspapers on a regular basis for outside clients in 1993. Some 35 individual printing commissions were also undertaken, for a total of 1.5 million copies.

Lehtikuva Oy, International Picture Agency

LEHTIKUVA had another profitable year, though the result was down somewhat from 1992.

Growth was charted in sales of news photos. The agency added three newspapers to its list of regular clients for news photo material. Once again, photo coverage of major sporting events was the most profitable business area. Even so, the growth in revenues was insufficient to compensate for losses caused by reduced demand on the photo market. Picture library sales suffered from the declining number of corporate clients. Catalog picture sales were affected as well.

The agency adopted new image transmission technology offering significantly greater speed and picture quality. A digital broadcast system was introduced; the system enables pictures to be transferred simultaneously to several clients.

Helsinki Media

HELSINKI MEDIA COMPANY publishes general and special-interest magazines, children's magazines and books, provides commercial printing services and engages in satellite and cable-TV operations, information and marketing services and media-monitoring activities.

Magazines

HELSINKI MEDIA publishes nine general-interest magazines: *Me naiset*, *Glorian*, *Kodin Kuvalehti*, *Suuri Käsityölehti*, *et-lehti*, *Eläinmaailma*, *Tiede 2000*, *Hyvä Terveys* and *Vauva*. Magazine advertising sales were basically unchanged from the previous year, even though the number of corporate clients has fallen to half that of the peak years. Circulation sales remained extremely competitive, and resources allocated to marketing weighed down the magazines' overall financial performance. The decline of consumer purchasing power has been rather slow to affect magazine sales, and, consequently most Finnish magazines saw their circulations decline for the first time during the recession in 1993. Some Helsinki Media magazines were positive exceptions to the general downward trend.

The senior citizens' magazine *et-lehti*, which celebrated its 20th anniversary in 1993, achieved growth in advertising sales and circulation. The circulation was up by 10,938 copies to a total of 210,987. The women's weekly *Me naiset* sold particularly well at newsstands and achieved growth of over nine percent, with the circulation shooting well beyond the 100,000 barrier. The circulation of the monthly *Gloria* women's magazine advanced 2.5 percent in 1993.

The family bi-weekly *Kodin Kuvalehti* maintained its previous year's circulation level and, according to a national media survey, was the most widely read Finnish women's magazine of 1993. The magazine's readership is estimated at 710,000. The handicraft magazine *Suuri Käsityölehti* boosted its advertising sales and circulation. During the financial year, the magazine's concept was taken to Sweden, where a sister periodical called *Sy & Sticka* was launched in the autumn. The magazine is edited, made-up and printed in Finland.

Eläinmaailma (Animal World) tested the market for a petlovers' magazine by publishing a single issue called *Koirat* (Dogs).

Magazine circulations are listed on page 35.

Books and comic magazines

THE COMIC magazine market suffered setbacks during the year, both in subscriptions and single-copy sales. The successful Finnish edition of the weekly *Donald Duck* (*Aku Ankka*) maintained a high circulation of 281,088 copies. There was a reduction of six percent or 18,344 copies, largely attributable to unemployment and widespread economic hardship. More than half of the readership is over 16 years of age.

The publication program consisted of *Donald Duck* and five other comics: *Uncle Scrooge*, *Winnie-the-Pooh*, *Winnie-the-Pooh Activity Magazine*, *Bamse* and *Bugs Bunny*, all in Finnish.

Non-fiction and hobby books published in 1993 fared much better than expected on the book market. In particular, the *Children's Illustrated Encyclopedia* and *Learn English with Donald and Mickey* were surprise successes.

Both were reprinted during the year.

Children's book sales held stable, but prices were pulled down by an excess of supply. Demand for comic books and, above all, pocket books declined. Sixty new comic book titles were published in 1993.

Erikoislehdet, Special-Interest Magazines

ERIKOISLEHDET published 13 magazines, 13 regular corporate publications and five business directories in 1993. The magazines *Pelit* (Games), *Terve Elämä* (Healthy Life), *Tietokone* (Computer) and *Street & Race* all achieved considerable circulation growth. The circulations of *Pelit* and *Terve Elämä*, broke the 20,000 mark for the first time, growing 25 and 18 percent, respectively. The computer magazine *Tietokone* had another successful year. Its circulation rose more than eight percent. The outdoor recreation magazine *Utemagasinet*, published in Sweden, also did well and attracted new subscribers. In addition, *Erikoislehdet* published the following magazines: *MikroBitti*, *MacMaaailma*, *Proessori*, *HiFi*, *Skimbaaja*, *Valmennus ja Kunto*, *Venemaailma* and *Pienois-malli*.

The recession took readers away from the hobby magazines *HiFi* and *Skimbaaja*, but *Venemaailma* (Boat World) preserved its circulation. The advertising revenues of all special-interest magazines declined. Magazine circulation figures are given on page 35.

A new title was added to the list of regular corporate publications, and an agreement was made with the Government Purchasing Center for the publication of its periodical.

Erikoislehdet's professional publications section published three Blue Book business directories in 1993. The rights to the *Kompass Finland* directory were sold to another publisher.

Commercial Printing

COMMERCIAL PRINTING sales were up from 1992, and the printing plant had a good intake

of orders. The growth in revenues and volume stemmed mainly from sales to outside clients. Export operations also gained ground. However, prices continued to fall owing to the sector's large surplus of capacity, and profitability was down. Signs of an upturn in the commercial printing industry began to appear during the autumn.

A Total Quality Management training program encompassing the entire staff was launched at the printing facility. Capital improvement and development work focused on the electronic page makeup of magazines.

Eurocable

NET SALES of television operations remained unchanged from 1992. Further growth was charted in the number of pay-TV subscribers, but the decline of the Finnish mark against other currencies led to higher program acquisition costs weighing down the result.

EUROCABLE provides the pay-TV channels *FilmNet* and the *Entertainment Channel*. In February, *FilmNet* was divided into two separate channels: *FilmNet Plus*, a general entertainment channel offering programs with Finnish subtitles; and *FilmNet the Complete Movie Channel*, which shows high-quality international films. The number of *FilmNet* subscribers continued to rise, and at year-end the channel had a 60-percent share of the Finnish pay-TV subscribers market. In this highly competitive market, the *Entertainment Channel* lost customers in 1993 and counted 11,957 subscribers at the end of the year.

HELSINKI CABLE TELEVISION (HTV) continued to perform well in 1993. HTV concentrated on enrolling more subscribers within its existing service area, instead of expanding the network. The HTV cable network had 174,801 subscriber households at year-end, a gain of 3,127. By the end of 1993, about 69 percent of the households within the HTV cable network were connected to the system.

Helsinki Cable Television had 26,293 pay-TV

REPORT BY THE BOARD OF DIRECTORS ON SANOMA CORPORATION OPERATIONS IN 1993

subscribers at the end of the year. The range of service comprised the FilmNet and the Entertainment Channel and the PlusSat package, which was enlarged from six channels to 12 without raising the subscription price.

THE OSLO-BASED subsidiary Janco Kabel-TV had nearly as successful a year in 1993 as it did in 1992. Pay-TV continued to play an increasingly significant role in the company's operations. The number of pay-TV subscribers grew 19 percent, reaching 20,500 at year-end.

Network expansion has slowed almost to a halt, and fierce competition is holding prices down. The Janco cable network covers about two-thirds of the city of Oslo, while competing with several other cable networks in the same urban area. The Janco network had 157,200 subscriber households at the end of the year.

Startel

STARTEL provides on-line economic, financial and corporate information as well as software applications for the financial industry. Economic information sales grew about 30 percent from the previous year. The emerging recovery of the capital market sparked demand, and a new satellite service InfoScreen was introduced in late spring. The Startel Express business news service also found new clients during the year.

The business software-producer Oy Infodec Ab was merged with Startel in November, and part of the company's operations were sold.

Startel operations include Sanomalehtien ilmoitustoimisto Oy (SITA), which provides expert monitoring of printed and electronic media sources. The company celebrated its 80th anniversary in September. Demand for media-monitoring services remained unchanged from 1992.



The articles of incorporation of Helsinki Media Company were signed on December 30, 1993. Here signing the documents are Mr Jaakko Rauramo, President and COO, Sanoma Corporation (left), and Mr Aatos Erkko, Chairman, Sanoma Corporation. Standing behind are Mr Tapio Kallioja, President of Helsinki Media, and Ms Kerstin Rinne, Sanoma Corporation Vice President for Legal Affairs and Information Services.

CONSOLIDATED INCOME STATEMENT

(FIM 1,000)	Jan.1-Dec.31, 1993	Jan.1-Dec.31, 1992
Sales proceeds.....	2,488,582	2,502,686
Adjustments to gross sales		
Discounts	133,453	124,164
Credit losses.....	15,946	19,588
Commissions and advertising agency fees.....	196,865	203,950
Other adjustment items	203,306 - 549,570	219,079 - 566,781
Net sales (1).....	1,939,012	1,935,905
Leasing income.....	11,666	14,049
Variable expenditures		
Materials	415,414	435,050
Variable wages, salaries and fees	457,841	474,868
Other variable expenditures	193,318	188,667
Change in inventory	8,800 -1,075,373	- 2,262 -1,096,323
Gross margin.....	875,305	853,631
Fixed expenditures		
Fixed wages, salaries and fees.....	205,089	214,703
Rents	43,337	50,650
Other fixed expenditures	307,552 - 555,978	298,178 - 563,531
Profit on operations before depreciation ..	319,327	290,100
Depreciation (2)		
Buildings.....	27,995	34,575
Machinery and equipment	122,137	158,866
Other material goods	4,850	5,732
Immaterial rights	840	1,906
Other long-term expenditures	22,359	25,251
Additional depreciation	3,195 - 181,376	4,322 - 230,652
Profit on operations after depreciation	137,951	59,448
Financial revenues and expenditures (3)		
Interest revenues	85,781	111,306
Dividend revenues	8,754	10,210
Other financial revenues	61,859	48,484
Interest expenditures.....	- 64,589	- 72,842
Other financial expenditures	- 37,596 + 54,209	- 34,842 + 62,316
	192,160	121,764
Other revenues and expenditures		
Revenues.....	7,247	24,419
Expenditures (4)	- 59,603 - 52,356	- 49,550 - 25,131
Pay-out to the Employee Profit-Sharing Fund.....	- 10,385	- 2,332
Profit before reserves and taxes.....	129,419	94,301
Changes in reserves		
Inventory reserve.....	+ 7,553	- 1,012
Other reserves (5)	+ 30,419 + 37,972	+ 4,973 + 3,961
Direct taxes.....	- 46,348	- 29,335
Minority share of subsidiary profits.....	+ 4,516	+ 1,405
Profit for the year	125,559	70,332

Figures in parentheses refer to "Appended Information on the Consolidated Income Statement and Balance Sheet" on page 24.

CONSOLIDATED BALANCE SHEET

Assets	Dec. 31, 1993		Dec. 31, 1992	
(FIM 1,000)				
Financial assets				
Cash in hand and in banks	99,163		391,195	
Accounts receivable (6)	283,591		297,098	
Loans receivable	707,674		603,816	
Advance payments	3,806		6,118	
Deferred assets	45,817		129,520	
Other financial assets	25,537	1,165,588	35,480	1,463,227
Inventories				
Materials	43,961		58,813	
Other inventories	21,982	65,943	15,728	74,541
Fixed assets and other long-term expenditures				
Land	219,982		319,394	
Buildings	469,941		548,635	
Machinery and equipment	300,805		352,998	
Other material goods	40,249		39,354	
Shares and holdings	352,206		334,587	
Immaterial rights	1,712		2,406	
Other long-term expenditures	102,866	1,487,761	109,928	1,707,302
Group intangibles		7,148		11,010
		2,726,440		3,256,080

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

Liabilities	Dec. 31, 1993		Dec. 31, 1992	
(FIM 1,000)				
Outside liabilities				
Short-term				
Accounts payable	40,866		67,514	
Advance payments (6)	280,921		281,209	
Deferred liabilities.....	231,392		244,077	
Other short-term debts	96,161	649,340	173,788	766,588
Long-term				
Loans from financial institutions	171,254		239,879	
Pension loans (7)	263,355		551,766	
Other loans	2,927	437,536	8,488	800,133
Reserves (8)				
Stock reserve	0		18,841	
Investment reserve	73		73	
Other reserves	4,109		227,139	
Transition reserve	201,111	205,293	0	246,053
Minority share.....		19,047		16,280
Shareholders' equity				
Restricted equity	615,064		772,708	
Non-restricted equity	674,601		583,986	
Profit for the year	125,559	1,415,224	70,332	1,427,026
		2,726,440		3,256,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Dec. 31, 1993

(FIM 1,000)

1. Restricted shareholders' equity	
Restricted shareholders' equity as of January 1, 1993	46,413
Appreciation equivalent to the profit on sale of properties assigned to housing and real estate companies	726,295
Reversal of appreciation	- 157,644
	615,064
2. Non-restricted shareholders' equity	
As of January 1, 1993	654,318
Dividends distributed	- 4,177
Donations made.....	- 400
Connection fees to Helsinki Cable Television Ltd	+ 5,736
Conversion gap	+ 19,124
	674,601
Profit for the year.....	+ 125,559
	800,160
3. Securities given as collateral	44,015
Mortgages given as collateral	180,978
Consolidated debt entered under loan receivables	9,000
Guarantees	19,115
Other commitments	965
4. Taxation values of fixed assets	
Land	133,620
Buildings	284,562
Shares and holdings	376,688
5. Liability deficit of the Sanoma Pension Funds	71,439
At current value, Pension Funds assets fully cover the funds' liability deficit.	
6. Liability from pension commitments.....	869
7. Appreciation of fixed assets as of January 1, 1993	
Land.....	5,000
Shares and holdings	3,390
Balance as of December 31, 1993.....	8,390

THE CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET

(FIM 1,000)	Jan 1 - Dec 31, 1992	Jan 1 - Dec 31, 1991
Sales proceeds	2,174,824	2,184,133
Adjustments to gross sales		
Discounts	136,372	131,812
Cash losses	11,738	15,146
Commissions and advertising		
Agency fees	182,726	189,281
Transport costs for newspapers		
and magazines	188,045	191,149
Other operating expenses	17,841	21,448
Net sales	1,648,932	1,645,797

8. Consolidated holdings

	Number	Percentage	Nominal value (1,000)	Book value (FIM 1,000)
Sanoma Corporation				
Other companies				110,293
Holdings by the subsidiaries				
Aamulehti-yhtymä Oy.....	300,008	5.09	3,000	18,000
Kirjalito Oy.....	20,000	50.00	2,000	100
Kotkan Tietoruutu Oy	970	20.20	970	971
MTV Oy	5,755	10.45	2,877	18,422
MXS-Satelliittipalvelu Oy.....	1,453	25.90	145	5,193
Päijät-Visio Oy	404	14.43	2,020	2,021
Sentosa S/A	4,250	33.33	CHF 8,500	30,172
Suomen Asiakastieto Oy	10	2.70	1	156
Suomen Paikallis-TV Kanavat Oy	1,700	33.34	1,700	1,700
Suomen Uusvisio Oy	1	2.70	50	50
Telebase Systems, Inc.	625,000	7.80	—	5,785
Other companies, total				550
Housing shares				158,793
				<u>352,206</u>

APPENDED INFORMATION ON THE CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET

Income statement

1. Net sales have remained basically stable despite the decline in newspaper advertising sales. The decline in sales proceeds has been successfully offset by reductions in credit losses and freight costs.
2. Maximum depreciation under the Business Taxation Act. The amount of depreciation is down owing to the substantially lower investment outlays of 1993. This contrasts with a clear rise in internal depreciation, as these calculations include depreciation on the Forssa Printing Plant for the first time in 1993.
3. Receivables and liabilities in the Consolidated Financial Statements are valued according to the exchange rate on the date the books were closed. The Sanoma Corporation's unrealized exchange-rate gains of FIM 18.6 thousand have not been entered as income.
4. Other expenditures include reductions of FIM 24.9 million in the value of shares and land and depreciation of FIM 21.5 million on loan receivables.
5. Changes in other reserves include a FIM 4.7 million reduction in the operating reserve; the entire credit loss reserve of FIM 24.4 million has also been entered.

Balance sheet

6. Accounts receivable include subscription receivables of FIM 119.2 million. Advance payment liabilities include FIM 242.1 million in advance payments for undelivered subscriptions.
7. Pension loans include a loan of FIM 144 million from the Sanoma Pension Funds. The Funds' pension liability deficit increased by FIM 34.4 million in 1993. FIM 24 million of the increase resulted from advance retirements granted to Sanoma Corporation employees. At current value, the Funds' assets fully cover the pension liability deficit.
8. The transition reserve has been created out of the stock reserve and operating reserve.

SANOMA CORPORATION INCOME STATEMENT

(FIM 1,000)	Jan. I – Dec.31, 1993	Jan. I – Dec.31, 1992
Sales proceeds	2,174,884	2,184,133
Adjustments to gross sales		
Discounts	130,377	121,832
Credit losses	11,750	15,116
Commissions and advertising agency fees	182,926	189,251
Transport costs for newspapers and magazines	180,045	191,005
Other adjustments to gross sales	19,843 – 524,941	23,688 – 540,892
Net sales	1,649,943	1,643,241
Leasing income	+ 15,956	+ 17,346
Variable expenditures		
Materials	335,324	356,558
Variable wages, salaries and fees	424,349	434,322
Other variable expenditures	186,416	182,042
Change in inventory	9,882 – 955,971	– 2,174 – 970,748
Gross margin	709,928	689,839
Fixed expenditures		
Wages, salaries and fees	157,155	164,246
Rents	97,296	108,737
Other fixed expenditures	242,627 – 497,078	230,928 – 503,911
Profit on operations before depreciation ..	212,850	185,928
Depreciation		
Buildings	4,513	5,871
Machinery and equipment	91,672	126,427
Immaterial rights	2	811
Other long-term expenditures	12,548 – 108,735	12,794 – 145,903
Profit on operations after depreciation	104,115	40,025
Financial revenues and expenditures		
Interest revenues	85,162	126,657
Dividend revenues	6,176	6,126
Corporate tax credit on dividends	2,058	4,084
Other revenues	101,389	18,986
Interest expenditures	– 72,516	– 81,833
Other financial expenditures	– 23,526 + 98,743	– 28,148 + 45,872
	202,858	85,897
Other revenues and expenditures		
Revenues	168,928	19,597
Consolidated subsidy	– 2,900	– 34,262
Other expenditures	– 231,288 – 65,260	– 27,182 – 41,847
Pay-out to the Employee Profit-Sharing Fund	– 9,682	– 1,829
Profit before reserves and taxes	127,916	42,221
Changes in reserves		
Inventory reserve, increase –, decrease +	+ 15,766	– 544
Replacement reserve	0	– 817
Other reserves, increase –, decrease +	+ 16,746 + 32,512	+ 4,760 + 3,399
Direct taxes	– 40,318	– 18,397
Profit for the year	<u>120,110</u>	<u>27,223</u>

SANOMA CORPORATION BALANCE SHEET

Assets	Dec. 31, 1993	Dec. 31, 1992
(FIM 1,000)		
Financial assets		
Cash in hand and in banks	9,486	159,744
Accounts receivable	145,849	237,390
Loans receivable	697,534	1,208,531
Advance payments	1,546	5,306
Deferred assets	83,037	127,282
Other financial assets	25,401	34,913
	962,853	1,773,166
Inventories		
Materials	33,769	51,499
Products, finished and in process	0	11,566
	33,769	63,065
Fixed assets and other long-term expenditures		
Land	47,044	47,044
Buildings	53,910	56,910
Machinery and equipment	203,994	301,404
Advance payments, machinery	2,750	469
Shares and holdings	110,293	125,529
Shares and holdings, subsidiaries	1,099,974	708,519
Immaterial rights	8	1,299
Other long-term expenditures	38,277	41,680
	1,556,250	1,282,854
	<u>2,552,872</u>	<u>3,119,085</u>

NOTES TO THE FINANCIAL STATEMENTS

Liabilities	Dec. 31, 1993		Dec. 31, 1992	
(FIM 1,000)				
Outside liabilities				
Short-term				
Accounts payable	18,852		52,142	
Advance payments	120,439		235,085	
Deferred liabilities	160,615		251,875	
Other short-term debts	<u>215,047</u>	514,953	<u>295,697</u>	834,799
Long-term				
Loans from financial institutions ..	167,403		231,205	
Pension loans	258,600		516,870	
Other debts	<u>0</u>	426,003	<u>6,500</u>	754,575
Reserves				
Inventory reserve	0		15,766	
Investment reserves	0		817	
Other reserves	0		199,580	
Transition reserve	<u>182,834</u>	182,834	<u>0</u>	216,163
Shareholders' equity				
Restricted				
Share capital		46,414		46,414
Non-restricted				
Operating fund	1,254,550		1,229,550	
Profit from previous years	8,008		10,361	
Profit for the year	<u>120,110</u>	1,382,668	<u>27,223</u>	1,267,134
		<u>2,552,872</u>		<u>3,119,085</u>

NOTES TO THE SANOMA CORPORATION FINANCIAL STATEMENTS

(FIM 1,000)	Dec. 31, 1993
1. Shareholders' equity	
232,866 K-series shares	23,287
231,269 E-series shares	23,127
	<u>46,414</u>
Operating fund	
As of January 1, 1993	
Transferred from retained earnings	1,229,550
Balance as of December 31, 1993	+ 25,000
	<u>1,254,550</u>
Reserve for donations	
As of January 1, 1993	
Transferred from retained earnings	0
Donations made	+ 400
Balance as of December 31, 1993	- 400
	<u>0</u>
Retained earnings	
As of January 1, 1993	37,584
Dividends distributed	- 4,177
Transferred to operating fund	- 25,000
Transferred to donations	- 400
Non-withdrawn dividends refunded	+ 1
	<u>8,008</u>
Profit for the year	120,110
Balance as of December 31, 1993	<u>128,118</u>
2. Securities given as collateral	1,096
Mortgages given as collateral	5,200
Pledged deposit	7,899
Other pledges	34,413
Guarantees	11,956
Guarantees on behalf of the subsidiaries	4,502
3. Receivables from subsidiaries	365,197
Debts to subsidiaries	141,453
4. Taxation values of fixed assets	
Land	61,647
Buildings	79,220
Shares and holdings	261,907
Shares and holdings, subsidiaries	952,208
5. Appreciation of fixed assets, as of January 1, 1993	
Land	5,000
Shares and holdings	3,390
Balance as of December 31, 1993	<u>8,390</u>
6. Liability deficit of the Sanoma Pension Fund	69,302
At current value, Pension Fund assets fully cover the fund's liability deficit.	
7. Liability from pension commitments	869
8. Other expenditures include write-downs in the value of shares, and other revenues consist mainly of gains on sales of copyrights and shares.	

9. Holdings by Sanoma Corporation
in other companies as of December 31, 1993

	Number	Percentage	Nominal value	Book value (FIM 1,000)
SUBSIDIARIES				
Aamukaste Oy.....	577,698	74.00	5,776,980.00	13,618
Helsinki Media Company Oy	773,558	100.00	38,677,900.00	187,917
Lehtikuva Oy	75,000	100.00	750,000.00	1,025
Sanoma Finance AG.....	1,090,000	100.00	CHF 109,000,000.00	417,156
Sanomain Huoneisto ja Kiinteistöholding Oy	62,000	100.00	62,000,000.00	62,213
Real estate and housing corporations				413,072
Non-operative.....				4,972
Subsidiaries, total				1,099,973
OTHER COMPANIES				
Finnair Oy.....	601,479	0.94	3,007,395.00	6,002
Kymen Lehtimedia Oy	10,028	26.20	1,002,800.00	8,319
Kymmene Oy.....	1,158,871	1.41	23,177,420.00	56,326
Pro Lehdistö Oy-Pro Pressen Ab.....	1,014	10.20	101,400.00	101
Oy Radio Ykkönen-Radio Ettan Ab	14	18.20	140,000.00	284
Rautakirja Oy.....	1,076,979	16.62	21,539,580.00	20,178
Savon Sanomat Oy	108,685	5.17	1,086,850.00	1,096
Suomen Tietotoimisto Oy.....	31,663	20.78	379,956.00	134
Others				3,597
Real estate and housing corporations				14,256
Other companies, total				1,210,266
COMPANIES OWNED BY SUBSIDIARIES OF SANOMA CORPORATION				
	Consolidated ownership%			
ECI Communications AG	100.00		CHF	1,050
Erikoislehdet Oy	100.00			14,000
Eurocable Ltd.....	100.00			43,000
Helsinki Cable Television Ltd	99.00			43,636
HS-Invest A/S	100.00			10,000
Kytos SA.....	100.00		CHF	16,000
Janco Kabel-TV A/S	100.00			54,320
Milvus Förlags Ab	100.00			1,137
Sanomalehtien Ilmoitustoimisto SITA Oy	83.13			7,375

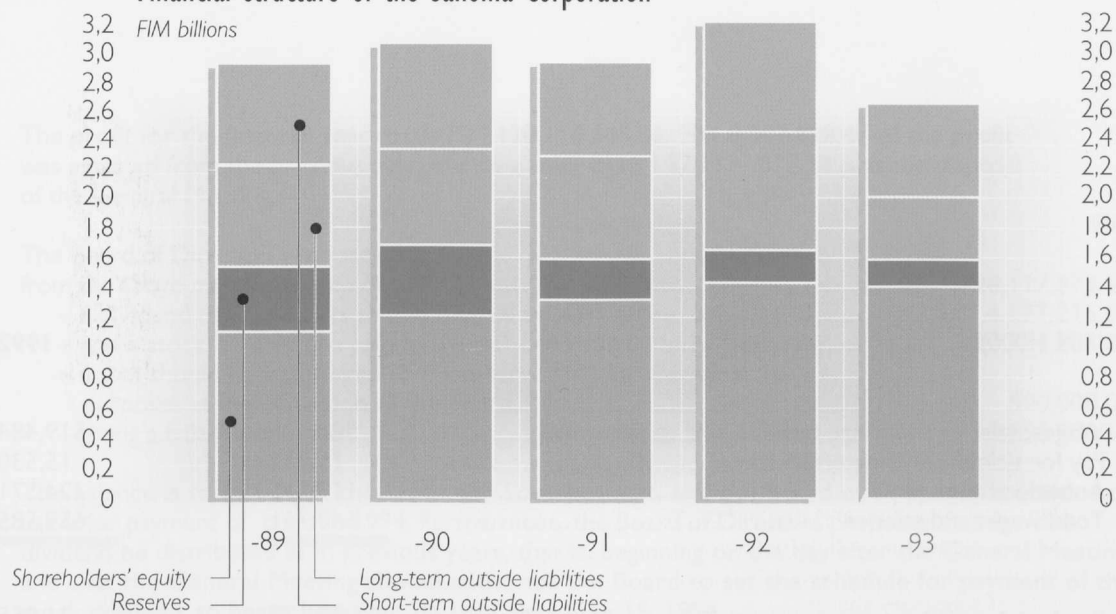
The figures for companies not specified here are given in the official financial statements.

CHANGES IN FINANCIAL POSITION

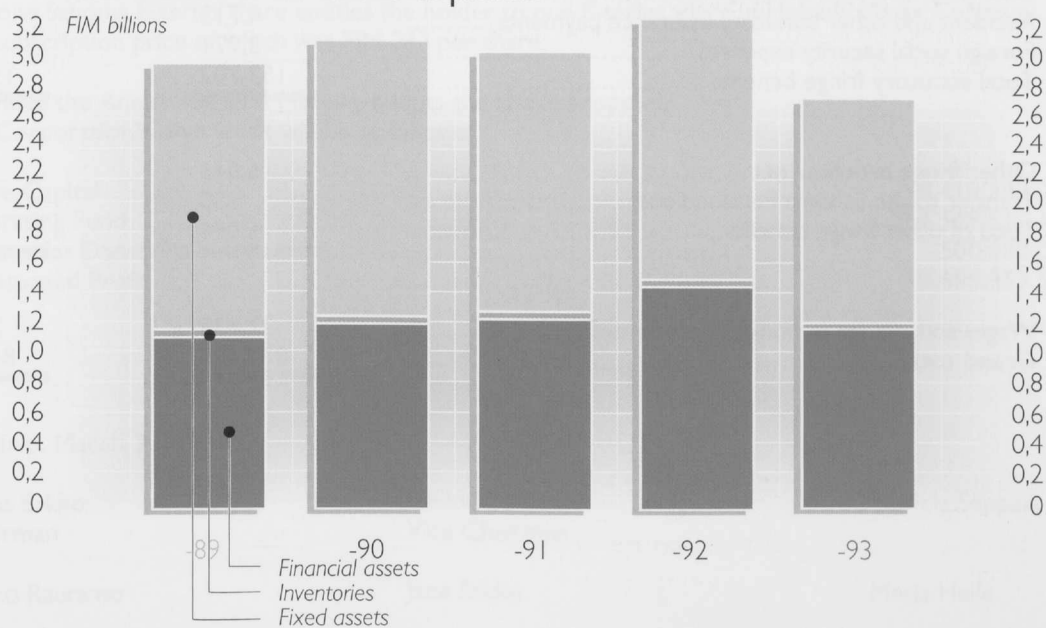
(FIM m.)	1993	1992
Sources of funds		
Income financing		
Operating profit	319.3	290.1
Financial revenues and expenditures	54.2	30.7
Other income financing (net)	- 32.5	- 11.1
Income on fixed assets	23.2	56.5
Sale of subsidiary shares	3.4	0.0
Taxes	- 46.3	- 29.3
Capital financing		
Increase in long-term outside liabilities	-	91.2
Connection fees to Helsinki Cable Television Ltd	+ 5.8	8.0
Conversion gap	+ 19.3	- 0.9
Total	346.4	435.2
Use of funds		
Distribution of profit		
Dividends	4.2	4.2
Other distribution of profit	0.4	0.4
Pay-out to the Employee Profit-Sharing Fund	10.4	2.3
Investments		
Investment in fixed assets	129.1	354.9
Decrease in long-term outside liabilities	358.7	-
Total	502.8	361.8
Change in net working capital		
Financial assets: increase + / decrease -	- 253.5	+ 191.9
Inventories: increase + / decrease -	- 8.6	+ 2.2
Short-term outside liabilities: increase - / decrease +	+ 105.7	- 120.7
Total	- 156.4	73.4

FINANCIAL AND ASSET STRUCTURES

Financial structure of the Sanoma Corporation



Asset structure of the Sanoma Corporation



CONSOLIDATED WAGES, SALARIES AND SOCIAL SECURITY PAYMENTS

(FIM 1,000)	1993	1992
Wages, salaries and fringe benefits paid to personnel.....	508,414	519,484
Pay for sickness and maternity leave.....	15,732	15,530
Annual vacation pay.....	119,615	124,571
Total wages and salaries	<u>643,761</u>	<u>659,585</u>
Employer's social security payments	29,179	21,855
Social insurance payments	79,575	93,837
Unemployment insurance payments.....	36,464	26,223
Accident and other statutory insurance payments.....	4,713	5,299
Foreign social security expenses.....	3,771	3,412
Total statutory fringe benefits	<u>153,702</u>	<u>150,626</u>
Other fringe benefits / net	6,046	8,463
Transfer to the Sanoma Pension Funds.....	50	-
Total of other fringe benefits.....	<u>6,096</u>	<u>8,463</u>
Wages and salaries to non-staff employees	27,839	27,513
Grand total.....	<u>831,398</u>	<u>846,187</u>

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

PROPOSAL FOR DISTRIBUTION OF THE PROFIT

The profit for the financial year totals FIM 120,110,045.06. FIM 8,007,828.47 of the profit was retained from the previous year. Hence a total of FIM 128,117,873.53 is at the disposal of the General Meeting.

	FIM
The Board of Directors proposes that from the above-mentioned sum of.....	128,117,873.53
– a dividend of 9.00 marks should be paid on each share, or.....	4,177,215.00
– and a stock dividend be paid in shares* of Helsinki Media Company, or	112,784,805.00
– a sum should be transferred to the reserve fund for charitable purposes at the discretion of the Board.....	500,000.00
– giving a balance of.....	10,655,853.53

The balance is to be left on the Profit and Loss Account, and the Board of Directors is entitled to use it for payment of taxes in 1994. Furthermore, the Board of Directors proposes that the cash dividend be distributed as in previous years, that is, beginning on the day after the General Meeting, and that the General Meeting should authorize the Board to set the schedule for payment of the stock dividend, to begin, however, no later than June 15, 1994.

* One Sanoma K-series share entitles the holder to one K-series share in Helsinki Media Company and one Sanoma E-series share entitles the holder to one E-series share in Helsinki Media Company, the subscription price of which was FIM 243 per share.

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

Share Capital	46,413,500.00
Operating Fund.....	1,254,549,511.18
Reserve for Donations	500,000.00
Undisposed Profit.....	10,655,853.53

Helsinki, March 3, 1994

Aatos Erkko
Chairman

Heikki Tikkanen
Vice Chairman

Patricia Seppälä

Jaakko Rauramo

Jane Erkko

Merja Helle

L.J. Jouhki

Robin Langenskiöld

Kalle Salonen

AUDITORS' REPORT

We have examined the accounting records, the annual report and the administration of the Sanoma Corporation for the year ended December 31, 1993. Our examination was made in accordance with generally accepted auditing standards.

Salmi, Virkkunen & Helenius Oy, Authorized 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, 1993 is FIM 120,110,045.06.

We recommend that

the Income Statement and the Balance Sheet be adopted,
the members of the Board of Directors and the President be
discharged of responsibility for the year 1993, and
the profit be dealt with as proposed in the Annual Report.

Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with the prevailing legislation. The non-restricted shareholders' equity amounts to FIM 800,160,000.00.

We recommend that

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

Helsinki, March 18, 1994

Antti Helenius
Authorized Public Accountant

Johanna Perälä
Authorized Public Accountant

CIRCULATION FIGURES

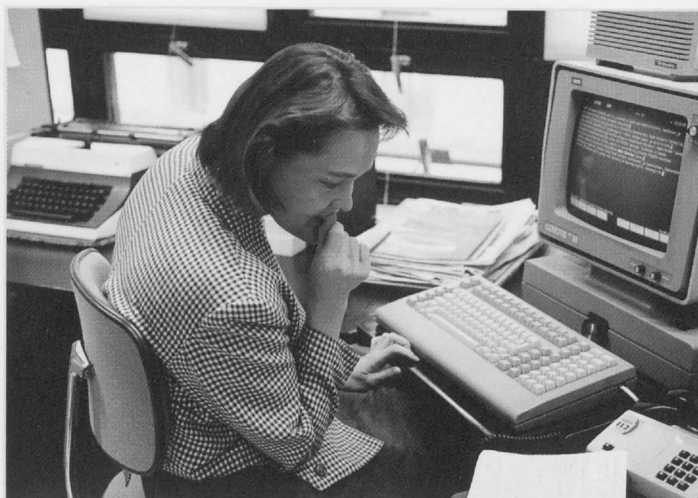
	1989	1990	1991	1992	1993
NEWSPAPERS					
Helsingin Sanomat, daily.....	470,708	478,087	482,944	483,052	476,163
HS Sunday edition	557,834	566,109	571,322	573,019	565,283
Ilta=Sanomat, afternoon paper	206,934	215,354	218,642	208,404	212,853
I=S weekend edition	232,407	245,492	253,853	241,826	263,308
GENERAL MAGAZINES					
Me naiset, women's weekly	102,054	102,350	99,620	94,576	103,474
Gloria, women's monthly	48,421	50,906	53,589	51,680	53,000
Kodin Kuvalehti, family bi-weekly	171,841	177,371	181,376	178,773	176,891
Suuri Käsityölehti, handicraft	107,944	112,313	114,720	122,314	124,130
et, for senior citizens	154,229	170,400	188,361	200,049	210,987
Eläinmaailma, Animal World.....	41,809	48,186	49,517	46,238	43,030
Tiede 2000, Science 2000	41,259	43,364	42,422	37,978	37,948
Hyvä Terveys, Good Health	32,908	38,657	39,390	41,035	38,710
Vauva, Baby	—	—	—	32,802	31,074
SPECIAL-INTEREST MAGAZINES					
MikroBitti, Microbyte.....	37,576	39,214	39,346	35,747	31,565
Tietokone, Computer.....	18,137	21,074	23,875	25,717	27,907
Pelit, Games	—	—	—	16,024	20,067
MacMaailma, MacWorld	—	3,500	4,110	4,413	4,464
Proessori, Processor	7,362	7,579	7,115	6,755	6,317
HiFi	13,376	13,412	14,411	13,655	12,233
Skimbaaja, skiing	14,566	14,664	15,496	15,456	13,547
Valmennus ja Kunto, training and conditioning	6,571	9,099	9,798	10,532	9,756
Street & Race, hot rod	6,505	8,811	12,850	14,472	15,334
Venemaailma, boat world	—	7,500	16,980	17,216	17,233
Terve Elämä, healthy life.....	—	—	—	17,354	20,424
Utemagasinet, outdoor life.....	16,000	16,000	16,000	18,000	20,000
Pienoismalli, miniature models	—	—	—	4,462	5,657
COMIC MAGAZINES					
Aku Ankka, Donald Duck	304,671	310,646	306,916	299,432	281,088
Roope-setä, Uncle Scrooge.....	52,577	53,235	51,908	51,888	48,181
Nalle Puh, Winnie-the-Pooh	38,065	37,308	39,823	37,304	31,615
Nalle Puh, Winnie-the-Pooh, Activity Magazine	26,998	27,674	25,538	22,857	19,198
Maailman Vahvin Nalle, Bamse	—	—	11,386	15,315	15,251
Väiski Vemmelsääri, Bugs Bunny.	—	—	—	13,012	11,449

NEWSPAPERS





Editorial secretaries Raimo Häilä and Ritva Remes planning the headline-news page for Helsingin Sanomat.



Domestic news reporter Riitta Vainio checks her notes and composes her story.



The last-minute rush at the typesetting department. Sports reporter Ari Pusa and layout editor Marko Lassila preparing a page.



Layout editor Kimmo Taskinen and domestic news reporter Marko Jokela working on the next issue of Helsingin Sanomat.



The Ilta=Sanomat editorial meeting convenes at 10:00 a.m. under the direction of Editor in Chief Vesa-Pekka Koljonen.



Author and newsman Eino Railo (left) together with reporter Kaarlo Frisk at the Helsingin Sanomat editorial offices in 1909.





Editor in Chief Tina Tötterman and editorial secretary Raija Sairanen at the editorial department of the handicraft magazine Suuri Käsityölehti.



A meeting of the children's books editorial board: Ritva Raulos (left), Anne Niemi, Synnove Takala, Leena Luukko and Riku Perälä.



Production coordinator Pia Lydman preparing for the PTV channel's Sports news transmission.



Readers Lilly Åberg and Paula Tapanainen of Sanomalehtien ilmoitustoimisto getting their daily dose of news.



Startel Marketing Manager Caj Blomqvist reviewing statistical material together with Juha Paunonen.



The color-separation unit at the Helsinki Media Print performs about 40,000 color-separation tasks annually.

NET INCOME INFORMATION 1989 - 1993

USD, in millions except EPS (1)

	1989	1990	1991	1992	1993
Net sales	364.1	380.9	345.9	334.7	335.2
Operating profit	74.4	80.0	56.4	50.1	55.2
Interest income, net	5.4	0.5	3.9	6.7	3.7
Other financial revenues					
and expenditures	1.1	1.5	3.9	4.1	5.7
Extraordinary items	-2.1	-8.4	-5.7	-4.3	-9.0
Profit share	0.0	-2.4	-0.4	-0.4	-1.8
Income before depreciation and taxes	78.8	71.2	58.1	56.2	53.8
Depreciation (2)	-31.8	-33.1	-31.5	-28.0	-35.9
Income before taxes	47.0	38.1	26.6	28.2	17.9
Income tax paid	-14.5	-12.3	-11.3	-5.1	-8.0
Deferred income tax expenses	-8.5	-6.4	0.9	-4.8	3.5
Net income before minority share	24.0	19.4	16.2	18.3	13.4
Minority share of the profit of subsidiaries	0.2	-0.1	0.0	0.2	0.8
Net income	24.2	19.3	16.2	18.5	14.2
Earnings per share (USD)	51.1	41.7	35.0	40.0	30.5

1) The exchange rate as of December 31, 1993, quoted by the Bank of Finland was FIM 5.7845 per USD.

2) Based upon remaining useful lifetime and replacement value.

INCOME STATEMENT INFORMATION 1989 - 1993

USD, in millions (1)					
	1989	1990	1991	1992	1993
Income before depreciation and taxes	78.8	71.2	58.1	56.2	53.8
Depreciation according to Finnish Tax Act	-33.2	-30.1	-27.3	-39.9	-31.4
Additional depreciation allowed by special tax relief legislation	-6.7	-	-	-	-
Adjustments to untaxed reserves (2)	-12.0	-10.3	1.4	0.9	7.3
Income before income tax paid	26.9	30.8	32.2	17.2	29.7
Income tax paid	-14.5	-12.3	-11.3	-5.1	-8.0
Statutory net income	12.4	18.5	20.9	12.1	21.7

- 1) The exchange rate as of December 31, 1993, quoted by the Bank of Finland was FIM 5.7845 per USD.
- 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.

SANOMA CORPORATION 1994

BOARD OF DIRECTORS

Aatos Erkko, Chairman (1, 3, 4)
Heikki Tikkanen, Vice Chairman (1, 2, 3)
Jane Erkko
Merja Helle, Personnel Representative
L.J. Jouhki (2, 4)
Robin Langenskiöld
Jaakko Rauramo (1, 3, 4)
Kalle Salonen, Personnel Representative
Patricia Seppälä (2)

- 1 *Executive Committee*
- 2 *Compensation Committee*
- 3 *Media Policy Committee*
- 4 *Finance Committee*

CORPORATE OFFICERS

Aatos Erkko, Chairman
and Chief Executive Officer
* Jaakko Rauramo, President
and Chief Operating Officer
* Heikki Huhtanen, Executive Vice President
and General Manager, Newspapers
Nils Ittonen, Vice President,
Portfolio Management
* Seppo Kievari, Executive Vice President
and Publisher
Tapani Kivelä, Vice President, Administration
* Martti Ojares, Executive Vice President,
Finance and Administration
* Kerstin Rinne, Vice President,
Legal Affairs and Information Services
Heikki Saraste, Vice President
Pekka Toropainen, Vice President,
Sanoma Real Estate

Helsingin Sanomat

Janne Virkkunen, Senior Editor in Chief
Keijo K. Kulha, Editor in Chief
Reetta Meriläinen, Editor in Chief

*Matti Huopaniemi, Vice President, Marketing
Janne Kalliomäki, Distribution Director
Caroline Lilius, Sales Director,
Marketing Research
Raija Liuhola-Lassuri, Sales Director,
Advertising Marketing
Reino Paavola, Sales Director, Circulation Sales
Ilkka Seppälä, Sales Director, Newspapers
Pekka Soini, Sales Director, Advertising Sales

Ilta=Sanomat

Vesa-Pekka Koljonen, Senior Editor in Chief
Hannu Savola, Editor in Chief

*Sakari Almi, Vice President, Marketing

Production

Sulo Nuutinen, Vice President,
Production, Prepress
Pertti Puolakka, Vice President, Logistics
Pekka Salmén, Vice President, Production

* *Member of the Management Group*

* *

LEHTIKUVA OY

Olavi Ahlfors, Managing Director, acting

SANOMA, INC.

Aatos Erkko, President

HELSINKI MEDIA COMPANY 1994

MANAGEMENT

Tapio Kallioja, President
Riitta Alamiykkaoja, Manager,
Finance and Accounting
Jaakko Hannuksela, Vice President, Development
Marit Oksanen, Vice President, Administration

Magazines

Eija Ailasmaa, Vice President, Publishing
Anne Valsta, Vice President, Publishing
Antero Väisänen, Vice President, Fulfilment
Esa Malm, Sales Director, Advertising Sales

EDITORS IN CHIEF

Tuula Koukku, *Tiede 2000*
Veijo Käyhty, *Me naiset*
Kaisa Larmela, *et-lehti*
Jyrki Leskinen, *Eläinmaailma*
Riitta Lindegren, *Gloria*
Ulla-Maija Paavilainen, *Me naiset*
Jali Ruuskanen, *Hyvä Terveys*
Leena Karo, *Kodin Kuvalehti*
Tina Tötterman, *Suuri Käsityölehti, Sy & Sticka*
Pirkko Vuorio, *Vauva*

Books and Comic Magazines

Pirkko Huottilainen, Vice President

EDITORS IN CHIEF

Paula Antila, *Nalle Pub, Maailman Vahvin Nalle,*
Väiski Vemmelsääri
Markku Kivekäs, *Aku Ankka* and *Roope-setä*

Special Interest Magazines

Eero Sauri, Managing Director
Nella Ginman, Vice President, Marketing,
Business Publications
Reino Lantto, Planning Manager,
Trade Periodicals
Hannu Ryyhälä, Vice President, Marketing,
Tecnopress
Esa Sairio, Sales Director
Eve Vaasmaa, Vice President, Marketing, *Sport*

EDITORS IN CHIEF

Pekka Koistinen, *HiFi*
Antero Kujala, *Valmennus ja Kunto*
Tatu Lehmuskallio, *Skimbaaja*
Tuija Linden, *Pelit*
Jarmo Markkanen, *Street&Race*
Jukka Miettinen, *Yritysjulkaisut*
Ola Pedersen, *Pienoismaailma*
Jari Peltoniemi, *Prosessori*
Eskoensio Pipatti, *Tietokone,*
MacMaailma, Mikrobitti
Sinikka Raivio, *Terve Elämä*
Markku Vento, *Venemaailma*
Jörgen Vikström, *Utemagasinet*

Commercial Printing

Hannu Kilttilä, Vice President
and General Manager
Lasse Krogell, Production Manager
Eija Soratie, Sales Director

Eurocable

Pekka Jaakola, Vice President, Development
Marja-Leena Tuomola, Corporate Counsel
Merja Rinne, Vice President, Marketing,
Eurocable
Sirkka Tarkiainen, Vice President,
Programming, Eurocable
Kjell Gulliksen, Managing Director,
Janco Kabel-TV
Olavi Peltonen, Managing Director,
Helsinki Cable Television
Heikki Hänninen, Vice President, Marketing,
Helsinki Cable Television

Startel

Pertti Huhtala, General Manager, Startel
Ole Bärlund, Director, Development, Startel
Heikki Rikkonen, Managing Director, SITA

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SCOPE OF OPERATIONS

Sanoma Corporation traces its history back to 1889 and the founding of the liberal daily newspaper Päivälehti. When Päivälehti was suppressed by the Russian administration in Finland in 1904, a new newspaper, Helsingin Sanomat, was established to carry on the publishing traditions of Päivälehti.

Today, in 1994, Sanoma Corporation is a diversified media enterprise, providing a wide range of reliable information and quality entertainment. Sanoma Corporation is dedicated to the best journalistic traditions and innovative professionalism and works to promote democratic principles, social justice, freedom of opinion, progress and prosperity.

Sanoma Corporation publishes Helsingin Sanomat, which is the widest-circulation daily newspaper in Scandinavia, and Ilta-Sanomat, the leading afternoon paper in Finland. Helsinki Media Company was established to consolidate Sanoma Corporation's expertise in printing and publishing as well as in electronic communications. Helsinki Media publishes general and special-interest magazines, books and comic magazines, and also provides commercial printing services. Helsinki Media is engaged in electronic communications through its satellite and cable-television operations and through its information services.

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