Annual Report 1998

SANOMA CORPORATION

Contents

This is Sanoma

Sanoma Corporation traces its history back to November 16, 1889, when the first issue of the liberal daily newspaper Päivälehti was published. 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 its predecessor.

Sanoma Corporation will merge on May 1, 1999, with Helsinki Media Company Oy, book publisher Werner-Söderström Oyj - WSOY and holding company Oy Devarda Ab to create a new company called Sanoma-WSOY Oyj. At the same time, a new Sanoma Corporation will be established to continue operating as an independent publisher within Sanoma-WSOY Oyj.

Sanoma Corporation engages in publishing to promote democratic principles, social justice, freedom of opinion, progress and prosperity. The company's operations are based on the best journalistic traditions, strong professionalism and good profitability.

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

1998 in Brief

SANOMA GROUP	*1998*	*1997*	*change,%*
Net sales (FIM millions)	2,076	1,949	+7
Operating profit before depreciation	400	432	-7
% of net sales	19	22	
Operating profit	253	288	-12
% of net sales	12	15	
Profit for the period	475	455	+4
% of net sales	23	23	
Balance sheet total	3,968	3,613	+10
Personnel on average,			
newspaper delivery personnel excluded	1,836	1,769	+4
Newspaper delivery personnel	1,693	1,585	+7

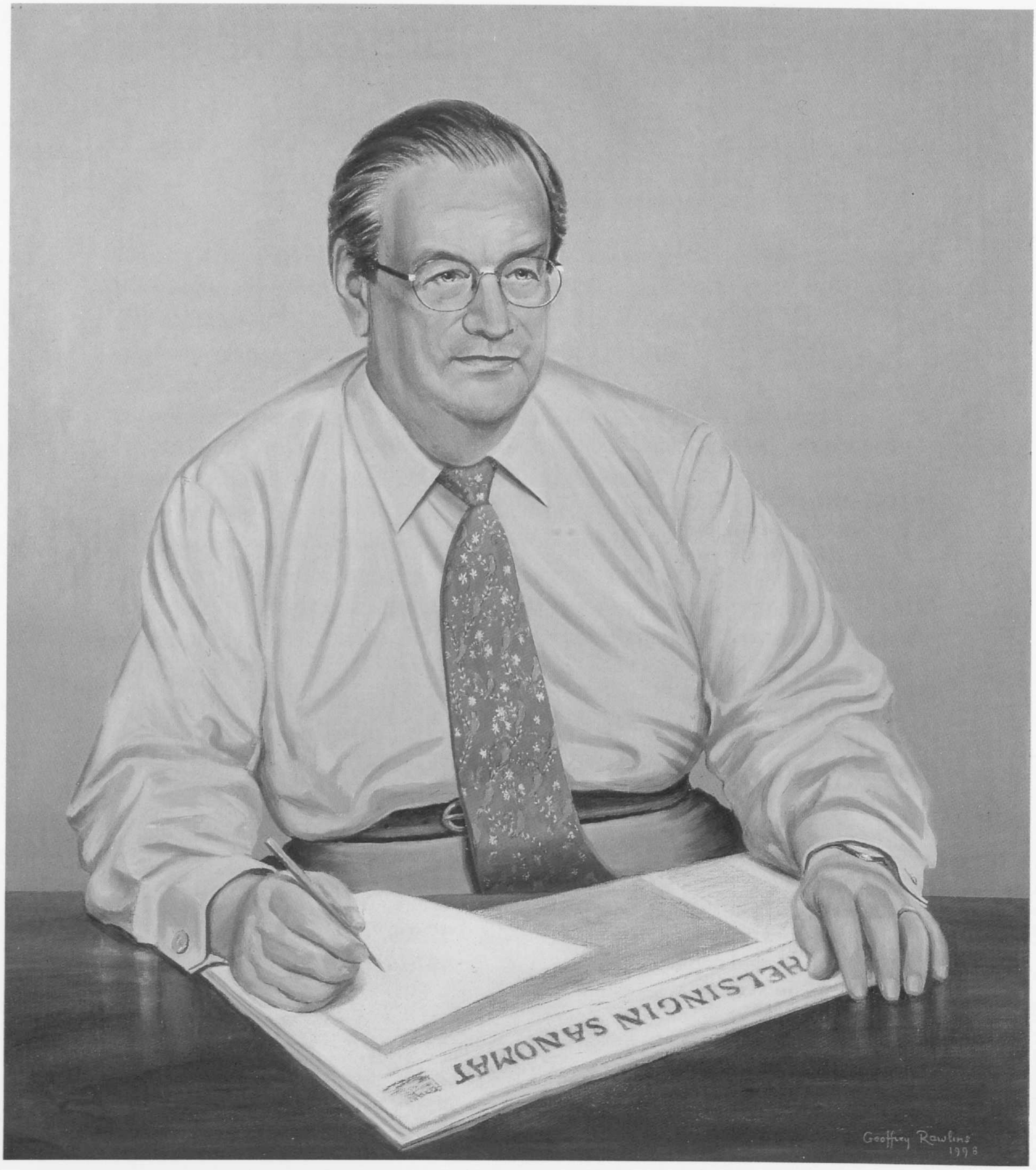
HELSINGIN SANOMAT			
Net sales (FIM millions)	1,718	1,620	+6
Advertising net sales	970	886	+9
Circulation net sales	536	524	+2
Volume of advertising (column meters)	45,562	42,315	+8
Number of issues	352	352	
Total pages	21,944	20,626	+6
Pages of editorial content	10,298	9,870	+4
Personnel on average	1,210	1,181	+2

ILTA=SANOMAT			
Net sales (FIM millions)	373	363	+3
Advertising net sales	79	77	+3
Circulation net sales	291	283	+3
Volume of advertising (column meters)	6,201	6,655	-7
Number of issues	300	301	
Total pages	17,968	17,988	0
Pages of editorial content	14,924	14,702	+2
Personnel on average	155	154	+1

STARTEL OY/ TALOUSSANOMAT			
Net sales (FIM millions)	38.9	11.4	
Operating loss	-63.1	-18.9	
Personnel on average	84	56	+50

LEIJONAJAKELU OY			
Net sales (FIM millions)	368	352	+5
Operating loss	-10.7	-1.5	
Personnel on average			
Administrative and clerical personnel	54	51	+6
Newspaper delivery personnel	1,693	1,585	+7

LEHTIKUVA OY			
Net sales (FIM millions)	41.8	40.7	+3
Operating profit	9.0	7.4	+23
Personnel on average	62	63	-2



The portrait of Dr Aatos J. Erkko was painted by the British artist Geoffrey Rawlins.
The portrait was unveiled on January 26, 1999 in the premises of Sanoma Corporation.

A Word from the Chairman

This Annual Report is the last of its kind for Sanoma Corporation. On May 1, the Corporation will merge with Helsinki Media Company Oy and book publisher Werner Söderström Oyj - WSOY to form a new company, Sanoma-WSOY Oyj. The merger plan has provoked many kinds of feelings and thoughts. To some, the implications of the reorganization are not clear and the future looks uncertain. To some, the mere size of the company is frightening. However, the prospects are bright; the new group will preserve the autonomy of its core businesses, and, in my view, the existing literary and journalistic operations will benefit significantly from the merger.

The company policy of Sanoma Corporation has been to take a long-term view of future prospects and to act accordingly. This has often been a thankless position giving but few rewards. After all, the future of the publishing industry does not look as bright as one would hope. It is essential to fight for the survival of the printed word with more energy and more skill than ever before. Co-operation between publishers must also be strengthened in a sensible and constructive manner without sacrificing competition.

Our language and culture give us our integrity. They should be duly valued and respected and to preserve them, we must work hard for them. Our country has managed to overcome past errors in its history surprisingly well. This does not mean, however, that our future is guaranteed or that we can rest easy. Finland still has many shortcomings and plenty of people who do not share in society's progress. We must not and cannot shut our eyes to these human fates. Only a strong Finland will be strong in Europe. The only way to succeed in the future is to make even greater efforts and be stronger than ever before.

For Sanoma Corporation 1998 was a year marked by precisely this kind of achievement. In 1998, an exciting and fascinating year, we succeeded in developing our operations towards a new form of co-operation. Much remains to be done, but we are ready for it.

Aatos J. Erkko

A Word from the President

The announcement of the merger of Sanoma Corporation, Helsinki Media Company Oy, Werner Söderström Oyj - WSOY and Oy Devarda Ab was the most significant event in the Finnish communications industry in 1998. The decision was very far-reaching for Sanoma Corporation. The forthcoming merger will affect the company's operations both in the short term and the long term. In the short term, listing the company on the stock exchange will require greater transparency of our business. In addition, the focus of analysis and scrutiny of Sanoma Corporation can be expected to go beyond the public discussion of the company's influence and be directed instead to its financial performance. In the long term, the merger will mean that the company and the new group will actively seek growth and development opportunities mainly abroad. In Finland, growth and development prospects will be sought mainly in new products and in the field of electronic media.

The basis for all of this, however, will be our strong newspapers: Helsingin Sanomat, Ilta=Sanomat and Taloussanomat. It will be easy to build on this foundation also in the future. Our newspapers now also have an opportunity to develop by using the Internet, television, radio and other new, broad-band communication services.

In the conventional electronic media, the objectives set by the license-granting authorities have not been fulfilled in radio. Instead of providing vital local content, local radio stations have become jukeboxes. Furthermore, the new nation-wide commercial radio channel substantially weakened the business prospects of local radio stations. The same error in licensing policy should not be made in television. Licenses should not be given to local television stations that lack economic resources, unless they operate in conjunction with local newspapers. The same applies to local radio stations. Now, licenses for digital television channels are also on offer. Alternatives to digital program distribution also exist, such as satellite transmission.

If we want a terrestrial digital distribution network in Finland, the main players in the current analog network must be responsible for implementing it: they must build and own the distribution network and be in charge of the customer base. It would be almost impossible in Finland to develop many different infrastructures for digital distribution networks.

As far as the Internet is concerned, we have laid a basis for significant decisions that will be made as soon as the markets are ripe for them. The number of visitors to the Internet pages of publications in the Sanoma-WSOY family is the highest in Finland. Even by international standards, the Internet-based classified ads service of Helsingin Sanomat is very highly developed: it offers the broadest service concept in Finland together with six other Finnish newspapers. Helsingin Sanomat's on-line trading place is a channel that businesses use to offer services to consumers. Sanoma Corporation's associated company Infosto Oy publishes the free classified ads tabloid Keltainen Pörssi, which has successfully developed an electronic trading place for consumer-to-consumer sales. The group's own Startel Oy, for its behalf, is the leading provider of electronic business-to-business services in Finland. Startel's future lies above all in producing electronic information services and creating electronic business-to-business trading places. Helsingin Sanomat's most recent web service, Medianetti, is proof that customers can be served efficiently over the Internet.

Sanoma Corporation faces major challenges and opportunities. We will enter the new millennium in a new corporate headquarters. It will symbolize the change that will be needed in the next millennium and for which our company is well prepared. This is my last preface to an Annual Report as President of Sanoma Corporation. I would like to sincerely thank all Sanoma employees for their loyalty and dedication. Together we have made Sanoma Corporation a success story. Without our readers and advertisers, we never would have made it this far. We are grateful to them for such excellent co-operation.

Jaakko Rauramo

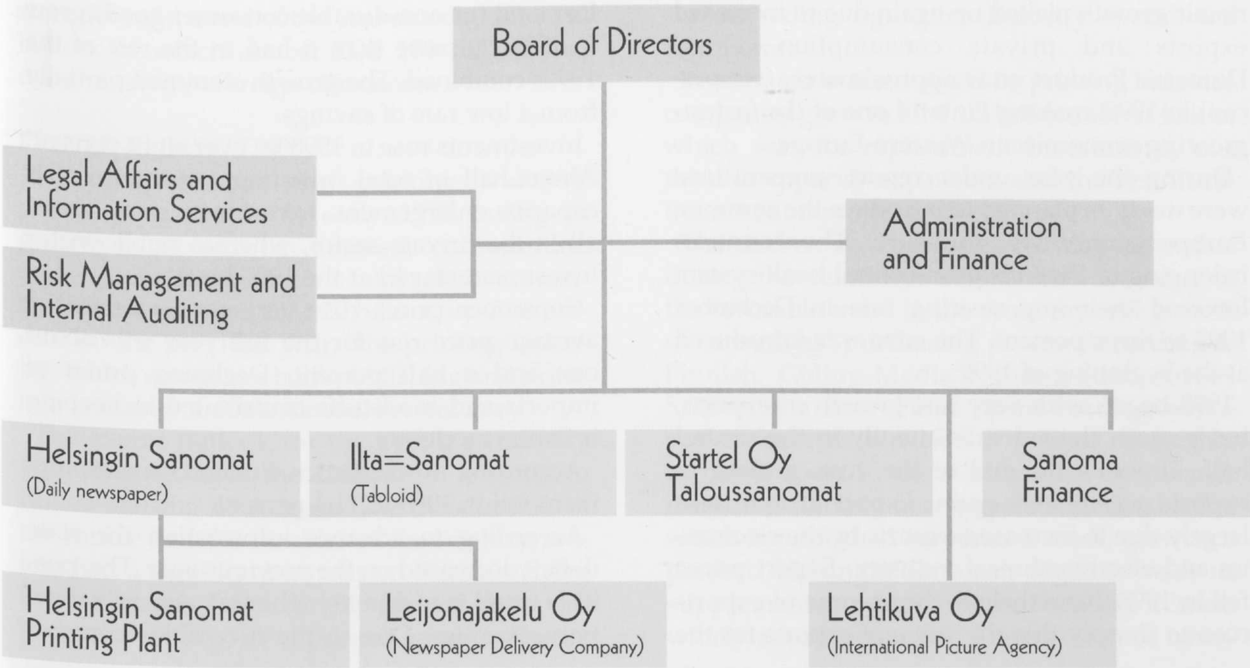
Board of Directors: (from left, sitting) Jane Erkko, L.J. Jouhki, Aatos J. Erkko, Jaakko Rauramo and Robert Castrén; (from left, standing) Robin Langenskiöld, Kalle Salonen, Jarmo Toivanen, Rafaela Noyer and Seppo Kievari.

Sanoma Corporation Board of Directors

	member since
Aatos J. Erkko, Chairman *(since 1972)*	1957
L.J. Jouhki, Vice Chairman *(since 1998)*	1990
Robert Castrén	1994
Jane Erkko	1990
Seppo Kievari	1995
Robin Langenskiöld	1990
Rafaela Noyer	1994
Jaakko Rauramo	1979
Kalle Salonen, Personnel Representative	1990
Jarmo Toivanen, Personnel Representative	1996
Secretary: Kerstin Rinne	

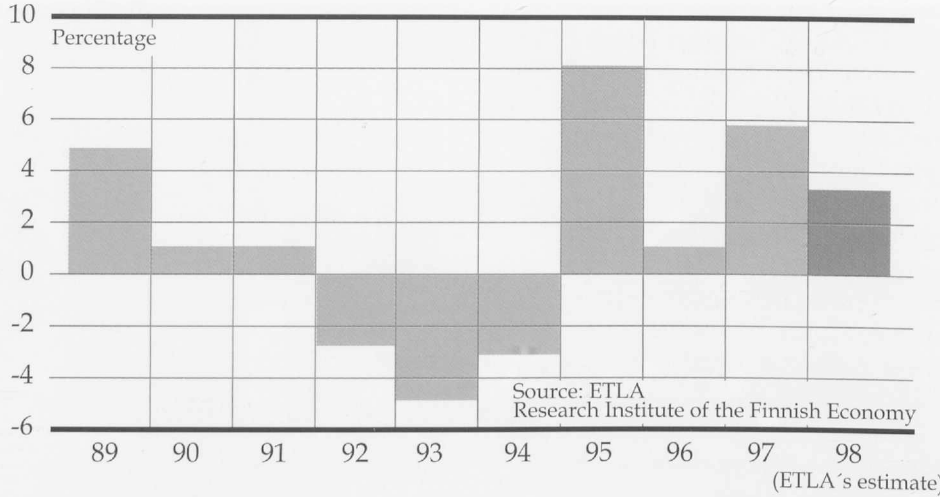
Auditors:
Mr Pekka Nikula, CPA, and Mr Juha Tuomala, CPA, have served as Auditors, with Mr Jukka Ala-Mello, CPA, and Mr Pekka Kaasalainen, CPA, as their Deputies.

Organization 1999



Operating Environment

PURCHASING POWER OF
FINNISH HOUSEHOLDS 1989 - 1998



ECONOMIC TRENDS

The Finnish economy had a promising start in 1998. But economic growth slowed in the second and third quarters partly due to the financial crisis in Russia. In the final quarter, economic growth picked up again due to increased exports and private consumption. Gross Domestic Product grew approximately five percent in 1998, making Finland one of the fastest-growing economies in Western Europe.

During the year under report, preparations were made as planned to introduce the common European currency, the euro. The countries belonging to the European central bank system lowered their key steering rate in December 1998 to three percent. The euro was introduced at the beginning of 1999.

1998 began with very fast growth in exports, but growth slowed substantially in the second half. Towards the end of the year, growth in exports accelerated again. Export growth was largely due to increased exports by the electronics and electrotechnical industry. Export prices fell in 1998. Nonetheless, the volume of exports rose so sharply that the value of exports for the full year climbed almost seven percent.

GDP growth was based largely on domestic demand, which increased nearly five percent on the previous year. Private consumption expenditure rose five percent during the year. Demand for non-durable consumer goods grew in 1998 by more than it had in the rest of the 1990s combined. The growth stemmed partially from a low rate of savings.

Investments rose in 1998 by over eight percent. About half of total investment went towards capacity enlargement. Investment grew above all in the private sector, whereas public-sector investment stayed at the 1997 level.

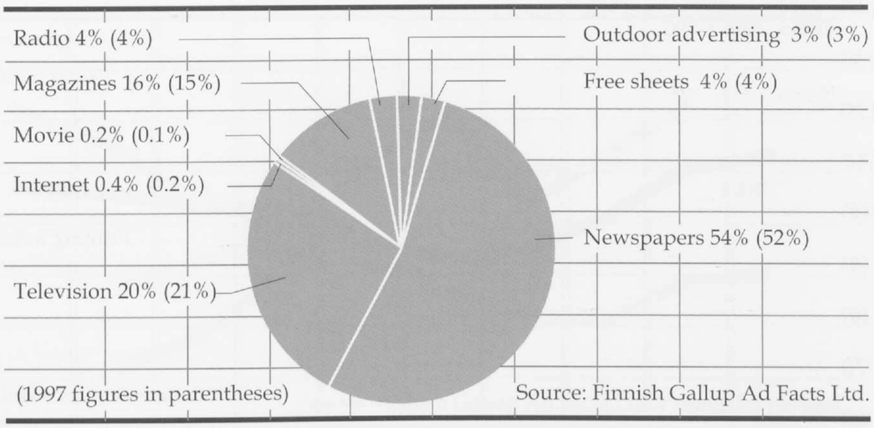
Consumer prices rose very moderately. The average price rise for the full year was about one and a half percent. Declining prices of imports and foodstuffs contributed to keeping inflation moderate.

According to Statistics Finland, unemployment fell in 1998 to 11.4 percent.

According to advance information the state deficit decreased on the previous year. The positive trend was due to higher tax and privatization revenues. Due to the favorable economic

MEDIA AD SALES 1998

Total FIM 5.7 billion (5.2 billion)



1998 figures are advance information

cycle and positive trend in corporate earnings, the state's income and property tax revenues increased 11 percent. Growth in government expenditure without interest expenses was clearly slower than the increase in GDP. The state debt at the end of the year stood at FIM 420 billion, of which almost FIM 158 billion was denominated in foreign currencies.

PRINTING INDUSTRY

The prospects for the printing industry remained favorable in early 1998 owing to growth in advertising, domestic consumption and exports. The industry's total sales were estimated at more than FIM 22 billion, up five percent on the previous year. The printing industry, which comprises both publishing and printing, is mainly a domestic market industry.

The export outlook for the printing industry grew bleaker after the collapse of exports to Russia starting in August. The devaluation of the rouble and the troubles of the banking system had a significant impact on Russia's entire foreign trade. Towards the end of the year, prospects for exports of printed goods to Russia improved.

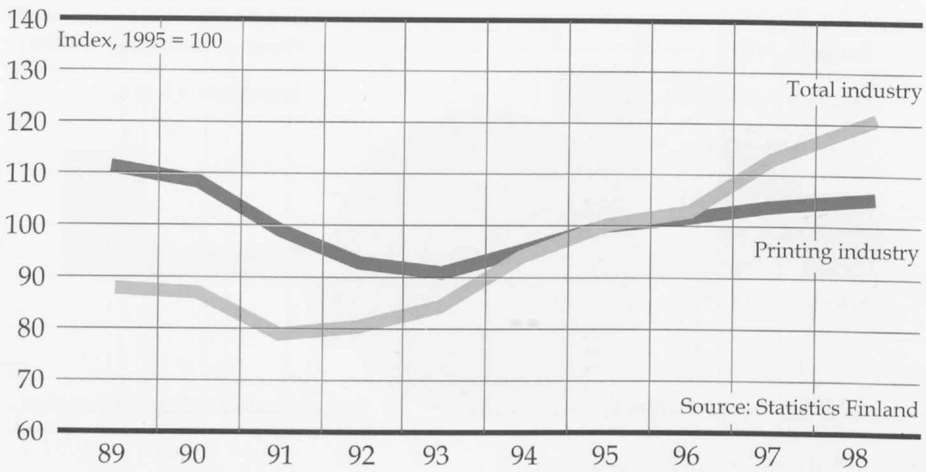
Prices in the printing industry rose more slowly than in the previous year. The producer price index for printed products increased during the year by about one and a half percent, while the corresponding figure for industry overall fell four percent.

Investment in fixed assets by printing industry companies grew to FIM 1.2 billion, about half of which was for replacement investments, one third in capacity expansion and the rest in rationalisation projects.

The decline in newspaper circulations ended during the year. This stabilization was due to the favorable trend in the economy and growth of consumers' purchasing power. According to Finnish Gallup-Media's Intermedia survey 8/1998, the time Finns spent reading newspapers increased in 1998. The total readership of newspapers in the Kärkimedia Oy alliance including all daily newspapers and Vasabladet, which is published six times a week, grew two percent. Helsingin Sanomat, together with its supplements, remained the country's most widely read newspaper. The position of news-

Operating Environment

PRODUCTION
VOLUME INDEX 1989 - 1998



papers was also bolstered by substantial investments in product development and production technology. The readerships of the leading magazine groups remained virtually unchanged in 1998.

ADVERTISING TRENDS

The Finnish media market grew faster than predicted in 1998. But the growth in media advertising flattened out towards the end of the year. Full-year growth rose from the previous year's nine percent to 11 percent. The Finnish advertising market has continued to be dominated by newspapers. About 70 percent of media advertising goes into newspapers and magazines, newspapers representing 54 percenage points of this.

The advertising revenues of newspapers rose 11 percent during the year. Co-operation between newspapers through Kärkimedia Oy, which increased its sales revenues by 18 percent, has had a positive impact on the competitiveness of newspapers on the media market.

Magazine advertising revenues rose 17 percent in 1998. Television advertising grew seven percent, which was below the industry average. Radio advertising grew 20 percent. The fastest growth in media ads occurred in Internet advertising, which surged 144 percent. Even so, Internet advertising accounted for less than one percent of total media advertising sales during the year. The value of direct advertising grew as forecast by almost five percent.

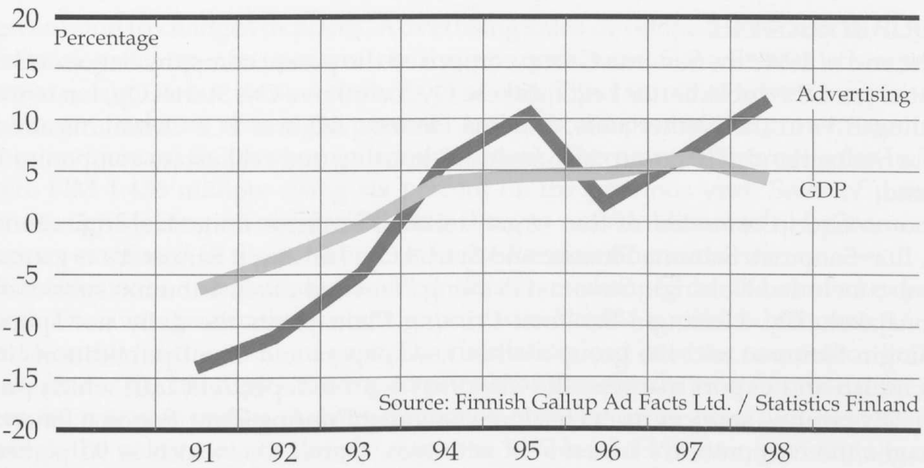
THE COMPETITIVE ENVIRONMENT

The Finnish media landscape was reshaped in 1998 by numerous corporate consolidation moves.

The Tampere based Aamulehti Group and the commercial television operator MTV Oy merged in April 1998 to create Alma Media Oyj of which the Swedish media group Bonnier AB owns 23 percent.

Regional newspaper publisher Kymen Lehti-

RELATIVE CHANGE OF NEWSPAPER
AD SALES AND GDP 1991 - 1998



media increased its stake in regional newspaper Hämeen Sanomat during the first four months of the year to 41 percent of the shares and 16 percent of the votes.

Sanoma Corporation, Helsinki Media Company Oy, their holding company Oy Devarda Ab and book publisher Werner Söderström Oyj - WSOY announced in May that they would merge in a new company called Sanoma-WSOY Oyj. The new group will be the second biggest media concern in Scandinavia. Sanoma-WSOY Group will own approximately 55 percent of kiosk chain operator and distribution channel Rautakirja Oyj, which will become a subsidiary of the group.

At the beginning of June, Sanoma Corporation bought 20 percent of the share capital of free-sheet publisher Janton Oy.

Book publisher Otava decided in August to redeem WSOY's stake in magazine publisher Yhtyneet Kuvalehdet Oy, book club Suuri Suomalainen Kirjakerho Oy and printing house Acta Print Oy.

In October, Sanoma Corporation acquired 35 percent of the shares in Infosto Oy, which publishes a free classified ads tabloid (Keltainen Pörssi).

At the end of November, Alma Media Group's holding in regional newspaper publisher Pohjolan Sanomat Oyj rose above two-thirds of the votes.

Regional newspaper publisher Savon Sanomat Oy and IS-Yhtymä Oy merged into Keski-Suomen Media Oy at the beginning of 1999.

Helsinki Media Company Oy's and regional newspaper publisher TS-Yhtymä Oy's commercial printing operations were combined as of January 1, 1999. TS-Yhtymä owns 60 percent and Helsinki Media 40 percent of the new unit.

In February 1999, Helsinki Media Company increased its shares and votes in Norwegian A-pressen ASA to 20 percent.

The structural changes of the media environment will continue.

Report by the Board of Directors 1998

GROUP STRUCTURE

At the end of 1998, the Sanoma Group comprised the parent company Sanoma Corporation and the subsidiaries Leijonajakelu Oy, Lehtikuva Oy, Startel Oy, Lastannet Holding B.V. in the Netherlands, Sanoma Finance AG and ECI Communications AG in Switzerland. The group also includes housing and real estate companies in Finland.

Sanoma Group consisted of four organizational business units: Helsingin Sanomat, Ilta=Sanomat, Sanoma Finance and Startel Oy. Helsingin Sanomat's organization also included Helsingin Sanomat Printing Plant and the distribution subsidiary Leijonajakelu Oy. Helsingin Sanomat Printing Plant prints the daily newspaper Helsingin Sanomat and the group's other newspapers and client publications for the Finnish and export markets. Ilta=Sanomat is an independent unit which purchases its printing services from Helsingin Sanomat Printing Plant. Sanoma Finance manages the corporation's investment activities. Startel Oy, which is 90 percent owned by Sanoma Corporation, and 10 percent owned by Turun Sanomat publisher TS-Yhtymä Oy, publishes the financial newspaper Taloussanomat and produces electronic economic information services.

Sanoma Group's associated companies were Helsinki Media Company Oy (40% group owned), regional newspaper publisher Kymen Lehtimedia Oy (48.9%), news agency Suomen Tietotoimisto Oy (20.78%), regional newspaper publisher Keski-Suomen Media Oy (21.73%), kiosk chain operator and distribution channel Rautakirja Oyj (22.94%), book publisher WSOY (20.06%) and distributor Etelä-Karjalan Jakelu Oy (20%).

Sanoma Group's new associated companies are the free-sheet publisher Janton Oyj, Infosto Oy, an expert in printed and electronic market places, and the holding company Bilton Capital Oy.

In June, Sanoma Corporation bought 20 percent of Janton's shares. Janton owns the direct advertising company Suomen Suoramainonta Oy and publishes among others the free-sheets Uutislehti 100, Alueuutiset and City. Janton Oyj will be lised on the Helsinki Stock Exchange.

Sanoma acquired 50 percent of the shares in Bilton Capital Oy in September. The company owns 21.6 percent of regional media group Maakuntien Viestintä Oy.

In October, Sanoma Corporation bought 35 percent of Infosto Oy's share capital. Infosto publishes the free classified ads tabloid Keltainen Pörssi in Finland and Estonia, runs a related Internet service and develops electronic marketing services.

NET SALES

Sanoma Corporation's net sales in 1998 were FIM 2,076 million (1997: 1,949 million). Net sales grew almost seven percent on the previous year. The parent company's net sales rose five percent to FIM 1,958 million (1,859 million). Helsingin Sanomat's audited weekday circulation was 466,236 copies, or down one percent from the previous year. The Sunday circulation fell one and a half percent to 540,827 copies. Despite the decline in circulation, the newspaper's circulation net sales grew two percent due to changes in prices. Advertising sales developed favorably during the financial year, up nine percent on the previous year. Growth was strongest in January-August, but slowed towards year-end. The volume of advertising in daily Helsingin Sanomat rose eight percent. A significant part of the growth stemmed from an increase in job vacancy advertisement. The newspaper's net sales in 1998 were FIM 1,436 million, rising six percent on the previous year. Sales of printing services by Helsingin Sanomat Printing Plant to outside clients fell 14 percent once exports stagnated in the autumn due to the Russian financial crisis.

Ilta=Sanomat's circulation remained almost unchanged at the previous year's level. The average circulation for the year was 219,634 copies, which was 0.6 percent less than in the previous year. The circulation lead over the competitor Iltalehti was almost 100,162 copies. Owing to price changes, circulation sales rose three percent from a year earlier. Advertising sales grew by more than two percent even though the volume of ads did not reach the 1997 level. However, growth in income fell considerably short of the average for media advertising. Ilta=Sanomat's net sales for the full year rose to FIM 373 million.

Leijonajakelu Oy is responsible for the early-morning delivery of Helsingin Sanomat and other newspapers published in the Helsinki Metropolitan Area. Leijonajakelu Oy's subsidiary for day-time deliveries Päiväverkko Oy did not achieve the targets set for it and a decision was made at the end of the year to wind up the company. In 1998 Leijonajakelu Oy's net sales were FIM 368 million, representing growth of five percent on the previous year.

Lehtikuva Oy sells news photos mainly to newspapers but also serves advertising agencies, book and magazine publishers with its picture material. The company's net sales grew three percent in 1998 to FIM 42 million. The recovery of the domestic market and the turn in the decline of newspaper revenues had a positive impact on the picture sales market during the financial year.

Startel Oy's net sales amounted to FIM 39 million, an increase of almost FIM 28 million on the previous year. But this net sales figure is not comparable, as 1998 was the first full year of operations for the financial newspaper Taloussanomat, which was launched at the end of 1997, in combination with the financial news agency Startel. The circulation of the group's newest newspaper, Taloussanomat, grew rapidly though slower than expected, and the paper's advertising and subscription revenues were below forecast.

FINANCIAL PERFORMANCE

The consolidated 1998 operating profit before depreciation was FIM 400 million (432 million) and amounted to 19.3 percent of net sales, versus 22.1 percent in the previous year. The parent company's operating profit before depreciation rose to FIM 356 million (328 million), or 18.2 percent (17.6 percent) of net sales.

Consolidated expenses rose by nine percent to FIM 1,769 million. Almost half of the increase in costs was due to Startel Oy's operations, which now covered the entire financial year.

Report by the Board of Directors 1998

Consolidated operating profit came to FIM 253 million (288 million). The operating profit included operating losses of FIM 63 million from Startel Oy, which were mainly due to the costs of starting up Taloussanomat. Share in the results of associated companies included in operating profit decreased by FIM 10 million on the previous year. The parent company's operating profit amounted to FIM 231 million.

Consolidated net financial income was FIM 139 million (168 million), and the profit before extraordinary items, appropriations and taxes was FIM 393 million. Extraordinary items of the parent company included FIM 101 million in corporate contribution provided to subsidiaries.

Profit before appropriations and taxes rose to FIM 558 million (535 million). The real estate company Kiinteistö Oy Korkeavuorenkatu 30 in downtown Helsinki was sold during the financial year. The sale had a positive impact of FIM 22 million on consolidated earnings. Consolidated profit for the period amounted to FIM 475 million (455 million). The consolidated balance sheet total grew to FIM 3,968 million (3,613 million).

Sanoma Group's earnings include shares in the profits of associated companies proportional to the group's ownership stakes. The share of associated company profits was FIM 72 million. This item is stated in the income statement in other revenue from operations. Extraordinary income includes a further FIM 153 million in gains on share sales by associated companies. During the financial year, the most important associated companies in terms of impact on the consolidated result were Werner Söderström Oyj - WSOY (previously Werner Söderström Osakeyhtiö - WSOY), Rautakirja Oyj, Helsinki Media Company Oy and Kymen Lehtimedia Oy.

Associated company Helsinki Media Group's consolidated net sales grew 11 percent to FIM 1,227 million (1,102). All the group's business units increased their net sales. The most significant increase was in television operations. Consolidated loss before extraordinary items, appropriations and taxes amounted to FIM 53 million. In 1997 consolidated profit before extraordinary items, appropriations and taxes was FIM 14 million. The change was mainly due to start-up costs of the television unit Oy Ruutunelonen Ab and accountancy policy applicated to the company.

Net sales of the associated company Kymen Lehtimedia Oy in 1998 were FIM 489 million (483 million), approximately unchanged from the previous year. The economic crisis in Russia cut into the company's sales of printing exports. The profit before extraordinary items, appropriations and taxes was FIM 66 million (74 million).

Associated company Janton's net sales in 1998 were FIM 241 million, up six percent. Profit before extraordinary items, appropriations and taxes were FIM 43 million.

Associated company Infosto Group's net sales were FIM 77 million, and profit before extraordinary items, appropriations and taxes amounted to FIM 12 million.

INVESTMENT

Consolidated investment in 1998 totaled FIM 409 million. The most significant investments included the construction of Sanoma Corporation's new headquarters, Sanoma House, and purchases of shares in Janton Oyj and Infosto Oy. Other important investments included the replacement of the marketing department's ad sales system, development of the newspapers' on-line services, and replacement and improvement of production equipment. Building investment in Sanoma House in 1998 totaled FIM 181 million. The construction project is continuing, and the property is scheduled for completion in autumn 1999. Some of the space in the new property will be for commercial use. Marketing of the commercial space was begun in spring 1998.

To meet the needs of Helsingin Sanomat's editorial and ad sales operations the production process at Sanoma Corporation's printing plant in Vantaa (Sanomala) is to be rebuilt. Production equipment of the regional presses will be developed as well. A final investment decision on the project is to be made in 1999. The project will be carried out in stages.

FINANCING

In 1998 the financial markets were marked by a general decline in interest rates which continued, except for a few brief rises, throughout the year. The group's net financial income totaled FIM 139 million, or FIM 29 million less than in the previous year. Cash flow from business operations amounted to FIM 505 million. It exceeded total investment which was FIM 409 million. The group's solvency was good throughout the year. The current ratio, a measure of solvency, was 1.2 at the end of the financial year.

PERSONNEL

The consolidated personnel, newspaper delivery personnel excluded, in 1998 numbered 1,836 employees on average (1997: 1,769) and 1,769 at year-end (1,726). In addition, the group employed 1,693 newspaper deliverers on average (1,585). Forty-seven employees retired during the year. The average personnel figure at Sanoma Corporation was 1,535, including 543 administrative and clerical employees, 452 journalists and 540 other staff.

Consolidated salaries, wages, fees and other remuneration totaled FIM 575 million. The corresponding wage figure for the parent company was FIM 383 million. Salaries and fees to the members of the Boards of Directors and Presidents were FIM 6.6 million group-wide and FIM 5.0 (4.6) million within the parent company. The Sanoma Corporation Board of Directors includes two staff representatives.

During the financial year, Sanoma transferred FIM 19.1 million out of earnings to the Profit-Sharing Fund. Staff members withdrew altogether FIM 18.0 million in accrued Fund shares.

Consolidated payments to the Sanoma Corporation Pension Fund were FIM 3.1 million.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders was held on March 17, 1998. The

Report by the Board of Directors 1998

meeting adopted the financial statements, approved the board's proposal for the disposal of retained earnings and discharged the members of the Board of Directors and the president from liability.

L.J. Jouhki was elected Vice Chairman of the Board and the Annual General Meeting re-elected the resigning members of the Board, Seppo Kievari, Robin Langenskiöld and Jaakko Rauramo. Aatos Erkko is Chairman of the Board.

Pekka Nikula, CPA, and Juha Tuomala, CPA, were elected ordinary auditors with Jukka Ala-Mello, CPA, and Pekka Kaasalainen, CPA, as their deputies.

MERGER

An extraordinary general meeting of shareholders on June 29, 1998, unanimously approved a plan to merge Sanoma Corporation, Werner Söderström Oyj - WSOY, Helsinki Media Company Oy and Oy Devarda Ab into a new company called Sanoma-WSOY Oyj. The merger is scheduled to take effect on May 1, 1999. An application will be filed for a listing of the shares in Sanoma-WSOY Oyj on the Helsinki Stock Exchange.

Upon implementation of the merger, the shareholders of the merging companies will become shareholders in Sanoma-WSOY Oyj. The merger consideration to shareholders will consist of Sanoma-WSOY Oyj shares with a nominal value of FIM 10 each. For each Sanoma Corporation series-K share with a nominal value of FIM 100, shareholders will receive as consideration 17.6074 series-A shares and 32.9373 series-B shares in Sanoma-WSOY Oyj. Each Sanoma Corporation series-E share will be exchanged for 50.5447 series-B shares in Sanoma-WSOY Oyj.

Sanoma-WSOY Oyj's shares of series A and B will differ insofar as each share of series A will carry 20 votes and each share of series B one vote at the general meeting of shareholders. The articles of association will include a stipulation allowing shares of series A to be converted into shares of series B.

The principal shareholders of the merging companies have signed a shareholders' agreement. According to that agreement, the core business operations of book publisher Werner Söderström Oyj - WSOY, newspaper publisher Sanoma Corporation as well as Helsinki Media Company Oy, which publishes magazines and engages in various forms of electronic communications, will be incorporated before the enforcement of the merger so that the companies will retain their autonomy also within the new group. The business operations of the merging companies will be incorporated mainly according to their present structures.

The shareholders' agreement contains stipulations on the appointment of the members of the Board of Directors of Sanoma-WSOY Oyj, dividend policy and the pre-emptive right of the parties to the agreement to redeem Sanoma-WSOY series-A shares in the event of sale. No agreements or arrangements have been made between the company and the shareholders on the exercise of votes.

In endorsing the merger plan, the Sanoma Corporation annual meeting of shareholders also approved for its part the articles of association of the new company and the proposed slate of Board members and auditors.

Sanoma-WSOY Oyj's Board of Directors will consist of Aatos Erkko as Chairman, Esko Koivusalo as Vice Chairman, and Jane Erkko, Marjukka af Heurlin, Paavo Hohti, L.J. Jouhki, Kyösti Järvinen, Robin Langenskiöld, Rafaela Noyer, Jaakko Rauramo and Antero Siljola as members.

The auditors will be SVH Pricewaterhouse Coopers Oy (previously SVH Coopers & Lybrand Oy) and serving as auditor Pekka Nikula, CPA, with Johanna Perälä, CPA, as deputy auditor. Tauno Haataja, CPA, is principal auditor at SVH Pricewaterhouse Coopers Oy.

Sanoma Corporation's Netherlands-based subsidiary Lastannet Holding B.V., which owns shares in Helsinki Media Company Oy, has signed a letter of intent with the Finnish Cultural Fund on share sales related to the merger, whereby Lastannet will sell the Finnish Cultural Fund shares entitling it to 5.22 percent of the votes in the new company. After the deal, the Finnish Cultural Fund's stake in the new Sanoma-WSOY will be 1.70 percent of the shares and 6.25 percent of the votes.

SHARES

On January 27, 1999, the members of the Board of Directors, the President and Vice Presidents held a total of 148,064 K-series shares and 102,947 E-series shares in Sanoma Corporation. Together those holdings accounted for 59.53 percent of the company's shares and 63.82 percent of the votes.

The Sanoma Corporation Board of Directors has no valid authorizations to decide on an increase in the share capital, issuance of convertible bonds or option rights, or purchase or sale of the company's own shares.

Sanoma Corporation´s 10 Biggest Shareholders at February 4, 1999

	Series K	*Series E*	*Total*	*Percentage of votes*	*Percentage of shares*
Oy Devarda Ab	93,678	42,594	136,272	39.5%	32.3%
Patricia Seppälä	36,255	39,546	75,801	16.2%	18.0%
Aatos J. Erkko	29,374	33,275	62,649	13.2%	14.9%
Asipex Oy	24,335	26,316	50,651	10.9%	12.0%
Helsingin Sanomain 100-vuotissäätiö	11,357	10,317	21,674	5.0%	5.1%
Näyttelijöiden vanhuudenkotisäätiö	4,796	4,796	9,592	2.1%	2.3%
Päivälehden arkistosäätiö	4,325	160	4,485	1.7%	1.1%
Graafisen teollisuuden tutkimussäätiö	2,220	2,220	4,440	1.0%	1.1%
Eläkevakuutus Osakeyhtiö Ilmarinen	3,343	13,005	16,348	1.9%	3.9%
Vakuutusosakeyhtiö Pohjola	1,840	2,000	3,840	0.8%	0.9%
Others	20,686	31,595	52,281	9.6%	12.4%
Total	228,866	192,819	421,685	100.0%	100.0%

Report by the Board of Directors 1998

Sanoma Corporation number of shares per shareholder at February 4, 1999

Number of shares	*Number of shareholders*	*Percentage of shares*	*Number of shares*	*Percentage of capital*
1 - 10	213	46.9	1,095	0.3
11 - 100	166	36.6	6,585	1.6
101 - 1,000	58	12.8	16,875	4.0
1,001 - 10,000	11	2.4	33,735	8.0
10,001 -	6	1.3	363,395	86.2
Total	454	100.0	421,685	100.0

YEAR 2000

Preparations to meet the challenges caused by the change of millennium were begun at Sanoma Group in spring 1996. Data systems, interfaces, web connections, embedded systems as well as the year-2000 readiness of the company's main external partners were charted. The required changes were planned and scheduled and largely tested and carried out.

When developing and replacing systems, year-2000 compatibility has been taken into consideration and made a condition for supply contracts since the beginning of 1997. Crucial and important systems are to be ready for the year 2000 by June 1999. Other changes related to the year 2000 will be completed in the autumn.

According to information on the Sanoma Group's own systems and its main external partners' year-2000 readiness, the change of millennium will not cause any significant disruption to the group's operations.

Total costs of the year-2000 project are about FIM 15 million, divided over 1997-1999. Much of the adjustments necessitated by the year 2000 are being implemented in connection with ordinary replacement and updating of systems.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

By an agreement signed in January 1999, Sanoma Corporation acquired a 14.9 percent stake in Tietovalta Oy. The company produces customized software that can be used either on CD-ROM or over information networks.

Also in early 1999, the companies of the future Sanoma-WSOY Group, Werner Söderström Oyj - WSOY, Sanoma Corporation, Helsinki Media Company Oy and television group Oy Ruutunelonen Ab, filed an application with the government for licenses for four new digital television channels. As part of this joint application, Sanoma Corporation applied for a license to operate a digital and analog local Helsinki television channel.

On January 27, 1999, the National Board of Patents and Registration granted permission for the merger of Werner Söderström Oyj - WSOY, Sanoma Corporation, Helsinki Media Company Oy and Oy Devarda Ab. According to the merger plan, the permit will be registered and the merger enforced on May 1, 1999.

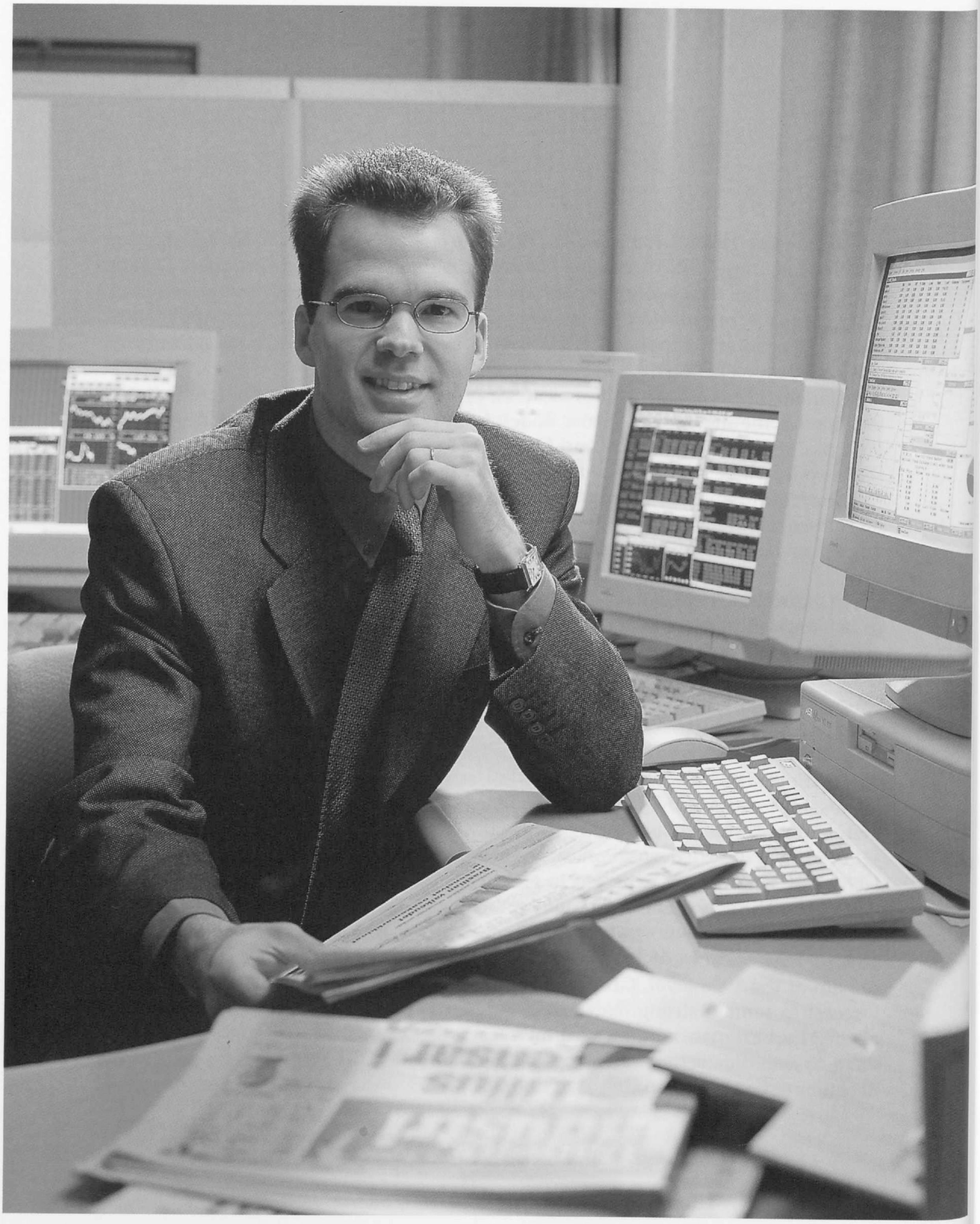
In March, Sanoma Corporation made an agreement on the purchase of the shares of Kymen Lehtimedia Oy. After the deal Kymen Lehtimedia Oy will become a wholly-owned subsidiary of Sanoma Corporation.

OUTLOOK FOR 1999

In conjunction with the merger, the present publishing operations of Sanoma Corporation will be transferred within the new group to a new company of the same name. The new Sanoma Corporation will be a wholly-owned subsidiary of Sanoma-WSOY Oyj. The new Sanoma will continue to operate the transferred businesses in their current extent and level.

As 1999 begins, consumer confidence in sustained economic growth remains strong. Forecasts for a further decline in unemployment and a rise in households' disposable income provide a basis for increased private consumption. Recent information on jub cuts in various fields has, however, created insecurity.

Provided that the external conditions remain unchanged, advertising revenues at Helsingin Sanomat are expected to grow. The pace of growth will, however, slow from 1998. The newspaper's circulation is expected to fall below the 1998 level if the policy of avoiding short-term discount-priced subscriptions is continued. The advertising revenues of Ilta=Sanomat are expected to rise and the circulation to remain at the 1998 level. Growth of the group's newest paper, Taloussanomat, is forecast to remain strong. Nevertheless, the financial newspaper will continue to need group assistance in the next few years. Sales by Helsingin Sanomat Printing Plant to external customers are expected to fall below the 1998 level because of the decline in export sales to Russia.



Asset Manager Karl Tujulin reading the latest news at the Sanoma Finance dealing room.

Consolidated Income Statement

	Jan. 1- Dec. 31, **1998** FIM thousands	EUR thousands	Jan. 1- Dec. 31, 1997 FIM thousands	EUR thousands
Net sales	2,075,907	349,142	1,948,944	327,789
Share in the results of associated companies	71,784	12,073	81,400	13,690
Other operational income	21,525	3,620	21,785	3,664
Expenses	-1,769,287	-297,573	-1,620,478	-272,545
Operating profit before depreciation	399,929	67,263	431,651	72,598
Depreciation	-146,690	-24,671	-143,420	-24,122
Operating profit	253,239	42,592	288,231	48,477
Financial income and expenses	139,275	23,424	167,877	28,235
Profit before extraordinary items, appropriations and taxes	392,514	66,016	456,108	76,712
Extraordinary income and expenses	184,862	31,092	102,907	17,308
Payout to the Employee Profit-Sharing Fund	-19,076	-3,208	-23,826	-4,007
Profit before appropriations and taxes	558,300	93,899	535,189	90,012
Taxes	-81,292	-13,672	-82,355	-13,851
Minority interest	-1,849	-311	1,877	316
Profit for the period	475,159	79,916	454,711	76,477

Consolidated Balance Sheet

Assets	Dec. 31, 1998 FIM thousands	Dec. 31, 1998 EUR thousands	Dec. 31, 1997 FIM thousands	Dec. 31, 1997 EUR thousands
Fixed assets and other long-term investments				
Intangible assets				
Intangible rights	51,316	8,631	37,220	6,260
Other long-term expenditures	32,368	5,444	42,914	7,218
	83,684	14,075	80,134	13,478
Tangible assets				
Land and water areas	303,133	50,983	294,634	49,554
Buildings and structures	830,546	139,688	683,142	114,896
Machinery and equipment	314,718	52,932	368,465	61,971
Advance payments and fixed assets under construction	21,290	3,581	14,645	2,463
	1,469,687	247,184	1,360,886	228,885
Other long-term investments				
Investments in associated companies	1,102,715	185,463	803,064	135,066
Investments in other shares	173,603	29,198	171,481	28,841
Long-term loans receivable	48,182	8,104	74,551	12,539
Other investments	552,846	92,982	528,058	88,813
	1,877,346	315,747	1,577,154	265,258
Total fixed assets and other long-term investments	3,430,717	577,005	3,018,174	507,620
Current assets				
Inventories				
Materials and supplies	12,083	2,032	23,239	3,909
Products in process			273	46
	12,083	2,032	23,512	3,954
Receivables				
Accounts receivable	82,407	13,860	108,846	18,307
Prepaid expenses and accrued income	49,501	8,325	27,853	4,685
Other receivables	425	71	1,209	203
	132,333	22,257	137,908	23,194
Securities included in financial assets				
Shares and participations	4,157	699	4,393	739
Short-term investments	258,666	43,505	346,670	58,306
	262,823	44,204	351,063	59,045
Cash and bank	129,560	21,790	82,541	13,882
Total current assets	536,799	90,283	595,024	100,076
	3,967,516	667,288	3,613,198	607,696

	Dec. 31, **1998** FIM thousands	Dec. 31, **1998** EUR thousands	Dec. 31, 1997 FIM thousands	Dec. 31, 1997 EUR thousands
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity				
Share capital	46,413	7,806	46,413	7,806
Revaluation reserve	519,586	87,388	522,692	87,910
	565,999	95,194	569,105	95,717
Non-restricted equity				
Retained earnings	2,043,255	343,651	1,631,713	274,434
Profit for the period	475,159	79,916	454,711	76,477
	2,518,414	423,567	2,086,424	350,911
Total shareholders' equity	3,084,413	518,761	2,655,529	446,628
Minority interest	16,256	2,734	14,471	2,434
Liabilities				
Long-term				
Loans from financial institutions			30,693	5,162
Pension loans	270,187	45,442	307,129	51,655
Deferred tax liability	147,681	24,838	163,185	27,446
Other long-term liabilities	253	43	379	64
	418,121	70,323	501,386	84,327
Current				
Loans from financial institutions	30,693	5,162	16,314	2,744
Pension loans	31,815	5,351	16,326	2,746
Advances received	97,183	16,345	96,538	16,237
Accounts payable	59,577	10,020	73,423	12,349
Accrued expenses and prepaid income	204,286	34,358	200,725	33,760
Other current liabilities	25,172	4,234	38,486	6,473
	448,726	75,470	441,812	74,307
Total liabilities	866,847	145,793	943,198	158,635
	3,967,516	667,288	3,613,198	607,696

Consolidated Changes in Financial Position

	1998		1997	
	FIM millions	*EUR millions*	*FIM millions*	*EUR millions*
Operations				
Income financing				
Operating profit before depreciation	399.9	67.3	431.7	72.6
Proceeds and losses on sale of fixed assets	-1.5	-0.3	-1.3	-0.2
Share in the results of associated companies	-71.8	-12.1	-81.4	-13.7
Financial income and expenses	195.0	32.8	197.4	33.2
Extraordinary items	2.3	0.4	2.4	0.4
Payout to the Employee Profit-Sharing Fund	-19.1	-3.2	-23.8	-4.0
Taxes	-81.3	-13.7	-82.4	-13.9
Income financing, total	423.6	71.2	442.5	74.4
Change in working capital				
Inventories, increase (-), decrease (+)	11.4	1.9	-13.3	-2.2
Current trade receivables, decrease (+)	5.6	0.9	48.6	8.2
Other current investments, increase (-), decrease (+)	88.2	14.8	134.8	22.7
Non-interest bearing current liabilities, increase (+), decrease (-)	-24.0	-4.0	36.2	6.1
	81.3	13.7	206.3	34.7
Cash flow from operations	504.9	84.9	648.8	109.1
Investments				
Gross investments	-409.2	-68.8	-586.2	-98.6
Gains on sales of fixed assets	45.4	7.6	92.0	15.5
	-363.8	-61.2	-494.2	-83.1
Cash flow before financing	141.1	23.7	154.6	26.0
Financing				
Long-term receivables, increase (-), decrease (+)	1.6	0.3	-48.3	-8.1
Current loans, increase (+), decrease (-)	-11.6	-2.0	11.6	2.0
Long-term loans, increase (+)			315.8	53.1
Long-term loans, decrease (-)	-40.8	-6.9	-371.6	-62.5
Dividends	-42.2	-7.1	-12.7	-2.1
Donations	-1.0	-0.2	-0.5	-0.1
Other financial items	-0.1	0.0	5.0	0.8
	-94.0	-15.8	-100.7	-16.9
Liquid funds, increase (+), decrease (-)	47.0	7.9	53.9	9.1
Liquid assets according to the balance sheet, increase (+), decrease (-)	47.0	7.9	53.9	9.1

Sanoma Corporation Income Statement

	Jan. 1- Dec. 31, 1998 FIM thousands	Jan. 1- Dec. 31, 1998 EUR thousands	Jan. 1- Dec. 31, 1997 FIM thousands	Jan. 1- Dec. 31, 1997 EUR thousands
Net sales	1,957,638	329,251	1,858,940	312,651
Other operational income	15,455	2,599	17,023	2,863
Expenses	-1,616,870	-271,938	-1,548,162	-260,382
Operating profit before depreciation	356,223	59,912	327,800	55,132
Depreciation	-124,796	-20,989	-126,467	-21,270
Operating profit	231,427	38,923	201,333	33,862
Financial income and expenses	153,297	25,783	128,666	21,640
Profit before extraordinary items, appropriations and taxes	384,724	64,706	329,999	55,502
Extraordinary income and expenses	-58,166	-9,783	578	97
Payout to the Employee Profit-Sharing Fund	-13,333	-2,243	-16,419	-2,761
Profit before appropriations and taxes	313,224	52,681	314,159	52,838
Change in depreciation in excess of plan, decrease/increase	56,699	9,536	-42,979	-7,229
Untaxed reserves, decrease			99,002	16,651
Taxes	-98,684	-16,598	-98,889	-16,632
Profit for the period	271,239	45,619	271,293	45,628

Sanoma Corporation Balance Sheet

	Dec. 31, **1998** FIM thousands	Dec. 31, **1998** EUR thousands	Dec. 31, 1997 FIM thousands	Dec. 31, 1997 EUR thousands
Assets				
Fixed assets and other long-term investments				
Intangible assets				
Intangible rights	34,513	5,805	21,256	3,575
Other long-term expenditures	11,607	1,952	22,041	3,707
	46,121	7,757	43,298	7,282
Tangible assets				
Land and water areas	44,645	7,509	46,756	7,864
Buildings and structures	454,312	76,410	286,355	48,161
Machinery and equipment	299,064	50,299	351,337	59,091
Advance payments and fixed assets under construction	21,290	3,581	14,265	2,399
	819,312	137,798	698,713	117,515
Other long-term investments				
Investments in subsidiaries	1,015,258	170,754	1,026,263	172,605
Investments in associated companies	620,826	104,415	497,314	83,642
Investments in other shares	84,618	14,232	81,247	13,665
Long-term loans receivable	438,601	73,767	468,105	78,730
	2,159,302	363,169	2,072,929	348,642
Total fixed assets and other long-term investments	3,024,735	508,724	2,814,939	473,439
Current assets				
Inventories				
Materials and supplies	12,083	2,032	23,201	3,902
Products in process			273	46
	12,083	2,032	23,474	3,948
Receivables				
Accounts receivable	84,318	14,181	113,266	19,050
Short-term loans receivable	3,208	540	4,968	836
Prepaid expenses and accrued income	60,483	10,172	24,729	4,159
Other receivables	302	51	266	45
	148,312	24,944	143,229	24,089
Securities included in financial assets				
Shares and participations	675	114	690	116
Short-term investments	126,277	21,238	272,740	45,872
	126,952	21,352	273,430	45,988
Cash and bank	66,080	11,114	28,459	4,786
Total current assets	353,427	59,442	468,592	78,812
	3,378,162	568,166	3,283,531	552,250

	Dec. 31, 1998		Dec. 31, 1997	
	FIM thousands	*EUR thousands*	*FIM thousands*	*EUR thousands*
Shareholders' equity and liabilities				
Shareholders' equity				
Restricted equity				
Share capital	46,413	7,806	46,413	7,806
Non-restricted equity				
Operating fund	1,839,908	309,450	1,611,908	271,104
Retained earnings	8,164	1,373	8,039	1,352
Profit for the period	271,239	45,619	271,293	45,628
	2,119,311	356,442	1,891,241	318,084
Total shareholders' equity	2,165,724	364,249	1,937,654	325,890
Reserves				
Accumulated depreciation	408,500	68,705	465,199	78,241
Liabilities				
Long-term				
Loans from financial institutions			30,693	5,162
Pension loans	270,187	45,442	307,129	51,655
Other long-term liabilities	253	43	379	64
	270,440	45,485	338,201	56,881
Current				
Loans from financial institutions	30,693	5,162	16,314	2,744
Pension loans	31,815	5,351	16,326	2,746
Advances received	93,891	15,791	92,665	15,585
Accounts payable	76,852	12,926	92,150	15,499
Accrued expenses and prepaid income	169,650	28,533	144,622	24,324
Other current liabilities	130,597	21,965	180,400	30,341
	533,497	89,728	542,477	91,238
Total liabilities	803,937	135,213	880,679	148,119
	3,378,162	568,166	3,283,531	552,250

Sanoma Corporation Changes in Financial Position

	1998 FIM millions	1998 EUR millions	1997 FIM millions	1997 EUR millions
Operations				
Income financing				
Operating profit before depreciation	356.2	59.9	327.8	55.1
Proceeds and losses on sale of fixed assets	-1.3	-0.2	-1.2	-0.2
Financial income and expenses	153.3	25.8	128.7	21.6
Extraordinary items	-90.9	-15.3	-2.3	-0.4
Payout to the Employee Profit-Sharing Fund	-13.3	-2.2	-16.4	-2.8
Taxes	-98.7	-16.6	-98.9	-16.6
Income financing, total	305.3	51.3	337.7	56.8
Change in working capital				
Inventories, increase (-), decrease (+)	11.4	1.9	-13.3	-2.2
Current trade receivables, increase (-), decrease (+)	-5.1	-0.9	40.4	6.8
Other current investments, increase (-), decrease (+)	146.5	24.6	172.8	29.1
Non-interest bearing current liabilities, increase (+), decrease (-)	-38.8	-6.5	35.4	6.0
	113.9	19.2	235.3	39.6
Cash flow from operations	419.2	70.5	572.9	96.4
Investments				
Gross investments	-390.5	-65.7	-510.8	-85.9
Proceeds from the sale of fixed assets	60.5	10.2	58.7	9.9
	-330.0	-55.5	-452.1	-76.0
Cash flow before financing	89.2	15.0	120.9	20.3
Financing				
Long-term receivables, increase (-), decrease (+)	29.5	5.0	-60.1	-10.1
Current loans, increase (+), decrease (-)	-11.6	-2.0	11.6	2.0
Long-term loans, increase (+)			315.8	53.1
Long-term loans, decrease (-)	-26.3	-4.4	-355.2	-59.7
Dividends	-42.2	-7.1	-12.7	-2.1
Donations	-1.0	-0.2	-0.5	-0.1
	-51.6	-8.7	-101.0	-17.0
Liquid funds, increase (+), decrease (-)	37.6	6.3	19.8	3.3
Liquid funds according to the balance sheet, increase (+), decrease (-)	37.6	6.3	19.8	3.3

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. 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.

In the consolidation, intra-group income and expenses, receivables and liabilities as well as internal margins and internal distribution of profits have been eliminated. The acquisition cost method is applied in eliminating inter-company cross-ownership. The cost of shares in subsidiaries exceeding the shareholders' equity at the date of purchase has been booked as fixed assets and goodwill. Goodwill and items booked in fixed assets are depreciated according to plan. The method of booking currency translation adjustments arising in the elimination of inter-company share ownership has been changed. Currency translation adjustments are booked as financial income and expenses in the income statement. The comparison figures for the previous year have been brought into line with the new accounting practice.

The minority interest in the net profit for the period 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. The share in extraordinary income and expenses of associated companies is entered in extraordinary items. Assets and reserves arising in the consolidation of associated companies are recognized as income over five to ten years. However, assets and reserves from the consolidation of Rautakirja Oyj and Werner Söderström Oyj - WSOY have been booked as credits or charges for 1997. 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 currencies are booked at the exchange rate on the date of the transaction. Unsettled items denominated in euro at the close of the fiscal year are valued by applying official currency conversion rates. Other foreign currency-denominated receivables and liabilities are valued according to 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 gains that may result from options or forward contracts are not credited to income.

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

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 period 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:

Intangible rights	5 - 10 years
Other long-term expenditures	5 - 10 years
Buildings and structures	4 - 40 years
Machinery and equipment	3 - 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.

Appended Information on the Consolidated Financial Statements

(FIM thousands)	CONSOLIDATED 1998	CONSOLIDATED 1997	PARENT COMPANY 1998	PARENT COMPANY 1997
1. EXPENSES				
Expenses				
Materials and supplies				
Purchases during the period	310,257	311,626	309,409	310,839
Increase/decrease in inventories	11,429	-13,304	11,391	-13,300
Purchased services	22,399	22,399	22,223	22,182
Personnel expenses	731,343	680,709	490,763	473,990
Rents	23,782	18,040	44,916	46,974
Purchased delivery services	184,447	170,052	328,630	322,964
Other expenses	485,630	430,956	409,538	384,513
Total	1,769,287	1,620,478	1,616,870	1,548,162
Personnel expenses and fringe benefits, on an accrual basis				
Wages and salaries	575,384	520,017	382,547	358,409
Pension expenses	89,996	95,728	61,496	66,579
Other social expenses	65,963	64,964	46,720	49,002
	731,343	680,709	490,763	473,990
Fringe benefits	5,071	4,667	3,902	3,880
Total	736,414	685,376	494,665	477,870
Salaries paid to the Presidents and the members of the Boards	6,569	5,704	5,014	4,597
2. DEPRECIATION				
Depreciation according to plan				
Intangible rights	14,178	8,718	9,722	7,072
Other long-term expenditures	4,815	5,834	4,659	5,686
Buildings and structures	21,812	21,779	8,764	9,193
Machinery and equipment	105,885	107,089	101,651	104,515
Total	146,690	143,420	124,796	126,466
Change in depreciation in excess of plan				
Intangible rights			-2,171	-1,826
Other long-term expenditures			-2,130	-1,048
Buildings and structures			-5,517	64,493
Machinery and equipment			-46,880	-18,640
Total			-56,698	42,979
3. FINANCIAL INCOME AND EXPENSES				
Dividend income	13,223	21,737	125,543	85,024
Interest income from long-term investments	22,036	19,093	18,655	19,861
Other interest income	25,133	38,919	22,141	32,708

(FIM thousands)	CONSOLIDATED **1998**	1997	PARENT COMPANY **1998**	1997
Other financial income	141,601	79,684	11,979	11,992
Exchange rate differences	-2,223	64,233	210	12,912
Interest expenses	-19,590	-20,886	-23,588	-25,464
Other financial expenses	-40,905	-34,903	-1,643	-8,367
Total	141,273	169,874	155,295	130,663
Financial income from subsidiaries				
Dividend income			45,691	26,837
Interest income from long-term investments			15,183	16,344
Other interest income			919	193
Total			61,793	43,374
Financial expenses paid to subsidiaries				
Interest expenses			4,368	4,599
Total			4,368	4,599

4. EXTRAORDINARY INCOME AND EXPENSES

	CONSOLIDATED 1998	1997	PARENT COMPANY 1998	1997
Extraordinary income				
Realized internal margin and income on sale	4,319	4,319		
Income on the sale of shares and real estate	25,841	17,720	32,731	11,794
Reversal of writedowns		10,096		10,096
Corporate contribution received			8,000	3,000
Share in extraordinary revenues of associated companies	152,983	83,015		
Associate company reserves credited to income		22,748		
Other extraordinary income	2,303	2,381	2,303	2,302
Total	185,447	140,279	43,034	27,192
Extraordinary expenses				
Losses on sale of shares and land		21,074		19,014
Corporate contribution provided			101,200	7,600
Depreciation on associated company goodwill		16,298		
Other extraordinary expenses	585			
Total	585	37,372	101,200	26,614
Extraordinary items income, total	184,862	102,907	-58,166	578

Appended Information on the Consolidated Financial Statements

(FIM thousands)	CONSOLIDATED 1998	CONSOLIDATED 1997	PARENT COMPANY 1998	PARENT COMPANY 1997
5. TAXES				
Taxes for the period	94,852	102,029	98,684	101,409
Deferred tax liabilities from previous years	1,719	-5,035		-2,520
Change in deferred tax liability	-15,279	-14,639		
Total	81,292	82,355	98,684	98,889
6. TAXABLE VALUES OF FIXED ASSETS AND SECURITIES				
Land	106,089	126,583	40,212	61,520
Buildings and structures	249,219	227,736	100,779	73,858
Shares and participations	1,264,759	961,219	1,138,536	860,518
Shares and participations, subsidiaries			833,865	876,615
Total	1,620,067	1,315,538	2,113,392	1,872,511
7. SHARES AND LOANS RECEIVABLE UNDER LONG-TERM INVESTMENTS				
Subsidiaries				
Shares			1,015,258	1,026,263
Loans receivable			269,739	277,443
Total			1,284,997	1,303,706
Associated companies				
Shares	1,102,715	803,064	620,826	497,314
Loans receivable	29,270	56,754	29,270	56,754
Total	1,131,985	859,818	650,096	554,068
8. MARKET VALUE OF PUBLICLY QUOTED SECURITIES INCLUDED IN FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS				
Shares in associated companies				
Market value	1,351,546	1,085,305	1,351,546	1,085,305
Corresponding book value	619,085	466,017	436,571	436,571
Difference	732,461	619,288	914,975	648,734
Other shares				
Market value	239,804	186,086	238,171	186,086
Corresponding book value	63,067	62,212	63,067	62,212
Difference	176,737	123,874	175,104	123,874
Other investments				
Market value	667,781	637,142		
Corresponding book value	552,846	528,058		
Difference	114,935	109,084		

(FIM millions)	Acquisition cost Jan. 1	Increases Jan. 1-Dec. 31	Decreases Jan. 1-Dec. 31	Acquisition cost Dec. 31	Accumulated depreciation according to plan Dec. 31	Book value Dec. 31
9. INTANGIBLE AND TANGIBLE ASSETS						
Consolidated						
Intangible rights	84.6	28.3	-9.9	103.0	51.7	51.3
Other long-term expenditures	114.1	0.5	-6.7	107.9	75.5	32.4
Land	294.6	9.5	-1.0	303.1		303.1
Buildings and structures	887.3	179.2	-40.0	1,026.5	196.0	830.5
Machinery and equipment (Advance payments included)	1,345.6	63.6	-22.8	1,386.4	1,050.4	336.0
Total	2,726.2	281.1	-80.4	2,926.9	1,373.6	1,553.3
Production machinery						257.6
Parent Company						
Intangible rights	66.3	23.0	-9.9	79.4	44.9	34.5
Other long-term expenditures	92.6	0.3	-6.6	86.3	74.7	11.6
Land	46.7	0.4	-2.5	44.6		44.6
Buildings and structures	347.2	176.7		523.9	69.6	454.3
Machinery and equipment (Advance payments included)	1,305.4	57.5	-18.8	1,344.1	1,023.7	320.4
Total	1,858.2	257.9	-37.8	2,078.3	1,212.9	865.4
Production machinery						249.9

(FIM thousands)	CONSOLIDATED 1998	1997	PARENT COMPANY 1998	1997
10. VALUATION ITEMS				
Unrealized exchange rate gains Jan. 1		11,890		11,890
Change Jan. 1-Dec. 31		-11,890		-11,890
Unrealized exchange rate gains Dec. 31		0		0
11. FINANCIAL ASSETS				
Receivables from subsidiaries				
Accounts receivable			9,722	16,110
Loans receivable			3,208	4,968
Prepaid expenses and accrued income			33,499	7,760
Total			46,429	28,838
Receivables from associated companies				
Accounts receivable	24,136	24,745	23,901	24,501
Total	24,136	24,745	23,901	24,501

(FIM thousands)	CONSOLIDATED 1998	CONSOLIDATED 1997	PARENT COMPANY 1998	PARENT COMPANY 1997
12. CHANGES IN SHAREHOLDERS' EQUITY				
Restricted equity				
Revaluation reserve Jan. 1	522,692	532,182		
Decrease, funds released due to sale	-3,106	-9,490		
Revaluation reserve Dec. 31	519,586	522,692		
Non-restricted equity				
Non-restricted equity Jan. 1	2,086,424	1,644,863	1,891,241	1,633,099
Dividend distribution	-42,169	-12,651	-42,169	-12,651
Profits transferred to the reserve for donations	-1,000	-500	-1,000	-500
Profit for the period	475,159	454,711	271,239	271,293
Non-restricted equity Dec. 31	2,518,414	2,086,424	2,119,311	1,891,241
Distributable component of non-restricted equity	2,140,316	1,668,478		

Share capital of Parent Company	1998 units	1998	1997 units	1997
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

The common shares (series K) and the preference shares (series E) differ from each other to the extent that each common share carries the right to exercise ten (10) votes and each preference share one (1) vote at the general meeting. The two series differ with the regard to the right to receive dividend to the extent that the preference shares are entitled to a dividend of eight (8) per cent before the common shares. If the distributable dividend exceeds eight (8) per cent, shares of each series give entitlement to equal dividend.

13. EXCHANGE RATES USED	1998	1997
CHF	3.6981	3.7258
NLG	2.6981	2.6861
USD	5.0960	5.4207
FIM/EUR	5.94573	

	CONSOLIDATED 1998	CONSOLIDATED 1997	PARENT COMPANY 1998	PARENT COMPANY 1997
14. LIABILITIES				
Liabilities maturing in five years or more				
Pension loans	143,424	242,175	143,424	242,175
Total	143,424	242,175	143,424	242,175

(FIM thousands)	CONSOLIDATED **1998**	1997	PARENT COMPANY **1998**	1997
Liabilities to subsidiaries				
Accounts payable			30,110	30,274
Accrued expenses and prepaid income			42,018	8,238
Other current liabilities			118,426	154,433
Total			190,554	192,945
Liabilities to associated companies				
Accounts payable	2,666	2,579	2,527	2,553
Accrued expenses and prepaid income	1,883	2,726	1,874	2,726
Total	4,549	5,305	4,401	5,279

15. PLEDGES AND CONTINGENT LIABILITIES

	CONSOLIDATED **1998**	1997	PARENT COMPANY **1998**	1997
As security for own debt				
Pledges	31,266	50,584	31,266	50,584
Mortgages on land and buildings	10,000	10,000		
Total	41,266	60,584	31,266	50,584
On behalf of others				
Guarantees	11,680	10,427	11,680	10,427
Total	11,680	10,427	11,680	10,427
Other own commitments				
Pension liabilities	330	330	330	330
Other commitments	1,063	1,120		
Total	1,393	1,450	330	330
Total				
Pledges	31,266	50,584	31,266	50,584
Mortgages on land and buildings	10,000	10,000		
Guarantees	11,680	10,427	11,680	10,427
Pension liabilities	330	330	330	330
Other commitments	1,063	1,120		
Total	54,339	72,461	43,276	61,341

16. 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.

17. DERIVATIVE CONTRACTS

The Group has no significant derivative contracts.

18. GROUP AND PARENT COMPANY SHARES IN OTHER COMPANIES AS OF DECEMBER 31, 1998

Group companies

(FIM thousands)	Group holding/ share of votes %	Group share of share-holders' equity	Parent Company holding %	Shares/holdings owned by the Parent Company Units	nominal value	book value	Profit/loss at the last closing of accounts
As. Oy Espoon Staffanintie 15	100.00	3,900	100.00	1,000	50	3,900	-
ECI Communications AG	100.00	8,842					401
Helsingin Päivälehti Oy	100.00	24	100.00	15	15	15	0
Hyvinkään Jakajat Oy	100.00	18	100.00	15	15	15	0
Kiinteistö Oy Erottajankatu 9-11	89.42	22,978	89.42	3,289	329	52,219	139
Kiinteistö Oy Miekkakala	97.84	74,658	97.84	15,866	63,464	74,570	33
Kiinteistö Oy Myllymäenpolku	100.00	15,931	100.00	46,500	29,574	15,074	162
Kiinteistö Oy Myllymäentie	100.00	66,110	100.00	34,215	66,001	66,001	16
Kiinteistö Oy Sanomalan Keskusalue	100.00	106,181	100.00	69,940	159,002	103,002	1,018
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	35,648	100.00	68,500	42,402	35,002	7
Lastannet Holding B.V.	100.00	80,124	100.00	140,000	NLG 140	80,401	190
Lehtikuva Oy	100.00	1,976	100.00	75,000	750	1,025	1,178
Leijonajakelu Oy	100.00	6,285	100.00	200	2,000	6,000	41
Monsaksenpolun Kiinteistö Oy	100.00	47,435	100.00	41,000	41,000	41,000	4,578
Nytnet Oy	100.00	17	100.00	300	15	25	4
Päiväverkko Oy	100.00	54					4
Sanoma Finance AG	100.00	611,268	100.00	1,090,000	CHF 109000	417,156	91,281
Sanoma, Inc.	100.00	4,832	100.00	100	USD 10	4,854	127
Sanomain Huoneisto ja Kiinteistöholding Oy	100.00	61,860	100.00	62,000	62,000	62,213	-638
Sanomtum Oy	100.00	50	100.00	5,000	50	50	-
Startel Oy	90.00	44,998	90.00	450,000	45,000	45,000	18,549
Tampereen Sanomain Oy	100.00	13	100.00	1,500	15	16	0
Tiikerijakelu Oy	100.00	16	100.00	1,500	15	19	0
Total						1,015,258	

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 holding %	Group share of votes %	Group share of share-holders' equity	Parent Company holding %	Shares/holdings owned by the Parent Company Units	nominal value	book value	At the last closing of accounts profit/loss
As. Oy Laajavuorenkuja 3	41.04	41.04	12,915	41.04	6,304	12,923	12,923	51
Bilton Capital Oy	50.00	50.00	3,899	50.00	16,060	2,008	4,010	-216
Etelä-Karjalan Jakelu Oy	20.00	20.00	29					-14
Helsinki Media Company Oy	40.00	40.00	225,932					48,742
Infosto Oy	34.96	34.96	12,512	34.96	272	82	38,614	8,699
Janton Oyj	20.00	20.00	11,949	20.00	120	15	79,419	39,252
Keskiaukeama Oy	33.33	33.33	5,446	33.33	3,545	3,545	4,656	2,308
Keski-Suomen Media Oy	21.73	21.73	21,359	21.73	10,865	5,433	15,211	*) 10 032
Kiinteistö Oy Helsingin Uudenmaankatu 16-20	25.12	25.12	3,553					**) 0
Kymen Lehtimedia Oy	44.00	44.00	50,744	44.00	16,830	1,683	26,083	45,570
Rautakirja Oyj	22.94	23.42	278,805	22.94	1,486,249	29,725	202,020	*) 151 900
Suomen Tietotoimisto Oy	20.78	20.78	5,978	20.78	31,663	380	134	3,901
Vantaan Sahakari Oy	20.00	20.00	4,620	20.00	1,000	1	3,203	**) -37
Werner Söderström Oyj -WSOY	20.06	20.10	340,281	20.06	2,407,798	24,078	234,551	*) 186 200
Total							620,826	

*) Financial statements Dec. 31, 1997
**) Financial statements Mar. 31, 1998

Other holdings

Other holdings owned by the Parent Company

(FIM thousands)	Parent Company holding %	Shares/holdings owned by the Parent Company Units	nominal value	book value
UPM-Kymmene Oyj	0.60	1,633,388	16,334	56,715
Other holdings				15,650
				72,365
Shares in housing corporations				12,253
Total				84,618

Other holdings owned by other Group companies

	book value
Shares in housing and real estate corporations	87,508
Other holdings	2,664
Total	90,172

Consolidated Key Figures

Key indicators describing the financial development and the per share ratios

	1998	1997	1996	1995	1994
		(2)	(1)	(1)	(1)
Net sales, FIM million	2,076	1,949	1,824	1,798	1,577
Net sales, EUR million	349	328	307	302	265
Operating profit, FIM million	253	288	222	239	186
Operating profit, EUR million	43	48	37	40	31
% of net sales	12	15	12	13	12
Profit before extraordinary items, FIM million *)	373	432	305	240	159
Profit before extraordinary items, EUR million *)	63	73	51	40	27
% of net sales	18	22	17	13	10
Profit before appropriations and taxes, FIM million	558	535	331	270	220
Profit before appropriations and taxes, EUR million	94	90	56	45	37
% of net sales	27	27	18	15	14
Balance sheet total, FIM million	3,968	3,613	3,186	3,143	3,007
Balance sheet total, EUR million	667	608	536	529	506
Return on equity, % (ROE)*)	10	14	11	8	6
Return on investment, % (ROI)*)	12	16	13	11	8
Equity ratio, %	80	76	73	69	65
Gross investments, FIM millions	409	586	116	282	80
Gross investments, EUR millions	69	99	20	47	13
% of net sales	20	30	6	16	5
Earnings per share, FIM *)	709	836	544	367	265
Earnings per share, EUR *)	119	141	91	62	45
Parent company earnings per share, FIM	607	508	333	391	210
Parent company earnings per share, EUR	102	85	56	66	35
Shareholders equity per share, FIM	7,314	6,297	5,273	4,861	4,395
Shareholders equity per share, EUR	1,230	1,059	887	818	739
Dividend per share, adjusted for share issues, FIM (2)	274 **)	100	30	24	15
Dividend per share, adjusted for share issues, EUR (2)	46	17	5	4	3
Dividend per earnings, %*)	39	12	6	7	6
Number of shares Dec. 31	421,685	421,685	421,685	421,685	421,685
E-series	192,819	192,819	192,819	192,819	192,819
K-series	228,866	228,866	228,866	228,866	228,866
Average number of shares, adjusted for share issue (3)	421,685	421,685	421,685	421,685	438,665
Number of shares at Dec. 31, adjusted for share issue	421,685	421,685	421,685	421,685	421,685
Personnel on average (newspaper delivery personnel excluded)	1,836	1,769	1,737	1,727	1,744
Newpaper delivery personnel	1,693	1,585	1,614	1,666	1,948

(1)The treatment of associated companies has been adjusted to facilitate comparison.

(2)Booking of translation adjustments has been adjusted to facilitate comparison.

(3) Shares were redeemed with the company's non-restricted equity in 1994.

*) Less payout to the Employee Profit-Sharing Fund

**)Proposal by the Board of Directors

Calculation of Key Indicators

The key indicators have been calculated in accordance with the instructions of the Accounting Board of April 12, 1996.

Return on equity (ROE), % *:

$$\frac{\text{Profit or loss before extraordinary items less taxes}}{\text{Shareholders' equity + minority interest + voluntary reserves and depreciation difference less deferred tax liability (average for the year)}} \times 100$$

Return on investment (ROI), % *:

$$\frac{\text{Profit or loss before extraordinary items + interest expenses and other financial expenses}}{\text{Balance sheet total less interest-free debt (average for the year)}} \times 100$$

Equity ratio, %:

$$\frac{\text{Shareholders' equity + minority interest + voluntary reserves and depreciation difference less deferred tax liability}}{\text{Balance sheet total less advances received}} \times 100$$

Earnings per share *:

$$\frac{\text{Profit or loss before extraordinary items +/- minority interest less taxes}}{\text{Average number of shares, adjusted for share issue}}$$

Equity per share:

$$\frac{\text{Shareholders' equity + voluntary reserves and depreciation difference less deferred tax liability and minority interest}}{\text{Number of shares at balance sheet date, adjusted for share issue}}$$

Dividend per share:

Dividend per share approved by the Annual General Meeting

Dividend per earnings, %*:

$$\frac{\text{Dividend}}{\text{Earnings per share}} \times 100$$

* Less pay-out to the Profit-Sharing Fund.

Proposal for the Distribution of Retained Earnings

The parent company's non-restricted equity at December 12, 1998 was

	FIM
- operating fund	1,839,908,411.18
- retained earnings	8,163,628.20
- profit for the period	271,238,742.14
	2,119,310,781.52

The Board of Directors proposes that
- a divided of FIM 274.00 per share be distributed, totaling FIM 115,541,690.00
- a transfer be made to the operating fund by the amount of FIM 154,000,000.00
- a transfer be made to the reserve for donations to be placed at the disposal of the Board by the amount of FIM 1,000,000.00
- and the remainder of FIM 8,860,680.34 be left on the retained earnings account.

Consolidated non-restricted equity amounts to FIM 2,518,414,227.73 of which FIM 2,140,315,602.55 is distributable; accordingly, there is no restriction on distributing the dividend proposed above.

The dividend policy announced in the Merger Plan has been followed in the proposal for distribution of dividends.

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

Share Capital	46,413,500.00
Operating Fund	1,993,908,411.18
Reserve for Donation	1,000,000.00
Retained Earnings	8,860,680.34

Helsinki, March 8, 1999

Aatos Erkko
Chairman

L.J. Jouhki
Vice Chairman

Robert Castrén

Jane Erkko

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, the financial statements and the corporate governance of Sanoma Corporation for the fiscal year January 1 to December 31, 1998. The financial statements, which include the report of the Board of Directors, the consolidated and parent company income statements, balance sheets and 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 on 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 about whether the financial statements are free of material misstatement. 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 corporate governance is to examine that members of the Board of Directors and the President have legally complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. 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 of the financial position. The financial statements with 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 by the Board of Directors concerning the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, March 9, 1999

Pekka Nikula
CPA

Juha Tuomala
CPA

Development Manager Susanne Stark is responsible for development projects at Helsingin Sanomat circulation sales.

Helsingin Sanomat

Helsingin Sanomat is the largest-circulation daily newspaper in Scandinavia and reaches over 1.3 million readers every day. Readers nation-wide get the paper by early-morning delivery. In 1998 Helsingin Sanomat's financial performance improved on the previous year.

The good earnings development was due to rapid growth in advertising sales and moderately increased expenses. Helsingin Sanomat's share of the Finnish media market grew during the year.

In contrast, the newspaper's circulation trend was unsatisfactory. Although migration to the capital city region has increased the number of households in Helsingin Sanomat's main circulation area, the average circulation in 1998 declined on the previous year by about one percent. This trend was partly caused by the paper's distribution problems and partly by a reduction in the offering of short-term, discount-priced subscriptions.

Despite the decrease in circulation, income from circulation grew by about two percent due to changes in prices.

Helsingin Sanomat's editorial and marketing departments, printing plant and distribution subsidiary Leijonajakelu Oy all function as parts of the Helsingin Sanomat process organization. The group's other newspapers are clients of Helsingin Sanomat's services for printing, information technology and distribution.

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

HELSINGIN SANOMAT
EDITORIAL OPERATIONS AND CONTENT

The editorial department developed its news operations, and preparations for reforming the structure and layout of the daily newspaper continued. The theme sections launched in autumn 1997 - "City Plus," "Economics & Employment" and "Travel" - were made standard elements of the newspaper's editorial concept.

At the beginning of 1998, the newspaper established a group for investigative journalism to reinforce the paper's own reporting and investigative work.

Within the editorial organization, the "Science & Environment" section was transfered from current affairs to the foreign news department and the Consumer pages were made part of the financial news department. Resources in the domestic regional bureaus were concentrated in larger units, and simultaneously the Vaasa office on the west coast and the Lahti office in southern Finland were closed. The China and Asia correspondent's job was turned into a permanent post based in Shanghai. The paper also sent a correspondent to the Baltic region during the year, to be stationed in Tallinn.

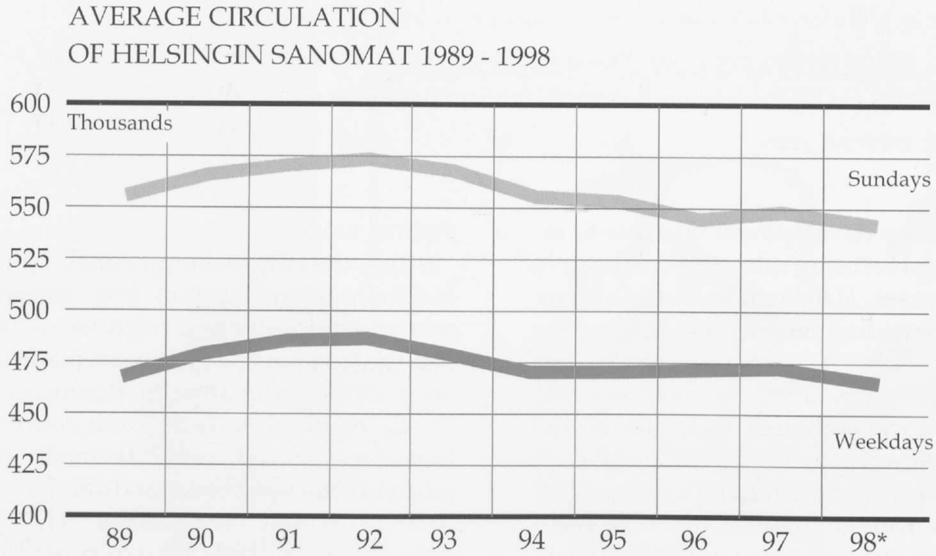
The newspaper's on-line edition, the Helsingin Sanomat Net Supplement, was transformed from a development project to a full-fledged element of the paper's editorial format. Content development focused on developing material complementary to the paper's printed version and suited to the network environment. The number of registered readers of the Net Supplement rose to about 80,000 by the end of the year, and the number of daily users to about 10,000.

The newspaper's content development underscored the significance of local news. To serve the public's need for information the paper covered the start-up of the European Economic and Monetary Union (EMU) with extensive information both in the spring and at the end of the year, ahead of the adoption of the common currency. The cultural department published a large series on the cultures of various European countries.

The editorial department produced 10,300 pages of content for the newspaper, 1,970 pages for the Nyt weekly supplement, and 840 pages for the monthly magazine supplement. The number of pages rose four percent on the previous year.

A project led by Managing Editor Pekka

Helsingin Sanomat



*Due to changes in the calculation the figures are not comparable to last year¬s figures.

Kukkonen produced its first proposals for thoroughly reforming the structure and layout of Helsingin Sanomat.

Helsingin Sanomat's Senior Editor in Chief is Janne Virkkunen, his deputy and Editor in Chief (news) is Reetta Meriläinen and Editor in Chief for the weekend editions is Heleena Savela.

MARKETING

ADVERTISING SALES

Advertisers' expenditure on media advertising rose in 1998 to a total of almost FIM 6 billion, up 11 percent on the previous year. Growth was clearly faster than a year earlier and also clearly higher than forecast.

Helsingin Sanomat increased its share of the advertising market by about half a percentage point. Furthermore, Kärkimedia, the joint system for newspaper ad space marketing, continued to develop and boosted the newspapers' competitiveness versus television.

The volume of advertising in daily Helsingin Sanomat grew eight percent. Net sales of advertising rose nine percent. The best-performing category was job ads, which grew 18 percent. Text advertising, which includes for instance advertising of branded goods, rose 16 percent. Growth in classified ads was 14 percent.

The readership of the Nyt weekly supplement increased from 1.1 million to 1.2 million and its ad sales grew 40 percent to 601 pages. The net sales of advertising in the Nyt supplement rose 45 percent.

The advertising space in the monthly magazine supplement Kuukausiliite was fully booked almost all year. Sales of commercial inserts rose 35 percent. Sales of advertising space through the newspapers' joint ad sales system Kärkimedia grew 20 percent.

On-line classified ad services were further developed in 1998. Sanoma Corporation formed a partnership agreement with computer services provider Tieto Corporation Oyj and acquired a minority stake in Infosto Oy. In addition, preparations were made for introducing new channels for real estate, auto and job ads at the beginning of 1999.

During the year, the ad sales department obtained a new computerized advertising system which boosts efficiency in newspaper production and improves customer service.

In the autumn, the newspaper's marketing department opened an Internet-based service (medianetti.helsinginsanomat.fi) for media agencies and advertisers. The service quickly became very popular among professionals. The department started a significant development project related to customer account management. Customer service was improved by opening an office at a shopping center in eastern Helsinki.

CIRCULATION

In tough competition, Helsingin Sanomat's circulation fell by about one percent during the year. The average weekday circulation was 466,236 copies. The Sunday circulation was 540,827, representing a decline of about one and a half percent. The decrease in circulation stemmed partly from distribution problems early in the year. In the second half, those troubles subsided markedly. Circulation sales have also been restored by reducing discount-price offers and shifting the focus of sales away from short-term subscriptions in favor of permanent subscribers.

Subscription prices were raised on July 1. The price of an automatic renewal subscription rose from FIM 1,066 to FIM 1,090 and the price of a 12-month subscription from FIM 1,150 to FIM 1,180. The price of an automatic renewal subscription to the Sunday paper rose from FIM 490 to FIM 505 and the price of a 12-month Sunday subscription from FIM 565 to FIM 580.

Although the circulation fell, abandoning low-price campaign offers and raising subscription prices led to a slight rise in circulation revenues.

Helsingin Sanomat launched an internal project to boost brand awareness. During the year, the project identified the basic values that the Helsingin Sanomat brand represents and created a set of graphic guidelines for published materials.

Helsingin Sanomat supported the Helsinki Festival, Finland's top orienteering competition, the Helsinki Cup youth soccer tournament, the Espoo April Jazz event, a concert for children's hospitals and the Finnish Red Cross's Valentine's Day fund-raising drive. The newspaper was also the main sponsor of the national ice-hockey team and the Finnish National Gallery. Helsingin Sanomat arranged in co-operation with the Finnish National Gallery two family weekend events at the Ateneum Art Museum.

Together with the Mannerheim League for Child Welfare, the newspaper mounted a campaign against schoolyard bullying. It won an award for the best social campaign of 1998.

Helsingin Sanomat has together with its co-operation partners supported significant events in the Helsinki area, youth sports and socially relevant activities focusing especially on children and youth.

Management responsibility for advertising and circulation sales was combined in the Helsingin Sanomat marketing department. Pekka Soini, previously in charge of ad sales, was appointed Vice President for Marketing.

HELSINGIN SANOMAT
PRINTING PLANT

Helsingin Sanomat Printing Plant comprises the printing plants Sanomala in Vantaa outside Helsinki, Forssa in southwestern Finland, 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 main assignment is to print Ilta=Sanomat. The Varkaus plant is largely engaged in printing for outside customers.

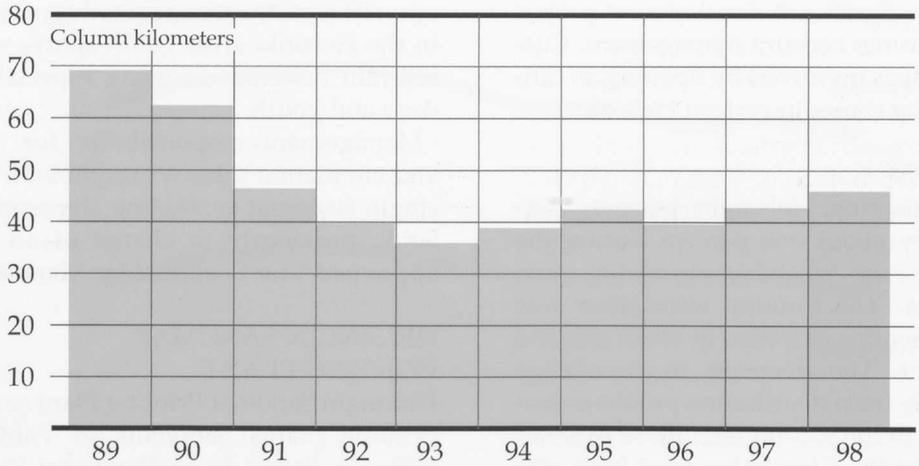
The volume of production at Helsingin Sanomat Printing Plant remained unchanged at the previous year's level. The circulation of Helsingin Sanomat declined slightly, but total pages rose and the number of inserts grew significantly. The volume of customer publications decreased slightly. The group's own newspapers and magazines accounted for 87 percent of total printing output, domestic client publications for six percent and export printing for seven percent.

Demand for newsprint on the global paper market remained buoyant, which lifted prices also in Finland. Prices rose, depending on the grade of paper, from five to seven percent. This raised newsprint costs at the printing plants.

Sales by SanomaPrint increased by one percent to FIM 204 million. The unit's sales figures include revenues from printing the group's own newspapers, Ilta=Sanomat and Taloussanomat. The biggest external clients were the farmers union's newspaper Maaseudun Tulevaisuus, the free classified ads tabloid Keltainen Pörssi, the lottery weekly Veikkaaja and the church

Helsingin Sanomat

VOLUME OF ADVERTISING
IN HELSINGIN SANOMAT 1989 - 1998



newspaper Kirkko ja Kaupunki.

Printing exports rose at the beginning of the year, but fell sharply in late autumn because of the Russian financial crisis.

SanomaPrint started a project to develop newspaper product applications for new markets.

A preliminary agreement was signed with the regional newspaper Turun Sanomat about the possible transfer of the printing of Turun Sanomat to the Forssa printing plant within 10 years.

A deal was reached with Kaleva Kustannus Oy on the production of Ilta=Sanomat at the plant of its newspaper Kaleva, in the northern town of Oulu.

The Sanomala and Varkaus plants started up new production lines for computer-to-plate (CTP) printing. All the printing plants now use this technology which improves the quality of the end product and speeds up the process.

The Forssa plant's machinery was increased by one printing press and inserting capacity was increased with a new inserting drum in the mailing department. The process control system of the Varkaus plant's printing press was modernized.

Processes were made more reliable, which helped keep newspaper printing more consistently on schedule.

Investment in quality improvement yielded good results. Helsingin Sanomat became the first Finnish newspaper to join the IFRA-NAA's Colour Quality Club.

To promote continued quality development the staff were trained in teamwork and comprehensive approach to work. Professionalism was supported with apprenticeship training and reinforced with vocational training programs.

To meet the needs of Helsingin Sanomat's editorial and ad sales operations the entire production process at the Sanomala printing plant is to be rebuilt. Accordingly production equipment of the regional presses will be developed as well.

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

LEIJONAJAKELU OY,
NEWSPAPER DELIVERY COMPANY

Leijonajakelu Oy is responsible for early-morning delivery of Helsingin Sanomat and Taloussanomat throughout Finland. The company's strategy was revised in 1998, with the main goal of improving the quality of early-morning delivery services.

Leijonajakelu had about 30 percent of the early-morning newspaper delivery market in Finland. The company was responsible for distributing Helsingin Sanomat nation-wide. Among the biggest external customers were the regional paper Keski-Uusimaa, the Swedish-language daily Hufvudstadsbladet and the group's own Taloussanomat.

The company's own organization handles distribution in the province of Uusimaa, which is Helsingin Sanomat's main distribution area. The company purchases delivery services from subcontractors in other parts of the country.

Operating profit before depreciation at Leijonajakelu rose from FIM 352 million to FIM 368 million. The company made an operating loss of more than FIM 10 million.

Distribution of Helsingin Sanomat accounted for 81 percent of revenues. About 51 percent of expenses were in wages and salaries and related social security costs. Mileage compensation to drivers made up about three percent of expenses. At year-end, the company's early-morning distribution service had 1,426 permanent and 300 temporary paper delivery workers. At the end of the year, the company had 51 regular and three temporary administrative staff members.

The quality of Helsingin Sanomat delivery operations was unsatisfactory especially in spring 1998. Leijonajakelu competes for employees with other labor-intensive service providers, and the high turnover in paper delivery personnel caused delivery problems particularly in the holiday seasons.

A structural change is under way among newspaper delivery workers, with the trend away from long-term employment and towards shorter-duration jobs and younger staff. At the same time, greater demands are being placed on the skills of delivery staff.

A big challenge for the company is to boost the permanence of its paper delivery personnel and to manage staff turnover so that delivery can be ensured in all circumstances.

The organization was reformed by shifting decision-making responsibility closer to the paper delivery personnel. Recruiting procedures were revised.

Timo Savolainen was appointed Managing Director of Leijonajakelu as of November 6, 1998.

LEHTIKUVA OY, INTERNATIONAL PICTURE AGENCY

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 and magazine publishers and other clients with its high-quality picture material.

In 1998 net sales at Lehtikuva rose to FIM 42 million from FIM 41 million in the previous year. Profit before extraordinary items, reserves and taxes rose to FIM 9.5 million from the previous year's FIM 7.7 million. The company's profitability remained good, and net sales and profits were better than in previous years.

Sales of news photos to newspapers and magazines account for about half of Lehtikuva's net sales. In the news photo unit, sales of the company's own picture material generated about half of total sales. The other half came from the transmission to clients of pictures from Reuters, AP and EPA international picture services.

The market for news pictures recovered. The decline in circulations of Finnish newspapers, which had continued for several years, ended and the trend turned upward. Magazines also performed well. Demand was further enforced by launches of new publications.

Other picture sales also developed favorably, and sales by almost all commercial picture units exceeded the previous year's figures despite tougher competition. The recovery of the domestic market boosted picture sales especially to advertising agencies and book publishers.

Lehtikuva photographers began using new, second-generation digital cameras at the Nagano Winter Olympics, and the experience prompted decisions to obtain significantly more of this equipment by the end of the year. Lehtikuva's own photographers covered the dramatic events of the Rally and Formula 1 world championships in Britain and Japan.

Digitalization of the picture business advanced during the year from news photos to commercial picture operations, which introduced a new electronic sales outlet on the Internet at www.lehtikuva.fi. The picture transmission

Helsingin Sanomat

capacity of the distribution network was quintupled.

Lehtikuva is headed by Managing Director Olavi Ahlfors.

HELSINGIN SANOMAT
EUROPE SEMINAR

Helsingin Sanomat's fourth Europe Seminar took place in October. The theme was the European Economic and Monetary Union, EMU.

The keynote speaker at the seminar was the French European Commissioner Yves-Thibault de Silguy, who led the preparations for launching Economic and Monetary Union. He said that efforts to combat world economic and financial crises must not set restrictions on the free movement of capital and that the European Union's new common currency, the euro, would help stabilize the international financial system.

The other speakers at the seminar were Finnish Prime Minister Paavo Lipponen, Nokia Group President and CEO Jorma Ollila, and Finnish member of the European Commission Erkki Liikanen.

By holding these top-level seminars, Helsingin Sanomat brings European perspectives to Finnish public debate. 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 in November to the author of the best literary debut in the Finnish language. The 1998 prize went to Katri Tapola, 36, for her novel Kalpeat tytöt, which develops a story of the three ages in a woman's life in parallel and intertwined.

The jury identified 37 debut books, which was 21 fewer than in 1997. Fourteen books were in the final judging, three fewer than in the previous year.

The jury was chaired by the newspaper's chief literary critic Pekka Tarkka, Ph.D. The other jurors were journalist Suvi Ahola, literary scholar Mervi Kantokorpi, author Markku Paasonen and journalist Jukka Petäjä. Kantokorpi and Paasonen were invited to the jury from outside Helsingin Sanomat.

The Helsingin Sanomat Literature Prize, FIM 50,000, was conferred for the first time in 1995. The prize was established to encourage writers struggling to produce their second book. It can be awarded for novels and collections of short stories, poems and essays.

TRAINING FOR
FINANCIAL JOURNALISTS

In 1998 the Sanoma School of Journalism offered a course for financial journalists. Twenty reporters, nine from the group's own newspapers and 11 from outside the company, participated.

The 18-month training program covers corporate finance, economics, the international economy, financial markets and journalism.

The teaching of economic subjects is arranged in co-operation with the management training department of the Helsinki School of Economics and Business Administration. The company's own staff provides the journalistic teaching.

The course includes monthly classroom sessions and internships at the company's newspapers, Helsingin Sanomat, Ilta=Sanomat and Taloussanomat. The training program begun at the end of 1997 runs to April 1999.

Rotary Printer Sari Hirvonen represents the young generation at the Sanomala printing plant.

Ilta=Sanomat

For Ilta=Sanomat the past year was marked by strong development of the newspaper's journalistic content and reorganization of marketing operations. Ilta=Sanomat is the second biggest newspaper and the No. 1 tabloid in Finland.

EDITORIAL DEPARTMENT

In line with its journalistic goals, Ilta=Sanomat in 1998 reacted to news quickly, robustly and captivatingly and brought interesting and significant topics into the public eye. Among the important issues was schoolyard bullying. The paper's coverage led to improvements at many schools and municipalities throughout the country.

The most important news event of the early part of the year was a train crash in Jyväskylä in central Finland, which shocked the country. In the autumn, a political scandal and rigging of Finnish baseball games were big domestic stories.

The top foreign news stories included the Constitutional and political struggle surrounding the President of the United States, the collapse of the Russian economy and President Yeltsin's prolonged illness as well as the latest episode in the Iraq crisis. The first phase of the U.S. and British air strikes on Iraq, which began in the early morning hours Finnish time, was reported in the same day's newspaper.

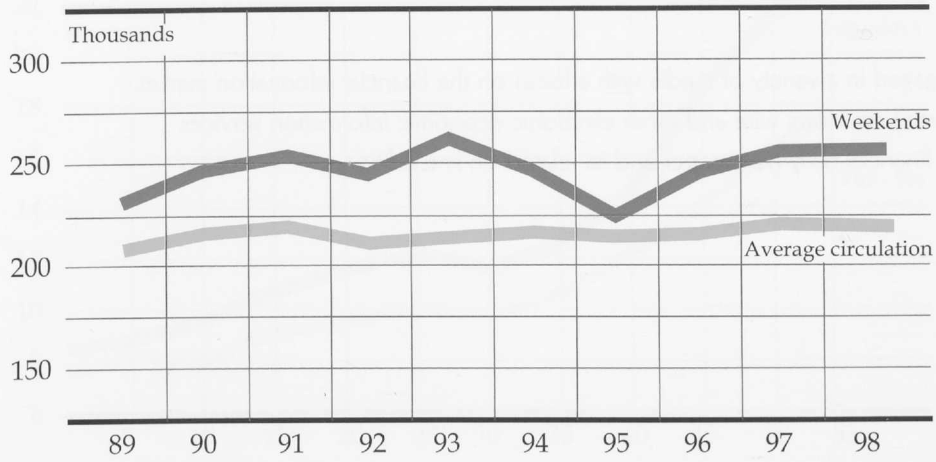
Development at the paper focused on increasing and improving content aimed especially at young people and female readers. In January, the comics pages were augmented with a column that rotates the topics of rock music, movies, school, entertainment and readers' letters. A regular section covering restaurants and bars and entertainment popular with young adults was started in August. Another section launched in February takes a women's magazine approach to personal relations, successful women, interior decorating, fashion, beauty and so forth. The typography of the front page was revised in March, the weekend supplement in April and the "readers' voice" page in September. Four-color posters were produced to advertise December's big editions, which will be made standard practice. A free service for the blind called Audio-Ilta=Sanomat was implemented in December.

In addition to the Monday sports supplement, the Wednesday TV guide, and the Saturday weekend supplement, the newspaper published special supplements on the Nagano Winter Olympics, the spring matriculation exams and the Soccer World Cup.

The editorial and marketing departments held their annual training day, and dozens of other departmental, office-level and personal training courses were provided to personnel.

Ilta=Sanomat staff participated in planning the new corporate headquarters, Sanoma House, and its media center, in information technology consulting and CCI on-screen layout system training in the United States. The newspaper was represented in Sanoma Corporation's journalist training committee, the company's archive task force and personnel management team. The editorial department's codetermination committee met four times.

ILTA=SANOMAT AVERAGE CIRCULATION
AND WEEKEND CIRCULATION 1989 - 1998



ILTA=SANOMAT ON THE INTERNET

In the autumn, steps were taken to reform and develop Ilta=Sanomat's on-line service in co-operation between the editorial and marketing departments. Once the first changes to the service were made in early December, visitors to the Web site rose clearly, with daily hits numbering 12,000, and by year-end almost 15,000. The focus of the on-line service is on promoting interaction between readers and building contacts between readers and journalists.

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, Tapio Sadeoja and Kari Ylänne.

CIRCULATION AND AD SALES

The average circulation of Ilta=Sanomat was 219,634 copies in 1998, down 0.6 percent on the previous year. The weekend circulation grew 0.5 percent on the previous year to 259,208 copies. Ilta=Sanomat had 882,000 readers.

In 1998 Ilta=Sanomat's circulation revenues rose three percent, exceeding the market's average growth. All newspapers were sold without price discounts. In June the price of the weekend edition was raised from seven markka to eight. Two out of three copies of the newspaper are purchased at grocery stores. Women are especially active buyers and readers of Ilta= Sanomat; the paper reaches over 400,000 female readers daily and even more on the weekend. The focus of sales is on the weekend, and the weekend edition's market position has grown stronger.

The newspaper's advertising revenues grew by four percent in 1998, which was below average for media advertising. This sets a tough challenge for ad sales.

In December 1998, Sanoma Corporation signed an agreement with the regional newspaper publisher Kaleva Kustannus Oy for the production of Ilta=Sanomat in the northern town of Oulu starting in autumn 1999. For Ilta= Sanomat this is a historic agreement: the newspaper will be printed for the first time at a printing plant not owned by Sanoma.

The Oulu edition will be identical in terms of content and makeup to the other editions of the paper. Once the new arrangement is in place, the newspaper will be on sale throughout the country immediately in the morning, which should promote circulation. Transmitting pages electronically from Helsinki to Oulu will save road transport and air freight costs.

During the year, the handling of advertising material was fully digitalized. The ad makeup staff moved from the marketing department to the technical department of the editorial operation.

Ilta=Sanomat's Vice President for Marketing is Pekka Harju.

Startel Oy / Taloussanomat

Startel Oy is engaged in a variety of media with a focus on the financial information market. The company produces news wire and other electronic economic information services and publishes a financial daily newspaper and its related on-line edition.

Startel Oy is a Sanoma Corporation subsidiary in which TS-Yhtymä Oy, the publisher of regional daily Turun Sanomat, has a 10 percent stake.

For Startel Oy 1998 was the first full year of operations. The main target was to build the organization, develop modes of operation and boost the circulation of the financial daily Taloussanomat and its position on the advertising market. The company emphasised the production and development of its electronic economic information services.

The significance of electronic distribution of information will grow rapidly and, at the same time, demand for integrated service concepts will increase. The economic information market is expanding and changing briskly because of the adoption of European Economic and Monetary Union's euro as an accounting currency, system reconfigurations for the year 2000, the rapid development of the investment market and growth in the number of private investors. The purpose of Startel Oy is to be Finland's leading provider and distributor of integrated economic information services.

In 1998 Startel Oy's net sales were about FIM 39 million, including FIM 17 million from electronic services and new media. Operating loss for the period amounted to FIM 63 million. Sanoma Corporation provided FIM 84 million in corporate contribution to Startel Oy to reinforce its capital structure.

In 1999 Startel Oy's net sales are expected to grow briskly and profitability is forecast to improve though the result will still show a loss. Net sales are projected to rise considerably and electronic information services will grow.

At the end of 1998, Startel Oy had 93 employees on permanent or fixed-term contracts. To keep the core organization lean and efficient, the company purchases its administrative, legal, financial, circulation and printing services from Sanoma Corporation.

NEWS AGENCY STARTEL

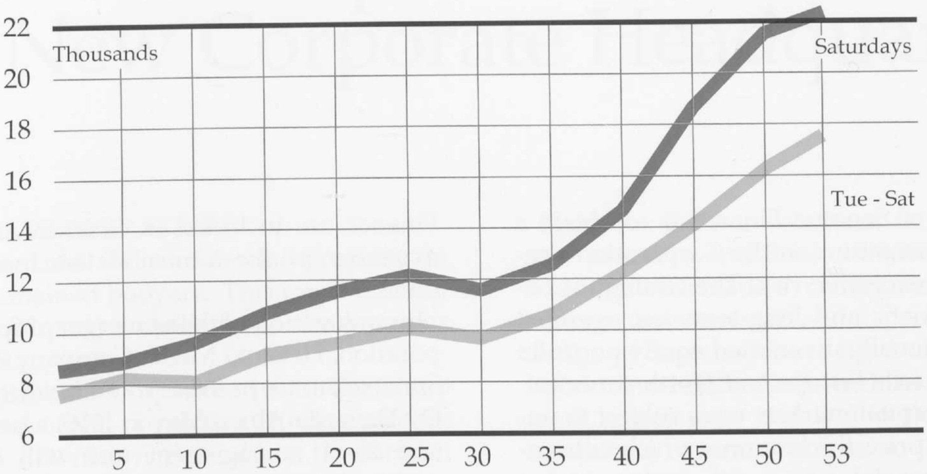
News Agency Startel produces and distributes analytical and customized financial information and economic news both in real time and updated format. The news agency's clients are Finnish banks and brokerages, stockbrokers, foreign-exchange and bond dealers, corporate treasuries and the media.

News Agency Startel has reformed its services, with a strong emphasis on providing real-time financial information and news through the Internet. The redesigned StarWeb service and the new StarStock, StarForex and StarText services have been well received by the market.

A new service called StarDesk, which is distributed via satellite, cable and fixed-line networks, was developed for the professional market.

Information services were developed by signing a preliminary agreement on extensive co-operation with the Bridge economic news service of the United States. Preparations were made in 1998 for the shift to euro-denominated financial services.

WEEKLY SUBSCRIBERS
OF TALOUSSANOMAT IN 1998



TALOUSSANOMAT,
FINANCIAL DAILY

Taloussanomat is a financial newspaper published five times a week. The circulation grew sharply in 1998.

The average audited circulation of Taloussanomat rose in 1998 by over 40 percent and the Saturday circulation by almost 60 percent from the beginning of the year. The average circulation in the second half of the year was 12,497 and the Saturday circulation in the same period was 15,805. Growth remained strong into January 1999 when the average number of weekday subscriptions for the two first weeks was 16,426 and Saturday subscribers totaled 24,082.

Circulation sales were boosted by promotional campaigns and by continuous improvement of the paper's content. Taloussanomat emphasized its own news coverage. The results of this were reflected in other media. The paper's Saturday "Personal Finance" section gained popularity among subscribers. A monthly section on information technology was published in co-operation with the Financial Times. At year-end, a decision was made to begin publishing the IT section twice a month. Likewise, the paper decided to launch new sections on the capital market and marketing.

On the newspaper's anniversary, November 18, Taloussanomat published an extensive survey on the public images of Finnish listed companies.

Expanding early-morning delivery boosted the paper's availability at breakfast tables across the country, which was warmly welcomed by consumers.

Although circulation sales were marked by very tough price competition, Taloussanomat achieved its targets for the composition and structure of its subscriber base. This significantly facilitated ad sales, which met their volume targets.

VERKKO-TALOUSSANOMAT,
THE ON-LINE EDITION

The financial daily's on-line edition, Verkko-Taloussanomat, was developed by redesigning the layout and expanding the content by adding a news archive, euro-related information and database services developed in co-operation with data services group Tieto Corporation Oyj. The news content and ample auxiliary services provided by Verkko-Taloussanomat made it a broader service package than the printed newspaper. A decision was made to change Verkko-Taloussanomat into a paid service in the first half of 1999.

At the end of 1998, Verkko-Taloussanomat had over 25,000 registered users.

Sakari Almi was Managing Director of Startel Oy in 1998. When he retired, Antti-Pekka Pietilä was appointed Managing Director of Startel Oy and Publisher of Taloussanomat as of January 1, 1999.

Sanoma Finance

The purpose of Sanoma Finance is to obtain a good long-term return on the Corporation's capital without excessive risk. The strategy is based on systematic and long-term management of an internationally diversified equity portfolio weighted towards Europe and North America.

In 1998 the capital markets were subject to unusually large price fluctuations, which culminated in a financial crisis and equity market plunge in the early autumn. But prices subsequently recovered and rose sharply after the U.S. Federal Reserve cut interest rates. Despite the difficult market, the full-year earnings of Sanoma Finance were excellent.

The book value of the investment portfolio at year-end was FIM 744 million and its market value FIM 869 million. Stocks accounted for 85 percent and fixed-income instruments for 15 percent of the portfolio. The earnings of Sanoma Finance are included in financial income and expenses in the Consolidated Income Statement.

In conjunction with the merger of Sanoma Corporation, Helsinki Media Company Oy, Werner Söderström Oyj - WSOY and holding company Oy Devarda Ab on May 1, 1999, a new treasury and asset management unit will be formed within the new parent company to manage centrally the treasury operations of Sanoma-WSOY Oyj. At that time, Sanoma Finance's current functions will be transfered to the new parent. Operationally, the new unit will have three areas of activity: equity investment, fixed-income investment and group treasury.

The unit is managed by Mr Nils Ittonen, Group Treasurer, Vice President for Asset Management.

Mr Pekka Toropainen, Vice President, Sanoma Real Estate, and Mr Nils Ittonen, Group Treasurer, Vice President for Asset Management, Sanoma Finance.

Real Estate Operations and the New Corporate Headquarters

REAL ESTATE OPERATIONS

In 1998 demand for commercial property in Helsinki remained buoyant. This trend boosted rents and property values above the previous year's level.

In May, Sanoma Corporation sold the entire share capital of the property at Korkeavuorenkatu 30 in downtown Helsinki to the Finnish Cultural Fund for FIM 41 million. Other properties were sold during the year for about FIM 5 million.

SANOMA HOUSE

The construction of the new headquarters, Sanoma House, proceeded according to plan during the year. The demanding groundwork was completed, and the cast concrete framework rose to its full height of nine stories and was covered with a double glass façade. At the same time, most of the building's sophisticated heating, air-conditioning and plumbing systems were installed.

Once the building work progressed, the special architectural glass design of Sanoma House became visible and began to form part of the cityscape.

Plans for interior solutions, the move to the new premises and final commissioning of the building were made in committees and in collaboration between staff and experts. The interior design of Sanoma House has been entrusted to Interior Architects Gullstén-Inkinen Oy. Model work spaces were installed in December at the company's current premises so that employees could evaluate them.

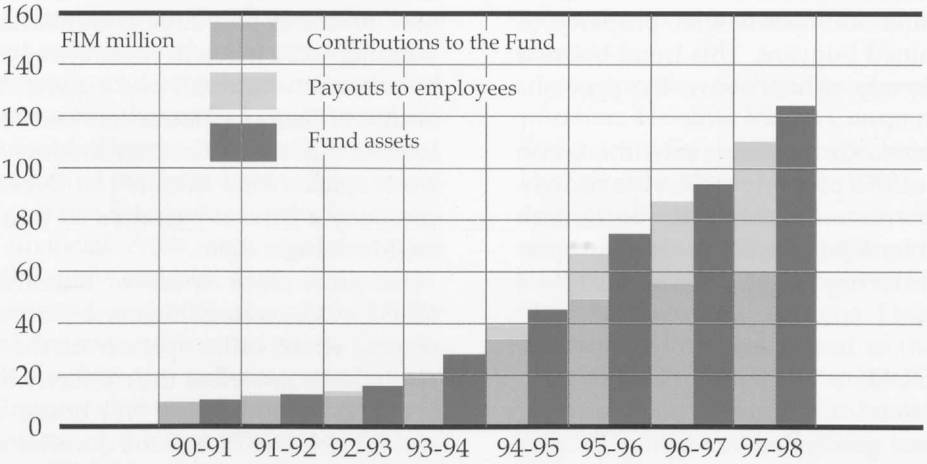
The gross floor space of Sanoma House is 42,352 cubic meters. Sanoma Corporation will occupy all the office space from the third to the ninth floors as well as the conference center. The first and second floors will house commercial and service facilities and a covered media piazza, creating a 5,000 square meter space for business and other public activities.

Sanoma House will be completed in autumn 1999, and the staff will then move to the new premises in stages.

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

Profit-Sharing Fund Annual Report

SANOMA CORPORATION
PROFIT-SHARING FUND, cumulative



The Sanoma Profit-Sharing Fund was established at the end of 1989 and began operations in 1990. It was one of the first funds of its kind in Finland. Since then, the fund has received total payments of FIM 109 million from Sanoma Corporation's earnings and has disbursed FIM 51 million to its members.

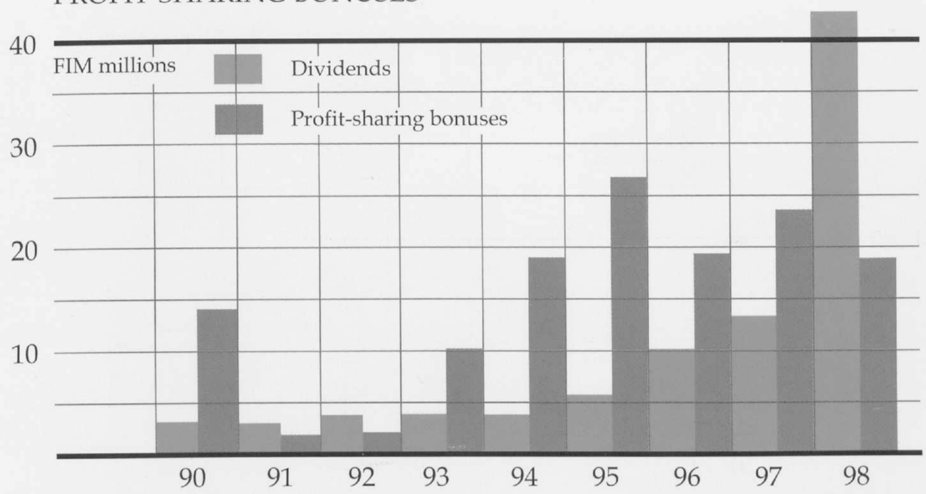
The fund's members are the employees of Sanoma Corporation, Lehtikuva Oy and Leijonajakelu Oy, with the exceptions of the Chairman of the Board and the President of Sanoma Corporation. Employees qualify to join the fund at the beginning of the financial year following their engagement with the group. After five years, members can withdraw annually up to 15 percent of the fund shares that have accrued to them. Shares left in the fund remain invested and earn a return. But employees can access them later in connection with their annual withdrawals.

The profit-sharing payout to the fund is set each year before the beginning of the corporation's next financial year. Under the current system, the 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 according to market interest rates. In 1998 it was five percent. Because of the decline of interest rates, the minimum return for 1999 was set at four percent. The payout to the fund is distributed among individual employees' fund shares according to their wages under the statutory national pension scheme in 1997.

The investment activities of the Profit-Sharing Fund are in the hands of an outside asset management company. The fund's board sets guidelines for investment. The goal is to invest assets for good, secure returns over the long term. At year-end 1998 stocks accounted about 50 percent of the fund's portfolio and the rest consisted of fixed-income investments. To diversify risks the fund invests in domestic as well as foreign, especially European, stocks. The board monitors the performance of investment activities and reports regularly to the fund's council.

In 1998 the operations of the Profit-Sharing

SANOMA CORPORATION DIVIDENDS AND PROFIT-SHARING BONUSES



Fund were marked by the exceptional volatility of the financial markets and the plan to create the new listed group, Sanoma-WSOY. The decision that the Sanoma and Helsinki Media profit-sharing funds will continue to function within the new corporation was especially important to both funds.

The Sanoma Profit-Sharing Fund got a new chairman of the board in summer 1998 when Anja Valtonen retired. She was succeeded by her deputy Irja Kukkonen. The truck drivers' deputy representative on the council, Kauko Willberg, died in a car accident during the year. He was replaced by Juhapentti Saarela. The term of the current board and council runs to the end of March 1999. In April, new representatives will be elected for the three-year term April 1, 1999-March 31, 2002.

At the end of the financial year (April 1, 1997-March 31, 1998), the fund's assets totaled FIM 122 million and it had 4,842 members. The average return on investment was 21 percent.

More members than before chose to leave their shares invested in the fund. Sixty-nine percent of members exercised their rights to withdraw shares, and they were paid about FIM 12 million. Final disbursements of FIM 6.4 million were paid to former employees. For the first time, employees could choose to withdraw less than their full annual entitlement, and 44 members took advantage of this opportunity.

The investment portfolio of the Sanoma Profit-Sharing Fund includes shares in Sanoma Corporation. The value of those shares rose after the May 15 announcement of the planned merger of Sanoma Corporation, Helsinki Media Company Oy, Werner Söderström Oyj – WSOY and Oy Devarda Ab. According to January 1999 prices, the appreciation of the Sanoma shares will boost the fund's assets by about FIM 19 million.

Because of hefty marketing expenditure, the Sanoma Group's 1998 operating profit did not match the previous year's level, so the FIM 19 million payout to the fund was smaller than a year ago.

The Profit-Sharing Fund Council: (from left, sitting) Rauha Ekstrand, Irma Aakula and Tuula Silvennoinen; (from left, standing) Timo Kilpi, Pentti Hakala, Matti Tuominen, Jukka Yli-Luopa, Esko Nurmi, Kari Mervasto, Jouko Vanninen and Vesa-Pekka Meskanen (absent Hannele Wikman).

Profit-Sharing Fund

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

The Profit-Sharing Fund Board: (from left) Martti Ojares, Ari Salo, Irja Kukkonen, Juhani Salmi, Teemu Luukka, Kari Gisselberg and Liisa Lujanen, Secretary of the Board (absent Hannu Launiala).

BOARD
Irja Kukkonen, Chairman
Hannu Launiala, Vice Chairman
Väinö Kenttälä, deputy
Kari Gisselberg
Christer Grundström, deputy
Teemu Luukka
Tellervo Yrjämä-Rantinoja, deputy
Juhani Salmi
Jukka Myllylä, deputy
Ari Salo
Mauri Luostarinen, deputy
Martti Ojares

Secretary: Liisa Lujanen

Corporate Officers 1998: (from left) Martti Ojares, Kerstin Rinne, Sakari Almi, Jaakko Rauramo, Mari Jerkku (secretary), Pekka Harju and Seppo Kievari.

Directors and Officers 1999

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

1 Executive Committee *3 Media Policy Committee*
2 Compensation 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
Antti-Pekka Pietilä, Managing Director, Startel Oy
Pekka Harju, Vice President, Marketing, Ilta=Sanomat
Kerstin Rinne, Vice President, Legal Affairs and Information Services
Secretary: Mari Jerkku, Finance Manager

HELSINGIN SANOMAT
Seppo Kievari, Executive Vice President and Publisher

Janne Virkkunen, Senior Editor in Chief
Reetta Meriläinen, Editor in Chief
Heleena Savela, Editor in Chief
Jouko Jokinen, Managing Editor
Mika Pettersson, Managing Editor
Pekka Kukkonen, Managing Editor
Sulo Nuutinen, Production Director, Prepress

Pekka Soini, Vice President, Marketing
Harry Serlo, Sales Director
Caroline Lilius, Director, Marketing Services
Raija Liuhola-Lassuri, Service Director, Customer Services

Helsingin Sanomat Printing Plant
Pekka Salmén, Vice President, Production
Hannu Saarnilehto, Plant Manager, Sanomala
Risto Lehto, Plant Manager, Forssa
Jorma Kyrö, Plant Manager, Varkaus
Paavo Oksanen, Marketing Manager, SanomaPrint

LEIJONAJAKELU OY
Timo Savolainen, Managing Director

ILTA=SANOMAT
Vesa-Pekka Koljonen, Senior Editor in Chief
Hannu Savola, Editor in Chief, News
Erik Rissanen, Managing Editor
Tapio Sadeoja, Managing Editor
Kari Ylänne, Managing Editor

Pekka Harju, Vice President, Marketing

STARTEL OY / TALOUSSANOMAT
Antti-Pekka Pietilä, Managing Director, Publisher and Senior Editor in Chief
Markku Hurmeranta, Editor in Chief, News
Tom Jungell, Vice President, Marketing
Mikko Vuorikoski, Development Director

SANOMA FINANCE
Nils Ittonen, Group Treasurer, Vice President for Asset Management
Karl Tujulin, Asset Manager

LEHTIKUVA OY
Olavi Ahlfors, Managing Director

FINANCE AND ADMINISTRATION
Martti Ojares, Executive Vice President
Mari Jerkku, Finance Manager
Pertti Puolakka, Vice President, Logistics
Eija Rinta, Group Controller
Pekka Toropainen, Vice President, Sanoma Real Estate

LEGAL AFFAIRS AND INFORMATION SERVICES
Kerstin Rinne, Vice President
Veli-Pekka Elonen, Assistant General Counsel

INTERNAL AUDITING
Tapani Kivelä, Vice President

SANOMA, INC.
Aatos J. Erkko, President

Sanoma-WSOY Oyj

On May 14, 1998, the main shareholders of Werner Söderström Oyj - WSOY, Sanoma Corporation, Helsinki Media Company Oy and holding company Oy Devarda Ab, which has stakes in the two latter groups, signed a shareholders' agreement which paved the way for a plan to merge the companies and establish Sanoma-WSOY Oyj.

The Boards of Directors of the companies and the supervisory board of WSOY endorsed the merger plan on May 14 and May 15 and decided to submit it to extraordinary shareholders' meetings for final approval. The merger plan and founding of Sanoma-WSOY Oyj was announced in a statement on May 15, 1998.

The merger plan was approved by the extraordinary shareholders' meetings of Sanoma Corporation, Helsinki Media Company Oy and Oy Devarda Ab on June 29, and by the extraordinary shareholders' meetings of Werner Söderström Osakeyhtiö Oyj - WSOY on June 29 and August 10, 1998.

On January 27, 1999, the National Board of Patents and Registration granted permission for the merger. The merger has met objections neither from shareholders nor from creditors.

START-UP OF MERGED OPERATIONS

By way of a combination merger, Werner Söderström Oyj - WSOY, Sanoma Corporation, Helsinki Media Company Oy and Oy Devarda Ab will establish a new corporation, Sanoma-WSOY Oyj, which will begin operations on May 1, 1999. An application is being filed for a listing of Sanoma-WSOY Oyj shares on the main list of the Helsinki Stock Exchange, and quotation of the shares will begin on May 3, 1999.

OBJECTIVES

The new Sanoma-WSOY Group will be the second biggest media enterprise in Scandinavia in terms of net sales, with operations covering almost the full range of modern communications. The new group's core businesses will be magazine, book and newspaper publishing, various forms of electronic media, commercial printing and investment operations. The business operations of the subsidiary Rautakirja Oyj include kiosk chains, magazine wholesale, bookstores, cinema operations, cafeterias and restaurants.

The mission of Sanoma-WSOY is to be the most dynamic media corporation in Northern Europe, and it will base its operations on creativity and reliability. By dynamism, the group means vision, vigilance to changes, growth, development, and internationalization. The company will be excellently positioned to achieve all this. Its resources will comprise the best traditions of the merging companies, a highly professional workforce, excellent authors and journalists, a strong capital structure and experience of functioning in society as a pioneer and key decision-maker.

High-quality content will be the heart of Sanoma-WSOY operations, and Finland's vital culture will be its firm foundation. The new group will be a strong creator of media content that can also be used in the multimedia environment. In addition, the group's products will have good physical and electronic distribution channels.

The operations of the companies that will remain in publishing are a solid platform for expanding the book, newspaper and magazine publishing businesses. Sanoma-WSOY also has interesting growth and development opportunities in its electronic media operations. The company will also have adequate resources for internationalization.

PARENT COMPANY AND SUBSIDIARIES

The parent company of the new group will be Sanoma-WSOY Oyj, and its wholly-owned independent subsidiaries will be the reincorporated Werner Söderström Osakeyhtiö, Sanoma Corporation and Helsinki Media Company Oy. The parent company will be responsible for management and financing of the entire group and will engage in leasing and investment activities.

The largest subsidiary of the new corporation will be Rautakirja Oyj, where the group will have a participation of about 55 percent. Rautakirja Oyj will carry on business as an independent publicly listed company.

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

Aatos Erkko has been elected Chairman of the

Board of Sanoma-WSOY Oyj and Esko Koivusalo has been chosen Vice Chairman. The following have likewise been appointed members of the Board: Jane Erkko, Marjukka af Heurlin, Paavo Hohti, L.J. Jouhki, Kyösti Järvinen, Robin Langenskiöld, Rafaela Noyer, Jaakko Rauramo and Antero Siljola.

The Board of Directors of the new corporation has appointed Jaakko Rauramo President and CEO of Sanoma-WSOY and Antero Siljola his deputy. Antero Siljola will also be President and CEO of the new Werner Söderström Osakeyhtiö.

Also appointed to the corporate management are Aarno Heinonen, responsible for administration and finance; Nils Ittonen, group treasury and asset management; Kerstin Rinne, legal affairs and corporate planning.

In addition to the above-mentioned officers, the Sanoma-WSOY corporate management will include Seppo Kievari, President of the new Sanoma Corporation; Tapio Kallioja, President of Helsinki Media Company Oy; and Hannu Syrjänen, President of Rautakirja Oyj.

SANOMA-WSOY OYJ
FINANCIAL STATEMENTS (Pro forma)

The Sanoma-WSOY Group financial statements (pro forma) have been drawn up by consolidating the official accounts of Sanoma Corporation (hereafter Sanoma), Helsinki Media Company Oy (HMC), Werner Söderström Oyj - WSOY (WSOY), Rautakirja Oyj (Rautakirja) and Oy Devarda Ab.

NET SALES

In 1998 Sanoma-WSOY Oyj had net sales of FIM 7,443 million (7,077 million in 1997). Net sales grew by over five percent on the previous year. The trend in net sales differed at the various group companies because of structural changes, corporate acquisitions and divestments.

Sanoma's net sales grew by seven percent to FIM 2,076 (1,949) million mainly due to good advertising sales. The circulations of Helsingin Sanomat and Ilta=Sanomat were slightly lower than in the previous year. The circulation and net sales of Taloussanomat grew strongly, but more slowly than predicted.

The net sales of HMC were FIM 1,227 (1,102) million, up 11 percent. The new television channel Nelonen, which was started up in June 1997, achieved net sales of FIM 133 million in its first full year of operations and had the most significant impact on growth of HMC's net sales. The net sales of WSOY also grew 11 percent to FIM 1,249 (1,119) million. The transfer of the company's printing operations to an associated company at the beginning of May reduced net sales by over FIM 100 million. Nonetheless, net sales rose because of new subsidiaries acquired at the end of the previous year. Rautakirja's net sales of FIM 3,423 (3,408) million were steady at the previous year's level even though the Tiimari chain of paper supplies stores was sold in April.

EARNINGS

Consolidated earnings for the financial year grew by over a third on the previous year because of gains from sales of business operations. The profit for the year was FIM 1,005 (746) million.

In November, HMC sold its remaining shares in Norwegian Janco Multicom A/S. As stipulated by partnership agreements and articles of association, WSOY in August sold its shares in its half-owned magazine publisher Yhtyneet Kuvalehdet Oy, book club Suuri Suomalainen Kirjakerho Oy and printing house Acta-Print Oy. In April, Rautakirja sold its shares in Tukkutiimi Oy, which owned the chain of Tiimari paper supplies stores. The significant gains on these divestments have been treated as extraordinary income.

The operating profit of Sanoma-WSOY was FIM 424 (590) million. Operating profit fell on the previous year because of the above-mentioned sales of business operations and investment in new operations and companies.

Consolidated profit before extraordinary items was FIM 581 (770) million. Sanoma's profit before extraordinary items was 373 (432) million and it declined mainly due to the costs of starting up Taloussanomat and lower financial income. HMC's earnings before extraordinary items fell to a loss of 58 million (6 million profit) mainly due to start-up costs of the new television channel Nelonen. WSOY's corresponding profit was FIM 201 (230) million. Earnings weakened because of associated companies and sale of printing operations and due to investment in new business operations. Profit before extraordinary items at Rautakirja fell slightly on the previous year because of the sale of the Tiimari chain and changes in depreciation schedules to 204 (221) million.

Earnings per share were FIM 11 (16).

BALANCE SHEET

The balance sheet total of the Sanoma-WSOY Group was FIM 7,370 (6,473) million, including shareholders' equity of FIM 4,326 (3,456) million.

Equity per share at the end of the financial year was FIM 126 (101). The return on investment was 12.3 (19.0) percent and the return equity was 9.2 (16.0) percent.

The group's equity ratio was 70 (64) percent.

INVESTMENT AND FINANCING

Consolidated gross investment during the year under review was FIM 884 (935) million. Sanoma's investments totaled FIM 409 (586) million and they were mainly for the construction of the new corporate headquarters and the purchase of shares in Janton Oyj and Infosto Oy. HMC invested FIM 138 (118) million during the year, and the biggest single item was the purchase of shares in Norwegian publishing company A-pressen ASA. Most of WSOY's investment of FIM 149 (93) million was on acquisitions of new subsidiaries. Rautakirja invested FIM 188 (139) million. The most significant investments were acquisitions of new business operations for book retailer Suomalainen Kirjakauppa and outlays for Finnkino's new movie theater complexes. All group investments were funded with proceeds from sales of business operations and shares.

The financial position of the Sanoma-WSOY Group is strong. Total cash and bank receivables and money market instruments at the end of the financial year were FIM 1,928 (1,413) million.

PERSONNEL

The group's workforce on average during the year was 11,576 (11,371) employees, including 1,693 (1,585) newspaper delivery personnel.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

The structural rearrangement of the new group involves transferring certain small subsidiary business operations to the subsidiaries to which they are most suited.

On February 1, 1999, Sanoma-WSOY Group companies Sanoma Corporation, Werner Söderström Oyj-WSOY and Oy Ruutunelonen Ab filed applications with the government for four operating licenses for digital television channels. In addition, Sanoma applied for a license to operate a local analog TV channel.

Last year, HMC signed an agreement with the newspaper publisher TS-Yhtymä Oy on merging Helsinki Media's printing operations with Hansaprint Oy. The business operations were transferred on January 1, 1999, at which time HMC took a 40 percent stake in the company. In February, HMC increased its stake in Norwegian A-pressen ASA to 20 percent of the shares and voting rights.

In January, Sanoma acquired a 14.9 percent stake in customized software producer Tietovalta Oy.

In March, Sanoma made an agreement on the purchase of the shares of Kymen Lehtimedia Oy. After the deal Kymen Lehtimedia Oy will become a wholly-owned subsidiary of Sanoma. Kymen Lehtimedia Oy publishes regional newspapers including Kymen Sanomat, Kouvolan Sanomat and Etelä-Saimaa. The group's net sales last year were FIM 489 million and the profit before extraordinary items was 66 million.

OUTLOOK FOR 1999

When the merger is implemented, the business operations of Sanoma, HMC and WSOY will be transferred to the Sanoma-WSOY Group's new wholly-owned subsidiaries of the same names. The new independent subsidiaries will continue carrying out the business operations of their predecessors in their current extent. In connection with the merger, a considerable portion of the group's real estate, equity portfolio and other financial assets will be transferred to the parent company. So the earnings and balance sheet data for the subsidiaries are not entirely comparable with figures for previous years.

Confidence in continued economic growth will be preserved even though growth is slowing. The pace of growth in exports is also slowing down, but domestic demand remains buoyant. Inflation pressures are negligible, and consumers' purchasing power continues to grow. The performance of the communications industry reflects general domestic economic trends. Uncertainty about the future is increasing as some industries have had to resort to job cuts and layoffs. The instability of some crucial export sectors is also fuelling the uncertainty faced by the communications industry.

Sanoma's consolidated net sales will grow and profitability is estimated to remain good even though growth in the advertising sales of Helsingin Sanomat is slowing and circulation is declining slightly due to fewer discount-priced promotional offers. The advertising sales of Ilta=Sanomat are expected to grow and the circulation to stay at the current level. Taloussanomat will continue to grow vigorously.

HMC's net sales are expected to remain on the previous year's level even though printing operations have been transferred to an associated company. Most of the growth in net sales will come from Nelonen's TV operations, which will grow clearly faster than the market. Start-up costs continue to weigh on HMC earnings, which nevertheless will improve slightly on the previous year.

WSOY will increase its investment both in conventional book publishing and in new media. The companies acquired for the group will continue to be developed and growth opportunities and objectives clarified. The arrangements of the associated companies and the organization of operations within the Sanoma-WSOY Group will mean a slight decline in the net sales of WSOY. Profitability will remain good and the company's market positions will stay strong.

Rautakirja expects its net sales to grow with the trend of the economy and the operating profit is forecast to stay at the previous year's level, which was good.

Implementing the merger and creating a functional group structure are among the main tasks for the current year at the Sanoma-WSOY Group. The long-established business operations will continue in their current extent within the group's autonomous corporations. At the same time, the group and its subsidiaries will explore opportunities for expansion from a new perspective. Sanoma-WSOY Group's net sales in 1999 will grow about 10 percent. Extraordinary sales gains will decline considerably. Owing to investment in business operations, the operating profit will decline, but profit before extraordinary items is estimated to grow slightly.

ACCOUNTING PRINCIPLES USED IN THE PRO FORMA FINANCIAL STATEMENTS

The financial statements of the companies being consolidated have been drawn up mainly according to coherent principles.

In the consolidation, the companies' cross-ownership has been deducted mainly from restricted shareholders' equity and from non-restricted shareholders' equity if restricted shareholders' equity is insufficient.

Rautakirja has been consolidated row by row in the financial statements as a subsidiary also for those years in which the merging companies' combined stake in Rautakirja was less than 50 percent. Minority shares of earnings and shareholders' equity have been stated separately in accordance with the real ownership stake.

The balance sheet value of the HMC shares held by Sanoma's subsidiary Lastannet Holding B.V. has been deducted from non-restricted shareholders' equity, and those shares are excluded from the key indicators for shareholders' equity.

Revaluations booked in Sanoma's financial statements have been reversed.

Payouts by Sanoma and HMC to the Employee Profit-Sharing Funds have been treated like in the merger memorandum as personnel costs, in exception to the approved financial statements.

In exception to the official financial statements for WSOY, all rental income has been treated as other revenue from operations.

Translation differences arising from internal cross-ownership have mainly been stated with impact on earnings. The group's internal business transactions have been eliminated. The pro forma calculations of previous years' figures in the merger prospectus have also been adjusted.

Sanoma-WSOY Oyj

Pro forma calculation

INCOME STATEMENT	1998		1997	
	FIM millions	*EUR millions*	*FIM millions*	*EUR millions*
Net sales	7,443	1,252	7,077	1,190
Increase/decrease in inventories of finished goods	-12	-2	3	
Share in the results of associated companies	24	4	49	8
Other operational income	104	17	123	21
Expenses	-6,749	-1,135	-6,295	-1,059
Operating profit before depreciation	810	136	957	160
Depreciation	-386	-65	-367	-61
Operating profit	424	71	590	99
Financial income and expenses	157	27	180	30
Profit/loss before extraordinary items, appropriations and taxes	581	98	770	129
Extraordinary income and expenses				
Extraordinary income	947	159	237	41
Extraordinary expenses	-9	-2	-29	-5
Taxes on extraordinary items	-263	-44		
	675	113	208	36
Profit/loss before appropriations and taxes	1,256	211	978	165
Taxes	-172	-29	-191	-32
Minority interest	-79	-13	-41	-7
Profit for the period	1,005	169	746	126

BALANCE SHEET	1998		1997	
	FIM millions	*EUR millions*	*FIM millions*	*EUR millions*
Assets				
Intangible assets	393	66	341	57
Tangible assets	1,976	332	1,911	321
Other long-term investments	1,558	263	1,448	243
Inventories	502	84	546	92
Receivables	1,013	170	814	137
Short-term investment (incl. cash and bank)	1,928	324	1,413	239
	7,370	1,239	6,473	1,089
Shareholders' equity and liabilities				
Share capital	364	61	364	61
Non-restricted equity	3,962	666	3,092	520
Minority interest	585	98	479	81
Obligatory appropriations	12	2		
Long-term liabilities	774	130	904	152
Current liabilities	1,673	282	1,634	275
	7,370	1,239	6,473	1,089

Key indicators describing the financial development and per the share ratios

	1998		1997		1996		1995	
	FIM	*EUR*	*FIM*	*EUR*	*FIM*	*EUR*	*FIM*	*EUR*
	millions		*millions*		*millions*		*millions*	
Net sales	7,443	1,252	7,077	1,190	6,812	1,146	6,783	1,141
Operating profit	424	71	590	99	570	96	445	75
% of net sales	6		8		8		7	
Profit before extraordinary items	581	98	770	129	634	107	480	81
% of net sales	8		11		9		7	
Profit before appropriations and taxes	1,256	211	978	165	744	125	505	85
% of net sales	296		166		131		113	
Balance sheet total	7,370	1,239	6,473	1,089	6,005	1,010	5,877	988
Gross investments	884	149	935	157	312	53	589	99
Return on equity, % (ROE)	9		16		14		11	
Return on investment, % (ROI)	12		19		17		14	
Equity ratio, %	70		64		60		53	
Earnings per share *(FIM / EUR)*	11	1.9	16	2.6	10	1.7	7	1.2
Shareholders´equity per share *(FIM/EUR)*	126	21.2	101	17.0	81	13.6	69	11.6
Estimated number of shares, 1,000 shares	36,381		36,381		36,381		36,381	
A-series	6,002		6,002		6,002		6,002	
B-series	30,379		30,379		30,379		30,379	
Personnel on average	9,883		9,786		9,503		9,465	
Newspaper delivery personnel	1,693		1,585		1,614		1,666	

	1998		1997		
	FIM	*EUR*	*FIM*	*EUR*	
	millions		*millions*		*change, %*
Net sales					
Sanoma Group	2,076	349	1,949	328	6.5
WSOY Group	1,249	210	1,119	188	11.6
Helsinki Media Group	1,227	206	1,102	185	11.3
Rautakirja Group	3,423	576	3,408	573	0.4
Eliminations	-532	-89	-501	-84	
	7,443	1,252	7,077	1,190	5.2
Operating profit					
Sanoma Group	234	39	264	44	-11.4
WSOY Group	125	21	172	29	-27.2
Helsinki Media Group	-64	-11	6	1	-1,202.8
Rautakirja Group	183	31	211	35	-13.4
Eliminations	-54	-9	-63	-10	
	424	71	590	99	-28.1
Personnel on average (part-time incl.)					
Sanoma Group	3,529		3,354		5.2
WSOY Group	1,824		1,792		1.8
Helsinki Media Group	1,253		1,187		5.6
Rautakirja Group	4,970		5,038		-1.3
	11,576		11,371		1.8

Addresses

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SANOMA
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