

Sanoma Corporation

Annual Report 1985



1. *Chlorophyll a* and *b* content of the leaves of the plants were determined by the method of Arnon and Wherry (1949).

2. The chlorophyll content of the leaves was determined by the method of Arnon and Wherry (1949).

RESULTS

The results of the experiment are given in Table I.

Sanoma Corporation

Annual Report 1985

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Illustration on the cover: Plan for restauration of the editorial offices at Ludviginkatu street, drawing by Mr E. Kerminen.

Photographs taken by Mr Hans Paul, Lehtikuva Oy.

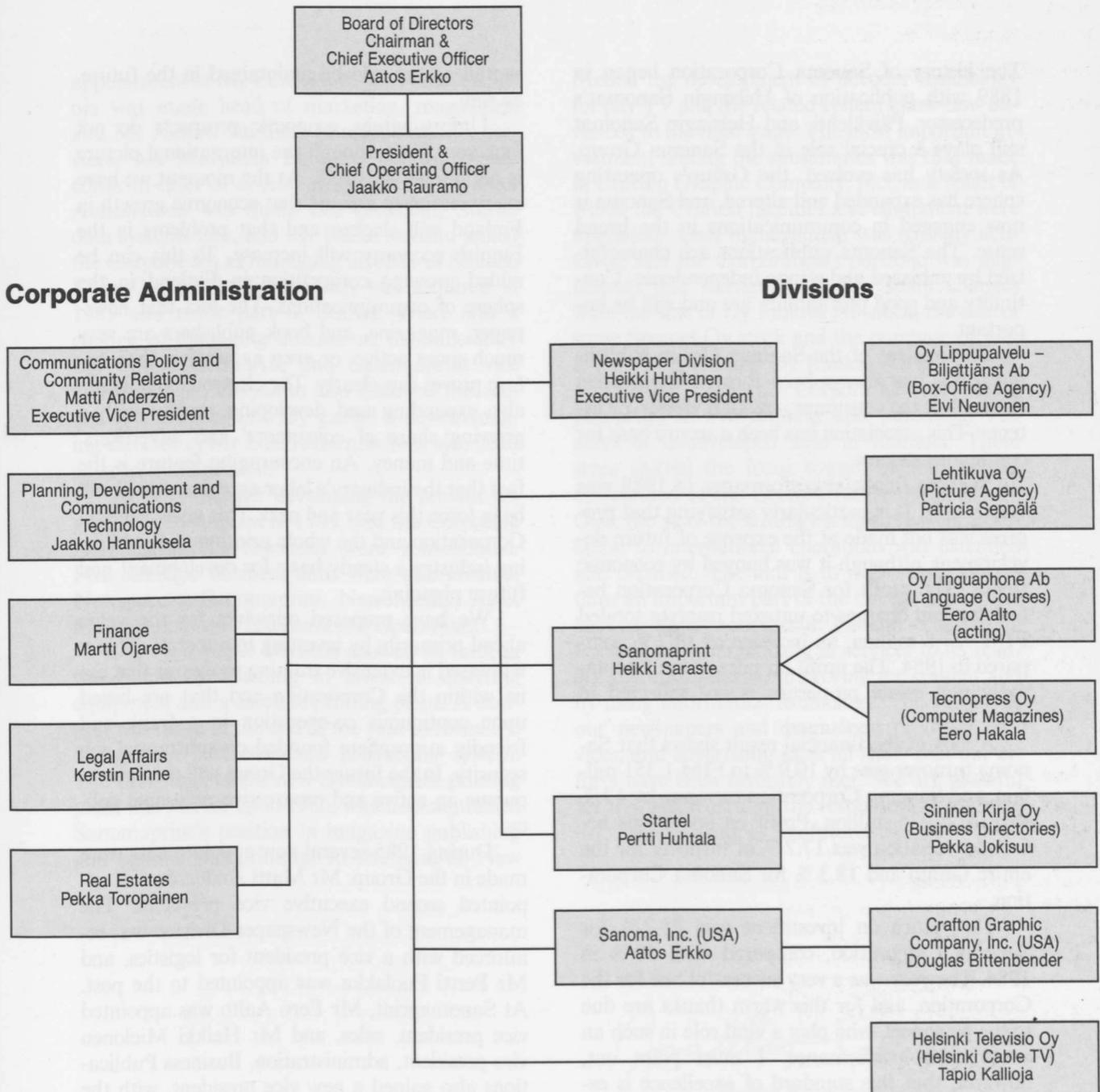
Printed in Finland
Sanomaprint, Helsinki 1986

Sanoma Group in Figures

	1985	Change %	1984	1983
Turnover FIM m.	1.351	+ 10.9	1.218	1.039
Wages and salaries including social security payments FIM m.	566	+ 8.9	520	433
Per cent out of turnover	41.8		42.7	41.7
Operating profit FIM m.	239	+ 15.5*)	207	179
Per cent out of turnover	17.7		17.0	17.3
Depreciation FIM m.	130	+ 64.6	79	73
Taxes payable FIM m.	25	- 3.8	26	17
Dividends FIM m.	2	-	2	2
Investments FIM m.	287	- 6.2	306	216
Shareholders' equity (including half of untaxed reserves) FIM m.	420	+ 63.4	257	160
Per cent out of Balance sheet grand total subscription liability excluded	35.7		29	23.5
Balance Sheet Grand Total FIM m.	1.340	+ 28.2	1.045	826
Financial assets compared with outside liabilities without interest	1.5		1.1	1.4
Financial assets and inventories compared with outside liabilities without interest	1.7		1.4	1.6
Personnel in average	2.972	+ 2.1	2.912	2.795
newspaper deliverers	2.273	- 3.3	2.349	2.114

*)Pension liability costs have been included in operational costs for 1984 to make the figures comparable on counting the percentage.

Sanoma Group



President's Report

The history of Sanoma Corporation began in 1889 with publication of Helsingin Sanomat's predecessor, Päivälehti, and Helsingin Sanomat still plays a crucial role in the Sanoma Group. As society has evolved, the Group's operating sphere has expanded and altered, and Sanoma is now engaged in communications in the broad sense. The Sanoma publications are characterized by unbiased and strong independence. Continuity and good profitability are and will be important.

The nucleus of the Sanoma Group publishing policy has always been formed based upon the need of the consumer – reader, viewer, or listener. This association has been a secure base for continuous success.

Sanoma financial performance in 1985 was very strong. It is particularly satisfying that progress was not made at the expense of future development, although it was buoyed by economic trends. The profit for Sanoma Corporation before tax and charges to untaxed reserves totaled FIM 157.8 million, an increase of 18.2 % compared to 1984. The profit on sales of the Pitäjänmäki real estate properties is not reflected in these figures.

A look at the financial result shows that Sanoma turnover rose by 10.9 % to FIM 1.351 billion, and Sanoma Corporation turnover by 13 % to FIM 1.235 billion. Profit on operations before depreciation was 17.7 % of turnover for the entire Group and 18.3 % for Sanoma Corporation.

The return on investment was 21.2 % for Sanoma Corporation, compared with 20 % in 1984. The year was a very successful one for the Corporation, and for this warm thanks are due to the personnel, who play a vital role in such an encouraging performance. I must point out, however, that this standard of excellence is es-

sential and should be maintained in the future, as well.

Unfortunately, economic prospects do not look very good, though the international picture is not altogether bleak. At the moment we have every reason to assume that economic growth in Finland will slacken and that problems in the Finnish economy will increase. To this can be added growing competition in Finland in the sphere of communications. The fact that newspaper, magazine, and book publishers are very much more active, or even aggressive, than before proves this clearly. The electronic media are also expanding and developing rapidly with a growing share of consumers' and advertisers' time and money. An encouraging feature is the fact that the industry's labor agreements will still be in force this year and next. This gives Sanoma Corporation and the whole printing and publishing industry a steady basis for development and future planning.

We have prepared ourselves for the years ahead primarily by investing in our staff. This is witnessed in extensive training programs that exist within the Corporation and that are based upon continuous co-operation in a frank and friendly atmosphere founded on substantial job security. In the future the Group will continue to pursue an active and progressive personnel policy.

During 1985 several new appointments were made in the Group. Mr Matti Anderzén was appointed second executive vice president. The management of the Newspaper Division was reinforced with a vice president for logistics, and Mr Pertti Puolakka was appointed to the post. At Sanomaprint, Mr Eero Aalto was appointed vice president, sales, and Mr Heikki Mielonen vice president, administration. Business Publications also gained a new vice president, with the

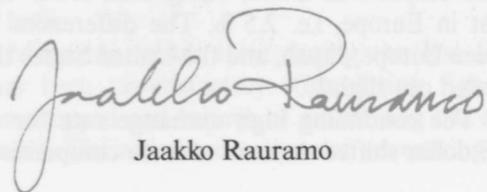
appointment of Mr Eero Sauri. Ms Anne Tikanoja was made head of marketing, magazines, and Mr Antero Väisänen head of customer services. Ms Marjukka Luomala was appointed editor-in-chief of et-lehti magazine. Mr Hannu Aunesluoma was made vice president, Startel data systems unit, and Mr Pekka Jokisuu joined the Corporation as managing director of Sininen Kirja Oy, a subsidiary which was acquired in 1985 and made part of Startel. There was a change of managing director at the subsidiary Oy Linguaphone Ab, and Sanomaprint vice president Mr Eero Aalto also assumed this second role. Simonpaino Oy gained a new managing director in Mr Nils Ittonen, who is also head of asset management.

Work on further developing the present organization continued in 1985, and the Corporate Administration's functions were consolidated. Five strategic business units were also created: Newspapers, Sanomaprint, New Media, Asset Management and International Operations.

The Newspaper Division showed its faith in the future by deciding to invest in inserting equipment and a satellite printing plant. A decision was taken at the end of the year to revise the newspapers' advertisement production system. The first stage of the new Sanomaprint printing plant was started up in 1985, which strengthened Sanomaprint's position in magazine publishing and commercial printing. In the case of New

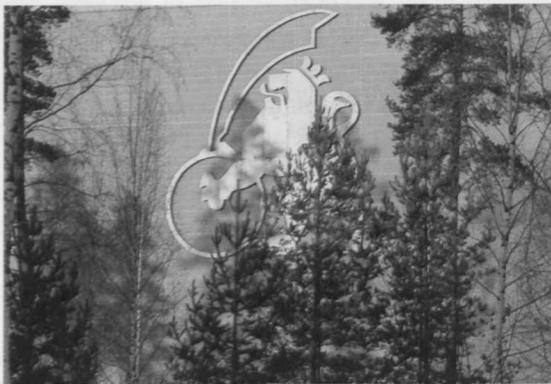
Media, the development of decoder technology for pay TV and the related system know-how advanced to the final stage. The most important investment among the subsidiaries was that made in Crafton Graphic Company, Inc., as a result of which the Crafton facilities and equipment were upgraded. Asset management was strongly activated, and the Corporation's portfolio was augmented and strengthened. The main changes were the sale of Oy Fundus Ab stock, the sale of some Spontel Oy stock and the purchase of Nokia Corporation and Oy Kaukas Ab stock.

During 1985 the Corporation sold three properties in Pitäjänmäki and purchased 120 acres of undeveloped land in Keimola. These steps shifted the focus toward Sanomala and contributed to the Group's future development. Over the year the strategy adopted earlier in relation to international operations was extended and clarified. The aim is to make these operations an important part of the Group as a whole, backing up its activities in Finland. The Group has invested energetically in services to its readers and customers by improving the content and by using information technology. The success of our newspapers and magazines, products, services, and advertising sales all show that our efforts have been favorably met. We are grateful for this and trust that the response will continue to be encouraging in the future, too.



Jaakko Rauramo

Report by the Board of Directors on Sanoma Corporation operations in 1985



The Sanoma Corporation operated in an environment with no major changes in 1985. This was partly due to the stable economic situation prevalent in Finland for quite some time now.

International economic trends

The rapid economic growth in the United States over the last couple of years slowed down significantly during the year. The estimated increase in total output was 2.1 %, being even lower than that in Europe, i.e. 2.5 %. The differences between Europe, Japan, and the United States thus leveled out slightly.

The continuing high exchange rate for the US dollar shifted demand to more competitively

priced imported goods in the United States. European countries, as well as Japan, even more markedly, benefited from this trend in increased importing. The shift in demand towards imported goods cut down the volume of investments. The dollar rate has been falling heavily from the peak reached a year ago, and it looks like this process will continue. This in turn will have a reducing impact on imports. However, the US current account deficit was exceptionally large and is likely to remain so unless changes are made in economic policy.

It is worth noticing that economic growth has not accelerated inflation. On the contrary, the rise in prices was rather slight and may slow down still further. Throughout the OECD (Organization for Economic Cooperation and Development) the prices rose only 4.3 % during the year. The lowest figure was in Japan (2.5 %), whereas Finland, for instance, registered as high as 6 %, in itself a fall from previous years. The declining price of oil contributed most to the lower inflation. The price per barrel rose from USD 3.14 to 34.00 between 1973 and 1982. In 1985 it was under USD 28.00. The falling price of oil greatly boosted production in oil-purchasing countries, at the same time reducing inflation.

The high unemployment rate in the Western industrialized countries failed to improve substantially due to unexpected slow-down in production. It has held steady at around 10 % for several years now in a number of European countries. In Finland unemployment is around 6 %.

Economic trends in Finland



Economic trends in Finland have been rather stable in the last few years. The annual growth rate is 3–4 %. The estimated rise in total goods exports slowed to some 3 % having been 10 % in 1984. In 1986 the figure is expected to be even lower, at around 2 %.

East Block trade rose 9 % during 1985 having been in a decline for a year or two previously. Trade with the West improved 1.5 %, remaining on the level of previous years.

A sector-by-sector analysis shows that the forest products industry lagged back in its steady advance. This was due partly to changes in world market competition and partly to structural changes within the industry. The total volume of forest industry exporting rose 2.3 % and prices 3.1 %. Exports of paper, paperboard, and converted products increased encouragingly. Volume rose 3.6 % and prices as much as 11.1 %. Pulp trends, on the other hand, were discouraging. Though the volume fall was small (1.1 %), there was a price fall of 17.7 %. This slump was due to the fall in prices denominated in foreign currencies and to the falling exchange rate for the US dollar.

Private sector consumption has been rising steadily in the last few years. Real purchasing

power rose some 3.5 % in 1985. The fastest growing items of consumption were various expenditures on leisure industry, such as travel, recreation, and cultural services. Other expanding fields were entertainment electronics and automobile sales. Private consumption was partly boosted by the rise in consumer credit, which also led to greater household indebtedness.

The printing and publishing industry in Finland

The printing and publishing industry has made steady advances in the last few years and sales have grown in real terms. Because of this sales trend, profitability rose at a steady and competitive rate. In 1985, however, profitability deteriorated slightly according to preliminary estimates. Salary costs account for an unusually large share of total costs in the industry, i.e. over 40 % of turnover. This signifies a high employment rate, but adds substantial pressures to maintain present sales level.

Industry turnover rose 11.4 %. Salary costs rose 9.8 %. The industry's producer price index increased 7.5 %, compared with 4.1 % for industry as a whole.

Newspaper trends have followed general industry trends. Total circulation in 1985 came to 3 118 327, a rise of 2.1 %. The circulation of morning papers published 3–7 times a week rose 1.1 %. The circulation of afternoon papers continued to rise heavily. The volume of advertising in Finnish Newspaper Publishers Association member papers totaled 399 076 column meters, a rise of 3.8 % from the previous year. The average annual subscriptions for papers published seven days a week cost FIM 451 (continuous) and FIM 479 (fixed period). The rise was 7.4 % for both.

Magazine trends have during the last few years been unsatisfactory. Circulation figures have dropped and volume of advertising has decreased. The estimated volume of advertising in

1985 for women's and general-interest magazines has dropped 5.8 %. However, trade publications make an exception to this having a value increase in real terms in their advertising sales.

Operating environment of Sanoma Corporation

Sanoma Corporation concentrated also in 1985 on the same activities and products as in previous years. Development trends were encouraging.

The decentralization of operations into strategy business units which had been carried out already in 1984, was extended to most subsidiaries in 1985. The subsidiary Oy Lippupalvelu-Biljettjänst Ab (box-office agency) was transferred to the Newspaper Division, and the subsidiaries Tecnopress Oy (computer magazines) and Oy Linguaphone Ab (language courses) to the Sanomaprint Division. Sininen Kirja Oy (business information service), which was acquired during the year, was incorporated under Startel New Media division. The role of the Corporate Administration was also strengthened.

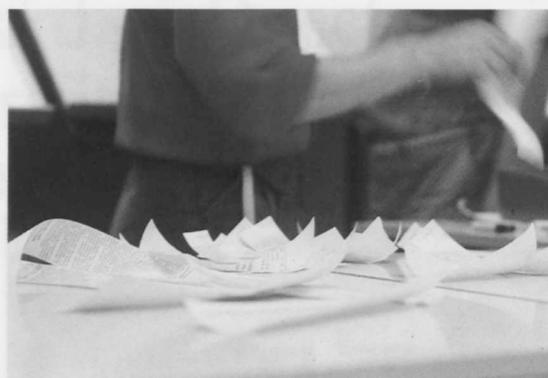
Sanoma Corporation and the Lehtikuva Oy newpicture agency established a historical newspaper foundation, bearing the name of Päivälehti, the predecessor of Helsingin Sanomat, on May 7, 1985. The aim of this foundation is to promote and support research on press freedom as well as its history in Finland.

On December 17, 1985 the above two companies established the Helsingin Sanomat Centenary Foundation as an opening for the forthcoming centenary celebration in 1989. This foundation will promote and support top-level scientific research, with an emphasis on the broad scope, independence, and continuity of research in Finland.

Newspaper Division

Helsingin Sanomat (the biggest daily in Finland)

The year was marked by many major news events. Of particular importance were the CSCE



(Conference on Security and Cooperation in Europe) 10th anniversary meeting in Helsinki, and the summit meeting of Soviet and US leaders in Geneva.

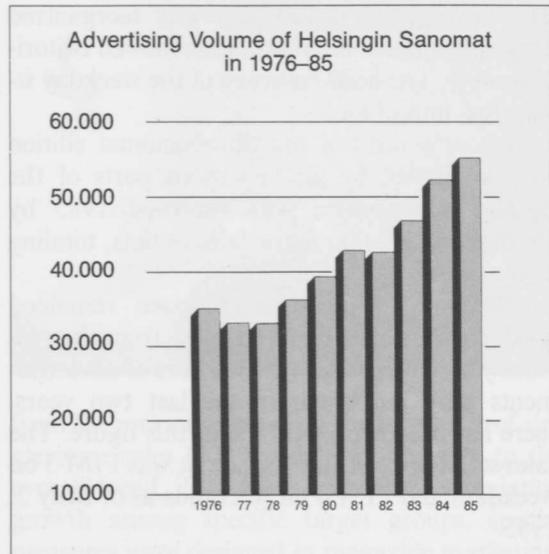
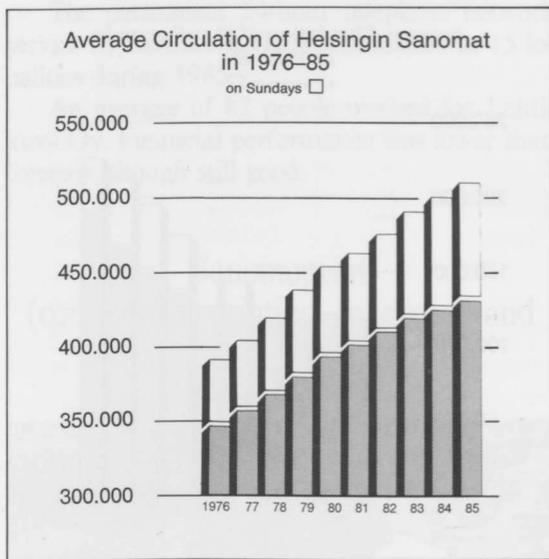
Some internal changes on the pages of the paper were carried out in 1985. The most conspicuous physical change was the redesign of the radio and TV pages at the end of the year. The monthly Helsingin Sanomat magazine supplement was further developed by publishing three special issues. After an extensive training program, editorial staff began to work at display terminals, which are now provided in most editorial departments.

The average circulation for 1985 was 427 614 on weekdays and 505 471 on Sundays. Weekday circulation rose by 1 671, or 0.4 %, and Sunday circulation by 3 932, or 0.8 %.

The monthly magazine supplement was published 15 times. With the advent of additional special issues in the fall the supplement will have 24 issues per year as of the beginning of 1986.

Advertising volume set a new record of 54 274 column meters. This was a rise of 2 194 m, or 4.2 %, from the previous year. The monthly magazine supplement carried 485 pages of advertising, an increase of 207 pages, or 74 %, from 1984. The 'Lähimarkkinat' advertising supplement did not grow up to expected level and was discontinued in December.

Considerable progress was made with the joint newspaper distribution system. The main focus area was the province of Uusimaa, where the joint early newspaper distribution allocated to



Helsingin Sanomat in the national 'Sava' joint distribution scheme was implemented almost completely.

The total number of pages in Helsingin Sanomat was 20 334, as against 19 934 in 1984. Record issues with 112 pages were published altogether eleven times. As Helsingin Sanomat appeared 354 times during the year, this makes the average number of pages 57.5.

The annual subscription price of Helsingin Sanomat increased by 6.9 %, to FIM 554 (continuous subscription) and by 7.1 % to FIM 576 (fixed period) as of July 1, 1985 from the previous year. Sales stand price remained the same as before, FIM 4 weekdays and FIM 5 on Sundays.

Ilta=Sanomat
(the afternoon paper)



The improvements in the organization, content and technology of Ilta=Sanomat were continued with advancing of the printing schedule. These changes led Ilta=Sanomat into a highly successful year in 1985. Circulation rose more than that of any other newspaper published in Finland, reaching an average of 184 151 in 1985. In the last two years the circulation rose nearly 30 %. In 1985 the rise was 12 %, i.e. 19 861. In the most competed area, the Helsinki Metropolitan area, Ilta=Sanomat did well.

The editorial department was reorganized aiming at a much improved and renewed editorial content. The news coverage of the weekday issues was improved.

About a third of the Ilta=Sanomat edition was distributed by air to various parts of the country. Distribution was improved 1985 by adding nearly 2 000 extra sales outlets, totaling at the end of 1985 over 6 600.

Demand for advertising space remained good. Advertising volume rose 9 % from the previous year. Altogether 4 247 meters of advertisements were published. In the last two years, there has been a rise of 32 % in this figure. The sales stand price of Ilta=Sanomat was FIM 3 on weekdays and FIM 4 on weekends as of May 2, 1985.

Oy Lippupalvelu – Biljettjänst Ab (box-office agency)

The Lippupalvelu box-office agency sold tickets for 5 500 public events in 1985, a rise of 22 % from the previous year. Operations were expanded and rationalized substantially during the year. At year end a new computerized ticket sale system was taken into trial operation. The financial result showed a loss despite these promising trends.

Newspaper Division personnel

An average of 1 698 people worked for the Newspaper Division in permanent and fixed-term positions, 447 being journalists, 600 other salaried employees and 651 wage-earning employees. The newspaper delivery system employed 2 273 persons. Oy Lippupalvelu – Biljettjänst Ab employed 15 people.

Lehtikuva Oy (picture agency)

There were several changes on the international newspicture agency front during the year. From January 1, 1985 the newsagency Reuter became the main wirephoto supplier of Lehtikuva Oy, after the purchase by Reuter of the international

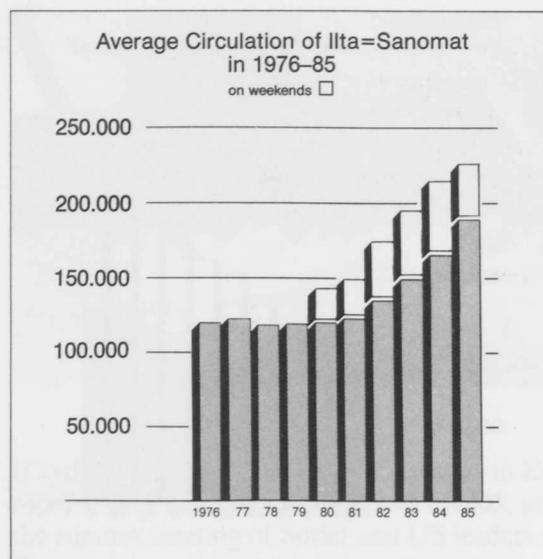


photo network of United Press International. Simultaneously AFP International launched its own worldwide photo network.

The main news items during the year were in the international arena. In-company photographers covered the main sports and news events abroad, such as the World Ski Championships in Seefeld and the meeting between President Reagan and General Secretary Gorbachov in Geneva. Thirty-two foreign projects were covered.

In Finland, the main events were the missile search on Lake Inari in Lapland and the 10th anniversary meeting of the Conference on Security and Cooperation in Europe in Helsinki.



The permanent 24-hour telephoto network service by Lehtikuva Oy was extended to 15 localities during 1985.

An average of 82 people worked for Lehtikuva Oy. Financial performance was lower than forecast, though still good.

Sanomaprint (commercial printing, magazine and book publishing)



The objective to develop the unit into an independent division engaged in publishing and commercial printing was carried out further. The decision to move the management, staff of business publications, editorial staff, circulation marketing and advertising sales people into joint premises proved successful. Administration was improved by creating independent internal accounting and personnel administration.

For magazines, and especially the general-interest variety, 1985 was a difficult year. The volume of advertising fell markedly and overall circulation figures dropped. The consequences can be seen in organizational changes that attracted a lot of attention and in advertising sales collaboration between four publishers competing with Sanomaprint.

Contrary to the common trend, Sanoma magazines showed a favorable development. Particularly the rise in advertising sales was noticeable. Sales of advertising pages rose 15 %



from the previous year. The rise in volume of single issue sales (1.4 %) also ran contrary to the overall trend. To achieve reasonable circulation growth among specific target groups, special measures were designed in magazine marketing. Circulation figures for et-magazine (magazine for senior citizens) as well as Tiede 2000 (science) rose in 1985, whereas those of other magazines remained the same or dropped in line with the general trend on the market.

Sanomaprint held onto its position as a major publisher of children's magazines and books. The Lasten Oma Kirjakerho (Children's Own Book Club) celebrated its 10th anniversary in May 1985. Book sales continued to rely mainly on Walt Disney comic books.

Ten in-house publications for outside customers were produced during the year. Two new titles were added to the list, and the publication frequency of two magazines was raised. The interest in in-house publication services grew rapidly.



Among the publications of Tecnopress Oy, a subsidiary of the Sanomaprint Division, the subscriber figure for MikroBitti computer magazine rose from 20 000 to 30 000. The magazine consolidated its position as No. 1 in its field. The founding costs of MikroBitti still had an adverse effect on Tecnopress Oy performance, and a small loss was shown.

Oy Linguaphone Ab (language courses), also a subsidiary of the Sanomaprint Division, continued to operate with the same products as in earlier years. Changes were made in the administration as well as in location. Because of the tighter competition sales were less than budgeted, and performance was not up to expectation while still satisfactory.

Sanomaprint personnel

An average of 765 people worked for Sanomaprint in permanent and fixed-term positions, 72 being journalists, 227 other salaried employees and 466 wage-earning employees. Tecnopress Oy employed 28 people and Oy Linguaphone Ab 9.

New Media Startel



Startel, the newest division of Sanoma Corporation, was mainly involved in producing and marketing business information in electronic form.

The financial result in the first year of operations was better than expected. Turnover rose

some 70 %. The number of on-line users of business data bases rose over 80 %, amounting to 232 institutions at year end.

Planning and implementation of the pay-TV system to be used by Helsinki Televisio Oy (cable-TV company) was the biggest development project of Startel in 1985. By the end of the year the system was largely operational.

In March 1985, the majority holding was acquired in Sininen Kirja Oy, which specializes in publishing business directories. As of the beginning of 1986 this new subsidiary will operate as part of the Startel Division.

Several joint development projects aimed at producing new electronic business services were launched during the year.

Startel personnel

An average of 29 people held permanent and fixed-term positions in Startel and 38 in Sininen Kirja Oy.

Helsinki Televisio Oy (Helsinki Cable Television Ltd)

Growing interest in cable TV resulted in substantial growth for Helsinki Televisio Oy, as in previous years. In 1985, 261 condominium apartment houses contracted to join the HTV network, representing altogether 12 842 homes. The installation capacity of the company was increased during the year. Exactly 13 151 new homes were connected to the network, that is,



34 % more than in 1984. At the end of the year 107 579 households in the Helsinki Metropolitan area had joined the network.

At the end of the year 24 433 households were subscribing to HTV's pay-TV channel, the 'Entertainment Channel'. This is 22.7 % of all the households connected to the network. There was an increase of 2 919 subscribers, i.e. 13.6 %, during the year.

The Helsinki Channel, which is financed by advertising, advanced better than expected, showing a 10.6 % rise in the volume of advertising time.

Due to the rise in the number of households connected to the network, the volume of advertising time and the number of subscribers to the Entertainment Channel, the turnover of the company rose 30 % from the previous financial year. Despite the rise in costs caused by substantial expansion in network operations, the financial result trend continued to be encouraging.

International operations

The Corporate strategy for international operations has been further developed during 1985. To support the strategy, extensive studies and research have been made. Operations abroad will be a significant factor in expanding the activities of the Corporation in the future.

Sanoma, Inc.

and Crafton Graphic Company, Inc.

Sanoma, Inc., which is in the New York real estate business, continued to develop well, and profitability was improved.

Crafton Graphic Company, Inc. had a year marked by energetic investment. To maintain its lead as a high quality Metropolitan New York printer the company bought three new 6-color printing presses, all of which were delivered during the year. The removal of the old presses and the installation of the new ones reduced production capacity, resulting in a temporary lower sales level. The financial result was less than forecasted, showing a slight loss.

Sanoma Corporation personnel

Sanoma Corporation employed an average of 2 630 people in permanent and fixed-term positions, a drop of one from 1984. There were 2 273 newspaper delivery persons and 2 293 commission sales agents. Salaries accounted for 34.4 % of turnover. The Sanoma Pension Foundation paid out FIM 10.148.634,73 in pensions. Company subsidiaries employed an average of 241 people.

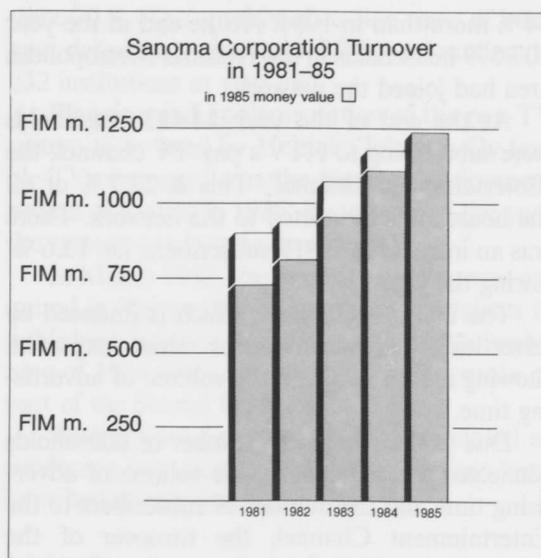
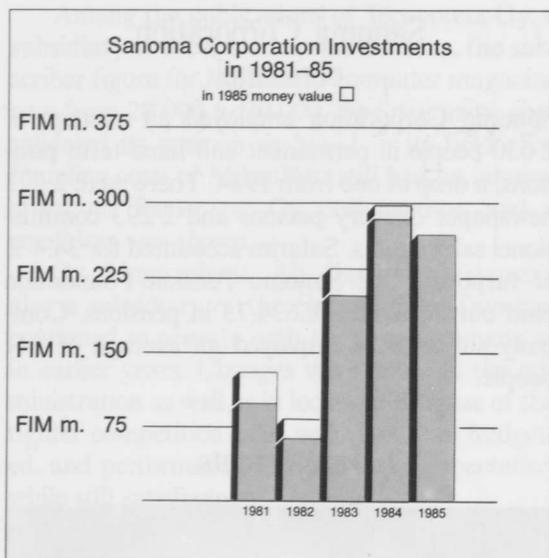
Investments



Sanoma Corporation investments totaled FIM 263.6 million. Real estate accounted for FIM 96.1 million of this, machinery and equipment for FIM 132.3 million, securities for FIM 32.3 million and other items for FIM 2.9 million.

The start-up of a new, 10-unit Goss Metro-liner printing press strengthened newspaper printing production. Based on expanding production, transportation and distribution demands a study was inaugurated to develop a satellite printing plant located in the middle part of the country. A Tellus-Carrago system with computer controlled robot trucks was acquired for transporting paper reels from warehouse to press.

The most important investment at Sanomala was the construction of a new Sanomaprint printing plant. Production started in the new 15 000 m² building in November. Printing began



on two M.A.N. Roland heat-set web offset presses for high-quality magazines and catalogues. The bindery equipment was bought from Müller-Martini.

In addition, the Newspaper Division invested in a new editorial system from System Integrators, Inc. for Helsingin Sanomat and Ilta=Sanomat.

The real estate properties used by Sanoma-print at Valimotie 17-19, Valimotie 11 and Hiomotie 1 in Pitäjänmäki, a suburb of Helsinki, were sold. At the end of the year a 120 acre site was bought in Keimola, in the city of Vantaa, two miles north of Sanomala, for future expansion.

Rebuilding of the old down-town property in Ludviginkatu continued during the year expected to be completed by the end of 1986. A major restoration project was started in the buildings on Erottajankatu 9 and 11 in 1985 expected to be completed in the spring 1988. The premises in Uudenmaankatu were refurbished for use by Startel and Sininen Kirja Oy.

The financial performance

The Sanoma Corporation financial performance in 1985 was excellent and in real terms also bet-

ter than in the previous year. Record advertising sales of Helsingin Sanomat, the rapid rise in the circulation of Ilta=Sanomat and the high advertising sales by the magazines contributed to this.

The turnover of Sanoma Corporation totaled FIM 1.235.5 million, a rise of 13.0 % from the previous year. Costs rose slightly less than turnover. The operating profit before depreciation for 1985 was FIM 219.4 million, as against FIM 195.3 million in 1984.

The Sanoma Corporation maximum depreciations permitted under the Finnish Business Taxation Act nearly doubled from 1984. Interest revenues were reduced due to financing of investments mainly by internal funds. For these reasons, the profit for 1985 shown in the financial statement, before charges to untaxed reserves and taxes, fell 8.4 % from the previous year. Using straight-line method depreciation based on estimated useful life and replacement cost of assets and actuarial assumptions for pension expense gives a rise of 18.2 % in the profit.

Consolidated Income Statement

1 January to 31 December 1985

(FIM 1,000)	1985		1984	
Sales proceeds		1.820.193		1.625.007
Adjustments for gross sales				
Discounts	107.346		91.987	
Credit losses	5.375		3.276	
Purchase tax	54.075		49.253	
Commissions and advertising agency fees ..	157.237		135.355	
Other adjustment items	145.331	- 469.364	127.350	- 407.221
Turnover		1.350.829		1.217.786
Variable expenditures				
Materials	302.145		332.772	
Variable wages, salaries and fees	345.641		321.364	
Other variable expenditures	119.891		96.324	
Change in stock	17.562	- 785.239	- 36.324	- 714.136
Gross margin		565.590		503.650
Fixed expenditures				
Fixed wages, salaries and fees	122.491		110.984	
Rents	23.963		19.680	
Other fixed expenditures	186.322	- 332.776	153.831	- 284.495
Profit on operations before depreciations		232.814		219.155
Depreciations				
Buildings	17.613		20.875	
Machinery and equipment	104.428		75.858	
Immaterial rights	583		853	
Other outlays with long-term return	5.316		5.593	
Additional depreciations of the Group	2.342	- 130.282	2.531	- 105.710
Profit on operations after depreciations		102.532		113.445
Financial revenues and expenditures				
Interest revenues	26.834		37.436	
Dividend revenues	2.824		3.108	
Other financial revenues	85		143	
Interest expenditures	- 29.681		- 23.872	
Other expenditures on outside liabilities ..	- 1.605	- 1.543	- 465	+ 16.350
		100.989		129.795
Other revenues and expenditures				
Revenues	18.067		11.720	
Expenditures	- 2.277	+ 15.790	- 2.524	+ 9.196
Profit before reserves and taxes		116.779		138.991
Changes in reserves				
Inventory reserve, increase	- 9.609		- 451	
Investment reserve, increase	- 45.413		- 93.777	
Other reserves, increase	- 22.518	- 77.540	- 1.659	- 95.887
Direct taxes	24.560		26.418	
from the operating fund	- 23.134	- 1.426	- 24.232	- 2.186
Minority share of the profit of the subsidiaries		+ 360		- 163
Profit for the year		<u>FIM 38.173</u>		<u>FIM 40.755</u>

Consolidated Balance Sheet

31 December 1985

Assets

(FIM 1,000)

Financial assets

		1985		1984
Cash in hand and in banks	77.426			36.861
Accounts receivable	225.640			214.380
Loans receivable	155.942			101.173
Advance payments	3.084			1.916
Deferred assets	34.538			41.684
Other financial assets	85.901	582.531	<u>35.832</u>	431.846

Inventories

Materials	62.101			80.609
Products (finished and in process)	14.915	77.016	<u>12.947</u>	93.556

Fixed assets and other long-term expenditures

Land areas	94.595			35.052
Buildings	182.976			111.468
Machinery and equipment	269.614			225.732
Other material goods	10.175			7.799
Shares and holdings	85.012			106.355
Immaterial rights	4.005			4.784
Other long-term expenditures from balance sheets of the companies	23.784	670.161	<u>21.389</u>	512.579

Corporation intangibles

8.657

7.307

Appreciation items

1.340

188

FIM 1.339.705

FIM 1.045.476

Liabilities

(FIM 1,000)	1985		1984	
Outside liabilities				
Short-term				
Accounts payable	79.039		94.112	
Advance payments	164.144		163.111	
Deferred liabilities	124.635		106.249	
Other short-term debts	36.390	404.208	26.037	389.509
Long-term				
Pension loans	245.638		215.051	
Other long-term debts	98.830	344.468	56.224	271.275
Reserves				
Stock reserve	24.172		14.562	
Investment reserve	206.383		160.971	
Other reserves	97.082	327.637	74.502	250.035
Minority share		7.516		3.103
Shareholders' equity				
Bound capital	75.501		15.601	
Free capital	142.202		75.198	
Profit for the year	38.173	255.876	40.755	131.554
		<u>FIM 1.339.705</u>		<u>FIM 1.045.476</u>

Notes to Consolidated Financial Statements

as of 31 December 1985

1. Companies in the Group

The Group includes the parent company, Sanoma Corporation, and the following subsidiaries: Helsinki Televisio Oy, Lehtikuva Oy, Oy Linguaphone Ab, Oy Lippupalvelu – Biljettjänst Ab, the sub-group of Sanoma, Inc., Simonpaino Oy, Sininen Kirja Oy (with subsidiaries Suomalainen Yritystiedosto Oy and Liiketieto – Business Information Oy), Tecnopress Oy, Erikoislehdet Oy and Kodin Kuvalehti – Terve Lapsi Oy, and the following apartment corporations: Asunto-Osakeyhtiö Ilkantie 13, Asunto-osakeyhtiö Laajavuoreнкуja 3, Asunto-osakeyhtiö Paloheinäntie 7, and the real estate corporations Kiinteistöosakeyhtiö Paloaukio, and Fastighets Ab Skillnads-gatan 9.

2. Changes in shareholders' equity

Bound shareholders' equity

As of 1 January 1985	47.947.323,80
Value adjustment equivalent on gain on sale of properties to apartment and real estate corporations founded	26.015.723,79
Difference in exchange rate	1.538.110,00
As of 31 December 1985	<u>75.501.157,59</u>

Free shareholders' equity

As of 1 January 1985	83.606.877,54
Dividends distributed	- 2.697.648,00
Donations made	- 348.505,00
Taxes paid	- 23.134.829,72
Profit on sold real estate properties and shares	81.299.593,30
Connection fees to Helsinki Televisio Oy	8.781.785,25
Decrease in exchange rate	- 5.305.676,65
	142.201.596,72
Profit for the year	38.173.177,30
As of 31 December 1985	<u>180.374.774,02</u>

3. Securities given as collateral against debt	18.466.330,33
Mortgages given as collateral against debt	127.000.000,00
Guarantees	2.517.925,88
4. Taxation values of fixed assets	
Land areas	29.908.401,00
Buildings	93.474.043,00
Shares and holdings	92.949.595,00
5. Liability deficit of the Sanoma Pension Fund	25.534.409,17

Sanoma Corporation Income Statement

1 January to 31 December 1985

(FIM 1,000)	1985	1984
Sales proceeds	1,672,885	1,479,200
Adjustment to gross sales		
Discounts	105,799	91,077
Credit losses	4,938	3,030
Purchase tax	50,960	46,386
Commissions and advertising agency fees	157,224	135,339
Transport costs for newspapers and magazines	106,804	98,711
Other adjustments to gross sales	11,662	11,077
Turnover (1)	1,235,498	1,093,580
Variable expenditures		
Materials	265,512	290,633
Variable wages, salaries and fees (2)	316,248	291,546
Other variable expenditures	120,271	97,004
Change in inventory	+ 16,837	- 36,262
Gross margin	516,630	450,659
Fixed expenditures		
Wages, salaries and fees (2)	108,999	99,880
Rents	23,522	17,405
Other fixed expenditures	164,741	138,041
Profit on operations before depreciation (3)	219,368	195,333
Depreciation (4)		
Buildings	14,086	20,173
Machinery and equipment	96,548	67,299
Immaterial rights	521	818
Other outlays with long-term return	3,335	3,118
Profit on operations after depreciation	104,878	103,925
Financial revenues and expenditures		
Interest revenues (5)	28,662	40,226
Dividend revenues	2,824	3,108
Dividend revenues from subsidiaries	1,200	200
Other financial revenues	1,966	124
Interest expenditures	- 27,093	- 22,336
Other expenditures on outside liabilities	- 1,593	+ 20,861
	110,844	124,786
Other revenues and expenditures		
Revenues (6)	14,017	7,120
Expenditures	- 292	+ 132
Profit before reserves and taxes	124,569	131,774
Changes in reserves		
Inventory reserve, increase	- 10,099	-
Investment reserve, increase	- 45,300	- 92,000
Other reserves, increase	- 23,829	-
	- 79,228	- 92,000
Direct taxes	23,112	23,161
Out of the operating fund	- 23,112	- 23,161
Profit for the year	<u>FIM 45,341</u>	<u>FIM 39,774</u>

Figures in the parenthesis refer to "Notes to the Income Statement and Balance Sheet for 1985" on page 26.

Sanoma Corporation Balance Sheet as of 31 December 1985

Assets

(FIM 1.000)	1985		1984	
Financial assets				
Cash in hand and in banks	66.306		34.651	
Accounts receivable	189.690		185.949	
Loans receivable (7)	170.380		122.103	
Advance payments	2.030		1.655	
Deferred assets	31.412		40.515	
Other financial assets	77.518	537.336	31.598	416.471
 Inventories				
Materials	58.982		76.598	
Products (finished and in process)	8.630	67.612	7.851	84.449
 Fixed assets and other long-term expenditures (8)				
Land-areas	57.023		24.851	
Buildings	105.184		63.173	
Machinery and equipment	230.102		192.761	
Advance payments, machinery	1.635		8.570	
Shares and stock	81.837		71.546	
Shares and stock, subsidiaries	145.414		107.179	
Immaterial rights	3.432		4.547	
Other long-term expenditures	11.525	636.152	11.967	484.594
	FIM 1.241.100		FIM 985.514	

Liabilities

(FIM 1.000)	1985		1984	
Outside liabilities				
Short-term				
Accounts payable	66.799		82.499	
Advance payments (9)	156.169		161.073	
Deferred liabilities (10)	116.824		97.628	
Other short-term debts	27.068	366.860	33.072	374.272
Long-term (11)				
Pension loans	240.294		210.663	
Other loans	46.578	286.872	18.794	229.457
Reserves				
Inventory reserve	23.664		13.565	
Investment reserves	200.336		155.036	
Other reserves (12)	94.413	318.413	70.584	239.185
Shareholders' equity				
Bound				
Share capital	14.202		14.202	
Value adjustment reserve fund	1.399	15.601	1.399	15.601
Free				
Operating fund	198.916		79.713	
Donation reserve	7		5	
Profit from previous years	9.090		7.507	
Profit for the year	45.341	253.354	39.774	126.999
		<u>FIM 1.241.100</u>		<u>FIM 985.514</u>

Notes to Sanoma Corporation Financial Statements as of 31 December 1985

1. Changes in shareholders' equity	
<i>Operations funds</i>	
As of 1 January 1985	79.712.890,66
Transferred from retained earnings	+ 35.000.000,00
Gain on sale of properties and shares	+107.315.317,09
Taxes paid out of operations fund	- 23.112.178,82
Balance as of 31 December 1985	198.916.028,93
<i>Reserve for donations</i>	
As of 1 January 1985	5.000,00
Transferred from retained earnings	+350.000,00
Donations made	-348.505,00
Balance as of 31 December 1985	6.495,00
<i>Retained earnings</i>	
As of 1 January 1985	47.280.710,80
Dividends distributed	- 2.840.304,00
Transferred to operations fund	- 35.000.000,00
Transferred to donations	- 350.000,00
	9.090.406,80
Profit for the year	45.340.687,91
Balance as of 31 December 1985	54.431.094,71
2. Securities given as collateral against debt	14.639.474,90
Mortgages given as collateral against debt	122.000.000,00
Mortgages as subsidiary liabilities for security	3.000.000,00
Guarantees	2.311.615,58
Guarantees on behalf of the subsidiaries	15.950.556,52
Liabilities on behalf of the subsidiaries	2.574.870,52
3. Receivables from subsidiaries	19.693.150,62
Debts to subsidiaries	14.212.116,93
4. Taxation values of fixed assets	
Land areas	22.030.227,00
Buildings	78.295.770,00
Shares and holdings	90.678.109,23
Shares and holdings, subsidiaries	82.563.220,00
5. Liability deficit of the Sanoma Pension Fund	25.164.770,80
6. Liability from pension commitments	1.366.400,00

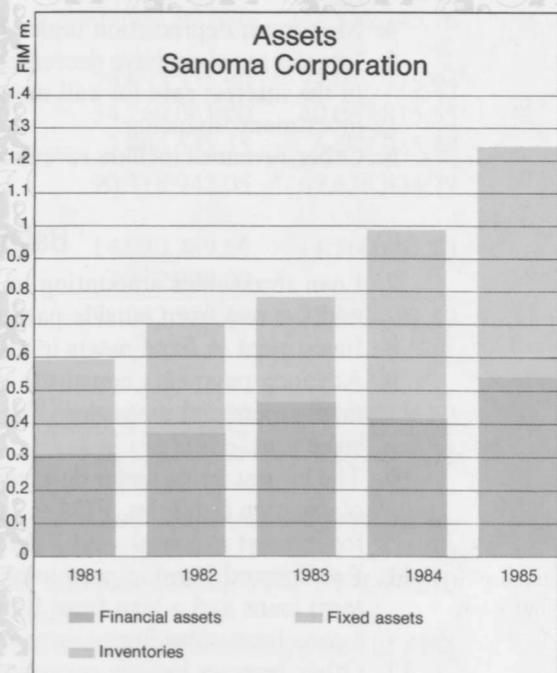
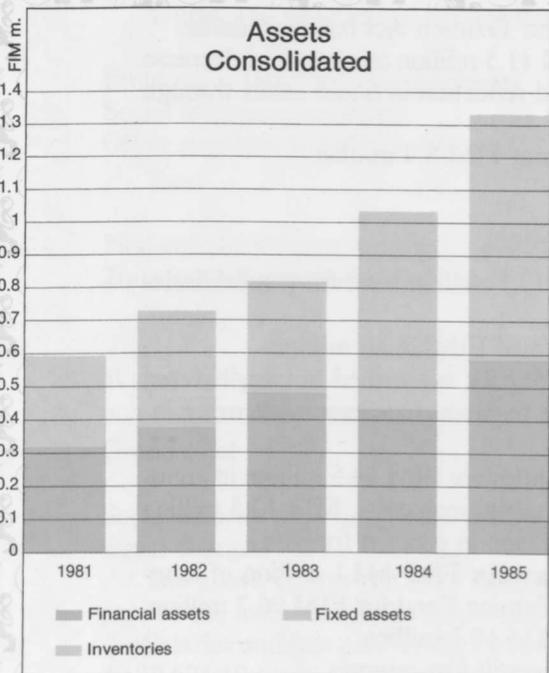
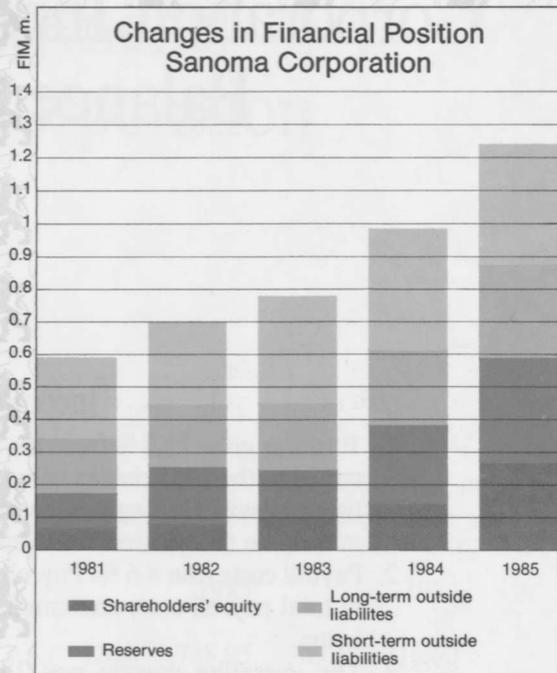
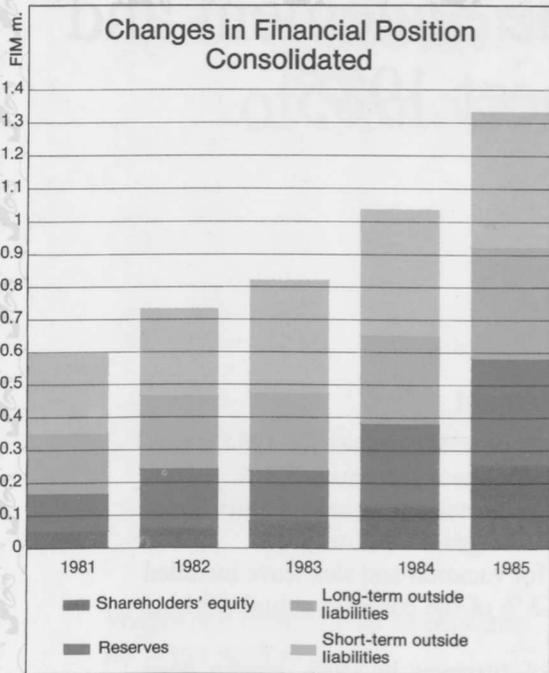
Sanoma Corporation, Annual Report 1985

7. Holdings by the Sanoma Corporation in other companies as of 31 December 1985

	Number	Change from previous year	Perce- tage of all shares	Nominal value	Book value	Change from previous year
<i>Subsidiaries:</i>						
Fastighets Ab Skill- nadsgatan 9	2.678	+ 2.578	100	267.800,00	58.395.130,00	24.999.130,00
As. Oy Ilkantie 13	1.207	-	100	6.493.660,00	6.493.660,00	-
As. Oy Laajavuoreнкуja 3	14.902	-	100	30.549.100,00	30.549.100,00	-
As. Oy Paloheinäntie 7	304	+ 304	100	1.368.000,00	1.450.080,00	1.450.080,00
Erikoislehdet Oy	100	-	100	5.000,00	5.000,00	-
Helsinki Televisio Oy	3.298	-	72,09	3.627.800,00	3.627.800,00	-
Kiinteistöosake- yhtiö Paloaukio	578	+ 578	100	722.500,00	764.650,00	764.650,00
Kodin Kuvalehti - Terve Lapsi Oy	10	-	100	100,00	100,00	-
Lehtikuva Oy	75.000	-	100	750.000,00	1.025.400,45	-
Oy Lippupalvelu- Biljettjänst Ab	3.000	-	100	120.000,00	831.200,00	-
Oy Linguaphone Ab	25.000	-	100	250.000,00	461.320,00	-
Sanoma, Inc.	300	+ 100		USD 300	12.038.480,00	5.435.000,00
Simonpaino Oy	1.000	-	100	1.000.000,00	20.493.782,50	-
Sininen Kirja Oy	510	+ 510	51	51.000,00	5.659.120,00	5.659.120,00
Tecnopress Oy	708	-	100	354.000,00	3.619.233,94	-72.269,80
Subsidiaries, total					145.414.056,89	
<i>Other companies:</i>						
Enso-Gutzeit Oy	18.157	+ 5.190	0,02	181.570,00	137.809,34	25.230,20
Finnair Oy	277.531	+ 200	1,15	1.387.655,00	1.278.660,21	2.850,40
Helsingin Telset Oy	50	-	33,34	500.000,00	600.000,00	-
Kansallis-Osake-Pankki	18.802	+ 2.686	0,02	376.040,00	380.329,03	-
Oy Kaukas Ab	19.851	+ 15.771	1,16	1.985.100,00	7.523.181,34	6.591.522,78
Kymi-Strömberg Oy	93.466	+ 31.156	0,84	4.673.300,00	5.912.044,13	874.753,65
Metsäliiton Teollisuus Oy	21.120	-	0,26	1.056.000,00	1.054.485,30	-
Oy Nokia Ab	55.130	+ 32.010	0,79	5.513.000,00	17.541.563,13	10.558.539,51
Nordic Investors Limited	100	-	20,00	USD 10,000	5.630.750,00	-
Oy Radio Ykkönen - Radio Ettan Ab	10	+ 10	14,28	100.000,00	100.000,00	100.000,00
Rauma-Repola Oy	21.934	+ 6.268	0,02	219.340,00	285.174,70	45.395,75
Rautakirja Oy	60.519	+ 40.496	16,81	15.129.750,00	2.161.510,12	518.855,00
Spontel Oy	200.000	-200.000	5,00	10.000.000,00	10.000.000,00	-10.000.000,00
Oy Ekokem Ab	60	-	0,71	120.000,00	120.000,00	-
Oy Suomen Yhdys- pankki Ab	31.123	-	0,02	311.123,00	398.987,28	-
Others					1.396.898,64	20.686,44
Other companies, total					54.521.393,22	
Housing and real estate					27.315.359,95	1.552.744,50
Grand total					FIM 227.250.810,06	48.526.288,43

Changes in Financial Position 1983–1985

Sources of Funds (FIM m.)	Consolidated			Sanoma Corporation		
	1985	1984	1983	1985	1984	1983
Income financing						
Operating profit	240,3	218,8	187,0	226,7	195,3	168,7
Financial revenues and expenditures	- 1,5	16,6	17,8	6,0	20,9	21,7
Other income financing (net)	10,3	9,2	2,6	8,2	7,0	1,6
Income on fixed assets	116,0	3,4	0,2	110,4	3,4	0,2
- Taxes	- 24,6	- 26,4	- 17,3	- 23,1	- 23,2	- 13,6
Capital financing						
Increase in long-term outside liabilities	71,0	32,2	-	59,0	26,8	15,2
Connection fees to Helsinki Televisio Oy	12,2	-	-	-	-	-
Increase in minority share	-	0,2	0,3	-	-	-
Difference in exchange rate	-	1,8	1,7	-	-	-
Total (A)	423,7	255,8	192,3	387,2	230,2	193,8
Use of Funds						
Distribution of profit						
Dividends	2,7	2,4	2,4	2,8	2,5	2,5
Other distribution of profit	0,3	0,2	0,2	0,4	0,2	0,2
Transfer to the Sanoma Pension Fund						
Investments	7,5	-	0,1	7,3	-	-
Investments in fixed assets	281,3	302,2	216,3	263,6	281,7	206,9
Subsidiary shares acquisition	5,6	3,7	-	-	-	-
Increase in appreciation items	1,2	-	-	-	-	-
Decrease in minority share	0,1	-	-	-	-	-
Return on capital						
Decrease in long-term outside liabilities	-	-	20,2	-	-	-
Difference in exchange rate	3,4	-	-	-	-	-
Total (B)	302,1	308,5	239,2	274,1	284,4	209,6
Change in Net Working Capital						
Financial assets:						
Increase +/decrease-	148,4	- 49,2	+ 100,7	+ 120,9	- 49,7	+ 95,6
Fixed assets:						
increase +/decrease-	- 18,2	+ 36,8	- 33,0	- 16,8	+ 36,3	- 35,4
Short-term outside liabilities:						
increase -/decrease +	- 8,6	- 40,3	- 114,6	+ 9,0	- 40,8	- 76,0
Grand Total (A-B)	121,6	- 52,7	- 46,9	113,1	- 54,2	- 15,8



Appended Information on Sanoma Corporation Income Statement and Balance Sheet 1985

Income Statement

1. Turnover grew 13.0 % from the previous year. If turnover for 1984 is converted to the 1985 money value, the growth in real terms is 7.6 %. Advertising sales of Helsingin Sanomat as well as newsstand sale of Ilta-Sanomat made the greatest contribution to the growth in turnover.
2. Payroll costs rose 8.6 %. Payroll costs for vacation and sick leave included in total payroll costs amounted to 24.3 % of the costs for actual working hours.
3. The operating margin was 18.3 % of turnover in 1985, having been 16.8 % in 1984. When counting the margins, pension liability costs have been included in operational costs for 1984 to make the figure comparable.
4. Maximum depreciation under Business Taxation Act has been made.
5. Interest revenues have decreased FIM 11.5 million as a result of decrease in the interest rate for call money and reduction in liquid assets through investment financing.
6. Other revenues include revenues on rent FIM 8.4 million.

Balance Sheet

7. Loan receivables amounting to FIM 17.1 million were from subsidiaries and the rest from outside parties.
8. Investment in fixed assets in 1985 totaled FIM 263.6 million.
9. Advance payments constitute a liability for subscribed but undelivered newspapers and magazines, for which payment has been made or an invoice sent.
10. The largest items under deferred liabilities are FIM 59.5 million in annual vacation liabilities, FIM 6.2 million in payroll costs, FIM 13.3 million for interest expenses, and FIM 6.6 million in product freights.
11. Reborrowed pension premiums account for FIM 144.1 million of long-term loans and a loan from Sanoma Pension Fund for FIM 96.2 million. Loans from subsidiaries amount to FIM 10.2 million.
12. Other reserves include operating and credit loss reserves.

Wages, salaries and social security payments of Sanoma Corporation

	1985	1984
Wages and salaries paid to personnel for hours worked	326.872.788,95	303.582.316,60
Pay for sickness and maternity leave	9.823.405,60	8.375.193,94
Annual holiday pay, including change in reserve	73.285.763,15	65.577.735,22
Wages and salaries and similar items ...	409.981.957,70	377.535.245,76
Employer's social security payments	29.052.335,90	23.057.775,94
Social insurance payments	54.260.061,00	40.087.815,55
Other statutory fringe benefits	7.406.545,15	6.493.045,30
Total	90.718.942,05	69.638.636,79
Non-statutory fringe benefits	14.070.389,69	11.560.692,53
Transfer to Sanoma Pension Fund	7.312.000,00	-
Total	21.382.389,69	11.560.692,53
Wages and salaries to non-members of personnel	16.350.348,52	14.101.226,63
Grand total	538.433.637,96	472.835.801,71

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

The above figures for 1985 include salaries and fees totaling FIM 2.151.265,10 paid to the members of the Board and the President.

Salaries and fees paid by the Group were 466.624.502,62 including a sum of FIM 4.180.625,10 to the members of the Board and the Presidents.

Board of Directors

Aatos Erkko, Chairman	for the term until 1987
Väinö J. Nurmimaa, Vice Chairman	1986
Aarne Castrén	1988
Pentti J. K. Kouri	1986
Teo Mertanen	1987
Jaakko Rauramo	1986
Patricia Seppälä	1988

Auditors

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

Proposal for Distribution of the Profit

The profit for the financial year totals FIM 45.340.687,91. FIM 9.090.406,80 of profit was retained from the previous year. Hence a total of FIM 54.431.094,71 is at the disposal of the General Meeting.

The Board of Directors proposes that, from the above mentioned sum of	54.431.094,71
– a dividend of FIM 6.00 should be paid for each share	2.840.304,00
– a sum should be transferred to the operations fund .	42.000.000,00
– a sum should be transferred to the reserve for charitable purposes for the discretion of the Board	400.000,00
– giving a balance of	9.190.790,71

The balance is left on the Profit and Loss Account, and the Board of Directors is entitled to use it for payment of taxes in 1986.

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

Share Capital	14.201.520,00
Value Adjustment Reserve	1.399.240,00
Operating Fund	240.916.028,93
Reserve for Donations	406.495,00
Undisposed Profit	9.190.790,71

The investment reserve comes to FIM 200.336.000,00, the inventory reserve to FIM 23.664.000,00, the credit loss reserve to FIM 10.280.000,00 and the operational reserve to FIM 84.133.000,00.

Helsinki, 21 February 1986

Teo Mertanen
Väinö J. Nurmimaa
Jaakko Rauramo

Aatos Erkko

Patricia Seppälä
Aarne Castrén
Pentti J. K. Kouri

Auditors' Report

We have examined the accounting records, the annual report and the administration of Sanoma Corporation for the year ended 31 December, 1985. Our examination was made in accordance with generally accepted auditing standards.

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

Parent Company

The Annual Report has been prepared in accordance with prevailing legislation. The profit for the year ended December 31, 1985 is FIM 45.340.687,91.

We recommend that
the Income Statement and the Balance Sheet are adopted,
the members of the Board of Directors and the President are discharged of responsibility for the year 1985,
the profit is dealt with in accordance with the proposal in the Annual Report.

Consolidated Financial Statements

The Consolidated Financial Statements of the Group have been prepared in accordance with prevailing legislation. The free shareholders' equity amounts to FIM 180.375.000.

We recommend that
the Consolidated Income Statement and the Consolidated Balance Sheet are adopted.

Helsinki, 7 March 1986

Aimo Autio
Authorised Public Accountant

Antti Helenius
Authorised Public Accountant

Income Statement Information

1981-1985

USD, in millions (*)	1981	1982	1983	1984	1985
Income before depreciation and adjustments to untaxed reserves and income tax expense (**)	24,7	25,7	35,7	40,4	46,8
Depreciation	<u>- 6,3</u>	<u>- 5,2</u>	<u>-12,0</u>	<u>-12,0</u>	<u>-21,2</u>
Income before additional depreciation, adjustments to untaxed reserves and income tax expense	+18,4	+20,5	+23,7	+28,4	+25,6
Additional depreciation allowed by special tax relief legislation (***)	-	-	-16,5	- 5,1	-
Adjustments to untaxed reserves	<u>-13,1</u>	<u>-14,5</u>	<u>- 0,9</u>	<u>-16,0</u>	<u>-17,2</u>
Income before income tax expense	+ 5,3	+ 6,0	+ 6,3	+ 7,3	+ 8,4
Income tax expense (****)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Statutory net income	+ 5,3	+ 6,0	+ 6,3	+ 7,3	+ 8,4

(*) The exchange rate as of 31. 12. 1985, quoted by the Bank of Finland was 5,409 FIM per USD.

(**) Figures for 1981-1985 have been made comparable.

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

(****) As permitted under Finnish accounting practice the Company reduced income tax expense by 2.7; 2.3; 3.6; 4.3 in 1981, 1982, 1983, 1984, 1985 respectively and reflected such an amount as a reduction of retained earnings.

Net Income Information 1981-1985

USD, in millions, except per share data (*)	1981	1982	1983	1984	1985
Income before depreciation and adjustments to untaxed reserves and income tax expense	24,7	25,7	35,7	40,4	46,8
Pension expense (Sanoma Pension Fund)	- 1,3	- 1,4	- 1,5	- 1,6	- 1,7
Depreciation (based upon useful remaining lifetime and replacement value)	- 8,1	- 9,9	-11,5	-14,4	-15,9
Adjusted income before income tax expense	+15,3	+14,4	+22,7	+24,4	+29,2
Income tax expense	- 3,3	- 3,0	- 2,4	- 4,3	- 4,3
Deferred income tax expense	- 5,7	- 5,5	-11,0	-10,6	-12,9
Net income	+ 6,3	+ 5,9	+ 9,3	+ 9,5	+12,0
Earnings per share \$	13,3	12,6	19,7	21,1	25,3

(*) The exchange rate as of 31. 12. 1985, quoted by the Bank of Finland was 5,409 FIM per USD.

Sanoma Corporation Personnel

The average number of Sanoma Corporation personnel in 1981–1985 was as follows:

	Average number	Newspaper delivery staff
1981	2.569	2.273
1982	2.562	2.234
1983	2.557	2.114
1984	2.631	2.349
1985	2.630	2.273

Staff turnover amounted to 5.2 % in 1985.

Employee – employer co-operation

The present forms of co-operation in the advisory committees meet with the demand for progressive co-operation. This is shown in a study by the advisory committees. However, co-operation between supervisors and their subordinates on the line is important as well. This has been enhanced by training.

Staff health service

The health service centers are located on Korkeavuorenkatu down town Helsinki, at Sanomala and Pitäjänmäki. In addition to normal medical services, the staff health service provided preventive care. The rate of absence through illness was 3.2 %.

Training

A new basic course for reporters was started at the Corporation's School of Journalism in Spring 1985. As many as 1.975 persons sent in their applications. On September 2, 1985 22 persons started the course.

Permanent staff training was planned in accordance with the needs of Divisions. The planning was done in the training committees and expert groups of the departments. Both internal as well as external experts were in charge of the training.

Pensioners



Sanoma Corporation pensioners constitute an important group maintaining Company traditions and spirit. Sanomain Seniorit (Sanoma Seniors) organized numerous activities for its members in the form of camping, touring, cultural pursuits and entertainment during the year.

In 1985, 90 Sanoma employees retired on pension. The number of pensioners stood at 1.024 at the end of the year.

Awards of merit

In keeping with tradition, employees who have served the Corporation faithfully were presented with Central Chamber of Commerce awards of merit. In 1985, the awards were presented on two occasions to 246 employees, 61 of whom had been with the Corporation for 30 years or longer, the longest for 45 years.

Internal information service

The Sanomia information bulletin aims at rapid information service and is distributed at the place of employment usually every week. The

bulletin was published 56 times during the year. The HESA staff magazine was published 8 times. It is mailed to the home addresses of every regular employee and pensioner. Sanomain Asiamies (a magazine for sales agents) appeared 4 times and Sanomia jakajillemme (a magazine for delivery staff) twice.

Leisure activities

The leisure activities of Sanoma Corporation personnel was in the hands of Sanomain Kerho ry., a club with 31 sections supported by the Corporation. The traditional winter and summer events organized by the club attracted a large number of Sanoma personnel members with their families.

In 1985 the Sanomain Kerho club organized a contest to design a badge for the club. Altogether 29 proposals were sent in for the contest. Vacation facilities at the disposal of the Corporation personnel comprise the Ruka Lodge, and the Jalassaari farm on Lake Lohjanjärvi.

Sanoma Day Care Center

Operational since 1976 the Sanoma Day Care Center provides day care for the children of the employees. There are two groups in the center



for the ages between 3-7, the number of children being 49. The Corporation has initiated a study to survey possibilities to expand the day care operation in new facilities in the neighborhood of Sanomala.

Occupational health and work safety

The Group had three committees on occupational health and safety; these were in the Newspaper Division, Sanomaprint and Helsinki Televisio Oy. The number of accidents remained the same as in the previous year, with the exception of a decline for distribution and transport.

Statistics

Income Statement in Percentage of Turnover

	1981	1982	1983	1984	1985
Sales proceeds	131,5	132,1	133,0	135,0	135,4
Adjustment to gross sales	- 31,5	- 32,1	- 33,0	35,0	35,4
Turnover	100,0	100,0	100,0	100,0	100,0
Variable expenditures	- 60,6	- 61,4	- 59,1	- 59,1	- 57,8
Gross margin	39,4	38,6	40,9	40,8	42,2
Fixed expenditures	- 23,6	- 24,0	- 23,0	- 23,8	- 23,9
Profit on operations before depreciation	15,8	14,6	17,9	17,0	18,3
Depreciation	- 4,7	- 3,6	- 16,4	- 8,5	- 9,2
Profit on operations after depreciation	11,1	11,0	1,5	8,5	9,1
Other revenues and expenditures ..	+ 3,5	+ 3,9	+ 4,4	+ 4,7	+ 3,8
	14,6	14,9	5,9	13,2	12,9
Change in reserves	- 8,8	- 8,9	+ 0,3	- 7,6	- 7,0
Interest expenditures	- 1,9	- 2,0	- 2,0	- 2,0	- 2,2
Income statement taxes	-	-	-	-	-
Profit for the year	3,9	4,0	3,6	3,6	3,7

Figures are comparable.

Circulation figures

Newspaper Division	1981	1982	1983	1984	1985
Helsingin Sanomat (daily)	402.280	411.201	420.038	425.943	427.614
HS-Sunday edition	463.046	476.026	491.170	501.539	505.471
Ilta=Sanomat (afternoon paper) ..	122.067	134.731	148.990	163.791	184.151
I=S-weekend edition	144.617	169.974	189.374	209.689	220.027
Sanomaprint magazines					
Me naiset (women's weekly)	132.234	120.713	123.367	130.065	122.672
Kodin Kuvalehti (family bi-weekly)	185.451	180.834	183.732	181.484	171.011
Suuri Käsityökerho (handicraft) ..	109.354	105.437	102.319	106.629	102.035
Aku Ankka (Donald Duck)	298.046	294.233	292.146	291.852	281.244
Roope-setä (Uncle Scrooge)	72.307	67.190	66.195	67.770	56.071
Nalle Puh (Winnie-the-Pooh)	-	47.185	57.802	59.588	53.075
Eläinmaailma (Fauna)	38.073	37.207	39.186	43.935	42.166
Kansa taisteli (war memoirs)	36.964	35.585	33.565	33.458	30.545
Tiede 2000 (science)	14.873	20.240	21.927	23.110	25.855
et-lehti (for senior citizens)	-	-	65.359	81.618	95.687
Liisa Ihmemaassa (Alice in Wonderland)	-	-	-	-	20.897

Given figures show the average officially inspected circulation for each newspaper and magazine.

Directors and Officers 1.1.1986

Board of Directors

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

Executive Committee
Aatos Erkko, Chairman
Väinö J. Nurmimaa
Jaakko Rauramo

Remuneration Committee
Aarne Castrén, Chairman
Teo Mertanen
Väinö J. Nurmimaa

Media Policy Committee
Teo Mertanen, Chairman
Aatos Erkko
Jaakko Rauramo

Corporate Administration

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

Jaakko Hannuksela, Vice President, Planning and Development
Pertti Huhtala, Vice President and General Manager, Startel
Martti Ojars, Vice President, Finance
Kerstin Rinne, Vice President, Legal Affairs
Heikki Saraste, Vice President and General Manager, Sanomaprint
Pekka Toropainen, Vice President, Real Estates

Newspaper Division

Heikki Huhtanen, General Manager

Matti Huopaniemi, Deputy General Manager and Vice President, Marketing, Helsingin Sanomat
Sakari Almi, Vice President, Marketing, Ilta=Sanomat
Martti Huhtamäki, Vice President, Special Projects (until December 31, 1985)

Tapani Kivelä, Vice President, Administration and Finance
Pertti Metsähuone, Advertisement Director, Helsingin Sanomat
Jouko Nurmela, Vice President, Production
Pertti Puolakka, Vice President, Logistics

Helsingin Sanomat
Heikki Tikkanen, Senior Editor-in-chief
Keijo K. Kulha, Editor-in-chief
Simopekka Nortamo, Editor-in-chief
Seppo Kievari, Editor-in-chief

Ilta=Sanomat
Vesa-Pekka Koljonen, Senior Editor-in-chief
Lauri Helve, Editor-in-chief

Sanomaprint

Heikki Saraste, General Manager

Eero Aalto, Vice President, Sales
Hannu Kilttilä, Vice President, Production
Ilkka Kylmälä, Vice President, Marketing (until December 31, 1985)
Heikki Mielonen, Vice President, Administration
Jukka Miettinen, Vice President, Magazine Publishing
Eero Sauri, Vice President, Business Publications (as of February 1, 1986)

Startel

Pertti Huhtala, General Manager

Hannu Aunesluoma, Vice President, Information Systems (as of January 1, 1986)

Managing Directors of Subsidiaries

Helsinki Televisio Oy, *Tapio Kallioja*

Lehtikuva Oy, *Patricia Seppälä*

Oy Linguaphone Ab, *Kari Hyytiäinen* (until November 30, 1985), *Eero Aalto*, (acting, as of December 1, 1985)

Oy Lippupalvelu – Biljettjänst Ab, *Elvi Neuvonen*

Simonpaino Oy, *Nils Ittonen* (acting)

Sininen Kirja Oy, *Pekka Jokisuu*

Tecnopress Oy, *Eero Hakala*

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