ANNUAL REPORT 1996

WSOY

WERNER SÖDERSTRÖM

OSAKEYHTIÖ

WSOY GROUP ADDRESSES

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Printed Kirjapaino Lönnberg Oy

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SÖDERSTRÖM

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INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting of Werner Söderström Osakeyhtiö - WSOY will take place on Monday 28 April 1997 at 15 p.m. at the Palace Hotel, address: Eteläranta 10, Helsinki.

Shareholders entered in the WSOY shareholders´ register maintained by Suomen Arvopaperikeskus Oy not later than 18 April 1997 are entitled to attend the Annual General Meeting. Shareholders whose shares have not been transferred to the book-entry securities system are also entitled to attend the meeting provided that the shareholder was entered in the WSOY shareholders´ register before 23 December 1992, in which case the shareholders will have to present at the meeting their share certificates or other evidence proving that the title to the shares has not been transferred to the book-entry securities account.

Shareholders wishing to attend the meeting are requested to inform the WSOY head office by 16 p.m. on Wednesday 23 April 1997 in writing or by telephone (+358 9 61681, Markku Tiensuu or Kirsi Laitinen). Proxies will have to be provided in connection with the notification of attendance.

DIVIDEND DISTRIBUTION

The Board of Directors proposes to the Annual General Meeting that the dividend be paid out on Wednesday 7 May 1997. The date of record for dividend payout is 2 May 1997.

SHARE REGISTER

Suomen Arvopaperikeskus Oy maintains the share register of WSOY shares and the shareholders´ register of WSOY shareholders. Both registers are available for inspection at the head office, and copies of the registers or parts thereof can be obtained subject to a charge.

Any changes in relevant personal data are to be notified to Suomen Arvopaperikeskus Oy or the bank or branch office where the shareholder has a book-entry securities account.

INFORMATION SCHEDULE FOR 1997

In 1997 WSOY will release the following reports:
Financial Statement Bulletin for 1996 on Thursday 13 March 1997
Annual Report for 1996 in Finnish on Wednesday 16 April 1997
Annual Report for 1996 in English on Wednesday 23 April 1997
Interim Report 1 January – 30 April 1997 on Tuesday 17 June 1997
Interim Report 1 January – 31 August 1997 on Thursday 16 October 1997

Financial information will be mailed to shareholders´ addresses as entered in the shareholders´ register, or they may be ordered from WSOY Corporate Communications, Fax +358 9 6168 405, Tel. +358 9 6168 312, mail address: WSOY Corporate Communications, Bulevardi 12, FIN-00120 Helsinki.

WSOY GROUP IN BRIEF

WSOY Group is a diversified group (conglomerate) involved in communications and operates in Finland, Sweden, Norway and Denmark.

The parent company Werner Söderström Osakeyhtiö - WSOY was established 119 years ago in 1878. It has been a joint stock company since 1904 and was listed on the Helsinki Stock Exchange in the year 1976. At the end of 1996 the number of shareholders was 3,655.

WSOY is involved in publishing, printing and investment. WSOY is the largest publishing company in Finland and the largest printing house in the Nordic countries. Since the establishment the company has published about 30,000 titles. WSOY is a general publisher. In addition to fiction and nonfiction the company publishes instructional and educational books, multimedia, audio-visual and electronic products.

In 1996 WSOY printed 20 million books, 53 million periodicals and magazines, and 30 million items of advertising and publicity material for the domestic and export markets.

WSOY subsidiaries are Weilin+Göös Oy, Ajasto Osakeyhtiö, Kirjapaino Lönnberg Oy, Kirjatuki Oy, Kiviranta Oy, Tuotantotalo Werne Oy, and two real estate companies. Weilin+Göös Oy, Ajasto Osakeyhtiö and Kirjatuki Oy are subgroups of the WSOY Group.

WSOY Group´s associated companies are Rautakirja Oy, Yhtyneet Kuvalehdet Oy, Suuri Suomalainen Kirjakerho Oy and Finnprint Osuuskunta.

KEY FIGURES FOR 1996

MFIM	1996	1995	Change%
Net sales	1,136.2	1,149.1	-1.1
Trading profit	128.0	21.0	509.5
Income before extraordinary items, reserves and taxes	182.2	60.8	199.7
Group profit	151.3	43.1	251.0
Earnings/share, FIM	11.98	3.52	240.3
Dividend/share, FIM	4.00*	2.00	100.0
Dividend/earnings %	33*	57	-42.1
Shareholders´ equity/share, FIM	83.38	72.70	14.7
Equity ratio	64.4	59.5	8.2
Market capitalization value of shares 31 December, MFIM	1,439.4	770.1	86.9
Employees, average number	1848	1923	-3.9

* Board´s proposal

PRESIDENT´S REVIEW

Development in the Finnish economy aroused uncertainty during the first months of the year, but the overall development for the whole year was favourable. Total manufacturing continued to grow. The external equilibrium of the Finnish economy developed in a beneficial manner, as the trade balance and the current account showed a surplus. Although state indebtedness continued, the growth rate slowed down. Unemployment rate, unfortunately, remained at a high level even though domestic demand recovered slightly.

The overall development of WSOY Group operation lines can be considered favourable. The sale of general literature maintained the volume of the previous year. Many books aroused attention and lively debate in various media. Conditions on the educational material market recovered and the demand increased by over 10 per cent. The market for multivolume works continued the downward trend, but the weakening in demand has clearly slowed down. Multimedia product sales maintained their high growth rate. The development fulfilled the estimates made in the past few years. Further, the demand for graphic industry products grew heavier, and thanks to the growth the proportion of export increased.

WSOY Group focused on the utilization of the expanded Group´s resources, on the implementation of strategic changes and on the development of operational policy and courses of action in the Group production units. During the accounting period a report was completed on the development programme for the preproduction functions of the Group. Improvement in the productivity and profitability of these functions involved the specification of reorganizing production and publishing, and the assessment of the human resources.

These reorganization issues were settled in joint consultations by 30 December 1996. The necessary rearrangements in human resources will be implemented during 1997 by means of early retirement, intra-Group transfers and dismissals. Even though the reorganization costs were recognized as expenses straining the result of the period, the Group result has developed favourably. This is to be attributed to the better management of marketing within the WSOY production units and to the more efficient production process management. Another important factor improving the result has been the WG project, through which the reorganization agreement reached in 1995 was implemented. The beneficial impacts of the project are reflected in the Income Statement for the accounting period.

WSOY Group net sales totalled FIM 1,136.2 (1,149.1) million ie FIM 12.9 million less than in 1995. The reason was the change in WSOY production strategy, which actually meant discontinuing unprofitable operations. The market shares of Group publishing were sustained. WSOY Group profit before extraordinary items, reserves and taxes was FIM 182.2 (60.8) million. The result was strained by the FIM 24-million reorganization costs due to the development projects implemented during the year 1996. The significant improvement in the Group result exceeded the target set for the accounting period. Income before reserves and taxes amounted to FIM 193.1 (61.8) million. The realization of real estate property generated extraordinary income for the Group.

The volume of trading in WSOY shares was at the ordinary level. The share price development exceeded the general Stock Exchange level. This obviously resulted from the favourable development in WSOY Group profitability. At the end of the year the market capitalization value of WSOY shares was FIM 1,439.4 (770.1) million. Earnings per share went up to FIM 11.98 (3.52).

WSOY Group plans for the year 1997 are based on favourable operating conditions. The Finnish economy will continue its recovery. The tax concessions adopted by the Finnish Parliament will contribute to heavier consumer demand.

Competition in the publishing market will be changing, because the acquisition of Finnish publishing companies by the Swedish Bonnier Group will tighten competition. Improvement in profitability is the goal-congruent objective of WSOY Group, although some reorganization costs will be recognized during 1997. WSOY Group will focus on growth in the publishing business.

The significant development in WSOY Group result has been based on productive cooperation with various interested parties. On behalf of the Board of Directors I wish to express my gratitude to all authors, employees, customers and other parties whose cooperation has contributed to the development of WSOY Group. The reorganization of the Group continued throughout the year 1996. Improvement in competitiveness has involved changes which have been agreed on in mutual agreement. I wish to thank all the employees for their commitment during the accounting period.

ANTERO SILJOLA
President CEO

BOARD´S REPORT ON OPERATIONS 1996

OVERALL ECONOMIC DEVELOPMENT

Although growth in the Finnish economy clearly accelerated during the second half of the year 1996, GNP growth did not, however, reach the previous year´s level. The market priced GNP growth is anticipated to be about 3.2 per cent compared to 4.2 per cent in 1995. Growth in total manufacturing decelerated from the 1995 level, and differences among industries continued to be considerable. The balance of trade surplus is estimated to have amounted to almost the same level as in the previous year, and the current account surplus is estimated at about 4 per cent of the GNP. Growth in the real spending power of households is estimated at more than 2 per cent and that in consumer spending at about 3 per cent.The recovery in consumer spending resulted in heavier demand for goods and services. The average increase in consumer prices was 0.7 (0.6) per cent. Interest rates went down further. The inflation rate was exceptionally low.

ECONOMIC DEVELOPMENT IN GRAPHIC INDUSTRY

Net sales in the graphic industry increased by about 6 per cent in 1996. Total net sales is estimated to have amounted to FIM 17.5 billion.The increase can be attributed to factors such as improved advertising, heavier domestic consumer demand and increased export to Russia. According to advance information the production volume in the graphic industry decreased by about one per cent compared to the previous year, while the index depicting total manufacturing rose by 3 per cent. Graphic industry production was still a good 10 per cent below the 1990 level.

The average increase in publishing products was 4.4 per cent and in other printing products 6.5 per cent. According to the available information the average price level of paper remained for the whole year at the level of the previous year.

The export surplus of the graphic industry continued to increase. The increase in export value was almost 13 per cent on the previous year. The largest increase was in export to Russia, but also export to Norway and Estonia increased significantly.

According to advance information the profitability of the graphic industry improved compared to the previous year.

NET SALES AND INVOICING

WSOY Group net sales totalled FIM 1,136.2 (1,149.1) million in the year 1996.

Division of Group net sales by company:

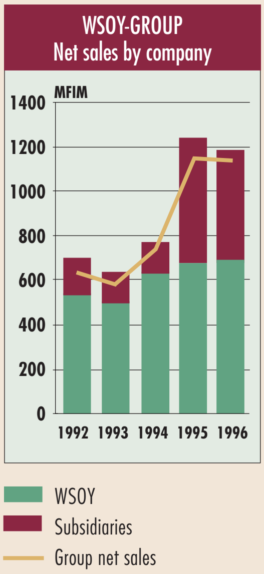
	1996 MFIM	%	1995 MFIM	Change %
WSOY	697.7	59.0	685.0	1.9
Weilin + Göös Oy *	210.6	17.8	282.7	-25.5
Ajasto Osakeyhtiö *	133.0	11.2	137.5	-3.3
Kirjapaino Lönnberg Oy	96.6	8.2	89.6	7.8
Kirjatuki Oy *	15.3	1.3	15.2	-2.6
Kiviranta Oy	13.1	1.1	14.5	-9.7
Tuotantotalo Werne Oy	12.6	1.1	10.6	18.9
Other subsidiaries	4.2	0.3	2.6	61.5
Total	**1,183.1**	**100.0**	**1,237.7**	**-4.5**
Internal invoicing	46.9	4.0	88.6	-47.6
Group net sales	1,136.2	96.0	1,149.1	-1.1

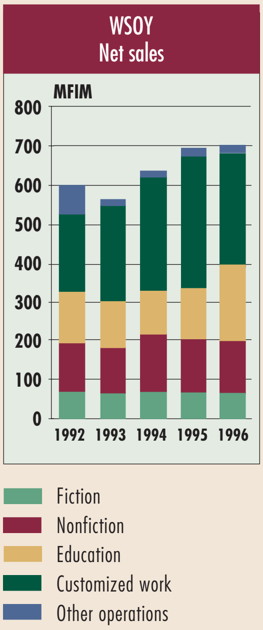
* subgroup

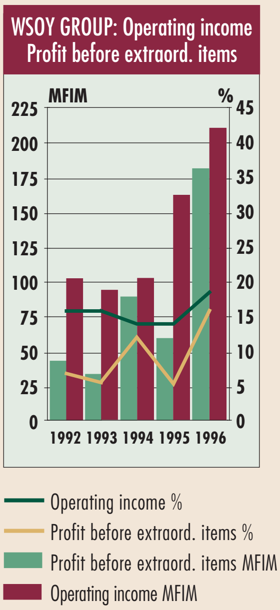
The net sales figures of the Group companies are not comparable to those for the previous year owing to intra-Group transfers of operations. In May 1995 the marketing and publishing of WSOY´s multivolume works was transferred to Weilin+Göös Oy, and in June the Weilin+Göös Oy educational, instructional and corporate text book publishing was transferred to the parent company. The moderate growth in parent company net sales can be attributed to the implementation of a new operating concept according to which production units cut down on unprofitable customized work. WSOY net sales amounted to FIM 697.7 (685.0) million ie 1.9 per cent more than in the previous year.

Weilin+Göös Oy maintained their position in the declining multivolume works market and strengthened their position in the year book publishing. Ajasto Osakeyhtiö had to face increasingly keen competition on the calendar market. The tough price competition on the part of new entrants did not, however, cause any considerable losses.

Kirjapaino Lönnberg Oy increased their sales on the previous year thanks to their high quality printing services for advertising. Further, the increase in the sales proceeds of Tuotantotalo Werne Oy´s sound and picture processing was good.







WSOY maintained their position as the market leader in all product groups in publishing. The distribution of WSOY sales:

	1996 MFIM	%	1995 MFIM	Change %
Fiction	70.9	10.1	71.5	-0.8
Nonfiction	125.4	17.9	133.9	-6.3
Education	196.1	28.0	133.2	47.2
Customized work	289.5	41.4	329.0	-12.0
Other operations	18.4	2.6	22.1	-16.7
Total	**700.3**	**100.0**	**689.7**	**1.5**

Group net sales in countries outside Finland and export from Finland totalled FIM 218.0 (236.6) million. The distribution of Group net sales by market area:

	1996 MFIM	%	1995 MFIM	Change %
Finland	918.2	80.8	912.5	0.6
Other EU countries	168.3	14.8	185.6	-9.3
Other countries	49.7	4.4	51.0	-2.5
Total	**1,136.2**	**100.0**	**1,149.1**	**-1.1**

RESULT AND BALANCE SHEET

WSOY Group profitability was good during the accounting period. The improvement in Group profitability was enhanced by the favourable development in market conditions, the synergy generated by the acquisition of business operations from Amer Group at the beginning of 1995 and their adjustment to WSOY operations. Group operating income was FIM 210.3 (165.7) million ie 18.5 (14.4) per cent of net sales.

Parent company operating income improved up to FIM 124.9 (74.2) million ie 17.9 (10.8) per cent of net sales, although the result was strained by the FIM 24-million non-recurring pension and dismissal expenses which resulted from the change in the production strategy.

Group trading profit amounted to FIM 128.0 (21.0) million and WSOY trading profit to FIM 72.6 (-37.1) During the accounting period additional depreciations were made on fixed assets and scrap to the value of FIM 7.6 (60.0) million.

The proportion of WSOY Group in the result of the associated companies was FIM 54.3 (43.1) million. Previously made amortizations on securities were recognized as reversed value adjustments to the value of FIM 4.2 (0.1) million. Parent company dividend income was FIM 63.5 million compared to FIM 35.7 million in the previous year. The net effect of financing on Group profit was FIM 54.2 (39.8) million and on parent company profit FIM 67.3 (37.7) million.

WSOY Group profit before extraordinary items, reserves and taxes was FIM 182.2 (60.8) million. Extraordinary income was earned by the parent company through the sale of a real estate for housing.

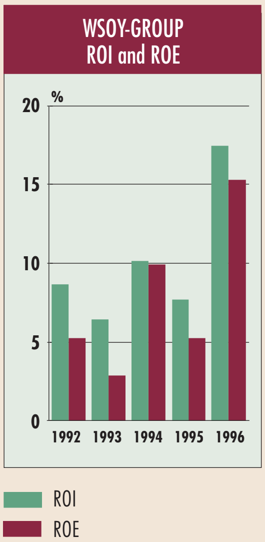
Transition reserve was decreased by FIM 10 million, which amount was allocated to fixed asset investments.

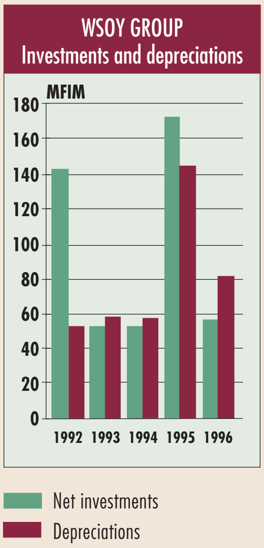
Group return on investment (ROI) was 16.9 (7.6) per cent, and return on equity (ROE) was 15.4 (5.2) per cent.

Consolidated balance sheet total was FIM 1,550.2 (1,466.5) million at the end of the accounting period. The value of fixed assets was FIM 890.6 (882.5) million, where the proportion in the net sales of the associated companies and the unamortized part of goodwill was FIM 346.6 (314.1) million. Group shareholders´ equity totalled FIM 998.1 (870.1) million and liabilities amounted to FIM 550.8 (594.9) million. Unrestricted equity of the Group was 796.0 (668.0) million, and restricted parent company equity was FIM 404.2 (311.3) million. Interest-bearing debts amounted to FIM 237.9 (255.8) million and deferred tax liability to FIM 64.8 (77.8) million. Group gearing was 2.6 (16.8) per cent and equity ratio 64.4 (59.5) per cent.

INVESTMENTS IN FIXED ASSETS

Group gross investments in fixed assets amounted to FIM 56.6 (172.2) million. The purchase of premises, machinery and equipment for the Mainos ja Etiketti unit of Kirjapaino Lönnberg Oy accounted for a significant part of the investments. For the Syväpaino of Kirjapaino Lönnberg Oy a new 5-unit printing machine and a film output processor were purchased. WSOY gross investments to the value of FIM 16.4 (177,4) million were productivity improvement and replacement investments. During the accounting period WSOY sold a housing real estate in Espoo at the price of FIM 11.6 million.





CHANGE IN WSOY PRODUCTION STRATEGY

WSOY production strategy and Group operation policy were revised in December 1995. Goal-congruent implementation continued throughout the accounting period. Unprofitable printing was discontinued, which meant cutting down on production volume. The cost structure was adjusted to the new volume, and production units were reorganized to be directly in charge of marketing their production capacity. Owing to reduced production Juvan kirjatehdas was operating in one shift during part of the year when the staff was alternatively laid off every second week.

The relevant productional and financial issues called for joint consultations which were started in the production units in autumn. Kiviranta Oy was involved in the consultations. By 30 December 1996 a settlement was negotiated. The major changes concerned preproduction, where the responsibility line between production and publishing was changed so that after the reorganization the publishing units would supply to the printing units filmed pages ready for printing. The reorganization involved reducing the number of employees by about one hundred. Early retirement was applied to 42 employees. In Juva adjustments will be implemented by means of layoffs also in the future. The changes will be completed during 1997.

PRODUCTION

The change in production strategy resulted in lower capacity utilization rate, but profitability improved significantly. In the previous year an additional depreciation was made on the fixed assets of Juva to the value of FIM 60 million, and during the accounting period fixed assets were scrapped worth FIM 7.6 million. The operative result has become satisfactory. After the deduction of non-recurring costs the profitability of Group production was satisfactory.

Kirjapaino Lönnberg Oy´s capacity utilization rate was high and their profitability good. Ajasto Osakeyhtiö´s profitability was lower than in the previous year, but maintained its good level.

In the Group companies the volume of paper (tonnes) used was :

	1996	1995	Change .%
WSOY			
- book printing	9,780	12,745	-23.4
- magazine printing	11,472	14,061	-18.4
Kirjapaino Lönnberg Oy	2,201	1,959	12.4
Ajasto Osakeyhtiö	1,329	1,300	2.2
Total	**24,782**	**30,065**	**-17.6**

PUBLISHING

Within WSOY publishing business two organizational changes were implemented during the accounting period. The directors who are in charge of publishing assumed responsibility for the marketing function of publishing books, further, the service functions of electronic and multimedia publishing were centralized under the newly established unit Uudet Mediat. Publishing is still decentralized on the cost centre basis.

WSOY acquired from Suomalainen Lakimiesyhdistys the publishing rights of Encyclopedia Iuridica Fennica for further publishing and expanded the publishing of juridical books in the new 90 per cent owned subsidiary Werner Söderström Lakitieto Oy. Suomalainen Lakimiesyhdistys is a minority holder in the company, which will start operating during 1997.

Books published by WSOY acclaimed positive attention and aroused vivid debate. WSOY books and writers won many awards, the most recognized of which is the Finlandia prize awarded to Irja Rane´s work Naurava Neitsyt. In January 1997 the Tieto-Finlandia prize was awarded to the author of the 4-volume Suomen musiikin historia Fabian Dahlström, Mikko Heiniö and Erkki Salmenhaara.

The profitability of WSOY Group publishing was good in the accounting year.

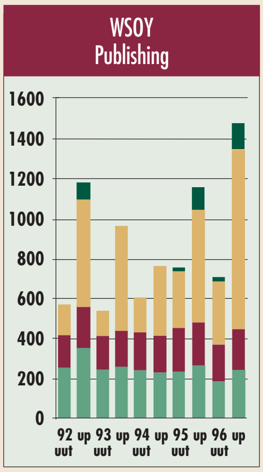
INVESTMENT

The significance of investment to WSOY Group´s overall profitability is exceptionally great. Rautakirja Oy, Yhtyneet Kuvalehdet Oy and Suuri Suomalainen Kirjakerho Oy are associated companies in the WSOY Group. WSOY Group owns valuable real estate property and has made short-term investments in market rate instruments. The profitability of investment was good.

WSOY pursues long-range investment policy. All non-current investments are directly or indirectly connected to Group operations.

ADMINISTRATION

The Annual General Meeting re-elected Jorma Hämäläinen to the Supervisory Board for three years. Leena Kartio and Jaakko Rauramo were elected new members of the Supervisory Board. Mikko Pohtola whose term expired could not be re-elected owing to the stipulation in the Articles of Association concerning the age of members of the Supervisory Board. Jorma Routti had indi-



Other publishing
Education
Nonfiction
Fiction
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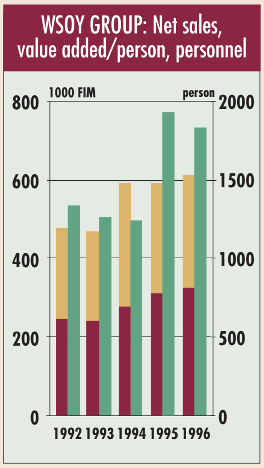
up = reprints



Net value/person
Value added/person
Personnel

cated his willingness to resign at the expiration of his term owing to his EU position which requires residing abroad.

At the end of the year Juhani Kivimäki resigned from the Board of Directors owing to the rerrangement of marketing in the publishing business. During the accounting period the auditors were Tauno Haataja, CPA, and SVH Coopers & Lybrand Oy, CPA Corporation, who appointed Björn Renlund, CPA, responsible auditor.

PERSONNEL

The adjustment of business operations acquired 1995 from Amer Group and the reorganization of WSOY production resulted in a considerable reduction in the number of employees. The adjustment was implemented by means of early retirement, dismissals, layoffs and by renouncing fixed-term employment contracts. In the joint consultations at the end of the year the settlement included the dismissal of 79 employees, of whom about 20 will be re-employed by the Group and placed on new jobs, an early retirement concerned 42 employees. The impact of the arrangement will be reflected in the lower number of employees in 1997.

The average number of WSOY Group employees was 1,848 (1,923) and that of the parent company employees 1,062 (1,122). Salaries, wages, fees and other remunerations paid during the accounting period were:

	WSOY Group		WSOY	
	1996	1995	1996	1995
FIM 1,000				
Supervisory Board, Board of Directors and CEO	9,972	8,848	4,935	4,195
Partial fees	500	365	40	82
Other salaries and remunerations	270,800	279,072	158,678	168,472

ANNUAL GENERAL MEETING

The Annual General Meeting was held on 29 April 1996. The meeting approved the financial statements for the previous year, discharged from liability those accountable for the financial statements. Further, the meeting elected new members to the Supervisory Board and the auditors. The decision was taken that a FIM 2.00 dividend per share be distributed for 1995.

SHARES

The volume of trading in WSOY shares amounted to FIM 172.7 (192.7) million in the accounting year. The share price development was favourable and exceeded the Hex-index. At the end of the year the market capitalization value was FIM 1,439.4 (770.1) million.

At the end of the accounting period the Board of Directors has no authorization to increase the share capital or to raise funds by means of convertible bonds or bonds with equity warrants. No issues of convertible bonds or bonds with equity warrants were launched.

At the end of the accounting period members of the Supervisory Board and Board of Directors owned 26,573 (26,346) WSOY shares, which equals 0.2 (0.2) per cent of the shares issued and 0.6 (0.6) per cent of the votes.

A few large shareholders have a valid shareholder agreement in compliance with which the parties thereto have an option on each other´s WSOY shares which are up for sale.

DIVIDEND AND DISTRIBUTION POLICY

The Board proposes to the Annual General Meeting that a dividend of FIM 4.00 (2.00) per share, ie FIM 48.0 (24.0) million be distributed. In compliance with the principle resolved by the Board, the dividend to be distributed is about one third of WSOY Group net profit, unless otherwise agreed under exceptional circumstances.

OUTLOOK FOR 1997

During the current year overall cyclical expectations do not deviate from the realized development in the past year. According to the TT-cyclical barometres made during last autumn the graphic industry was, on average, more optimistic about the near future than other industries were. Implemented changes in the state support system may weaken the economy of municipalities, which may be reflected in the purchase of educational and instructional material.

WSOY Group´s reorganization is still partly uncompleted, and the favourable development will continue in 1997.The changes implemented last year in WSOY publishing policy and courses of action will have a beneficial impact on the development during the current year. Based on the plans made for 1997 Group net sales will increase a little, and Group profitability will improve to some extent.

ADMINISTRATION

In compliance with the WSOY Articles of Association, the administration consists of the Supervisory Board, whose members have to be WSOY shareholders, the Board of Directors, and the Chief Executive Officer who is also WSOY Group President.

The Annual General Meeting elects a minimum of six members or a maximum of nine members to the Supervisory Board. Annually one third of Supervisory Board members resign at the expiration of their term. A person who has reached the age of 70 cannot be elected to the Supervisory Board.

The duty of the Supervisory Board members is to supervise and monitor the corporate management implemented by the Board of Directors and the Chief Executive Officer, and to give the Annual General Meeting their statement on the financial statements and the auditors´ report. The Supervisory Board decides on the number of the members of the Board of Directors, and recruits and discharges the Chief Executive Officer and, on hearing the opinion of the Chief Executive Officer, recruits and dismisses the other members of the Board of Directors, and confirms their salaries. Further, it is the duty of the Supervisory Board to convene general meetings.

The Board of Directors consists of the Chief Executive Officer and a minimum number of two or a maximum number of ten members elected by the Supervisory Board for a four-year term. The Board of Directors is in charge of effetive corporate management and operations. The term of office of the present Board of Directors is from 1996 to 1999.

The Annual General Meeting elects for every acounting year two auditors and two deputy auditors, whose qualifications are duly defined in the WSOY Articles of Association.

MEMBERS OF SUPERVISORY BOARD

Esko Koivusalo (60)
Member 1983–91
Chairman 1991–
current term 1995–98

Paavo Hohti (52)
Member 1991–
Vice-chairman 1994–
current term 1994–97

Tuomas Anhava (69)
Member 1972–
current term 1994–97

Marjukka af Heurlin (53)
Member 1980–
current term 1995–98

Jorma Hämäläinen (59)
Member 1995–
current term 1996–99

Leena Kartio (58)
Member 29 April 1996–
current term 1996–99

Mikko Pohtola (71)
Member 1994–29 April 1996

Hannele Pokka (44)
Member 1994–
current tern 1994–97

Jorma Routti (58)
Member 1987–29.4.1996

Jaakko Rauramo (55)
Member 29 April 1996–
current term 1996–99

Raimo Taivalkoski (56)
Member 1992–
current term 1995–98

MEMBERS OF BOARD OF DIRECTORS

Antero Siljola (54)
President and CEO
Chairman of the Board
1987–

Jorma Kaimio (50)
Director (General literature)
Vice-CEO
Member 1991–
Deputy to President and
Vice-Chairman 1992–

Pertti Ailio (39)
Director (Book printing)
Member 1995–

Aarno Heinonen (52)
Director (Administration, finance, investment)
Member 1987–

Juhani Kivimäki (47)
Director (Marketing)
Member 1981–31 Dec. 1996

Heikki Kokkonen (52)
Director (Educational material)
Member 1987–

Sven Meinander (45)
Director (Magazine printing)
Member 1995–

AUDITORS

Tauno Haataja
CPA

SVH Coopers & Lybrand Oy
Responsible auditor
Björn Renlund, CPA

DEPUTY AUDITORS

SVH Coopers & Lybrand Oy
CPA Corporation

Ilkka Haarlaa
CPA

SECRETARY OF SUPERVISORY BOARD AND BOARD OF DIRECTORS

Riitta Numminen (49)
Corporate lawyer

INCOME STATEMENTS

	WSOY GROUP				WSOY			
	1996		1995		1996		1995	
	MFIM	%	MFIM	%	MFIM	%	MFIM	%
NET SALES	1,136.2	100.0	1,149.1	100.0	697.7	100.0	685.0	100.0
Stocks of finished goods increase/decrease	6.2		30.7		4.9		16.9	
Proportion of associates´ net results	2.2		2.4					
Other operating income	4.2		3.8		4.1		4.7	
COSTS AND EXPENSES								
Raw materials and supplies								
Purchases during the period	205.6		267.8		138.7		185.2	
Inventories increase/decrease	7.2		4.4		2.9		7.0	
Externalized services	71.9		75.8		48.1		51.3	
Personnel costs	378.7		364.8		230.2		217.6	
Rents	13.5		15.2		9.4		8.0	
Other costs	261.6		292.3		152.5		163.3	
Total	938.5		1,020.3		581.8		632.4	
OPERATING INCOME	210.3	18.5	165.7	14.4	124.9	17.9	74.2	10.8
DEPRECIATION								
On fixed assets and other								
capitalized expenditure	-78.1		-139.8		-52.3		-111.3	
Amortized Group goodwilll	-4.5		-5.3					
Decrease in consolidation difference	0.3		0.4					
Total	-82.3		-144.7		-52.3		-111.3	
TRADING PROFIT/LOSS	128.0	11.3	21.0	1.8	72.6	10.4	-37.1	-5.4
Financial income and expenses	54.2		39.8		67.3		37.7	
PROFIT BEFORE EXTRAORDINARY ITEMS,								
RESERVES AND TAXES	182.2	16.0	60.8	5.3	139.9	20.1	0.6	0.1
Extraordinary income and expenses	10.9		1.0		6.9		0.9	
PROFIT BEFORE RESERVES AND TAXES	193.1	17.0	61.8	5.4	146.8	21.0	1.5	0.2
Increase (–) decrease (+) in depreciation								
difference					16.3		60.9	
Increase (–) decrease (+) in voluntary reserves					10.0		23.0	
Direct taxes	-41.7		-18.6		-56.1		-22.2	
PROFIT FOR THE PERIOD								
BEFORE MINORITY INTEREST	151.4	13.3	43.2	3.8	117.0	16.8	63.2	9.2
Proportion of minority interest	-0.1		-0.1					
GROUP PROFIT FOR THE PERIOD	151.3	13.3	43.1	3.8				

BALANCE SHEETS

ASSETS	WSOY GROUP 1996 MFIM	%	1995 MFIM	%	WSOY 1996 MFIM	%	1995 MFIM	%
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS								
Intangible assets								
Intangible rights	1.2		2.2		1.0		2.1	
Goodwill	19.4		24.3		19.5		24.3	
Group goodwill	18.0		22.5					
Tangible assets								
Land and water areas	76.1		76.5		33.1		33.4	
Buildings	144.6		141.2		57.1		60.5	
Machinery and equipment	212.9		232.6		136.2		158.5	
Other tangible assets	18.9		20.6		13.8		16.1	
Advance payments and work in progress	3.7		4.2		0.4		4.1	
Fixed asset securities and other non-current Investments								
Shares and holdings in associates	346.6		314.1		142.7		142.7	
Other shares and holdings	48.4		43.8		242.1		237.2	
Loan receivables	0.8		0.5		7.0		7.0	
Total fixed assets	890.6	57.5	882.5	60.2	652.9	54.0	685.9	59.4
INVENTORIES AND CURRENT ASSETS								
Inventories								
Rawmaterials and supplies	18.5		23.7		12.6		15.5	
Work in progress	31.3		33.8		24.6		25.7	
Finished products and goods	101.8		95.1		83.5		77.5	
Total inventories	151.6	9.8	152.6	10.4	120.7	10.0	118.7	10.3
Receivables								
Accounts receivable	230.2		265.6		59.8		75.7	
Loan receivables	22.0		27.4		189.0		212.0	
Accrued income and prepaid expenses	61.2		54.9		7.4		2.2	
Other receivables	4.9		2.2		1.6		1.1	
Total receivables	318.3	20.5	350.1	23.9	257.8	21.3	291.0	25.2
Fixed asset securities								
Market rate investments	152.0	9.8	13.1	0.9	152.0	12.6	13.1	1.1
Cash and bank	37.7	2.4	68.2	4.6	25.5	2.1	46.4	4.0
TOTAL ASSETS	1,550.2	100.0	1,466.5	100.0	1,208.9	100.0	1,155.1	100.0

	WSOY GROUP				WSOY			
	1996		1995		1996		1995	
LIABILITIES	MFIM	%	MFIM	%	MFIM	%	MFIM	%
SHAREHOLDERS´ EQUITY								
Restricted equity								
Share capital	120.0		120.0		120.0		120.0	
Other restricted equity	82.1		82.1		82.0		82.0	
Total restricted equity	202.1		202.1		202.0		202.0	
Non-restricted equity								
Non-restricted funds	39.7		39.7		91.4		91.4	
Retained earnings	605.0		585.2		195.8		156.7	
Profit for the period	151.3		43.1		117.0		63.2	
Total non-restricted equity	796.0		668.0		404.2		311.3	
Total shareholders´ equity	998.1	64.4	870.1	59.3	606.2	50.1	513.3	44.4
MINORITY INTEREST	0.4	0.0	0.4	0.0				
CONSOLIDATION DIFFERENCE	0.9	0.1	1.1	0.1				
RESERVES								
Accelerated depreciation					159.8		176.1	
Voluntary reserves								
Transition reserve					40.0		50.0	
					199.8	16.5	226.1	19.6
CREDITORS								
Non-current								
Loans from credit institutions	2.1		7.0		0.7		4.6	
Pension loans	205.8		223.0		195.8		212.1	
Deferred tax liability	64.8		77.8		0.0		0.0	
Other non-current liabilities	17.5		3.9		0.0		0.0	
Total non-current liabilities	290.2		311.7		196.5		216.7	
Current								
Loans from credit institutions	2.9		13.5		1.9		12.4	
Pension loans	2.1		1.4		1.3		0.4	
Advances received	0.9		3.0		0.4		2.8	
Accounts payable	34.0		33.0		17.5		18.2	
Accrued liabilities and deferred income	134.0		99.1		78.9		54.1	
Other current liabilities	86.7		133.2		106.4		111.1	
Total current liabilities	260.6		283.2		206.4		199.0	
Total creditors	550.8	35.5	594.9	40.6	402.9	33.4	415.7	36.0
TOTAL LIABILITIES	1,550.2	100.0	1,466.5	100.0	1,208.9	100.0	1,155.1	100.0

FUND STATEMENTS

	WSOY GROUP MFIM		WSOY MFIM	
	1996	1995	1996	1995
OPERATIONS				
Funds from operations				
Operating income	208.1	163.3	124.9	74.2
Profit from sale of fixed assets	-1.3	-1.2	-0.5	-0.9
Financial income and expenses	19.6	15.6	63.0	37.7
Extraordinary items	0.0	1.0	-4.0	0.8
Taxes	-54.6	-31.4	-56.1	-22.2
Total funds	171.8	147.3	127.3	89.6
CHANGE IN WORKING CAPITAL				
Inventories increase (–)/decrease (+)	1.0	-38.7	-2.0	-9.9
Current receivables increase (–)/decrease (+)	31.9	-133.4	33.3	-7.1
Non-interest-bearing current liabilities increase (–)/decrease (+)	-21.6	102.3	31.2	-10.5
	11.3	-69.8	62.5	-27.5
CASH FLOW FROM OPERATIONS	183.1	77.5	189.8	62.1
INVESTMENTS				
Investments in fixed assets	-56.6	-172.2	-16.4	-177.4
Income from sale of fixed assets	15.0	8.3	12.8	7.7
Other assets	0.0	22.0	0.0	0.0
	-41.6	-141.9	-3.6	-169.7
CASH FLOW BEFORE FINANCING	141.5	-64.4	186.2	-107.6
FINANCING				
Non-current receivables increase (–)/decrease (+)	-0.2	-0.5	0.0	-7.0
Non-current loans increase (+)	29.7	27.7	29.7	29.8
Non-current loans decrease (–)	-38.2	-16.2	-49.9	-9.4
Short-term loans increase (+)/decrease (–)	-9.8	-34.6	-9.7	-33.9
Other non-current liabilities increase (+)/decrease (–)	8.8	-4.3	-14.2	41.2
Dividend distribution	-24.0	-18.0	-24.0	-18.0
Other profit sharing items	-0.4	-0.3	-0.1	-0.1
Market rate investments	-138.9	159.5	-138.9	135.4
	-173.0	113.3	-207.1	138.0
CHANGE IN LIQUID FUNDS BASED ON THE STATEMENT, INCREASE (+)/DECREASE (–)	-31.5	48.9	-20.9	30.4
Adjustment items	1.1	0.9	0.0	0.0
CHANGE IN LIQUID FUNDS BASED ON THE BALANCE SHEET, INCREASE (+)/DECREASE (–)	-30.4	49.8	-20.9	30.4

ACCOUNTING PRINCIPLES APPLIED IN CONSOLIDATED STATEMENTS

SCOPE OF CONSOLIDATION

The consolidated financial statements consist of WSOY and all the subsidiaries in which the WSOY Group directly or indirectly owns over 50 per cent of the votes at the end of the accounting period. All Group companies´ accounting periods end on 31 December.

The consolidated financial statements include the proportions of the associated companies which equal the Group´s direct or indirect ownership of 20 to 50 per cent. However, two housing companies are excluded from the statements even though ownership is over 20 per cent. The financial statement information on the associates is consolidated applying the equity method.

The subsidiaries and associated companies included in the consolidated financial statements and the respective holdings are presented under item 19 in the Notes to the financial statements.

PREPARATION PRINCIPLES

The consolidated financial statements account for the subsidiaries applying the cost concept. Intra-Group transactions are eliminated.

The proportion of the acquisition price paid for the subsidiary shares which exceeds the equity at the time of the acquisition is recognized as fixed assets and goodwill. Goodwill and items allocated to buildings are depreciated to plan.

The proportion of the associated companies´ profits included in the consolidated income statement is obtained by multiplying the associate´s profit or loss (net profit) for the accounting period by the Group holding. The goodwill generated in the acquisition of the associates is amortized to plan. The amortization period is 6 to15 years. The dividends received from the associates are not included in the result.

On the consolidated balance sheet the proportion of the associated companies´ equity which equals the Group holding plus the unamortized goodwill are recognized under shares and holdings in the associates.The unamortized goodwill of the associates was FIM 24.3 (26.4) million.

Investments in other companies are primarily entered at cost. When necessary, values based on the acquisition cost were adjusted to correspond to the prevailing market value.

In the consolidated statements reserves are divided into equity and deferred tax liability. Change in the deferred tax liability on the balance sheet is recognized on the income statement. The same procedure applies to the associates.

Minority holdings are presented as separate items on the income statement and the balance sheet.

ITEMS IN FOREIGN CURRENCY

The income statements of foreign subsidiaries were converted into Finnish marks at the annual average exchange rate. Other items in foreign currency were valued at the official average rate of the Bank of Finland prevailing on the closing date 31 December. All items due to foreign currency fluctuation are recognized on the income statement.

VALUATION OF INVENTORIES

Valuation of inventories is based on the FIFO principle, recognized either at cost or the lower, probable replacement cost or the realizable selling price.

FIXED ASSETS AND DEPRECIATION

Fixed assets are valued at cost less depreciation to plan. The revaluation of land amounts to FIM 25 million.

Depreciation and amortization to plan, and additional depreciation when neccessary, is applied to fixed assets with varying useful lives. Based on estimated useful lives the following depreciation times have been defined:

- intangibles	4 to 6 years
- buildings	30 years
- equipment in buildings	10 years
- heavy printing machinery	15 years
- machinery and equipment	10 years
- vehicles and equipment, and ADP hardware	3 to 5 years
- other non-current investments	10 years

The difference between planned and realized depreciation is presented as a separate item under appropriations on the income statement. On the consolidated balance sheet the accumulated depreciation difference is divided into shreholders´ equity and tax liability.

KEY RATIOS

The ratios are calculated applying the principles given on page 24.The 1994–1996 ratios are comparable. The figures for the previous years were calculated in compliance with the applicable regulations. Adjusted share specific ratios take into account changes in the nominal value and the capitalization issue adjustment. Crossownership of associates is adjusted in the calculation.

PENSION SCHEMES

The WSOY pension fund, Werner Söderström Osakeyhtiön Eläkesäätiö s.r., is primarily responsible for the´ employees retirement security. Parent company empoyees´ pensions have been supplemented by insurance arrangements. Employees in subsidiaries are covered by pension insurance.

Pension and pension liability costs are included in social costs on the income statement.

The retirement age of members of the Board of Directors and Chief Executive Officers of a few subsidiaries is 60 to 65 years.

Early retirement is covered by pension insurance.

TAXES

On the consolidated income statement taxes have been adjusted for the change in deferred tax liability. In the parent company tax refund has not been recognized as a receivable although it will be received.

CONTENTS OF ANNUAL REPORT

The accuracy and organisation of information in the printed annual report deviate from the information contained in the officially disclosed report.

NOTES TO FINANCIAL STATEMENTS

INDEX NUMBERS OF THE NOTES:

1) Net sales
2) Personnel costs
3) Depreciation and amortization
Change in accelerated depreciation
4) Accumulated difference in voluntary reserves
5) Financial income and expenses
6) Intra-Group financial income and expenses
7) Extraordinary income and expenses
8) Direct taxes
9) Information on fixed assets
10) Taxable value of fixed assets and shares
11) Shares and loan receivables under non-current investments
12) Loan receivables under current assets due in one year or more
13) Receivables and liabilities from subsidiaries and associates
14) Changes in shareholders´equity
15) Tax liabilities equivalent to Group voluntary reserves
16) Liabilities due in five years or more
17) Pledges and other commitments
18) Intangible and tangible assets
19) Shares and holdings owned by Group and parent company

	WSOY GROUP		WSOY	
	1996	1995	1996	1995
1) Net sales by unit				
Publishing and printing	1,095.4	1,113.2	694.2	682.1
Renting	8.5	9.0	0.0	0.0
Other operations	32.3	26.9	3.5	2.9
Total	1,136.2	1,149.1	697.7	685.0
Net sales by market area				
Finland	918.2	912.5	586.8	541.5
Other EU countries	168.3	185.6	85.4	122.2
Other countries	49.7	51.0	25.5	21.3
Total	1,136.2	1,149.1	697.7	685.0
2) Personnel costs				
Salaries and wages of Group and WSOY employees on accrual basis	278.9	281.1	165.0	167.5
Pensions paid	17.5	9.1	0.2	0.2
Pension coverage	24.1	1.1	24.0	1.1
Fees to the Pension Fund	22.5	27.7	22.5	27.7
Statutory social contributions	35.7	45.8	18.5	21.1
Total personnel costs based on the income statement	378.7	364.8	230.2	217.6
Fringe benefits	5.5	5.3	2.8	2.6
Voluntary social costs	9.6	9.5	5.6	6.1
Total personnel costs	393.8	379.6	238.6	226.3

	WSOY GROUP		WSOY	
	1996	1995	1996	1995
3) Depreciation and amortization				
Depreciation and amortization to plan on				
Intangible assets	1.5	1.4	1.5	1.4
Goodwill	4.8	5.4	4.9	4.9
Buildings and structures	8.4	8.0	3.5	3.5
Machinery and equipment	50.0	59.2	30.6	37.0
Additional on machinery to plan	2.0	60.0	2.0	60.0
Loss from scrapped machinery	5.3	0.0	5.3	0.0
Other tangible assets	5.8	5.8	4.2	4.5
Loss from other scrapped tangibles	0.3	0.0	0.3	0.0
Total	78.1	139.8	52.3	111.3
Group goodwill	4.5	5.3		
Consolidation difference	-0.3	-0.4		
Total	4.2	4.9		
Total depreciation and amortization to plan	82.3	144.7		
Change in accelerated depreciation on				
Intangible rights	-0.1	0.0	-0.1	0.0
Buildings and structures	1.6	1.9	2.1	1.6
Machinery and equipment	13.5	56.3	14.9	59.0
Other tangible assets	-0.4	0.8	-0.1	0.9
Profits and losses on sales according to plan	-1.3	-0.9	-0.5	-0.6
Total change in accelerated depreciation	13.3	58.1	16.3	60.9
Change in voluntary reserves	10.0	25.3	10.0	23.0
Total change in reserves	23.3	83.4	26.3	83.9
Transfer to retained earnings	-17.1	-62.6		
Deferred tax liability under direct taxes on the income statement	-6.2	-20.8		
	0.0	0.0		
4) Accumulated difference in voluntary reserves				
Accumulated difference in the depreciation realized and planned				
Intangible assets	0.3	0.2	0.2	0.2
Buildings	53.8	55.4	43.2	45.3
Machinery and equipment	135.5	147.7	107.1	121.5
Other tangible assets	9.6	9.2	9.3	9.1
	199.2	212.5	159.8	176.1
Accumulated difference 1 January	212.5	260.9	176.1	237.0
New subsidiary	0.0	9.7		
Accelerated depreciation for the period	-23.3	-83.4	-26.3	-83.9
Transfer reserve used	10.0	25.3	10.0	23.0
Accumulated difference 31 December	199.2	212.5	159.8	176.1
Transfer reserve	42.9	52.9	40.0	50.0
Total reserves	242.1	265.4	199.8	226.1
Reserves of foreign companies	8.3	7.1		
Transfer from reserves to shareholders´ equity	-178.9	-194.7		
Deferred tax liability under non-current liabilities	-71.5	-77.8		
	0.0	0.0		
5) Financial income and expenses				
Dividend income	1.2	0.6	63.5	35.7
Interest received on short-term investments	14.4	16.7	14.1	14.2
Other financial income	0.2	0.2	0.0	0.0
Exchange rate changes	0.2	6.0	0.2	6.0
Proportions of associates´results	52.1	40.7	0.0	0.0
Interest expenses	-17.9	-24.2	-14.5	-18.1
Other financial expenses	-0.2	-0.3	-0.2	-0.2
Reversal of amortization under investments	4.2	0.1	4.2	0.1
	54.2	39.8	67.3	37.7

	WSOY GROUP 1996	WSOY GROUP 1995	W S O Y 1996	W S O Y 1995
6) Intra-Group financial income and expenses				
Financial income from the Group				
Dividend income			25.2	9.7
Interest received on short-term investments			8.9	7.9
Financial expenses paid to Group companies				
Interest expenses			1.3	2.1
7) Extraordinary income and expenses				
Profit from sale of fixed assets	10.9	0.0	10.9	0.0
Allotment of bankruptcy	0.0	0.9	0.0	0.8
Group contribution paid	0.0	0.0	-4.0	0.0
Total extraordinary income and expenses	10.9	0.9	6.9	0.8
8) Direct taxes				
For the period	-54.5	-29.0	-56.0	-21.7
For previous years	-0.1	-2.4	-0.1	-0.5
Change in deferred tax liabilities	12.9	12.8		
Total direct taxes	-41.7	-18.6	-56.1	-22.2
9) Information on fixed assets				
Revaluation of fixed assets 31 December				
Land and water	25.0	25.0	25.0	25.0
Proportion of machinery and equipment in book value 31 December	174.3	188.8	117.1	136.9
10) Taxable value of fixed assets and shares				
Land and water	45.6	47.7	6.3	8.5
Buildings	146.6	154.3	36.3	45.9
Shares of subsidiaries	0.0	0.0	208.5	183.9
Shares of associates	445.1	339.6	445.1	339.6
Shares of other companies	39.7	35.4	30.4	25.2
Total taxable values	677.0	577.0	726.6	603.1
11) Shares and loan receivables in non-current investments				
Shares of subsidiaries			202.1	202.1
Loan receivables			7.0	7.0
Total			209.1	209.1
12) Loan receivables in current assets due in one year or more				
Accounts receivable	0.6	0.5	0.6	0.5
Loan receivables	0.3			
13) Receivables and liabilities from subsidiaries and associates				
Accounts receivable from subsidiaries			1.7	3.0
Accounts receivable from associates	9.6	10.5	8.6	10.5
Loan receivables from subsidiaries			172.2	190.9
Loan receivables from associates	21.5	26.9	16.4	20.7
Accounts payable by subsidiaries			0.2	0.4
Accounts payable by associates	0.5	0.3	0.4	0.3
Other short-term liabilities payable by subsidiaries			33.5	52.3
Other short-term liabilities payable by associates	0.0	0.0	3.3	0.0

	WSOY GROUP 1996	WSOY GROUP 1995	W S O Y 1996	W S O Y 1995
14) Changes in shareholders´ equity				
Restricted equity				
Share capital 1 January	120.0	100.0	120.0	100.0
Capitalization issue 20 December	0.0	20.0	0.0	20.0
Share capital 31 December	120.0	120.0	120.0	120.0
Other restricted equity 1 January	82.1	102.1	82.0	102.0
Capitalization issue 20 December	0.0	-20.0	0.0	-20.0
Other restricted equity 31 December	82.1	82.1	82.0	82.0
Total restricted equity	202.1	202.1	202.0	202.0
The parent company share capital by type of share:				
Class A shares (20 votes per share) 1,980,000 nominal value FIM 10,00			19.8	19.8
Class B shares (1 vote per share) 10,020,000 nominal value FIM 10,00			100.2	100.2
Total share capital			120.0	120.0
Unrestricted shareholders´ equity				
Unrestricted funds 31 December	39.7	39.7	91.4	91.4
Retained earnings 1 January	628.3	599.5	219.9	174.8
Dividend distribution	-24.0	-18.0	-24.0	-18.0
Other profit sharing items	-0.4	-0.3	-0.1	-0.1
Exchange rate change	1.1	0.9		
Associates´proportion of depreciation difference in equity 1 January	0.0	3.1		
Retained earnigs 31 December	605.0	585.2	195.8	156.7
Profit for the period	151.3	43.1	117.0	63.2
Total	756.3	628.3	312.8	219.9
Total unrestricted equity 31 December	796.0	668.0	404.2	311.3
Total shareholders´equity	998.1	870.1	606.2	513.3
Proportion of distributable funds in unrestricted equity	617.0	473.3	404.2	311.3
15) Tax liabilities equivalent to Group voluntary reserves	71.5	77.8		
Tax refund for pensions paid	-6.7	0.0		
Deferred tax liability	64.8	77.8		
16) Liabilities				
Liabilities due in five years or more				
Pension loans	9.7	12.4	2.5	3.6
Other loans	15.0	0.7	0.0	0.0
Total liabilities	24.7	13.1	2.5	3.6

	WSOY GROUP 1996	WSOY GROUP 1995	WSOY 1996	WSOY 1995
17) Pledges and other commitments				
Own commitments				
Pledged shares	146.0	146.7	146.0	145.4
Mortgages on land and buildings	86.2	75.7	53.5	63.5
Mortgaged loans	60.9	51.8	41.0	45.5
Group liabilities				
Guarantees			11.5	13.6
On behalf of others				
Guarantees for associates	12.8	28.9	12.6	28.7
Other guarantees	0.4	0.4	0.1	0.2

	WSOY GROUP 1996	WSOY GROUP 1995	WSOY 1996	WSOY 1995
Other own commitments				
Pension liabilities	0.0	0.1	0.0	0.0
Bill liabilities	0.2	0.2	0.2	0.2
Leasing liabilities	1.2	1.2	0.2	0.0
Other commitments	43.9	49.2	0.6	0.7
TOTAL				
Pledges	146.0	146.7	146.0	145.4
Mortgages	86.2	75.7	53.5	63.5
Guarantees	13.2	29.3	24.2	42.5
Pension liabilities	0.0	0.1	0.0	0.0
Bill liabilities	0.2	0.2	0.2	0.2
Leasing liabilities	1.2	1.2	0.2	0.0
Other commitments	43.9	49.2	0.6	0.7

18) Intangible and tangible assets

	Acquisition cost 1 January	Increase 1996	Decrease 1996	Acquisition cost 31 December	Accumulated depr. to plan 31 Dec.	Book value 31 Dec.
Group						
Intangible rights	5.9	0.4	0.0	6.3	5.1	1.2
Goodwill	29.7	0.0	0.0	29.7	10.3	19.4
Group goodwill	27.7	0.0	0.0	27.7	9.7	18.0
Land and water areas	76.5	0.0	0.4	76.1	0.0	76.1
Buildings	193.1	12.1	0.5	204.7	60.1	144.6
Machinery and equipment	647.8	39.4	19.3	667.9	455.0	212.9
Other tangible assets	47.9	4.4	0.9	51.4	32.5	18.9
	1,028.6	56.3	21.1	1,063.8	572.7	491.1
Parent company						
Intangible rights	5.7	0.4		6.1	5.1	1.0
Goodwill	29.2	0.0		29.2	9.7	19.5
Land and water areas	33.5	0.0	0.4	33.1	0.0	33.1
Buildings	82.2	0.4	0.5	82.1	25.0	57.1
Machinery and equipment	502.6	16.5	17.2	501.9	365.7	136.2
Other tangible assets	39.7	2.3	0.9	41.1	27.3	13.8
	692.9	19.6	19.0	693.5	432.8	260.7

	Value 1 Jan.	Increase 1996	Decrease 1996	Value 31 Dec.	Accumulated depr. to plan 31 Dec.	Book value 31 Dec.
Group reserves	1.5	0.0	0.0	1.5	0.6	0.9

19) Shares and holdings owned by Group and parent company 31 December 1996

Name	Group holding %	Group´s voting power %	Group´s proportion of equity MFIM	Parent company´s holding %	shares	Parent company´s holding nominal value MFIM	book value MFIM	Profit or loss based on last financial statements MFIM
Subsidiaries:								
Werner Söderström GmbH	100.0	100.0	0.4	100.0		DEM 0.2	0.5	0.0
Kirjapaino Lönnberg Oy	100.0	100.0	35.8	100.0	20,250	1.2	0.3	8.2
Kirjatuki Oy, subgroup	100.0	100.0	16.8	100.0	414,000	12.4	14.7	1.1
Tuotantotalo Werne Oy	100.0	100.0	3.4	100.0	1 250	0.3	0.5	0.3
Kiinteistö Oy Bulevardi 12	100.0	100.0	1.2	80.5	161	1.0	14.0	0.0
Kiinteistö Oy Bulevardi 14	78.8	78.8	1.7	78.8	152	1.5	60.4	0.4
Ajasto Osakeyhtiö, subgroup	100.0	100.0	56.1	100.0	100	10.0	61.2	14.8
Kiviranta Oy	100.0	100.0	-3.7	100.0	20	1.0	0.5	2.7
Weilin+Göös Oy, subgroup	100.0	100.0	79.0	100.0	1,000	10.0	50.0	13.9
Subsidiaries total							202.1	

Associated companies:	Group holding %	Group´s voting power %	Group´s proportion of equity MFIM	Parent company´s holding %	shares	Parent company´s holding nominal value MFIM	book value MFIM	Profit or loss based on last financial statements MFIM
Finnprint Osuuskunta	33.3	33.3	-	33.3	6	-	0.0	1.1
Rautakirja Oy, group 1)	31.0	31.3	292.6	31.0	2,011,565	40.2	101.7	167.8
Suuri Suomalainen Kirjakerho Oy	40.0	40.0	3.4	40.0	480	0.5	0.4	3.6
Yhtyneet Kuvalehdet Oy, group	50.0	50.0	30.2	50.0	7,500	7.5	40.6	4.6
Måndag Oy	50.0	50.0	0.7	0	0	-	0.0	1.1
As. Oy Hietalahdenranta 15, Helsinki 2)	28.7	28.7	-	28.7	87	-	9.3	0.0
As. Oy Jyväskylän Kauppak.9, Jyväskylä 2)	23.8	23.8	0.7	23.8	1,305	0.7	0.8	0.0
Associated companies total 3)							152.8	

Parent company´s other shares and holdings	Parent company´s holding %	shares	Parent company´s holding nominal value MFIM	book value MFIM	Group holding Stock Exchange Shares market value MFIM
As. Oy Klassikko. Turku	2.9	75	0.0	0.2	
As. Oy Monttiinintalo, Oulu	5.7	7,448	0.1	0.1	
As. Oy Myyrinjoki. Vantaa	1.0	57	0.1	0.3	
As. Oy Rajasaari, Helsinki	18.0	592	0.2	2.3	
As. Oy Ruusankatu 2, Helsinki	8.4	8	-	0.2	
As. Oy Valtakouvo, Kouvola	7.1	10	-	0.7	
Aamulehti-yhtymä Oy, I	1.2	77,680	0.8	10.4	11.3
Amer-yhtymä Oy, A		3,870	0.1	0.2	0.4
Enso-Gutzeit, A		50,000	0.5	1.8	1.8
Golfsarfvik Oy	0.3	1	-	0.2	
Helsingin Arvopaperipörssi	-	20,000	0.1	0.2	
Helsingin Puhelinyhdistys	-	104	-	0.2	
Kiint. Oy Jerisjärvi		1		0.4	
UPM-Kymmene	0.1	67,200	1.3	4.5	6.5
Merita A		23,474	0.2	0.3	0.4
Vakuutusosakeyhtiö Pohjola, B	-	25,000	0.1	1.6	2.6
Oy Stockmann Ab, B	0.3	25,500	0.5	5.1	7.0
Suomen Osakekeskusrekisteri	-	3	0.2	0.2	
Villa Reino-Veikko, Cyprus				0.3	
Other shares and holdings	-	-	-	0.5	
Total				29.7	

1) Rautakirja Oy is presented under Financial income and expenses. the market value of the shares is FIM 648,938,990.
Others are presented under net sales.

2) Associated companies which are not included in the consolidated financial statements.

3) All associated companies´ closing date was 31 December 1996 and the acoounting period was 12 months.

BOARD OF DIRECTORS´ PROPOSAL FOR APPLICATION OF PROFIT

Non-restricted shareholders´ equity on the consolidated balance sheet is FIM 795,982,537.73, of which FIM 178,947,567.94 comprises items transferred from voluntary reserves to shareholders´ equity in compliance with the Accounting Act. Parent company´s non-restricted shareholders´ equity consists of:

– operating fund	91,430,929.54
– retained earnings	195,739,704.13
– profit for the period	117,028,864.88
Total	404,199,498.55

The Board of Directors proposes to the Annual General Meeting that the total amount of the funds be applied as follows:

– dividend per share FIM 4.00	48,000,000.00
– donation to WSOY:n Kirjallisuussäätiö	150,000.00
– non-restricted shareholders´ equity	356,049,498.55
Total	404,199,498.55

The Board of Directors proposes that the dividend be paid out on 7 May 1997. The shareholders whose share certificates have not been transferred to the book entry securities system by the date of record 2 May 1997 will receive their dividends after such transfer has been made.

Helsinki 13 March 1997

Antero Siljola CEO	Pertti Ailio	Aarno Heinonen
Jorma Kaimio	Heikki Kokkonen	Sven Meinander

AUDITORS´ REPORT

TO SHAREHOLDERS OF WERNER SÖDERSTRÖM OSAKEYHTIÖ - WSOY

We have examined the accounts, financial statements and administration for the accounting period from 1 January to 31 December 1996. The financial statements prepared by the Board of Directors and the Chief Executive Officer consist of the report on operations, the consolidated and parent company income statements, balance sheets and the notes to the financial statements. Based on our audits it is our responsibility to express our opinion on the financial statements and the administration.

We conducted our audits in compliance with generally accepted auditing principles. The accounts and the financial statements, the contents, preparation and presentation thereof have been examined to an adequate extent to support our opinion that the financial statements are, in all material respects, correctly prepared. Our audit included examining the administration, the compliance with the Companies Act of the activities of the members of the Supervisory Board, the Board of Directors and the Chief Executive Officer.

In our opinion, the financial statements have been prepared in compliance with the Accounting Act and in conformity with other relevant regulations and rules concerning the disclosure of financial statements. The financial statements give a true and fair view of the operations and financial status of the Group and the parent company in conformity with the stipulations of the Accounting Act. The financial statements including the consolidated statements can be confirmed and the members of the Supervisory Board and the Board of Directors, and the Chief Executive Officer can be released from liability for the accounting period we have audited. The Board of Directors´ proposal concerning the application of the non-restricted equity on the balance sheet is in compliance with the Companies Act.

We have reviewed the interim reports disclosed during the accounting period. In our opinion, they have been prepared in accordance with the relevant regulations.

Helsinki 20 March 1997

Tauno Haataja
CPA

SVH Coopers & Lybrand Oy
CPA Corporation
Björn Renlund
CPA

SUPERVISORY BOARD´S STATEMENT

The Supervisory Board has reviewed the report on operations for 1996 prepared by the Board of Directors and the consolidated financial statements as on 31 December 1996.

We propose to the Annual General Meeting that the income statement, the balance sheet and the consolidated income statement and balance sheet be adopted, and that the proposal of the Board of Directors concerning the application of profit be approved.

Further, we have examined the auditors´ report and the supervising auditor´s report, neither of which requires any action on the part of the Supervisory Board.

The Supervisory Board submits the financial statements and the auditors´report to the Annual General Meeting for consideration.

The members of the Supervisory Board whose terms of office are due to expire are: Paavo Hohti, Tuomas Anhava and Hannele Pokka.

Helsinki 10 April 1997

Esko Koivusalo
Paavo Hohti
Tuomas Anhava

Marjukka af Heurlin
Jorma Hämäläinen
Leena Kartio

Hannele Pokka
Jaakko Rauramo
Raimo Taivalkoski

WSOY GROUP RATIOS

Figures in MFIM	1996	1995	1994	1993	1992
Net sales	1,136.2	1,149.1	734.2	591.5	643.4
Operating income	210.3	165.7	105.1	95.6	104.2
% of net sales	18.5	14.4	14.3	16.2	16.2
Depreciation to plan	82.3	144.6	57.0	57.2	52.2
Total depreciation	57.8	60.4	41.4	73.5	143.5
Trading profit	128.0	21.0	48.1	38.1	52.0
% of net sales	11.3	1.8	6.6	6.4	8.1
Financial income and expenses	+ 54.2	+ 39.8	+ 44.2	- 3.6	- 7.0
% of net sales	4.8	3.5	6.0	- 0.6	- 1.1
Profit before extraordinary items	182.2	60.8	92.3	34.5	45.0
% of net sales	16.0	5.3	12.6	5.8	7.0
Extraordinary income and expenses	10.9	1.0	1.7	6.5	- 13.1
Profit before reserves and taxes	193.1	61.8	94.0	56.4	23.2
% of net sales	17.0	5.4	12.8	9.5	3.6
Taxes	41.7	18.6	13.2	10.6	8.9
Group net profit	151.3	43.1	80.8	46.3	14.3
Balance sheet total	1,550.2	1,466.5	1,361.6	1,327.6	1,238.8
Current assets	508.0	431.4	407.6	408.3	421.5
Inventories	151.6	152.6	114.0	104.9	109.1
Fixed assets	890.6	882.5	840.0	814.5	708.2
Interest-bearing debts	237.9	255.8	278.6	304.0	317.8
Non-interest-bearing debts	312.9	339.1	236.8	253.6	205.7
Shareholders´ equity + minority interest	998.5	870.5	841.7	770.0	715.3
Gross investments	56.6	172.2	52.7	52.6	141.9
% of net sales	5.0	15.0	7.2	8.9	22.1
Published new titles	695	851	606	537	568
Published new editions	1,348	1,397	764	965	1,182
Return on investments (ROI) %	16.9	7.6	10.1	6.4	8.6
Return on equity (ROE) %	15.4	5.2	9.9	2.8	5.2
Personnel on average	1848	1923	1231	1264	1347
Personnel costs	378.7	364.8	227.8	222.2	234.9
% of net sales	33.3	31.7	31.0	37.6	36.5
Net sales/employee, FIM 1,000	614.8	597.6	596.4	467.9	477.7
Financial result	233.7	187.8	137.8	87.9	75.2
% of net sales	20.6	16.3	18.8	14.9	11.7
Equity ratio %	64.4	59.5	61.8	58.8	58.5
Current ratio	2.5	2.1	2.4	2.7	2.4
Gearing %	2.6	16.8	7.2	16.1	22.9
Net export sales					
EU countries	168.3	185.6	111.5	74.5	55.5
Other countries	49.7	51.0	18.7	19.9	12.0

INFORMATION ON WSOY SHARES

	1996	1995	1994	1993	1992
SHARE CAPITAL AND SHARES					
Share capital 31 December, FIM 1,000	120,000	120,000	100,000	100,000	100,000
WSOY A	19,800	19,800	19,800	19,800	19,800
WSOY B	100,200	100,200	80,200	80,200	80,200
Number of shares 31 December, 1,000	12,000	12,000	2,000	2,000	2,000
WSOY A	1,980	1,980	396	396	396
WSOY B	10,020	10,020	1,604	1,604	1,604
Issue adjusted number of shares, 1,000	12,000	12,000	12,000	12,000	12,000
Issue adjusted number of shares, average, 1,000	12,000	12,000	12,000	12,000	12,000
Nominal value of shares 31 December	10	10	50	50	50
Taxable value WSOY A	100	42	400	385	420
Taxable value WSOY B	80	45	260	220	180
DIVIDEND DISTRIBUTION					
Dividend distribution, FIM 1,000	48,000	24,000	18,000	14,000	14,000
Dividend/share, FIM 1)	4.00	2.00	9.00	7.00	7.00
Adjusted dividend/share, FIM 1)	4.00	2.00	1.50	1.17	1.17
Dividend/income % 1)	33	57	23	40	44
Effective dividend earnings 31 December, %, WSOY A 1)	2.8	3.3	1.6	1.3	1.1
Effective dividend earnings 31 December, %, WSOY B 1)	3.5	3.1	2.4	2.2	2.8
STOCK EXCHANGE RATES					
End of year closing rate, WSOY A	145.00	60.00	575.00	550.00	650.00
Issue adjusted closing rate, WSOY A	145.00	60.00	95.83	91.67	108.33
Issue adjusted highest rate, WSOY A	150.00	88.33	116.67	116.67	108.33
Issue adjusted lowest rate, WSOY A	72.00	63.33	78.33	86.67	55.00
Issue adjusted average rate for the period, WSOY A	105.09	72.78	92.48	97.26	82.48
End of year closing rate, WSOY B	115.00	65.00	373.00	315.00	250.00
Issue adjusted closing rate, WSOY B	115.00	65.00	62.17	52.50	41.67
Issue adjusted highest rate, WSOY B	123.00	68.33	73.33	56.50	45.00
Issue adjusted lowest rate, WSOY B	68.50	56.67	50.33	40.83	28.33
Issue adjusted average rate for the period, WSOY B	95.37	64.10	65.05	46.72	36.94
MARKET CAPITALIZATION VALUE 31 DECEMBER					
Total MFIM	1,439.4	770.1	826.0	723.1	658.4
WSOY A MFIM	287.1	118.8	227.7	217.8	257.4
WSOY B MFIM	1,152.3	651.3	598.3	505.3	401.0
TRADING VOLUME					
Total volume FIM 1,000	172,691	192,658	181,723	29,870	8,647
Volume for WSOY A, FIM 1,000	1,377	783	1,345	1,327	483
Volume for WSOY B, FIM 1,000	171,314	191,875	180,378	28,543	8,164
Volume for WSOY A shares until 20 Dec.1995 (nom. value FIM 50)		1,793	2,424	2,274	976
Volume for WSOY A shares since 21 Dec. 1995 (nom. value FIM 10)	13,103	0			
WSOY A, % all shares in the class	0.7	0.5	0.6	0.6	0.2
Volume for WSOY B shares until 20 Dec.1995 (nom. value FIM 50)		495,550	462,138	101,816	36,833
Volume for WSOY B shares since 21 Dec.1995 (nom. value FIM 10)	1,796,258	20,130			
WSOY B, % all shares in the class	17.9	31.1	28.8	6.3	2.3
SHARE SPECIFIC RATIOS 2)					
Issue adjusted earnings/share FIM 3)	11.98	3.52	6.60	2.95	2.65
Issue adjusted equity/share FIM 3)	83.38	72.70	70.33	64.17	59.50
P/E 31 December WSOY A	12.1	17.1	14.5	31.1	40.9
P/E 31 December WSOY B	9.5	18.6	9.4	17.8	15.7

1) In 1996: Board´s proposed dividend distribution.
2) Calculation of the ratios on page 24.
3) In the calculation of the ratios the proportion of the Group 29,760 shares was eliminated from the number of shares of the associated company.

INFORMATION ON WSOY SHAREHOLDERS

SHAREHOLDERS BY SECTOR 4 MARCH 1997

	Shareholders	Shares	Ownership % of votes	% of shares
Companies	98	2,424,119	22.31	20.21
Financing and insurance companies	22	1,706,791	6.66	14.22
Public corporations	18	1,092,152	9.28	9.10
Non-profit organizations	110	2,772,398	42.63	23.11
Private persons	3,354	2,106,147	14.95	17.55
Foreign and nominee-registered	11	1,872,779	4.03	15.60
Not transferred to book entry accounts		25,614	0.14	0.21
TOTAL	3,613	12,000,000	100.00	100.00

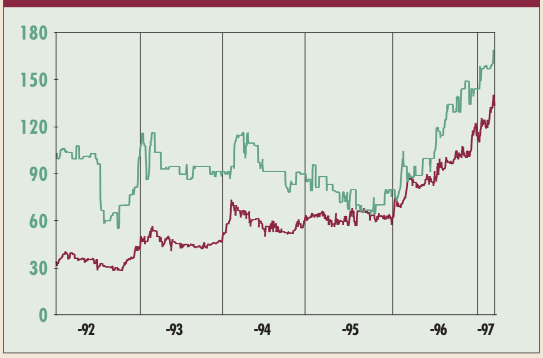
LARGEST WSOY SHAREHOLDERS 4 MARCH 1997

	Number of shares		Owneship	
	A shares	B shares	% of votes	% of shares
Sanoma Osakeyhtiö	343,085	1,679,713	17.21	16.86
Merita Pankki Oy / nominee-registered	0	1,843,725	3.72	15.36
Alfred Kordelinin yleinen edistys- ja sivistysrahasto	399,135	825,595	17.75	10.21
Vakuutusosakeyhtiö Pohjola	82,480	786,284	4.91	7.24
WSOY:n kirjallisuussäätiö r.s.	334,575	158,403	13.80	4.11
Henkivakuutusosakeyhtiö Nova	0	452,100	0.91	3.77
Eläkevakuutusosakeyhtiö Ilmarinen	127,815	235,563	5.63	3.03
Suomalaisen Kirjallisuuden Seura	66,000	288,696	3.24	2.96
Eläkesäätiö Polaris Pensionsstiftelse s.r.	0	228,000	0.46	1.90
Suomen Kulttuurirahasto	70,000	140,000	3.10	1.75
Werner Söderström Osakeyhtiön Eläkesäätiö s.r.	56,795	115,159	2.52	1.43
Särkilahti Tuomas	26,455	74,921	1.22	0.84
Kalevi Jäntin Rahasto	30,070	63,224	1.34	0.78
Keskinäinen Henkivakuutusyhtiö Suomi	0	90,000	0.18	0.75
Kilpi Lassi Topias Taavetti V	0	78,912	0.16	0.66
Särkilahti Monika Eva	17,290	58,286	0.81	0.63
Kalevalaseura	7,445	66,817	0.43	0.62
Kuntien Eläkevakuutus	0	62,450	0.13	0.52
Henkivakuutusosakeyhtiö Salama	0	60,000	0.12	0.50
Yhtyneet Kuvalehdet Oy	42,600	16,920	1.75	0.50
Aamulehti-Yhtymä Oy	48,115	9,623	1.96	0.48
21 largest shareholders	1,651,860	7,334,391	81.35	74.90

WSOY SHAREHOLDER DISTRIBUTION BY SIZE OF HOLDING

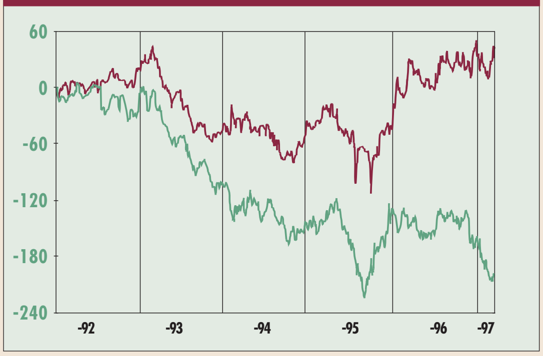
	WSOY A				WSOY B			
Size of holding	Number of shareholders	%	Shares	%	Number of shareholders	%	Shares	%
1-100	401	49.80	17,739	0.90	1 206	33.82	61,975	0.62
101-500	286	35.53	61,393	3.10	1 459	40.92	349,785	3.49
501-1000	51	6.34	36,880	1.86	441	12.37	307,817	3.07
1001-5000	45	5.59	103,268	5.22	358	10.04	766,580	7.65
5001-10000	4	0.50	28,450	1.44	47	1.32	356,786	3.56
10001-50000	10	1.24	250,015	12.63	32	0.90	682,897	6.82
50001-100000	4	0.50	275,275	13.90	11	0.31	717,678	7.16
100001-500000	4	0.50	1,204,610	60.83	7	0.20	1,617,921	16.15
500001-1000000	0	0.00	0	0.00	2	0.06	1,611,879	16.09
1000001-	0	0.00	0	0.00	2	0.06	3,523,438	35.16
Not in book entry system			2,370	0.12			23,244	0.23
TOTAL	805	100.00	1,980,000	100.00	3 565	100.00	10,020,000	100.00

WSOY - SHARE
A-and B-class 1 Jan. 1992 – 28 Feb. 1997



A-class
B-class

WSOY - SHARE
A-and B-class 1 Jan. 1992 – 28 Feb. 1997 HEX



A-class
B-class

PROFITABILITY EVALUATION

ROI at 12% — Good

Targets of business operations and investments achieved;
profitability in the upper quartile for the industry;
replacement of fixed assets ensured;
dividend distribution in line with distribution policy guaranteed;
net realizable value of assets increases.

ROI at 6 to 12% — Satisfactory

Profitability at the median level of the industry;
replacement of fixed assets ensured;
dividend distribution in line with distribution policy guaranteed;
net realizable value of assets increases.

ROI below 6% — Unsatisfactory

Profitability below the median level of the industry;
replacement of fixed assets ensured;
dividend distribution possible;
net realizable value of assets does not increase.

CALCULATION OF KEY RATIOS

The ratios are calculated in compliance with the general guidelines of the Finnish Accounting Standards Board as per 12 April 1996.

Return on investment (ROI) %
$$100 \times \frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Total assets – non-interest-bearing liabilities (on average)}}$$

Return on equity (ROE) %
$$100 \times \frac{\text{Profit before extraordinary items – taxes}}{\text{Shareholders´ equity + minority interests (on average)}}$$

Equity ratio %
$$100 \times \frac{\text{Shareholders´ equity + minority interests}}{\text{Total assets – advances received}}$$

Gearing %
$$100 \times \frac{\text{Interest-bearing liabilities – cash – short-term receivables}}{\text{Shareholders' equity + minority interests}}$$

Financial income

Profit before appropriations and taxes + depreciation – taxes

Current ratio
$$\frac{\text{Current assets and inventories}}{\text{Current liabilities}}$$

Dividend/share

Dividend divided by number of shares at period end

Earnings/share
$$\frac{\text{Profit}}{\text{Average number of shares}}$$

Profit

Group profit before extraordinary items
+ /– minority interest in profit/loss for period
– taxes on income statement
+ /– taxes on extraordinary items

Dividend/profit %
$$100 \times \frac{\text{Dividend / share}}{\text{Profit / share}}$$

Effective dividend yield
$$100 \times \frac{\text{Dividend}}{\text{Weighted average rate}}$$

Price/Earnings ratio P/E
$$\frac{\text{Weighted average rate}}{\text{Profit / share}}$$

Equity / share
$$\frac{\text{Equity}}{\text{Number of shares}}$$

Market capitalization value

Number of shares at period end multiplied
by the last trading rate at period end

WSOY GROUP 1 APRIL 1997