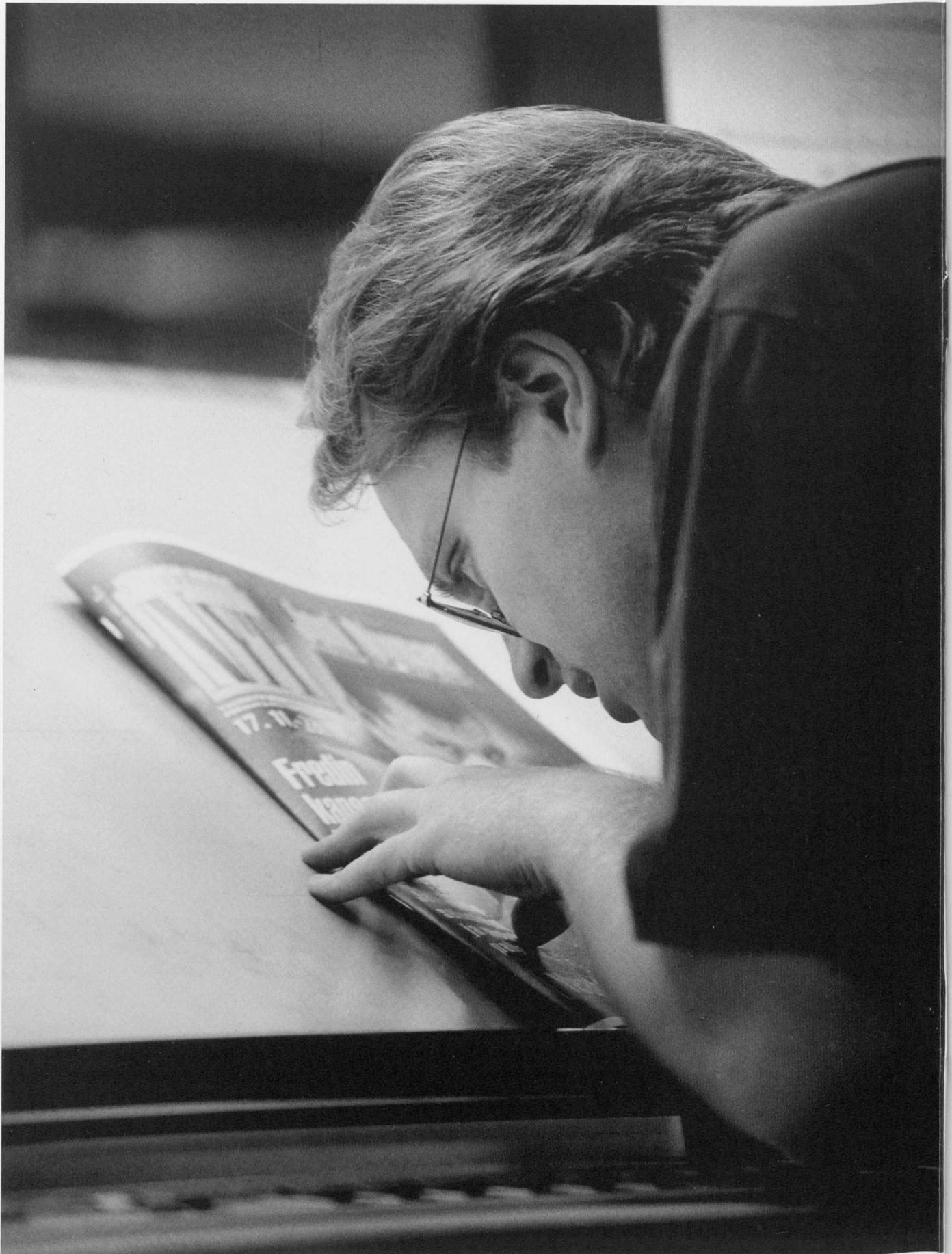


SANOMA CORPORATION

Annual Report 1995



HELSINGIN SANOMAT
ILTA-SANOMAT



Printer Aki Eskola checks the grey balance for the first issue of the Nyt weekly supplement at the Forssa printing plant in November, 1995.

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Scope of Operations

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

Today, in 1996, Sanoma Corporation is a newspaper

publisher dedicated to the best journalistic traditions and innovative professionalism, democratic principles, social justice, freedom of opinion, progress and prosperity.

Sanoma Corporation publishes *Helsingin Sanomat*, which is the widest-circulation daily newspaper in Scandinavia, and *Ilta-Sanomat*, the leading afternoon paper in Finland ●



Cover picture:
Display designer Stig Pettersson from Stockholm made the flag arrangement for the award ceremony for the Helsingin Sanomat Literature Prize at the Old Student House in Helsinki.

Sanoma Corporation Board of Directors

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

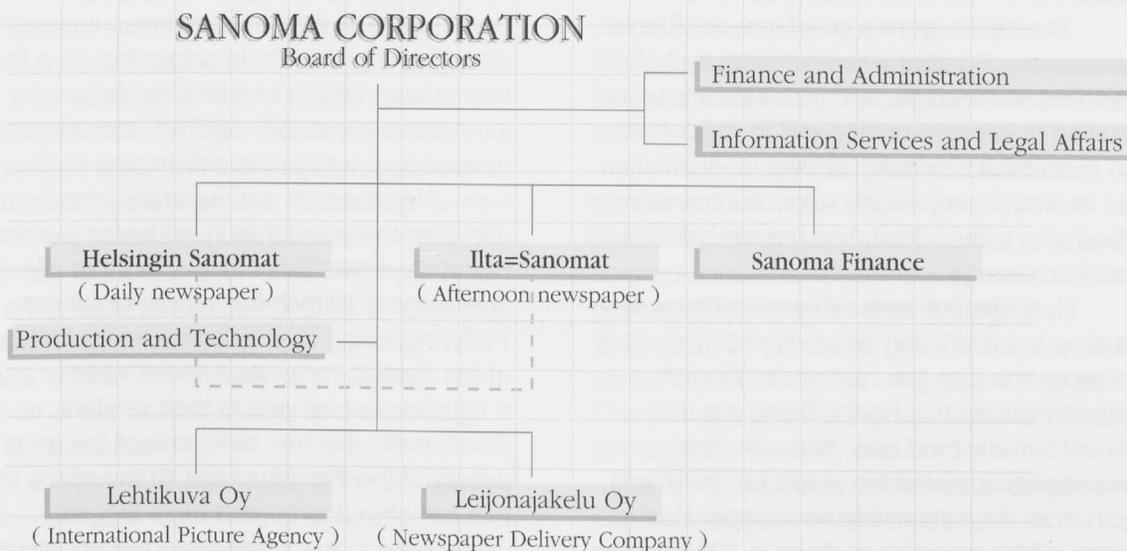
Auditors:

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



Sitting from the left L. J. Jouhki, Heikki Tikkanen, Aatos Erkko, Jaakko Rauramo and Jane Erkko. Standing from the left Seppo Kievari, Rafaela Noyer, Robin Langenskiöld, Kalle Salonen, Merja Helle and Robert Castrén.

Organization 1996



Sanoma Corporation has commissioned various commemorative and honorary medals over the years. This honorary Päivälehti-Helsingin Sanomat plaque from 1952 was designed by Matti Haupt.

Communications in Electronic or Printed Form?

Finnish newspapers move in close step with shifts in the national economy. Changes in the volume of newspaper advertising, in particular, very accurately predict general business trends.

The 1980s were a good time for Finnish newspapers. Content was improved, technical advances were made, and new systems were installed to improve quality and to make better use of four-color printing. Growth in circulation was healthy. Then, shortly after the downturn in advertising sales, circulation growth halted and went into reverse.

Newspapers were adversely affected by the drop in advertising volumes accompanying the recession that has racked the Finnish economy during the 1990s. Being a purely domestic-market industry, however, the newspapers survived the recession fairly well. Apart from the nationwide newspaper *Uusi Suomi*, which was closed down in 1991, all the leading newspapers have managed to continue operations without significant setbacks or shutdowns. Nevertheless, the economic situation for Finnish newspapers worsened substantially at the beginning of the 1990s.

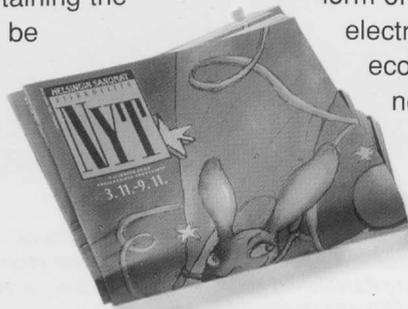
The economic recovery of 1995 brought a welcome relief, albeit a short-lived one, and we are at present facing a period of uncertainty. If the Finnish economy takes a turn for the worse, the newspapers will immediately be affected, and so will operations of Sanoma Corporation. Maintaining the current level of circulation will be difficult. Any substantial drop in advertising volumes will inevitably lead to further

cost-cutting, and also to measures designed to increase productivity, such as the pooling of rotary printing presses.

The success of the Finnish newspaper industry is based on the strong presence of the newspapers in their own regions. In practice, almost every household subscribes to a local newspaper. This in turn sets guidelines for the journalistic approach required, and also makes newspapers a powerful advertising medium.

Newspapers are generally long-lived, and over the years they have become powerful brand products. This has justified the allocation of resources to their further development. Early-morning home delivery is a typical feature of the Finnish newspapers who want to provide a high level of service to their readers. Traditionally this has been one of the great assets of the Finnish press. At the same time, it has turned out to be one of its biggest weaknesses, due to the high delivery costs. Thanks to home delivery and to the tradition of subscribing to newspapers, however, we have a readership that can be pinpointed to an accuracy of individual households.

All these factors will continue to be of major significance in the future with the introduction of new electronic distribution channels that complement the printed newspaper. A primary function of the media is to publish material that is necessary and essential for the reader, whether that be in the form of a printed newspaper or some electronic variant of it. Regardless of economic trends, the future of the newspapers can be seen as relatively bright, thanks to the traditional



strengths of the newspapers.

The potential threat looming on the horizon, however, is the electronic media, and the question of what direction the impending decisions about their future will take. It is fairly difficult to forecast the influence and significance of those decisions in the long term. The likely scenario is fragmentation: the capacity of the electronic media will multiply rapidly, and radio and television programs will be scattered across an ever-increasing number of different channels. The electronic media will break out of the current monopolistic pattern, and enter a pluralistic, competitive environment that resembles the one already existing in the printed media. This is likely to strengthen the position of the printed media, and especially that of newspapers.

If my view of the future of the printed media is an over-optimistic one, and if electronic media are favored at the expense of their printed counterparts, the consequences for the printed media could be fatal. People may turn to the electronic media to meet their entertainment and information needs.

If such a shift is considered a possibility at all, the Finnish newspapers should be allowed to operate in the electronic media as well. They should have the same opportunities as other Finnish and foreign companies to develop their operations. So far, it has been general policy to exclude the Finnish newspapers from the electronic media.

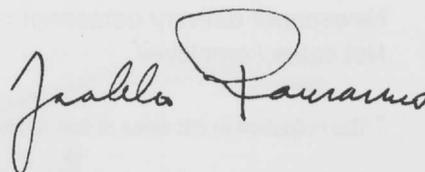
Pluralism in the formation of public opinion in Finland relies on the diversity of the press, not on the electronic media. In a situation in which running a newspaper is made

difficult by media policy decisions, it is important that the newspapers remain united, and take a common stand on the major issues concerning them. A good example of this unity is the Kärkimedia advertising services project, which involves 26 Finnish newspapers. Kärkimedia has been a great success, and its first year's sales clearly surpass those of radio advertising.

Technology may change rapidly, but people do not. In the future, people will, if possible, play an even more crucial role, both as producers and consumers of mass media products. The success of a company will depend on its personnel, on their desire and ability to predict and to bring about change. This will also require a great deal of expertise, enthusiasm, flexibility and hard work.

Sanoma Corporation has undergone major changes in recent times, and all its operations have been subject to rethinking and reorganization. I wish to express my warmest thanks to all who have contributed to that change.

In the future, customer relations will more and more be transformed into partnerships that benefit both sides. We very much appreciate that our customers have been willing to build such partnerships with us. And, above all, we are proud that we continue to have a very large number of faithful readers ●



1995 in Brief

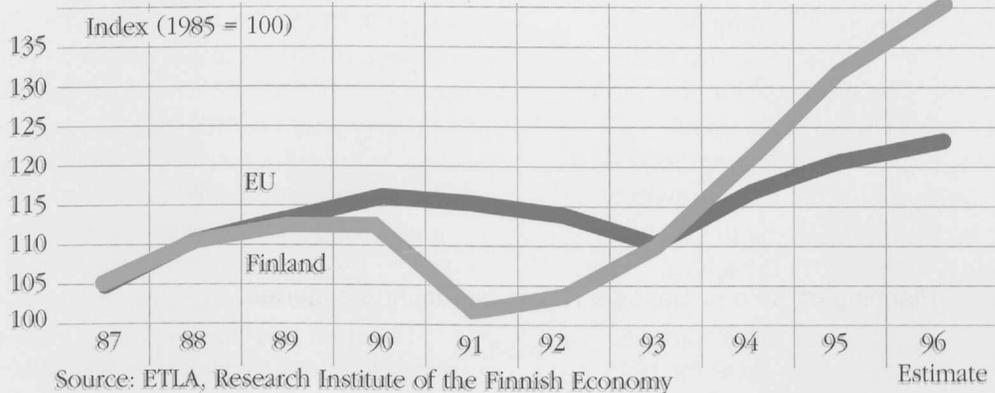
- Helsingin Sanomat daily circulation up
- Helsingin Sanomat's Nyt weekly supplement launched in November
- The Kärkimedia advertising sales package introduced
- Helsingin Sanomat's delivery department spun off to form Leijonajakelu Oy
- SanomaPrint, formerly Sanomala Sales, sets a new sales record
- Planning of the new Sanoma House headquarters started
- Helsingin Sanomat Literature Prize awarded for the first time
- Ilta=Sanomat goes over to electronic page make-up

FIM m.	1995	1994
Net sales	1 743	1 577
Change-%	11	-30*
Operating profit	354	314
% of net sales	20	20
Grand total	186	135
% of net sales	11	9
Balance sheet grand total	3 143	3 007
Personnel on average	1 727	1 744
Newspaper delivery personnel	1 666	1 948
Net sales / employee	0.5	0.4

* The reduction in net sales is due to Helsinki Media Company leaving the group at the beginning of 1994.

The figures given throughout this report are shown in Finnish marks. The exchange rate as of December 29, 1995, quoted by the Bank of Finland was FIM 4.35860 per USD.

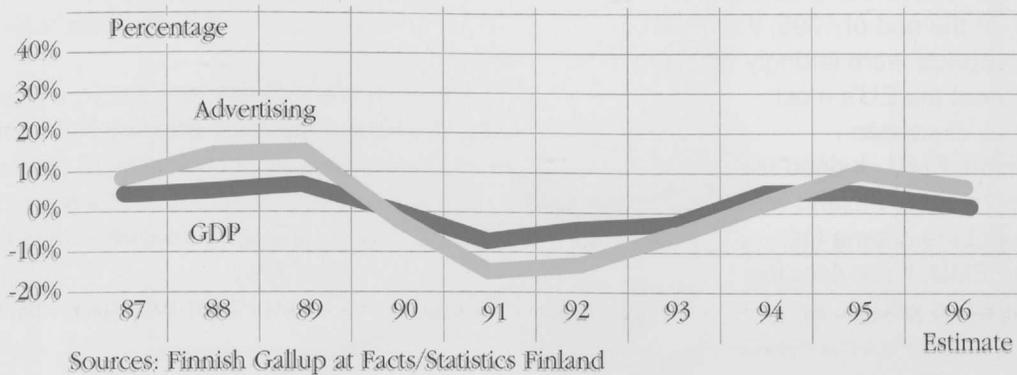
Industrial production, volume index in Finland and EU-countries 1987 - 1996



Purchasing power of Finnish households 1987 - 1996



Trends in newspaper advertising and GDP 1987 - 1996



A Good Year Ends in Uncertainty

The worsening international economic situation and the slackening of growth in the industrialized nations during 1995 slowed the rate of increase of Finland's Gross Domestic Product. The vigorous growth of the first few months of the year tailed off rapidly after the spring, fading further towards the end of the year. The reversal that took place in the fall added to the general uncertainty about economic prospects. The weakening trend also undermined forecasts of continued growth during 1996, both in Finland and the other European countries following the same economic pattern.

Despite the unfavorable developments at the end of the year, the rise in GDP for 1995 was 4.4 percent. Finland's economic growth rate was thus above the approximately three percent average for the European Union countries.

At a time of economic expansion, the extremely high levels of unemployment clouded the economic outlook. Despite numerous efforts, unemployment fell much more slowly than had been anticipated. According to the Central Statistics Office, Statistics Finland, the average unemployment rate for the year was 17.2 percent, or just over one percentage point less than in 1994. About 50,000 new jobs were created in 1995.

Finland participated in the work of the European Union, 1995 being its first year as a full member. At the end of 1995, the uncertain economic prospects were strongly reflected in the debate about the EU's most important goal, European Monetary Union, EMU. Judged by its 1995 performance, Finland will be able to meet the criteria for entry into the EMU, if the decision on which countries will join is

made in the early spring of 1998 based on their economic performance in 1997.

The average inflation rate for the whole year was less than one percent, the lowest in the EU. Although non-collective wage agreements raised the average hourly wage by six percent, moderate levels of inflation are expected to continue into 1996, as the wide-ranging, two-year national incomes agreement reached in the fall will increase affected wages by only two percent.

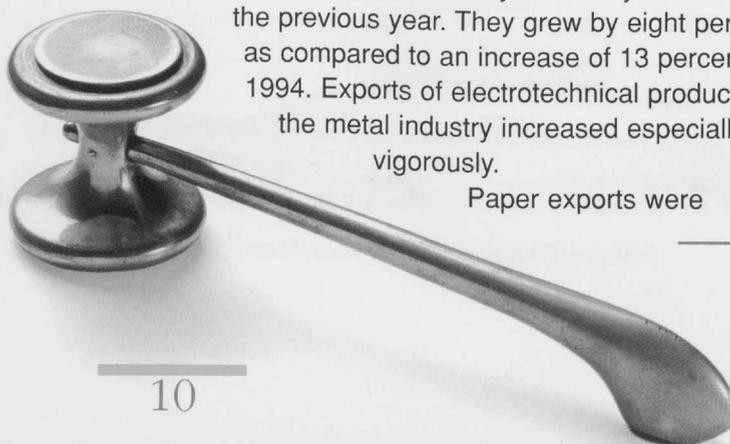
Long-term interest rates fell from over ten percent to 7.2 percent at the beginning of 1995, with German interest rates still one percentage point below that level in December. Real interest rates nevertheless remained high due to the low level of inflation. This slowed investments, and had a negative impact, particularly on the recovery on the domestic market.

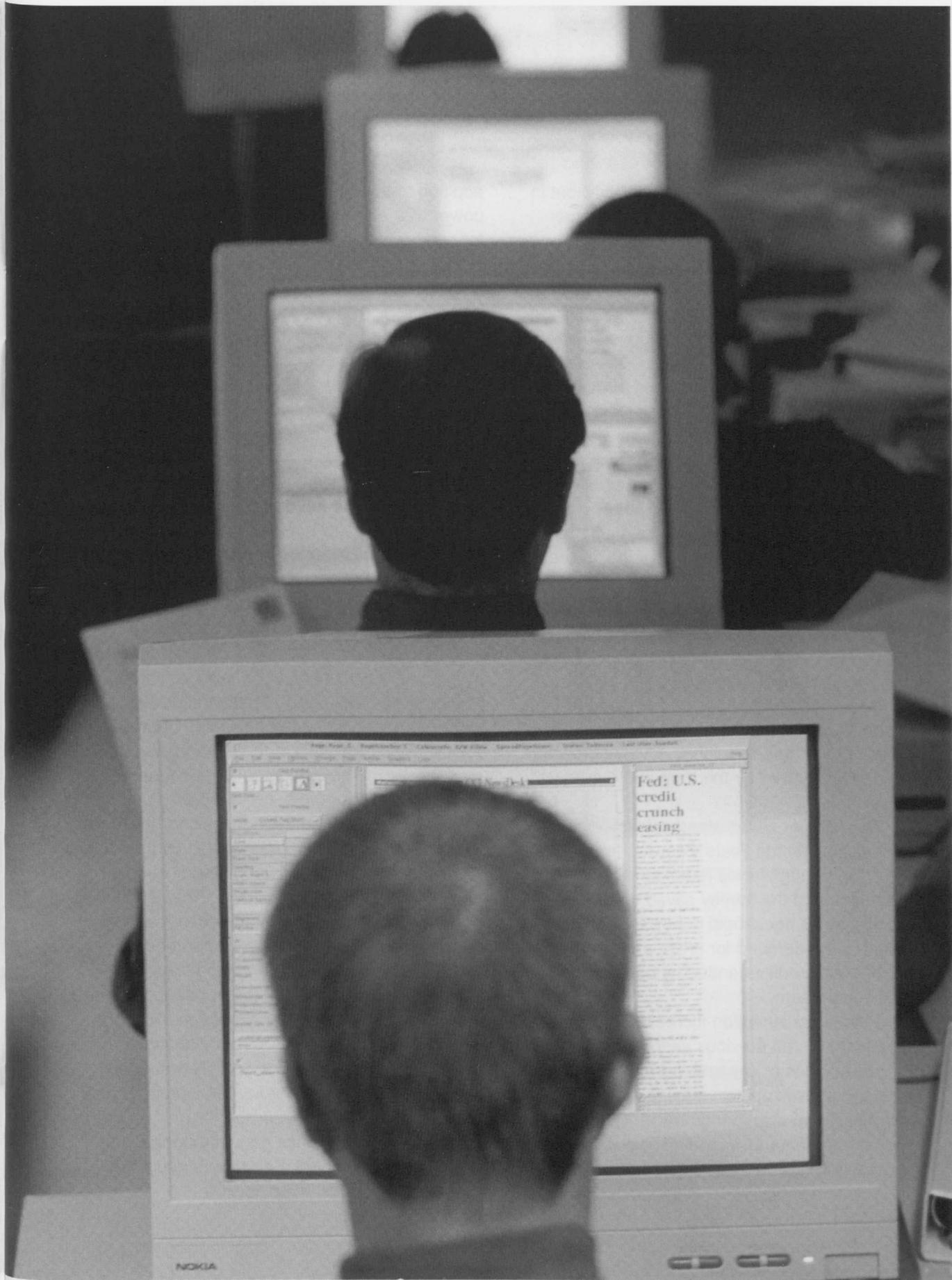
During the financial year, the Finnish mark strengthened 1.9 percent against the European Currency Unit, the ECU. The mark was still free-floating, and its movements mainly followed those of the German mark. Stabilization of the Finnish mark will probably have to wait until it is linked into the European Monetary System, the EMS, at some time in the future.

During the financial year, economic growth was powered by industry, and other fields closely linked with it. The pacesetter was above all the metal industry, which was responsible for almost all the growth in GDP from the autumn onwards.

Exports were clearly less buoyant than in the previous year. They grew by eight percent, as compared to an increase of 13 percent in 1994. Exports of electrotechnical products by the metal industry increased especially vigorously.

Paper exports were





Training of journalists and printers in electronic page make-up was begun in 1995.

occasionally hampered by undercapacity, but in the fall the demand for some grades of paper slackened, and major paper mills halted production for several weeks. These standstills were the result of buyers and distributors filling their warehouses in fear of a price rise. This cut-back in paper production had an adverse effect on the growth of GDP.

Due to the increased demand for newsprint in Europe and the Far East, prices were subjected to great upward pressures. Some market areas suffered outright shortages of newsprint, and, for instance, a number of newspapers in the UK had to curtail production.

During the year, the domestic market grew less rapidly than had been anticipated. It was depressed above all by the troubled economies of the State and local governments, and by the slow recovery in the construction industry. This in turn was reflected in the results of trade and other sectors of industry. The lack of activity on the housing market prolonged the slump in construction, and the total number of new homes built further diminished. Overall growth in trade was slowed by the drop in the price of food.

Households saved about 4.5 percent of their incomes. In the years following the recession, savings levels reached a peak of 11 percent, and the money saved was mainly used to pay off household debts. During the financial year, demand for credit remained low, and the total credit extended by banks fell by about five percent.

Private consumption increased by 4.7 percent on the previous year. The biggest rise was in sales of consumer durables, such as cars, domestic appliances and home electronics, and also foreign travel. The increase in consumer demand was made possible by increase in household purchasing power. In

addition to the increase in earnings, buying power was also boosted by tax rebate payments for two fiscal years (1993 and 1994) being made in 1995. Household purchasing power grew by about 7.5 percent, when social security transfer payments, and capital income and profits from private businesses are included in the disposable incomes of households.

In 1996 household purchasing power is forecast to rise only by 1.5 percent. Growth will probably be further dampened by government austerity measures, which will particularly affect social-security transfer payments. Counter to this, income taxes will be somewhat reduced ●

The Communications Industry

The communications industry contributed over 3 percent of Finland's GDP, and net sales grew once again during the financial year.

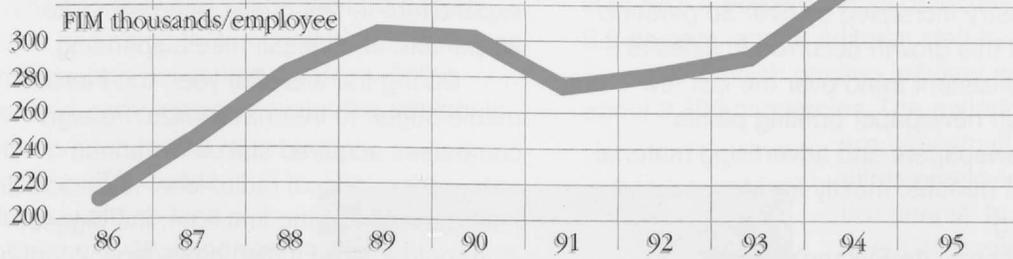
The communications industry is dominated by the printing industry, which accounts for 73 percent of turnover. Its market share has slightly dropped since the beginning of the 1990s. Since the start of the decade, electronic media have increased their market share by three percentage points, and are now generating one fifth of the net sales for the whole sector. The share contributed by the recorded media has remained steady at seven percent.

According to advance figures, net sales for the printing industry grew by six percent in 1995, standing at about FIM 16.5 billion.

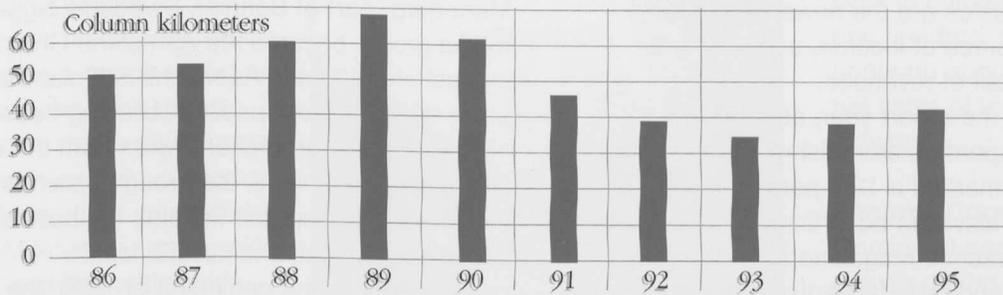
In terms of net sales, the newspapers form the largest single group in the communications industry with net sales growing by about six percent during the financial year. Newspapers account for about one third of the industry's total net sales, i.e. over FIM 5 billion.

Sales of magazines grew during the financial year by about six percent, and book

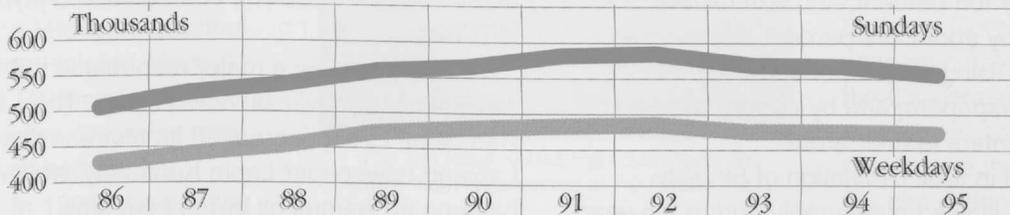
Consolidated value added / size of personnel 1986 - 1995



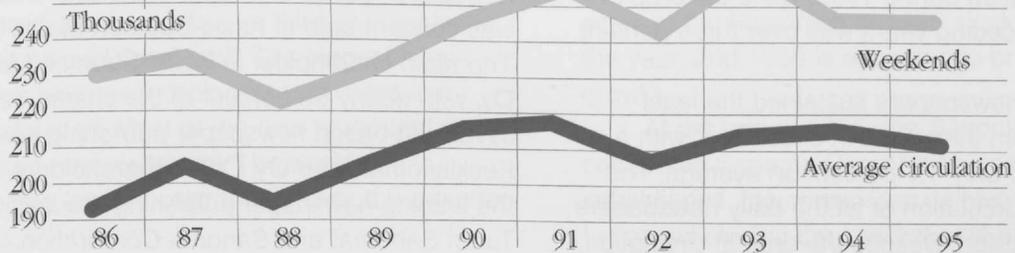
Volume of advertising in Helsingin Sanomat 1986 - 1995



Average circulation of Helsingin Sanomat 1986 - 1995



Circulation of Ilta=Sanomat 1986 - 1995



publishing sales by about five percent. Revenues from the printing of advertising material grew slightly more slowly, increasing by nearly four percent.

During the financial year, exports of the printing industry increased by over 30 percent. Almost all of this growth occurred in sales to Russia, a consistent trend over the last few years. Finnish newspaper printing plants produced newspapers and advertising material in editions of millions, mostly for Moscow and St Petersburg.

Newspapers are Finland's biggest advertising medium. On the other hand, advertising sales are the newspapers' most important source of income, accounting for more than half of revenues.

During the report year, about FIM 4.6 billion was spent on advertising in the various media. This marked a 12.5 percent increase over 1994. Television advertising increased by almost 20 percent, magazine advertising by 14 percent, and radio advertising by six percent.

Revenues from newspaper advertising increased by ten percent, and the volume of advertising by about five percent. The biggest rise in advertising was experienced by leading regional newspapers, and by papers with new shopping centers in their areas.

The fall in total circulation of Finnish newspapers slowed measurably during the year. Newspapers lost an average of 2.5 percent of their circulation during 1995, while the drop in the two preceding years was over three percent annually.

Daily newspapers sustained the least damage from these falls in circulation, with a reduction of only 1.7 percent on average. The combined circulation of all the daily newspapers was 2.37 million. Despite the drop in circulation, newspaper readership figures remained

unchanged.

According to the latest figures, nearly four percent of household expenditure on consumer goods went on the mass media. Newspapers clearly represent the largest single item of expenditure in this group, accounting for 38 percent of all mass-media spending.

During the financial year, the Finnish media began to internationalize. Foreign companies acquired stakes in various enterprises, in local radio, local television and newspapers. For the first time, the biggest shareholder in a Finnish newspaper publishing house came from abroad, when Tidnings AB Marieberg, part of Bonnier, Sweden's biggest media group, became the Aamulehti Group's biggest shareholder. Aamulehti is Finland's second largest newspaper publishing house after Sanoma Corporation. Apart from the daily newspaper Aamulehti, the group publishes the evening newspaper Iltalehti, the business paper Kauppalehti and several local newspapers. At the beginning of 1996, the Bonnier Group became the owner of further two small Finnish publishing companies, Kirjayhtymä and Tammi.

The year saw a major reshuffle in the ownership of provincial newspapers. The Aamulehti Group increased its share in the Lapland newspaper Lapin Kansa Oy, which became an Aamulehti group company. Ownership of Savon Sanomat, a regional newspaper based in Kuopio in central Finland, was concentrated in Keski-Suomen Media Oy. The main shareholder in Keski-Suomen Media Oy, with nearly 50 percent of the shares, is the Jyväskylä-based newspaper publishing house Keskisuomalainen Oy. Other shareholders are the leading newspaper publishing houses Ilkka, Turun Sanomat and Sanoma Corporation.

Printed newspapers will continue to

dominate the media arena, even though the first few newspapers are already appearing in electronic form - distributed free on the Internet. Many newspaper publishers have also begun to develop new electronic products.

The line between electronic and printed media is beginning to blur, since both groups are moving into networked services. At the same time, competition between the electronic and the printed media for advertising of branded products is sharpening.

During 1996, important decisions will be made regarding Finland's electronic media, decisions based on a recent report on media policy. The report proposes that surplus radio and television wavelengths be allocated for commercial use. At least one nationwide radio and one nationwide television operating license are at stake. Competitors for the television channel include Helsinki Media's local TV-channel, PTV, and a number of foreign and Finnish companies.

In 1995, the printing industry employed about 29,000 people. The figure rose by several hundred, partly due to one third of companies taking on additional staff. The biggest single groups were new senior management and editorial staff. Most of the new personnel were on fixed-term contracts. The workforce is expected to decline gradually over the next few years.

During the financial year, the income of

those employed in the printing industry rose considerably faster than in the previous year. From 1990 to 1994, earning levels were almost static. During the report year, the earnings of printers rose by 6.6 percent, those of clerical staff by 5.4 percent, those of technical staff by 5.9 percent, and of editorial staff by 4.4 percent.

The Finnish printing industry comprises about 2,400 companies. The majority of these are very small, with two-thirds employing less than five people. In contrast, about 40 percent of those employed in the sector work in companies of over one hundred, which generate about half the net sales of the entire industry ●



The first issue of Helsingin Sanomat's Nyt supplement is inspected at the Forssa Plant.

halted. The positive development in advertising sales at the beginning of 1995 slackened during the year, and 1996 is expected to bring slow growth.

At the end of 1995, the Sanoma group comprised Sanoma Corporation and its Finnish subsidiaries: the newspaper delivery company Leijonajakelu Oy, the international picture agency Lehtikuva Oy, and Aamukaste Oy,





Mailing machine operator Erja Kari takes a batch of the first NYT supplements for 'special delivery' to those who wanted to get their hands on the supplement as soon as possible.

a holding company. The group also includes Sanoma Finance AG in Switzerland and Lastannet Holding B.V. in Holland, plus several housing and real estate companies.

Sanoma Corporation focused on developing the content of its newspapers Helsingin Sanomat and Ilta=Sanomat, and on updating the technology they use to the level required to produce the newspapers of the future. A third business unit, Sanoma Finance, had the task of providing the necessary financial framework and appropriate premises for the group's operations. Sanoma Finance manages the Corporation's financial assets, shares and real estate investments.

The main commercial products of the SanomaPrint unit were the printing of newspapers for outside clients and for various export projects. Exports accounted for as much as 34 percent of SanomaPrint's total sales.

The associated companies of the Sanoma group were Kymen Lehtimedia Oy (48.9 percent Sanoma-owned) in southeastern Finland, Helsinki Media Company (40 percent Sanoma-owned) and The Finnish News Agency STT (20.8 percent Sanoma-owned).

The Sanoma group's net sales were FIM 1,742.7 million in 1995, up 10.5 percent from the previous year. The most significant increase in revenues was contributed by the advertising sales department of Helsingin Sanomat. Circulation revenues also progressed well, partly due to increases in single-copy and subscription prices. The net sales of the Parent Company came to FIM 1,722.2 million.

Consolidated profit on operations before depreciation amounted to FIM 353.6 million. This represents an increase of 12.7 percent, or FIM 39.8 million, on 1994, and 20.3 percent of net sales. Profit after planned depreciations was FIM 222.2 million, or 28.8 percent higher than in

the previous year.

The consolidated financial revenues were FIM 44.4 million. The corresponding figure for the previous year was FIM 5.4 million. The strengthening of the Finnish mark in 1994 led to unrealized exchange rate losses in foreign-currency investments. In addition, because of the rise in interest rates, there were unrealized reductions in the value of money market instruments. In 1995, the domestic and foreign money markets saw a general decline in interest rates. Healthy revenues were obtained on the Finnish financial markets specifically as a result of the fall in interest rates. In foreign investments, the profits measured in investment currency were good, but the strengthening of the Swiss Franc against virtually all investment currencies significantly reduced Swiss-Franc revenues.

Operational cash flow totaled FIM 367.4 million, total investments FIM 281.6 million and gains on sales of fixed assets FIM 58.9 million, which further improved the financial position of the group. Significant investments include the acquisition of shares in the book publisher WSOY and modernization of production machinery.

There was no pay-out to the Sanoma Pension Fund, as the Fund's own assets fully covered the pension liability.

Salaries and wages were the single largest expense item in the consolidated accounts. Consolidated wages, salaries and fees totaled FIM 487.8 million. The corresponding figure for the Parent Company was FIM 390.7 million. The total paid out in wages and salaries, including fringe benefits and social security costs, was FIM 620.8 million, or 35.6 percent of net sales.

At year-end 1995, the consolidated personnel figure stood at 1,652 and the average staff level for the whole year was 1,727 (1994:



1 744). Fifty-four members of staff retired during the year, forty-five on full old-age pension, five taking early retirement, and four on disability pensions.

In March, early-morning newspaper deliveries in 16 municipalities were shifted over from Helsingin Sanomat's own service to Finland Post Ltd. Under this arrangement, 235 delivery workers left the corporation's service. At year-end, the Corporation employed 1,493 part-time delivery workers. The average delivery workforce for the financial year was 1,666 (1994:1,948).

One of the largest expense items was newsprint. The price of newsprint rose, and increased consumption added considerably to expenditures compared with 1994. Availability of newsprint was disrupted during 1995 by undercapacity at Finnish paper mills.

The contribution to the consolidated financial statements from revenues of Sanoma Corporation's associated companies for 1995 is FIM 17.2 million. This is shown in the Consolidated Income Statement under financial revenues and expenditures.

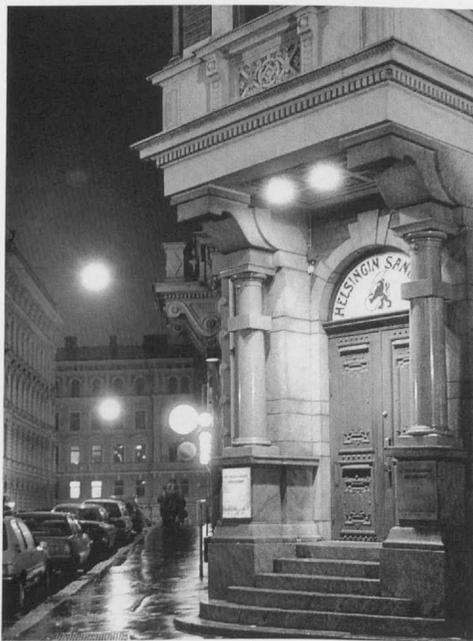
During the year, the ownership of the Kymenlaakso newspaper companies, in the southeast part of the country, was concentrated in Kymen Lehtimedia Oy. A subsidiary of Kymen Lehtimedia, Kolmossivu Oy, acquired four-fifths of the shares of Etelä-Saimaan Kustannus Oy.

Kymen Lehtimedia now controls the finances, administration and production of all the newspapers involved. The editorial content remains the responsibility of the newspapers' editors. During the financial year, Sanoma Corporation increased its stake in Kymen Lehtimedia from 33.8 percent to 48.9 percent.

Kymen Lehtimedia Oy reported a considerable increase in net sales during 1995, the total being FIM 306.1 million (1994: FIM 175.6 million). The bulk of this growth came from printing exports to Russia, which accounted for FIM 107 million of net sales. Profit before reserves and taxes was FIM 34.1 million, an increase of FIM 20.4 million on the previous year. The consolidated figures for Kymen Lehtimedia include those for Etelä-Saimaan Kustannus Oy from the date of acquisition.

The result for the associated company Helsinki Media showed a healthy improvement. Helsinki Media had net sales of FIM 1,050.3

million, up 10.7 percent from the previous year. Profit before reserves and taxes was FIM 37.2 million (1994: FIM 26.0 million). In 1995, the television operations of the company were particularly successful. Incomes from printing operations fell below the 1994 level due to capacity problems. A considerable investment was made in promoting the magazines *Sy&Sticka* and *Sköna Dagar* published in



For many Helsinki residents, Helsingin Sanomat's downtown office symbolizes the entire newspaper.

Sweden.

The year also saw the setting up of Keski-Suomen Media Oy in central Finland. The company is jointly owned by four newspaper printing houses, the main shareholder being Keski-suomalainen Oy. The new company owns 61.78 percent of Savon Sanomat, a share which previously belonged to Pro Lehdistö, a joint venture company. Sanoma Corporation owns 21.7 percent of Keski-Suomen Media.

The ownership restructuring that took place during 1995 also included a deal whereby Aamukaste Oy, which is jointly owned by Sanoma Corporation and Turun Sanomat, sold its shares in the Aamulehti Group to the Swedish company, Tidnings AB Marieberg.

In December, Sanoma Corporation acquired shares in the major book publishing company WSOY to the value of FIM 155 million. Sanoma Corporation owns 16.8 percent of WSOY's share capital, and 17.2 percent of the voting rights.

During the year, Sanoma Corporation invested USD 500,000 in The Russian Technology Fund L.P. with the intention of participating in interesting investments in technology, mostly in the St Petersburg and Moscow region.

Preliminary planning for the new Sanomatalo (Sanoma House) to be built in downtown Helsinki was started during the year. The planning was preceded by an architectural competition, the results of which were announced in June. First place went to Jan Söderlund & Co, for the proposal by architects Antti-Matti Siikala and Jan Söderlund. The winning entry is to serve as a model for the design of the building.

The Sanomatalo will house the editorial departments and marketing operations of Helsingin Sanomat and Ilta-Sanomat, and

Sanoma Corporation's administration. Major technological changes in newspaper production in recent years contributed to the decision by the Sanoma Board of Directors to build a new headquarters. Facilities designed especially for newspaper work will provide a good basis for the future. The building is due to be completed at the end of the decade.

The corporation commissioned an internal corporate image survey, which was carried out during January and February of 1995. The study investigated the staff members' opinions of the organization's culture, structure, efficiency and information flow, and their job satisfaction.

According to the study, Sanoma personnel's assessments of their own company to a great extent match the averages for Finnish companies. Their views differ positively in that their image of their employer, working conditions and the company's training-orientation are more positive than the average for staff of Finnish companies. On the other hand, Sanoma personnel rated the company's information flow, efficiency and flexibility somewhat lower than those in the comparison group.

In the fall, the company launched an extensive management training scheme aimed at developing Sanoma management culture towards a more participatory style and a learning organization. All Sanoma managers are taking part in the scheme.

A new tripartite model was developed for the personnel bonus scheme. The bonus is composed of three parts: personal salary, incentives, and personal stake in the Profit-Sharing Fund. Development of the incentive system is still in progress, but it has already been introduced in some units.

Sanoma Corporation has had a profit-sharing scheme for personnel since 1990. During the financial year, a share of profits



amounting to FIM 27.1 million was paid into the Profit-Sharing Fund. The profit-sharing and incentive schemes are intended to increase commitment to shared goals and to provide incentives for efficient work.

Sanoma Corporation is a participant in a joint project run by the Federation of the Printing Industry in Finland and the Printers Union. This is promoting the restructuring of the printing industry by means of further education. The project involves twenty companies from the printing industry in Uusimaa province, and about a thousand people will attend courses. The five-year project is funded by the companies themselves, and by the European Union and the occupational safety district of the province of Uusimaa.

In line with the environmental strategy of the group, the Corporation is looking for ways of conserving natural resources, raw materials and energy by observing the principles of sustainable development. The development work already being undertaken is seeking out better production methods. The aim is to use renewable natural resources as primary raw materials. Environmental loads from production plants are being kept as low as possible, and the waste generated in them is being reduced, and recycled in beneficial ways. Preparations were also made for running a voluntary environmental management system that complies with EU standards ●

Helsingin Sanomat, the leading daily

During the year, several innovations were made, which can be seen both in the content of Helsingin Sanomat and in the newspaper's advertising sales. To produce and process everything that appears in Helsingin Sanomat in electronic form a new planning and development project for the entire newspaper

was also underway.

During the financial year, the slight downward trend in the weekday circulation of Helsingin Sanomat during the last few years was reversed, and a small increase was achieved. At the end of the year, some subscribers who previously only took the Sunday edition went over to seven-day-a-week subscriptions following the launch of the *Nyt* weekly supplement aimed at active readers. The average weekday circulation rose by 107, and totaled 469,794 copies at year-end. The average Sunday circulation fell by 0.4 percent from the previous year, to 554,511 copies.

Even though consumer purchasing power increased, high unemployment continued to affect sales of newspaper subscriptions. Many customers living on basic social security allowances had to give up their subscriptions.

Circulation revenues rose by eight percent on the previous year. This positive result was partly due to increased circulation figures and a rise in subscription charges which were increased in January and in July by a total of over six percent. The price of an automatic renewal annual subscription rose from FIM 927 to FIM 985, and that of the Sunday edition alone from FIM 425 to FIM 452. The weekday singlecopy price was raised from 8 marks to 10 marks in July. The Sunday cover price for a single copy remained at 10 marks.

In February, a new company providing advertising sales services, Kärkimedia Oy, entered the advertising market. Kärkimedia is owned by Helsingin Sanomat and 25 other newspapers. In the media marketplace, the strength of Kärkimedia is the unrivaled position of its member newspapers in their own regions. With the Kärkimedia package, placing of advertisements can either be coordinated on a national level, or be focused on different parts of



The entire Nyt supplement is printed at Forssa. Mailing service trainee Mika Sulonen records the details of a roll of supplements.

the country. The newspapers involved in Kärkimedia have a total readership of 3.4 million, and cover 80 percent of the entire country.

During the financial year, Kärkimedia set up a system that allows advertisements to be sent in electronic form simultaneously from one place to all participating newspapers. Advertiser-customers, repro plants and advertising agencies can easily be linked into the network.

Another new feature in terms of advertising marketing was the design of the Nyt weekly supplement for a particular target group, primarily young city people. Both Kärkimedia and the Nyt weekly supplement were well received by the market. At the same time, Helsingin Sanomat's overall media profile became more diverse, and its ability to serve the needs of different readers and advertisers improved.

Sales of advertising space in Helsingin Sanomat, the Nyt weekly supplement, the monthly supplement and other supplements grew by a total of 12 percent. A total of 42,038 column meters of advertising was published in Helsingin Sanomat, i.e. seven percent more than in the previous year.

There was a particularly big increase in the advertising of branded products. For example, advertising of office equipment grew by 90 percent and brand advertising of groceries by 50 percent. There was also healthy growth in the volume of advertising for mobile phones and travel. The biggest single area in advertising was for cars and other vehicles.

Retail advertising remained at the level of the previous year. Advertising of day-to-day articles was influenced by trade restructuring and by the reduced profit margins due to the lower price of food. One of the biggest retail

groups was forced into debt rescheduling during the year, and reorganization of another group was in progress, which slowed the recovery in chain-store advertising.

The job vacancy section initially expanded rapidly, but the pace slackened towards the end of the year.

Classified advertising suffered a considerable contradiction, and, for example, residential property advertising fell by ten percent. This drop was partly a result of lack of activity on the housing market. In addition, Finland's second-largest real-estate agency withdrew from the market due to a fusion of two major commercial banks and this also affected the advertising volumes.

In a study of media enterprise company images, Helsingin Sanomat advertising sales was said to be the best, among other things, in terms of professional expertise and reliability.

Helsingin Sanomat's main foreign news story was Finland's membership of the European Union. To help with the increased workload of its permanent correspondent in Brussels, Helsingin Sanomat also appointed a new special reporter. Major domestic news stories were the nationwide collective wage agreement in the fall and the parliamentary elections, which resulted in a new, broad-based coalition government under the leadership of the Social Democrats.

At the beginning of November, a new weekly section, Tieto&Kone, Data&Computer, dealing with computers and related subjects, was launched. This is produced out-of-house on contract.

When publication of the new Nyt supplement began on November 3, the weekly calendar section was dropped. The monthly supplement continued to appear twice a month until the end of the year.

Helsingin Sanomat's editorial content grew by over a hundred pages on the previous year, totaling 10,100 pages.

A major development project, which continued throughout the year, involved the process of transferring all the material to be used in the newspaper to an electronic database. The picture and graphics units were reorganized into a new image center. The next phase will involve a move to electronic page make-up. The foundation for this has been laid in the editorial, page make-up and production departments. Staged integration of page make-up into the editorial and advertising marketing sections has already begun.

At the beginning of August, Helsingin Sanomat set up a unit to develop and coordinate new electronic services and product ideas. The unit is designing an on-line edition of Helsingin Sanomat, and other products.

During the financial year, Helsingin Sanomat established a new literature prize for the year's best debut work of literature in Finnish. The prize was awarded for the first time on the anniversary of the newspaper's founding, November 16.

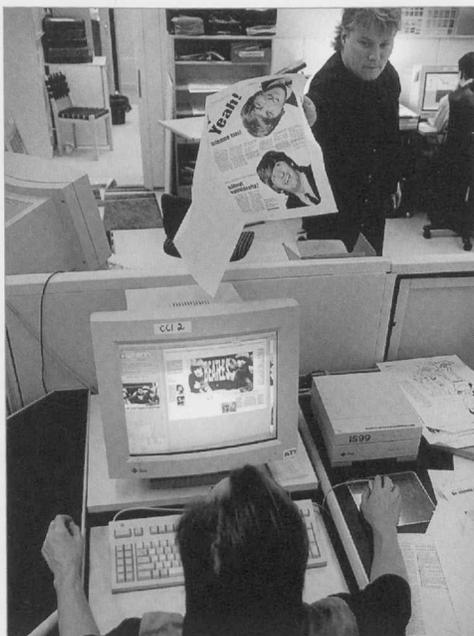
The Helsingin Sanomat Centennial Foundation distributed grants amounting to FIM 1.2 million to 33 research projects. In 1995 the funding went primarily to young scientists, with the emphasis on research into Europe and the environment ●

Ilta=Sanomat, the leading afternoon paper 1995 was a successful year for Ilta=Sanomat. Net sales of the newspaper grew by ten percent and profitability improved. This good result reflects vigorous growth in advertising sales. Profitability was improved by the price rise for the weekend edition, from five to ten marks, introduced in the summer of 1994.

Advertising revenues grew by 29 percent on the previous year, and the volume of advertising by 18 percent, almost four times the average for all newspapers. Measured in terms of length, advertising hit a new record, 6,649 column meters. The biggest increase was in advertising of branded groceries, which was clearly boosted by the EU membership. For the first time, food advertising surpassed travel advertising and became the biggest advertising sector in Ilta=Sanomat. Average circulation for the whole year was slightly below the previous year's

level. Sales fell in the early part of the year due to the rise in the cover price of the weekend edition, but in the second half of the year average sales rose above the levels of the previous year. The 1995 audited circulation was 212,533 copies. This represents a fall of 1.4 percent from the previous year.

Ilta=Sanomat became the ninth best-selling branded item in grocery stores, the first eight being four brands of beer, three brands of



Juha Niemi (back to camera) and Janne Sistonen lay out pages for Ilta=Sanomat's Weekend supplement on the new workstations.



Trainee Toni Tampio removes dislodged newspapers from the runners at Forssa.

cigarette, and one brand of coffee.

Despite the slight fall in circulation, *Ilta=Sanomat* is still Finland's second biggest daily newspaper in terms of readership. It is read by an average of 794,000 people a day. During the report year, readership grew by about 30,000.

Ilta=Sanomat was published in two editions on weekdays, and was printed at all three printing plants: Forssa, Sanomala, and Varkaus. The *Ilta=Sanomat* supplements are: Sports on Mondays, TV on Wednesdays, and the Weekend on Saturdays. Special supplements included: the results of the parliamentary elections in March; high-school graduate listings in May; a Rolling Stones special in June; and one on the Athletics World Championships in July.

During the year, *Ilta=Sanomat* gradually went over to electronic page make-up. By the end of the year as much as 90 percent of the editorial pages were produced entirely in electronic form. The newspaper's page make-up was integrated into the editorial and marketing organization, salary system and working culture in December.

Ilta=Sanomat's sales promotion activities focused on individual events, and the newspaper was co-sponsor of the Pori Jazz Festival, the Museum of Contemporary Art's major exhibition, ARS 95, and the Helsinki Festival.

During a special newspaper-at-school week, *Ilta=Sanomat* campaigned vigorously, and the outcome of the campaign was a record number of school orders for the newspaper: over 55,000.

During 1995, *Ilta=Sanomat* made financial contributions to two special causes: saving the

saints' statues on Helsinki Cathedral, and the work of the Mannerheim League for Child Welfare.

Ilta=Sanomat also attracted public attention when the Finnish weekly news magazine *Suomen Kuvalehti's* prize for journalism was awarded to Senior Editor in Chief Vesa-Pekka Koljonen, in recognition of his contribution to making *Ilta=Sanomat* into a quality afternoon paper ●

Production and Technology

The volume of printed matter produced rose by a total of eight percent. The nature of that production became more complex with the increase in the number of supplements and four-color pictures.

As a result of this increased production, capacity utilization improved. New export contracts were concentrated mainly in the Varkaus printing plant in eastern Finland. With the introduction of the *Nyt* supplement, Forssa printing plant in southwestern Finland began production of magazine-like, trimmed newspaper supplements. At the Sanomala printing plant in Vantaa, 10 miles north of Helsinki, the three-year major overhaul continued, and part of Sanomala's production was switched to Forssa.

Production quality improved as a result of intensive R&D work on raw-materials. Customer training, carried out together with the Advertising Sales department, also contributed to better quality.

An agreement was signed in September to expand four-color capacity at the Varkaus and Forssa plants. The new equipment will allow more flexible use of four-color pictures for editorial and advertising purposes ●



SanomaPrint

At the end of the year, the name of the Sanomala sales unit was changed to SanomaPrint. The unit sells surplus printing capacity at the Sanomala, Varkaus and Forssa printing plants.

During the financial year, SanomaPrint set a new sales record of FIM 79 million. This increase was the result of successful exports to Russia, and was achieved through participation in the Baltic Media export project. Baltic Media Oy, a company established by Kymen Lehtimedia, will be SanomaPrint's exporting partner in the future.

SanomaPrint's most important clients continued to include the farmers' union's newspaper Maaseudun Tulevaisuus, second-hand sales paper Keltainen Pörssi, Kirkko ja Kaupunki (church and city), the local newspaper Länsiväylä and the lottery weekly Veikkaaja ●

Subsidiaries

LEHTIKUVA OY

International Picture Agency

Lehtikuva Oy's net sales continued to grow, but at a more moderate pace than in the previous year. Net sales amounted to FIM 33.1 million. Profitability was also improved by cost-saving measures.

Picture sales and news photo services for all customer groups increased strongly. Customer services also improved, when the picture sales units moved into new premises

together with the picture archive.

At the end of the year, rearrangements of the news photo department and the electronic picture sales archive were completed. All the picture material is stored in an extensive database on CD-ROMs.

Lehtikuva was co-sponsor of the exhibition of the world's best press photos, World Press Photo, in Helsinki. The exhibition drew over 10,000 visitors ●

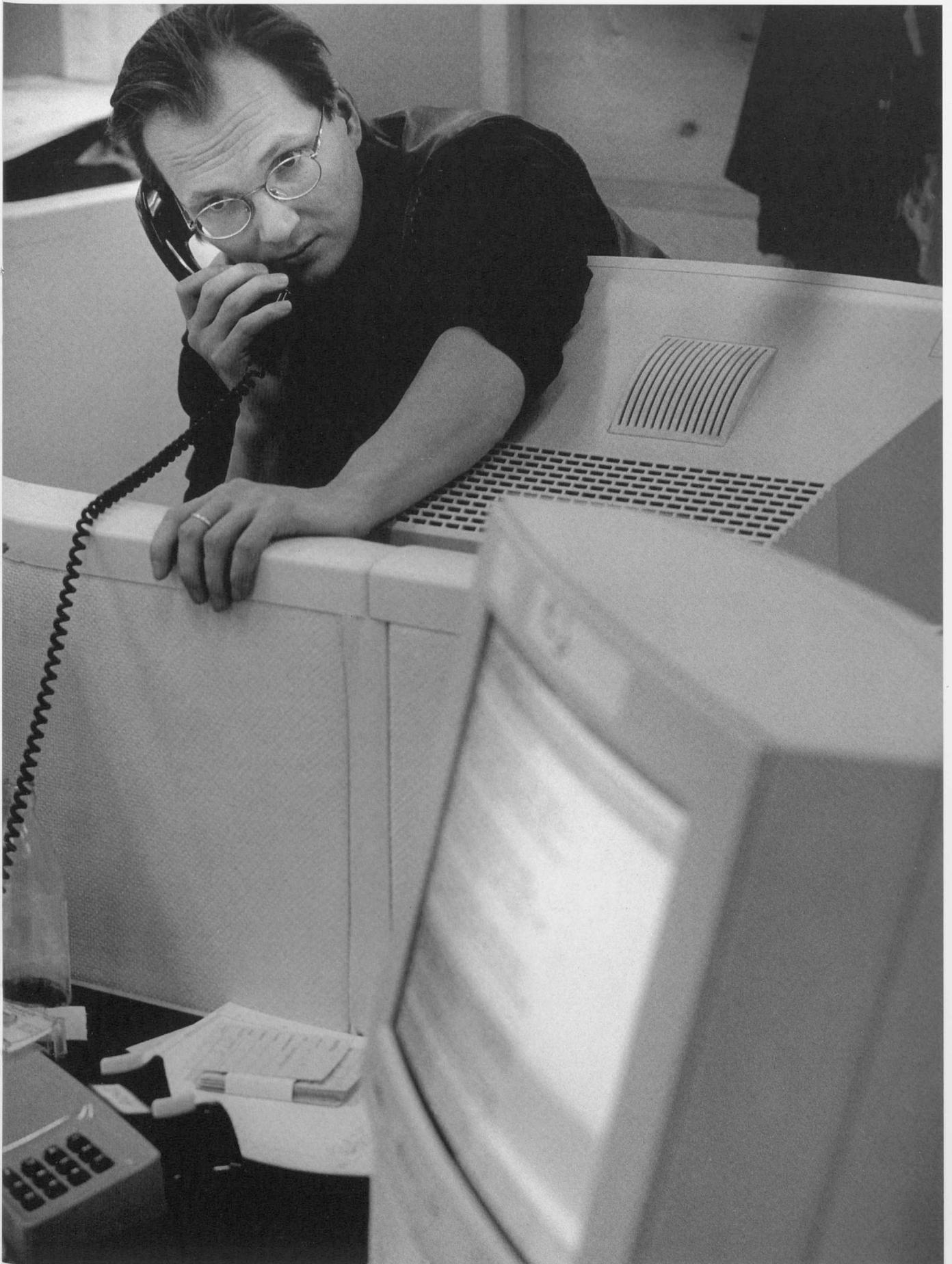
LEIJONAJAKELU OY

Newspaper Delivery Company

Leijonajakelu Oy commenced operations on May 1, 1995, when the delivery department of Helsingin Sanomat was spun off to become a separate company. Helsingin Sanomat's delivery staff also went over to Leijonajakelu. During the financial year, Leijonajakelu was responsible of the early-morning delivery of not only Helsingin Sanomat, but also of most of the other newspapers published in the Helsinki Metropolitan area and Uusimaa province.

Among the main events of the year was the introduction of a new transportation system in the Helsinki region. Customer service offices in Uusimaa were shut down. The company delivers to 25 municipalities in Uusimaa, and its main office is in Martinlaakso, in the city of Vantaa.

Leijonajakelu's net sales in its first year of operation were FIM 217.2 million. The biggest problem during the year was a lack of skilled



During 1995 Iltä=Sanomat went over to electronic page make-up. Juha Niemi was one of the first users.

100 Years since the Birth of Eljas Erkko

June 1, 1995, marked one hundred years since the birth of Minister Eljas Erkko. Eljas Erkko was long-standing president of Sanoma Corporation, publisher and Editor in Chief of the daily *Helsingin Sanomat* and founder of the afternoon paper *Ilta-Sanomat*. In honor of this special day, a brief memorial ceremony was held at Hietaniemi Cemetery in Helsinki.

Juho Eljas Erkko was the first son of Eero and Maissi Erkko. Having graduated with a Master's Degree in Law in 1922, Eljas Erkko worked for several years at the Ministry of Foreign Affairs. In the summer of 1927 he was taken on as an assistant to the Editor in Chief of *Helsingin Sanomat*, which had been founded by his father. When his father died in October that same year, he was appointed joint Editor in Chief along with W.W. Tuomioja. Soon afterwards, Eljas Erkko also assumed the responsibilities of President of Sanoma Corporation, a position that he held until his death in 1965. Mr Erkko was *Helsingin Sanomat's* sole Editor in Chief from 1931 to 1938, and again in 1961.

In 1932 Mr Erkko founded *Ilta-Sanomat*, an evening edition of the daily *Helsingin Sanomat*. He worked as Editor in Chief of *Ilta-Sanomat* until 1938.

Under the supervision of Eljas Erkko, the two papers were modernized in their news and advertising services as well as in their technology. This boosted the circulations of both *Helsingin Sanomat* and *Ilta-Sanomat*. Eljas Erkko also took a hand in the company's numerous building projects.

In 1943 Sanoma Corporation began



Eljas Erkko

publishing magazines, having bought *Viikkosanomat*, a weekly magazine with an innovative layout and photo-based approach that had made it very popular right from the start. In 1945 the company gained the right to publish the Finnish edition of *Reader's Digest*, and in 1951 the Finnish edition of Walt Disney's Donald Duck.

Eljas Erkko launched the personnel magazine, *HeSa*, in 1938 and the Sanomain Kerho, personnel club in 1946.

He also established the Sanoma Pension Fund. In the summer of 1951, he founded the Lehtikuva Oy, international news picture agency to provide pictures of the 1952 Helsinki Olympics.

Besides his managerial duties at Sanoma Corporation, Eljas Erkko also played an active part in Finnish politics. He was a Liberal Party MP from 1933 to 1936, and a presidential elector for four presidents. Like his father, he was three times a member of the Government: Minister without Portfolio in 1932, Assistant Minister of the Interior in 1932-1933 and Minister for Foreign Affairs in 1938-1939. In 1957 he received the title of special envoy and minister plenipotentiary.

Eljas Erkko also made a contribution to various newspaper organizations, such as the Finnish Newspaper Publishers Association and the International Press Institute.

In 1922 Eljas Erkko married Violet Sutcliffe, who was of English origin. They had two children, Patricia in 1924 and Aatos in 1932.

Eljas Erkko died on February 20, 1965 ●



The clock outside Helsingin Sanomat's editorial offices dates back to the 1920s.

In memoriam

The Company's former President, Väinö J. Nurmimaa, died on May 7, 1995, in Helsinki. He was born on May 3, 1923, in Kerava.

Väinö J. Nurmimaa was appointed



Väinö J. Nurmimaa

Executive Vice President of Sanoma Corporation in 1971, and President in 1976. He was the first President to come from outside the family. Nurmimaa was a Board member from 1972 onwards, and after retiring in 1984 he served as its Vice Chairman until 1989.

Väinö J. Nurmimaa was a pioneer of the Finnish media. His influence was widely recognized, and in 1988 he received an Honorary Degree in Technology from Helsinki University of Technology. It was during his time as President that Sanoma Corporation became the broad-based, modern media company that it is today ●

Title of Minister to Aatos Erkko

On December 1, 1995, the President of Finland, Martti Ahtisaari, conferred the title of Minister on Aatos Erkko, 63, Chairman of the Board of Sanoma Corporation since 1972.



Aatos Erkko

The title was given to Mr Erkko particularly for his contribution to promoting good relations between Finland and Sweden, and between Finland and the United States. For decades already, Mr Erkko has played an important background role in

Finland's international relations.

Throughout the years, Mr Erkko has maintained close ties with political, scientific and journalistic circles, particularly in the USA. He has been instrumental in launching and carrying out numerous projects designed to enhance friendly cultural relations. He has also promoted international youth and research exchanges.

Mr Erkko has also been active in encouraging representatives of academia and education to lead the country towards a better society and a higher standard of living. In acknowledgment of his efforts, the Faculty of Social Sciences of the University of Helsinki gave him an honorary doctorate on May 26, 1995 ●

Consolidated Income Statement

(FIM '000s)	Jan. 1 - Dec. 31, 1995	Jan. 1 - Dec. 31, 1994
Net sales	1 742 700	1 576 635
Other revenues from operations	23 618	31 272
Expenditures	-1 412 710	-1 294 059
Profit on operations before depreciation	353 608	313 848
Depreciation	-131 384	-141 267
Profit on operations after depreciation	222 224	172 581
Financial revenues and expenditures	44 434	5 388
Profit before extraordinary items, reserves and taxes	266 658	177 969
Extraordinary revenues and expenditures	29 579	61 544
Pay-out to the Employee Profit-Sharing Fund	-26 588	-19 120
Profit before reserves and taxes	269 649	220 393
Direct taxes	-79 089	-83 564
Minority share of the profit	-4 426	-2 009
PROFIT FOR THE YEAR	186 134	134 820

Consolidated Balance Sheet

(FIM 000s)

Dec. 31, 1995

Dec. 31, 1994

Assets

Fixed assets and
other long-term investments

Intangible assets

Immaterial rights	12 081		15 342	
Other long-term expenditures	<u>49 358</u>	61 439	<u>56 755</u>	72 097

Tangible assets

Land and water areas	217 523		220 126	
Buildings	691 424		715 691	
Machinery and equipment	390 787		409 029	
Advance payments and acquisitions in process	<u>29 203</u>	1 328 937	<u>5 405</u>	1 350 251

Financial assets and other long-term investments

Shares in associated companies	105 748		109 841	
Other shares	418 962		283 552	
Loans receivable	118 532		79 378	
Other investments	<u>442 005</u>	1 085 247	<u>234 106</u>	706 877

Current assets

Inventories

Materials	27 596		17 948	
Other inventories	<u>40</u>	27 636	<u>40</u>	17 988

Receivables

Accounts receivable	165 430		158 090	
Loans receivable			21 231	
Deferred assets	77 553		53 709	
Other assets	<u>435</u>	243 418	<u>327</u>	233 357

Marketable securities

Shares and holdings	1 669		1 470	
Current investments	<u>320 263</u>	321 932	<u>501 319</u>	502 789

Cash in hand and in banks

		<u>74 450</u>		<u>123 220</u>
			<u>3 143 059</u>	<u>3 006 579</u>

(FIM '000s)	Dec. 31, 1995		Dec. 31, 1994	
Liabilities				
Shareholders' equity				
Restricted equity				
Share capital	46 413		46 413	
Revaluation reserve	563 467	609 880	567 353	613 766
Non-restricted equity				
Accumulated profit	1 253 813		1 104 911	
Profit for the year	186 134	1 439 947	134 820	1 239 731
Minority share		30 128		22 162
Valuation items		10 203		5 433
Outside liabilities				
Long-term				
Loans from financial institutions	146 192		154 813	
Pension loans	284 184		298 970	
Calculated deferred taxes	193 137	623 513	179 420	633 203
Current				
Loans from financial institutions	3 851		3 481	
Pension loans	9 415		4 535	
Advance payments	127 953		122 914	
Accounts payable	62 502		39 864	
Deferred liabilities	184 348		279 704	
Other current debts	41 319	429 388	41 786	492 284
		<u>3 143 059</u>		<u>3 006 579</u>

Appended Information on the Consolidated Financial Statements

Accounting Principles

Changes to the accounting principles

The accounting principles used in the financial statements have been clarified during 1995, and the figures for 1994 have been revised to conform to the new principles. The clarifications affect the presentation of associated companies in the income statement, and the way loans receivable and current investments are shown in the balance sheet ●

Consolidated financial statements

The consolidated financial statements pertain to the Parent Company and subsidiaries, in which the Parent Company controls directly or indirectly over 50% of the votes. Subsidiaries acquired during the financial year are included in the consolidated accounts, as of the date of acquisition, as are divested subsidiaries, up to the date of divestment.

The most significant parts of the financial statements of foreign subsidiaries prepared according to local accounting norms are harmonized according to a uniform set of accounting principles, before inclusion in the consolidated financial statements.

Inter-company income and expenditures, receivables and liabilities, and profit distribution have been eliminated in the consolidation process. In eliminating cross-ownership, the purchase method is used. In eliminating cross-ownership of shares, the conversion gaps resulting from fluctuations in exchange rates are charged or credited to non-restricted equity.

A minority share of the profits is stated as a separate item in the income statement, and correspondingly minority holdings are shown as a separate item in the balance sheet.

Investments in associated companies, in which the Group directly or indirectly controls 20-50% of the votes, are brought into the consolidated financial statements using the equity method. The Group's share of associated company profits is shown in financial income and expenditure in the consolidated income statement. The goodwill arising from the consolidation of associated companies is credited to, or charged against, income except for Helsinki Media Company, for which the reserve arising from entry into the consolidated accounts is credited to income over a seven-year period.

The internal profit arising from the establishment of real estate corporations was booked as a revaluation item at the consolidated level in 1988.

Investments in other companies giving control of less than 20% of the votes are shown at their acquisition cost. As necessary, the book value of these shares based on the acquisition cost is reduced to the current value, and, if the current value increases, the value of the investment is increased up to the acquisition cost ●

Foreign currencies

Transactions in foreign currencies are booked at the rate of exchange at the date of the transaction. Foreign-denominated receivables and liabilities outstanding at the end of the financial year are valued according to the Bank of Finland's exchange rates on the balance sheet date. Currency options acquired to hedge loans are valued separately according to their market value, i.e. at the price for which the option could be sold at the balance sheet date. Any unrealized gains arising out of options are not entered as income.

Exchange rate gains and losses resulting from normal business operations are treated as sale and purchase adjustment items. Exchange rate gains and losses arising from financial

transactions are recorded as financial revenues and expenditures. Realized exchange rate differences are credited to, or charged against, income. Unrealized gains on exchange transactions are entered in the balance sheet under valuation items, from where they are entered as income on or before the last closing of accounts preceding the payment of the debt. Unrealized exchange losses are charged against income ●

Foreign group companies

In the consolidated accounts, the income statements and balance sheets of foreign group companies are converted into Finnish marks according to the official Bank of Finland exchange rates at the balance sheet date ●

Net sales

When calculating net sales, price reductions are subtracted as an adjustment item from sales proceeds. Advance subscription payments are stated as a separate item in advance payments under current outside liabilities ●

Delivery costs

The income-statement item for delivery costs includes delivery services bought from outsiders and, as adjustment items, payments received from other newspaper publishing houses for delivery, plus delivery subsidy from the Ministry of Transport and Communications ●

Charges for services

Various service charges, such as the costs of financial administration, computing, clerical and legal services for Leijonajakelu Oy, Helsinki Media Company and Kärkimedia Oy, are entered as adjustments of expenditures ●

Other income and expenditures arising from business operations

Other income and expenditures arising from business operations include gains and losses from sales, scrapping, and leasing of fixed assets and other long-term investments ●

Extraordinary items

Extraordinary items include exceptional but significant transactions that are not part of normal business operations, such as gains or losses resulting from divestment of operations, revaluations or writedowns of fixed assets, and substantial gains or losses on sales of fixed assets ●

Pensions and pension liabilities

Mandatory and voluntary pensions for staff of Group companies are arranged partly through pension insurance companies and partly through the Sanoma Corporation Pension Fund. The Fund's pension liabilities are fully covered. The Fund is closed for new entries ●

Voluntary reserves

The voluntary reserves of Group companies are divided in the balance sheet between shareholders' equity and calculated deferred taxes, and minority shares are stated separately. The calculated deferred taxes are shown under long-term liabilities. Changes in voluntary reserves during the financial year have correspondingly been divided in the accounts between the result for the year and the change in calculated deferred taxes. The change in the calculated deferred taxes due to the change in taxation has been credited to, or charged against, income ●

Taxes

The Consolidated Financial Statements include Group companies' calculated taxes for the financial year and adjustments in taxes for previous financial years, along with the calculated change in deferred taxes on voluntary reserves. Taxes for 1994 include taxes paid for the previous year due to disallowances of certain writedowns in the value of assets. Taxes for 1995 are affected by writedowns in assets to the extent that those writedowns are deductible in 1995 ●

Fixed assets and depreciations

The balance sheet values of fixed assets are based on acquisition costs. The depreciation is recorded on a straight-line basis over the expected useful lives of the assets, based on the following useful lives:

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

When writing off any residual undepreciated acquisition costs, they are entered as losses from the sale or scrapping of assets, either under other expenditures from business operations or, if the amount is significant, under extraordinary expenditures.

Investments in shares and loans receivable that are related to actual business operations or are otherwise intended to be long-term, are entered under financial assets and other long-term investments. Marketable securities are valued at acquisition cost or lower probable realizable value ●

Inventories

Inventories are stated in the balance sheet according to the FIFO principle, as the direct acquisition cost, or as the replacement cost or probable sale value if that is lower ●

Financial assets

Cash in hand and in banks includes cash, bank-account balances and other cash equivalents. Other current investments include liquid assets invested in financial instruments. Marketable securities are valued at acquisition cost, or if the market value of the instrument is less than the acquisition price, at a lower probable realizable value, with the difference being entered as expenditure. Sanoma Finance AG values the investment portfolio as a whole, and a writedown is made if the value of the entire portfolio is less than the balance sheet value. Securities and other financial instruments in Finland are valued individually ●

(FIM '000s)	Consolidated		Parent Company	
	1995	1994	1995	1994
1. EXPENDITURES				
Expenditures				
Materials and supplies				
Acquisitions during the financial year	313 769	246 659	312 856	245 592
Increase/decrease in inventories	-9 648	15 943	-9 652	15 879
Purchased services	2 187	2 722	2 020	2 351
Payroll expenditure	616 477	591 024	494 170	578 679
Rents	12 856	15 032	59 782	66 699
Purchased delivery services	96 251	76 472	226 974	76 360
Other expenditures	380 818	346 207	354 370	336 524
Total	1 412 710	1 294 059	1 440 520	1 322 084
Payroll and fringe benefits expenditure, on the accruals basis				
Wages and salaries	487 754	472 202	390 722	462 363
Pension expenditure	61 035	58 213	45 389	56 846
Other social expenditure	67 688	60 609	58 059	59 470
	616 477	591 024	494 170	578 679
Fringe benefits	4 356	4 249	3 978	4 011
Total	620 833	595 273	498 148	582 690
Salaries paid to the President and the members of the Board	4 675	3 530	4 176	3 176
2. DEPRECIATION				
Depreciation according to plan				
Immaterial rights	6 905	7 643	6 905	7 643
Other long-term expenditures	9 056	9 020	8 014	8 094
Buildings	23 578	24 636	9 114	8 983
Machinery and equipment	90 754	99 968	89 440	98 006
Consolidated goodwill	1 091			
Total	131 384	141 267	113 473	122 726
Change in accelerated depreciation				
Immaterial rights			-450	
Other long-term expenditures			-4 195	-4 511
Buildings			-3 439	-4 733
Machinery and equipment			-20 529	-18 533
Total			-28 613	-27 777

(FIM '000s)	Consolidated		Parent Company	
	1995	1994	1995	1994
3. FINANCIAL REVENUES AND EXPENDITURES				
Dividend revenues	16 503	8 476	17 783	8 526
Interest income	69 480	55 968	69 126	53 564
Other financial revenues	36 506	29 655	33 865	22 065
Foreign-exchange differences	-14 285	-675	-4 925	3 168
Share in associated company result	17 235	13 830		
Interest expenditures	-32 455	-40 788	-36 639	-41 489
Other financial expenditures	-48 550	-61 078	-17 543	-31 088
Total	44 434	5 388	61 667	14 746
Financial income from group companies				
Interest revenues			24 877	23 175
Total			24 877	23 175
Financial payments to group companies				
Interest expenditures			4 192	1 906
Total			4 192	1 906
4. EXTRAORDINARY REVENUES AND EXPENDITURES				
Extraordinary revenues				
Realized internal margin and sales profit	4 319	49 674		
Refund in pension insurance payments		9 372		9 372
Gains on sales of shares	21 696			
From the revaluation of shares	7 419	9 080	20 371	6 934
Other extraordinary revenues	1 239	56	1 233	49
Total	34 673	68 182	21 604	16 355
Extraordinary expenditures				
Refunded compensation for compulsory purchase		2 400		2 400
Share in associated company retained earnings		4 138		
Writedowns of receivables and shares	1 302		1 302	
Other extraordinary expenditures	3 791	99	1 084	
Total	5 093	6 637	2 386	2 400
5. DIRECT TAXES				
Taxes for the financial year	66 734	48 512	60 304	43 016
Deferred tax liabilities from previous years	-1 362	40 932	-1 042	41 748
Calculated change in deferred taxes	13 717	-5 880		
Total	79 089	83 564	59 262	84 764

6. INTANGIBLE AND TANGIBLE ASSETS

(FIM m.)	Acquisition cost Jan. 1	Increases Jan. 1-	Decreases Dec. 31	Acquisition cost Dec. 31	Accumulated depreciation according to plan Dec. 31	Book value Dec. 31
Consolidated						
Immaterial rights	37.7	3.7	-1.0	40.4	28.3	12.1
Other long-term expenditures	111.7	1.5	-6.0	107.2	57.8	49.4
Land areas	217.1	0.4		217.5		217.5
Buildings	884.5	2.2	-0.3	886.4	195.0	691.4
Machinery and equipment (Advance payments included)	825.5	97.8	-54.5	868.8	448.8	420.0
Total	2 076.5	105.6	-61.8	2 120.3	729.9	1 390.4
Production machinery						342.8
Parent Company						
Immaterial rights	37.7	3.7	-1.0	40.4	28.3	12.1
Other long-term expenditures	85.8	0.6	-6.0	80.4	53.2	27.2
Land areas	47.0	0.4		47.4		47.4
Buildings	252.3	2.2	-0.3	254.2	42.3	211.9
Machinery and equipment (Advance payments included)	804.1	95.9	-54.4	845.6	429.4	416.2
Total	1 226.9	102.8	-61.7	1 268.0	553.2	714.8
Production machinery						340.9

(FIM '000s)	Consolidated		Parent Company	
	1995	1994	1995	1994

7. TAXATION VALUES OF FIXED ASSETS

Land areas	136 458	133 579	61 694	61 647
Buildings	271 360	276 367	73 082	75 881
Shares and holdings	462 295	380 209	378 778	311 853
Shares and holdings, subsidiaries		-	754 374	713 433
Total	870 113	790 155	1 267 928	1 162 814

(FIM '000s)	Consolidated		Parent Company	
	1995	1994	1995	1994
8. SECURITIES HELD AS LONG-TERM INVESTMENTS				
Group companies				
Shares			982 583	916 560
Total			982 583	916 560
Associated companies				
Shares	105 748	109 842	29 676	56 008
Total	105 748	109 842	29 676	56 008
9. VALUATION ITEMS				
Unrealized exchange rate gains, Jan. 1	5 433	-	5 433	-
Change Jan. 1 - Dec. 31	4 770	5 433	4 770	5 433
Unrealized exchange rate gains Dec. 31	10 203	5 433	10 203	5 433
10. FINANCIAL ASSETS				
Receivables falling due in one year or later				
Loans receivable		5 362	351 710	252 697
Total		5 362	351 710	252 697
Receivables from group companies				
Accounts receivable			1 030	23
Loans receivable			378 851	272 497
Deferred assets			42 425	181
Total			422 306	272 701

(FIM '000s)	Consolidated		Parent Company	
	1995	1994	1995	1994
11. CHANGES IN SHAREHOLDERS' EQUITY				
Restricted equity				
Revaluation reserve Jan. 1	567 353	568 651		
Decrease, funds released in conjunction with sale	-3 886	-1 298		
Revaluation reserve Dec. 31	563 467	567 353		
Non-restricted equity				
Non-restricted equity Jan. 1	1 239 731	1 382 978	1 229 764	1 382 667
Dividends distributed				
In cash	-6 325	-4 177	-6 325	-4 177
Shares of Helsinki Media Company		-112 785		-112 785
Redemption of own shares		-125 641		-125 641
Profits transferred to the reserve for donations	-500	-500	-500	-500
Change in the conversion gap of the equity of subsidiaries	20 907	-36 819		
Share of the change in Helsinki Media Company's shareholders' equity		1 855		
Net result for the year	186 134	134 820	216 300	90 200
Non-restricted equity Dec. 31	1 439 947	1 239 731	1 439 239	1 229 764
Distributable component of non-restricted equity	943 974	703 037		
Share capital of Parent Company				
	1995	1995	1994	1994
	pcs		pcs	
K-series shares	232 866	23 287	232 866	23 287
E-series shares	231 269	23 127	231 269	23 127
Redeemed shares				
K-series shares	4 000		4 000	
E-series shares	38 450		38 450	
12. EXCHANGE RATES USED				
	1995	1994		
CHF	3.7884	3.6180		
NLG	2.7185			
USD	4.3586	4.7432		

(FIM '000s)	Consolidated		Parent Company	
	1995	1994	1995	1994
13. OUTSIDE LIABILITIES				
Debts maturing in five years or more				
Pension loans	275 263	283 790	275 263	283 790
Total	275 263	283 790	275 263	283 790
Debts to group companies				
Accounts payable			33 713	1 230
Deferred liabilities			5 403	3 785
Other current debts			123 282	44 099
Total			162 398	49 114
14. PLEDGES AND COMMITMENTS				
From own liabilities				
Pledges	43 070	43 070	43 070	43 070
Mortgages on land and buildings	271 200	182 200	5 200	5 200
Total	314 270	225 270	48 270	48 270
On behalf of others				
Pledges	8 151	1 096	8 151	1 096
Guarantees	14 931	15 810	14 931	15 810
Total	23 082	16 906	23 082	16 906
Other own commitments				
Pension liabilities	682	855	682	855
Other commitments	1 155	968		
Total	1 837	1 823	682	855
Total				
Pledges	51 221	44 166	51 221	44 166
Mortgages on land and buildings	271 200	182 200	5 200	5 200
Guarantees	14 931	15 810	14 931	15 810
Pension liabilities	682	855	682	855
Other commitments	1 155	968	0	0
Total	339 189	243 999	72 034	66 031

15. MANAGEMENT PENSION RIGHTS

The Chairman of the Board of Directors and other Members of the Board regularly employed by the Corporation are entitled to pensions in accordance with the Pension Fund rules.

Sanoma Corporation Income Statement

16. GROUP AND PARENT COMPANY SHARES IN OTHER COMPANIES AS OF DECEMBER 31, 1995

Group companies

	Group holding / share of votes %	Group share of shareholders' equity	Parent company holding %	Shares / holdings owned by the Parent company			Profit / loss at the last closing of accounts ¹⁾
				pcs	nominal value	book value	
(FIM '000s)							
As. Oy Ilkantie 13	76.47	4 938	76.47	923	4 966	4 966	8
As. Oy Laajavuorenkuja 3	78.26	24 550	78.26	12 021	24 643	24 643	125
As. Oy Vellikellonkuja	100.00	107	100.00	100	120	120	-1
As. Oy Vihdintie 4	100.00	2 516	100.00	4 365	2 401	2 401	54
Kiinteistö Oy Erottajankatu 9-11	89.42	25 564	89.42	3 289	329	52 219	167
Kiinteistö Oy Erottajankatu 15-17	100.00	38 624	100.00	7 596	37 980	37 980	70
Kiinteistö Oy Korkeavuorenk. 30	100.00	135	100.00	4 644	3 000	1 450	-21
Kiinteistö Oy Miekkakala	97.84	79 479	97.84	15 866	63 464	74 570	47
Kiinteistö Oy Myllymäenpolku	100.00	16 000	100.00	46 500	29 574	15 074	91
Kiinteistö Oy Myllymäentie	100.00	70 003	100.00	34 215	66 001	66 001	138
Kiinteistö Oy Sanomalan Keskusalue	100.00	102 959	100.00	69 940	159 002	103 002	49 999
Kiinteistö Oy Vantaan Valtatie 3	100.00	35 680	100.00	68 500	42 402	35 002	29
Aamukaste Oy	74.00	32 638	74.00	577 698	5 777	32 675	17 452
Erkko press Oy	100.00	13	100.00	15	15	25	0
Helsingin Päivälehti Oy	100.00	24	100.00	15	15	15	1
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	109	100.00	40	NLG 40	142	0
Lehtikuva Oy	100.00	13 575	100.00	75 000	750	1 025	3 738
Leijonajakelu Oy	100.00	6 128	100.00	200	2 000	6 000	128
Monsaksenpolun Kiinteistö Oy	100.00	53 770	100.00	41 000	41 000	41 000	4 689
Presssystems Oy	100.00	16	100.00	1 500	15	19	0
Sanoma Finance AG	100.00	453 994	100.00	1 090 000	CHF 109 000	417 156	-19 530
Sanoma. Inc.	100.00	5 431	100.00	100	USD 10	4 854	41
Sanomain Huoneisto ja Kiinteistö- holding Oy	100.00	65 522	100.00	62 000	62 000	62 213	-184
Tampereen Sanomain Oy	100.00	13	100.00	1 500	15	16	0
ECI Communications AG	100.00	6 188	0.00	-	-	-	-71
Total						982 583	

¹⁾ Real estate companies' results are as shown in their official financial statements.

In the consolidated financial statements, depreciations are changed according to plan.

Associated companies

(FIM '000s)	Group holding %	Group share of votes %	Group share of shareholders' equity	Parent company holding %	Shares / holdings owned by the Parent company		At the last closing of accounts	
					pcs	nominal value	book value	profit/loss
Helsinki Media Company	40.00	40.00	97 262	0.00	-	-	-	28 683
Keskiaukeama Oy	33.30	33.30	252	33.30	25	25	256	-7
Kymen Lehtimedia Oy	44.00	44.00	21 581	44.00	16 830	1 683	26 083	29 0
The Finnish News Agency	20.78	20.78	5 091	20.78	31 663	380	134	364
Vantaan Sahakari Oy	20.00	20.00	4 615	20.00	1 000	1	3 203	11
Total							29 676	

Companies in which the Group and/or Parent Company have significant holdings

	Group holding %	Parent company holding %	Shares / holdings owned by the Parent company		
			pcs	nominal value	book value
Kymmene Oy	1.40	0.41	1 158 871	23 177	56 326
Marja-Vantaa Oy	10.30	10.30	3 032	3	167
Pro Lehdistö Oy - Pro Pressen Ab	10.20	10.20	1 014	101	101
Rautakirja Oy	16.62	16.62	1 076 979	21 540	20 178
Werner Söderström Oy	16.86	16.86	2 022 798	20 228	155 444
Other companies					16 785
					249 001
Housing					11 084
Total					260 085

Sanoma Corporation Income Statement

(FIM '000s)	Jan. 1 - Dec. 31, 1995	Jan. 1 - Dec. 31, 1994
Net sales	1 722 241	1 557 052
Other revenues from operations	17 998	24 900
Expenditures	-1 440 520	-1 322 084
Profit on operations before depreciation	299 719	259 868
Depreciation	-113 473	-122 726
Profit on operations after depreciation	186 246	137 142
Financial revenues and expenditures	61 667	14 746
Profit before extraordinary items, reserves and taxes	247 912	151 888
Extraordinary revenues and expenditures	19 219	13 955
Pay-out to the Employee Profit-Sharing Fund	-21 849	-18 657
Profit before reserves and taxes	245 282	147 187
Decrease in accelerated depreciation	28 612	27 777
Decrease in voluntary reserves	1 668	
Direct taxes	-59 262	-84 764
PROFIT FOR THE YEAR	216 300	90 200

Sanoma Corporation Balance Sheet

(FIM '000s)

Dec. 31, 1995

Dec. 31, 1994

Assets

Fixed assets and other
long-term investments

Intangible assets

Immaterial rights	12 081		15 342	
Other long-term expenditures	<u>27 227</u>	39 308	<u>34 588</u>	49 930

Tangible assets

Land and water areas	47 441		47 044	
Buildings	211 925		219 094	
Machinery and equipment	386 948		406 008	
Advance payments and acquisitions in process	<u>29 203</u>	675 517	<u>5 405</u>	677 553

Financial assets and other long-term investments

Consolidated shares	982 583		916 560	
Shares in associated companies	29 676		56 008	
Other shares	260 085		98 314	
Loans receivable	<u>83 063</u>	1 355 408	<u>42 371</u>	1 113 254

Current assets

Inventories

Materials		27 542		17 890
-----------	--	--------	--	--------

Receivables

Accounts receivable	161 355		156 157	
Loans receivable	378 838		293 715	
Deferred assets	106 188		45 063	
Other assets	<u>263</u>	646 644	<u>133</u>	495 069

Marketable securities

Shares and holdings	1 669		1 469	
Current investments	<u>271 808</u>	273 477	<u>501 319</u>	502 788

Cash in hand and banks

		<u>6 094</u>		<u>9 371</u>
--	--	--------------	--	--------------

		<u>3 023 990</u>		<u>2 865 854</u>
--	--	------------------	--	------------------

(FIM '000s)	Dec. 31, 1995		Dec. 31, 1994	
Liabilities				
Shareholders' equity				
Restricted equity				
Share capital	46 413	46 413	46 413	46 413
Non-restricted equity				
Operating fund	1 213 908		1 128 908	
Accumulated profit	9 030		10 656	
Profit for the year	216 300	1 439 239	90 200	1 229 764
Reserves				
Accelerated depreciation, accumulated				
	399 299		427 911	
Voluntary reserves				
Transition reserves	181 166	580 465	182 834	610 745
Valuation items				
		10 203		5 433
Outside liabilities				
Long-term				
Loans from financial institutions	146 192		154 813	
Pension loans	284 184	430 376	298 970	453 783
Current				
Loans from financial institutions	3 851		3 481	
Pension loans	9 415		4 535	
Advance payments	126 909		122 055	
Accounts payable	90 693		38 692	
Deferred liabilities	132 863		268 764	
Other current debts	153 563	517 296	82 189	519 716
		<u>3 023 990</u>		<u>2 865 854</u>

Changes in Financial Position

(FIM m.)	Consolidated		Parent Company	
	1995	1994	1995	1994
Business operations				
Income financing				
Profit on operations before depreciation	353.6	313.8	299.7	259.9
Profit and losses on sales of fixed assets in the above	-2.0	-1.5	-2.1	-1.5
Financial revenues and expenditures	29.0	-8.4	63.5	14.7
Extraordinary items	-0.6	67.2	-50.8	15.3
Pay-out to the Profit-Sharing Fund	-26.6	-19.1	-21.8	-18.7
Taxes	-79.1	-83.6	-59.3	-84.8
Income financing, total	274.4	268.4	229.2	185.0
Change in working capital				
Inventories, increase (-), decrease (+)	-9.6	48.0	-9.7	15.9
Current business receivables, increase (-), decrease (+)	-10.1	-22.7	-151.6	-76.4
Other current investments, increase (-), decrease (+)	180.9	-0.2	229.3	-0.2
Interest-free current debts, increase (+), decrease (-)	-68.1	-115.0	-7.7	42.9
	93.0	-89.9	60.4	-17.8
Operational cash flow	367.4	178.5	289.6	167.2
Investments				
Gross investments	-281.6	-79.9	-281.4	-77.5
Revenues from sales of fixed assets	58.9	196.5	49.4	168.5
	-222.7	116.6	-232.0	91.0
Cash flow before financing	144.7	295.1	57.6	258.2
Financing				
Long-term receivables, increase (-), decrease (+)	-207.9	39.7	-40.7	-10.3
Increase in long-term debts (+)	13.7	95.0		95.0
Decrease in long-term debts (-)	-13.4	-127.6	-13.4	-100.0
Dividends, in cash	-6.3	-4.2	-6.3	-4.2
Dividends, in Helsinki Media Company shares		-112.8		-112.8
Redemption of shares		-125.6		-125.6
Donations	-0.5	-0.5	-0.5	-0.5
Conversion gap	20.9	-35.0		
	-193.5	-271.0	-60.9	-258.3
Calculated liquid assets, increase (+), decrease (-)	-48.8	24.1	-3.3	-0.1
Balance sheet liquid assets, increase (+), decrease (-)	-48.8	24.1	-3.3	-0.1

Consolidated Key Figures

(FIM m.)	1995	1994
SCOPE OF OPERATIONS		
Net sales	1 743	1 577
Change-%	11	-30 ¹⁾
Gross investments	282	80
% of net sales	16	5
Balance sheet grand total	3 143	3 007
Extraordinary revenues and expenditures	30	62
Personnel on average	1 727	1 744
Newspaper delivery personnel	1 666	1 948
Net sales/employee	0.5	0.4
PROFITABILITY		
Profit on operations before depreciation	354	314
% of net sales	20	20
Profit on operations after depreciation	222	173
% of net sales	13	11
Profit before extraordinary items ^{2) 3)}	236	157
% of net sales	14	10
Profit before appropriations and taxes ²⁾	265	218
% of net sales	15	14
Grand total	186	135
% of net sales	11	9
FINANCING AND FINANCIAL POSITION		
Solvency (current ratio)	1.6	1.8
Capital adequacy % ²⁾	69	65
Interest-bearing outside liabilities	444	462

¹⁾ The reduction in net sales is due to Helsinki Media Company leaving the group at the beginning of 1994

²⁾ Minority share decreased / increased

³⁾ Pay-out to the Profit-Sharing Fund decreased

Proposal for Distribution of the Profit

The profit for the year totals FIM 216,299,854.34. FIM 9,030,274.55 of the profit was retained from the previous year. Hence a total of FIM 225,330,128.89 is at the disposal of the General Meeting.

The Board of Directors proposes that	FIM
from the above-mentioned sum of	225,330,128.89
- a dividend of 24.00 marks should be paid on each share, or	10,120,440.00
- a sum should be transferred to the operating fund	205,000,000.00
- a sum should be transferred to the reserve fund for charitable purposes at the discretion of the Board	500,000.00
- giving a balance of	9,709,688.89

The balance is to be left on the Profit and Loss Account, and the Board of Directors is entitled to use it for payment of taxes in 1996.

Consolidated non-restricted equity amounts to FIM 1,439,947,341.46 of which FIM 943,974,028.11 is distributable, and so there is no impediment to distributing dividends as proposed above.

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

Share Capital	46,413,500.00
Operating Fund	1,418,908,411.18
Reserve for Donations	500,000.00
Undisposed Profit	9,709,688.89

Helsinki, February 23, 1996

Aatos Erkko
Chairman

Heikki Tikkanen
Vice Chairman

Robert Castrén

Jane Erkko

Merja Helle

L.J. Jouhki

Seppo Kievari

Robin Langenskiöld

Rafaela Noyer

Jaakko Rauramo

Kalle Salonen

Auditors' Report

To the shareholders of the Sanoma Corporation

We have audited the accounting, the financial statements and the administration of the Sanoma Corporation for the financial year Jan. 1 - Dec. 31, 1995. The financial statements prepared by the Board of Directors and the President include a report on operations and the Consolidated and Parent Company income statements, balance sheets and notes to the accounts. We offer the following opinion on the accounts and the administration based on our audit.

This audit has been carried out according to good auditing practices. We have audited the accounting, the financial statements, the disclosures and the presentation of information, including the accounting policies, to the extent required by generally accepted auditing standards. The audit of the administration has included obtaining assurance that the actions of the members of the Board of Directors and the President have been in conformity with the Companies Act.

Our conclusion is that the financial statements have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations relevant to the preparations of the financial statements, and give a true and fair view of the Consolidated and Parent Company results of operations and financial position in accordance with such legislation and regulations.

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

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

Helsinki, March 8, 1996

Antti Helenius
Authorized Public Accountant

Johanna Perälä
Authorized Public Accountant

Helsingin Sanomat Literature Prize

In 1995 *Helsingin Sanomat* launched a new Literature Prize. It is the only one of its kind in Finland, and goes to the year's best literary debut in Finnish. The prize can be awarded for novels, short stories, and collections of poems or essays.

The Helsingin Sanomat Literature Prize is an extension of the award bearing the name of J.H. Erkko, poet and brother of Eero Erkko, founder of *Helsingin Sanomat*. This prize has been awarded annually since 1964. The Finnish Youth Association will continue to hold annual writing competitions in the name of J.H. Erkko with the focus on poetry and short stories in alternate years.

The new prize was introduced on November 16, the 106th Anniversary of *Helsingin Sanomat*. By unanimous decision, the award went to 28-year-old Sari Mikkonen

for her short story collection *Naistenpyörä* (woman's bicycle). The winning work was described as fostering a tested tradition and as a fine example of rejuvenating the great tradition of Finnish literature. Mikkonen, a versatile literary talent, had already gained success a year earlier, coming second in the J.H. Erkko short story competition.

A new panel is invited to select the debut work of the year on each occasion. The value of the award is also decided each year. The 1995 award panel was chaired by the chief literary critic of *Helsingin Sanomat*, Dr Pekka Tarkka. Other members of the jury were journalist Suvi Ahola, literary scholar Anna Makkonen, Ph.D., 1994 J. H. Erkko debut work prizewinner Markus Nummi and journalist Jukka Petäjä. The value of the 1995 award was FIM 50,000 ●



Helsingin Sanomat Literature Prize Emblem



Senior Editor in Chief Janne Virkkunen presents the prize to the winner's husband Matti Kaitaniemi, as the prizewinner herself was unable to attend.

Sanomatalo - Sanoma House

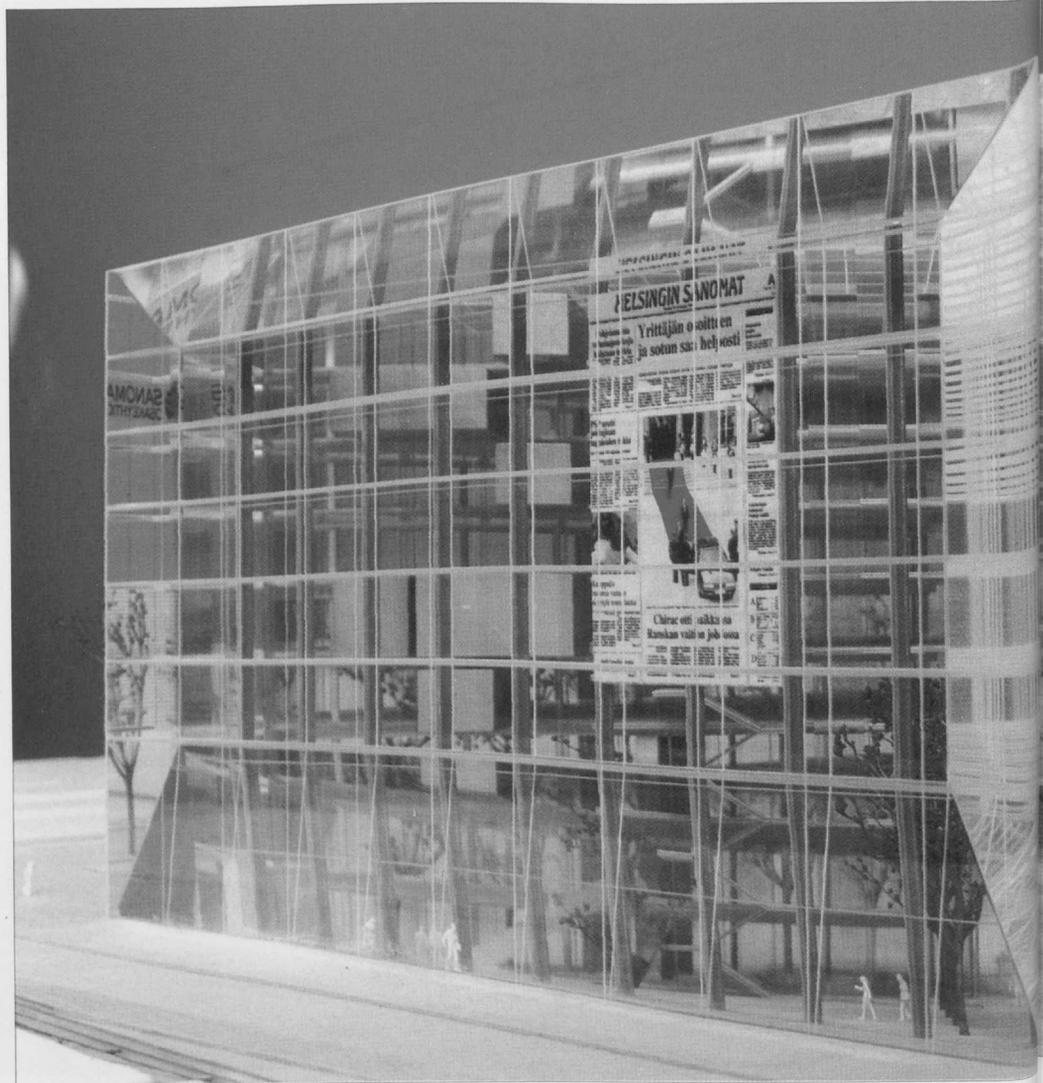
During the year, Sanoma Corporation held an architecture competition for the design of its new headquarters, Sanomatalo (Sanoma House). The site is in the heart of the city, north of the main Post Office and Central Railroad Station, and adjacent to the Museum of Contemporary Art, which is currently under construction.

In arranging the architecture competition, Sanoma Corporation wanted to find an architecturally and functionally outstanding design that would metaphorically reflect the company's objectives and dynamic media atmosphere. Another requirement was that

the building should engage in lively interaction with its surroundings, and with the life of the city.

Four prestigious architects offices with experience both in Finland and abroad were invited to participate in the competition. The award panel was chaired by Sanoma Corporation Chairman Aatos Erkko, and its members were Architect Eric Adlercreutz, Professor Kristian Gullichsen, Deputy Mayor Pekka Korpinen and Sanoma Corporation Vice President for real estate Pekka Toropainen.

The results of the competition were announced on June 15, 1995. The panel gave



The prize-winning proposal on display at the award ceremony.

first place to the proposal from architects Jan Söderlund & Co Oy. Their design uses a basic triangular theme to create an exciting, expressive deployment of space. In the winning proposal, the site is divided along two diagonal axes so that the main pedestrian traffic flows are directed into two lanes on the ground floor. One diagonal axis, a magnificent glass gallery, runs from the southeastern corner of the cube-like building in the direction of the National Museum. The other axis channels pedestrian traffic from the building's northeastern corner to the passage between the Post Office and the Museum of

Contemporary Art. The north-facing triangle formed by the axes creates a media piazza looking out onto Töölönlahti bay.

The new building will house the editorial and marketing offices of Helsingin Sanomat and Ilta-Sanomat, as well as corporate management. Office space in the building has also been allocated to other media enterprises. The construction work is due to begin in spring 1996, and the building is expected to be completed in 2-3 years time ●



PROFIT-SHARING FUND ANNUAL REPORT

Better Rewards for Personnel with Revised Profit-Sharing Scheme

The Sanoma Corporation Profit-Sharing Fund was revised at the beginning of 1995, to clarify its operating principles and to increase staff bonuses.

In the revised scheme, the Fund receives 20 percent of the Group's profit on operations after depreciation, deducted by a sum which covers interest expense, income tax expense and dividends. The profit on operations after depreciation is calculated using internal depreciation. The resulting share of profits is paid into the Profit-Sharing Fund, and is divided between staff in proportion to their salaries.

Apart from the Chairman of the Board and the President of Sanoma Corporation, the new profit-sharing scheme applies to the entire personnel.

At the end of its financial year, March 31, 1995, the Profit-Sharing Fund had 4,569 members. This includes those who have left the company, but who are still members of the fund in accordance with the rules.

The Fund's assets totaled FIM 44.4 million on March 31, 1995. Of this, FIM 6.8 million was invested in shares and the rest in the money markets. The shares include Sanoma Corporation shares, the value of which at close of accounts was FIM 3.2 million. In June 1995, a total of FIM 2.8 million was paid out in bonuses.

Sanoma Corporation's profits on operations further improved in 1995 and the profit-sharing fund will receive FIM 27.1 million.

With the authorization of the Board of the Profit-Sharing Fund, the investment operations were run by an asset management unit at the Postipankki bank. Implementation of the investment strategy is monitored by the Board of the Fund at monthly intervals. The Council of the Profit-Sharing Fund has been informed about the investment operations at a separate briefing ●

Profit-Sharing Fund Legislation amended January 1, 1996

The Profit-Sharing Fund legislation has been amended to promote the creation of new funds and to increase staff motivation through such funds.

The most significant change is that the qualifying period for bonus payouts has been reduced from ten years to five. This means that, after five years of membership, 15 percent of the personal share can be withdrawn annually. In addition, employees who resign or are dismissed now receive their fund shares after one financial year instead of three. The new legislation also gives funds more independence than before ●

Profit-Sharing Funds Advisory Board

In the spring of 1995, a national Advisory Board for profit-sharing funds was set up to promote cooperation between funds, and to represent their interests. The new Advisory Board has already acted as a channel of communication between officials and funds in the preparation of the new amendment ●

Council and Board

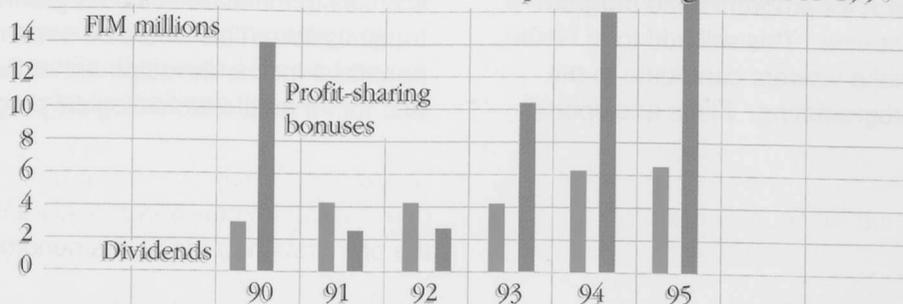
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Sanoma Corporation cash dividends and profit-sharing bonuses 1990 - 1995



Quo Vadis Mass Communication?

Because Finland has a small population, competition in the electronic media and especially in television is almost non-existent. Competition is further being restricted by the limited availability of channels and wavelengths, which have been shared out by national agreements. The entry of satellite channels and cable television onto the market marked the start of the collapse of this idyll. The final blow came with the arrival of digital compression. This allows information that now requires a wide bandwidth to fit into a quarter or a fifth of that space. This also means that, in the future, Finland may well have 20-30 terrestrial television channels and a corresponding number of radio channels. This development will be of major significance for the future of the printed media.

With the addition of satellites and cable television services, the number of channels will increase from tens to hundreds. It will be very difficult for Finns to compete and survive in such an environment, unless they can come up with a national vision, a shared goal and shared course of action. In the new situation, it will be even more difficult for commercial television to survive. A considerably expanded range of pay-television offerings will come onto the market as soon as digital compression is generally available. The increased number of channels will raise the price of programs, and make competition for programs and program-makers more intense. This will add to pressures to make viewers contribute to the cost of good programming. Films and sports

are typical pay-TV fare today, high-quality serials, news and business channels tomorrow. Major international events, such as the Olympics, the Wimbledon tennis tournament, major rock-concerts, and so on, may all eventually go over to pay-per-view television.

It is, however, evident that the digital compression of terrestrial transmissions is going to arrive extremely slowly. The change has begun with satellite transmissions. Satellite signals in digital form are either relayed to homes by a cable-television company or received directly by satellite-dish antennas. At present, the signal is converted to analogue form, because digital television and radio receivers are not yet available. The present distribution network will quite rapidly be replaced by an extensive satellite-based digital transmission system, whereas the process of updating home equipment for digital reception will be both slow and costly. There are about 2 million television sets in Finland, and if they were all replaced by digital ones, at a cost of some FIM 7,000 each, this would involve an investment of about FIM 14 billion. It is also worth noting that, compared with the current system, digital television does not really bring any substantial benefits to the viewer.

In contrast, the quality of digital radio transmissions is superior to that of analogue. Bearing this in mind, all future radio operators' licenses in Finland should be granted for digital transmission. This would be extremely beneficial for the development of Finnish radio, and for Finland's technological progress as a

whole. A digital radio transmission system could be created fairly quickly, if it were accepted as a national project. For radio, the transition time is shorter and the costs considerably lower than for television.

When discussing technological developments of the electronic media, we have to pay very special attention to the Internet, which is currently a phenomenon, and tomorrow will be a major economic consideration and challenge. For those working in the printed media, television and radio seem unfamiliar, whereas the Internet represents a major opportunity, if used correctly. The Internet provides an excellent complement to the printed media, and an extension of them. My view is that the printed media of the future may well consist of a combination of printed matter, CD-ROMs and the Internet.

One vision of the Finnish media landscape in 2010 is that the electronic media have been totally revolutionized. All radio transmissions are digital, and they are broadcast by commercial radio stations. Most television channels are pay-channels, and they are nearly all owned by foreign operators. In this same scenario, The Finnish Broadcasting Company is funded from the government budget, and operates on a single channel. The commercial channel, MTV Finland, is just one of many barely profitable commercial stations. As a result of the fragmentation of the electronic media, the printed media have been able to maintain their positions well,

having taken advantage of the new electronic dimensions, such as the Internet and the distribution channels opened up by digital compression. In other words, all products are combinations of printed and electronic media. This vision might be different, but as we said before, a prerequisite for this is that we Finns will adopt a shared goal and cooperate.

A new nationwide analogue radio transmission license, if granted, is clearly a step backwards. It would have an extremely negative impact on the newspaper industry and therefore should not be issued. The only operators that need terrestrial digital distribution channels are The Finnish Broadcasting Company and MTV Finland. If people are to be motivated to purchase the necessary digital equipment, they will have to have access to a variety of programs. The government funded services will not be enough. This will require more than simply building the network. Good programs are needed, too. If the terrestrial network is not built, satellite, dish antennas and cable services will together form a distribution system, which in ten-to-fifteen years' time will displace terrestrial analogue transmissions.

It is now time for us in Finland to make the right decisions about our future. If we do not take this opportunity, we may find ourselves floating downstream, hoping that we will be carried into slow waters, and not rapids ●

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- 4 Finance Committee



Corporate Officers: Sitting from the left Heikki Huhtanen, Jaakko Rauramo and Seppo Kievari. Standing from the left: Terhi Lambert (Secretary), Martti Ojares, Sakari Almi and Kerstin Rinne.

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Olavi Ahlfors, Managing Director, acting ●

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Addresses

SANOMA CORPORATION

Korkeavuorenkatu 32, POB 240, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-122 4809

HELSINGIN SANOMAT

Editorial offices

Ludviginkatu 6-8, POB 975, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-605 709

Circulation sales

Salomonkatu 17, POB 240, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-122 2802

Advertising sales

Uudenmaankatu 16-20, POB 240, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-122 3259

Leijonajakelu Oy

Martinkyläntie 11 A, Vantaa, POB 240, FIN-00101 Helsinki
Tel. +358-0-122 999 Telefax +358-0-122 2968

Production and Technology

Sanomala printing plant

Martinkyläntie 11 A, Vantaa, POB 240, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-122 2013

Varkaus printing plant

Martinkyläntie 9 A, Vantaa, POB 240, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-122 3919

Forssa printing plant

Taipaleentie 17, FIN-78250 Varkaus
Tel. +358-72-570 621 Telefax +358-72-570 6849

SanomaPrint

Kassimäenkatu 2, POB 48, FIN-30101 Forssa
Tel. +358-16-41 221 Telefax +358-16-4122 6989
Martinkyläntie 9 A, Vantaa, POB 240, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-122 3919

ILTA-SANOMAT

Editorial offices

Korkeavuorenkatu 34, POB 375, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-122 3419

Sales offices

Erottajankatu 15-17, POB 371, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-122 3655 / advertising
Telefax +358-0-607 760 / circulation

Sanoma Finance

Portfolio Management
and Treasury
Sanoma Real Estate

Korkeavuorenkatu 32, POB 1059, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-122 4659
Erottajankatu 15-17, POB 1058, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-122 4679

Lehtikuva Oy

Erottajankatu 9 B, POB 406, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-612 1571

SANOMA CORPORATION BOARD OF DIRECTORS

Office of the Chairman

Erottajankatu 11 A, POB 144, FIN-00101 Helsinki
Tel. +358-0-1221 Telefax +358-0-122 4606

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POB 1059, FIN-00101 Helsinki, Finland, or call +358-0-122 4751.