

Sanoma
Corporation
Annual Report
1994

HELSINGIN SANOMAT
ILTA-SANOMAT



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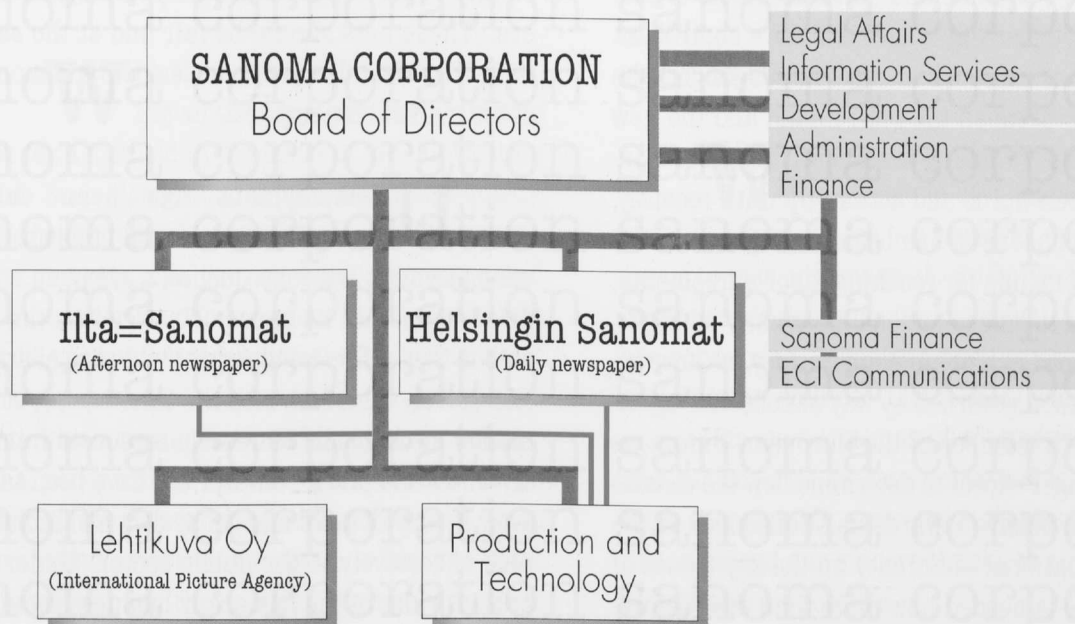
Sanoma Corporation Board of Directors

Aatos Erkko, Chairman	for the term until	1996
Heikki Tikkanen, Vice Chairman		1996
Robert Castrén		1997
Jane Erkko		1997
Merja Helle, Personnel Representative		1996
L.J. Jouhki		1996
Robin Langenskiöld		1996
Rafaela Noyer		1997
Jaakko Rauramo		1996
Kalle Salonen, Personnel Representative		1996

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 1995



A Word from the President

The media industry is exceptionally sensitive to the changes that are now taking place in the Finnish economy in general and on the domestic market in particular. One of the major changes is Finland's accession to the European Union on January 1, 1995. The economic and cultural effects of this big step are proving to be even more significant than initially expected. Membership highlights the difference between the old Finland and the new 'EU Finland' revealing the underlying discrepancies between words and action. Up until recently, national consensus has been understood as the right to conclude far-reaching labor agreements, as opposed to simple national unanimity on key issues. Instead of a unanimous country, we have become a nation governed by way of collective agreements. As a member of the European Union, we can no longer expect to determine how the outside world is to behave towards us. Consensus in the sense of national unanimity on the key issues of our future is needed now more than ever before; whereas consensus in the sense of broad package agreements related to the labor market is needed less and less.

The market economy is not an ideology, but rather a system for allocating economic resources as efficiently as possible to create prosperity. It is

a competitive system, producing both winners and losers. To ensure a fair game and to govern that system within national and international frameworks, we need established rules. Furthermore, just as in a game, not everyone can come out a winner in the market economy. It is the responsibility of society to build safety nets for the losers. These nets should be fair and at the same time, they should facilitate the smooth functioning of the market economy.

Unemployment has been called Finland's biggest social problem. But unemployment is a consequence, a symptom of the disease, and not its cause. What causes the disease is that collective agreements and regulations excessively interfere with the functioning of the market mechanism. Moreover, resources from individuals and private enterprises have been taken away by way of taxes and public debt and redistributed excessively to the public sector. Under the present rules of the game, any business sector in this country can be decimated if interest groups and politicians wish to do so. Those who operate in an industry so condemned have little say in this process.

In the newspaper industry, the readers' well-being directly reflects on our success, and

therefore it is especially important that society should prosper. Thus the future of the Finnish domestic economy is of utmost importance to us. If the economy becomes and stays healthy, newspapers will have a bright future. However, newspapers will have to develop their activities in step with society, technology and the media at large.

With the volume of information growing all the time, people will have to look for a foothold in the midst of the information flood. Such high ground is provided by high-quality, reliable and reputable newspapers. Quality newspapers compile, analyze, arrange, condense and present material so that readers can make the best possible use of that information. The basic content of newspapers can now be presented in digitized form, which means that in addition to the conventional paper format electronic distribution has arrived. In the future, the number of inserts - both feature and advertising inserts - is likely to grow. This will expand the existing good geographical coverage of our newspapers to entirely new demographic groups. In addition to conventional print distribution, various electronic distribution formats are growing increasingly common. The newspapers are already available in fax or on-line formats, and they are providing various electronic services

with either editorial or advertising content. For instance, advertisers are now able to view their classified ads directly from their personal computers. Furthermore, it is apparent that, in the long run, the newspapers will be branching out and exploiting a range of new distribution opportunities. At some point we may have an Ilta=Sanomat radio station or Helsingin Sanomat cable news and sports channels.

With prospects like these, we are on the threshold of a challenging and exciting future. There is a wealth of opportunities for us to take advantage of. So far we have an excellent track record as far as expertise and effort are concerned. This has been reflected in our customer recognition. Our readers have remained loyal to us even in times of economic hardship, and our advertisers have continued to rely on us in an increasingly competitive market. We would like to extend our sincere thanks to all those who have made this possible.



JAAKKO RAURAMO
PRESIDENT

Sanoma in Figures

	1994	1993
NET SALES FIM m. *	1,647	2,355
Wages and salaries including social security payments FIM m.	585	797
% of net sales	35.5	33.9
Operating profit FIM m.	314	326
% of net sales	19.1	13.9
Depreciation according to plan FIM m.	141	209
Taxes FIM m.	84	46
Dividends FIM m.	4	4
Dividends distributed in Helsinki Media Company shares FIM m.	113	
Profit for the year FIM m.	135	126
Investment FIM m.	80	129
Shareholders' equity including untaxed reserves FIM m. *	1,853	1,998
% of balance sheet grand total subscription liability excluded	64.3	65.2
Balance sheet grand total FIM m.	3,007	3,297
Financial assets compared with outside liabilities without interest	2.3 ¹⁾	1.8 ¹⁾
Net debt	- 155 ²⁾	- 79 ²⁾
Personnel on average	1,744	2,971
newspaper delivery personnel	1,948	2,007

* The composition of net sales has been changed, with the only sales adjustment items included in net sales being reductions granted to customers; other items previously included in sales adjustment items are now entered in expenditure. The 1993 net sales have been adjusted accordingly. The 1993 figures include the operations of Helsinki Media Company.

¹⁾ The building sites assigned to the companies to be established have been shifted from financial assets to fixed assets.
²⁾ Calculated deferred taxes are not included in the net debt figure.



The top ten leading European countries in terms of newspaper readership.

Report by the Board of Directors

Economic Trends in Finland

1994 brought historical changes to Finland's foreign trade environment. On January 1, 1994, the European Economic Area agreement took effect, bringing Europe and the Scandinavian countries into a single market. The Uruguay Round of GATT which ended in December 1993 meant major changes in the rules for world trade. The uncertainty surrounding the economies of Russia and the other former socialist countries continued to obstruct trade with them.

The biggest change, however, came as the result of Finland's decision to join the European Union. The treaty of accession to the European Union was signed on March 1, and was endorsed by a majority of voters in a national referendum on October 16. Sweden and Austria also decided, with the backing of national referenda, to join the Union as of the beginning of 1995. Membership presents Finland with many challenges and new opportunities.

During the financial year, the emerging economic recovery gained momentum, following the signs of an improving economy at the end of the previous year. The four-percent growth in Gross Domestic Product exceeded expectations. During the current year, forecasts indicate a growth rate of five to seven percent.

The upswing of the Finnish economy is coinciding now for the first time with a deregulated financial market and a freely floating currency. Therefore economic policy decisions and how they are interpreted abroad are having a direct influence on interest rates and foreign-exchange markets. This impact is accentuated by the sharp rise in Finland's foreign indebtedness during the past few years.

Since 1992 the export sector has been the only real source of growth in the Finnish economy. Export growth is expected to remain brisk at least through the current year. Exporting industries are now operating at capacity utilization rates of a good 90 percent. This is in clear contrast to the domestic market, where companies still have a great deal of idle production capacity and demand is just starting to recover.

Finland's unemployment rate, still almost 20 percent of the workforce, declined slightly in 1994, but even the present economic upturn is unlikely to solve the mass unemployment problem. A full and open-minded reappraisal of the job market and also greater flexibility in employment relations are required in order to achieve a significant reduction in unemployment.

The rate of inflation increased by just over one percentage point in 1994, and is likely to

remain relatively low — between two and three percent — in 1995. The increased competition that has come with membership of the EU will help to secure this low level of inflation. In contrast, unrealistic collective wage agreements could undermine the achievement of this low inflationary target.

The Communications Industry

In 1994 total communications industry turnover was up to FIM 16 billion, which in nominal terms is almost equivalent to the peak 1990 level. In real terms, however, the industry's combined net sales were still ten percent below that all-time record. Net sales increased in 1994 for the first time in three years. It is worth noting that the turnover of the communications industry grew by 50 percent in real terms in the 1980s.

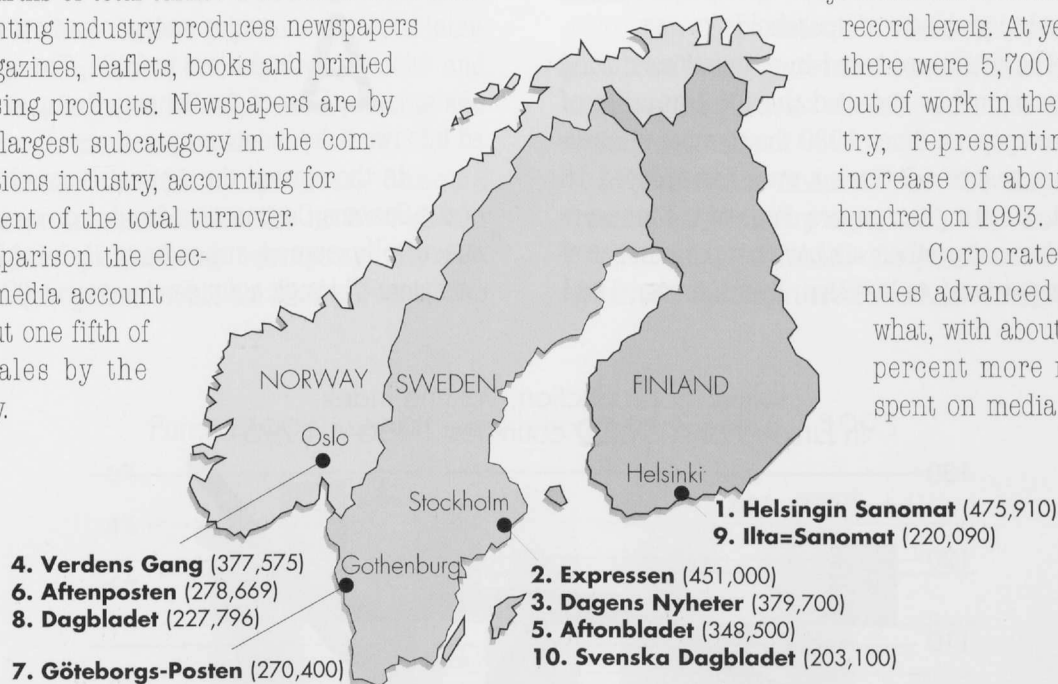
The printing industry accounts for almost three-fourths of total turnover in the media sector. The printing industry produces newspapers and magazines, leaflets, books and printed advertising products. Newspapers are by far the largest subcategory in the communications industry, accounting for 30 percent of the total turnover. By comparison the electronic media account for about one fifth of total sales by the industry.

The printed media have suffered greatly from the economic recession. The sector is predominantly oriented towards the domestic market, and the erosion of purchasing power and the growth in unemployment have been directly reflected in declining circulations, decreased demand for advertising and less work for printing houses in general.

Businesses have survived the recession by, on the one hand, cutting costs and, on the other, restructuring entire industries. These measures have succeeded in halting the decline in corporate profitability. If market trends remain favorable and companies continue to adapt their operations to changed conditions, the recovery of the industry should pick up speed.

The upturn that occurred in 1994 still has not alleviated the unemployment situation in the communications sector, where joblessness remained at record levels. At year-end there were 5,700 people out of work in the industry, representing an increase of about one hundred on 1993.

Corporate revenues advanced somewhat, with about seven percent more money spent on media adver-



10 largest newspapers in Scandinavia
(weekdays 1994/1)

Report by the Board of Directors on Sanoma Corporation operations in 1994

tising in 1994 than in the previous year. The total value of media advertising in 1994 was about four billion Finnish marks. Advertising in the printed media increased 19 percent in the case of magazines and four percent in newspapers. But the growth was distributed unequally between newspapers. The economic recovery boosted revenues in those newspapers that have a large share of the job-vacancy ad market. In order to better serve their advertising clients, newspapers stepped up their cooperation in the marketing of ad space.

In the electronic media, television advertising grew by about 15 percent and radio advertising by two percent.

The total circulation of Finnish newspapers was down 3.5 percent from the previous year. Since 1989 the gross circulation of newspapers published at least five times a week has fallen by about 14 percent. The key reason for the decline in circulations has been high unemployment and the liquidity problems of households.

The downward trend in circulations during the recession has reduced the total number of daily newspapers. Since 1989 the number of newspapers published 5-7 times a week has dropped 15 percent, affecting ten papers. Four of the ten were closed down altogether; six have cut the number of editions per week to less than five. However, 1994

brought no further newspaper closures.

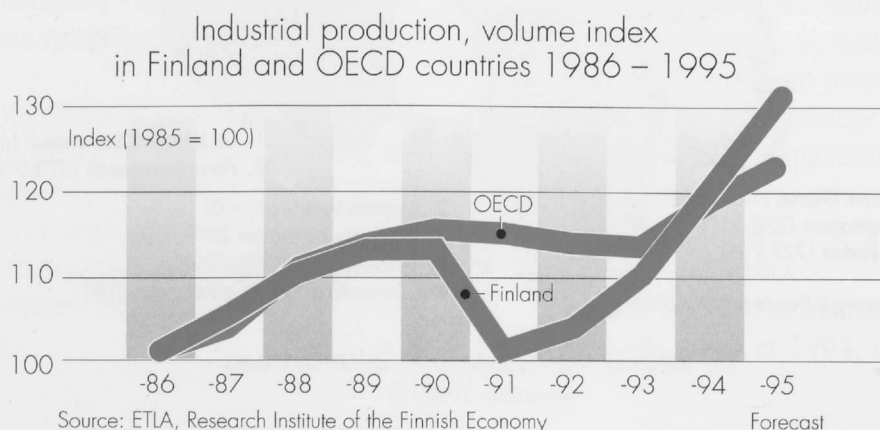
The circulation trends of different Finnish newspapers have also been very unequal. A winner among the newspapers has been our afternoon paper *Ilta-Sanomat*, which was the only Finnish paper to achieve circulation growth in 1994. The circulations of all other newspapers were down. The circulation of our daily newspaper *Helsingin Sanomat* was under considerable pressure, too, and it now stands where it was at the start of the recession.

Despite the decline in circulations, Finland is still one of the world's leading newspaper countries. According to the FIEJ 'World Press Trends 1994', Finland ranks third in the world in per capita newspaper circulation. In 1993, the country had a total newspaper circulation of 512 copies per 1,000 of the population.

Sanoma Corporation

A major reorganization was carried out in 1994. The operations of the Sanoma Group were divided into two independent corporations.

In the spring, the Annual General Meeting of the Sanoma Corporation decided on a spin-off of the wholly owned subsidiary Helsinki Media Company. Through a dividend payment 60 percent



of the stock of Helsinki Media Company was distributed to the Sanoma Corporation shareholders. The purpose of the reorganization was to make Helsinki Media Company more flexible in terms of ownership and financial management.

The main task of the Sanoma Corporation is to publish the daily newspaper Helsingin Sanomat and the afternoon paper Ilta-Sanomat. Our newspaper publishing operations will continue to be a domestic market-oriented business. In addition to publishing, the Corporation continues to provide commercial printing services and to engage in real estate and other investment activities.

The international picture agency Lehtikuva Oy remains a subsidiary of the Sanoma Corporation.

Helsinki Media Company is an associated company in which Sanoma Corporation and subsidiaries held a 40 percent at the end of the year. Helsinki Media publishes general and special-interest magazines, books, and children's books and comics. It is engaged in commercial printing and the electronic media business.

During the financial year, Sanoma Corporation increased its stake in the regional newspaper publishing company Kymen Lehtimedia Oy from 26.2 to 33.8 percent. The

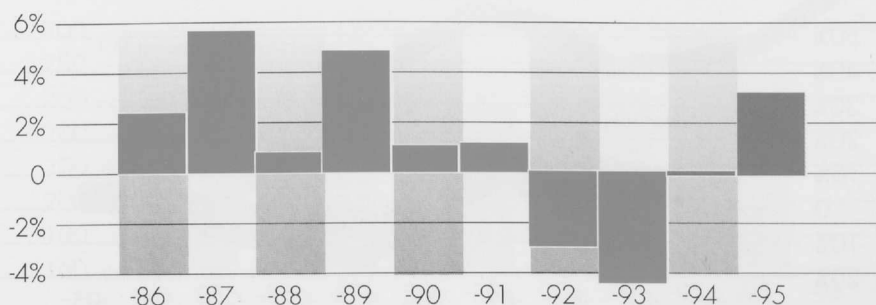
Corporation also owns 20.8 percent of the Finnish News Agency, STT.

The Sanoma Corporation itself was reorganized in spring 1994. The Newspaper Division and the centralized Corporate Administration were dismantled. At the daily newspaper Helsingin Sanomat, these administrative structures were replaced with a publisher management organization, in which the newspaper publisher is directly responsible for producing the newspaper as well as for marketing it. This change will enable the newspaper to improve its product development activities and achieve better profitability. Responsibility for production and technological development has been assigned to a new Production and Technology Department. The department is in charge of producing the Corporation's own newspapers and sub-contracted publications as well as for attaining optimum technological efficiency and development.

The Corporation's investment operations have been concentrated in Sanoma Finance, which manages the portfolio of cash, securities and real estate investments.

During the financial year, the Corporation reached a preliminary agreement with the City of Helsinki on the purchase of a prime new building site in the downtown area. The agreed sale price is

Purchasing power of Finnish households 1986 - 1995



Source: ETLA, Research Institute of the Finnish Economy

Forecast

Report by the Board of Directors on Sanoma Corporation operations in 1994

FIM 105 million marks and the deal includes permission for 22,000 square meters of building space. The site is in the heart of the city, directly adjacent to the main Post Office and the Central Railroad Station.

The Helsinki City Council and the Board of Directors of Sanoma Corporation signed the letter of intent on the purchase of the site on December 28, 1994. The architectural planning got under way in January 1995. The new premises will house the editorial and marketing offices of Helsingin Sanomat and Ilta-Sanomat, as well as certain Corporate management functions. The construction work will be carried out in 1996-98.

During the year under report, the Corporation's revenues from leased real estate to outsiders amounted to FIM 21 million. The Corporation sold 14 apartments to employees.

The consolidated income statement and balance sheet figures are not entirely comparable with previous years' figures as Helsinki Media Company went during the year from being a wholly owned subsidiary of the Sanoma Corporation to an associated company in which the Sanoma Corporation and subsidiaries hold a 40 percent stake. Credit losses, commissions and advertising agency fees and freight costs, which earlier were entered in adjustment items, have been included

in net sales in the 1994 income statement. A similar change has been made in the 1993 figures to facilitate comparison.

Calculated in this manner, consolidated net sales amounted to FIM 1,647.4 million, up 12 percent on the adjusted figures for the previous year. The consolidated profit on operations before depreciation came to FIM 313.8 million, representing growth of 43 percent on the comparable figures. The profit on operations before depreciation accounted for 19.1 percent of net sales, an increase of five percentage points.

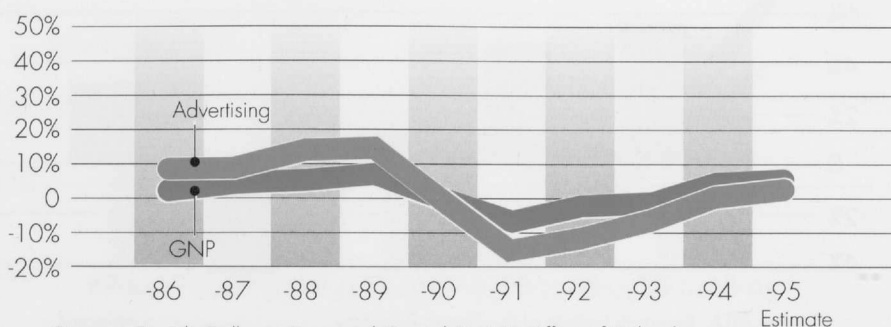
There was no pay-out to the Sanoma Pension Fund, as the Fund's own assets fully covered the pension liability. The Pension Fund tendered its Sanoma Corporation shares to the Corporation. The offer was accepted and the shares were cancelled as required by law.

The Parent Company's net sales came to FIM 1,627.8 million and accounted for 98.8 percent of consolidated net sales.

The Consolidated Financial Statements show depreciation according to plan. The 1994 consolidated profit on operations after depreciation was FIM 172.6 million. The comparable 1993 operating profit was FIM 77.0 million.

Consolidated net interest, exchange-rate gains and losses and other financial revenues and

Trends in newspaper advertising and GNP 1986 - 1995



expenditures came to minus FIM 8,4 million. Financial income was boosted in 1993 by exchange-rate gains and realized profits on sales of bonds. In 1994, the money and foreign-exchange markets behaved quite differently from the previous year. The strengthening of the Finnish mark resulted in unrealized exchange-rate losses on foreign-denominated assets, and unrealized losses were also entered for the bond of portfolio due to the rise in interest rates. Net investment amounted to FIM 52.8 million. The consolidated financial position improved, as income financing was significantly greater than investments.

Salaries and wages were once again the single largest expense item in the consolidated accounts. Wages and salaries, fees and fringe benefits, including mandatory social security costs, totalled FIM 601.3 million, or 36.5 percent of net sales. Wages and salaries for time worked amounted to FIM 368.1 million, or 61.2 percent of the total payroll figure including social security expenses. Mandatory social security and pension contributions amounted to FIM 120.8 million, which corresponds to 32.8 percent of wages and salaries for time worked. As in the previous year, unemployment insurance payments were high, rising to FIM 27.3 million in 1994.

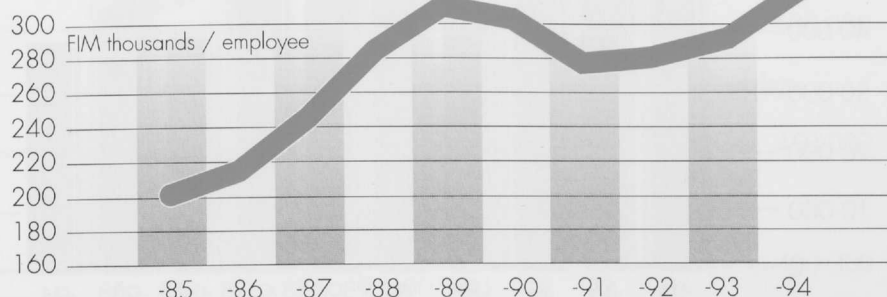
The second largest expense item after wages and salaries was paper purchases. During the past few years, the unit price of paper has held stable, hardly rising at all even in nominal terms. Paper demand on the world market now appears to be exceeding supply, and paper prices are likely to rise by as much as a quarter during the next few years. The availability of paper is also likely to be affected. As it will be impossible to shift eventual paper price hikes fully into consumer prices, there will be pressure to reduce other costs or, otherwise, profitability will decline.

Helsinki Media Company performed well in 1994. It achieved net sales of FIM 957.9 million, which is six percent greater than the previous year's figure. Helsinki Media Company contributed FIM 33.2 million in profits to the consolidated result before extraordinary items.

The regional newspaper publisher Kymen Lehtimedia Oy also had a good year, with net profits of FIM 12.9 million in 1994 after suffering losses of FIM 15.5 million in 1993. The profitability of Kymen Lehtimedia was lifted by printing exports to Russia and by a successful cost-cutting program.

At year-end 1994, the consolidated personnel figure stood at 1,643, which is 61 fewer than the previous year. In addition, the Corporation

Consolidated value added / size of personnel 1985 - 1994



Report by the Board of Directors on Sanoma Corporation operations in 1994

employed 1,823 part-time newspaper delivery staff, down 57 from the first of the year.

Seventy-six Sanoma employees retired during the financial year, 18 of them departing on full old-age pensions, 50 opting for early retirement and eight taking disability pensions.

At the beginning of July, the Sanoma Corporation's in-house catering service was consolidated under the management of the commercial catering company Amica.

An evaluation of the cost-effectiveness of newspaper delivery operations led to an agreement with Finland Post Ltd on the early morning delivery of Helsingin Sanomat in 16 municipalities as of spring 1995. This arrangement means the termination of contracts with 235 delivery workers.

Profit-Sharing Fund

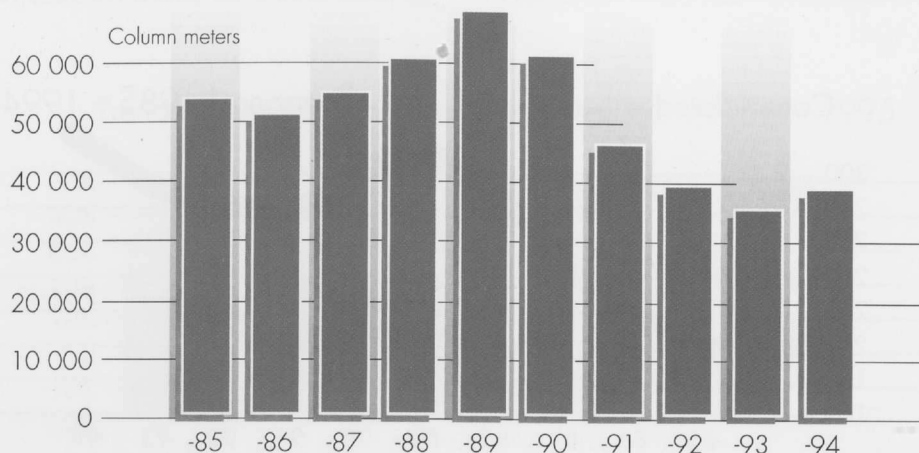
The Profit-Sharing Fund distributes part of the annual profits to the personnel. Dividends are deposited in the Fund, which is administered by the employees themselves.

When the Sanoma Group introduced the profit-sharing system at the beginning of 1990, it was among the first of its kind in Finland.

During the financial year, the Profit-Sharing Fund was divided into two separate funds: the original Sanoma Group Profit-Sharing Fund continues to operate as the Sanoma Corporation Profit-Sharing Fund, and a new fund was established for Helsinki Media Company personnel at the beginning of April.

Under the system that existed to the end of 1994, distributions to the Profit-Sharing Fund were made on the basis of consolidated profits and as bonuses for the achievement of performance targets by individual business units. As of the beginning of 1995, the Profit-Sharing Fund will receive 20 percent of the profit declared in the income statement. Depreciation in the income statement is according to the acquisition cost principle. A minimum return is set annually and subtracted from the profit on operations after depreciation. In 1995 the minimum return is seven percent of net sales. Profit-sharing distributions are made to the staff according to their personal pay for time worked.

The Corporation has paid out to the Profit-Sharing Fund every year even though the Finnish economy has been in recession since the fund was founded.



Volume of advertising in Helsingin Sanomat 1985 - 1994

Helsingin Sanomat, the daily newspaper

The Sanoma Corporation's daily newspaper Helsingin Sanomat had an average circulation of 469,687 copies on weekdays and 556,787 copies on Sundays. The weekday circulation declined by 6,476 and the Sunday edition circulation by 8,496 copies. Thus the decline in the weekday figure was 1.4 percent and that of the Sunday circulation 1.5 percent.

The weakened purchasing power of Finnish consumers continued to be reflected in subscription sales, as most cancellations of subscriptions were made for reasons of economic hardship. Most of the cancellations of Helsingin Sanomat during the year were for fixed-term subscriptions. As a percentage of total newspaper orders, automatic renewal subscriptions gained ground.

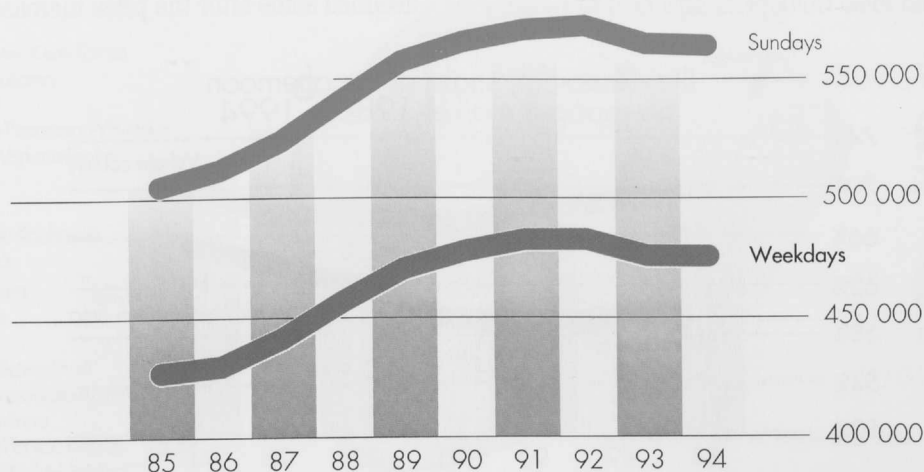
Circulation revenues grew by three percent on the previous year despite the decline in the total number of copies sold. Subscription prices were raised in January and July. The increases brought the price of automatic renewal annual subscriptions up from FIM 869 to 927 and that of the Sunday edition from FIM 399 to 425. The single-copy price remained unchanged from the previous year:

eight marks on weekdays and ten marks on Sundays.

The advertising revenues of Helsingin Sanomat were boosted, above all, by the growth in job-vacancy ads and advertising of branded products. Net advertising sales rose 12 percent. The prices of advertising space and inserts were raised by an average of 2.9 percent. The prices of advertising space in the bi-monthly magazine supplement remained the same.

The volume of advertising was up eight percent from the previous year. A total of 39,200 column meters of advertising was published. The job-vacancy section, which collapsed during the recession, rebounded with growth of 87 percent. Other successful advertising categories included, as in the previous year, residential property ads, which increased by 16 percent, and travel advertising which grew 12 percent.

A total of 677 pages of advertising was published in the bi-monthly magazine supplement. This was 23 percent more than in the previous year. Similar growth of 23 percent was achieved in the number of advertising inserts. Altogether 153 ad inserts were printed, which amounts to almost one for every other publication day of the newspaper.



Average circulation of Helsingin Sanomat 1985 - 1994

Report by the Board of Directors on Sanoma Corporation operations in 1994

Net sales of the advertising alliance concluded by the country's top newspapers grew 12.3 per cent. This is an arrangement between Helsingin Sanomat and the five leading provincial papers, Aamulehti, Turun Sanomat, Kaleva, Keski-Suomalainen and Savon Sanomat. The 'Dynamic Duo' advertising package created by the Corporation's own newspapers, Helsingin Sanomat and Ilta-Sanomat, made progress during the year.

Finland's efforts to join the European Union were the main focus of domestic news reporting during the financial year. On the whole, Helsingin Sanomat supported Finland's bid to join the EU and extensively explained to the public the effects of membership and of opting out of the Union.

A separate European Union supplement was published on October 2, 1994, and 65,000 copies of this edition were also supplied to those schools across the country that had subscribed to the supplement.

The year's other major domestic news topics included the presidential election campaign, the inauguration of the new president at the beginning of March and the sinking of the M/S Estonia. Major sports events included the Lillehammer Winter Olympic Games in Norway, the World Cup Soccer Tournament held in the United States and the European Track and Field Championships held in Helsin-

ki. The newspaper section dealing with local Helsinki news was further improved, and the volume of editorial graphic art was expanded.

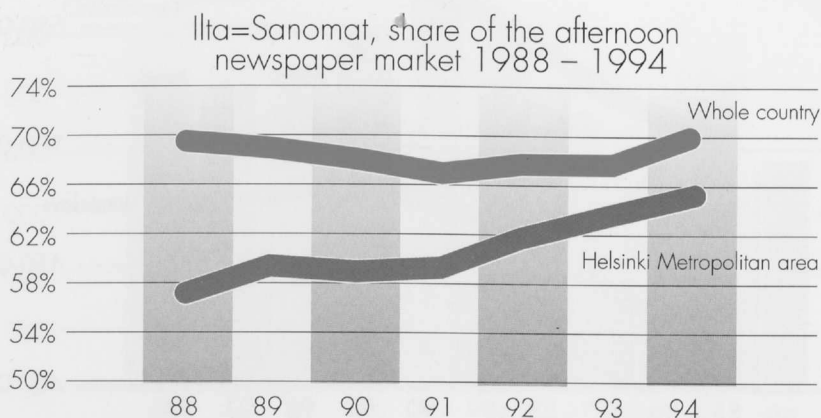
Overall the editorial content of Helsingin Sanomat grew by 100 pages. The editorial offices began to prepare for the transition to electronic pagination.

Ilta-Sanomat

Our afternoon newspaper Ilta-Sanomat was the only major Finnish newspaper to achieve circulation growth for a second year in a row in 1994. The average daily circulation was up 1.3 percent to 215,629 copies. The weekend edition had an average circulation of 247,073. Ilta-Sanomat increased its share of the afternoon newspaper market to almost 70 percent and achieved substantially improved profitability.

The quality of the paper's editorial contents was a key factor in boosting circulation. Also contributing to this success were the many important news events covered during the year.

The newsstand price of the weekday paper remained unchanged at five marks per copy. The newsstand price of the weekend edition was raised to ten marks in July, and the weekend circulation declined some after the price increase.



Source: Rautakirja sales statistics

Following a slight drop in 1993, advertising sales rebounded in 1994 with volume growth of 16.8 percent. The volume of advertising broke the 5000-meter barrier, rising to 5,654 column meters for the year. Advertising revenues grew 11 percent.

Ad sales efforts emphasized the afternoon newspaper's media profile, its nationwide coverage and urban orientation. The paper's effective advertising packages became increasingly popular during the year.

Ilta=Sanomat contributed advertising space for the Helsinki Day activities, the Pori Jazz festival, and the exhibition of paintings from the Guggenheim museum held at Helsinki's Ateneum art museum. The paper continued its association with the Finnish ice-hockey, soccer and rink-ball leagues and with the national basketball team.

Production and Technology

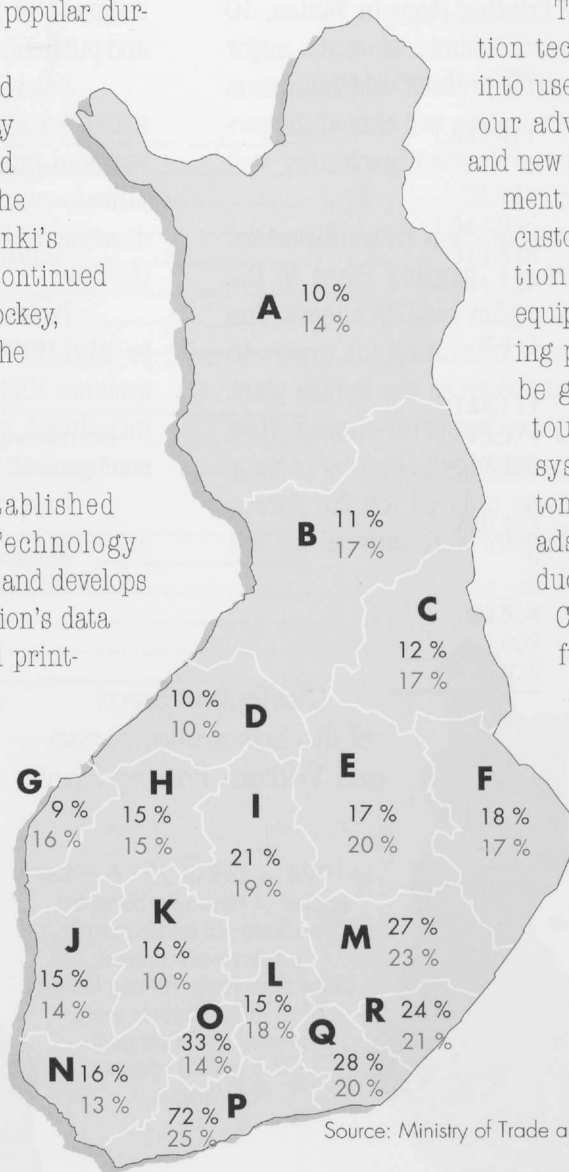
The newly established Production and Technology Department manages and develops the technical aspects of the Corporation's data communications, page make-up and print-

ing operations.

The volume of production rose slightly in 1994. Growth was charted in the total number of pages printed, both in the Corporation's own publications and in subcontracted printing assignments. The use of four-color printing was expanded. New opportunities opened up for exporting to Russia, and this raised the capacity utilization rates of our printing presses.

The latest information technology was taken into use to further develop our advertising services, and new methods of ad placement were offered to our customers. The ad reception department was equipped with a self-routing phone line that can be guided by voice or touch-tone dialing. A system in which customers can place their ads on-line was introduced during the year. Customer service was further improved

- A Rovaniemi- Kemi-Tornio
- B Oulu-Kuusamo
- C Kajaani
- D Kokkola-Pietarsaari-Ylivieska
- E Kuopio-Varkaus-Iisalmi
- F Joensuu
- G Vaasa
- H Seinäjoki-Kauhajoki
- I Jyväskylä
- J Pori-Rauma
- K Tampere
- L Lahti
- M Mikkeli-Savonlinna
- N Turku-Forssa-Salo-Ahvenanmaa
- O Hämeenlinna
- P Helsinki-Porvoo-Karjaa
- Q Kouvol-Kotka-Hamina
- R Lappeenranta-Imatra



Whole country

 31 %
Helsingin Sanomat

 18 %
Ilta=Sanomat

Source: Ministry of Trade and Industry 1/94

Readership coverages of Helsingin Sanomat and Ilta=Sanomat by market area

Report by the Board of Directors on Sanoma Corporation operations in 1994

by making our call-routing and switching system more efficient.

Development work continued in pre-press operations with the aim of achieving fully electronic transfer of our publications from the editorial offices to the presses. Ilta=Sanomat introduced a new electronic page makeup system, and a decision was made to acquire a new system for Helsingin Sanomat as well.

The Sanomala Printing Plant in Vantaa, 10 miles north of downtown Helsinki, started a major overhaul of the printing presses and mailroom equipment. The modernization will extend the economic lifetime of the production machinery well into the next century.

The Forssa Printing Plant in southwestern Finland and the Varkaus Printing Plant in the northeast began printing for outside clients. The Varkaus plant focussed on printing for export to the St Petersburg area, whereas the Forssa plant concentrated mainly on domestic clients. New trimming equipment, enabling the cutting of magazine-type products, was ordered for the Forssa plant. New blanket washers were ordered for the Varkaus facility.

All the printing plants have been experimenting with a performance-based pay scheme since the start of 1994.

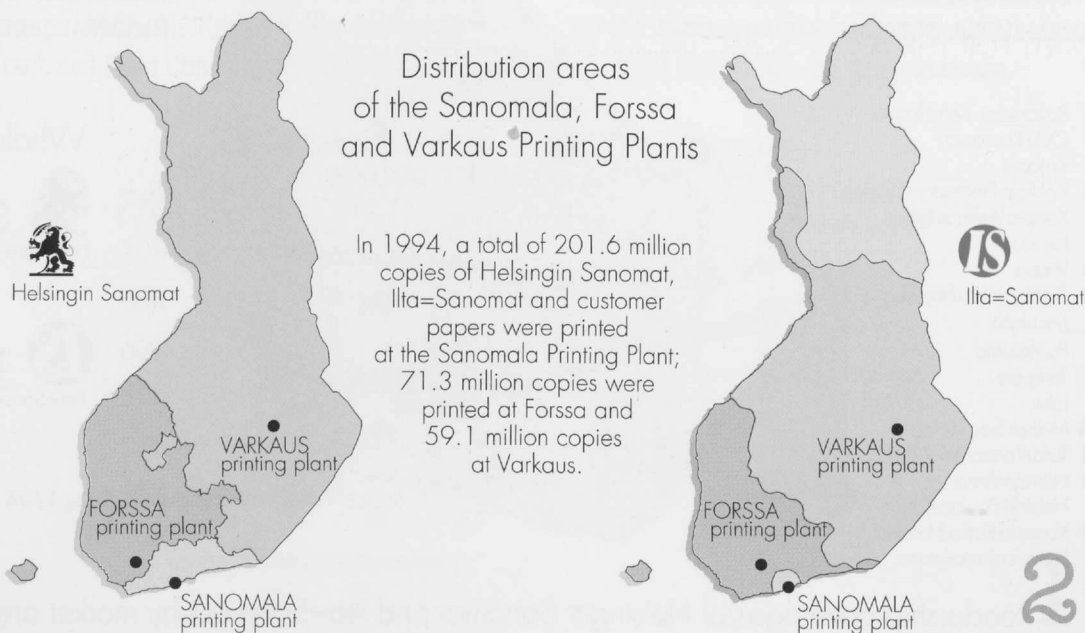
Lehtikuva Oy, International Picture Agency

Lehtikuva's net sales were up 11 percent from the previous year. The impact of the emerging recovery was apparent in that most of the growth occurred in picture sales to advertising agencies and publishing houses.

Sales of news photos were boosted by the exceptionally eventful domestic news year. In terms of international picture sales, the most significant event of the year was the Estonia shipping disaster, which was the world's top news story at the time.

Technological development work continued to highlight electronic image transmission systems. High-speed ISDN transmission links were introduced in international and domestic image communications.

Towards the end of the year, we began sending news picture material to our biggest publishing clients over the telephone networks.



Consolidated Income Statement

	Jan. I-Dec. 31, 1994	Jan. I-Dec. 31, 1993
(FIM '000s)		
Net sales	1,647,411	2,355,129
Changes in inventories of finished products	0	- 2,408
Other revenues from operations	31,272	18,548
Expenditures	- 1,364,835	- 2,045,060
Profit on operations before depreciation	313,848	326,209
Depreciation	- 141,267	- 209,237
Profit on operations after depreciation	172,581	116,972
Financial revenues and expenditures	- 8,442	54,209
Profit before extraordinary items, reserves and taxes	164,139	171,181
Extraordinary revenues and expenditures	75,374	- 52,356
Pay-out to the Employee Profit-Sharing Fund	- 19,120	- 10,385
Profit before reserves and taxes	220,393	108,440
Decrease in accelerated depreciation	0	20,979
Decrease in voluntary reserves	0	37,972
Direct taxes	- 83,564	- 46,348
Minority share of the profit	- 2,009	4,516
PROFIT FOR THE YEAR	<u>134,820</u>	<u>125,559</u>

Consolidated Balance Sheet

Assets

(FIM '000s)

Dec.31, 1994

Dec.31, 1993

Fixed assets and other long-term
investments

Intangible assets

Immaterial rights	7		1,865	
Goodwill	0		290	
Consolidated goodwill	0		7,148	
Other long-term expenditures	72,090	72,097	131,809	141,112

Tangible assets

Land and water areas	220,126		219,982	
Buildings	715,691		734,242	
Machinery and equipment	409,029		572,103	
Other tangible goods	0		43,236	
Advance payments and acquisitions in progress	5,405	1,350,251	2,750	1,572,313

Financial assets and other long-term
investments

Shares in associated companies	109,841		49,946	
Other shares	283,552		302,260	
Loans receivable	71,383	464,776	111,059	463,265

Current assets

Inventories

Materials	17,948		43,992	
Products, in process	0		5,032	
Products, finished	40		7,865	
Other inventories	0	17,988	9,054	65,943

Receivables

Accounts receivable	158,090		283,591	
Loans receivable	764,664		620,862	
Deferred assets	53,696		45,817	
Other assets	327	976,777	3,806	954,076

Marketable securities

Shares and holdings		1,470		1,290
Cash in hand and in banks		123,220		99,163
		<u>3,006,579</u>		<u>3,297,162</u>

Liabilities

Liabilities	Dec.31, 1994		Dec.31, 1993	
(FIM '000s)				
Shareholders' equity				
Restricted equity				
Share capital	46,413		46,413	
Revaluation reserve	567,353	613,766	568,651	615,064
Non-restricted equity				
Accumulated profit	1,104,911		1,257,419	
Profit for the year	134,820	1,239,731	125,559	1,382,978
Minority share				
		22,162		20,612
Valuation items				
		5,433		0
Outside liabilities				
Long-term				
Loans from financial institutions	154,813		171,254	
Pension loans	298,970		263,355	
Calculated deferred taxes	179,420		191,632	
Other long-term debts	0	633,203	2,927	629,168
Current				
Loans from financial institutions	3,481		34,302	
Pension loans	4,535		15,818	
Advance payments	122,914		280,921	
Accounts payable	39,864		40,866	
Deferred liabilities	279,704		231,392	
Other current debts	41,786	492,284	46,041	649,340
		3,006,579		3,297,162

Appended Information on the Consolidated Financial Statements

Accounting principles

The Consolidated Financial Statements pertain to the Parent Company and subsidiaries in which the Parent controls directly or indirectly more than 50% of the votes and associated companies in which the Parent holds directly or indirectly 20-50% of the votes.

The subsidiaries are entered in the Consolidated Financial Statements by the purchase method and the associated companies by the capital interest method. Changes in goodwill and reserves of associated companies are reflected in the consolidated income statement. The accounts of foreign subsidiaries are converted into Finnish marks at the official rate of exchange quoted on the day the books are closed, and conversion gaps are taken directly into the shareholders' equity.

The 1993 comparison figures relate to Helsinki Media Company as a subsidiary, while in 1994 Helsinki Media is an associated company. The spin-off of Helsinki Media resulted in capital gain and realized internal surplus for which the 40% corresponding to our stake in the company has been treated as an adjustment of the acquisition cost of the shares and the remainder is shown as income. The sum entered as share acquisition costs will be taken as income over a seven-year period.

For comparison purposes, the 1993 figures have been adjusted to bring them into line with the new accounting legislation. Depreciation on fixed assets has been changed to depreciation according to plan. The internal profit arising from the establishment of real estate corporations was booked as a revaluation item at the consolidated level in 1988.

75% of the accrued depreciation gaps and other reserves have been included in the non-restricted shareholders' equity figure for 1993, and this explains the discrepancy with the corresponding figure in the official 1993 accounts. 25% of the reserves have been included in estimated deferred taxes.

The share of calculated deferred taxes in voluntary reserves is stated in long-term liabilities. Minority share has also been separated from the voluntary reserves, and the remainder has been added to shareholders' equity. The 1993 figures have been adjusted to conform with current accounting practices.

The composition of net sales has been changed. Now price reductions are the only sales adjustment items included in net sales, whereas other items formerly classified as sales adjustment items are now stated under expenses. The net sales for the comparison year 1993 has been adjusted accordingly.

Taxes for 1994 include taxes due for the previous year, which resulted from disallowance of certain writedowns in the value of assets. Unrealized exchange-rate gains have been entered under valuation items.

The Sanoma Corporation Pension Fund has no uncovered pension liabilities. The Chairman of the Board of Directors and other Members of the Board regularly employed by the Corporation are entitled to pensions in accordance with the Pension Fund rules.

(FIM '000s)	Consolidated		Parent Company	
	1994	1993	1994	1993
1. Expenditures				
Materials and supplies				
Acquisitions during the financial year ..	246,659	415,415	245,592	335,324
Decrease in inventories	15,943	8,800	15,879	9,882
Purchased services	2,722	20,990	2,352	16,267
Payroll expenditure	591,024	815,048	578,679	716,394
Rents	15,031	43,337	66,699	97,296
Purchased delivery services	147,248	182,796	147,135	180,045
Other expenditures	346,208	558,674	336,525	490,895
	<u>1,364,835</u>	<u>2,045,060</u>	<u>1,392,861</u>	<u>1,846,103</u>
2. Payroll expenditure				
Wages and salaries	472,203	662,930	462,363	581,504
Fringe benefits	4,248	6,924	4,010	5,128
Pension expenditure	58,212	80,655	56,846	71,206
Other fringe benefits	60,609	71,463	59,470	63,684
	<u>595,272</u>	<u>821,972</u>	<u>582,689</u>	<u>721,522</u>
3. Depreciation according to plan				
Immaterial rights	2	1,177	2	325
Other long-term expenditures	16,661	29,235	15,735	18,521
Buildings	24,636	24,223	8,982	8,811
Machinery and equipment	99,968	151,762	98,007	128,278
	<u>141,267</u>	<u>206,397</u>	<u>122,726</u>	<u>155,935</u>
Depreciation of consolidated goodwill ...		4,651		
Consolidated reserves entered as income		<u>-1,811</u>		
		<u>2,840</u>		
Depreciation schedule				
Immaterial rights	10 yrs	10 yrs	10 yrs	10 yrs
Other long-term expenditures	5-10 yrs	5-10 yrs	5-10 yrs	5-10 yrs
Buildings	4-40 yrs	4-40 yrs	4-40 yrs	4-40 yrs
Machinery and equipment	4-10 yrs	4-10 yrs	4-10 yrs	4-10 yrs
4. Financial revenues and expenditures				
Dividend revenues	8,476	8,753	8,526	8,234
Interest income on long-term investments	4,588	0	24,084	35,474
Interest income on current investments...	51,380	85,781	29,480	49,688
Other financial revenues	29,655	10,829	22,065	21,764
Foreign-exchange differences	- 675	28,207	3,168	56,921
Interest expenditures	- 40,788	- 64,589	- 41,489	- 72,516
Other financial expenditures	- 61,078	- 14,772	- 31,088	- 822
	<u>- 8,442</u>	<u>54,209</u>	<u>14,746</u>	<u>98,743</u>

Appended Information on the Consolidated Financial Statements

(FIM '000s)	Consolidated		Parent Company	
	1994	1993	1994	1993
5. Financial income from subsidiaries				
Interest revenues from long-term investments			22,879	34,030
Interest revenues from current investments			296	0
			<u>23,175</u>	<u>34,030</u>
6. Financial payments to subsidiaries				
Interest expenditures			<u>1,905</u>	<u>12,753</u>
7. Extraordinary revenues and expenditures				
1) Extraordinary revenues	77,873	7,247	16,356	168,928
2) Extraordinary expenditures	- 2,499	- 59,603	- 2,400	- 234,188
	<u>75,374</u>	<u>- 52,356</u>	<u>13,956</u>	<u>- 65,260</u>
1) Extraordinary revenues				
Realized internal margin and sales profit	49,674			
Share in profits of associated companies ..	9,691			
Refund of pension insurance payments ..	9,372		9,373	
From the revaluation of shares	9,080		6,934	
Other extraordinary revenues	56		49	
	<u>77,873</u>	<u>7,247</u>	<u>16,356</u>	<u>168,928</u>
2) Extraordinary expenditures				
Refunded compensation for compulsory purchase	2,400		2,400	
Other extraordinary expenditures	99		0	
	<u>2,499</u>	<u>59,603</u>	<u>2,400</u>	<u>234,188</u>
8. Direct taxes				
Taxes for the financial year	48,512	26,729	43,016	20,800
Deferred tax liabilities from previous years	40,932	19,619	41,748	19,518
Calculated change in deferred taxes	- 5,880	0	0	0
	<u>83,564</u>	<u>46,348</u>	<u>84,764</u>	<u>40,318</u>
9. Securities held as long-term investments				
Subsidiaries				
Shares			916,561	1,099,974
Associated companies				
Shares	109,841		56,008	11,806

(FIM '000s)	Consolidated		Parent Company	
	1994	1993	1994	1993
10. Receivables falling due in one year or later				
Loans receivable	5,362	4,891	252,697	269,735
11. Valuation items, liabilities				
Unrealized exchange-rate gains	5,433	0	5,433	0
12. Changes in shareholders' equity				
Revaluation reserve, Jan. 1	568,651	726,294		
Decrease, funds released in conjunction with sale	- 1,298	- 157,643		
Revaluation reserve, Dec. 31	<u>567,353</u>	<u>568,651</u>		
Shareholders' equity, non-restricted, Jan. 1	1,382,978	654,318	1,382,667	1,267,133
Dividends distributed				
In cash	- 4,177	- 4,177	- 4,177	- 4,177
In Helsinki Media Company shares	- 112,785	0	- 112,785	0
Redemption of own shares	- 125,641	0	- 125,641	0
Profits transferred to the reserve for donations	- 500	- 400	- 500	- 400
Change in the conversion gap of the equity of subsidiaries	- 36,819	19,123	0	0
Connection fees to Helsinki Cable Television Ltd	0	5,736	0	0
Interest in the change in shareholders' equity	1,855	0	0	0
Voluntary reserves transferred to shareholders' equity	0	582,818	0	0
Net result for the year	134,820	125,559	90,200	120,110
Unpaid dividends	0	1	0	1
Shareholders' equity, non-restricted, Dec. 31	<u>1,239,731</u>	<u>1,382,978</u>	<u>1,229,764</u>	<u>1,382,667</u>
Distributable component of shareholders' equity	703,037	800,159		
Share capital of the Parent Company	1994		1993	
Shares, Jan. 1	pcs	FIM	pcs	FIM
K-series shares	232,866	23,286	232,866	23,286
E-series shares	231,269	23,127	231,269	23,127
		<u>46,413</u>		<u>46,413</u>
Redeemed shares	pcs			
K-series shares	4,000			
E-series shares	38,450			

Appended Information on the Consolidated Financial Statements

(FIM '000s)	Consolidated		Parent Company	
	1994	1993	1994	1993
13. Debts falling due in five years or later				
Pension loans	283,789	183,694	283,789	183,694
14. Pledges and commitments				
Pledges	43,070	42,919	43,070	42,314
Mortgages on land and buildings	182,200	180,978	5,200	5,200
On behalf of others				
Pledges	1,096	1,096	1,096	1,096
Guarantees	15,810	19,115	15,810	16,457
Other contingent liabilities				
Pension liabilities	855	869	855	869
Other commitments	968	965	0	0
Total				
Pledges	44,166	44,015	44,166	43,410
Mortgages on land and buildings	182,200	180,978	5,200	5,200
Guarantees	15,810	19,115	15,810	16,457
Pension liabilities	855	869	855	869
Other commitments	968	965	0	0
15. Fixed assets				
Immaterial rights				
Acquisition cost, Jan. 1	8,958		20	20
Decreases, Jan. 1-Dec. 31	- 8,958		0	0
Acquisition cost, Dec. 31	20		20	20
Accumulated depreciation according to plan, Dec. 31	- 13		- 13	- 11
Book value, Dec. 31	7		7	9
Accumulated difference between total depreciation and depreciation according to plan, Jan. 1	1		1	324
Decrease in accelerated depreciation, Jan. 1-Dec. 31	0		0	323
Accumulated difference between total depreciation and depreciation according to plan, Dec. 31	1		1	1

(FIM '000s)	Consolidated	Parent Company	
	1994	1994	1993
Other long-term expenditures			
Acquisition cost, Jan. 1	218,958	147,990	134,631
Increases, Jan. 1-Dec. 31	5,144	5,059	14,309
Decreases, Jan. 1-Dec. 31	- 47,502	- 190	- 950
Acquisition cost, Dec. 31	176,600	152,859	147,990
Accumulated depreciation according to plan, Dec. 31	- 104,510	- 102,936	- 87,201
Book value, Dec. 31	72,090	49,923	60,789
Accumulated difference between total depreciation and depreciation according to plan, Jan. 1	25,234	22,512	28,484
Decrease in accelerated depreciation, Jan. 1-Dec. 31	- 4,516	- 4,511	- 5,972
Accumulated difference between total depreciation and depreciation according to plan, Dec. 31	20,718	18,001	22,512
Buildings			
Acquisition cost, Jan. 1	859,840	249,911	247,648
Increases, Jan. 1-Dec. 31	3,077	3,077	2,390
Decreases, Jan. 1-Dec. 31	0	0	- 128
Acquisition cost, Dec. 31	862,917	252,988	249,910
Accumulated depreciation according to plan, Dec. 31	- 147,226	- 33,894	- 24,911
Book value, Dec. 31	715,691	219,094	224,999
Accumulated difference between total depreciation and depreciation according to plan, Jan. 1	268,048	171,128	175,425
Increase in accelerated depreciation, Jan. 1-Dec. 31	4,408	0	0
Decrease in accelerated depreciation, Jan. 1-Dec. 31	- 4,732	- 4,733	- 4,298
Accumulated difference between total depreciation and depreciation according to plan, Dec. 31	267,723	166,395	171,127

Appended Information on the Consolidated Financial Statements

(FIM '000s)	Consolidated 1994	Parent Company 1994 1993	
Machinery and equipment (Advance payments included)			
Acquisition cost, Jan. 1	1,387,326	1,229,752	1,196,405
Increases, Jan. 1-Dec. 31	49,242	47,522	41,538
Decreases, Jan. 1-Dec. 31	- 154,750	- 8,454	- 8,191
Acquisition cost, Dec. 31	1,281,818	1,268,820	1,229,752
Accumulated depreciation according to plan, Dec. 31	- 867,384	- 857,405	- 760,923
Book value, Dec. 31	414,434	411,415	468,829
Accumulated difference between total depreciation and depreciation according to plan, Jan. 1	261,976	262,046	298,652
Decrease in accelerated depreciation, Jan. 1-Dec. 31	- 18,608	- 18,533	- 36,606
Accumulated difference between total depreciation and depreciation according to plan, Dec. 31	243,368	243,513	262,046
Shares of machinery and equipment in the total book value, Dec. 31	376,906	375,034	428,405
Taxation values of fixed assets			
Land	133,579	61,647	61,647
Buildings	276,367	75,881	79,220
Shares and holdings	380,209	311,853	261,907
Shares and holdings, subsidiaries	0	713,433	952,208

Sanoma Corporation

Income Statement

	Jan.1-Dec. 31, 1994	Jan.1-Dec. 31, 1993
(FIM '000s)		
Net sales	1,627,829	2,044,508
Changes in inventories of finished products	0	- 1,511
Other revenues from operations	24,900	15,956
Expenditures	- 1,392,861	- 1,846,103
Profit on operations before depreciation	259,868	212,850
Depreciation	- 122,726	- 155,935
Profit on operations after depreciation	137,142	56,915
Financial revenues and expenditures	14,746	98,743
Profit before extraordinary items, reserves and taxes	151,888	155,658
Extraordinary revenues and expenditures	13,956	- 65,260
Pay-out to the Employee Profit-Sharing Fund	- 18,657	- 9,682
Profit before reserves and taxes	147,187	80,716
Decrease in accelerated depreciation	27,777	47,200
Decrease in voluntary reserves	0	32,512
Direct taxes	- 84,764	- 40,318
PROFIT FOR THE YEAR	<u>90,200</u>	<u>120,110</u>

Sanoma Corporation

Balance Sheet

Assets

(FIM '000s)

Fixed assets and other
long-term investments

Dec.31, 1994

Dec.31, 1993

Intangible assets

Immaterial rights

7

9

Other long-term expenditures

49,923

49,930

60,789

60,798

Tangible assets

Land and water areas

47,044

47,044

Buildings

219,094

224,999

Machinery and equipment

406,009

466,079

Advance payments

and acquisitions in progress

5,406

677,553

2,750

740,872

Financial assets and other

long-term investments

Consolidated shares

916,561

1,099,974

Shares, associated companies

56,008

11,806

Other shares

98,314

98,487

Loans receivable

34,375

1,105,258

24,111

1,234,378

Current assets

Inventories

Materials

17,890

33,769

Receivables

Accounts receivable

156,157

145,849

Loans receivable

803,030

697,534

Deferred assets

45,063

84,584

Other assets

133

1,004,383

0

927,967

Marketable securities

Shares and holdings

1,469

1,289

Cash in hand and in banks

9,371

9,486

2,865,854

3,008,559

Liabilities

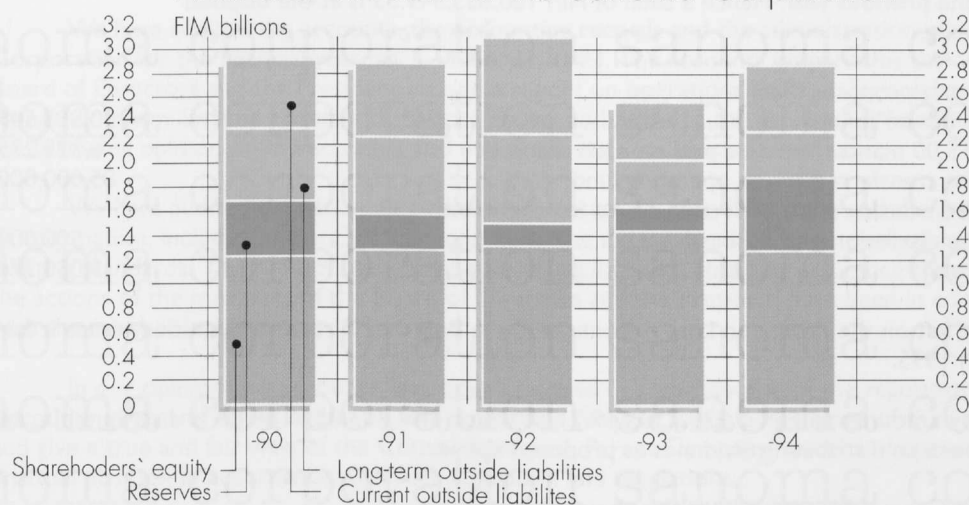
	Dec.31, 1994		Dec.31, 1993	
(FIM '000s)				
Shareholders' equity				
Restricted equity				
Share capital	46,413	46,413	46,413	46,413
Non-restricted equity				
Operating fund	1,128,908		1,254,549	
Profit, accumulated	10,656		8,008	
Profit for the year	90,200	1,229,764	120,110	1,382,667
Reserves				
Accelerated depreciation, accumulated ...	427,911		455,688	
Voluntary reserves				
Transition reserves	182,834	610,745	182,834	638,522
Valuation items		5,432		0
Outside liabilities				
Long-term				
Loans from financial institutions	154,813		167,404	
Pension loans	298,971	453,784	258,600	426,004
Current				
Loans from financial institutions	3,481		30,376	
Pension loans	4,535		15,818	
Advance payments	122,055		120,439	
Accounts payable	38,692		18,852	
Deferred liabilities	268,764		160,615	
Other current debts	82,189	519,716	168,853	514,953
		<u>2,865,854</u>		<u>3,008,559</u>

Consolidated Changes in Financial Position

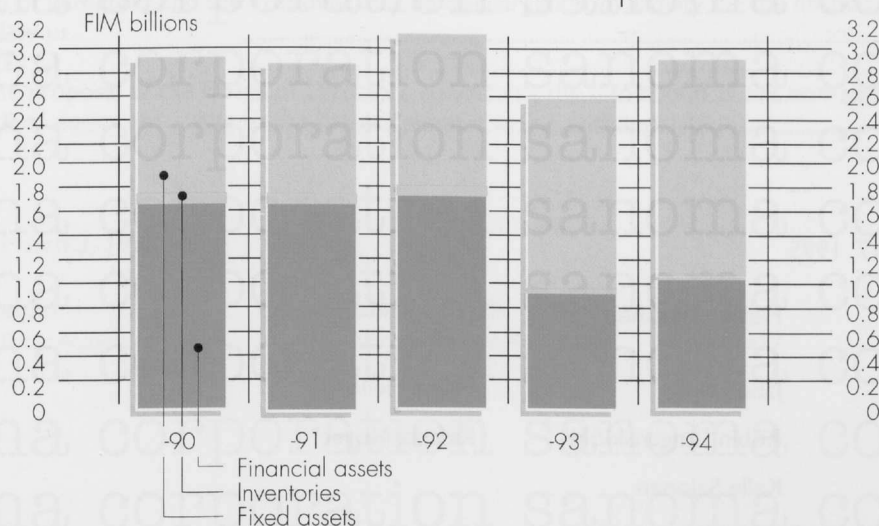
(FIM m.)	1994	1993
Sources of funds		
Profit (net)	134.8	125.6
Depreciation	141.3	209.2
Share in profits of associated companies	- 9.7	0.0
Minority share	2.0	- 4.5
Changes in reserves	0.0	- 58.9
Income financing, total	268.4	271.4
Decrease in fixed assets	236.1	39.5
Increase in long-term debts	4.0	0.0
Connection fees to Helsinki Cable Television Ltd	0.0	5.8
Change in valuation items	5.4	0.0
	513.9	316.7
Application of funds		
Investments	79.9	129.1
Donations	0.5	0.4
Conversion gap	36.8	- 19.3
Decrease in long-term debts	0.0	358.7
Dividends distributed		
In cash	4.2	4.2
In Helsinki Media Company shares	112.8	0.0
Redemption of shares	125.6	0.0
Change in shareholders' equity of associated companies	- 1.9	0.0
	357.9	473.1
Change in net working capital	156.0	- 156.4
	513.9	316.7
Change in net working capital		
Cash in hand and in banks	24.0	- 247.9
Current financial assets	22.9	- 5.6
Inventories	- 47.9	- 8.6
Current outside liabilities	157.0	105.7
	156.0	- 156.4
Net working capital, Jan. 1	471.1	627.5
Net working capital, Dec. 31	627.1	471.1

Financial and Asset Structures

Financial Structure of the Sanoma Corporation



Asset Structure of the Sanoma Corporation



Proposal for Distribution of the Profit

The profit for the financial year totals FIM 90,199,696.02. FIM 10,655,853.53 of the profit was retained from the previous year. Hence a total of FIM 100,855,549.55 is at the disposal of the General Meeting.

The Board of Directors proposes that	
from the above-mentioned sum of	FIM 100,855,549.55
– a dividend of 15.00 marks should be paid on each share, or	6,325,275.00
– a sum should be transferred to the operating fund	85,000,000.00
– 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	9,030,274.55

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 1995.

Consolidated equity amounts to FIM 1,239,730,619.71 of which FIM 703,037,166.63 is distributable, and so there is no impediment to distributing dividends as proposed above.

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	1,213,908,411.18
Reserve for Donations	500,000.00
Undisposed Profit	9,030,274.55

Helsinki, February 17, 1995

Aatos Erkko
Chairman

Heikki Tikkanen
Vice Chairman

Robert Castrén

Jane Erkko

Merja Helle

L.J. Jouhki

Robin Langenskiöld

Rafaela Noyer

Jaakko Rauramo

Kalle Salonen

Auditors' Report

To the shareholders of the Sanoma Corporation

We have audited the accounts, the accounting records and the administration of the Sanoma Corporation for the financial year Jan. 1 - Dec. 31, 1994. The accounts prepared by the Board of Directors and the President include a report on operations and the Consolidated and Parent Company income statements, balance sheets and notes to the accounts. We offer the following opinion on the accounts and the administration based on our audit.

We have audited the accounting records, the accounts, the disclosures and the presentation of information, including the accounting policies, to the extent required by generally accepted auditing standards. The audit of the administration has included obtaining assurance that the actions of the members of the Board of Directors and the President have been in conformity with the relevant legislation.

In our opinion, the accounts have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations relevant to the preparation of the accounts, and give a true and fair view of the Consolidated and Parent Company results of operations and financial position in accordance with such legislation and regulations.

The accounts, including the consolidated accounts, may be approved, and the members of the Board of Directors and the President may be discharged from liability for the financial year examined by us.

The proposal of the Board of Directors concerning the disposition of the non-restricted shareholders' equity according to the balance sheet is in line with legislation.

Helsinki, March 3, 1995

Antti Helenius
Authorized Public Accountant

Johanna Perälä
Authorized Public Accountant

Net Income Information

USD, in millions except EPS ¹⁾

	1990	1991	1992	1993	1994
Net sales	583.5	515.1	501.0	496.1	347.0
Operating profit	92.0	69.5	65.1	68.7	66.1
Interest income, net	0.6	4.7	8.1	4.5	3.2
Other financial revenues and expenditures	1.9	4.8	5.0	7.0	- 5.0
Extraordinary items	- 4.8	- 7.7	- 9.2	- 11.0	15.9
Profit share	- 3.0	- 0.4	- 0.5	- 2.2	- 4.0
Income before depreciation and taxes	86.7	70.9	68.5	67.0	76.2
Depreciation ²⁾	- 40.3	- 38.4	- 34.1	- 44.1	- 29.8
Income before taxes	46.4	32.5	34.4	22.9	46.4
Income tax paid	- 14.9	- 13.8	- 6.2	- 9.8	- 17.6
Deferred income tax expenses	- 7.8	1.1	- 5.8	4.0	6.0
Net income before minority share	23.7	19.8	22.4	17.1	34.8
Minority share of the profit of subsidiaries	- 0.1	0.0	0.3	0.9	- 0.4
Net income	23.6	19.8	22.7	18.0	34.4
Earnings per share (USD)	50.8	42.7	48.7	39.0	81.6

¹⁾ The exchange-rate as of December 31, 1994, quoted by the Bank of Finland was FIM 4.7475 per USD.

²⁾ Depreciation is based on the economic lifetime of fixed assets. In 1990-1992, depreciation was based on the replacement cost (calculated internal depreciation) and in 1993-1994 on the acquisition cost (depreciation according to plan).

Income Statement Information

USD, in millions ¹⁾

	1990	1991	1992	1993	1994
Income before depreciation and taxes	86.7	70.9	68.5	67.0	76.2
Depreciation ²⁾	- 36.6	- 33.3	- 48.6	- 44.1	- 29.8
Additional depreciation allowed by special tax relief legislation	-	-	-	-	-
Adjustments to untaxed reserves ³⁾	- 12.6	1.7	1.1	13.3	- 0.4
Income before income tax paid	37.5	39.3	21.0	36.1	46.0
Income tax paid	- 14.9	- 13.8	- 6.2	- 9.8	- 17.6
Statutory net income	22.6	25.5	14.8	26.3	28.4

¹⁾ The exchange-rate as of December 31, 1994, quoted by the Bank of Finland was FIM 4.7475 per USD.

²⁾ Depreciation 1990-1992 according to Finnish Tax Act, 1993-1994 according to plan.

³⁾ 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.

Profit-Sharing Fund

The decision to establish the Sanoma Profit-Sharing Fund was made in 1989, and the legislative framework for such voluntary profit-sharing funds took effect in early 1990. The Fund was founded that same year and was one of the first four funds of this kind to be created in Finland when the then Labor Minister Matti Puhakka signed the registration documents on February 16, 1990.

During the Fund's first few years of operation, the Finnish economy was deep in recession, and only a few companies that had established similar funds were able to make payouts. Though the economy's troubles weighed down the Sanoma Group's financial results, profit bonuses were nevertheless paid out to the Fund each year.

During the existence of the Sanoma Group Profit-Sharing Fund, January 1, 1990 - March 31, 1994, a total of FIM 29 million in profits was deposited in the Fund and FIM 2.9 million was distributed to the personnel. At the end of the Fund's financial year, ending on March 31, 1994, the Fund had financial assets of FIM 39.3 million.

The main task of the Board of Directors of the Profit-Sharing Fund is to invest the Fund's assets prudently. The Board has succeeded in this task, as the average yearly return on capital invested has been 23 percent.

The Corporation recognizes the importance of in-house communication. In addition to the special Sanomia bulletin on profit-sharing issued three times a year, the autumn 1994 edition of the staff magazine HESA also dealt extensively with the Profit-Sharing Fund. The Fund's annual report and accounts for the previous year were provided as a supplement to that issue.

In conjunction with the dismantling of the group structure in autumn 1993, the Fund was renamed the 'Sanoma Corporation Profit-Sharing Fund'. At the beginning of April 1994, a decision was made to split the Fund in two, with the existing fund continuing to operate under the name Sanoma Corporation Profit-Sharing Fund and with a new fund established for Helsinki Media Company personnel. The financial assets were divided and shared between the two

funds in accordance with the situation that existed on the date of valuation, March 31, 1994.

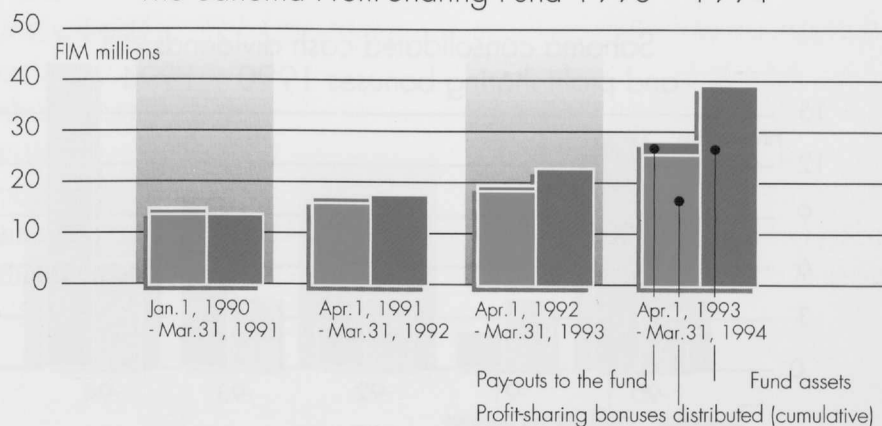
The Fund is administered by the personnel. Until the end of March 1994, the highest authority was exercised by a council consisting of 16 members representing different personnel groups. The Fund is managed on a day-to-day basis by a six-member Board of Directors, one member of which is appointed by the Corporation and the rest by the personnel. The members of the Board and of the Council all have personal deputies.

The current financial year of the Sanoma

Corporation Profit-Sharing Fund ends at the end of March 1995. The Corporation's 1994 financial result will entitle the Fund to some FIM 18 million in profits, which is the largest sum ever paid out to the Fund.

The profit-sharing system has been reformed as of the beginning of 1995. Under the new system, the Fund is to receive a specified share of the Corporation's profits. The Fund now covers all employees of the Corporation, with the exceptions of the Chairman of the Board

The Sanoma Profit-Sharing Fund 1990 - 1994



Profit-Sharing Fund

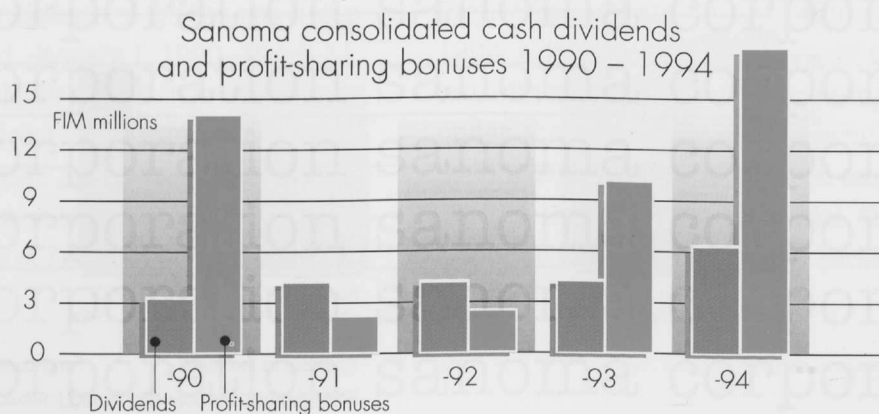
of Directors and the President.

The compositions of the Fund's Council and Board of Directors were also changed, with the Council now consisting of twelve staff representatives and the Board having seven members, one of whom is appointed by the Corporation. Each member of the Council and the Board still has a personal deputy.

The Profit-Sharing Fund has got off to a good start, and the various interested parties have engaged in constructive and open interaction.

Efforts to keep the staff informed of the Corporation's affairs and financial prospects have enhanced the Fund's incentive impact and increased the personnel's interest and awareness. Each member of the Fund receives an annual statement of his or her personal share in the Fund's proceeds.

In general, profit-sharing funds can be expected to gain importance as the Finnish economy recovers. The pertinent legislation is in harmony with European Union recommendations on profit-sharing funds.



Profit-Sharing Fund

1994 - 1996

COUNCIL

Jouko Vanninen, Chairman
Timo Hänninen, deputy
Teemu Luukka, Vice Chairman
Jaana Savolainen, deputy
Vesa-Pekka Meskanen
Kauko Willberg, deputy
Pentti Hakala
Markku Mäkelä, deputy
Irja Kukkonen
Mirja Pircklén, deputy
Rauha Ekstrand
Liisa Koistinen, deputy
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Sirkka Turunen, deputy
Hannele Wikman
Tor-Leif Bäckman, deputy
Kari Mervasto
Seppo Kurttila, deputy
Matti Tuominen
Hannu Tabell, deputy
Jorma Lindfors
Timo Kilpi, deputy
Tuuli Kahma
Irma Aakula, deputy

BOARD

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Anja Valtonen, deputy
Hannu Launiala, Vice Chairman
Väinö Kenttälä, deputy
Merja Helle
Johanna Korhonen, deputy
Martti Ojares
Markku Mäkijärvi, deputy
Juhani Salmi
Jukka Myllylä, deputy
Ari Salo
Mauri Luostarinen, deputy
Kalle Salonen
Christer Grundström, deputy

Directors and Officers

BOARD OF DIRECTORS

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

- 1 EXECUTIVE COMMITTEE
- 2 COMPENSATION COMMITTEE
- 3 MEDIA POLICY COMMITTEE
- 4 FINANCE COMMITTEE

CORPORATE OFFICERS

Jaakko Rauramo, President
and Chief Operating Officer
Heikki Huhtanen, Executive Vice President
and General Manager, Newspapers
Seppo Kievari, Executive Vice President
and Publisher
Martti Ojares, Executive Vice President,
Finance and Administration
Sakari Almi, Vice President
Kerstin Rinne, Vice President,
Legal Affairs and Information Services
Heikki Saraste, Vice President

Helsingin Sanomat

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Keijo K. Kulha, Editor in Chief

Reetta Meriläinen, Editor in Chief

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Heleena Savela, Managing Editor

Janne Kalliomäki, Distribution Director

Caroline Lilius, Sales Director,

Marketing Research

Raija Liuhola-Lassuri, Sales Director,

Advertising Marketing

Raimo Mäkilä, Director, Advertising Services

Reino Paavola, Sales Director, Circulation Sales

Ilkka Seppälä, Sales Director, Newspapers

Pekka Soini, Sales Director, Advertising Sales

Ilta=Sanomat

Sakari Almi, Vice President, Marketing

Vesa-Pekka Koljonen, Senior Editor in Chief

Hannu Savola, Editor in Chief

Ari-Pekka Pietilä, Managing Editor

Erik Rissanen, Managing Editor

Kari Ylännä, Managing Editor

Eva Salama, Sales Director

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Sulo Nuutinen, Production Director, Prepress

Pertti Puolakka, Vice President, Logistics

Pekka Salmén, Vice President, Production

Markku Kurki, Planning Manager

Sanoma Finance

Martti Ojares, Executive Vice President

Nils Ittonen, Vice President, Portfolio Management

Mari Jerkku, Finance Manager

Pekka Toropainen, Vice President, Sanoma Real Estate

Finance and Administration

Martti Ojares, Executive Vice President

Tapani Kivelä, Vice President, Administration

Anne-Maj Roman, Controller

* *

LEHTIKUVA OY

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Aatos Erkkö, President

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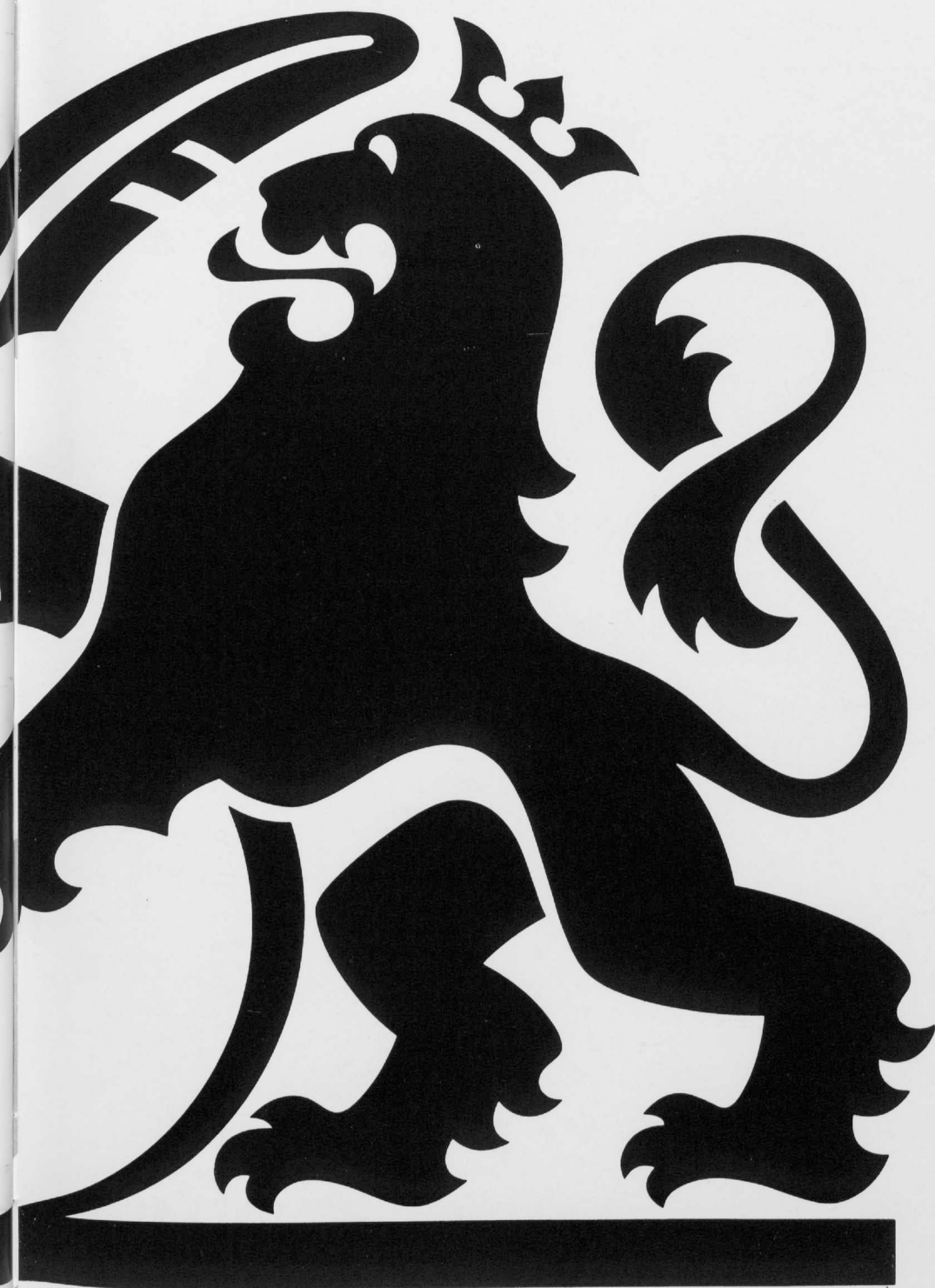
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The Sanoma Corporation Annual Report is published in Finnish, Swedish and English.
Copies of the report are available on order from Sanoma Corporation, Finance,
POB 240 FIN-00101 Helsinki, Finland, or call +358-0-122 4751.

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 1995, Sanoma Corporation is a newspaper publisher dedicated to the best journalistic traditions and innovative professionalism, 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.