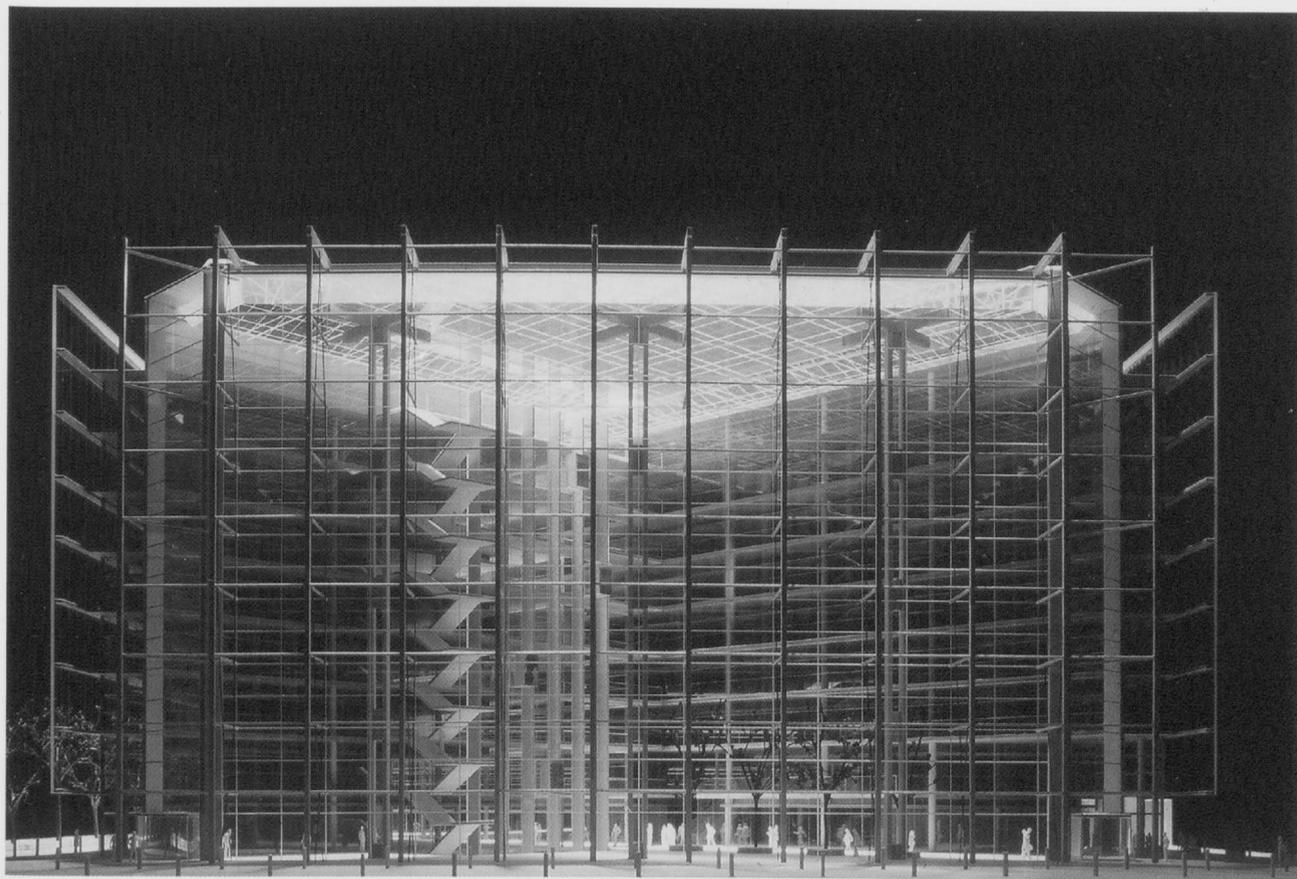


SANOMA CORPORATION

ANNUAL REPORT

1997



HELSINGIN SANOMAT **ILTA-SANOMAT** **TALOUS-SANOMAT**

1997 in Brief

	1997	1996	change, %
Net sales (FIM millions)	1 949	1 824	+7
Profit on operations before depreciation	432	359	+20
% of net sales	22	20	
Profit on operations after depreciation	288	222	+30
% of net sales	15	12	
Net profit for the year	417	257	+62
% of net sales	21	14	
Total assets	3 613	3 186	
Personnel on average	1 769	1 737	+2
Newspaper delivery personnel	1 585	1 614	-2

HELSINGIN SANOMAT

	1997	1996	change, %
Gross revenues (FIM millions)	1 813	1 705 *	+6
Advertising revenues	1 082	997	+9
Circulation revenues	522	510	+2
Volume of advertising (column meters)	42 315	39 695	+7
Number of issues	352	353	
Total pages	20 626	19 998	+3
Pages of editorial content	9 870	9 932	-1
Personnel on average	1 181	1 202	-2

*includes calculated debiting of Ilta=Sanomat



Cover photo: Scale model of Sanoma House.

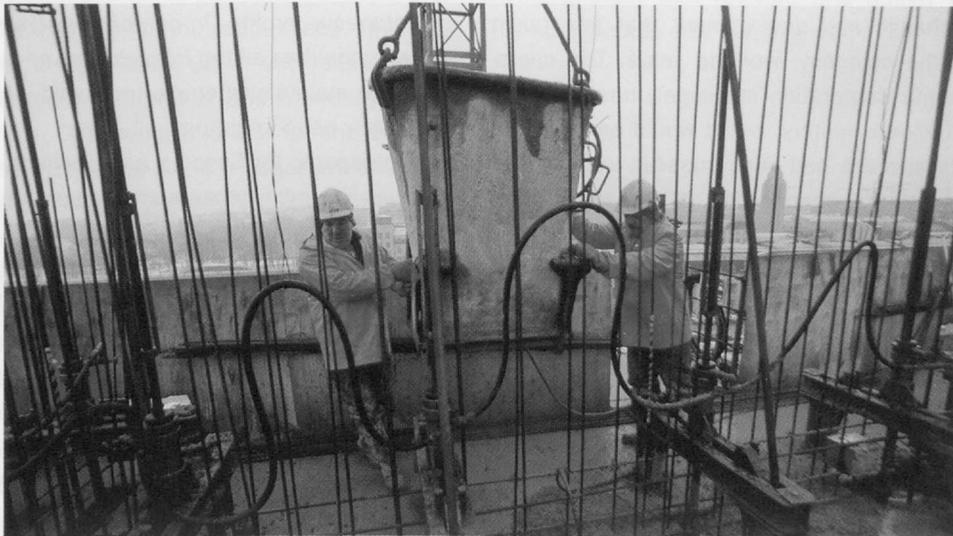
The new headquarters, designed by Jan Söderlund & Co Architects and the consulting engineers Magnus Malmberg and Olof Granlund, will be completed in autumn 1999.

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the New Corporate Headquarters
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The structural work for Sanoma House was started in November 1997.



Dr Aatos J. Erkkö

A Word from the Chairman

1997 was my last year as the chief executive officer of Sanoma Corporation. When I retired on September 16, after 44 years of service, my duties were quite naturally transferred to President Jaakko Rauramo. I remain non-executive Chairman of the Board.

Many observers may be unaware of the significant process of change and development that has taken place within the company over the years. The operations of Sanoma Corporation are largely based on the company's 107-year history, but it would be wrong to think that our success had been possible without continuous and profound change and, at the same time, loyalty to our basic values.

Today the company is managed through strong teamwork, which requires not only a dynamic and youthful approach but also professionalism and enthusiasm. The company has plenty of all these qualities, which is reflected in the results. It gives me great pleasure to note that also those of our employees who most respect the values of the past look confidently ahead and

are actively engaged in development work.

Our society sets many challenges for its citizens. The accelerating economy makes it difficult for people to distinguish between good and bad, right and wrong. Honest work is not given the respect it deserves, and investors and traders seem interested only in quick and instantaneous profits. In companies, creating security for personnel has all too frequently given way to insecurity, while maintaining employment and job satisfaction has largely been forgotten.

The prospects for Sanoma are excellent and exciting. However, like many other media groups, Sanoma Corporation faces a media environment that is both fragile and uncertain. Quality and responsibility are confronted with cheap entertainment and imaginary high returns. Newspapers, magazines, books and the developing Internet are perceived to stand for high quality, while tabloid papers and television produce cheap entertainment. For society and especially for journalists trivial content seems to come before quality. Easy and empty

content is attractive – or is it?

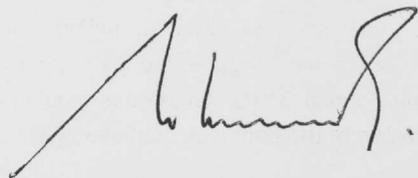
Dedication and consistency and the well-being of our readers and clients are important. We have made significant achievements in these areas, but developing them further is a great challenge for the future.

But most important of all is the power of society to fight for its very existence in the years ahead. Finland's membership of the European Union and future accession to the European Economic and Monetary Union demonstrate this. Opponents who fear for tiny and frail Finland imagine that opting out is a lesser evil than joining the struggle to create something better. Obviously, this fight is not an easy one. Many things that we have taken for granted will have to be put aside to make room for the new.

Finland is a country with a high standard of living. Keeping it that way takes enormous effort. Finns can do it if they want. Finland has also plenty to give to others, and we should be proud of our achievements. However, we must constantly struggle to improve further. Easing

up can only mean retreat.

This also applies to our media, which have the important role – perhaps by far the most crucial role for this media generation – to be part of Finland and to help the Finnish people cope with the challenges of the future by providing them with relevant and quality information. This struggle has only just begun.

A handwritten signature in black ink, appearing to be 'A. H. J.', located in the lower right quadrant of the page.



Operating Environment

ECONOMIC TRENDS

Finnish economic conditions continued to improve in 1997. According to advance information, Gross Domestic Product grew about five percent. The inflation rate of 1.2 percent was among the lowest in Europe. Finland easily fulfills all of the criteria for membership of the European Economic and Monetary Union.

The economic upswing has curbed unemployment, but joblessness still stood at 14.5 percent. The yield curve flattened, with the gap between long and short-term rates narrowing.

Exports, above all to European Union countries, grew faster than projected. Exports by the forest industry and the electronics industry in particular clearly exceeded forecasts. Although imports also increased, the current account continued to show a strong surplus.

According to the Research Institute of the Finnish Economy, ETLA private consumption grew about 3.5 percent and real household purchasing power rose about three percent. Economic confidence was not shared by everyone, but on the whole consumers were optimistic.

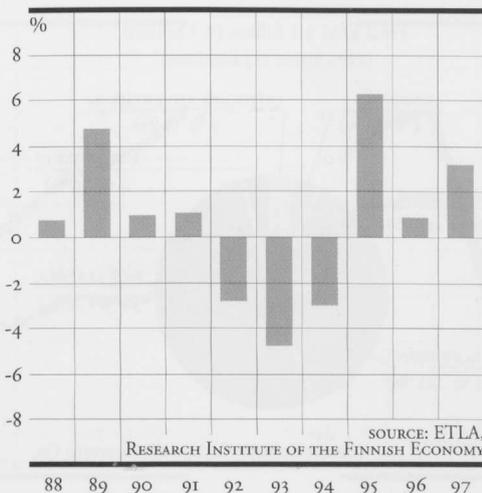
PRINTING INDUSTRY TRENDS

The total value of printing industry deliveries in 1997 was about FIM 21.5 billion, up six percent on the previous year. The growth stemmed largely from the favorable trend in advertising, increased domestic consumption and higher exports to Russia and other East European countries. The industry's investment in machinery, shares and other financial instruments increased.

Imports and exports by the printing industry grew nine percent during the year. Exports of newspapers, magazines, books and printed advertising products to Russia, other former CIS states and the Baltic countries increased strongly. Printing exports to Sweden and Denmark declined.

Most of the 2,500 companies in the printing industry are small and medium-sized enterprises. The recession of the early 1990s and the subsequent restructuring process have eliminated over 10,000 printing jobs during this decade. The industry now employs a total workforce of 28,000. The employment situation in the indus-

PURCHASING POWER OF
FINNISH HOUSEHOLDS
1988-1997



try improved slightly during the financial year.

Media net sales, according to Statistics Finland's preliminary estimate, were FIM 18.6 billion in 1997. The electronic media have captured an increasing share of net sales and the public's attention. But the printed media still command the biggest share of the market. Printing and publishing account for three quarters of the total net sales of the mass media.

As the economy has recovered, the decline in newspaper circulations seems to have leveled out. The country's largest dailies increased their circulations slightly on the 1996 figures. The biggest growth was achieved by the tabloid *Ilta-Sanomat* and its competitor *Ilta-alehti*. The aftermath of the recession continues to weigh on newspapers that are in second place in their regional markets and on papers published less than five times a week.

Finnish consumers spend more than seven hours a day on the various media. They use about 40 minutes a day reading newspapers, which reach almost 90 percent of the population daily. The average Finnish household spends about FIM 5,300 on the mass media annually. One fifth of this total is spent on newspapers.

ADVERTISING TRENDS

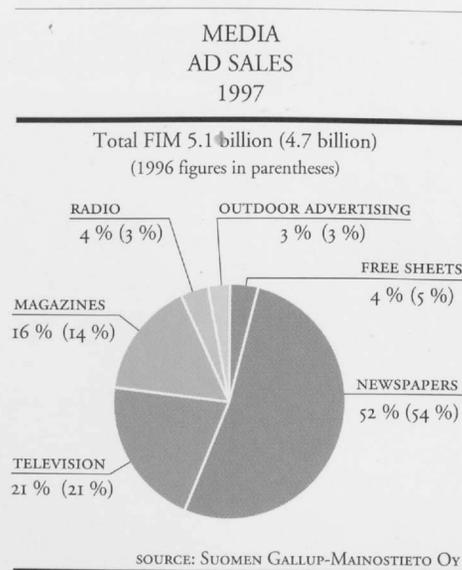
Media advertising grew nine percent during the financial year and exceeded FIM 5 billion for the first time.

Newspapers and free sheets absorbed 56 percent of total expenditure on media advertising. In 1992 they still had 64 percent of the total. While newspapers' share of the ad market has declined, television's share has grown. But in contrast to the situation in many other countries, Finnish newspapers' portion of media advertising is still large.

The Internet drew about FIM 10 million in advertising expenditure in 1997, which was 0.2 percent of total media advertising and slightly more than was spent on cinema advertising.

COMPETITORS

Investment in the electronic media, and especially in television operations, increased in Finland last year. Commercial television group MTV Corporation's long-standing monopoly on TV advertising was broken when the government granted a license to television operator Nelonen, which is partly owned by Sanoma Corporation's associate Helsinki Media Company Oy. The Finnish Broadcasting Company YLE increased its TV news production by adding a morning news program and announcing that it would launch a separate business news program in 1998. Commercial station Radio Nova, which started operating during the financial year, captured a significant share of listeners and radio advertising revenues.



The single biggest development in the newspaper business was the establishment by Startel Oy – jointly owned by Sanoma Corporation and the publishing company TS-Yhtymä Oy – of the new financial daily *Taloussanommat*. The paper was launched in November and is published five days a week. Also during the year, publishing group Janton Oy, which has cornered most of the Helsinki area free-sheet market, launched a free paper called *Uutislehti 100*. The paper is published five times a week and distributed mainly at public transport stations.

The Finnish media industry underwent a major ownership change when newspaper publisher Aamulehti Group and MTV Corporation merged last year. The companies will begin operating as Alma Media Oyj on April 1, 1998. Swedish newspaper publisher Tidnings AB Marieberg owns almost a quarter of the new company and has expressed interest in increasing its stake. Alma Media has about 95 percent of the Finnish commercial television market and about 48 percent of the nationwide commercial radio business.

In 1997 Helsinki Media Company sold 70 percent of Norwegian cable-television operator Janco Kabel-TV A/S to United & Philips Communications B.V. of the Netherlands. Aamulehti Group and MTV Corporation bought 23.4 percent of Swedish TV4. Together with Tidnings AB Marieberg, Alma Media owns 40.1 percent

of this commercial television station, which has the most viewers of the commercial channels in Sweden.

Publishing house Oy Talentum Ab, which focuses on economic and technology-related publications, established a new media group called *Interaktiivinen Satama Oy* (Interactive Harbor). The new unit has said it aims for net sales of FIM 20 million in 1998. A large portion of Talentum is foreign-owned.

Some restructuring took place in the ownership of regional newspapers in central and eastern Finland. The local newspaper publisher Keski-Suomen Media Oy bought shares in 1997 giving it control of 92 percent of publishing group Savon Sanomat Oy and 94 percent of IS-Yhtymä Oy, which publishes the newspaper *lisalmen Sanomat*. Savon Sanomat's subsidiary *Lehtisepät Oy* sold six local newspapers to *Kymen Lehtimedia Oy*, *Länsi-Savo Oy* and *Savon Lehtikustannus Oy*.

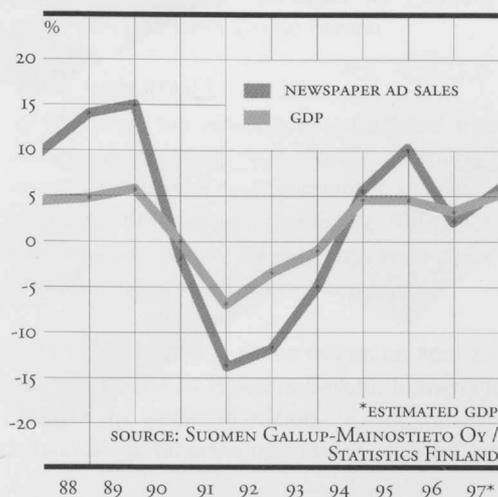
Regional newspapers stepped up their editorial cooperation during the year, and they also cooperated in ownership and production arrangements and in marketing through the jointly owned ad placement unit *Kärkimedia*.

Plans to digitalize television and radio operations prompted debate over the future of funding for the Finnish Broadcasting Company YLE. The discussion focused on the public service fees paid to YLE and on the incorporation of YLE's distribution network.

PRODUCTION VOLUME
INDEX
1990-1997



RELATIVE CHANGE
OF NEWSPAPER AD SALES AND GDP
1988-1997







Seppo Kievari
Publisher



Janne Virkkunen
Senior Editor in Chief

Helsingin Sanomat

Helsingin Sanomat is the largest-circulation daily newspaper in Scandinavia and it reaches over 1.2 million readers every day. Readers in most parts of Finland get the newspaper by early-morning home delivery.

Helsingin Sanomat's performance in 1997 was good and a substantial improvement on the previous year. The circulation grew slightly. The volume of advertising in Helsingin Sanomat rose appreciably, and advertising revenues grew considerably more than expected. Costs increased moderately.

COMPETITION increased in 1997 in the media markets relevant to Helsingin Sanomat. The newspaper's advertising sales, circulation and content developed favorably in the face of tougher competition.

Helsingin Sanomat's average circulation rose slightly, and price increases contributed to satisfactory growth of revenues. The prospects for circulation growth improved at the end of the year. The newspaper's advertising revenues increased, and the market performed especially well at year-end. Growth in sales by Helsingin Sanomat Printing Plant also boosted revenues.

Expenses rose moderately. Wage costs increased slightly as a result of a two-year incomes agreement. Newsprint prices fell, which kept the paper costs of Helsingin Sanomat Printing Plant at the previous year's level despite the increased printing volumes.

A special target group for the content and marketing efforts of Helsingin Sanomat during the year were resi-

dents of the Helsinki metropolitan area and young people across the country.

Helsingin Sanomat's Net Supplement, the paper's online edition, created new services to support the printed version.

The position of Helsingin Sanomat as a brand was analyzed in order to clarify and reinforce it. The organization's operating principles were developed further towards a process-based organization. For the printing plant and distribution unit, 1997 was the first full year as parts of the Helsingin Sanomat organization. Helsingin Sanomat provides the Group's other newspapers with services such as printing, information technology and distribution.

Helsingin Sanomat is managed by Publisher and Executive Vice President Seppo Kievari.

EDITORIAL DEPARTMENT

During the year, the newspaper introduced three new regular theme sections: "City Plus", "Economy & Employment" and "Travel." The editorial department devoted special attention to developing the news operations of the daily paper. Preparations were made to renew the structure and layout of the paper.

EDITOR IN CHIEF Keijo K. Kulha retired on April 1, 1997. He was succeeded by Heleena Savela, formerly Managing Editor of the weekend edition.

Helsingin Sanomat news operations adopted a system

with two news chiefs. The new Managing Editors are Jouko Jokinen, as of April 1, and Mika Pettersson, as of November 1.

During the year, the editorial department launched a project aiming to reform the structure and layout of the newspaper in 1999. The project is headed by Managing Editor Pekka Kukkonen.

The editorial department improved its service to readers in the Helsinki metropolitan area in October by starting to publish the new "City Plus" section, which appears on Thursdays. Coverage of economic affairs was strengthened by moving the newspaper's special business pages to Sunday and expanding them into a section called "Economy & Employment." In connection with this reform, the newspaper's 25-year-old "Economics Tuesday" section was discontinued, and the consumer pages moved from Wednesday to Tuesday to fill the section vacated by the economics pages. A new travel section was introduced in the Wednesday edition.

The layout of Helsingin Sanomat's Net Supplement was redesigned, and the new look was well received. At the end of the year, one in every ten Helsingin Sanomat subscribers was a registered reader of the Internet supplement.

During the year, Helsingin Sanomat took a stand in favor of Finland joining the European Economic and Monetary Union.

Helsingin Sanomat's Senior Editor in Chief is Janne Virkkunen and its Editor in Chief (news) is Reetta Meriläinen. The technical side of the editorial operations is headed by Production Director Sulo Nuutinen.

ADVERTISING SALES

The advertising sales of Helsingin Sanomat progressed well and the newspaper increased its share of the advertising market. The biggest growth was in job ads.

THE MEDIA advertising market grew faster than predicted in 1997. Ad clients had been forecast to increase their media advertising by five to seven percent. But the growth was in fact about nine percent.

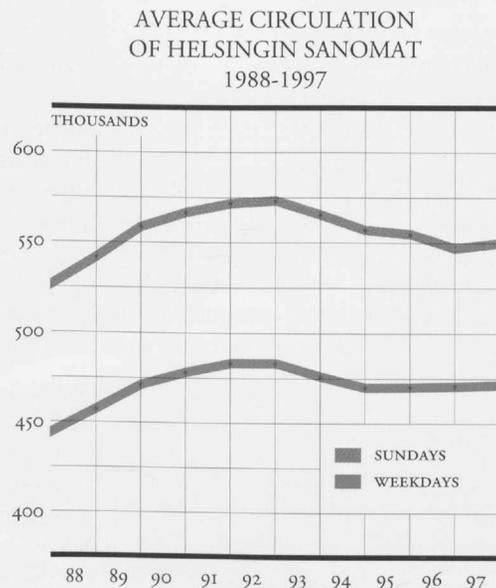
Almost without exception, the new media launched on the market in 1997 got off to a sluggish start, and their ad sales were clearly below target.

Helsingin Sanomat performed excellently in the competition for media advertising. Net sales rose 11 percent. The newspaper's market share also grew. The fastest-growing advertising category was job ads (35 percent).

Ad sales of Helsingin Sanomat's monthly magazine supplement grew 11 percent, ad sales of its Nyt weekly supplement eight percent and of its advertising supplements seven percent. The ad space in the magazine supplement was almost entirely sold out. With its readership growing to over 1.1 million, the Nyt supplement is establishing its place on the advertising market.

Cooperation between Finland's major newspapers in the advertising market developed favorably. Sales via Kärkimedia, the joint marketing system of the 27 biggest papers, rose 20 percent.

Helsingin Sanomat's advertising products were vigorously developed in 1997. The use of four-color printing in advertising was successfully increased. Advertisers were also given the opportunity to target their ads in the newspaper's special classified section to the eastern, northern or western parts of Helsinki and the surround-



ing region.

The transition of classified advertising to the world of the Internet was pursued to improve on-line products. Job, real estate and auto ads printed in Helsingin Sanomat are also published in the Net Supplement. An extensive database of automobile ads has been developed in cooperation with the association of Helsinki area car dealerships.

The advertising sales organization focused on improving customer satisfaction in all customer groups. The

department acquired a new ad sales computer system and began to install it during the year.

The advertising sales department held its second Brand Seminar in October at Finlandia Hall in Helsinki. The keynote speaker David E. Aaker drew a crowd of more than 750.

Helsingin Sanomat's ad sales are managed by Advertising Director Pekka Soini.

CIRCULATION SALES

The average daily and Sunday circulations of Helsingin Sanomat grew somewhat in 1997 on the previous year. Circulation measures focused on the Helsinki metropolitan area and on young readers across the country.

IN FEBRUARY, the price of an annual automatic renewal subscription to daily Helsingin Sanomat rose from FIM 1,035 to FIM 1,066 and the corresponding price of the Sunday edition rose from FIM 475 to FIM 490. Newsstand prices remained unchanged. Slight growth in circulation and the increase in subscription prices boosted subscription revenues by two percent.

The circulation grew in Helsingin Sanomat's main market, the Helsinki metropolitan area. The 11 municipalities in the area account for two-thirds of subscribers to the weekday edition and for over half of Sunday subscribers. Readers have responded well to the new "City Plus" section. Increased economic activity in the paper's main circulation area contributed to circulation sales.

Elsewhere in Finland, unemployment remained high and the economy recovered more slowly than in the capital. Local newspapers also launched strong circulation drives. For these reasons, Helsingin Sanomat has not yet regained the position it held before the recession of the first half of the 1990s. Outside the Helsinki area subscriptions to Helsingin Sanomat were canceled mainly due to economic restrictions.

The year's most important effort targeted at young readers was the week-long "Reporter for a Day" event, held at the Helsinki Railroad Station in September as part of a pan-European campaign.

During the year, Helsingin Sanomat also supported the Helsinki Festival, the Espoo April Jazz event, the national ice-hockey team, the Helsinki Cup youth soccer tournament, a cross-country skiing event and Finland's top orienteering competition. The newspaper continued to work with the Finnish National Gallery.

In cooperation with the City Transport Department, the

newspaper began publishing a new free sheet called "Vartti," which is available on public transport. Helsinki Media Company produces the magazine's editorial content.

Helsingin Sanomat circulation sales are managed by Circulation Director Janne Kalliomäki.

HELSINGIN SANOMAT PRINTING PLANT

Helsingin Sanomat Printing Plant comprises the printing plants Sanomala in Vantaa, Forssa in southwestern Finland and Varkaus in eastern Finland and their sales unit SanomaPrint. The main task of the Sanomala plant is to print Helsingin Sanomat, while the Forssa plant's biggest assignment is to print Ilta=Sanomat. The Varkaus printing plant is largely engaged in commercial printing for outside customers, especially for export.

THE PRODUCTION volume of Helsingin Sanomat Printing Plant rose somewhat on the previous year. The number of pages and the circulation of Helsingin Sanomat grew. In addition, the volume of commercial printing, and especially of export publications, rose. The Group's own newspapers and magazines accounted for 83 percent of total printing output, domestic customer publications for seven percent and export printing for 10 percent.

Sales by SanomaPrint exceeded FIM 200 million (FIM 80m in 1996). At the beginning of 1997, Ilta=Sanomat became an internal customer and for the first time is included in SanomaPrint sales figures. The biggest external printing clients were the farmers union's newspaper Maaseudun Tulevaisuus, the second-hand sales paper Keltainen Pörssi, the lottery weekly Veikkaaja and the church newspaper Kirkko ja Kaupunki. New clients were the free sheet Vartti and the financial daily Talous-sanomat.

Printing exports grew and, with the addition of the newspaper Eestlane, also spread to Estonia. Helsingin Sanomat Printing Plant began to print the Moscow free sheet Metro and it continued to serve the Russian clients Argumenty i Fakty and Extra M.

The renovation of the Sanomala printing plant was completed. The presses at Forssa and Sanomala were enlarged, and more four-color capacity came on stream at the beginning of September. After the expansion projects, all three printing plants are capable of printing up to 40 four-color pages for the main sections of Helsingin Sanomat.

The Forssa printing plant was the first to install a CTP line that prints directly onto the printing plate. The

system speeds up printing and improves the quality of the end product. In the next few years, the preparation of printing plates will shift entirely to this new technology.

All three printing plants made capital improvement investments and raised the quality and reliability of their processes. The Varkaus printing plant won the Finnish Newspaper Publishers Association's national newspaper quality award for its production of *Iltta*=Sanomat and placed third with Helsingin Sanomat.

The staff were trained in teamwork and adoption of the quality system. In addition, new problem-solving techniques were introduced to the staff.

The Sanomala 2000 Project was launched in 1997. The goal of the project is to replace the Sanomala plant's current production equipment with entirely new technology. The planning of the project is based on the needs of the Helsingin Sanomat editorial operations and advertising sales.

Helsingin Sanomat Printing Plant is managed by Vice President for Production Pekka Salmén.

LEIJONAJAKELU OY, NEWSPAPER DELIVERY COMPANY

Leijonajakelu Oy provides nationwide distribution services for newspapers, magazines and other printed products. The company's own delivery personnel handle early-morning deliveries in 25 municipalities in Uusimaa province. Deliveries and transport services in other parts of Finland and abroad are purchased from subcontractors.

LEIJONAJAKELU OY is part of the Helsingin Sanomat circulation sales organization. During the financial year, 84 percent of the company's revenues came from distribution of Helsingin Sanomat. Leijonajakelu has about 30 percent of the entire early-morning delivery market in Finland. It is responsible for distributing Helsingin Sanomat nationwide. Among the biggest outside customers of the company's distribution services are the Swedish-language daily *Hufvudstadsbladet* and the regional newspaper *Keski-Uusimaa*.

The Group's financial daily *Taloussanommat* joined the clientele in November. Leijonajakelu Oy delivers the paper in the province of Uusimaa, and organizes the distribution in and around the towns of Turku, Tampere and Lahti. Elsewhere, readers receive the paper by daytime postal delivery.

At the end of the year, the company's administrative staff organization was overhauled. Delivery operations

were divided into four regional teams as of the beginning of 1998. The Helsinki area team was decentralized and staff moved from the Sanomala printing plant to three operating units in the western, central and eastern parts of the metropolitan area. The company has a new planning director and from the start of 1998 a director in charge of distribution operations.

Leijonajakelu Oy decided in 1997 to expand its services to include daytime deliveries. For this purpose it established a wholly-owned subsidiary called *Päiväverkko Oy*. The task of the new unit is to build a clientele among magazines and customer publications. The magazine delivery market in Finland is worth about FIM 350 million a year. The new unit was equipped with an information system linked to the same address database as the circulation and distribution system.

The new company will become fully operative in 1998. At first it will offer deliveries once a week on average. *Päiväverkko* will initially employ a delivery staff of about 500.

Anne Nyysti was appointed Managing Director of Leijonajakelu Oy as of June 1, 1997.

LEHTIKUVA OY, INTERNATIONAL PICTURE AGENCY

Sanoma Corporation's wholly-owned subsidiary Lehtikuva Oy is one of the biggest picture agencies in Scandinavia and the market leader in news photos in Finland. It sells news pictures mainly to newspapers but also serves advertising agencies, book publishers, magazines and other clients.

THE GENERAL economic upswing helped picture sales recover clearly in 1997. Lehtikuva Oy's net sales and profitability improved in all customer categories.

Sales of news photos to newspapers and magazines account for about half of Lehtikuva Oy's total net sales. In 1997, the news photo unit had an average of 20 employees, including 11 photographers. The company's own picture material generates about half of sales. The other half comes from the transmission to clients of pictures from Reuters, AP and EPA international picture services. The client base expanded last year when two new newspapers were launched: *Startel Oy's* financial daily *Taloussanommat* and the free sheet *Uutislehti 100* published by *Janton Oy*. These additions boosted demand for news pictures.

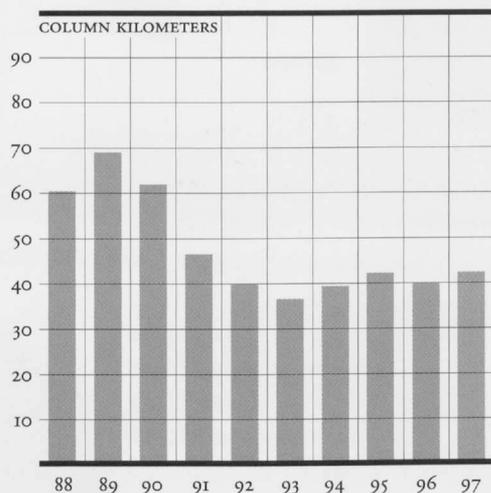
In other picture sales, the recovery of the domestic market increased demand especially for advertising photos. Archive photo sales also developed favorably. The

market for pictures outside the news photo segment progressed especially well, and competition in this market increased slightly.

Lehtikuva Oy's news photos are transmitted to customers digitally via telecommunication networks. The work of telephoto operators was phased out with the introduction of the new-generation digital distribution system. Photo Editors use the system to transmit pictures directly to newspaper clients.

The biggest single investment during the financial year was the purchase of a new computerized sales system for the entire company.

VOLUME OF ADVERTISING
IN HELSINGIN SANOMAT
1988-1997



The tragic death in 1997 of Princess Diana had a major influence on the picture agency and its photographers. The shadow of unpopularity surrounding the paparazzi photographers suspected of causing the accident in Paris extended all the way to Finland and will probably affect future legislation governing the norms for picture-taking and the right to privacy.

Lehtikuva Oy is headed by Managing Director Olavi Ahlfors.

HELSINGIN SANOMAT EUROPE SEMINAR

The theme of the newspaper's third Europe Seminar was the planned Eastern enlargement of the European Union.

THE KEYNOTE speaker at the Europe Seminar was the Dutch member of the European Commission Hans van den Broek who is in charge of the EU's relations with Central and Eastern Europe. Van den Broek emphasized that the countries of the region will succeed to join the Union only by working to fulfill the membership criteria.

Observations on EU expansion were also presented by Estonian President Lennart Meri, Finnish Prime Minister Paavo Lipponen, Leader of the Center Party Esko Aho, who was prime minister when Finland negotiated to join the EU, Finnish member of the European Commission Erkki Liikanen, and Spanish Ambassador to Sweden Camilo Barcia. The Seminar was opened by Sanoma Corporation President Jaakko Rauramo.

By holding these top-level Europe Seminars, Helsingin Sanomat brings European topics into the Finnish debate about Europe. Another goal is to generate discussion of issues vitally important to Finland and Europe.

HELSINGIN SANOMAT LITERATURE PRIZE

The Helsingin Sanomat Literature Prize is awarded yearly to the author of the best literary debut in the Finnish language. In 1997 the prize went to Marja Kyllönen, 22, for her novel Lyijyuuma.

MARJA KYLLÖNEN'S book dealt with incest and the theme of a woman's right to her own body. The jury called the book a significant achievement as a hybrid of the family novel and the grand literary tradition. In the novel, Kyllönen expanded literary Finnish with her earthy northeastern dialect and neologisms from the well-springs of her personality.

The jury was headed by the newspaper's chief literary critic Pekka Tarkka, Ph.D. The other members were journalists Suvi Ahola, Timo Harakka and Nina Paavolainen and journalist-author Jukka Petäjä. Harakka and Paavolainen were invited to the jury from outside Helsingin Sanomat.

The Helsingin Sanomat Literature Prize was awarded for the first time in 1995. It carries on the tradition of the J.H. Erkkö prize conferred in 1964-1994 on superb debut authors. The prize was established to encourage writers struggling to produce their second book.



REPORT BY THE
BOARD OF DIRECTORS
AND FINANCIAL
STATEMENTS 1997

Sanoma Corporation Board of Directors

	<i>member since</i>	<i>for the term until</i>
Aatos Erkkö, Chairman (<i>since 1972</i>)	1957	1999
Heikki Tikkanen, Vice Chairman (<i>since 1989</i>)	1988	1998
Robert Castrén	1994	2000
Jane Erkkö	1990	2000
L.J. Jouhki	1990	1999
Seppo Kievari	1995	1998
Robin Langenskiöld	1990	1998
Rafaela Noyer	1994	2000
Jaakko Rauramo	1979	1998
Kalle Salonen, Personnel Representative	1990	1999
Jarmo Toivanen, Personnel Representative	1996	1999

Auditors:

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



Jaakko Rauramo
President and Chief Executive Officer

Farewell to Monopolies

IN FINLAND the printed media have long been allowed to develop free of regulatory constraints, as guided by the market and readers, and in a spirit of entrepreneurship and freedom of opinion. This has produced an unusually high-quality and vital newspaper and magazine press.

Unlike the printed media, the electronic media have been heavily regulated because of the limited availability of broadcasting frequencies. The electronic media had long been a monopoly of the Finnish Broadcasting Company YLE and the commercial television group MTV Corporation. When the monopolies were dismantled, society tried to use its regulatory policies to increase fair competition. This led to a situation where too many local radio licenses were granted, and they were given to operators who did not always have adequate economic resources or expertise. Once Sanoma's associate Helsinki Media Company Oy and its partners obtained the country's second nationwide commercial television license last year, regulators "compensated" for this by allowing MTV to become a partner in a new nationwide radio channel together with media group Aamulehti. As the result of the restructuring process, a

company being formed by the merger of Aamulehti and MTV now have both a nationwide commercial television channel and a nationwide radio license. To ensure impartiality and fair play, it is essential that Sanoma Corporation be allowed to engage in nationwide radio operations. This view is in harmony with the general effort to promote balanced competition.

Finland has undergone a profound process of structural change in the media. The goal has been to increase productivity and improve competitiveness. The process has met with approval or at least neutral attitudes, though so far it has created only few new products or jobs. Observers have not always wanted to see the full consequences of restructuring.

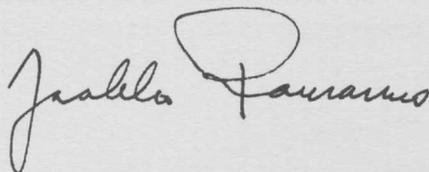
Among the significant newcomers to the media market are Helsinki Media Company's TV channel Nelonen, Sanoma's financial daily Taloussanomat, the free sheet Uutislehti 100, the nationwide commercial broadcaster Radio Nova and the multimedia group Interaktiivinen Satama (Interactive Harbor). On the whole, these new ventures have been rather negatively received – in some

cases very negatively. This reflects a Finnish tendency to view innovation and competition with suspicion. The projects mentioned above have created hundreds of new jobs, boosted competition and brought viewers, readers and advertisers interesting new alternatives. I sincerely hope that these new ventures will succeed.

Restructuring and the corresponding effort to share resources have eclipsed discussion over the core of successful media: content. Only high-quality and interesting content can ensure success in the long run. One excellent example of this is our main newspaper, Helsingin Sanomat, which has developed and diversified its content even during tough economic times. As a result, the paper has succeeded in today's media competition for readers and advertisers alike. Content is the soul of the newspaper, and producing and fostering that content takes a professional editorial team. It is no longer possible to think that editorial operations could be a big, inflexible and hierarchical organization that does everything on its own. The editorial department should be the guardian of our core competence and add content through a broad network of free-

lancers. This enables us to preserve vital creativity. But subcontracting is not the same thing as sharing resources with other newspapers. In producing editorial content, sharing resources poses a danger that newspapers could lose their personality and distinct features, their own perspective on issues. This could undermine the competitive position of newspapers.

Sanoma Corporation has changed significantly in recent years, and its newspapers and organization have developed in anticipation of changes in the operating environment. To all those who have contributed to this process of change, development and creation of something new, I would like to extend my sincere thanks for a job exceptionally well done in demanding circumstances. We have developed our operations in close cooperation with our advertisers, and we are very thankful for this opportunity. Our readers have faithfully stood by our newspapers. And we are proud of this loyalty as we continue the effort to make our publications better than ever.

A handwritten signature in dark ink, reading "Jaakko Pauranen". The signature is written in a cursive style with a large, prominent loop at the end of the last name.

REPORT BY THE BOARD OF DIRECTORS 1997

GROUP STRUCTURE

At the end of 1997, the Sanoma Group comprised the parent company Sanoma Corporation and its subsidiaries Leijonajakelu Oy, Lehtikuva Oy, Startel Oy, Lastanet Holding B.V. in the Netherlands, Sanoma Finance AG in Switzerland and several housing and real estate corporations in Finland.

Startel Oy, which produces electronic financial information services and publishes the financial daily Taloussanomat, became a subsidiary at the beginning of July. The electronic information services were acquired from the Corporation's associate Helsinki Media Company Oy. TS-Yhtymä Oy, the publisher of the regional daily paper Turun Sanomat, has a 10 percent stake in Startel Oy. Taloussanomat and its on-line edition Verkko-Taloussanomat were launched in November.

Sanoma Corporation is divided into three units: Helsingin Sanomat, Ilta-Sanomat and Sanoma Finance. The

Helsingin Sanomat organization includes Helsingin Sanomat Printing Plant, which prints Helsingin Sanomat and the Group's other newspapers as well as customer publications for the Finnish and export markets. Ilta-Sanomat operates as an independent unit and buys its printing services from Helsingin Sanomat Printing Plant. In 1997 Sanoma Finance managed the investment of the Group's funds at home and abroad and conducted its real estate operations. Following an organizational reform at the beginning of 1998, Sanoma Finance is an independent unit in charge of consolidated portfolio management.

Sanoma Group's associated companies during the financial year were Helsinki Media Company Oy (40 percent Sanoma-owned), publishing company Kymen Lehtimedia Oy in southeastern Finland (48.9 percent), the Finnish News Agency STT (20.78 percent), local newspaper publisher Keski-Suomen Media Oy (21.73 percent), and – joining the associated companies during the year – kiosk chain operator and distribution channel

Rautakirja Oyj (22.94 percent) and publishing company Werner Söderström Oy (20.06 percent). Keski-Suomen Media owns about 92 percent of newspaper publisher Savon Sanomat Oy.

NET SALES

Consolidated net sales in 1997 rose to FIM 1,949 million, up seven percent on the previous year. The Parent Company's net sales were FIM 1,859 million and accounted for 95 percent of the total.

The average daily circulation of Helsingin Sanomat was 470,885 copies, an increase of 0.1 percent on the previous year. The average Sunday circulation rose 0.5 percent to 549,188 copies. The newspaper's circulation revenues grew two percent. Helsingin Sanomat's gross revenues in 1997 were FIM 1,813 million, up about six percent on comparable revenues in 1996. Advertising sales grew sluggishly in the early part of the year, but growth began to pick up in August. Gross advertising revenues for the full year grew nine percent.

The volume of advertising rose seven percent in the main newspaper. Much of the growth stemmed from increased job advertising. Sales of Helsingin Sanomat Printing Plant's services to outside customers grew 10 percent largely due to growth in export printing.

The circulation trend at Ilta=Sanomat was very positive thanks to a year rich in news events. The average daily circulation for the year was 220,926 copies, or a 3.0 percent increase on the previous year. The lead over the main competitor was 108,000 copies. The paper's ad sales were almost on target, but declined three percent on 1996. Ilta=Sanomat's gross revenues remained at the previous year's level of FIM 372 million.

Leijonajakelu Oy delivers Helsingin Sanomat and other metropolitan area newspapers to readers' homes in the early morning. Leijonajakelu also provides early home delivery of newspapers and magazines published by Oy Talentum Ab. During the financial year, the company decided to expand operations to daytime deliveries, and a new subsidiary, Päiväverkko Oy, was established for

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this purpose. Leijonajakelu owns 100 percent of the new unit. Leijonajakelu's net sales in 1997 rose to FIM 352 million, up five percent on the previous year.

Net sales by the picture agency Lehtikuva Oy, one of the biggest agencies in Scandinavia, came to FIM 40.7 million in 1997. The general economic upswing contributed to successful picture sales, and the company's net sales grew 15 percent on the previous year.

The revenues of Startel Oy in its first financial year came mainly from sales of its electronic economic information services, while the new financial daily, Taloussanomat was still in the start-up phase. Startel's net sales in July-December were FIM 11.4 million.

FINANCIAL PERFORMANCE

Consolidated operating profits before depreciation totaled FIM 432 million and edged up to 22 percent of net sales from 20 percent in the previous year. Operating profits before depreciation grew 20 percent on 1996.

When the earnings of the associated companies are excluded, the growth was 11 percent. Consolidated operating profits after planned depreciation were FIM 288 million and grew 30 percent on the previous year. The net profit for the financial year rose from the previous year's 257 million to FIM 417 million.

Payroll costs were the single biggest expense item in the consolidated accounts. They came to FIM 681 million, or 35 percent of net sales.

The second biggest expense item was paper purchases. Paper prices declined on the previous year. Consumption of paper grew somewhat. Paper costs were FIM 292 million, or 15 percent of net sales.

Consolidated profits include shares in the earnings of the associated companies, amounting to FIM 81 million. Rautakirja Oyj and Werner Söderström Oy became associated companies during the financial year. The share of associates' earnings is entered in the Income Statement under other operating income, whereas it

was included in financial income and expenses in the 1996 accounts.

Net sales by associate Helsinki Media Company Oy fell three percent to FIM 1,102 million. The decline was due to the sale during the year of Norwegian cable-television operator Janco Kabel-TV A/S, media monitoring service Sanomalehtien Ilmoitustoimisto Oy, Startel and cable-TV movie channel FilmNet. Consolidated gains on the sale of these operations are stated separately in extraordinary income. Helsinki Media Company's profit before extraordinary items, reserves and taxes was FIM 13.5 million, versus FIM 83.9 million in 1996. The decline in earnings was due to divestment of operations and losses by television unit Ruutunelonen, which started up in mid-year. Earnings on comparable business operations grew 20 percent on the previous year.

The 1997 net sales of associated Kymen Lehtimedia Oy were FIM 483 million, up 10 percent on the previous year. The growth resulted largely from printing exports to Russia. The company's earnings before extraordinary

items, reserves and taxes more than doubled on 1996, to FIM 73.7 million.

FINANCING

The financial markets developed favorably in 1997. The tone was set by a general decline in interest rates on international and domestic markets. Consolidated earnings on financial operations totaled FIM 145 million, an increase of FIM 42 million on the previous year. Cash flow from operations was FIM 611 million and exceeded total investment of FIM 494 million.

INVESTMENT

The main investments of 1997 were: the acquisition of shares in the new associated companies Rautakirja Oyj and Werner Söderström Oy, the purchase of electronic economic information provider Startel, the founding of the financial daily Taloussanomat, and outlays to improve or replace production equipment, including those to raise capacity for four-color printing. Construction of

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the new headquarters Sanoma House continued, and a total of FIM 176 million was spent on building investment in 1997.

The most important capital expenditures of 1997 were the continuing construction of Sanoma House and projected purchases of new printing presses. The investment decision on the presses will be finalized and orders placed in 1998. The new presses should be on stream in 2002.

PERSONNEL

Payroll costs remained the single most significant expense item. Consolidated salaries, wages, fees and other remuneration totaled FIM 520 million. The corresponding figure for the Parent Company was FIM 358 million. Salaries and fees to Presidents and members of

the Board of Directors were FIM 5.7 million. The average consolidated personnel figure for 1997 was 1,769, versus 1,737 in 1996. At the beginning of the year, the figure was 1,636 and at year-end 1,726. In addition, the Group employed an average of 1,585 newspaper deliverers (1996: 1,614). Forty-seven members of staff retired during the year. Sanoma Corporation personnel numbered 1,507 on average: 535 administrative and clerical staff, 432 journalists and 540 other staff.

During the financial year, Sanoma transferred FIM 23.8 million out of earnings to the Profit-Sharing Fund. Employees withdrew a total of FIM 9.8 million in accrued Fund units.

Consolidated payments to the Sanoma Corporation Pension Fund were FIM 25.3 million.

Consolidated Income Statement

(FIM thousands)	Jan. 1- Dec. 31, 1997	Jan. 1- Dec. 31, 1996
Net sales	1,948,944	1,823,799
Share in associated companies' results	81,400	43,644
Other revenues from operations	21,785	20,420
Expenses	-1,620,478	-1,528,426
Profit on operations before depreciation	431,651	359,437
Depreciation	-143,420	-137,753
Profit on operations after depreciation	288,231	221,684
Financial income and expenses	145,087	102,601
Profit before extraordinary items, reserves and taxes	433,318	324,285
Extraordinary income and expenses	102,907	25,807
Payout to the Employee Profit-Sharing Fund	-23,826	-19,458
Profit before reserves and taxes	512,399	330,634
Direct taxes	-97,418	-73,328
Minority interests	1,877	-73
Net profit for the year	416,858	257,233

Consolidated Balance Sheet

(FIM thousands)

Dec. 31, 1997

Dec. 31, 1996

Assets

Fixed assets and other long-term investments

Intangible assets

Immaterial rights	37,220		19,500	
Other long-term expenditures	42,914	80,134	40,785	60,285

Tangible assets

Land and water areas	294,634		243,630	
Buildings and structures	683,142		655,502	
Machinery and equipment	368,465		355,423	
Advance payments and fixed assets under construction	14,645	1,360,886	30,073	1,284,628

Securities included in fixed assets and other long-term investments

Investments in associated companies	803,064		163,608	
Investments in other shares	171,481		404,294	
Long-term loans receivable	74,551		107,656	
Other investments	528,058	1,577,154	454,306	1,129,864

Current assets

Inventories

Materials and supplies	23,239		10,208	
Products in process	273	23,512		10,208

Receivables

Accounts receivable	108,846		127,134	
Prepaid expenses and accrued income	27,853		58,989	
Other receivables	1,209	137,908	400	186,523

Securities included in financial assets

Shares and holdings	4,393		594	
Short-term investments	346,670	351,063	485,254	485,848

Cash in hand and at banks

		82,541		28,621
		3,613,198		3,185,977

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(FIM thousands)	Dec. 31,1997		Dec. 31,1996	
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity				
Share capital	46,413		46,413	
Revaluation reserve	522,692	569,105	532,182	578,595
Non-restricted equity				
Retained earnings	1,669,566		1,387,630	
Net profit for the year	416,858	2,086,424	257,233	1,644,863
Minority interests		14,471		11,348
Valuation items				11,890
Liabilities				
Long-term				
Loans from financial institutions	30,693		140,243	
Pension loans	307,129		241,000	
Imputed deferred taxes	163,185		179,631	
Other long-term liabilities	379	501,386	506	561,380
Current				
Loans from financial institutions	16,314		4,261	
Pension loans	16,326		695	
Advances received	96,538		123,460	
Accounts payable	73,423		53,171	
Accrued expenses and prepaid income	200,725		166,273	
Other current liabilities	38,486	441,812	30,041	377,901
		3,613,198		3,185,977

Appended Information on the Consolidated Financial Statements

Accounting policy

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Parent Company and those subsidiaries in which the Parent Company owns, either directly or indirectly, more than 50% of the voting rights conferred by all the shares. Subsidiaries acquired during the fiscal year are included in the consolidated income statement from the time of acquisition and subsidiaries divested are included up to the time of sale.

For subsidiaries whose financial statements have been prepared according to local standards of foreign countries, the figures have been adjusted, prior to consolidation, mainly in accordance with the unified accounting policy.

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

The minority interest in the net profit for the year is presented as a separate item in the income statement and, similarly, the minority interest is stated as a separate item in the balance sheet.

Investments in associated companies in which the Group holds 20% to 50% of the shares and voting rights conferred by the shares are consolidated according to the equity method. The share of the net profits of associated companies included in the consolidated income statement appears as a separate item after net sales.

Goodwill and reserves arising in the consolidation of associated companies has been entered as a credit or

charge to income following the changeover to the practice of including associated company accounts, except for Helsinki Media Company Oy, for which the reserve arising in consolidation is recognized as income over a seven-year period. Real estate and housing corporations belonging to the Group's associated companies have not been included in the calculations for affiliated companies, but have been treated as other investments in shares.

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

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

ITEMS DENOMINATED IN FOREIGN CURRENCY

Transactions denominated in foreign currency are booked at the exchange rate on the date of the transaction. Foreign currency-denominated receivables and liabilities that are unsettled at the close of the fiscal year are valued by applying the exchange rates quoted by the Bank of Finland on the balance sheet date. Currency call options and forward contracts purchased to hedge loans are valued separately at their market value, i.e. at the value at which they could be sold on the balance sheet date. Any unrealized gain that may result from options or forward contracts is not credited to income.

Foreign-exchange gains and losses connected with ordinary operations are treated as items adjusting sales and purchases. Foreign-exchange gains and losses

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connected with financing transactions are booked to financial income and expenses. Realized foreign-exchange differences are credited or charged to income. Unrealized gains on foreign-exchange are booked to valuation items in the balance sheet, and credited to income in the financial statements of the debt payment year. Unrealized losses on foreign-exchange are charged to income.

FOREIGN GROUP COMPANIES

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

NET SALES

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

SERVICE CHARGES

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

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include gains

and losses on the sale of machinery and equipment, proceeds from scrapping and rental income.

EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income and expenses include exceptional transactions that are not a part of ordinary operations and are of material importance, such as gains or losses on the divestiture of business operations and write-downs on fixed assets and their reversals as well as significant gains and losses on the sale of fixed assets. The item also includes all gains and losses on the sale of shares.

PENSIONS AND COVERAGE OF PENSION LIABILITIES

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

VOLUNTARY RESERVES

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

TAXES

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

FIXED ASSETS AND DEPRECIATION

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

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

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

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

INVENTORIES

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

FINANCIAL ASSETS

Cash in hand and at banks includes cash assets, bank accounts and other cash-equivalent liquid financial assets. Other short-term investments include investments of liquid funds in financial instruments. Marketable securities and investments are valued at the original acquisition cost or, if the market price of the financial instrument is lower than the acquisition price, at the probable sale price, whichever is lower, whereby the difference is charged to expense.

(FIM thousands)	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
1. EXPENSES				
Expenses				
Materials and supplies				
Acquisitions during the financial year	332,080	308,758	331,293	308,038
Increase/decrease in inventories	-13,304	17,428	-13,300	17,368
Purchased services	1,945	1,903	1,728	1,774
Personnel expenses	680,709	626,853	473,990	443,821
Rents	18,040	11,386	46,974	48,498
Purchased delivery services	170,052	161,554	322,964	312,080
Other expenses	430,956	400,544	384,513	360,461
Total	1,620,478	1,528,426	1,548,162	1,492,040
Personnel expenses and fringe benefits, on an accrual basis				
Wages and salaries	520,017	501,390	358,409	356,665
Pension expenses	95,728	62,519	66,579	38,645
Other social expenses	64,964	62,944	49,002	48,511
	680,709	626,853	473,990	443,821
Fringe benefits	4,667	4,578	3,880	4,037
Total	685,376	631,431	477,870	447,858
 Salaries paid to the Presidents and the members of the Boards	 5,704	 4,932	 4,597	 4,214

(FIM thousands)	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
2. DEPRECIATION				
Depreciation according to plan				
Immaterial rights	8,718	6,992	7,072	6,922
Other long-term expenditures	5,834	8,965	5,686	8,060
Buildings and structures	21,779	22,997	9,193	9,146
Machinery and equipment	107,089	98,799	104,515	97,364
Total	143,420	137,753	126,466	121,492
Change in accumulated depreciation in excess of plan				
Immaterial rights			-1,826	10,006
Other long-term expenditures			-1,048	-4,176
Buildings and structures			64,493	8,299
Machinery and equipment			-18,640	8,792
Total			42,979	22,921
3. FINANCIAL INCOME AND EXPENSES				
Dividend income	36,800	31,426	85,024	37,824
Interest income from long-term investments	19,093	30,270	19,861	25,509
Other interest income	38,919	40,991	32,708	37,539
Other financial income	79,684	33,237	11,992	12,086
Exchange gains and losses	26,380	454	12,912	830
Interest expenses	-20,886	-23,021	-25,464	-27,780
Other financial expenses	-34,903	-10,756	-8,367	-2,543
Total	145,087	102,601	128,666	83,465

XVII

(FIM thousands)	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
Financial income from Group companies				
Dividend income			26,837	1,568
Interest income from long-term investments			16,344	19,426
Other interest income			193	324
Total			43,374	21,318
Financial expenses paid to Group companies				
Interest expenses			4,599	4,788
Total			4,599	4,788

4. EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income

Realized internal margin and gain on sale	4,319	4,319		
Gains on sale of shares and real estate	17,720	21,605	11,794	2,703
Reversal of writedowns	10,096	189	10,096	189
Group contribution from Lehtikuva Oy			3,000	
Share in extraordinary revenues of Helsinki Media Company Oy	83,015			
Associate company reserves credited to income	22,748			
Other extraordinary income	2,381	2,970	2,302	2,970
Total	140,279	29,083	27,192	5,862

Extraordinary expenses

Losses on sale of shares and land	21,074	2,505	19,014	1,244
Group contribution to Leijonajakelu Oy			7,600	2,200
Depreciation on associated company goodwill	16,298			
Other extraordinary expenses		771		276
Total	37,372	3,276	26,614	3,720

XVIII

(FIM thousands)	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
5. DIRECT TAXES				
Taxes for the financial year	117,092	88,346	101,409	76,530
Deferred tax liabilities from previous years	-5,035	317	-2,520	2,352
Imputed change in deferred taxes	-14,639	-15,335		
Total	97,418	73,328	98,889	78,882

(FIM millions)	Acquisition	Increases	Decreases	Acquisition	Accumulated	Book
	cost			cost	depreciation	value
	Jan. 1	Jan. 1-Dec. 31	Jan. 1-Dec. 31	Dec. 31	Dec. 31	Dec. 31
6. INTANGIBLE AND TANGIBLE ASSETS						
Consolidated						
Immaterial rights	68.2	26.4	-10.7	83.9	46.7	37.2
Other long-term expenditures	106.0	8.0		114.0	71.1	42.9
Land	243.6	97.7	-46.7	294.6		294.6
Buildings and structures	859.7	78.9	-51.4	887.2	204.1	683.1
Machinery and equipment	1,267.6	106.8	-28.7	1,345.7	962.5	383.2
(Advance payments included)						
Total	2,545.1	317.8	-137.5	2,725.4	1,284.4	1,441.0
Production machinery						309.6
Parent Company						
Immaterial rights	67.9	9.1	-10.7	66.3	45.0	21.3
Other long-term expenditures	84.8	7.8		92.6	70.5	22.1
Land	47.4		-0.7	46.7		46.7
Buildings and structures	269.3	78.9	-1.0	347.2	60.9	286.3
Machinery and equipment	1,242.9	90.6	-28.1	1,305.4	939.8	365.6
(Advance payments included)						
Total	1,712.3	186.4	-40.5	1,858.2	1,116.2	742.0
Production machinery						302.9

(FIM thousands)	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
7. FIXED ASSET VALUATION BY TAX AUTHORITIES				
Land	126,583	131,656	61,520	61,695
Buildings and structures	227,736	241,764	73,858	69,649
Shares and participations	961,219	661,742	860,518	573,817
Shares and participations, subsidiaries			876,615	765,580
Total	1,315,538	1,035,162	1,872,511	1,470,741

8. SECURITIES HELD AS LONG-TERM INVESTMENTS**Group companies**

Shares			1,026,263	1,000,439
Loans receivable			277,443	315,636
Total			1,303,706	1,316,075

Associated companies

Shares	803,064	163,608	497,314	61,617
Loans receivable	56,754	78,333	56,754	45,889
Total	859,818	241,941	554,068	107,506

9. VALUATION ITEMS

Unrealized exchange rate gains Jan. 1	11,890	10,203	11,890	10,203
Change Jan. 1-Dec. 31	-11,890	1,687	-11,890	1,687
Unrealized exchange rate gains Dec. 31	0	11,890	0	11,890

10. FINANCIAL ASSETS**Receivables from Group companies**

Accounts receivable			16,110	268
Loans receivable			4,968	8,067
Prepaid expenses and accrued income			7,760	5,379
Total			28,838	13,714

(FIM thousands)	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
11. CHANGES IN SHAREHOLDERS' EQUITY				
Restricted equity				
Revaluation reserve Jan. 1	532,182	563,467		
Decrease, funds released due to sale	-9,490	-31,285		
Revaluation reserve Dec. 31	522,692	532,182	0	0
Non-restricted equity				
Non-restricted equity Jan. 1	1,644,863	1,439,947	1,633,099	1,439,239
Dividend distribution	-12,651	-10,120	-12,651	-10,120
Profits transferred to the reserve for donations	-500	-500	-500	-500
Change in the conversion difference for the equity of subsidiaries	37,853	-41,697		
Net profit	416,858	257,233	271,293	204,480
Non-restricted equity Dec. 31	2,086,424	1,644,863	1,891,241	1,633,099
Distributable component of non-restricted equity	1,668,478	1,184,645		
Share capital of Parent Company	1997	1997	1996	1996
	units		units	
Series K shares	232,866	23,287	232,866	23,287
Series E shares	231,269	23,127	231,269	23,127
Redeemed shares			units	
Series K shares			4,000	
Series E shares			38,450	

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12. EXCHANGE RATES USED

	1997	1996
CHF	3.7258	3.4392
NLG	2.6861	2.6624
USD	5.4207	4.6439

(FIM thousands)	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996

13. LIABILITIES

Liabilities maturing in five years or more

Pension loans	242,175	239,154	242,175	239,154
Total	242,175	239,154	242,175	239,154

Liabilities to Group companies

Accounts payable			30,274	30,646
Accrued expenses and prepaid income			8,238	5,663
Other current liabilities			154,433	137,984
Total			192,945	174,293

14. PLEDGES AND CONTINGENT LIABILITIES

As security for own debt

Pledges	50,584	48,377	50,584	48,359
Mortgages on land and buildings	10,000	110,000		
Total	60,584	158,377	50,584	48,359

On behalf of others

Guarantees	10,427	10,812	10,427	10,812
Total	10,427	10,812	10,427	10,812

(FIM thousands)	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
Other own commitments				
Pension liabilities	330	592	330	592
Other commitments	1,120	1,125		
Total	1,450	1,717	330	592
Total				
Pledges	50,584	48,377	50,584	48,359
Mortgages on land and buildings	10,000	110,000		
Guarantees	10,427	10,812	10,427	10,812
Pension liabilities	330	592	330	592
Other commitments	1,120	1,125		
Total	72,461	170,906	61,341	59,763

15. PENSION LIABILITIES TO MANAGEMENT

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

16. DERIVATIVE CONTRACTS

The Group has no significant derivative contracts.

17. GROUP AND PARENT COMPANY SHARES IN OTHER COMPANIES AS OF
DECEMBER 31, 1997

Group companies

(FIM thousands)	Group	Group share	Parent	Shares/holdings owned			Profit/loss
	holding/ share of votes %	of share- holders' equity	Company holding %	by the Parent Company			at the last closing of accounts ¹⁾
				Units	nominal value	book value	
Kiinteistö Oy Erottajankatu 9-11	89.42	22,854	89.42	3,289	329	52,219	-72
Kiinteistö Oy Korkeavuorenkatu 30	100.00	12,642	100.00	4,644	3,000	14,955	8,988
Kiinteistö Oy Miekkakala	97.84	77,561	97.84	15,866	63,464	74,570	108
Kiinteistö Oy Myllymäenpolku	100.00	15,769	100.00	46,500	29,574	15,074	179
Kiinteistö Oy Myllymäentie	100.00	69,962	100.00	34,215	66,001	66,001	40
Kiinteistö Oy Sanomalan Keskusalue	100.00	105,163	100.00	69,940	159,002	103,002	989
Kiinteistö Oy Vantaan Isotammi	100.00	4,700	100.00	47,000	4,700	4,700	-
Kiinteistö Oy Vantaan Kuningastie	100.00	3,000	100.00	30,000	3,000	3,000	-
Kiinteistö Oy Vantaan Valtatie 3	100.00	35,641	100.00	68,500	42,402	35,002	-19
Nytnet Oy	100.00	13	100.00	300	15	25	0
Helsingin Päivälehti Oy	100.00	24	100.00	15	15	15	0
Hyvinkään Jakajat Oy	100.00	18	100.00	15	15	15	0
Lastannet Holding B.V.	100.00	79,579	100.00	140,000	NLG 140	80,401	36
Lehtikuva Oy	100.00	7,548	100.00	75,000	750	1,025	3,421
Leijonajakelu Oy	100.00	6,294	100.00	200	2,000	6,000	46
Monsaksenpolun Kiinteistö Oy	100.00	57,125	100.00	41,000	41,000	41,000	4,540
Päiväverkko Oy	100.00	50					-
Sanoma Finance AG	100.00	530,040	100.00	1,090,000	CHF 109000	417,156	51,625
Sanoma, Inc.	100.00	5,005	100.00	100	USD 10	4,854	21
Sanomain Huoneisto ja Kiinteistöholding Oy	100.00	62,498	100.00	62,000	62,000	62,213	-1,124
Startel Oy	90.00	28,304	100.00	450,000	45,000	45,000	-18,551
Tiikerijakelu Oy	100.00	16	100.00	1,500	15	19	0
Tampereen Sanomain Oy	100.00	13	100.00	1,500	15	16	0
ECI Communications AG	100.00	8,504					253
Total						1,026,262	

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

Associated companies

(FIM thousands)	Group	Group	Group share	Parent	Shares/holdings owned			At the last
	holding	share of	of share-	Company	by the Parent Company			closing of
	%	votes %	holders' equity	holding %	Units	nominal value	book value	accounts profit/loss
As. Oy Ilkantie 13	45.15	45.15	2,914	45.15	545	2,932	2,932	16
As. Oy Laajavuorenkuja 3	41.04	41.04	12,894	41.04	6,304	12,923	12,923	-32
Etelä-Karjalan Jakelu Oy	20.00	20.00	30					1
Helsinki Media Company Oy	40.00	40.00	220,256					234,955
Keskiaukeama Oy	33.33	33.33	778	33.30	25	25	256	881
Keski-Suomen Media Oy	21.73	21.73	19,277	21.73	10,865	5,433	15,211	*) 21 838
Kiinteistö Oy Helsingin Uudenmaankatu 16-20	25.12	25.12	4,013					**) 19
Kymen Lehtimedia Oy	44.00	44.00	38,603	44.00	16,830	1,683	26,083	55 396
Rautakirja Oyj	22.94	23.42	236,268	22.94	1,486,249	29,725	202,020	*) 167 800
Suomen Tietotoimisto Oy	20.78	20.78	5,796	20.78	31,663	380	134	3,175
Vantaan Sahakari Oy	20.00	20.00	4,628	20.00	1,000	1	3,203	**) 7
Werner Söderström Oy	20.06	20.10	229,747	20.06	2,407,798	24,078	234,551	*) 151 300
Total							497,314	

*) Financial statements Dec. 31, 1996

**) Financial statements Mar. 31, 1997

Other shares and holdings

(FIM thousands)

Other shares and holdings owned by the Parent Company

	Parent	Shares/holdings owned		
	Company holding %	by the Parent Company		
		Units	nominal value	book value
UPM-Kymmene Oyj	0.60	1,633,388	16,334	56,715
Other shares and holdings				13,527
Shares in housing corporations				70,242
Total				11,005
				81,247

Other shares and holdings owned by other Group companies

	book value
Shares in housing and real estate corporations	90,103
Other shares and holdings	131
Total	90,234

The Group's other shares and holdings 171,481

Sanoma Corporation

Income Statement

(FIM thousands)	Jan. 1- Dec. 31, 1997	Jan. 1- Dec. 31, 1996
Net sales	1,858,940	1,748,278
Other revenues from operations	17,023	16,920
Expenses	-1,548,162	-1,492,040
Profit on operations before depreciation	<u>327,800</u>	<u>273,159</u>
Depreciation	-126,467	-121,492
Profit on operations after depreciation	<u>201,333</u>	<u>151,667</u>
Financial income and expenses	<u>128,666</u>	<u>83,465</u>
Profit before extraordinary items, reserves and taxes	329,999	235,132
Extraordinary income and expenses	578	2,141
Payout to the Employee Profit-Sharing Fund	<u>-16,419</u>	<u>-13,154</u>
Profit before reserves and taxes	<u>314,159</u>	<u>224,119</u>
Increase in accumulated depreciation	-42,979	-22,921
Decrease in voluntary reserves	99,002	82,164
Direct taxes	<u>-98,889</u>	<u>-78,882</u>
Net profit for the year	<u>271,293</u>	<u>204,480</u>

Sanoma Corporation Balance Sheet

(FIM thousands)

Dec. 31, 1997

Dec. 31, 1996

Assets

Fixed assets and other long-term investments

Intangible assets

Immaterial rights	21,256		19,246	
Other long-term expenditures	<u>22,041</u>	43,298	<u>19,953</u>	39,199

Tangible assets

Land and water areas	46,756		47,441	
Buildings and structures	286,355		217,105	
Machinery and equipment	351,337		351,311	
Advance payments and fixed assets under construction	<u>14,265</u>	698,713	<u>30,073</u>	645,930

Securities included in fixed assets and other long-term investments

Investments in subsidiaries	1,026,263		1,000,439	
Investments in associated companies	497,314		61,617	
Investments in other shares	81,247		253,088	
Long-term loans receivable	<u>468,105</u>	2,072,929	<u>424,960</u>	1,740,104

Current assets

Inventories

Materials and supplies	23,201		10,174	
Products in process	<u>273</u>	23,474	<u> </u>	10,174

Receivables

Accounts receivable	113,266		121,935	
Short-term loans receivable	4,968		8,067	
Prepaid expenses and accrued income	24,729		53,394	
Other receivables	<u>266</u>	143,229	<u>213</u>	183,609

Securities included in financial assets

Shares and holdings	690		594	
Short-term investments	<u>272,740</u>	273,430	<u>445,543</u>	446,137

Cash in hand and at banks

		<u>28,459</u>		<u>8,624</u>
		3,283,531		3,073,777

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(FIM thousands)	Dec. 31, 1997		Dec. 31, 1996	
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity				
Share capital	46,414	46,414	46,414	46,414
Non-restricted equity				
Operating fund	1,611,908		1,418,908	
Retained earnings	8,039		9,710	
Net profit for the year	271,293	1,891,241	204,480	1,633,098
Reserves				
Accumulated depreciation	465,199		422,220	
Voluntary reserves				
Transition reserve		465,199	99,002	521,222
Valuation items				11,890
Liabilities				
Long-term				
Loans from financial institutions	30,693		140,243	
Pension loans	307,129		241,000	
Other long-term liabilities	379	338,201	505	381,748
Current				
Loans from financial institutions	16,314		4,261	
Pension loans	16,326		695	
Advances received	92,665		122,329	
Accounts payable	92,150		73,368	
Accrued expenses and prepaid income	144,622		121,525	
Other current liabilities	180,400	542,477	157,227	479,405
		3,283,531		3,073,777

Changes in Financial Position

(FIM millions)	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
Business operations				
Income financing				
Profit on operations before depreciation	431.7	359.4	327.8	273.2
Gains and losses on sales of fixed assets included in the above	-1.3	-2.5	-1.2	-2.2
Share in associated companies' results	-81.4	-43.6		
Financial income and expenses	174.5	109.9	128.7	83.5
Extraordinary items	2.4	3.6	-2.3	0.8
Payout to the Profit-Sharing Fund	-23.8	-19.5	-16.4	-13.2
Taxes	-97.4	-73.3	-98.9	-78.9
Income financing, total	404.6	334.1	337.7	263.2
Change in working capital				
Inventories, increase (-), decrease (+)	-13.3	17.4	-13.3	17.4
Current trade receivables, decrease (+)	48.6	56.9	40.4	94.9
Other short-term investments, increase (-), decrease (+)	134.8	-163.9	172.8	-172.7
Non-interest bearing current liabilities, increase (+) decrease (-)	36.2	-43.3	35.4	-29.8
	206.3	-132.9	235.3	-90.2
Cash flow from operations	610.9	201.2	572.9	173.0
Capital expenditure				
Gross capital expenditure	-586.2	-116.5	-510.8	-206.2
Gains on sales of fixed assets	92.0	37.4	58.7	75.1
	-494.2	-79.1	-452.1	-131.1
Cash flow before financing	116.7	122.1	120.9	41.9
Financing				
Long-term receivables, increase (-), decrease (+)	-48.3	-35.5	-60.1	26.3
Increase in current loans (+)	11.6		11.6	
Long-term debts, increase (+)	315.8	0.6	315.8	
Long-term debts, decrease (-)	-371.6	-69.3	-355.2	-55.1
Dividends, cash payout	-12.7	-10.1	-12.7	-10.1
Donations	-0.5	-0.5	-0.5	-0.5
Conversion difference	37.9	-41.7		
Other financial items	5.0	-11.4		
	-62.8	-167.9	-101.0	-39.4
Liquid assets according to the statement, increase (+), decrease (-)	53.9	-45.8	19.8	2.5
Liquid assets according to the balance sheet, increase (+), decrease (-)	53.9	-45.8	19.8	2.5

Consolidated Key Figures

(FIM millions)	1997	1996
Scope of Operations		
Net sales	1,949	1,824
Change %	7	1
Gross capital expenditures	586	116
% of net sales	30	6
Total assets	3,613	3,186
Extraordinary income and expenses	103	26
Personnel on average	1,769	1,737
Newspaper delivery personnel	1,585	1,614
Profitability		
Profit on operations before depreciation	432	359
% of net sales	22	20
Profit on operations after depreciation	288	222
% of net sales	15	12
Profit before extraordinary items ^{*)}	409	305
% of net sales	21	17
Profit before appropriations and taxes	512	331
% of net sales	26	18
Net profit for the year	417	257
% of net sales	21	14
Return on equity ^{*)}	13	11
Return on investment ^{*)}	15	13
Financing and Financial Position		
Solvency (current ratio)	1.3	1.9
Equity ratio, %	76	73
Interest-bearing liabilities	370	386

^{*)} Less payout to the Profit-Sharing Fund.

Proposal for the Distribution of Retained Earnings

The net profit for the fiscal year totals FIM 271,292,851.57. FIM 8,039,276.63 was carried over from the previous year. Therefore the total amount of retained earnings is FIM 279,332,128.20.

The Board of Directors proposes that from the total retained earnings of	FIM 279,332,128.20
- a dividend of 100.00 marks per share be distributed, totalling	42,168,500.00
- a transfer be made to the operating fund in the amount of	228,000,000.00
- a transfer be made to the reserve for donations to be placed at the disposal of the Board in the amount of	1,000,000.00
- and the remainder of	8,163,628.20

be left on the retained earnings account, and that the Board be authorized to use the retained earnings for the payment of taxes in 1998.

Consolidated non-restricted equity amounts to FIM 2,086,423,654.42 of which FIM 1,668,477,801.90 is distributable; accordingly, there is no restriction on distributing the dividend proposed above.

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

Share Capital	46,413,500.00
Operating Fund	1,839,908,411.18
Reserve for Donations	1,000,000.00
Retained Earnings	8,163,628.20

Helsinki, February 18, 1998

Aatos Erkko
Chairman

Heikki Tikkanen
Vice Chairman

Robert Castrén

Jane Erkko

L.J. Jouhki

Seppo Kievari

Robin Langenskiöld

Rafaela Noyer

Jaakko Rauramo

Kalle Salonen

Jarmo Toivanen

Auditors' Report

To the shareholders of Sanoma Corporation

We have audited the accounting records, the financial statements as well as the corporate governance of Sanoma Corporation for the fiscal year January 1 to December 31, 1997. The financial statements, which include the report by the Board of Directors, the consolidated and Parent Company income statements, balance sheets and the notes to the financial statements, have been prepared by the Board of Directors and the President. Based on our audit, we express an opinion on these financial statements and the company's corporate governance.

We have conducted our audit in accordance with Finnish standards on auditing. Those standards require that we perform the audit to obtain reasonable assurance of whether the financial statements are materially correct. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of the audit of the company's corporate governance is to ascertain that the actions of the members of the Board of Directors and the President comply with the provisions of the Finnish Companies Act.

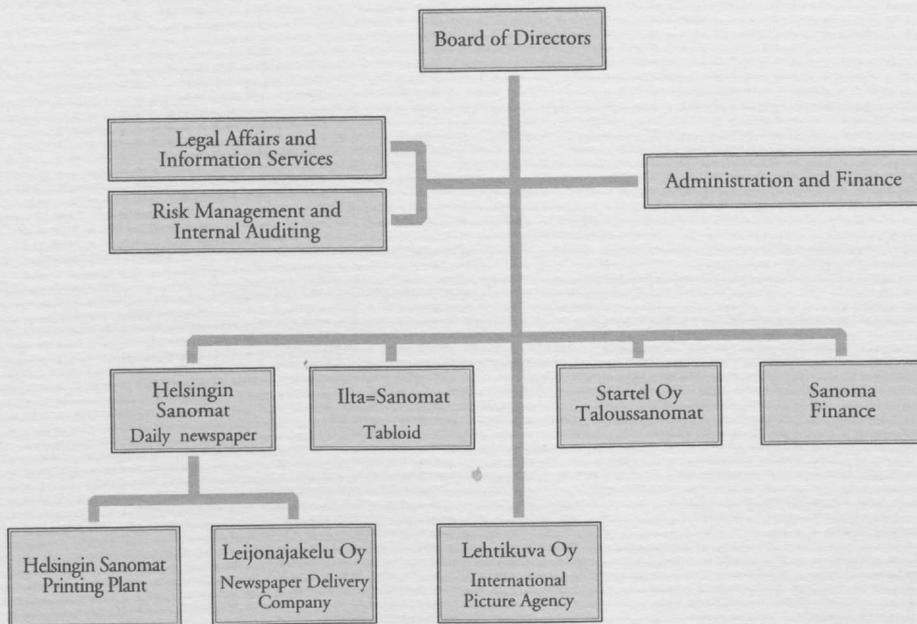
In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and the other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and Parent Company's result of operations as well as the financial position. The annual accounts, including the consolidated financial statements, can be adopted and the members of the Board of Directors and the President of the Parent Company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors concerning the disposal of the retained earnings according to the balance sheet is in compliance with the Finnish Companies Act.

Helsinki, March 4, 1998

Antti Helenius
CPA

Pekka Nikula
CPA

Organization 1998







Sakari Almi
Vice President, Marketing
until December 31, 1997



Vesa-Pekka Koljonen
Senior Editor in Chief



Pekka Harju
Vice President, Marketing
as of January 1, 1998

Ilta=Sanomat

Ilta=Sanomat is the second biggest newspaper and the No. 1 tabloid in Finland. The paper has an average of 767,000 readers every day. In 1997 it preserved its strong competitive position. The paper reached its financial targets and profitability was very satisfactory.

EDITORIAL DEPARTMENT

The content of Ilta=Sanomat was developed in 1997 to cope with the increased competition in the media market. Measures to improve operations focused on advance planning of the paper, editorial routines, resource allocation and selective news judgement. New forms of content were developed, and the layout was reformed in all sections of the paper. Thanks to some new domestic celebrities, demand for news about Finnish entertainers grew. International news coverage revealed the connections between society and the world of entertainment.

During the financial year, Ilta=Sanomat was at the forefront of the media in dealing with topics such as the ethics of politics, the trustworthiness of the justice system, stock options for corporate leaders, fairness in taxation and the inconsistency of judgements handed down by the courts.

The most important domestic news event of early 1997 was the summit meeting between U.S. President Bill Clinton and Russian President Boris Yeltsin in Helsinki at the end of March. The main news story towards the end of the year was the October murder of two Helsinki policemen. A special edition of

Ilta=Sanomat was the only newspaper to carry the story on the same day as it broke. The death of Princess Diana, the investigation of the accident and its consequences for the British royal family dominated international news for most of September.

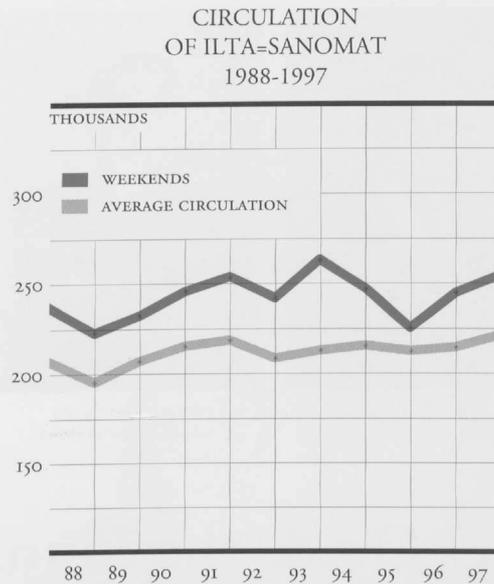
An extra Sunday issue of Ilta=Sanomat was published on the day after Independence Day (December 6) to cover the annual independence gala held at the Presidential Palace. The special issue was a success in terms of content and sales.

Some new elements were created for the sports pages during the year. For instance, during the ice-hockey world championships in Helsinki in April-May, the paper produced its own graphics to illustrate the matches.

Ilta=Sanomat once again hosted the Finnish crossword championships, and the competition drew a record number of participants.

The digitalization of the editorial department was completed when design of sales posters shifted to a digital system. The basic work of setting up the newspaper's own electronic archive was also finished. More Internet terminals were installed, and the contents of the paper's on-line edition were developed. More digital cameras were acquired and photographers were trained in how to use them. Training of computer support staff continued.

In the spring, Ilta=Sanomat experimented with producing radio news for the local station Kiss FM. Based on the results the project was discontinued.



Representatives of Ilta=Sanomat participated in the Sanoma Corporation journalist training committee and personnel management team. They also contributed to the work of designing the layout for the new financial daily Taloussanomat. In addition they were represented in the corporate headquarters and media center projects.

Ilta=Sanomat's Senior Editor in Chief is Vesa-Pekka Koljonen and his deputy is Editor in Chief Hannu Savola. The Managing Editors are Erik Rissanen, Kari Yläne and Tapio Sadeoja, who was appointed on April 15 when Antti-Pekka Pietilä became Senior Editor in Chief of Taloussanomat.

CIRCULATION AND AD SALES

In 1997 Ilta=Sanomat achieved the highest circulation in its 65-year history, with the average daily circulation for the year up to 220,926 copies. Growth on the previous year was 3.0 percent, or 6,334 copies a day. The average circulation of the weekend edition was 257,790 copies, or 5.4 percent more than in 1996.

During the financial year, Ilta=Sanomat was printed at all three Sanoma Corporation printing plants: Vantaa, Forssa and Varkaus.

The paper was available at about 8,500 sales points across the country. It reached 85 percent of all sales outlets early in the morning, and the rest of them by midday.

Cover prices remained unchanged at five marks on

weekdays and seven marks for the weekend edition. Advertising prices rose several percent. Ad sales achieved budget targets but were still three percent lower than in the previous year.

Ilta=Sanomat sponsored many events and venues of nationwide interest. The most important of these were the Pori Jazz Festival, an exhibition of Andy Warhol's artwork during the Helsinki Festival, a concert by Irish rock band U2 at Helsinki's Olympic Stadium, the Retretti art museum in eastern Finland, the Kuopio International Wine Festival and the Kuopio Dance and Music Festival. The paper's sales promotion measures in the west-coast town of Turku focused on the Down by the Laituri music festival, the Summer Operetta Happening and the 100th anniversary of the birth of legendary Finnish runner Paavo Nurmi.

Helsinki residents took pleasure in a giant artwork entitled "Skywalker" that Ilta=Sanomat had painted on the wall of a building on a busy Helsinki street. The painting was completed for Helsinki Day on June 12. A similar wall painting had been unveiled two years earlier on a different building.

Ilta=Sanomat's Vice President for Marketing Sakari Almi was named Managing Director of Startel Oy in 1997. Since the beginning of 1998, the marketing vice president's duties have been entrusted to Pekka Harju.



Sakari Almi
Managing Director



Antti-Pekka Pietilä
Senior Editor in Chief

Startel Oy & the Finnish Financial Daily, Taloussanomat

STARTEL OY

Startel Oy was established in 1997 to publish the Finnish financial daily Taloussanomat and to continue running the Startel News Agency. The launching of Taloussanomat took place in November and succeeded as projected. Ad sales performed somewhat better than expected.

STARTEL OY specializes in a variety of media and produces electronic economic information services and publishes the financial daily.

Startel Oy was set up as an independent subsidiary when Helsinki Media Company Oy sold the news agency Startel to Sanoma Corporation on July 1. TS-Yhtymä Oy, the publisher of regional newspaper Turun Sanomat, took a 10 percent stake in Startel on September 3.

The members of Startel Oy's Board of Directors are: Sanoma Corporation President Jaakko Rauramo (chairman), TS-Yhtymä Oy President Keijo Ketonen, Publisher Seppo Kievari, Vice President Kerstin Rinne, Managing Director Sakari Almi and Senior Editor in Chief Antti-Pekka Pietilä. Sakari Almi was appointed Managing Director of Startel Oy on July 1.

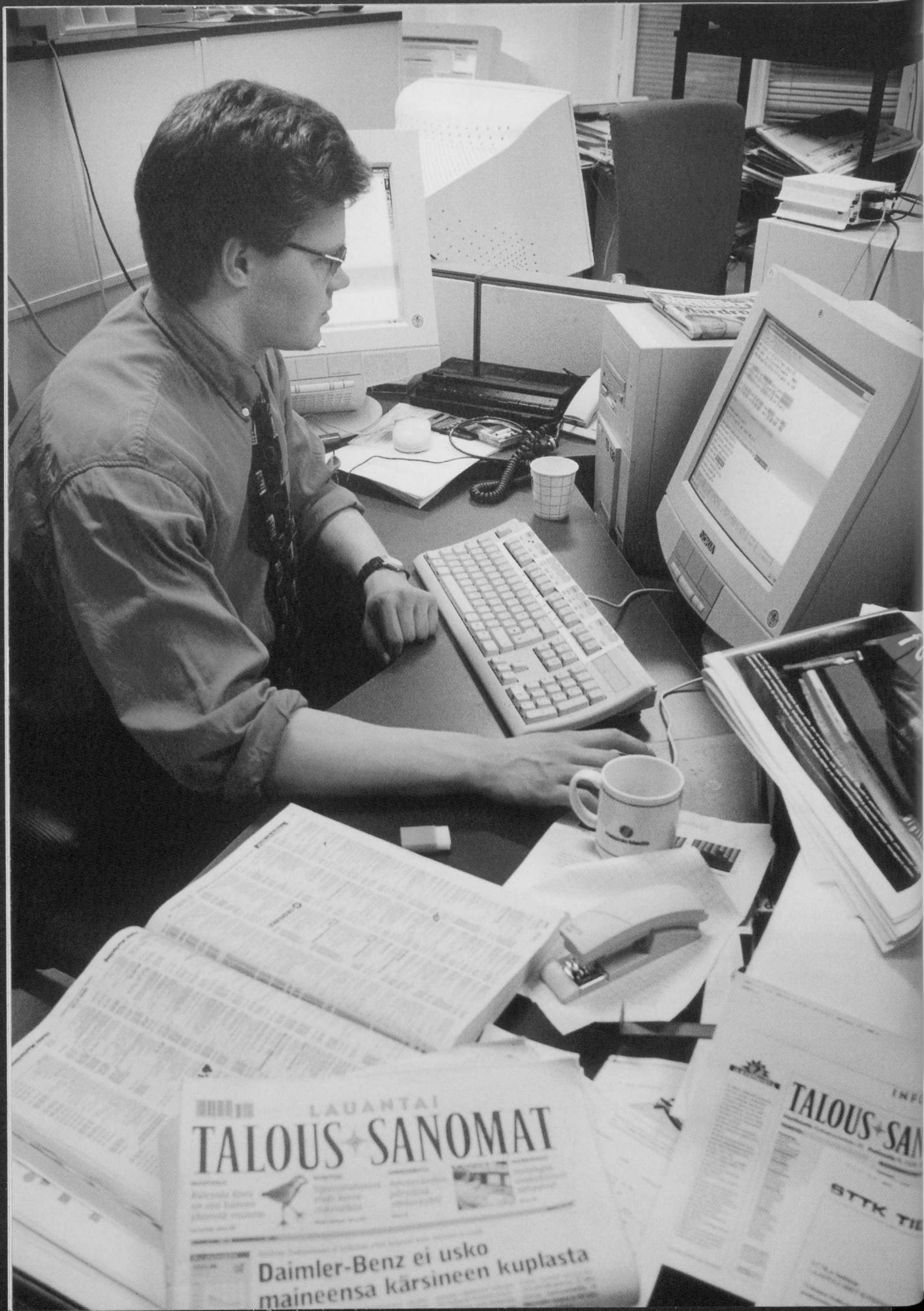
During the financial year, the operations of Startel Oy focused largely on founding the new company, and building its organization. Staff was recruited and trained and cooperation was established between the electronic information services and the financial daily. Finally, in November, the Finnish financial daily, Taloussanomat

and its on-line edition were launched.

The net sales of Startel Oy from July 1 to December 31 were FIM 11.4 million, with the electronic services generating a good eight million of the total. Operating losses amounted to FIM 18.9 million due to the costs of establishing the company and, above all, setting up Taloussanomat. Net sales are expected to grow briskly in 1998, but earnings are likely to remain negative. Net sales are projected to rise to about FIM 100 million over the next five years, and the company is expected to become profitable during that period. In five years, the share of net sales contributed by the electronic information services is expected to fall to about 30 percent of the total.

At year-end, Startel Oy had 71 employees on permanent or fixed-term contracts. To keep the core organization as lean and efficient as possible, the company buys its administrative, legal, financial, circulation and printing services from Sanoma Corporation. By doing so the company is prepared for increased competition and potentially significant changes in market conditions. The company's compensation policy includes an incentive system of performance-related pay, which takes personal achievements into account as well as overall earnings performance.





STARTEL NEWS AGENCY

The operations of the news agency were reorganized during the year. Competitiveness was strengthened by establishing ties with U.S. economic news and information service Bloomberg.

STARTEL NEWS AGENCY specializes in financial information and business news for professional users. The news agency's clients are Finnish banks and brokerages, stockbrokers, foreign-exchange and bond dealers, corporate treasuries and the media.

Startel News Agency produces and distributes analytical and customized financial information and economic news both in real time and updated format.

Real-time information is distributed over cable networks, via satellite and over the Internet. Updated information is also provided over fixed lines to clients' proprietary information networks. Startel's technological partner and software developer is ICL Data Oy.

In September, the news agency signed an agreement with U.S. economic news and information group Bloomberg Plc. Startel uses Bloomberg information both in its own news operations and in its production of financial information.

TALOUSSANOMAT

During the autumn, editorial and technical departments, ad sales and circulation organizations were established for the new financial daily Taloussanommat.

IN JANUARY 1997, Sanoma Corporation launched a project to establish a financial daily published five days a week. The goal was to create a quality paper with an analytical and reader-friendly approach. The target readership was defined as all Finns who are interested in economic affairs, and who want useful financial information to help them make decisions in business as well as in their private lives. The newspaper was founded on the view that economic information is increasingly important and influential, while purely political decision-making is losing some of its significance.

The European Union's project to create Economic and Monetary Union, EMU, is changing the nature of the economic information that companies need, as EMU candidate countries shift gradually towards a single currency and centralized fiscal and monetary policy. At the same time, individuals are assuming greater responsibility for their own finances and thus demanding more economic information.

The plan to begin publishing Taloussanommat was announced in April. Antti-Pekka Pietilä was appointed Senior Editor in Chief of the newspaper.

The first issue of Taloussanommat was published on November 18. The newspaper's on-line edition Verkko-Taloussanommat was launched simultaneously. The Internet edition provides Taloussanommat articles, background information and database services developed in cooperation with data services group TT-Tietopalvelut Oy.

Taloussanommat works in cooperation with the Financial Times and uses its international news and feature article services.

The first 10 issues of Taloussanommat were distributed in November to the target readership throughout Finland in editions of 120,000 copies.

Taloussanommat provides Finnish readers with economic news tailored to their needs as well as quality, in-depth background information offering broader perspectives. The news content focuses on the fundamentals of current business affairs and the significance and costs of economic decision-making, putting Finnish economic trends into European and international context.

The newspaper is published five days a week, Tuesday through Saturday. The Saturday edition emphasizes personal finance, investment, consumption and lifestyle themes.

Taloussanommat's competitive position is reinforced by Startel News Agency's professional services and financial market information. Startel's fully electronic market data and news are easily adapted to the needs of the various distribution channels. The Tuesday-through-Saturday publication schedule also offers a competitive edge. Taloussanommat is delivered to readers' homes in the early morning in the Helsinki area and Uusimaa province, and in the towns of Turku, Lahti and Tampere in western and central Finland.

Taloussanommat was printed in 30,000 copies, which were distributed to systematically selected target groups.

Taloussanommat's ad sales got off to a successful start during the financial year. By year-end the paper's on-line edition had more than 8,000 registered readers. The price of an annual subscription was FIM 900.

Real Estate Operations and the New Corporate Headquarters

REAL ESTATE OPERATIONS

Demand for commercial property in downtown Helsinki continued to grow, which was reflected in higher rents. Many new building projects were announced in 1997 and for the first time in years, some major real estate contracts were made in Finland.

In January, Sanoma Corporation sold its property in downtown Helsinki at Erottajankatu 15-17 to the Finnish National Fund for Research and Development, Sitra, for FIM 65 million. The premises remained at the disposal of the Corporation. Other apartments and properties were sold for about FIM 10 million.

In the spring, the property at Korkeavuorenkatu 30, also in downtown Helsinki underwent renovation. More than 2,000 square meters of office space were refurbished in this valuable building designed in the 1890s by Architect K.A. Wrede. Startel Oy and Taloussanommat moved into the building in September.

SANOMA HOUSE

The groundwork for the Corporation's new headquarters, Sanoma House, has been one of the largest and technically most demanding projects of its kind ever carried out in downtown Helsinki. The project has also involved a complex process of permissioning and zoning in the Töölönlahti Bay area and the building site for the Sanoma House. The zoning took effect on April 4, 1997, after the Supreme Administrative Court rejected an appeal against the amendment in zoning.

The final purchase of the Sanoma House site was closed on September 3, 1997. The purchase price was FIM 107.5 million.

In conjunction with the construction work, the heavily

contaminated soil at the site was cleaned according to the recommendations of the environmental authorities. In praise of the successful completion of this work, the Helsinki City Building Committee gave the Sanoma House project in January 1998 an honorable mention for the highly professional and exemplary way it managed the building site.

The Sanoma House building project continues, with dozens of subcontractors under direct contracts with Sanoma Corporation. The main contractor is project management specialist CM-Urakointi Oy. The structural contractor is NCC-Puolimatka Oy and the steel structural builder PPTH-Teräs Oy. The glass elements are being supplied by Länsilasi Oy, and the façade by Teräselementti Oy.

Helsingin Sanomat, Iltalehti=Sanomat and Taloussanommat as well as the Sanoma corporate management and administration will move into Sanoma House in autumn 1999. The interior planning was begun at the end of 1997.

The high glass-roofed media piazza of Sanoma House, together with the commercial and service areas of the building, will be an active center for business and various events in the heart of Helsinki. The marketing of the building's commercial premises will start in spring 1998.

PERSONNEL

The Corporation's property operations and the Sanoma House construction project are managed by Vice President for Real Estate Pekka Toropainen. The unit has 20 employees.

Sanoma Finance

THE STRATEGIC planning of portfolio management at Sanoma Corporation was reexamined in 1997 and Sanoma Finance was set up as a full-fledged profit center. The reform of the organization took effect on January 1, 1998.

The task of Sanoma Finance is to manage the assets prudently for good long-term returns. The strategy is based on systematic and long-term management of an internationally diversified equity portfolio, weighted towards Europe and North America.

Sanoma Finance performed well in 1997, largely due

to the favorable investment environment in the early part of the year and the underweighting of Asian markets. At the end of the financial year, the portfolio was worth about FIM 800 million. Stocks accounted for some 75 percent and fixed-income instruments for about 25 percent of the total. The earnings of Sanoma Finance are included in financial income and expenses in the Consolidated Income Statement.

The unit is managed by Vice President for Portfolio Management Nils Ittonen.



Shown from left to right: Vice President Kerstin Rinne, Executive Vice President Martti Ojares, Vice President for Real Estate Pekka Toropainen and Vice President Nils Ittonen.

PROFIT-SHARING FUND ANNUAL REPORT

IN 1997 the Sanoma Profit-Sharing Fund began booking depreciation according to plan. This makes it easier to calculate the payout to the Fund from the Corporation's Income Statement. The regular payout is 20 percent of the operating profit of the domestic group companies after a minimum return is achieved. The minimum return is a percentage of net sales set each year depending on market interest rates. The payout to individual staff members is determined by the employee's wages under the statutory national pension scheme. The Fund's members are employees of Sanoma Corporation, Lehtikuva Oy and Leijonajakelu Oy.

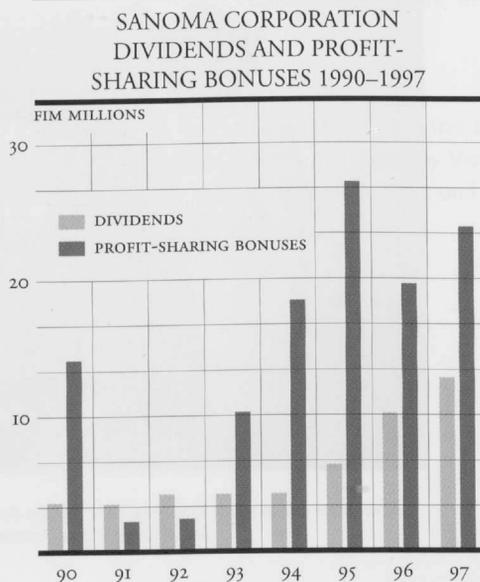
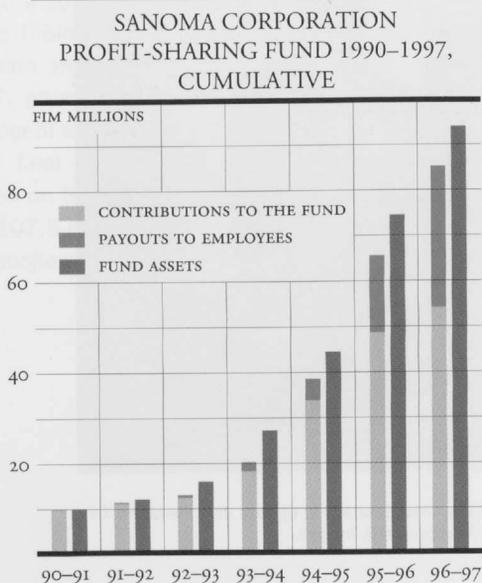
The Fund's council has decided to amend the rules to allow employees who exercise their right to withdraw 15 percent of their personal payout to withdraw their share either in part or in full. This adds flexibility to the system and better serves the needs of the staff.

The investment activities of the Profit-Sharing Fund are in the hands of an outside asset management company under instructions from the Fund's board. During the financial year, a larger portion of the portfolio was put in-

to stocks because equities have given investors the best returns in the long run. To diversify risks the Fund invests in foreign as well as domestic stocks. At end-1997, stocks accounted for 49 percent of the portfolio. The rest was in fixed-income investments. The board reports regularly to the council on the performance of investment operations.

At the end of the financial year (April 1, 1996-March 31, 1997), the Fund's assets totaled FIM 94 million and it had 5,164 members. The latter figure includes employees who have left the Group, but still belong to the Fund. More than three-quarters of employees entitled to withdraw payouts exercised that right during the year, which was a slightly lower proportion than in the previous year. Members withdrew a total of FIM 9.8 million. Final disbursements of FIM 4.4 million were made to former employees.

Sanoma Corporation's profit for 1997 will generate a payout to the Fund of FIM 23.8 million, which is more than in the previous year.



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 Pentti Hakala
 Jussi Kovaleff, deputy
 Esko Nurmi, Vice Chairman
 Jaana Savolainen, deputy
 Jorma Lindfors
 Timo Kilpi, deputy
 Rauha Ekstrand
 Liisa Koistinen, deputy
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 Mirja Pircklén, deputy
 Jukka Yli-Luopa
 Timo Wickholm, deputy
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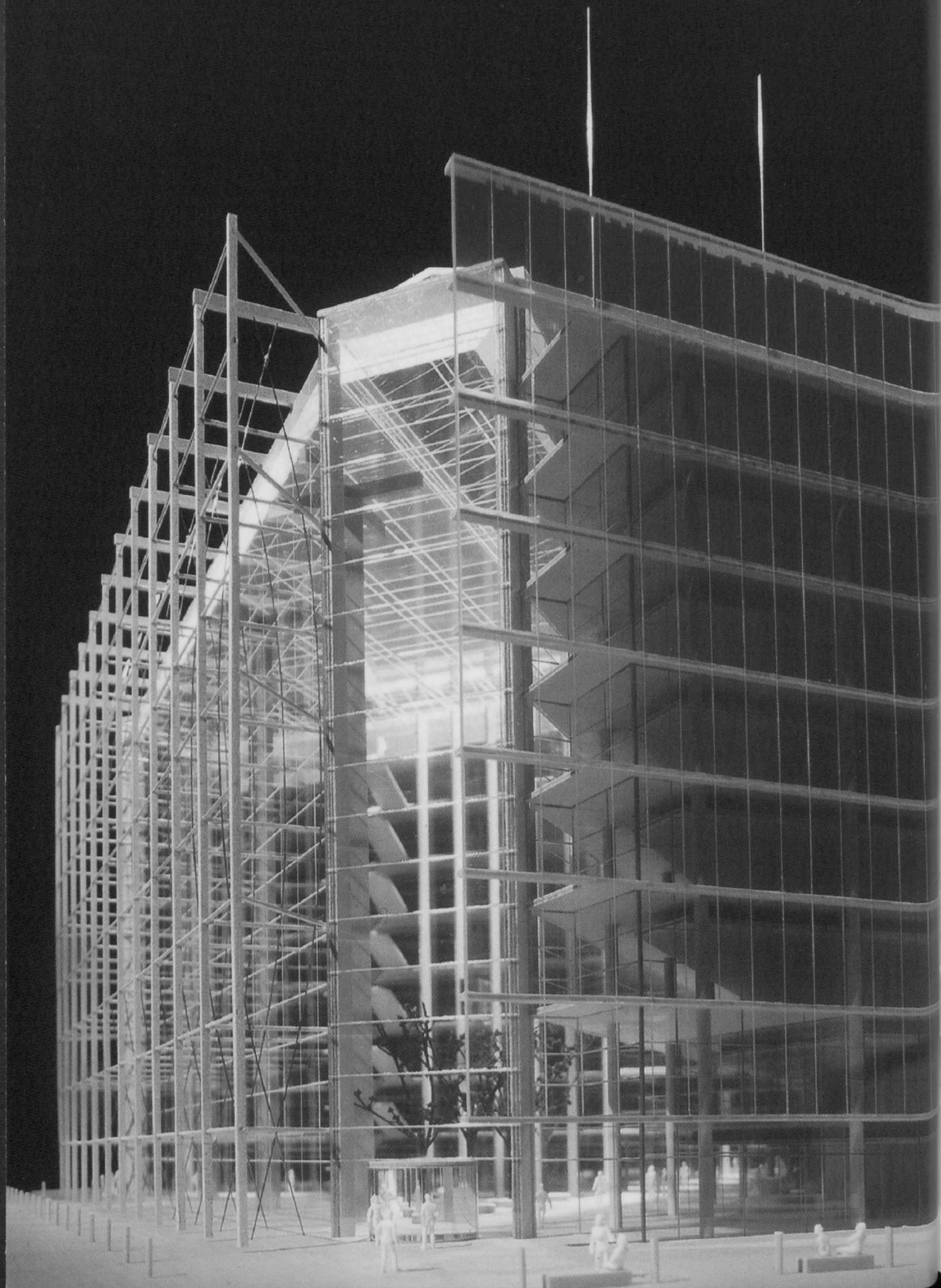
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CONSOLIDATED VALUE ADDED /
 SIZE OF PERSONNEL
 1988 - 1997





Directors and Officers 1998

BOARD

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

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

CORPORATE OFFICERS

Jaakko Rauramo, President
and Chief Executive Officer
Seppo Kievari, Executive Vice President
and Publisher
Martti Ojares, Executive Vice President
Sakari Almi, Managing Director, Startel Oy
Pekka Harju, Vice President
Kerstin Rinne, Vice President
Secretary: Mari Jerkku, Finance Manager

HELSINGIN SANOMAT

Seppo Kievari, Executive Vice President
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Janne Virkkunen, Senior Editor in Chief
Reetta Meriläinen, Editor in Chief, News
Heleena Savela, Editor in Chief
Jouko Jokinen, Managing Editor
Mika Pettersson, Managing Editor
Pekka Kukkonen, Managing Editor
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Raija Liihola-Lassuri, Service Director,
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ILTA=SANOMAT

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Tapio Sadeoja, Managing Editor
Kari Yläne, Managing Editor

Pekka Harju, Vice President, Marketing

STARTEL OY / TALOUSSANOMAT

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Markku Hurmeranta, Editor in Chief, News
Reino Paavola, Circulation Manager
Mikko Vuorikoski, Development Director

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Nils Ittonen, Vice President, Portfolio Management

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Pekka Toropainen, Vice President, Sanoma Real Estate

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ILTA-SANOMAT

	1997	1996	change, %
Gross revenues (FIM millions)	372	370	+1
Advertising revenues	85	90	-5
Circulation revenues	283	278	+2
Volume of advertising (column meters)	6 655	6 849	-3
Number of issues	301	300	
Total pages	17 988	18 374	-2
Pages of editorial content	14 702	15 019	-2
Personnel on average	154	159	-3

STARTEL ✦ TALOUSSANOMAT

	1997		
Net sales (FIM millions)	11.4		
Advertising revenues	3.0		
Electronic services	8.3		
Personnel on average	56		
Personnel at year-end	71		

Leijonajakelu Oy

	1997	1996	change, %
Net sales (FIM millions)	352	335	+5
Operating profit / loss	-1.5	+3.0	
Personnel on average			
Administrative and clerical personnel	51	49	+4
Newspaper delivery personnel	1 585	1 614	-2

Lehtikuva Oy

	1997	1996	change, %
Net sales (FIM millions)	40.7	35.2	+15
Operating profit	7.4	4.6	+61
Personnel on average	63	64	-2

This is Sanoma



Sanoma Corporation traces its history back to 1889 and the founding of the liberal daily newspaper Päivälehti.

When Päivälehti was suppressed by the Russian administration in Finland in 1904, a new newspaper, Helsingin Sanomat, was established to carry on the publishing traditions of Päivälehti.

Today, in 1998, Sanoma Corporation is a publishing company and is dedicated to the best journalistic traditions and innovative professionalism, democratic principles, social justice, freedom of opinion, progress and prosperity.

Sanoma Corporation publishes Helsingin Sanomat, which is the widest-circulation daily newspaper in Scandinavia, Ilta=Sanomat, the leading quality tabloid in Finland and the Finnish financial daily, Taloussanomat.