1996 Annual Report SANOMA CORPORATION









Helsingin Sanomat, the largest daily newspaper in Scandinavia, reaches 1,300,000 readers every day. It is distributed by morning delivery to subscribers throughout the country. Ilta=Sanomat is Finland's biggest afternoon newspaper and is published six times a week. It is sold only by single copy.

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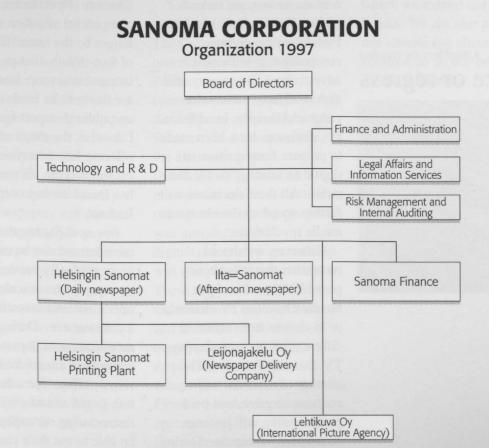
Auto&Traffic is the first-ever weekly thematic supplement published by Helsingin Sanomat.

Sanoma Corporation Board of Directors

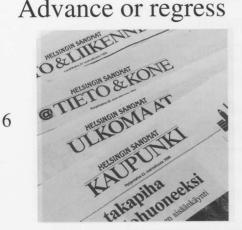
		member since	for the term until
	Aatos Erkko, Chairman (since 1972)	1957	1999
	Heikki Tikkanen, Vice Chairman (since 1989)	1988	1998
1	Robert Castrén	1994	1997
	Jane Erkko	1990	1997
	L.J. Jouhki	1990	1999
	Seppo Kievari	1995	1998
	Robin Langenskiöld	1990	1998
2	Rafaela Noyer	1994	1997
	Jaakko Rauramo	1979	1998
	Kalle Salonen, Personnel Representative	1990	1999
	Jarmo Toivanen, Personnel Representative	1996	1999

Auditors:

Mr Antti Helenius, CPA, and Mr Pekka Nikula, CPA, have served as Auditors, with Mr Juha Tuomala, CPA, and Mr Jukka Ala-Mello, CPA, as their Deputies.



A Word from the President



The media environment is changing quickly, and - as it affects everyone - it is the focus of great interest. The recent discussion of media developments has been blown out of proportion by journalists who are eager to talk about issues affecting their profession. Exaggeration notwithstanding, the changes now under way are indeed major. For the first time ever, Finland will soon see competition in television advertising. The country will also soon have nationwide commercial radio. In addition, key decisions have been made to prepare for transition to digital technology in TV and radio. All these decisions will further speed up the electronic media revolution.

However, we should remember that it is already possible to receive about a hundred satellite TV channels or to choose from about 30 different cable channels, pay-TV channels included. The number of channels will continue to grow, and paid programming will become increasingly common. During the next 10 years, the electronic media can be expected to become ever more fragmented. In this respect they will resemble the printed media of today.

Another powerful trend is the growth of free-distribution papers, something that could be called the "Metro phenomenon", after a freedistribution paper called Metro available on Stockholm metro trains since spring 1995. Finland, and especially Helsinki, has had strong and high-quality free papers for years, and so this trend is unlikely to transform the media in Finland as profoundly as it has done in neighboring Sweden. Nevertheless, the competitive situation will no. longer be the same. The supply of free-distribution papers will increase and more free papers are likely to be made available on public transport for instance. Likewise, the range of papers offering free advertising has grown, and the phenomenon has found its way onto the Internet.

For newspapers, the media environment can be expected to grow gradually harsher. Most newspapers have scaled their operations and investments for a different era. During the recession some papers have carried out unavoidable restructuring. For others this task is still ahead. Without restructuring, newspapers must be able to cut their costs by 20 percent to maintain their present level of profitability. Restructuring, though feasible and even fairly easy to do, is not particularly motivating. On the other hand, changes are inevitable. We have seen several cases of stubborn insistence on existing benefits paving the road to bankruptcy.

We need a new style of thinking and to recognize that successful newspapers need to look forward and not back. Newspapers will find their future in the new dimensions available to them, such as supplements and on-line editions. Furthermore, cooperation both within the newspaper business and with the electronic media is crucial. The future will also be found in the more efficient use of resources and in smaller core organizations networked to a broad system of subcontractors.

Newspapers can develop new supplements, either independently or in cooperation with others. To compete more effectively with free-delivery papers newspapers can conduct campaigns and deliver papers free of charge to households in areas where coverage is low. Newspapers can create new products for areas where competition is now scant or non-existent. Cooperation with the electronic media can take the form of cross-media advertising, which is highly effective when the right media are chosen.

Newspapers have the best news organizations in the country, and these organizations can be used in the production of television and radio news and current affairs programs as well. Newspapers' advertising sales organizations and circulation departments can sell an increasingly wide range of products, distribution networks can find new articles to deliver, and the same goes for production units. So far expanded use of resources has been most successful in production operations: in 1996, printed newspapers and magazines were Finland's single biggest export article to Russia.

Sanoma Corporation made significant changes in 1996. The Corporation adopted a process-based organization. Production and technology operations were brought under the daily newspaper Helsingin Sanomat. In this connection, the afternoon paper Ilta=Sanomat became an internal customer. An extensive management training program was introduced and digitalization of page makeup was completed during the year. These steps will enable us to create a much more efficient and smooth-functioning organization which will emphasize the role of competent individuals. Sanoma Finance has developed its operations by branching out from conventional investment instruments into ownership of associated companies. This means that, instead of majority positions, the company is looking to acquire associates in which its stake would be about 20 percent.

The year's weaker-thanexpected economic growth and market situation, as well as the changes in the organization, made big demands on the personnel. I want to express my warmest thanks to all those who have taken a positive approach to this process of change and have worked to carry it through. Together we have a bright future. Our biggest motivating force is the loyalty of our readers, for which we extend our sincere thanks. We are also proud of our advertising clients, and will continue to do our best to retain their confidence.

Apalilas Laumm

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- Circulation of Helsingin Sanomat unchanged, circulation of Ilta=Sanomat up slightly
- Helsingin Sanomat's advertising revenues grew one percent, Ilta=Sanomat's three percent
- Helsingin Sanomat's Net Supplement launched
- Ilta=Sanomat's weekend supplement redesigned

Helsingin Sanomat starts a new theme supplement, Auto&Traffic

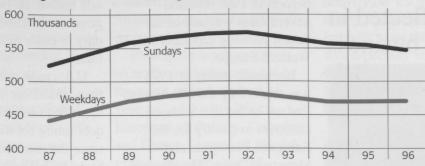
- Printing operations integrated into the Helsingin Sanomat organization
- Ground work at the building site of the new
 Sanoma House headquarters begins in downtown Helsinki
- Exports of printed material to Russia continue
- Helsingin Sanomat shifts to on-screen page makeup

(FIM millions)	1996	1995
Net sales	1 824	1 798
Change %		14
Profit on operations before depreciation	316	354
% of net sales	17	20
Profit before extraordinary items	305	236
% of net sales	17	13
Net profit for the year	257	186
% of net sales	14	10
Total assets	3 186	3 1 4 3
Personnel on average	1 737	1 727
Newspaper delivery personnel	1614	1 666

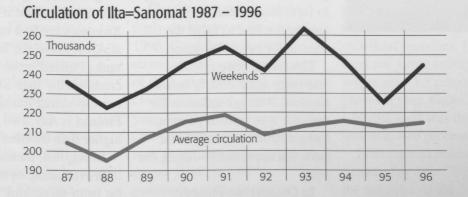
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1996 in Brief

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Average circulation of Helsingin Sanomat 1987 – 1996



REPORT BY THE ROARD

Slow economic growth reflected in newspaper business



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ECONOMIC TRENDS

For the Finnish economy 1996 got off to an uncertain start and the economy grew slowly for the first six months. However, the situation improved in the second half. Gross Domestic Product grew 3.2 percent in 1996, versus growth of 4.5 percent in 1995. Finland nevertheless was one of the fastest growing economies in Western Europe.

Economic policy in 1996 was marked by the effort to put Finland in the first wave of countries to qualify for the European Economic and Monetary Union. The chances of achieving this goal improved during the year as economic growth accelerated. According to forecasts, Finland will be among the first to fulfil the criteria for monetary union.

Consumer price inflation was once again clearly below forecast. Average inflation for the year was just 0.6 percent. Long and short-term interest rates fell appreciably during the year.

In October the Finnish currency was linked to the European Exchange Rate Mechanism. The Finnish mark (markka) was pegged at a central parity rate of 5.80661 markka to the European Currency Unit, which corresponded to 3.04 markka to the German mark. This exchange rate held steady until the end of the year.

The economy's biggest problems in recent years have been mounting public debt and unyielding mass unemployment. The state debt grew by about FIM 36 billion, or slightly less than forecast. At year-end the debt totaled FIM 408 billion. In 1997 the government expects to borrow only in order to service existing loans.

U.S. credit rating agencies Standard&Poor's and Moody's upgraded Finland's sovereign debt rating for the first time since the recession began. Standard&Poor's still considers Finland a weaker economy than Sweden. Its rating for Finland's long-term foreign-denominated debt is AA, while it rates Sweden's credit a notch higher at AA+. Moody's, however, ranks Finland more creditworthy than Sweden. Its corresponding rating for Finland is Aa1, two grades higher than Sweden's Aa3.

In contrast, measures to improve unemployment were far from successful. At yearend, according to Statistics Finland, only 37,000 more people were employed than in 1995. Service industries, including the retail sector, created many of the new jobs. Even so, unemployment was 16.3 percent or 408,000 persons on average in 1996.

Goods exports increased

OF DIRECTORS

during the year, but more slowly than in 1995 due to sluggish paper exports. The trade balance and the current account once again showed hefty surpluses. According to a Bank of Finland survey, the cumulative trade surplus was FIM 43.6 billion and the current account surplus FIM 19.2 billion at year-end.

Industry's growth engine was the metal and engineering branch, especially manufacturing of electrical goods and electronics. Forest industry output fell from 1995 levels, but began to grow towards the end of the year. Altogether industrial production grew about three percent.

Private consumption rose for a third year in a row, up about three percent. Disposable household income grew faster than predicted as inflation remained low. Income taxes were reduced slightly at the beginning of the year.

Retail sales and wholesales increased again, but still fell short of the peak 1989 level in terms of value. Construction, long depressed, showed signs of recovery towards the end of the year. Property improvement was especially active. Prices of previously owned housing rose briskly during the year.

Economic growth is expected to gain momentum in 1997. Forecasting institutions raised their growth predictions and growth is now expected to be about four percent.

Industry's economic outlook was also brighter at the end of the year. A survey showed that the metal and engineering branch and especially the printing industry were looking forward to better times. In contrast, the outlook for the forest industry has substantially worsened.

Finland's growth prospects were diminished somewhat by the weak growth outlook at year-end of the key West European economies, Germany and France. Growth of Finnish exports may fall short of expectations if the economic situation in these countries does not improve.

Finnish consumers were fairly optimistic at the end of 1996. Confidence in the economy and consumers' view of their own economic situation clearly improved. During the year, Finns bought many more cars and consumer durables and took more trips abroad than in recent years. In 1997 consumers are expected to spend more on other goods as well and to begin buying homes again. An income tax cut in February will boost disposable income and spur growth in domestic demand.

OPERATING ENVIRONMENT In 1996 the printing industry's

net sales rose to about FIM 17.5 billion, up six percent from the previous year. Publishing and printing are mainly domestic market industries, but an ever larger portion of printed material is exported. Total printing industry exports in 1996 rose above FIM 1.8 billion, which is nearly ten percent of the industry's net sales. Growth was especially strong in sales to Russia but also to Estonia and Norway. The industry's imports totaled FIM 600 million.

The printing industry employed about 28,000 people in 1996, slightly less than a year earlier. The industry's producer prices rose about three percent. Wage increases in the printing industry were more moderate than in other industrial branches. Printing workers' basic average hourly wages rose 3.5 percent on the previous year. Gross pay to editorial staff was increased by less than two percent.

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Printing and publishing account for over 70 percent of the net sales of the communications industry. Newspapers' share of total media sales is about a third. Television and radio account for a good fifth.

Newspapers were under pressure in 1996. Total circulations declined from the previous year. Circulations of papers published four to seven days a week were down 1.8 percent. Circulations of papers appearing less frequently fell slightly more. Only a few newspapers saw their average circulations grow from 1995.

Newspaper advertising revenues grew two percent, but growth was meager in comparison with the predictions made at the start of the year. Growth came exclusively from prices as advertising volumes fell from the 1995 level. In 1996, for the first time in the 1990s, the advertising revenues of newspapers and television grew at the same pace.

Successful ad sales by trade journals, customer and association magazines helped raise total magazine advertising revenues by over seven percent.

Gross media advertising revenues grew three percent to FIM 4.7 billion. Newspapers accounted for over half of the total, television for a fifth, magazines 14 percent and radio and free-distribution papers four percent. The biggest advertising categories were retail goods and groceries, vehicles, entertainment, tourism and travel.

For newspapers and the media industry the year under report was marked by major media policy decisions, many changes of ownership, internationalization and ever tougher competition.

During the year the Ministry of Transport and Communications licensed Finland's fourth television channel and a nationwide commercial radio channel. The TV licence was awarded to Oy Ruutunelonen Ab, which is owned by Sanoma Corporation's associated company Helsinki Media Company, local TV-channel Suomen Paikallis-TV Kanavat Oy, newspaper publisher TS Group, Danish media concern Egmont Holding and VBH Television, a company owned by independent Finnish television producers.

The radio licence went to a company owned by Finland's second largest newspaper publishing house Aamulehti Group, the Finnish commercial television operator MTV Oy and public relations firms associated with the country's biggest political parties. The newly licensed television and radio channels will begin operations in 1997. In addition, the Finnish Broadcasting Company, Oy Yleisradio Ab, is launching morning TV news broadcasts in March 1997.

In June the Aamulehti Group acquired the publishing house Satakunnan Kirjateollisuus Oy in a deal which included the provincial newspaper Satakunnan Kansa and four regional papers. Just before Christmas, Aamulehti acquired Helsinki Media Company's 10 percent stake in MTV Oy and became the single largest shareholder in MTV. During the year, Aamulehti also bought a local radio station in Nurmijärvi, northwest of Helsinki. The Aamulehti Group's biggest owner is Tidnings AB Marieberg, the newspaper publishing arm of

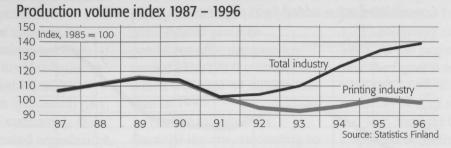
Sweden's biggest media group Bonnier.

In the autumn 18 newspapers launched a jointly produced radio and TV supplement called Treffi. The supplement is edited at the Tampere-based daily Aamulehti and distributed digitally to other participating newspapers, which then print it as their own insert. Helsingin Sanomat did not join the project.

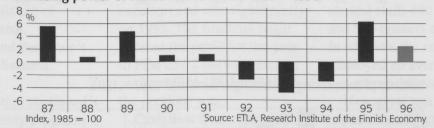
Some of the country's biggest newspapers got into the electronic publishing market in 1996. Helsingin Sanomat set up its Net Supplement for Internet users, and Ilta=Sanomat launched its own home pages on the Web. Other papers with on-line editions by the end of the year were the afternoon tabloid Iltalehti, the business paper Kauppalehti, Aamulehti, the Turku daily Turun Sanomat, the Jyväskylä-based Keskisuomalainen, the regional papers Kouvolan Sanomat in southeastern Finland and Vasabladet on the west coast. Many other newspapers had home pages on the Internet. Likewise, electronic media groups - MTV, the Finnish Broadcasting Company and some local radio stations have set up on-line services. In addition, new on-line news services have been launched.

SANOMA CORPORATION

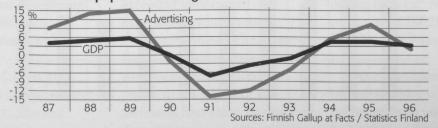
Sanoma Group achieved a good net profit in 1996. The result improved due to successful investment activities. The slowdown of economic growth was reflected in the

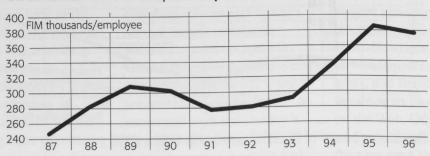


Purchasing power of Finnish households 1987 - 1996



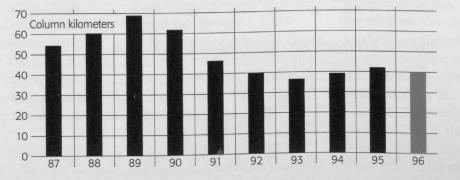






Consolidated value added / size of personnel 1987 - 1996

Volume of advertising in Helsingin Sanomat 1987 – 1996



Corporation's result from continuing operations, which was below forecasts. Newspaper circulations developed favorably and grew slightly. Advertising revenues also grew, but less than predicted.

Sanoma Corporation focused on developing the editorial contents and upgrading the technological capabilities of its newspapers, Helsingin Sanomat and Ilta=Sanomat. In September the company's printing operations were merged with the Helsingin Sanomat organization. The reorganization is a central part of Sanoma Corporation's shift to a process-based organization. The goal is to make highly independent units out of Helsingin Sanomat, Ilta=Sanomat and the group's financing arm, Sanoma Finance.

The Corporation continued a managerial training program begun in the previous year. The emphasis was on developing managerial skills and improving relations with subordinates.

At the end of 1996, the Sanoma Group comprised the parent company, Sanoma Corporation, and its subsidiaries: in Finland, the newspaper delivery company Leijonajakelu Oy and the international picture agency Lehtikuva Oy; in Switzerland, Sanoma Finance AG; and in the Netherlands, Lastannet Holding B.V. The group also owned various housing and real estate corporations in Finland. In 1996 Sanoma's consolidated net sales were FIM 1,823.8 million, up 1.5 percent on the previous year. The Parent Company's net sales totaled FIM 1,748.3 million and accounted for 96 percent of consolidated net sales.

The consolidated profit on operations before depreciation came to FIM 315.8 million, down from FIM 353.6 million in 1995. It corresponded to 17.3 percent of net sales. The consolidated profit on operations after depreciation totaled FIM 178.0 million, which was FIM 44 million less than in 1995.

The consolidated net financial income, amounting to FIM 146.2 million, was excellent and rose significantly on 1995. The financial result boosted the profit for the year to FIM 257.2 million versus a profit of FIM 186.1 million in the previous year.

Cash flow from operations totaled FIM 201.2 million, and exceeded total capital expenditure which was FIM 79.0 million. The most significant capital expenditures were in modernization of production equipment and increased four-color capacity at the printing press. Construction work at the site of the new Sanoma House corporate headquarters in the heart of Helsinki began towards yearend.

Consolidated salaries and wages, fees and other remuneration totaled FIM 501.4 million, which made them the single largest expense item in the consolidated accounts. The corresponding figure for the Parent Company was FIM 356.7 million. Salaries and fees to Presidents and members of the Boards of Directors were FIM 4.9 million. The total paid out in wages and salaries, including fringe benefits and social security contributions, was FIM 631.4 million, or 34.6 percent of net sales.

The average consolidated personnel figure for 1996 was 1,737 compared to 1,727 in 1995. At the beginning of the year the figure was 1,649 and at year-end 1,667. Thirty-eight members of staff retired during the year. Sanoma Corporation employed on average 1,533 persons: 533 administrative and clerical staff, 440 journalists and 560 printers and other staff. In addition, the company employed an average of 1,614 newspaper deliverers.

Newsprint was another big expense item. Newsprint prices as well as consumption rose during the year. Newsprint costs were FIM 289.3 million, equalling 15.9 percent of net sales.

The consolidated result includes FIM 43.6 million in profits of associated companies. In 1995 the corresponding figure was FIM 17.2 million. The group's share of associated company profits is entered in financial items in the income statement.

During the year, the company transferred FIM 19.7 million out of profits to the Profit-Sharing Fund, and staff members withdrew a total of FIM 9.7 million in accrued bonuses.

Sanoma Corporation and Lehtikuva Oy paid a total of FIM 1.2 million into the Sanoma Pension Fund during the year.

HELSINGIN SANOMAT, the leading daily

Gross revenues of Helsingin Sanomat in 1996 rose three percent on the previous year to FIM 1,511 million. One third of the growth came from advertising sales and the rest from circulation income. The newspaper's profitability was satisfactory, although higher newsprint costs reduced the margin.

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The weekday circulation of Helsingin Sanomat grew slightly during the year. Circulation grew by 489 copies, or 0.1 percent, on the previous year. The average weekday circulation for the full year was 470,283 newspapers. Circulation was boosted by the new Nyt weekly supplement launched at the end of 1995. Many Sunday subscribers switched to daily subscriptions to get the supplement. For the same reason the average Sunday circulation fell 1.4 percent to 546,547 copies.

The main distribution area for Helsingin Sanomat is the Helsinki metropolitan area which accounts for two thirds of weekday subscribers and more than half of Sunday subscribers. Income differences in the capital city region continued to grow during the year, and this was reflected in the paper's circulation.

Circulation trends outside the capital city region were affected by the newspaper's position as the paper of second choice to regional publications. Financial strain forced many subscribers to stop subscribing to a second paper.

Nevertheless, the small rise in weekday circulation combined with a price increase raised subscription revenues six percent. In January the price of an annual daily automatic renewal subscription rose from FIM 985 to FIM 1,035 and the price of a Sunday automatic renewal subscription rose from FIM 452 to FIM 475. The price of a single copy remained unchanged at 10 marks.

Helsingin Sanomat reached out during the year especially to young readers and residents of the capital city region by participating in various promotional events. The most important was the week-long "Reporter for a Day" event held in September at the Helsinki Railroad Station. It was part of a pan-European campaign. The newspaper also supported the Helsinki Festival, the Espoo April Jazz event, the ITC motor races, the national ice-hockey team, the Helsinki Cup youth soccer tournament, a crosscountry skiing event and Finland's top orienteering competition. The newspaper worked together with the Finnish National Gallery in line with a cooperation agreement.

At the beginning of September, circulation sales were reformed by introducing a process-based organization. The core processes were identified as attracting new clients and developing customer relations and single-copy sales.

Editorial department

The editorial contents of Helsingin Sanomat, the page production methods and organization were renewed during the year. The extension of the on-screen page makeup system to all editorial pages was among the biggest projects of the year, and it brought composing room workers into the editorial offices. An electronic editorial and ad planning system was also adopted during the year.

Contents were developed in the printed newspaper and in on-line publishing. Helsingin Sanomat took an important step on the electronic side by launching an entirely new service in May: Helsingin Sanomat's Net Supplement. The new Internet supplement is available mainly to newspaper subscribers and is published daily. It contains news and interactive services. May also saw the launch of the newspaper's first regular thematic supplement, the weekly Auto&Traffic section. In July the paper once again produced its Olympic supplement, this time in the form of a trimmed tabloid.

The Atlanta Olympic Games were the news event of the summer – and of the whole year. There, for the first time at a major event, the newspaper used digital photography and digital picture transmission. The trial proved successful particularly in terms of speed.

Another important news event was Finland's twinned local-government and European Parliament election in October. It was the first time Helsingin Sanomat used electronic page makeup in covering election results.

The daily newspaper produced more than 9,900 pages of editorial content during the year. The paper's monthly supplement was published 12 times. The Nyt weekly supplement appeared 51 times.

Helsingin Sanomat again hosted a top-level symposium. In October it held its second Europe Seminar at Helsinki's Finlandia Hall. The theme was the European Economic and Monetary Union, and the keynote speaker was the former president of the European Commission, Jacques Delors.

In November the newspaper awarded its literature prize to Juha K. Tapio for his novel "Frakenstein's Notebook".

Page makeup and systems support were integrated into the editorial offices during the year.

Advertising sales

The advertising revenues of Helsingin Sanomat rose slightly in 1996. Growth in revenues came exclusively from prices as the media market did not grow as predicted. The advertising volume was about 40,000 column meters, down six percent from the previous year. In all, one half million ads were published, or 10 percent less than in 1995.

The weakest spot was residential real estate advertising, which fell by a quarter in terms of column meters. While demand for housing grew rapidly, rather few homes were put on the market. The fastest growth in text advertising was in ads for vehicles and branded groceries.

The focus of adverting sales was on the new products launched in 1995: the Nyt weekly supplement, the Kärkimedia advertising alliance and the redesigned monthly supplement. Kärkimedia and the monthly supplement succeeded well. But the Nyt supplement's advertising sales began to grow only in the second half of the year.

The ad sales management organization was redesigned and more sales personnel was employed. Procedures were improved to manage the large clientele and market classified ads. Steps were also taken during the year to introduce process management.

In a nationwide business image survey, Helsingin Sanomat's ad sales department retained its rank as the country's most professional seller of advertising.

Helsingin Sanomat Printing Plant

Printing operations were integrated into the Helsingin Sanomat organization. The new unit is called Helsingin Sanomat Printing Plant. With the reorganization, Ilta=Sanomat became an inhouse client of the plant. At the same time, SanomaPrint became the marketing unit for the surplus printing capacity of the three plants that belong to Helsingin Sanomat Printing Plant: the Sanomala printing plant in Vantaa, 10 miles north of Helsinki; the Forssa plant in southwestern Finland; and Varkaus in eastern Finland.

In addition to printing Helsingin Sanomat and Ilta=Sanomat, the Varkaus plant specializes in printing for export, whereas the Forssa plant focuses on high-quality printing and prints the Nyt supplement.

The volume of printing – of the company's own publications and for outside clients – was unchanged from the previous year and slightly under budget.

SanomaPrint net sales were almost FIM 80 million. Sales were up slightly from the previous year mainly due to growth in export printing. The biggest printing clients were the farmers union's newspaper Maaseudun Tulevaisuus, the second-hand sales paper Keltainen Pörssi, Kirkko ja Kaupunki (Church and City), the local paper Länsiväylä and the lottery weekly Veikkaaja. Printing exports to Russia met expectations. The most significant publications printed for that market were Argumenty I Fakty and Extra M.

The rebuild of the Sanomala plant's press and mailing machines proceeded during the year. Training focused on managerial skills and team work.

Leijonajakelu Oy, newspaper delivery company

Leijonajakelu Oy began operating in spring 1995 when newspaper delivery functions were spun off into a separate unit. Net sales in the subsidiary's first full year of operations were FIM 335 million.

During the year, Leijonajakelu was responsible not only for early-morning delivery of Helsingin Sanomat, but also for delivery of most of the other newspapers published in the Helsinki metropolitan area and Uusimaa province. Two major clients were

enrolled during the year: the business and technology newspaper Tekniikka ja Talous and the business magazine Talouselämä. They contracted with Leijonajakelu for nationwide delivery, and earlymorning delivery service was extended to their subscribers in the Helsinki area, Uusimaa province, and the towns of Turku, Tampere and Rauma in western Finland.

Leijonajakelu delivers to 25 municipalities in Uusimaa province. It is based at the Sanomala printing plant in Vantaa. The company employed an average of 1,614 newspaper deliverers and 49 administrative and clerical staff during the year.

Leijonajakelu bought 20 percent of a new newspaper distributor, Etelä-Karjalan Jakelu Oy based in the southeastern town of Lappeenranta. This made it an associated company of Leijonajakelu Oy. In its first fiscal year (Nov-Dec 1996), Etelä-Karjalan Jakelu Oy had net sales of FIM 1.9 million.

ILTA=SANOMAT, the leading afternoon paper

The circulation of Ilta=Sanomat developed favorably during the year, with growth picking up especially towards year-end. The average circulation for the second half of the year rose 3.9 percent and that of the weekend edition 17.2 percent on the second half of 1995. The average circulation for the year rose to 214,589, up one percent on the previous year. The weekend edition attracted even more new readers than the daily, and its circulation grew 8.5 percent to 244,565 copies. The popularity of the weekend edition was boosted by lowering the price from ten marks to seven in May.

Circulation growth helped Ilta=Sanomat strengthen its position as the country's leading afternoon newspaper. The lead over the second biggest afternoon paper, Aamulehti Group's Iltalehti, grew to over 105,000 copies. In terms of circulation and readership, Ilta=Sanomat is second in Finland only to Helsingin Sanomat.

Ilta=Sanomat's editorial contents were further developed during the year. In February the weekend supplement was renewed and its format was changed to trimmed tabloid. The domestic and international news sections and the sports pages of the paper were redesigned. The paper's look was improved by increasing the use of four-color printing. By year-end Ilta=Sanomat had moved entirely to on-screen page makeup.

Six special-edition supplements were published during the year. In March the theme was the centenary of the comic strip; in May it was new high school graduates; in July the Pori Jazz Festival and the Atlanta Olympic Games. In October the focus was the local-government and European Parliament elections; and in November the home media market.

In February the newspaper opened its own Internet home pages. The readership of those pages rose steadily during the year as the contents were improved. Development of the Internet pages continues, but the paper is not planning a full free-of-charge Net edition.

The paper's sales promotion activities focused on various major events. Ilta=Sanomat sponsored over 40 public events. The most important were the Pori Jazz Festival, the Weindorf wine festival in Oulu, the Kuopio Dance and Music Festival, the Thousand Lakes Rally, the exhibition of the Costakis collection in Tampere, the centenary of the comic strip, the ITC road races and a major women's sports event, Syke 100.

A regional marketing project focused on the city Turku on

the west coast. It included such events as the Down by the Laituri music festival, The Tall Ships' Race, a rowing race, a concert by the American soprano Barbara Hendricks and the city of Turku's "Finland's Christmas City" project.

Advertising sales continued to grow, but considerably more gradually than in previous years. After rising by a total of 47 percent in 1994 and 1995, ad sales grew just three percent in 1996. Altogether 6,848 column meters of advertising was published.

Food advertising held its position as the biggest ad category. Travel ads were a good second. The ever-growing category of ads for telephone line services rose into third place. Other growth areas were ads for pharmaceuticals, films, banking services and books.

Ilta=Sanomat's net sales came to FIM 370 million. Profitability was satisfactory, but the result for the year fell short of the previous year's record performance. It was weighed down by higher marketing costs and the reduced price of the weekend edition.

SANOMA FINANCE

Sanoma Finance manages the company's assets, finances its operations and provides appropriate premises for the group's operations. Its task is also to ensure the financial independence of the company's newspapers, Helsingin Sanomat and Ilta=Sanomat.

Favorable trends on the

financial markets helped Sanoma Finance to a good result in 1996. Interest rates declined both at home and abroad, while share prices rose. This raised net financial income to FIM 146.2 million.

The most important project of the year for Sanoma Real Estate was the planning of the new headquarters, Sanoma House. Ground work at the building site in downtown Helsinki began in October. The Ministry of the Environment approved the necessary zoning amendments in September, but an appeal against the decision is still pending in the Supreme Administrative Court. Planning of the building has proceeded, and a building permit will be requested as soon as the zoning is in force and the purchase of the building site has been closed.

During the year, Sanoma Corporation sold an industrial property in Vantaankoski for FIM 6.1 million and apartments in the Martinlaakso district of Vantaa for FIM 12 million.

At the beginning of 1997, Sanoma Corporation sold its property at Erottajankatu 15-17 in downtown Helsinki to the Finnish National Fund for Research and Development, Sitra. The Corporation remains a tenant in the property.

LEHTIKUVA OY,

international picture agency In 1996 Lehtikuva Oy, one of Scandinavia's biggest picture agencies, charted net sales growth of about six percent, a slightly faster pace than in



The Atlanta Olympic Games supplement was Helsingin Sanomat's first four-color special supplement in 1996.

1995. Picture sales rose towards year-end, and December sales in particular grew favorably and boosted full-year net sales to about FIM 35 million. The company had an average of 64 employees during the year.

Two very different developments affected Lehtikuva operations in 1996. Above all, the competing Finnish picture agency, Pressfoto, went bankrupt during the year, leaving Lehtikuva the sole supplier of domestic and international picture material to Finnish newspapers and other news media.

The second significant development of the year was the rapid increase in digital picture transmission. Lehtikuva photographers began using digital cameras, especially to cover the Atlanta Olympic Games. Digitalization hampered the profitability and sales of the agency's laborintensive photo lab services.

Half of Lehtikuva's net sales came from daily news photos which were mainly sold to newspapers. The other half came from picture sales to advertising agencies, book and magazine publishers. The commercial picture business reflected the recovery of the home market, and grew appreciably during the year.

The major event of the year for the agency was the Atlanta Olympics. Four photographers and two picture editors were sent to the games. Another big news event was the autumn local-government and European Parliament election.

ASSOCIATED COMPANIES

In 1996 the major associated companies of the Sanoma Group were Helsinki Media Company (40 percent Sanomaowned) and the newspaper publishing house Kymen Lehtimedia Oy (48.9 percent) in southeastern part of Finland. Other important associates were the Finnish News Agency STT (20.8 percent) based in Helsinki and publishing group Keski-Suomen Media Oy (21.7 percent) in central Finland which became an associated company in January 1996.

Helsinki Media Company publishes 14 magazines, 10 special-interest magazines, five comics, as well as books. It also engages in the television business, electronic publishing and commercial printing operations. It operates in Finland, Sweden and Norway.

Helsinki Media Company is the biggest owner of Oy Ruutunelonen Ab, which in autumn 1996 obtained a licence for Finland's fourth nationwide television channel. At the end of the year, Helsinki Media sold its stake in the Finnish commercial broadcaster MTV Oy. At the beginning of 1997, it sold most of its stake in the Norwegian cable-television operator Janco Kabel-TV A/S to the Dutch group United and Philips Communications b.v.

Helsinki Media performed

well in 1996. It achieved net sales of FIM 1,131.3 million, up 7.7 percent on the previous year. The company's profit before extraordinary items, reserves and taxes came to FIM 83.9 million, versus FIM 41.2 million in 1995.

Kymen Lehtimedia Oy publishes numerous regional newspapers and engages in commercial printing. In 1996 the group had net sales of FIM 440.2 million, up 43.8 percent on the previous year. Most of the growth came from printing exports to Russia. The company's operating profit totaled FIM 45.5 million, an increase of 20 percent on 1995. During the fiscal year Kymen Lehtimedia's subsidiary, Etelä-Saimaan Kustannus Oy, was merged with Kolmossivu Oy. The name of the new company is Etelä-Saimaan Sanomalehti Oy.

The newcomer among the associated companies, Keski-Suomen Media Oy, owns about 65 percent of newspaper publisher Savon Sanomat Oy. Keski-Suomen Media achieved good profitability and overall performance during the year. The company's biggest owner is the newspaper printing house Keskisuomalainen Oy in central Finland.

Profitability of the Finnish News Agency STT was also positive in 1996. The agency is owned by the country's major newspaper publishers and is a supplier of basic news to Finnish media.

Consolidated INCOME STATEMENT

(FIM thousands)	Jan. 1- Dec. 31, 1996	Jan. 1- Dec. 31, 1995
Net sales	1 823 799	1 797 734
Other revenues from operations	20 420	23 618
Expenses	-1 528 426	-1 467 744
Profit on operations before depreciation	315 793	353 608
Depreciation	-137 753	-131 384
Profit on operations after depreciation	178 040	222 224
Financial income and expenses	146 245	44 434
Profit before extraordinary items,		e stavane i seta
reserves and taxes	324 285	266 658
Extraordinary income and expenses	25 807	29 579
Payout to the Employee		
Profit-Sharing Fund	-19 458	-26 588
Profit before reserves and taxes	330 634	269 649
Direct taxes	-73 328	-79 089
Minority interests	-73	-4 426
Net profit for the year	257 233	186 134

Consolidated BALANCE SHEET

(FIM thousands)

Dec. 31,1996

Dec. 31,1995

Assets

Fixed assets and other long-term investments

Intangible assets				
Immaterial rights	19 500		12 081	
Other long-term expenditures	40 785	60 285	49 358	61 439
Tangible assets	dina mon		instin Rankia	
Land and water areas	209 519		217 523	
Buildings and structures	655 502		691 424	
Machinery and equipment	355 423		390 787	
Advance payments and fixed				
assets under construction	30 073	1 250 517	29 203	1 328 937
Securities included in fixed assets			and the second	
and other long-term investments				
Investments in associated companies	163 608		105 748	
Investments in other shares	404 294		418 962	
Long-term loans receivable	141 767		118 532	
Other investments	454 306	1 163 975	442 005	1 085 247
Constant				
Current assets				
Inventories				
Materials and supplies	10 208		27 596	
Other inventories		10 208	40	27 636
Receivables				
Accounts receivable	127 134		165 430	
Prepaid expenses and				
accrued income	58 989		77 553	
Other receivables	400	186 523	435	243 418
Securities included in financial assets		1.	Territoria Stratigical	
Shares and holdings	594		1 669	
Short-term investments	485 254	485 848	320 263	321 932
Cash in hand and at banks		28 621		74 450
		3 185 977		3 143 059

(FIM thousands)	Dec. 31, 1996		Dec. 31,1995	
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity				
Share capital	46 413		46 413	
Revaluation reserve	532 182	578 595	563 467	609 880
Non-restricted equity			12.37.19.20.20.00	
Retained earnings	1 387 630		1 253 813	
Net profit for the year	257 233	1 644 863	186 134	1 439 947
Minority interests		11 348		30 128
Valuation items		11 890		10 203
Liabilities				
Long-term				
Loans from financial institutions	140 243		146 192	
Pension loans	241 000		284 184	
Imputed deferred taxes	179 631		193 137	
Other long-term liabilities	506	561 380	יהמוץ, ליב ביורמי	623 513
Current	100100130012000		alent in billion	
Loans from financial institutions	4 261		3 851	
Pension loans	695		9 415	
Advances received	123 460		127 953	
Accounts payable	53 171		62 502	
Accrued expenses and				
prepaid income	166 273		184 348	
Other current liabilities	30 041	377 901	41 319	429 388
		3 185 977		3 143 059

APPENDED INFORMATION

on the Consolidated Financial Statements Accounting policy

CHANGES IN ACCOUNTING POLICY

In 1996, the accounting policy was revised for improved disclosure, and the 1995 figures have been brought into line with the new principles. The revised sections relate to the presentation of the delivery income and expenses of the previous year 1995, which are entered in the income statement in the same way as in 1996, when the subsidiary Leijonajakelu Oy operated for the whole fiscal year as a separate company.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Parent Company and those subsidiaries in which the Parent Company owns, either directly or indirectly, more than 50% of the voting rights conferred by all the shares. Subsidiaries acquired during fiscal year are included in the consolidated income statement from the time of acquisition and subsidiaries divested are included up to the time of sale. For subsidiaries whose financial statements have been prepared according to local financial statement standards of foreign countries, the figures have been adjusted, prior to consolidation, in the main in accordance with the unified accounting policy.

In the consolidation, intra-Group income and expenses, receivables and liabilities as well as internal margins and the internal distribution of profits have been eliminated. The acquisition cost method is applied in eliminating inter-company ownership. Conversion differences due to changes in foreign-exchange rates arising in the elimination of inter-company share ownership have been entered in non-restricted shareholders' equity.

The minority interest in the net profit for the year is presented as a separate item in the income statement and, similarly, the minority interest is stated as a separate item in the balance sheet. Investments in associated companies in which the holding either directly or indirectly is from 20% to 50% of the voting rights conferred by the shares are consolidated according to the equity method. The share of the net profits of associated companies, which is included in the consolidated income statement, appears under financial income and expenses.

Goodwill arising in the consolidation of associated companies has been entered as a credit or charge to income following the changeover to the practice of including associated company accounts, except for Helsinki Media Company, for which the reserve arising on consolidation is recognized as income over a seven-year period. Housing corporations belonging to the Group's associated companies have not been included in the calculations for associated companies, but have been treated as other investments in shares.

The internal margins arising from the establishment of real-estate corporations were booked as a revaluation item in the consolidated financial statements for 1988.

Investments in other companies in which the voting rights conferred by the shares is less than 20% are stated at the acquisition cost. The book value based on the acquisition cost of these shares is lowered if necessary to correspond to the fair value, and if the fair value rises, the value of the investment is increased up to the acquisition cost.

ITEMS DENOMINATED IN FOREIGN CURRENCY

Transactions denominated in foreign currency are booked at the exchange rate on the date of the transaction. Foreign currency-denominated receivables and liabilities that are unsettled at the close of

the fiscal year are valued by applying the exchange rates quoted by the Bank of Finland on the balance sheet date. Currency call options and forward contracts purchased to hedge loans are valued separately at their market value, i.e. at the value at which they could be sold on the balance sheet date. Any unrealized gain that may result from the options or forward contracts is not credited to income.

Foreign-exchange gains and losses connected with ordinary operations are treated as items adjusting sales and purchases. Foreign-exchange gains and losses connected with financing transactions are booked to financial income and expenses. Realized foreign-exchange differences are credited or charged to income. Unrealized gains on foreign-exchange are booked to valuation items in the balance sheet, and are credited to income no later than in the financial statements preceding the payment of the liability. Unrealized losses on foreign-exchange are charged to income.

FOREIGN GROUP COMPANIES

In the consolidated financial statements, the income statements and balance sheets of foreign subsidiaries and associated companies are translated into Finnish currency at the official exchange rate quoted by the Bank of Finland on the balance sheet date.

NET SALES

In calculating net sales, discounts granted are treated as an adjustment item and subtracted from sales revenues. Subscription payments received in advance are treated as a separate item in advance payments under current liabilities.

SERVICE CHARGES

Various service charges, e.g. for financial administration, information technology, clerical and legal services to Leijonajakelu Oy, Helsinki Media Company and Kärkimedia Oy, which are provided at cost have been entered as adjustments to expenses.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include gains and losses on the sale of machinery and equipment, proceeds from scrapping and rental income.

EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income and expenses include exceptional transactions that are not a part of ordinary operations and are of material importance, such as gains or losses on the divestiture of business operations and writedowns on fixed assets and their reversals as well as significant gains and losses on the sale of fixed assets. The item also includes all gains and losses on the sale of shares. Tax adjustments of substantial mark amounts that have arisen in fiscal years preceding the comparison year have likewise been stated in extraordinary items.

PENSIONS AND COVERAGE OF PENSION LIABILITIES

The statutory and voluntary pension security of the personnel of Group companies has been arranged in part through pension insurance companies and in part through the Group's own pension fund. The Sanoma Corporation Pension Fund has no uncovered liabilities. The fund is closed to new entries.

VOLUNTARY RESERVES

The voluntary reserves of Group companies are divided in the balance sheet between shareholders' equity and imputed deferred taxes and their minority interest is stated as a separate item. The share of reserves representing imputed deferred taxes is stated in long-term liabilities. Similarly, the change in voluntary reserves that has taken place during the fiscal year is divided in the income statement between the net profit for the year and the change in imputed deferred taxes. The change in deferred taxes due to the change in the tax base has been booked as a charge to income.

TAXES

The consolidated financial statements include taxes estimated on the basis of the net profits or losses of Group companies as well as tax adjustments to the previous fiscal year and the change in the imputed deferred taxes for voluntary reserves.

FIXED ASSETS AND DEPRECIATION

The balance sheet values of fixed assets are based on original acquisition costs. For fixed assets subject to wear and tear, straight-line depreciation according to plan is booked, this being based on the original acquisition cost and the estimated economic life of the asset. The depreciation periods are the following:

Immaterial rights	5 - 10 years
Other long-term expenditures	5 - 10 years
Buildings and structures	4 - 40 years
Machinery and equipment	4 - 10 years

Any residual value after an asset is removed from use is booked as a loss, on the sale or scrapping of the asset, either to other operating expenses or, if the item is non-recurring and of material value, to extraordinary expenses.

Investments in shares that are related to ordinary operations or are otherwise intended as long-term holdings are stated as securities held in fixed assets and other long-term investments. Marketable securities and investments are valued at the original acquisition cost or the probable sale price, whichever is lower.

INVENTORIES

Inventories are stated in the balance sheet according to the FIFO principle at the direct acquisition cost or the repurchase cost or probable sale price, whichever is lower.

FINANCIAL ASSETS

Cash in hand and at banks includes cash assets, bank accounts and other cash-equivalent liquid financial assets. Other short-term investments include investments of liquid funds in financial instruments. Marketable securities and investments are valued at the original acquisition cost or, if the market price of the financial instrument is lower than the acquisition price, at the probable sale price, whichever is lower, whereby the difference is charged to expense. The investment portfolios of the Swiss subsidiary are treated as separate entities and a write-down is made if the value of an individual investment portfolio is lower than the balance sheet value. In Finland, investment shares and other financial instruments are valued individually.

	CON	SOLIDATED	PARE	NT COMPANY
(FIM thousands)	1996	1995	1996	1995
1. EXPENSES				
Expenses				
Materials and supplies				
Acquisitions during the financial year	308 758	313 769	308 038	312 85
Increase/decrease in inventories	17 428	-9 648	17 368	-9 65
Purchased services	1 903	2 187	1 774	2 02
Personnel expenses	626 853	616 477	443 821	494 17
Rents	11 386	12 856	48 498	59 78
Purchased delivery services	161 554	151 285	312 080	226 97
Other expenses	400 544	380 818	360 461	354 37
Total	1 528 426	1 467 744	1 492 040	1 440 520
Personnel expenses and fringe benefits,				
on an accrual basis				
Wages and salaries	501 390	487 754	356 665	390 72
Pension expenses	62 519	61 035	38 645	45 38
Other social expenses	62 944	67 688	48 511	58 05
	626 853	616 477	443 821	494 17
Fringe benefits	4 578	4 356	4 037	3 97
Total	631 431	620 833	447 858	498 14
Salaries paid to the Presidents and				
the members of the Boards	4 932	4 675	4 214	4 17
2. DEPRECIATION				
Depreciation according to plan				
Immaterial rights	6 992	6 905	6 000	6.00
Other long-term expenditures	8 965	9 0 5 6	6 922	6 90
Buildings and structures	22 997		8 060	8 01-
Machinery and equipment	98 799	23 578 90 754	9 146	9 11
Goodwill	90 799		97 364	89 440
Total	137 753	<u> </u>	101 400	117 477
Total	137 733	151 384	121 492	113 473
Change in accumulated depreciation in e	excess of plan		the spin and	
Immaterial rights			10 006	-45
Other long-term expenditures			-4 176	-4 19
Buildings and structures			8 299	-3 43
Machinery and equipment	Second Second Second		8 792	-20 529
Total			22 921	-28 613

	CONS	OLIDATED	PAREN	T COMPANY
(FIM thousands)	1996	1995	1996	199
3. FINANCIAL INCOME AND EXPENSES				
Dividend income	31 426	16 503	37 824	17 78
Interest income from long-term				
investments	30 270	22 365	25 509	25 85
Other interest income	40 991	72 038	37 539	68 19
Other financial income	33 237	11 583	12 086	8 94
Exchange gains and losses	454	-14 285	830	-4 92
Share in associated companies' results	43 644	17 235		
Interest expenses	-23 021	-32 455	-27 780	-36 63
Other financial expenses	-10 756	-48 550	-2 543	-17 54
Total	146 245	44 434	83 465	61 66
inancial income from Group companies				
Dividend income			1 568	
Interest income from long-term				
investments			19 426	24 54
Other interest income			324	33
Total			21 318	24 87
inancial expenses paid to Group companies Interest expenses			4 788	4 19
	63		4 788 4 788	4 19 4 19
Interest expenses Total				
Interest expenses Total	63 10 10 10 10 10 10 10 10 10 10 10 10 10			
Interest expenses Total •. EXTRAORDINARY INCOME AND EXPENSES Extraordinary income	4 319	4 319		the second s
Interest expenses Total	4 319 21 605	4 319 21 696	4 788	
Interest expenses Total • EXTRAORDINARY INCOME AND EXPENSES Extraordinary income Realized internal margin and gain on sale	21 605	21 696	4 788 2 703	4 19
Interest expenses Total EXTRAORDINARY INCOME AND EXPENSES Extraordinary income Realized internal margin and gain on sale Gains on sales of shares Reversal of writedowns	21 605 189		4 788 2 703 189	4 19
Interest expenses Total EXTRAORDINARY INCOME AND EXPENSES Extraordinary income Realized internal margin and gain on sale Gains on sales of shares Reversal of writedowns Tax adjustments for 1988 and 1991	21 605	21 696 7 419	4 788 2 703	4 19 20 37
Interest expenses Total EXTRAORDINARY INCOME AND EXPENSES Extraordinary income Realized internal margin and gain on sale Gains on sales of shares Reversal of writedowns	21 605 189	21 696	4 788 2 703 189	4 19 20 37 1 23
Interest expenses Total EXTRAORDINARY INCOME AND EXPENSES Extraordinary income Realized internal margin and gain on sale Gains on sales of shares Reversal of writedowns Tax adjustments for 1988 and 1991 Other extraordinary income Total	21 605 189 2 970	21 696 7 419 1 239	4 788 2 703 189 2 970	4 19 20 37 1 23
Interest expenses Total EXTRAORDINARY INCOME AND EXPENSES Extraordinary income Realized internal margin and gain on sale Gains on sales of shares Reversal of writedowns Tax adjustments for 1988 and 1991 Other extraordinary income	21 605 189 2 970	21 696 7 419 1 239	4 788 2 703 189 2 970	4 19 20 37 <u>1 23</u> 21 60
Interest expenses Total EXTRAORDINARY INCOME AND EXPENSES Extraordinary income Realized internal margin and gain on sale Gains on sales of shares Reversal of writedowns Tax adjustments for 1988 and 1991 Other extraordinary income Total Extraordinary expenses Losses on the sale of shares	21 605 189 2 970 29 083	21 696 7 419 <u>1 239</u> 34 673	4 788 2 703 189 2 970 5 862 1 244	4 19 20 37 <u>1 23</u> 21 60
Interest expenses Total EXTRAORDINARY INCOME AND EXPENSES Extraordinary income Realized internal margin and gain on sale Gains on sales of shares Reversal of writedowns Tax adjustments for 1988 and 1991 Other extraordinary income Total Extraordinary expenses Losses on the sale of shares	21 605 189 2 970 29 083	21 696 7 419 <u>1 239</u> 34 673	4 788 2 703 189 2 970 5 862	

	CONSC	DLIDATED	PARENT COMPANY	
(FIM thousands)	1996	1995	1996	1995
5. DIRECT TAXES				
Taxes for the financial year	88 346	66 734	76 530	60 304
Deferred tax liabilities from previous years	317	-1 362	2 352	-1 042
Imputed change in deferred taxes	-15 335	13 717		
Total	73 328	79 089	78 882	59 262

	Acquisition cost	Increases	Decreases	Acquisition cost	Accumulated depreciation according to plan	Book value
(FIM millions)		Jan.1-Dec.31	Jan.1-Dec.31	Dec. 311)	Dec. 31 ¹⁾	Dec. 31
6. INTANGIBLE AND TANGIBLE A	SSETS					
Consolidated						
Immaterial rights	56.5	14.2	-2.5	68.2	48.7	19.5
Other long-term expenditures	105.2	0.8		106.0	65.2	40.8
Land areas	214.4	1.7	-6.6	209.5		209.5
Buildings and structures	849.5	14.3		863.8	208.3	655.5
Machinery and equipment	1 228.2	67.3	-27.8	1 267.7	882.2	385.5
(Advance payments included)						
Total	2 453.8	98.3	-36.9	2 515.2	1 204.4	1 310.8
Production machinery						305.9
Parent Company						
Immaterial rights	56.3	14.1	-2.5	67.9	48.7	19.2
Other long-term expenditures	84.0	0.8		84.8	64.8	20.0
Land areas	47.4			47.4		47.4
Buildings and structures	255.0	14.3		269.3	52.2	217.1
Machinery and equipment	1 205.2	65.3	-27.6	1 242.9	861.5	381.4
(Advance payments included)						
Total	1 647.9	94.5	-30.1	1 712.3	1 027.2	685.1
Production machinery						303.4

1) Contains all assets in use. The corresponding figures for the previous year did not include items fully depreciated according to plan.

	CONS	OLIDATED	PAREN	T COMPANY
(FIM thousands)	1996	1995	1996	1995
7. FIXED ASSET VALUATION BY TAX AUTHOR	RITIES			
Land areas	131 656	136 458	61 695	61 694
Buildings and structures	241 764	271 360	69 649	73 082
Shares and participations	661 742	461 028	573 817	378 118
Shares and participations, subsidiaries			765 580	717 081
Total	1 035 162	868 846	1 470 741	1 229 975
8. SECURITIES HELD AS LONG-TERM INVEST	MENTS			
Group companies				
Shares			1 000 439	982 583
Loans receivable			315 636	368 206
Total			1 316 075	1 350 789
Associated companies Shares	163 608	105 748	61 617	29 676
Total	163 608	105 748	61 617	29 676
9. VALUATION ITEMS				
Unrealized exchange rate gains Jan. 1	10 203	5 433	10 203	5 433
Change Jan. 1-Dec. 31	1 687	4 770	1 687	4 770
Unrealized exchange rate gains Dec. 31	11 890	10 203	11 890	10 203
10. FINANCIAL ASSETS				
Receivables from Group companies				
Accounts receivable			268	1 030
Loans receivable			8 067	10 645
Prepaid expenses and accrued income			5 379	42 425
Total			13 714	54 100

APPENDED INFORMATION

	CON	SOLIDATED	PARENT COMPANY		
(FIM thousands)	1996	1995	1996	1995	
11. CHANGES IN SHAREHOLDERS' EQUITY					
Restricted equity					
Revaluation reserve Jan. 1	563 467	567 353			
Decrease, funds released					
due to sale	-31 285	-3 886			
Revaluation reserve Dec. 31	532 182	563 467	0	0	
Non-restricted equity					
Non-restricted equity Jan. 1	1 439 947	1 239 731	1 439 239	1 229 764	
Dividend distribution	-10 120	-6 325	-10 120	-6 325	
Profits transferred to the reserve	10 120	0 525	10 120	-0 525	
for donations	-500	-500	-500	-500	
Change in the conversion difference			500	500	
for the equity of subsidiaries	-41 697	20 907			
Net profit	257 233	186 134	204 480	216 300	
Non-restricted equity Dec. 31	1 644 863	1 439 947	1 633 099	1 439 239	
Distributable component of					
non-restricted equity	1 184 645	943 974			
Share capital of Parent Company	1996	1996	1995	1995	
of a solution of an and a solution of a	pcs		pcs		
Series K shares	232 866	23 287	232 866	23 287	
Series E shares	231 269	23 127	231 269	23 127	
Redeemed shares					
Series K shares	4 000		4 000		
Series E shares	38 450		38 450		
12 EVOLUANCE DATES LISED					
12. EXCHANGE RATES USED	1996	1995			
CHF	3,4392	3,7884			
NLG	2,6624	2,7185			
USD	4,6439	4,3586			

	CONS	OLIDATED	PARENT COMPANY		
(FIM thousands)	1996	1995	1996	1995	
13. LIABILITIES					
Liabilities maturing in five years or more					
Pension loans	239 154	275 263	239 154	275 263	
Total	239 154	275 263	239 154	275 263	
Liabilities to Group companies					
Accounts payable			30 646	33 713	
Accrued expenses and prepaid income			5 663	5 403	
Other current liabilities	LUB-	Citien	137 984	123 282	
Total			174 293	162 398	
14. PLEDGES AND CONTINGENT LIABILITIES					
As security for own debt					
Pledges	48 377	56 905	48 359	56 905	
Mortgages on land and buildings	110 000	271 200	NO THEORY IN THE	14 200	
Total	158 377	328 105	48 359	71 105	
On behalf of others					
Pledges		8 151		8 151	
Guarantees	10 812	14 931	10 812	14 931	
Total	10 812	23 082	10 812	23 082	
Other own commitments					
Pension liabilities	592	682	592	682	
Other commitments	1 125	1 155			
Total	1 717	1 837	592	682	
Total					
Pledges	48 377	65 056	48 359	65 056	
Mortgages on land and buildings	110 000	271 200		14 200	
Guarantees	10 812	14 931	10 812	14 931	
Pension liabilities	592	682	592	682	
Other commitments	1 125	1 155			
Total	170 906	353 024	59 763	94 869	

15. PENSION LIABILITIES TO MANAGEMENT

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 statutes.

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16. DERIVATE CONTRACTS

The Group has a DEM 5 million call option for hedging a foreign currency loan as well as two call forward contracts totaling DEM 19 million and in addition, as off-balance sheet items, share option contracts of a minor significance.

17. GROUP AND PARENT COMPANY SHARES IN OTHER COMPANIES AS OF DECEMBER 31, 1996 Group companies

noup companies	Group holding/ share of	Group share of share- holders'	Parent Company holding		es/holdings own the Parent Comp		Profit/loss at the last closing	
(FIM thousands)	votes %	equity	%	No.	nominal value	book value	of accounts)
As. Oy Vihdintie 4	100.00	2 518	100.00	4 365	2 401	2 401	1	
Kiint. Oy Erottajankatu 9-11	89.42	25 544	89.42	3 289	329	52 219	-22	
Kiint. Oy Erottajankatu 15-17	100.00	38 701	100.00	7 596	37 980	37 980	77	
Kiint. Oy Korkeavuorenkatu 30	100.00	149	100.00	4 644	3 000	1 450	13	
Kiint. Oy Miekkakala	97.84	79 705	97.84	15 866	63 464	74 570	231	
Kiint. Oy Myllymäenpolku	100.00	15 590	100.00	46 500	29 574	15 074	-410	3
Kiint. Oy Myllymäentie	100.00	69 920	100.00	34 215	66 001	66 001	-83	
Kiint. Oy Sanomalan Keskusalue	100.00	104 174	100.00	69 940	159 002	103 002	1 215	
Kiint. Oy Vantaan Valtatie 3	100.00	35 660	100.00	68 500	42 402	35 002	-20	
Nytnet Oy	100.00	13	100.00	300	15	25	0	
Helsingin Päivälehti Oy	100.00	24	100.00	15	15	15	0	
Hyvinkään Jakajat Oy	100.00	19	100.00	15	15	15	-1	
Kodin Kuvalehti - Terve Lapsi Oy	100.00	0	100.00	10	0	0	0	
Lastannet Holding B.V.	100.00	78 841	100.00	140 000	NLG 140	80 401	84	
Lehtikuva Oy	100.00	17 252	100.00	75 000	750	1 025	3 677	
Leijonajakelu Oy	100.00	6 198	100.00	200	2 000	6 000	70	
Monsaksenpolun Kiinteistö Oy	100.00	56 808	100.00	41 000	41 000	41 000	3 038	
Pressystems Oy	100.00	16	100.00	1 500	15	19	0	
Sanoma Finance AG	100.00	441 342	100.00	1 090 000	CHF 109000	417 156	29 195	
Sanoma, Inc.	100.00	4 269	100.00	100	USD 10	4 854	-1 517	
Sanomain Huoneisto ja								
Kiinteistöholding Oy	100.00	63 622	100.00	62 000	62 000	62 213	-1 900	
Tampereen Sanomain Oy	100.00	13	100.00	1 500	15	16	0	
ECI Communications AG	100.00	7 631	0.00		-	12762 -	2 014	
Total				nie dana se fi		1 000 438		

1) Real estate companies' results are as shown in their official financial statements. In the consolidated financial statements, depreciations of the real estate companies are changed according to plan.

Associated companies

Obtained Accelerate	Group holding	Group share of	Group share of share-			es/holdings ne Parent Co		At the last closing of
(FIM thousands)	%	votes %	holders' equity	holding %	No.	nominal value	book value	accounts profit/loss
As. Oy Ilkantie 13	48.96	48.96	3 152	48.96	591	3 180	3 180	-21
As. Oy Laajavuorenkuja 3	43.03	43.03	13 533	43.03	6 6 1 0	13 551	13 551	81
Etelä-Karjalan Jakelu Oy	20.00	20.00	30	0.00	0.002	- 1000		13
Helsinki Media Company O	y 40.00	40.00	133 128	0.00	- 100	to said ?		89 194
Keskiaukeama Oy	33.30	33.30	484	33.30	25	25	256	696
Keski-Suomen Media Oy	21.73	21.73	-	21.73	10 865	5 433	15 211	-
Kymen Lehtimedia Oy	44.00	44.00	17 733	44.00	16 830	1 683	26 083	3 311
Suomen Tietotoimisto Oy	20.78	20.78	5 864	20.78	31 663	380	134	3 719
Vantaan Sahakari Oy	20.00	20.00	4 626	20.00	1 000	1	3 203	54
Total	CAL ST.		100				61 618	

34

Other shares and holdings owned by the Parent Company

		Group holding	Pare Comp			Shares/holdings o by the Parent Con		
(FIM thousands)		%	holdir	ig %	No.	nominal	book	
						value	value	
Rautakirja Oy		16.62	1	5.62	1 077 099	21 542	20 215	
UPM-Kymmene Oy		1.02	00001-0	0.61	1 633 388	16 334	56 715	
Werner Söderström Oy		16.86	1	5.86	2 022 798	20 228	155 444	
Other companies	Bart	1. 1. 1. 1. 1. 1.	-	2 March	100051157		9712	
un ion a		1 × 1 × 1	10.221				242 086	
Housing	00.010	Land Contraction	and the local sectors of	noi hau		O finelest	11 002	
Total		1.052.000	THE REAL PROPERTY				253 088	

APPENDED INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

Sanoma Corporation INCOME STATEMENT

(FIM thousands)	Jan.1- Dec.31, 1996	Jan.1- Dec.31, 1995
Net sales	1 748 278	1 722 241
Other revenues from operations	16 920	17 998
Expenses	-1 492 039	-1 440 520
Profit on operations before depreciation	273 159	299 719
Depreciation	-121 492	-113 473
Profit on operations after depreciation	151 667	186 246
Financial income and expenses	83 465	61 666
Profit before extraordinary items,		THE AND A PROPERTY OF
reserves and taxes	235 132	247 912
Extraordinary income and expenses	2 141	19 219
Payout to the Employee		
Profit-Sharing Fund	-13 154	-21 849
Profit before reserves and taxes	224 119	245 282
Increase/decrease in accumulated		
depreciation	-22 921	28 612
Decrease in voluntary reserves	82 164	1 668
Direct taxes	-78 882	-59 262
Net profit for the year	204 480	216 300

Sanoma Corporation BALANCE SHEET

(FIM thousands)

Dec. 31,1996

Dec. 31,1995

Assets

Fixed assets and other long-term investments

Intangible assets				
Immaterial rights	19 246		12 081	
Other long-term expenditures	19 953	39 199	27 227	39 308
Tangible assets				
Land and water areas	47 441		47 441	
Buildings and structures	217 105		211 925	
Machinery and equipment	351 311		386 948	
Advance payments and fixed				
assets under construction	30 073	645 930	29 203	675 517
Securities included in fixed				
assets and other long-term investments				
Investments in subsidiaries	1 000 439		982 583	
Investments in associated companies	61 617		29 676	
Investments in other shares	253 088		260 085	
Long-term loans receivable	424 960	1 740 104	451 270	1 723 614
Current assets				
Inventories				
Materials and supplies		10 174		27 542
Receivables				
Accounts receivable	121 935		161 355	
Short-term loans receivable	8 067		10 632	
Prepaid expenses and				
accrued income	53 394		106 188	
Other receivables	213	183 609	263	278 438
Securities included in financial assets				
Shares and holdings	594		1 669	
Short-term investments	445 543	446 137	271 808	273 477
Cash in hand and at banks		8 624	avy orthograph	6 094
		3 073 777		3 023 990

140 243 241 000 505 4 261 695 122 329 73 368 121 525 157 227	381 748 <u></u> 479 405	146 192 284 184 3 851 9 415 126 909 90 693 132 863 153 563	430 376
241 000 505 4 261 695 122 329 73 368	381 748	284 184 3 851 9 415 126 909 90 693	430 376
241 000 505 4 261 695 122 329	381 748	284 184 3 851 9 415 126 909	430 376
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.22 220		555 255	
422 220		399 299	
204 480	1 633 098		1 439 238
9 710			
1 418 908		1 213 908	
46 414	46 414	46 414	46 414
Dec. 31,1996	D	ec. 31,1995	
	46 414 1 418 908 9 710 204 480 422 220	<u>46 414</u> 46 414 1 418 908 9 710 204 480 1 633 098 422 220 <u>99 002</u> 521 222	46 414 46 414 46 414 1 418 908 1 213 908 9 710 9 030 204 480 1 633 098 216 300 422 220 399 299 99 002 521 222 181 166

CHANGES IN FINANCIAL POSITION

	CONSO	IDATED	PARENT (COMPANY
(FIM millions)	1996	1995	1996	1995
Business operations				
Income financing				
Profit on operations before depreciation	315.8	353.6	273.2	299.7
Gains and losses on sales of fixed			Vitupe 1	Shaeholden
assets included in the above	-2.4	-2.0	-2.2	-2.1
Financial income and expenses	109.9	29.0	83.5	63.5
Extraordinary items	3.6	-0.6	0.8	-50.8
Payout to the Profit-Sharing Fund	-19.5	-26.6 -79.1	-13.2 -78.9	-21.8
Taxes Income financing, total	-73.3 334.1	274.3	263.2	-59.3 229.2
income infancing, total	554.1	274.5	205.2	229.2
Change in working capital				
Inventories, increase (-), decrease (+)	17.4	-9.6	17.4	-9.7
Current trade receivables,				
increase (-), decrease (+)	56.9	-10.1	94.9	-151.6
Other short-term investments,	50.5		51.5	151.0
increase (-), decrease (+)	-163.9	180.9	-172.7	229.3
	-105.9	100.5	-172.7	229.5
Non-interest bearing current liabilities,		CO 1		Transition
increase (+) decrease (-)	-43.3	-68.1 93.1	-29.8	-7.7
	-132.9	95.1	-90.2	60.4
Cash flow from operations	201.2	367.4	173.0	289.6
Capital expenditure				
Gross capital expenditure	-116.5	-281.6	-206.2	-281.4
Gains on sales of fixed assets	37.4	58.9	75.1	49.4
And	-79.1	-222.7	-131.1	-232.0
		1447		
Cash flow before financing	122.1	144.7	41.9	57.6
Financing				
Long term receivables,				
increase (-), decrease (+)	-35.5	-207.9	26.3	-40.7
Long-term debts, increase (+)	0.6	13.7	20.5	-40.7
Long-term debts, decrease (-)	-69.3	-13.4	-55.1	-13.4
Dividends, cash payout	-10.1	-6.3	-10.1	-6.3
Donations	-0.5	-0.5	-0.5	-0.5
Conversion difference	-41.7	20.9		
Other financial items	-11.4			
LIGHT CARE AND AND AN ANY AND AN ANY ANY ANY ANY ANY ANY ANY ANY ANY	-167.9	-193.5	-39.4	-60.9
Liquid assets according to the statement,				
increase (+), decrease (-)	-45.8	-48.8	2.5	-3.3
Liquid assets according to the balance sheet,				
increase (+), decrease (-)	-45.8	-48.8	2.5	-3.3
increase (1), decrease (-)	10.0	10.0	2.5	5.5

CHANGES IN FINANCIAL POSITION

Consolidated KEY FIGURES

(FIM millions)	1996	1995
Scope of Operations		
Net sales	1 824	1 798
Change %	1	14
Gross capital expenditures	116	282
% of net sales	6	16
Total assets	3 186	3 143
Extraordinary income and expenses	26	30
Personnel on average	1 737	1 727
Newspaper delivery personnel	1 614	1 666
Profitability		
Profit on operations before depreciation	316	354
% of net sales	17	20
Profit on operations after depreciation	178	222
% of net sales	10	12
Profit before extraordinary items (1) (2)	305	236
% of net sales	17	13
Profit before appropriations and taxes (1)	331	265
% of net sales	18	15
Net profit for the year	257	186
% of net sales	14	10
Return on equity (1) (2)	11	8
Return on investments (1) (2)	13	11
Financing and Financial Position		
Solvency (current ratio)	1.9	1.6
Equity ratio, % (1)	73	69
Interest-bearing liabilities	387	444
(1) Minority interest decrease/increase		

(1) Minority interest, decrease/increase.
(2) Loss payout to the Droft Sharing Function

(2) Less payout to the Profit-Sharing Fund.

PROPOSAL for Distribution of the Profit

The net profit for the fiscal year totals FIM 204 480 137.74. Of that total, FIM 9 709 688.89 was carried over from the previous year. Hence, a total of FIM 214 189 826.63 is at the disposal of the Annual Shareholders' Meeting.

The Board of Directors proposes that from the	FIM
net profit and retained earnings above	214 189 826.63
- a divided of 30.00 marks per share be distributed, totaling	12 650 550.00
- a transfer be made to the operating fund, thus	193 000 000.00
- a transfer be made to the reserve for donations,	
to be placed at the disposal of the Board, thus	500 000.00
- and the remainder of	8 039 276.63

be left on the retained earnings account, and that the Board be authorized to use the funds in the non-restricted equity accounts for the payment of taxes in 1997.

Consolidated non-restricted equity amounts to FIM 1 644 863 166.01 of which FIM 1 184 644 577.76 is distributable; accordingly, there is no restriction on distributing the dividend proposed above.

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

Share Capital	46 413 500.00
Operating Fund	1 611 908 411.18
Reserve for Donations	500 000.00
Retained Earnings	8 039 276.63

Helsinki, February 14, 1997

Aatos Erkko *Chairman* Heikki Tikkanen *Vice Chairman*

Robert Castrén

Seppo Kievari

Jaakko Rauramo

Jane Erkko

Robin Längenskiöld

Kalle Salonen

L.J. Jouhki

Rafaela Noyer

Jarmo Toivanen

AUDITORS' REPORT

To the shareholders of Sanoma Corporation

We have audited the accounting records and the financial statements as well as the corporate governance of Sanoma Corporation for the fiscal year January 1 to December 31, 1996. The financial statements, which include the report by the Board of Directors, the consolidated and Parent Company income statements, balance sheets and the notes to the financial statements, have been prepared by the Board of Directors and the President. Based on our audit, we express an opinion on these financial statements and the company's corporate governance.

We have conducted our audit in accordance with Finnish generally accepted auditing standards. The accounting as well as the financial statement accounting policies, content and format have accordingly been examined to a sufficient extent to ascertain that the financial statements have been correctly prepared and are free of material misstatement. The audit of the company's corporate governance has involved establishing that the actions of the members of the Board of Directors and the President comply with the provisions of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and the other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and Parent Company result of operations as well as the financial position.

The annual accounts, including the consolidated financial statements, can be adopted and the members of the Board of Directors and the President can be discharged from liability for the period audited by us.

The proposal made by the Board of Directors concerning the disposal of the retained earnings according to the balance sheet is in compliance with the Finnish Companies Act.

Helsinki, February 28, 1997

Antti Helenius *CPA* Pekka Nikula *CPA*

The Helsingin Sanomat Literature Prize was awarded for the second time in November 1996 on the eve of the newspaper's 107th anniversary. The award ceremony was held at Helsinki's Old Students' House.

The prize is conferred annually on the best literary debut in Finnish. It was established to encourage writers struggling to produce their second work of fiction. It can be awarded for novels or collections of short stories, poems or essays.

In the search for an award-winner, the jury considers debut works published since the last Helsingin Sanomat Literature Prize was awarded. The prize can only be awarded to one writer at a time, and not shared among several. Awarded for the first time in 1995, it is an extension of the prize named for J.H. Erkko, the poet and brother of Eero Erkko, the founder of Helsingin Sanomat.

In 1996 the jury considered books by 45 new authors and judged 15 works in the final round. The quality of the writing was high and the competition was even. The strongest candidates were Juha K. Tapio's novel "Frankenstein's Notebook", Maris Gothóni's poetry collection "Mirror of a Mirror" and Kreetta Onkeli's novel "Happy House".

The Prize went by unanimous decision to 39-year-old Juha K. Tapio. His book "Frankenstein's Notebook" was inspired by Mary Shelley's classic horror novel, "Frankenstein", with Tapio further developing the main character's story. The jury described Tapio's novel as "pure fiction and yet unusually mature for a debut work."

The jury was headed by the chief literary critic Pekka Tarkka, Ph.D, of Helsingin Sanomat. The other members were journalist Suvi Ahola, literary scholar Anna Makkonen, author Jyrki Kiiskinen, and journalist and author Jukka Petäjä. The value of the prize was FIM 50,000.

Helsingin Sanomat Literature Prize



Author Juha K. Tapio



The winner of the Helsingin Sanomat Literature Prize, Juha K. Tapio, flanked by Editor in Chief Janne Virkkunen and the chairman of the award jury, Pekka Tarkka.



Prime Minister Paavo Lipponen, former President of the European Commission Jacques Delors and Helsingin Sanomat publisher Seppo Kievari at Finlandia Hall.

In 1996 Helsingin Sanomat once again hosted a top-level symposium. Sanoma Corporation President Jaakko Rauramo opened the newspaper's second Europe Seminar at Helsinki's Finlandia Hall in October with words emphasizing the role of newspapers in the European integration process.

The Europe Seminars bring current European views to the Finnish debate about Europe. Another goal is to generate discussion of issues vitally important to the future of Finland and Europe. The paper plans to hold the seminars annually.

The main theme of the 1996 seminar was the European Economic and Monetary Union. The preparations for EMU are profoundly affecting policy in all European Union member states. Other topics discussed at the afternoon seminar were the EU's regional policy, plans for EU enlargement and administrative reform.

The keynote speaker was the former president of the European Commission Jacques Delors, a European visionary. Two other members of the Commission also spoke: Eneko Landaburu, Commissioner in charge of regional policy, and Erkki Liikanen, Commissioner for budgetary affairs.

Finnish Prime Minister Paavo Lipponen, Bank of Finland Governor Sirkka Hämäläinen and Minister of Finance Sauli Niinistö provided perspectives on Finland's position on monetary union, EU enlargement and reform. Helsingin Sanomat's publisher Seppo Kievari chaired the symposium and made the concluding remarks.

The Europe Seminars were prompted by Finland's membership of the European Union since the start of 1995, but are an extension of the economic symposia arranged by Helsingin Sanomat in the 1980s and early '90s. The first Europe Seminar in 1995 also brought top-ranking EU officials, including the current President of the Commission Jacques Santer, to Finland.

The first two Europe Seminars attracted hundreds of Finnish decision-makers – business leaders, members of parliament, officials and representatives of the arts and sciences.

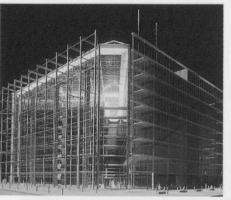
Europe Seminar



45

Sanoma Corporation President Jaakko Rauramo and Member of the European Commission Eneko Landaburu both spoke at the Europe Seminar.

Sanoma House



Scale model of Sanoma House

Planning work proceeded on the company's new headquarters, Sanoma House, and work began at the site which is adjacent to the main post office in the heart of Helsinki. The Ministry of the Environment approved the necessary zoning amendments in September, but the Supreme Administrative Court is considering an appeal against that decision.

A letter of intent signed with the City of Helsinki on the purchase of the building site was revised in September. The company took possession of the site by way of a temporary lease, and the foundation work also started in September.

Building contractor YIT Corporation was chosen to carry out the foundation work. This part of the project includes 240 large diameter concrete piles cast in place. The piles extend more than 60 feet below ground, along the boundaries of the construction site. The three basements of the building will be below groundwater level. The concrete piles will form a watertight basement wall. Once this diaphragm wall is in place, the earth excavated within it will be removed. At the same time soil polluted by earlier uses of the site will be separated and hauled away for treatment as required by the environmental authorities.

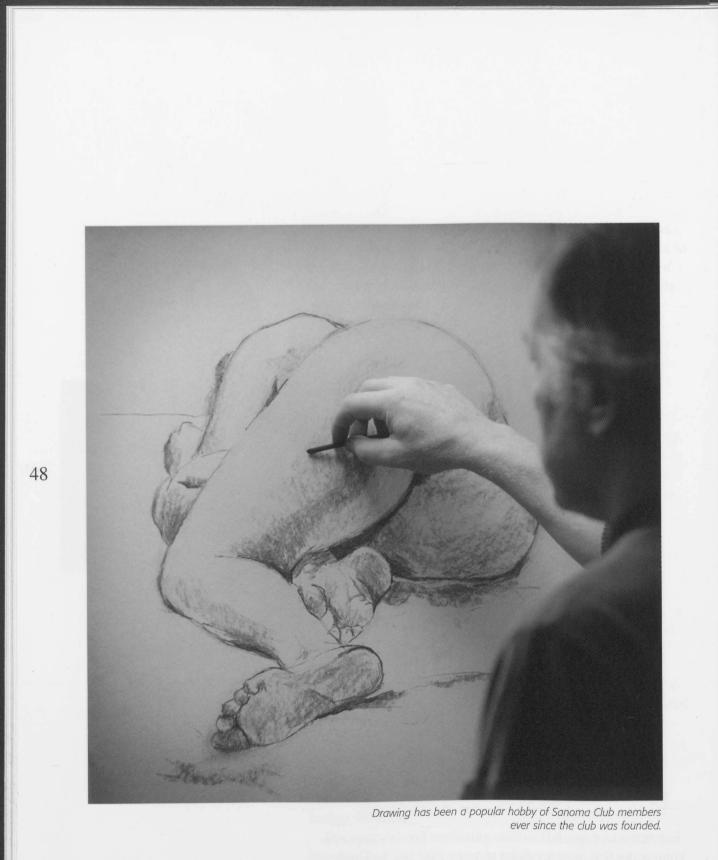
The architectural and technical planning of Sanoma House continued during the year in close cooperation between the company and the architects, Jan Söderlund & Co, and engineering consulting firms Magnus Malmberg Oy and Olof Granlund Oy, Special efforts were made to find proper material for the glass exterior walls and to make the building as functional as possible.

The interior planning also progressed during the year and staff contributed actively to the work. Designing of work spaces began in collaboration with the University of Art and Design Helsinki.

The editorial and marketing staff of Helsingin Sanomat and Ilta=Sanomat and the corporate administration will move into the new headquarters by the end of the decade. The company's premises on Erottajankatu and Ludviginkatu in downtown Helsinki will then be vacated, and preparations were made during the year to put those properties on the market.



The Sanoma House foundations rest on 240 piles cast in place.



PROFITSBAREINGURG

Sanoma Corporation President Eljas Erkko's (1895-1965) initiative to establish the Sanoma Personnel Club in 1946 was an uncertain investment. He could hardly have expected that funding staff recreational activities would boost profits and work productivity in the years to come. But in the uncertain aftermath of the Second World War, business leaders needed to build confidence and get the wheels of industry rolling again. This was also vital for a company like Sanoma that depended on a highly professional workforce.

Today, fifty years later, it has been conclusively proven that active use of leisure time, social interaction and success on the job go hand in hand.

Documents from the past of the 50-year-old Personnel Club reflect the independent spirit and feeling of involvement that have been its hallmarks. The club has drawn its vibrancy from the atmosphere of togetherness created by its members. Over the years, various sub-sections of the club have come and gone – sometimes for hobbies that have interested only a small group of enthusiasts. As a result the Sanoma Personnel Club has always reflected new trends in the surrounding society.

In terms of numbers of participants, the club's sporting activities have been by far the most popular with employees through the decades. The club joined fully in the fitness and health boom that began in the 1970s. Team spirit grew spontaneously on the jogging path and the playing field and among spectators at club events.

Now the club faces the challenge of today's increasingly private lifestyles. The trend towards privatization also affects leisure-time pursuits, and the club is sometimes forgotten. But even in times like these, the club has been true to its purpose: that is, to serve as the link between Sanoma Corporation employees and between the personnel and the company.

Has the spirit of togetherness survived? In today's world, maintaining a cosy spirit of togetherness among employees may be more than any personnel club can expect to achieve. While friendships and loyalty to close colleagues are still important, a broader denominator is needed to bring together the whole corporate group. This is the role of the Sanoma Personnel Club. Pulling together is still what this club is all about, and it shows in the wide diversity of activities the club provides.

Sanoma Personnel Club Pulling together



The personnel club has 50 active fitness boxers - four fifths of them women.

PROFIT-SHARING FUND

Employees withdrew almost FIM 10 million in 1996

At the beginning of 1996, the Profit-Sharing Fund legislation was amended. The qualifying period for bonus payouts was reduced from ten years to five. This means employees can now withdraw 15 percent of their personal shares after just five years of membership. One fifth of the amount withdrawn is tax-free income, and the rest is taxed at the wage-earner's personal tax rate on supplementary income. Shares of the Fund due to retired and other former employees are also now paid out more quickly – after one financial year instead of three.

Four out of five Sanoma Corporation employees entitled to Fund payouts exercised their rights under the new regulations. They withdrew a total of FIM 9.7 million. Final disbursements of FIM 4.6 million were made to former employees. At the end of the financial year April 1, 1995 to March 31, 1996, the Fund had 5,454 members.

The Sanoma Fund was established in 1990. At

the end of the financial year, its assets totaled FIM 74.4 million, of which FIM 11.4 million was in shares. This includes the Fund's Sanoma Corporation shares which were valued at FIM 3.6 million at the close of the accounts. The rest of the Fund's assets were in bonds and moneymarket instruments.

Sanoma Corporation's profit for 1996 will generate a bonus of FIM 19.7 million to the Fund. The year's bonus is lower than that paid on the 1995 result mainly because of sluggish growth in advertising sales.

The investment activities of the Sanoma Profit-Sharing Fund are managed by an outside asset management company under instructions from the Fund's board of directors. The board monitors and reports on the implementation of the investment strategy to the Fund's council.

In April 1996 members were elected to the Council of the Profit-Sharing Fund for the threeyear term April 1, 1996 to March 31, 1999.



Profit-Sharing Fund Board of Directors: sitting Anja Valtonen, standing from the left Teemu Luukka, Martti Ojares, Juhani Salmi, Liisa Lujanen (secretary), Kari Gisselberg, Hannu Launiala and Ari Salo.

ANNUAL REPORT

COUNCIL

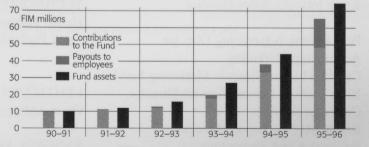
Jouko Vanninen, Chairman Timo Hänninen, deputy Pentti Hakala Jussi Kovaleff, deputy Esko Nurmi, Vice Chairman Jaana Savolainen, deputy Jorma Lindfors Timo Kilpi, deputy Rauha Ekstrand Liisa Koistinen, deputy Tuula Silvennoinen Mirja Pircklén, deputy Jukka Yli-Luopa Timo Wickholm, deputy Hannele Wikman Ritva Karhula, deputy Kari Mervasto Daniela Nyberg, deputy Matti Tuominen Hannu Tabell, deputy Vesa-Pekka Meskanen Kauko Willberg, deputy Irma Aakula

BOARD

Anja Valtonen, Chairman Irja Kukkonen, deputy Hannu Launiala, Vice Chairman Väinö Kenttälä, deputy Kari Gisselberg Christer Grundström, deputy Teemu Luukka Tellervo Yrjämä-Rantinoja, deputy Juhani Salmi Jukka Myllylä, deputy Ari Salo Mauri Luostarinen, deputy Martti Ojares Markku Mäkijärvi, deputy Liisa Lujanen, Secretary

Sanoma Corporation cash dividends and profit-sharing bonuses 1990 – 1996

Sanoma Corporation Profit-Sharing Fund 1990 – 1996, cumulative



BOARD OF DIRECTORS

Aatos Erkko, Chairman (1, 3, 4)Heikki Tikkanen, Vice Chairman (1, 2, 3) Robert Castrén (2) Jane Erkko L.J. Jouhki (2, 4) Seppo Kievari Robin Langenskiöld Rafaela Nover Jaakko Rauramo (1, 3, 4) Kalle Salonen, Personnel Representative Jarmo Toivanen, Personnel Representative Kerstin Rinne, Secretary

Executive Committee Compensation Committee Media Policy Committee Finance Committee

CORPORATE OFFICERS

Jaakko Rauramo, President and Chief Operating Officer Heikki Huhtanen, Executive Vice President and General Manager Seppo Kievari, Executive Vice President and Publisher Martti Ojares, Executive Vice President Sakari Almi, Vice President Kerstin Rinne, Vice President Anne-Maj Roman, Secretary

HELSINGIN SANOMAT

Seppo Kievari, Executive Vice President and Publisher

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JAKELUASIAT JULKAISIJA

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Tiedonantoja toimitukselta

UUDEN VÜODEN alkaessa on mukava palauttaa mieliin menneen vuoden tekemisiä. Kuukausilliitteitä selatessa huomaa, että olemme keskittyneet useassa numerossa Suo-Vuoden alkupuolella kerroimme pizza-Suomesta: uusi kansallisruoka alkaa jo meen ja siihen, miten meillä suomalaisilla nyt menee. olla tutumpi kuin äidin lihapullat. Keväällä esittelimme nuoria rouvia, rotunaisia,

joilla on kauneus elämäntapana. Kesän kynnyksellä keskustelimme rouva Eeva Ahtisaaren kanssa hänen julkiseksi muuttuneesta elämästään. Keskellä kesää katsastimme pikkukaupunkien taajamat ja huomasimme, miten kirkonkylät ovat muuttuneet pankkien ja markettien satulinnoiksi ja avaruusasemiksi. Europarlamenttivaalien alla kävimme katsomassa, kuinka edustajamme pärjäävät Strasbourgissa ja Brysselissii. Vuoden viimeisessä numerossa näytimme itsenäisyyspäivän kunniaksi lähikuvan yhdestä neliökilometristä Suomea eli sen mitä löytyy, kun neliökilometrin tutkii oi-

Myös uuden vuoden aloitamme suomalaisuuden merkeissä – viettäähän Suomi

kein perin pohjin.

Vuoden ensimmäinen kansi vie meidät urheiltun maailmaan, mutta sen varjoisalle tänä vuonna itsenäisyytensä 80-vuotisjuhlaa. puolelle eli dopingiin. Helsingin Sanomain urheilutoimituksen kolme toimittajaa ovat usean kuukauden ajan selvittäneet, mistä dopingissa on oikein kyse, ketkä urheilijat

ovat käyttäneet kiellettyjä aineita ja missä vaiheessa ovat jääneet kiinni. Perusteelli-

Talven ja kevään numeroissa keskitymme kuvareportaaseihin. Vaikka uudet tiedonvälittäjät, televisio etunenässä, syytävät tunnelmia ja kuvia valtavalla vauhdilla, nen raportti alkaa sivulta 26.

uskomme yhä, että lehtikuvan voima on tallella. Helmikuun numerossa julkaisemme reportaasin Afrikan pakolaisleiriltä ja pohdimme, voivatko maailman avustusjärjes-

töt auttaa katastrofialueilla. Uusi jännittävä näkökulma Helsinkiin ja kaupunkilaisuuteen on taiteilija Tarmo Koiviston ja toimittaja Esa

Keron yhteinen sarjakuva Tää kaupunki. Siinä katsotaan Helsinkiä sarjakuvanovellin keinoin. Tää kaupunki on lehden viimeinen toimituksellinen sivu, ja se korvaa lehdestä viime vuoden viimeisessä numerossa poistuneen Mäm-

milän.

Heleena Savela

The Helsingin Sanomat magazine supplement was published monthly last year.

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Helsingin Sanomat's Net Supplement was made available on the Internet to subscribers of the newspaper for the first time in May 1996. Because of its speed it proved to be an especially valuable source of news during the Atlanta Olympic Games and the autumn local-government and European parliament elections. The Net Supplement has also improved service to subscribers abroad by rapidly giving them the freshest news from home.

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 1059, FIN-00101 Helsinki, Finland, or call +358-9-122 4751.

THIS IS SANOMA

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 1997, Sanoma Corporation is primarily a newspaper publisher and is 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.